

Registration No.

199201015575 (247079-M)

**KPJ HEALTHCARE BERHAD**  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**

**31 DECEMBER 2019**

0211A0/py

Registration No.

199201015575 (247079-M)

**KPJ HEALTHCARE BERHAD**  
(Incorporated in Malaysia)

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**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 2019.

**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**

	<u>Group</u> RM'000	<u>Company</u> RM'000
Profit before tax	275,393	152,535
Tax	(48,696)	(15,184)
Profit for the financial year	<u>226,697</u>	<u>137,351</u>
Profit for the financial year attributable to:		
Owners of the Company	211,368	137,351
Non-controlling interests	15,329	-
Profit for the financial year	<u>226,697</u>	<u>137,351</u>

**RESERVES AND PROVISIONS**

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

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**DIRECTORS' REPORT (CONTINUED)**

**DIVIDENDS**

The dividends paid or declared by the Company since 31 December 2018 are as follows:

	RM
In respect of the financial year ended 31 December 2019:	
First interim single tier dividend of 0.50 sen per share on 4,319,667,986 ordinary shares, declared on 19 February 2019 and paid on 19 April 2019.	21,598,340
Second interim single tier dividend of 0.50 sen per share on 4,322,068,715 ordinary shares, declared on 31 May 2019 and paid on 28 June 2019.	21,610,344
Third interim single tier dividend of 0.50 sen per share on 4,284,117,355 ordinary shares, declared on 30 August 2019 and paid on 10 October 2019.	21,420,587
Fourth interim single tier dividend of 0.50 sen per share on 4,278,001,795 ordinary shares, declared on 28 November 2019 and paid on 14 February 2020.	21,390,009
	<u>86,019,280</u>

The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2019.

**TREASURY SHARES**

On 18 April 2019, 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 47,109,200 ordinary shares of its issued share capital from the open market at an average price of RM0.93 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 2019, the Company held a total of 162,306,700 of its 4,439,197,175 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM155,310,152.

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**DIRECTORS' REPORT (CONTINUED)**

**ISSUE OF SHARES AND DEBENTURES**

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

- a) RM25,230,159 through the issuance of 22,884,498 ordinary shares by way of the conversion of Warrants at an average price of RM1.10 per warrant.
- b) RM21,218,266 through the issuance of 17,164,558 ordinary shares pursuant to the exercise of the Employees' Share Option Scheme ("ESOS") at an exercise price of RM0.91 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing issued ordinary shares of the Company. The warrants expired on 23 January 2019 and a total of 244,147,766 units lapsed and no longer valid to be exercised.

**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.

**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' Yusli bin Mohamed Yusoff	(Chairman, appointed on 18 February 2020)
Dato' Amiruddin bin Abdul Satar	(Managing Director)
Aminudin bin Dawam	(Executive Director)
Jasimah binti Hassan	(Executive Director)
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	
Dato' Dr. Bajit Kor A/P Teja Singh	
Christina Foo	
Datuk Mohd Radzif bin Mohd Yunus	(Appointed on 1 January 2020)
Dato' Kamaruzzaman bin Abu Kassim	(Resigned on 15 January 2020)

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.

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**DIRECTORS' REPORT (CONTINUED)**

**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' 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 1.1.2019	Acquired	Disposed	At 31.12.2019
<u>KPJ Healthcare Berhad</u>				
Dato' Amiruddin bin Abdul Satar	25,064	-	-	25,064
Aminudin bin Dawam	44,788	-	-	44,788
Jasimah binti Hassan	1,190,000	-	-	1,190,000
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir	4,800,000	-	-	4,800,000
Zulkifli bin Ibrahim	-	135,000	-	135,000
Prof Dato' Dr. Azizi bin Haji Omar	-	330,000	-	330,000
Mohd Sahir bin Rahmat	860,000	44,800	-	904,800
Dato' Dr. Zaki Morad bin Mohamad Zaher	80,000	-	-	80,000
Dato' Dr. Bajit Kor A/P Teja Singh	751,960	-	-	751,960
Dato' Kamaruzzaman bin Abu Kassim	254,500	50,000	-	304,500
<u>E.A. Technique (M) Berhad</u> (Subsidiary of Johor Corporation)				
Jasimah binti Hassan	3,000	-	-	3,000
Dato' Kamaruzzaman bin Abu Kassim	120,000	-	-	120,000

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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)**

	Number of Warrants			
	At 1.1.2019	Exercised	Lapsed	At 31.12.2019
<u>KPJ Healthcare Berhad</u>				
Dato' Amiruddin bin Abdul Satar	2,128	-	(2,128)	-
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir	28	-	(28)	-
- Amy Nadzlina binti Mohamed (indirect)	664	-	(664)	-
Mohd Sahir bin Rahmat	44,800	(44,800)	-	-
Dato' Kamaruzzaman bin Abu Kassim	446,100	-	(446,100)	-
Number of options over ordinary shares				
	At 1.1.2019	Granted	Exercised	At 31.12.2019
<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	620,000	-	-	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.

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**DIRECTORS' REPORT (CONTINUED)**

**OTHER STATUTORY INFORMATION**

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) 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
  - (ii) 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:
- (i) 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
  - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) 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.
- (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.



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## DIRECTORS' REPORT (CONTINUED)

### OTHER STATUTORY INFORMATION (CONTINUED)

- (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.

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DIRECTORS' REPORT (CONTINUED)

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 26 February 2020. Signed on behalf of the Board of Directors:



DATO' YUSLI BIN MOHAMED YUSOFF  
DIRECTOR



DATO' AMIRUDDIN BIN ABDUL SATAR  
DIRECTOR

Kuala Lumpur

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**KPJ HEALTHCARE BERHAD**  
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**STATEMENT BY DIRECTORS PURSUANT TO  
SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Dato' Yusli Bin Mohamed Yusoff 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 18 to 148 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 2019 and financial performance of the Group and of the Company for the financial year ended 31 December 2019 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 26 February 2020.



DATO' YUSLI BIN MOHAMED YUSOFF  
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, Malaysian Institute of Accountants No. 45153, 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 18 to 148 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: 26 February 2020

Before me:



COMMISSIONER FOR OATH

Lot 1.08, Tingkat 1,  
Bangunan KWSP, Jln Raja Laut  
50350 Kuala Lumpur 9  
Tel: 019 6680745



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF KPJ HEALTHCARE BERHAD  
(Incorporated in Malaysia)  
(Company No. 199201015575 (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 2019, and of their financial performance and their cash flows for the financial 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 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 148.

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.

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PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
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INDEPENDENT AUDITORS' REPORT  
 TO THE MEMBERS OF KPJ HEALTHCARE BERHAD (CONTINUED)  
 (Incorporated in Malaysia)  
 (Company No. 199201015575 (247079-M))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of 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.

Key audit matters

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

<b>Key audit matters</b>	<b>How our audit addressed the key audit matters</b>
<p><u>Valuation of investment properties</u></p> <p>Refer to Notes 2.9, 2.33, 6 and 18 to the financial statements.</p> <p>The Group carries its investment properties at fair value at year end. Investment properties carried at fair value as at 31 December 2019 amounted to RM328.6 million.</p>	<p><u>External valuations</u></p> <p>We read the valuation reports for all investment properties and discussed the reports with the valuer. 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 2019.</p>



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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

<b>Key audit matters</b>	<b>How our audit addressed the key audit matters</b>
<p>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.</p> <p>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.</p> <p>The valuations were carried out by independent professional valuer which was engaged by the Group.</p>	<p>From our discussions with management and the valuer and our understanding of the valuation reports, we noted that the valuer has 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.</p> <p>We evaluated the valuer's competence, capabilities, and objectivity by checking the valuer's qualifications to the website and their registration to the Board of Valuers, Appraisers and Estate Agents 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 also considered other engagements which might exist between the Group and the valuer. We found no evidence to suggest that the objectivity of the valuer in their performance of the valuations was compromised.</p> <p><b>Valuation methodologies and assumptions</b></p> <p>The valuation of the Group's most significant investment property (at fair value of RM242 million) is based on the investment method. 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. We also assessed the reasonableness of the term yield and void rate, average rental and outgoing used by the valuer with reference to comparable peers.</p>



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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
	<p>For other investment properties at fair value of RM86.6 million, we noted that the valuer has used comparable market information with adjustments made for accessibility, visibility, size and tenure to arrive at the fair value.</p> <p>We have also assessed the adequacy of disclosures in the financial statements.</p> <p>Based on the procedures performed, we did not identify any material exceptions.</p>

There are no key audit matters to report for 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 the Directors' Report and contents in the 2019 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.



INDEPENDENT AUDITORS' REPORT  
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon (continued)

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.

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.





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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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 on 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.



INDEPENDENT AUDITORS' REPORT  
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- (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.
- (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 financial 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.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF KPJ HEALTHCARE BERHAD (CONTINUED)  
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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.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers MT'.

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

A handwritten signature in black ink that reads 'Shirley'.

SHIRLEY GOH  
01778/08/2020 J  
Chartered Accountant

Kuala Lumpur  
26 February 2020

Registration No.

199201015575 (247079-M)

**KPJ HEALTHCARE BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Group		Company	
		2019 RM'000	2018 RM'000 Re-presented	2019 RM'000	2018 RM'000
Revenue	7	3,604,364	3,365,608	245,963	177,965
Cost of sales		(2,494,110)	(2,329,282)	-	-
Gross profit		1,110,254	1,036,326	245,963	177,965
Administrative expenses		(751,990)	(765,757)	(68,890)	(65,056)
Other income		21,652	30,830	974	3,809
Zakat		(3,443)	(3,930)	(300)	(300)
Operating profit		376,473	297,469	177,747	116,418
Finance income	8	14,206	10,066	-	-
Finance costs	8				
- Borrowings		(89,534)	(91,148)	(25,212)	(21,795)
- Lease liabilities		(69,631)	-	-	-
Finance costs - net		(144,959)	(81,082)	(25,212)	(21,795)
Share of results of associates, net of tax		43,879	41,670	-	-
Profit before tax	9	275,393	258,057	152,535	94,623
Tax	13	(48,696)	(71,872)	(15,184)	(20)
Profit for the financial year		226,697	186,185	137,351	94,603
<b>Other comprehensive income:</b>					
<b>Item that may be subsequently reclassified to profit or loss:</b>					
- Currency translation differences		5,266	8,674	-	-

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**KPJ HEALTHCARE BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

	Note	Group		Company	
		2019 RM'000	2018 RM'000 Re-presented	2019 RM'000	2018 RM'000
<b>Items that will not be reclassified to profit or loss:</b>					
- Gains on revaluation of land and building		1,000	31,747	-	-
- Deferred tax on revaluation surplus	13	(240)	(3,824)	-	-
Other comprehensive income for the financial year, net of tax		6,026	36,597	-	-
Total comprehensive income for the financial year		232,723	222,782	137,351	94,603
Profit for the financial year attributable to:					
Owners of the Company		211,368	179,444	137,351	94,603
Non-controlling interests		15,329	6,741	-	-
		226,697	186,185	137,351	94,603
Total comprehensive income for the financial year attributable to:					
Owners of the Company		217,394	216,041	137,351	94,603
Non-controlling interests		15,329	6,741	-	-
		232,723	222,782	137,351	94,603
Earnings per share attributable to Owners of the Company:					
Basic (sen)	15(a)	4.95	4.12		
Diluted (sen)	15(b)	4.74	3.71		

KPJ HEALTHCARE BERHAD  
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STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>ASSETS</b>					
<u>Non-current assets</u>					
Property, plant and equipment	16	2,598,686	2,430,363	188	241
Right-of-use assets	17	1,084,159	-	-	-
Investment properties	18	328,582	311,460	-	-
Intangible assets	19	235,402	236,470	-	-
Investments in subsidiaries	21	-	-	1,038,704	1,036,206
Investments in associates	22	445,715	422,461	-	-
Equity instruments classified as FVOCI	23	4,678	4,678	4,396	4,396
Deferred tax assets	24	109,126	68,463	-	-
		<u>4,806,348</u>	<u>3,473,895</u>	<u>1,043,288</u>	<u>1,040,843</u>
<u>Current assets</u>					
Inventories	25	53,609	50,170	-	-
Trade and other receivables	26	549,602	515,743	780	649
Amounts due from subsidiaries	26	-	-	456,935	379,555
Tax recoverable		92,679	30,815	1,004	6,352
Deposits, bank and cash balances	27	478,335	540,204	4,540	80,237
Dividend receivable		5,274	5,514	1,326	45,000
		<u>1,179,499</u>	<u>1,142,446</u>	<u>464,585</u>	<u>511,793</u>
Assets held for sale	28	-	176,528	-	-
		<u>1,179,499</u>	<u>1,318,974</u>	<u>464,585</u>	<u>511,793</u>
Total assets		<u>5,985,847</u>	<u>4,792,869</u>	<u>1,507,873</u>	<u>1,552,636</u>
<b>EQUITY AND LIABILITIES</b>					
<u>Current liabilities</u>					
Trade and other payables	29	770,523	517,077	23,073	20,496
Amounts due to subsidiaries	29	-	-	38,102	48,031
Contract liabilities	30	66,896	70,274	-	-
Current tax liabilities		2,252	14,233	-	-
Borrowings	31	289,513	264,264	187,000	187,000
Lease liabilities	32	47,359	-	-	-
Dividend payable		21,390	21,537	21,390	21,537
		<u>1,197,933</u>	<u>887,385</u>	<u>269,565</u>	<u>277,064</u>

KPJ HEALTHCARE BERHAD  
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019 (CONTINUED)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Liabilities associated with assets held for sale	28	-	179,995	-	-
		1,197,933	1,067,380	269,565	277,064
Net current (liabilities)/assets		(18,434)	251,594	195,020	234,729
<u>Non-current liabilities</u>					
Trade and other payables	29	7,744	21,436	-	-
Amounts due to subsidiaries	29	-	-	212,910	300,074
Borrowings	31	1,473,812	1,481,690	-	-
Lease liabilities	32	1,174,790	-	-	-
Deferred tax liabilities	24	64,962	68,657	-	-
Provision for retirement benefits	33	2,775	2,678	-	-
Deposits	34	14,567	14,325	-	-
		2,738,650	1,588,786	212,910	300,074
Total liabilities		3,936,583	2,656,166	482,475	577,138
Net assets		2,049,264	2,136,703	1,025,398	975,498
<u>Equity attributable to Owners of the Company</u>					
Share capital	35	906,743	860,295	906,743	860,295
Less: Treasury shares		(155,310)	(111,319)	(155,310)	(111,319)
Reserves		1,141,392	1,234,924	273,965	226,522
		1,892,825	1,983,900	1,025,398	975,498
Non-controlling interests		156,439	152,803	-	-
Total equity		2,049,264	2,136,703	1,025,398	975,498
Total equity and liabilities		5,985,847	4,792,869	1,507,873	1,552,636

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**KPJ HEALTHCARE BERHAD**  
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Ordinary share capital (Note 35) RM'000	Treasury shares RM'000	Other reserves (Note 37) RM'000	Retained earnings RM'000	Total	Non- controlling interests RM'000	Total equity RM'000
<b>Group</b>							
At 1 January 2019	860,295	(111,319)	222,087	1,012,837	1,983,900	152,803	2,136,703
As previously reported	-	-	-	(223,828)	(223,828)	-	(223,828)
Adjustment on adoption of MFRS 16 (Note 43)							
As restated	860,295	(111,319)	222,087	789,009	1,760,072	152,803	1,912,875
Acquisition of interest in a subsidiary (Note 21)	-	-	-	1,203	1,203	1,156	2,359
Comprehensive income:							
Profit for the financial year	-	-	-	211,368	211,368	15,329	226,697
Other comprehensive income:							
Currency translation differences of foreign subsidiaries	-	-	5,266	-	5,266	-	5,266
Revaluation surplus	-	-	760	-	760	-	760
Disposal of property, plant and equipment	-	-	(5,331)	5,331	-	-	-
Total other comprehensive income	-	-	695	5,331	6,026	-	6,026
	860,295	(111,319)	222,782	1,006,911	1,978,669	169,288	2,147,957



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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

Group	Ordinary share capital (Note 35) RM'000	Treasury shares RM'000	Other reserves (Note 37) RM'000	Retained earnings RM'000	Total	Non- controlling interests RM'000	Total equity RM'000
Transactions with Owners:							
Issue of share capital:							
- Warrants	25,230	-	(2,117)	-	23,113	-	23,113
- ESOS	21,218	-	(5,599)	-	15,619	-	15,619
- Share buy-back	-	(43,991)	-	-	(43,991)	-	(43,991)
ESOS expenses during the financial year	46,448	(43,991)	(7,716)	-	(5,259)	-	(5,259)
Lapsed ESOS	-	-	3,827	-	3,827	-	3,827
Lapsed warrants	-	-	(8,635)	8,635	-	-	-
Dividends on ordinary shares (Note 14)	-	-	(22,244)	22,244	-	-	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	(86,019)	(86,019)	-	(86,019)
Acquisition of interest in subsidiaries (Note 21)	-	-	-	1,537	1,537	(5,938)	(4,401)
Sale of interest in a subsidiary to non-controlling interest (Note 21)	-	-	-	70	70	(50)	20
Total transactions with Owners	46,448	(43,991)	(34,768)	(53,533)	(85,844)	(12,849)	(98,693)
At 31 December 2019	906,743	(155,310)	188,014	953,378	1,892,825	156,439	2,049,264

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

	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
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:							
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
	<u>736,069</u>	<u>(55,411)</u>	<u>218,986</u>	<u>1,096,992</u>	<u>1,996,636</u>	<u>161,277</u>	<u>2,157,913</u>

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

<u>Group</u>	Ordinary share capital (Note 35) RM'000	Treasury shares RM'000	Other reserves (Note 37) RM'000	Retained earnings RM'000	Total	Non- controlling interests RM'000	Total equity RM'000
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 14)	-	-	-	(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

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**KPJ HEALTHCARE BERHAD**  
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**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	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
At 1 January 2019	860,295	(111,319)	24,361	71,560	130,601	975,498
Profit for the financial year	-	-	-	-	137,351	137,351
Transactions with Owners:						
Issue of share capital:						
- Warrants	25,230	-	(2,117)	-	-	23,113
- ESOS	21,218	-	-	(5,599)	-	15,619
- Share buy-back	-	(43,991)	-	-	-	(43,991)
	46,448	(43,991)	(2,117)	(5,599)	-	(5,259)
Dividends on ordinary shares (Note 14)	-	-	-	-	(86,019)	(86,019)
ESOS - expense during the financial year	-	-	-	3,827	-	3,827
Lapsed ESOS	-	-	-	(8,635)	8,635	-
Lapsed warrants	-	-	(22,244)	-	22,244	-
Total transactions with Owners	46,448	(43,991)	(24,361)	(10,407)	(55,140)	(87,451)
At 31 December 2019	906,743	(155,310)	-	61,153	212,812	1,025,398

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**KPJ HEALTHCARE BERHAD**  
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**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

<u>Company</u>	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
At 1 January 2018	736,069	(55,411)	31,631	61,189	120,153	893,631
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 14)	-	-	-	-	(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

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**KPJ HEALTHCARE BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Operating activities</u>					
Profit before tax		275,393	258,057	152,535	94,623
Adjustments for:					
Share of results of associates		(43,879)	(41,670)	-	-
Finance income	8	(14,206)	(10,066)	-	-
Finance costs	8				
- Borrowings		89,534	91,148	25,212	21,795
- Lease liabilities		69,631	-	-	-
Dividend income from subsidiaries		-	-	(119,789)	(121,598)
Dividend income from Al-Salam REIT		(89)	(103)	(89)	(103)
Trade receivables:					
- Impairment charge for the year (net)	26	4,654	1,303	-	-
Share-based payments	10	3,827	12,854	512	1,393
Gain on fair value on investment properties	18	(1,830)	(10,931)	-	-
Gain on disposal of shares in associates (net)		(1,070)	-	-	-
(Gain)/loss on disposal of shares in subsidiaries	21	(117)	369	-	-
Property, plant and equipment:					
- Depreciation	16	159,082	151,689	53	17
- Written-off		2,124	902	-	-
- Gain on disposal		(861)	(127)	-	-
Right-of-use assets					
- Depreciation	17	57,165	-	-	-
Inventories written-off		460	396	-	-
Amortisation of software development expenditure	19	4,013	3,798	-	-
Intangible assets written-off	19	-	750	-	-
Provision for retirement benefits	33	322	310	-	-
Negative goodwill on acquisition	21	(213)	-	-	-
Operating profit/(loss) before working capital changes		603,940	458,679	58,434	(3,873)
Changes in working capital:					
Inventories		(3,899)	518	-	-
Receivables		(21,535)	89,701	(35)	9,993
Payables		110,461	6,026	3,547	14,976
Contract liabilities		(3,378)	70,274	-	-
Related companies		-	-	58,837	84,232
Cash flows generated from/operations		685,589	625,198	120,783	105,328

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**KPJ HEALTHCARE BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Operating activities (continued)</u>					
Income tax refund		17,928	2,555	861	-
Income tax paid		(112,970)	(109,278)	(10,793)	(96)
Retirement benefits paid	33	(225)	(248)	-	-
Net cash generated from operating activities		590,322	518,227	110,851	105,232
<u>Investing activities</u>					
Additions to property, plant and equipment	16	(397,382)	(380,307)	-	(258)
Additions to investment properties	18	(4,720)	-	-	-
Additions to intangible assets	19	(6,680)	(7,322)	-	-
Additional investments in associates	22	-	(9,000)	-	-
Proceeds from disposal of property, plant and equipment		2,007	287	-	-
Proceeds from disposal of carparks to an associate		-	13,000	-	-
Proceeds from disposal of interest in subsidiary	21	1,148	10	-	-
Interest received		14,206	10,066	-	-
Increase in deposits with licensed banks with maturity of more than 3 months	27	(74,363)	(109,956)	-	-
Dividends received from associates/subsidiaries		21,118	29,295	3,507	76,598
Net cash (used in)/generated from investing activities		(444,666)	(453,927)	3,507	76,340

KPJ HEALTHCARE BERHAD  
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STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Financing activities</b>					
Investment in a subsidiary	21	2,720	(610)	-	-
Additional investments in subsidiaries	21	(1,810)	-	-	-
Proceeds from dilution of interest in subsidiary	21	20	119,920	-	-
Grant income received	16	10,384	-	-	-
Dividends paid to non-controlling interests		(6,861)	(8,474)	-	-
Issue of shares:					
- Warrants		23,113	79,389	23,113	79,389
- ESOS		15,619	35,610	15,619	35,610
- Share buy-back		(43,991)	(55,908)	(43,991)	(55,908)
Borrowings:					
- Drawdown		52,327	347,576	-	-
- Repayments		(75,325)	(219,229)	-	(70,000)
- Repayments of amounts due to subsidiaries		-	-	(97,093)	(9,390)
Payment of lease liabilities		(110,333)	-	-	-
Interest paid		(89,534)	(91,148)	(25,212)	(21,795)
Dividends paid to shareholders		(86,166)	(63,144)	(86,166)	(63,144)
Designated account	27	(182)	(3,182)	-	-
Net cash (used in)/generated from financing activities		(310,019)	140,800	(213,730)	(105,238)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(164,363)	205,100	(75,697)	76,334
CURRENCY TRANSLATION DIFFERENCES		6,795	14,267	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		404,214	184,847	80,237	3,903
RECLASSIFICATION FROM NON-CURRENT ASSETS HELD FOR SALE	28	21,716	-	-	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	27	268,362	404,214	4,540	80,237



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**KPJ HEALTHCARE BERHAD**  
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**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

Group

	At 1.1.2019 RM'000	At Reclassification from MFRS 5 RM'000	Cash flows RM'000	Interest expenses RM'000	Non-cash movement		At 31.12.2019 RM'000
					Foreign exchange movement RM'000	Hire purchase/ lease RM'000	
<b>Borrowings</b>							
- Current	255,013	22,189	(25,214)	25,498	39	3,300	280,825
- Non-current	1,481,690	-	(86,774)	63,491	506	14,900	1,473,813
	<u>1,736,703</u>	<u>22,189</u>	<u>(111,988)</u>	<u>88,989</u>	<u>545</u>	<u>18,200</u>	<u>1,754,638</u>
<b>Lease liabilities</b>							
- Current	41,687	-	(110,333)	69,631	-	46,374	47,359
- Non-current	1,115,163	-	-	-	-	59,627	1,174,790
	<u>1,156,850</u>	<u>-</u>	<u>(110,333)</u>	<u>69,631</u>	<u>-</u>	<u>106,001</u>	<u>1,222,149</u>
<u>Company</u>							
Borrowings							
- Current	187,000	-	(8,117)	8,117	-	-	187,000
Amount due to subsidiaries	348,105	-	(114,188)	17,095	-	-	251,012

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**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)**

<u>Group</u>	At 1.1.2018 RM'000	Cash flows RM'000	Interest expenses RM'000	<u>Non-cash movement</u>		At 31.12.2018 RM'000
				Foreign exchange movement RM'000	New leases RM'000	
Borrowings						
- Current	382,479	(160,570)	30,974	(458)	2,588	255,013
- Non-current	1,242,340	174,738	60,174	(1,142)	5,580	1,481,690
	<u>1,624,819</u>	<u>14,168</u>	<u>91,148</u>	<u>(1,600)</u>	<u>8,168</u>	<u>1,736,703</u>
<u>Company</u>						
Borrowings						
- Current	257,000	(79,244)	9,244	-	-	187,000
Amount due to subsidiaries	357,495	(21,941)	12,551	-	-	348,105

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**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 26 February 2020.

**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 judgment 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 2019:

- MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations.
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'.
- Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement'.
- Amendments to MFRS 128 'Long Term Interests in Associates and Joint Ventures'.
- Annual Improvements to MFRSs 2015–2017 Cycle:
  - Amendments to MFRS 3 'Business Combinations'
  - Amendments to MFRS 11 'Joint Arrangements'
  - Amendments to MFRS 112 'Income Taxes'
  - Amendments to MFRS 123 'Borrowing Costs'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'

The Group has adopted the above standards and amendments for the first time in the 2019 financial statements, which resulted in changes in accounting policies as follows:

**MFRS 16 'Leases'**

The Group has adopted MFRS 16 for the first time in the 2019 financial statements, with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method. The practical expedients elected and the detailed impacts of the first-time adoption of MFRS 16 'Leases' are disclosed in Note 43. The details of the accounting policies on leases are disclosed separately in Note 2.15.

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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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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 2020. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendments to MFRS 3 'Definition of a Business' 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.

- Amendments to MFRS 101 and MFRS 108 'Definition of Material'

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments also:

- clarify that an entity assess materiality in the context of the financial statements as a whole.
- explain the concept of obscuring information in the new definition. Information is obscured if it have the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.
- clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 interests, 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 in profit or loss. 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.5 Business combinations (continued)**

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.

**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.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (Note 2.10).

**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.



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**NOTES TO THE FINANCIAL STATEMENTS**  
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investments in associates (continued)

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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.7 Investments in associates (continued)**

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in profit or loss.

**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 in every five years by external valuers 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (continued)

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. 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.

**Accounting policies applied from 1 January 2019**

From 1 January 2019, leased assets (including leasehold land) are presented as a separate line item within right-of-use assets in statement of financial position. See accounting policy Note 2.15(a)(ii) on right-of-use assets for these assets.

**Accounting policies applied until 31 December 2018**

Until 31 December 2018, leased assets (including leasehold land) under lease arrangement classified as finance lease (refer to accounting policy Note 2.15 on finance leases applied until 31 December 2018) was presented as part of property, plant and equipment and amortised in equal instalments over the period of the respective leases that range from 50 to 100 years.

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. The Group revised the residual property, plant and equipment are initially stated at cost.

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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (continued)

(a) Goodwill (continued)

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.

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**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**

**(a) Classification**

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(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.

(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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(c) Measurement (continued)

**Debt instruments (continued)**

(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.

**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.



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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(d) Subsequent measurement - Impairment (continued)

**Impairment for debt instruments and financial guarantee contracts (continued)**

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.

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(d) Subsequent measurement - Impairment (continued)

**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.

**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 unlikelihood 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(d) Subsequent measurement - Impairment (continued)

**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.

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.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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.

**2.15 Leases**

**(a) Accounting by lessee**

**Accounting policies applied from 1 January 2019**

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

**i) Lease term**

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. A revision in lease term results in remeasurement of the lease liabilities (refer to (iv) below).

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (continued)

(a) Accounting by lessee (continued)

**Accounting policies applied from 1 January 2019 (continued)**

ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs, if any.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on the straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

While the Group revalues land and building (presented as part of property, plant and equipment) that it owns, it has chosen not to revalue the ROU building held by the Group.

iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (continued)

(a) Accounting by lessee (continued)

**Accounting policies applied from 1 January 2019 (continued)**

iii) Lease liabilities (continued)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

iv) Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

v) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on the straight-line basis as an expense in profit or loss.

(b) Accounting by lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(i) Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (continued)

(b) Accounting by lessor (continued)

(i) Finance leases (continued)

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investment is subject to MFRS 9 impairment (refer to Note 2.12(d) on impairment of financial assets). In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

(ii) Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

(iii) Sublease classification

Until the financial year ended 31 December 2018, when the Group was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets.

From 1 January 2019, when the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (continued)

**Accounting policies applied until 31 December 2018**

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.

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.



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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.21 Borrowings and borrowing costs (continued)**

**(a) Borrowings (continued)**

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.

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.

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.

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**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 are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

The Group's accounting policy in respect of reinvestment allowance/investment tax allowance tax credit is to recognise the tax credit when it is utilised as a reduction of current income tax liability and no deferred tax asset is recognised when the tax credit arises.

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.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.22 Current and deferred income taxes (continued)**

**(b) Deferred tax (continued)**

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.

**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.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.23 Employee benefits (continued)**

**(c) Defined benefit plans (continued)**

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.

**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.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.24 Share-based payments - Employee options (continued)**

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 together with the share option reserve. 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.

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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.



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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

(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 as a result of a share buy-back or a share-based payment plan, 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Revenue recognition

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 if it is highly probable that a significant reversal will not occur, net of discounts. A receivable is recognised upon billing net of deposits received.

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 obligation and the transaction price is allocated according to each semester 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Revenue recognition (continued)

Revenue from other sources

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established. Dividends that clearly represent 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.

(e) Interest income

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

(f) 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.

(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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Foreign currencies (continued)

(b) Transactions and balances (continued)

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.

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**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 are 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.

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**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.

**2.37 Zakat**

This represents business zakat. The Group and Company recognise its obligation towards the payment of zakat on business income in the statement of profit or loss. Zakat expense is derived from the net adjusted amount of zakat assets and liabilities used for or derived from business activities.

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**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.

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).

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**3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(a) Credit risk (continued)

**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.

(i) 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:

<b>Category</b>	<b>Group's and Company's definition of category</b>	<b>Basis for recognising ECL</b>
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 <b>Note 2.12(d)</b> 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 <b>Note 2.12(d)</b> 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 <b>Note 2.12(d)</b> above)	Asset is written off



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**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.

**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 2019 for individual and corporate customer is RM18,918,327 and RM20,759,673 respectively.

The remaining amount not provided are deemed recoverable, with 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.

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## 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## (a) Credit risk (continued)

**Maximum exposure to credit risk (continued)**

## (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 <u>ECL</u> RM'000	Stage 2 Lifetime <u>ECL</u> RM'000	Stage 3 Lifetime <u>ECL</u> RM'000	<u>Total</u> RM'000
Company's internal credit rating				
Performing	1,162,517	-	-	1,162,517
Underperforming	-	-	-	-
Non-performing	-	-	-	-
Total amount guaranteed	<u>1,162,517</u>	<u>-</u>	<u>-</u>	<u>1,162,517</u>
Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## (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.

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**3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(b) Liquidity risk (continued)

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 <u>1 year</u> RM'000	<u>1 - 5 years</u> RM'000	Over <u>5 years</u> RM'000	<u>Total</u> RM'000
<u>2019</u>				
<u>Group</u>				
Trade and other payables	770,523	7,744	-	778,267
Borrowings	298,556	1,528,681	26,839	1,854,076
Lease liabilities	113,450	453,510	1,516,945	2,083,905
Provision for retirement benefits	-	-	2,775	2,775
Dividend payable	21,390	-	-	21,390
Deposits	-	-	14,567	14,567
	<u>1,203,919</u>	<u>1,989,935</u>	<u>1,561,126</u>	<u>4,754,980</u>
<u>Company</u>				
Trade and other payables	23,073	-	-	23,073
Amounts due to subsidiaries	38,102	223,385	429	261,916
Borrowings	195,041	-	-	195,041
Dividend payable	21,390	-	-	21,390
Financial guarantee contracts*	1,162,517	-	-	1,162,517
	<u>1,440,123</u>	<u>223,385</u>	<u>429</u>	<u>1,663,937</u>

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**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 <u>1 year</u> RM'000	<u>1 - 5 years</u> RM'000	Over <u>5 years</u> RM'000	<u>Total</u> RM'000
<u>2018</u>				
<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
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total undiscounted financial liabilities	<u>814,606</u>	<u>1,127,641</u>	<u>501,516</u>	<u>2,443,763</u>
<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
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total undiscounted financial liabilities	<u>1,472,698</u>	<u>313,816</u>	<u>3,532</u>	<u>1,790,046</u>

\* Related to Islamic Medium Term Notes (Note 31)

The Group has total undrawn borrowing facilities amounting to RM0.74 billion (2018: RM0.62 billion) as at 31 December 2019.

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**3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(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 (2018: 25 basis points) lower/higher, with all other variables held constant, the Group's profit before tax for the financial year would have been RM1,047,933 (2018: RM1,116,901) 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.

(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.

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4 CAPITAL MANAGEMENT (CONTINUED)

The Group's gross gearing ratios as at 31 December 2019 and 2018 were as follows:

	<u>Group</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Current borrowings	289,513	264,264
Non-current borrowings	1,473,812	1,481,690
Total borrowings (Note 31) – [A]	<u>1,763,325</u>	<u>1,745,954</u>
Shareholders' funds – [B]	<u>1,892,825</u>	<u>1,983,900</u>
Gross gearing ratio (%) – [A] / [B]	<u>0.93</u>	<u>0.88</u>

Borrowings represent short-term borrowings and term loans from licensed banks, hire purchase creditors, Islamic Medium Term Notes and excludes lease liabilities. The comparative 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 31.

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:

<u>Current asset/liability</u>	<u>Note</u>
Trade and other receivables and amounts due from subsidiaries	26
Deposits, bank and cash balances	27
Trade and other payables and amounts due to subsidiaries	29
Borrowings	31
Deposits	34

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5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value (continued)

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:

<u>Group</u>	<u>Level 1</u>		<u>Level 3</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Equity instruments classified as FVOCI	1,864	1,864	2,814	2,814
Property, plant and equipment (Note 16):				
- Freehold land	-	-	228,958	193,156
- Long leasehold land	-	-	-	168,289
- Buildings	-	-	1,306,863	751,467
Investment properties (Note 18)	-	-	328,582	311,460
	<u>1,864</u>	<u>1,864</u>	<u>1,867,217</u>	<u>1,427,186</u>
<u>Company</u>				
Equity instruments classified as FVOCI	<u>1,864</u>	<u>1,864</u>	<u>2,532</u>	<u>2,532</u>

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 2019 and 31 December 2018.

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**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 value. 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.

(d) Extension and termination of options as lessee

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment that is within the control of the lessee. Refer to Note 17 for details about Group's ROU assets.



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7 REVENUE

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
<u>Revenue from contract with customers:</u>				
Revenue from hospital and healthcare charges				
- Revenue from inpatient and outpatient hospital charges	3,459,779	3,217,809	-	-
- Wellness packages	7,325	6,690	-	-
- Aged care revenue	51,893	57,491	-	-
Tuition fees	38,066	43,169	-	-
Management fees	6,390	1,655	53,262	50,314
	<u>3,563,453</u>	<u>3,326,814</u>	<u>53,262</u>	<u>50,314</u>
<u>Revenue from other sources:</u>				
Dividend income	89	103	119,878	121,701
Interest income	-	-	72,823	5,950
Rental income	38,967	37,266	-	-
Other revenue	1,855	1,425	-	-
	<u>40,911</u>	<u>38,794</u>	<u>192,701</u>	<u>127,651</u>
	<u><u>3,604,364</u></u>	<u><u>3,365,608</u></u>	<u><u>245,963</u></u>	<u><u>177,965</u></u>

Hospital and healthcare charges generally relates to contracts with patients in which performance obligations are to provide healthcare services. The performance obligations for inpatient services are generally satisfied over a short period, and revenue from inpatients is recorded when the healthcare services is performed. The performance obligations for outpatient and daycare services are generally satisfied over a period of less than one day, and revenue is also recorded when the healthcare services is performed. Revenue from sales of pharmaceutical products are recognised upon delivery to customers.

No unsatisfied performance obligations at the end of the financial year.

Revenue from tuition fees and management fees are recognised over time.

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7 REVENUE (CONTINUED)

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:

	Hospital and healthcare charges		Others		<u>Total</u> RM'000
	<u>Malaysia</u>	<u>Others</u>	<u>Malaysia</u>	<u>Others</u>	
	RM'000	RM'000	RM'000	RM'000	
<u>2019</u>					
Segment revenue	3,947,797	128,840	420,066	44,695	4,541,398
Intersegment revenue	(564,965)	-	(366,023)	(6,046)	(937,034)
	<u>3,382,832</u>	<u>128,840</u>	<u>54,043</u>	<u>38,649</u>	<u>3,604,364</u>
<u>2018</u>					
Segment revenue	3,608,688	116,455	338,594	49,169	4,112,906
Intersegment revenue	(449,843)	-	(291,656)	(5,799)	(747,298)
	<u>3,158,845</u>	<u>116,455</u>	<u>46,938</u>	<u>43,370</u>	<u>3,365,608</u>

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8 FINANCE INCOME AND COSTS

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
<u>Finance costs</u>				
<u>Borrowings</u>				
Profit sharing on Islamic financing:				
- Islamic Medium Term Notes	63,490	60,174	-	-
- Term loans	20,702	36,882	-	-
- Revolving credits	8,119	9,371	8,117	9,244
- Hire purchase creditors	1,712	1,251	-	-
- Bank overdrafts	545	414	-	-
Interest expense on conventional financing:				
- Term loans	498	1,400	-	-
- Hire purchase creditors	584	125	-	-
- Interest on advances from subsidiaries	-	-	17,095	12,551
- Revolving credits	243	201	-	-
	<u>95,893</u>	<u>109,818</u>	<u>25,212</u>	<u>21,795</u>
Less: Interest expense capitalised in:				
- Property, plant and equipment (Note 16)	(6,359)	(18,670)	-	-
	<u>89,534</u>	<u>91,148</u>	<u>25,212</u>	<u>21,795</u>
Lease liabilities	69,631	-	-	-
	<u>159,165</u>	<u>91,148</u>	<u>25,212</u>	<u>21,795</u>
<u>Finance income</u>				
Profit sharing from deposits with licensed banks				
	(14,206)	(7,864)	-	-
Accretion of receivables	-	(2,202)	-	-
	<u>(14,206)</u>	<u>(10,066)</u>	<u>-</u>	<u>-</u>
Net finance costs	<u>144,959</u>	<u>81,082</u>	<u>25,212</u>	<u>21,795</u>

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9 PROFIT BEFORE TAX

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

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration:					
- Statutory audits					
- PricewaterhouseCoopers Malaysia		1,797	2,092	321	286
- Non-PricewaterhouseCoopers Malaysia		679	750	-	-
- Other services					
- PricewaterhouseCoopers Malaysia		625	581	209	576
- Non-PricewaterhouseCoopers Malaysia		513	1,285	285	550
Trade receivables:					
- Impairment charge for the year (net)	26	4,654	1,303	-	-
Contribution to Klinik Waqaf An-Nur					
	38	1,858	2,010	-	-
Directors' remuneration	11	7,147	5,428	7,099	5,242
Consultants fees		866,445	816,777	-	-
Cost of medical supplies		856,922	788,930	-	-
External lab services		4,965	7,543	-	-
Inventories written-off		460	396	-	-
Professional fees		7,138	7,920	1,768	1,604
Repair and maintenance		74,314	70,048	1,435	993
Investment properties:					
- Rental income		(16,195)	(12,088)	-	-
- Direct operating expenses		12,449	9,685	-	-
Property, plant and equipment:					
- Depreciation	16	159,082	154,031	53	17
- Written-off		2,124	902	-	-
- Gain on disposal		(861)	(127)	-	-
Right-of-use assets:					
- Depreciation	17	57,165	-	-	-
Rental expense of land and buildings					
		6,212	121,375	3,600	3,171
Rental of equipment and vehicles					
		7,061	8,392	212	321
Employee benefits costs	10	821,457	775,823	38,122	36,800
Intangible assets:					
- Written-off	19	-	750	-	-
Amortisation of software expenditure					
	19	4,013	3,798	-	-
Gain on fair value of investment properties					
	18	(1,830)	(10,931)	-	-
Zakat		3,443	3,930	300	300
Negative goodwill on acquisition	21	(213)	-	-	-

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10 EMPLOYEE BENEFITS COSTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Staff costs (excluding Directors' remuneration):				
- Salaries, allowances and bonuses	742,253	693,194	34,005	32,280
- Contributions to defined contribution plan	75,055	69,465	3,605	3,127
- Share-based payments - ESOS	3,827	12,854	512	1,393
- Provision for retirement benefits (Note 33)	322	310	-	-
	<u>821,457</u>	<u>775,823</u>	<u>38,122</u>	<u>36,800</u>

11 DIRECTORS' REMUNERATION

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Managing and Executive Directors:				
- Fees	555	377	555	227
- Salaries, allowances and bonuses	3,826	3,263	3,826	3,263
- Contributions to defined contribution plan	449	435	449	435
- Benefits-in-kind	150	46	150	46
	<u>4,980</u>	<u>4,121</u>	<u>4,980</u>	<u>3,971</u>
Non-Independent Non-Executive Directors:				
- Fees	420	300	420	300
- Allowances	87	107	87	107
	<u>507</u>	<u>407</u>	<u>507</u>	<u>407</u>
Independent Non-Executive Directors:				
- Fees	720	450	720	450
- Allowances	914	419	866	383
- Benefits-in-kind	26	31	26	31
	<u>1,660</u>	<u>900</u>	<u>1,612</u>	<u>864</u>
	<u>7,147</u>	<u>5,428</u>	<u>7,099</u>	<u>5,242</u>

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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:

	<u>Number of directors</u>	
	<u>2019</u>	<u>2018</u>
<u>Managing and Executive Directors:</u>		
RM900,001 – RM1,000,000	-	-
RM1,000,001– RM1,500,000	2	2
RM1,500,001 - RM2,000,000	-	1
RM2,000,001 - RM2,500,000	1	-
<u>Non-Executive Directors:</u>		
RM1 - RM100,000	-	2
RM100,001 - RM200,000	2	-
RM200,001- RM300,000	1	1
<u>Independent Non-Executive Directors</u>		
RM1 – RM100,000	-	6
RM100,001 - RM200,000	3	2
RM200,001 - RM300,000	2	-
RM300,001 - RM400,000	-	1
RM400,001 - RM500,000	1	-
	<u>12*</u>	<u>15</u>

\* Including 1 (2018: 3) Directors that have resigned during the financial year.

12 ZAKAT

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

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13 TAX	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysian income tax:				
- In respect of current financial year	72,862	112,295	2,470	-
- (Over)/Under provision of prior years income tax	(50,785)	(2,281)	12,714	20
Foreign income tax:				
- In respect of current financial year	816	1,012	-	-
- Over provision of prior years income tax	(113)	-	-	-
	22,780	111,026	15,184	20
Deferred tax (Note 24)	25,916	(39,154)	-	-
Income tax expense recognised in the profit or loss	48,696	71,872	15,184	20
Deferred tax related to other comprehensive income (Note 24)	240	3,824	-	-

A reconciliation of tax applicable to profit before tax 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	275,393	258,057	152,535	94,623
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	66,094	61,934	36,608	22,710
Tax effects of:				
- Different tax rates	140	304	-	-
- Income not subject to tax	(3,408)	(1,716)	(42,442)	(30,058)
- Expenses non-deductible for tax purposes	24,348	22,753	7,890	6,880
- Share of results of associates	(995)	(786)	-	-
- (Over)/Under provision of prior years income tax	(50,898)	(2,281)	12,714	20
- Temporary differences and tax losses not recognised	-	4,108	414	468
- Investment tax allowances utilised during the year	(2,716)	(1,406)	-	-
- Recognition of tax assets previously not recognised	-	(11,038)	-	-
- Derecognition of tax assets in prior years	16,131	-	-	-
Income tax expense	48,696	71,872	15,184	20

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14 DIVIDENDS

Group and Company  
RM'000

Declared in 2019 in respect of:

Financial year ended 31 December 2019

First interim single tier dividend of 0.50 sen per ordinary share paid on 19 April 2019	21,598
Second interim single tier dividend of 0.50 sen per ordinary share paid on 28 June 2019	21,610
Third interim single tier dividend of 0.50 sen per ordinary share paid on 10 October 2019	21,421
Fourth interim single tier dividend of 0.50 sen per ordinary share paid on 14 February 2020	21,390
	<u>86,019</u>

Declared in 2018 in respect of:

Financial year ended 31 December 2018

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
	<u>84,681</u>

The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2019 (2018: NIL).



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15 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.

	<u>2019</u>	<u>Group</u> <u>2018</u>
Profit attributable to Owners of the Company (RM'000)	211,368	179,444
Weighted average number of ordinary shares in issue ('000)	4,271,338	4,355,011
Basic earnings per share (sen)	<u>4.95</u>	<u>4.12</u>

(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 at reporting date is ESOS.

For the ESOS granted to employees, 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 subscription rights attached to outstanding ESOS. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of 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 ESOS calculation.

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

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15 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (continued)

	<u>2019</u>	<u>Group</u> <u>2018</u>
Profit attributable to Owners of the Company (RM'000)	211,368	179,444
Weighted average number of ordinary shares in issue ('000)	4,271,338	4,355,011
Assumed shares issued from the exercise of warrants ('000)	-	267,032
Assumed shares issued from the exercise of ESOS ('000)	188,403	212,955
Weighted average number of ordinary shares in issue ('000)	<u>4,459,741</u>	<u>4,834,998</u>
Diluted earnings per share (sen)	<u>4.74</u>	<u>3.71</u>

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16 **PROPERTY, PLANT AND EQUIPMENT**

Group	Freehold land RM'000	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>2019</u>								
At 1 January	-	-	-	-	-	-	-	-
- Cost	193,156	175,681	775,175	-	823,750	414,878	654,585	2,209,729
- Valuation	-	-	-	-	-	-	-	1,144,012
	<u>193,156</u>	<u>175,681</u>	<u>775,175</u>	<u>316,516</u>	<u>823,750</u>	<u>414,878</u>	<u>654,585</u>	<u>3,353,741</u>
- Reclassification to right-of-use assets upon adoption of MFRS 16 (Note 17)	-	(175,681)	-	-	-	-	-	(175,681)
	<u>193,156</u>	<u>-</u>	<u>775,175</u>	<u>316,516</u>	<u>823,750</u>	<u>414,878</u>	<u>654,585</u>	<u>3,178,060</u>
Reclassification from non-current assets held for sale (Note 28)	36,380	-	48,541	3,754	2,175	2,161	-	93,011
Exchange differences	(578)	-	360	221	(708)	(2,024)	-	(2,729)
Additions	-	-	4,533	19,589	145,165	63,745	182,550	415,582
Disposals	-	-	-	(135)	(12,204)	(2,445)	-	(14,784)
Written-off	-	-	(546)	-	(4,601)	(6,467)	-	(11,614)

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16 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<u>Group</u>	<u>Freehold land</u> <u>RM'000</u>	<u>Leasehold land</u> <u>RM'000</u>	<u>Buildings</u> <u>RM'000</u>	<u>Renovation</u> <u>RM'000</u>	<u>Medical and other equipment</u> <u>RM'000</u>	<u>Furniture, fittings, motor vehicles and computers</u> <u>RM'000</u>	<u>Capital work-in-progress</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>2019</u>								
Reclassification – cost	-	-	512,670	2,458	640	12	(515,780)	-
Transfer from intangible assets (Note 19)	-	-	-	-	-	3,735	-	3,735
	<u>228,958</u>	<u>-</u>	<u>1,340,733</u>	<u>342,403</u>	<u>954,217</u>	<u>473,595</u>	<u>321,355</u>	<u>3,661,261</u>
At 31 December								
- Cost	228,958	-	1,340,733	342,403	954,217	473,595	321,355	2,091,570
- Valuation	-	-	-	-	-	-	-	1,569,691
	<u>228,958</u>	<u>-</u>	<u>1,340,733</u>	<u>342,403</u>	<u>954,217</u>	<u>473,595</u>	<u>321,355</u>	<u>3,661,261</u>
Less: Government grant received							(10,384)	(10,384)
	<u>228,958</u>	<u>-</u>	<u>1,340,733</u>	<u>342,403</u>	<u>954,217</u>	<u>473,595</u>	<u>310,971</u>	<u>3,650,877</u>

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16 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<u>Group</u>	<u>Freehold land</u> RM'000	<u>Leasehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Renovation</u> RM'000	<u>Medical and other equipment</u> RM'000	<u>Furniture fittings, motor vehicles and computers</u> RM'000	<u>Capital work-in-progress</u> RM'000	<u>Total</u> RM'000
<u>2019</u>								
<u>Accumulated depreciation</u>								
At 1 January	-	(7,392)	(23,708)	(124,309)	(492,854)	(275,115)	-	(923,378)
- Reclassification to right-of-use assets upon adoption of MFRS 16 (Note 17)	-	7,392	-	-	-	-	-	7,392
	-	-	(23,708)	(124,309)	(492,854)	(275,115)	-	(915,986)
Exchange differences	-	-	(356)	(3,596)	2,520	1,181	-	(251)
Charge for the financial year (Note 9)	-	-	(9,878)	(33,193)	(68,448)	(47,563)	-	(159,082)
Disposals	-	-	-	119	11,099	2,420	-	13,638
Written-off	-	-	72	-	4,238	5,180	-	9,490
Reclassifications	-	-	-	44	(43)	(1)	-	-
At 31 December	-	-	(33,870)	(160,935)	(543,488)	(313,898)	-	(1,052,191)
<u>Net carrying amounts</u>								
- Cost	228,958	-	-	181,468	410,729	159,697	310,971	1,062,865
- Valuation	-	-	1,306,863	-	-	-	-	1,535,821
At 31 December	228,958	-	1,306,863	181,468	410,729	159,697	310,971	2,598,686

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16 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<u>Group</u>	<u>Freehold land</u> RM'000	<u>Leasehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Renovation</u> RM'000	<u>Medical and other equipment</u> RM'000	<u>Furniture, fittings, motor vehicles and computers</u> RM'000	<u>Capital work-in-progress</u> RM'000	<u>Total</u> RM'000
<u>2018</u>								
At 1 January	-	-	-	279,737	779,210	382,771	530,529	1,972,247
- Cost	190,506	154,224	697,952	-	-	-	-	1,042,682
- Valuation	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 28)	-	-	(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

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16 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Group	Freehold land RM'000	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
2018								
At 31 December	193,156	175,681	775,175	316,516	823,750	414,878	654,585	2,209,729
- Cost								1,144,012
- Valuation	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	193,156	168,289	751,467	192,207	330,896	139,763	654,585	1,317,451
- Valuation								1,112,912
At 31 December	193,156	168,289	751,467	192,207	330,896	139,763	654,585	2,430,363

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16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>Computers</u>	
	<u>2019</u>	<u>2018</u>
<u>Company</u>	RM'000	RM'000
<u>Cost</u>		
At 1 January	258	-
Additions	-	258
	<u>258</u>	<u>258</u>
<u>Accumulated depreciation</u>		
At 1 January	(17)	-
Charge for the financial year (Note 9)	(53)	(17)
	<u>188</u>	<u>241</u>

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 exists, 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 land 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 now less 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.

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 and Messrs IM Global Property Consultants Sdn Bhd ("the Valuers").



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16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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:

	<u>2019</u>	<u>Group</u> <u>2018</u>
	RM'000	RM'000
<u>Cost</u>		
Freehold land	94,619	94,619
Leasehold land	-	104,849
Buildings	547,428	544,687
	<u>642,047</u>	<u>744,155</u>
<u>Accumulated depreciation</u>		
Leasehold land	-	(5,099)
Buildings	(44,483)	(40,203)
Net carrying amounts	<u>597,564</u>	<u>698,853</u>

The net book value of assets under hire purchase creditors as at 31 December 2019 is RM17,220,000 (2018: RM23,948,000) (Note 31).

The net book value of property, plant and equipment pledged for borrowing facilities as at 31 December 2019 is RM176,151,000 (2018: RM203,136,000) as disclosed in Note 31.

During the financial year, a subsidiary received a government grant in relation to the construction of a hospital building amounting to RM10,384,000 (2018: RM Nil) 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 from licensed banks and related companies within KPJ Group. During the financial year, borrowing costs capitalised as part of capital work-in-progress amounted to RM6,359,000 (2018: RM18,670,000).

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17 RIGHT-OF-USE ASSETS

The majority of the Group's leasing activities are lease of hospital buildings and land with Al-Aqar Healthcare REIT. The rental contracts are typically made for a period of 15 years with an option to extend for another 15 years. The lease terms are negotiated with the lessor, such that similar terms are set for properties with similar characteristics. These terms are used to maximise operational efficiencies in terms of managing contracts. There are no covenants attached to these leases and the properties may not be used as security for borrowing purposes.

	<u>Group</u>		
	<u>Leasehold land</u> RM'000	<u>Land and buildings</u> RM'000	<u>Total</u> RM'000
At 1 January 2019 upon adoption of MFRS 16	-	862,508	862,508
Reclassification from property, plant and equipment (Note 16)	168,289	-	168,289
Transfer from investment properties (Note 18)	1,340	-	1,340
Additions	3,186	106,001	109,187
Depreciation	(2,127)	(55,038)	(57,165)
At 31 December 2019	<u>170,688</u>	<u>913,471</u>	<u>1,084,159</u>

	<u>Group</u> <u>2019</u> RM'000	<u>Company</u> <u>2019</u> RM'000
Expenses related to short-term leases (included in cost of sales and administrative expenses) (Note 9)	<u>(6,212)</u>	<u>(3,600)</u>
Expenses relating to lease of low-value assets (included in cost of sales and administrative expenses) (Note 9)	<u>(7,061)</u>	<u>(212)</u>

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under MFRS 117 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of MFRS 16 on 1 January 2019, please refer to Note 43.

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18 INVESTMENT PROPERTIES

	<u>Group</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At fair value:		
At 1 January	311,460	274,205
Reclassification from non-current assets held for sale (Note 28)	12,104	-
Addition	4,720	-
Exchange differences	(192)	-
Gain on fair value recognised during the year (Note 9)	1,830	10,931
Transfer (to) ROU (Note 18) / from property, plant and equipment (net) (Note 16)	(1,340)	26,324
At 31 December	<u>328,582</u>	<u>311,460</u>

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

The fair value of investment property pledged for borrowing facilities as at 31 December 2019 is RM242,000,000 (2018: RM238,000,000).

The fair value of the properties was estimated at RM328,582,000 (2018: RM311,460,000) based on valuations performed by independent professionally qualified valuer, 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.

	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range</u>	
			<u>2019</u>	<u>2018</u>
Land and buildings	Comparison method	Location, visibility, size and tenure Estimated value per sq ft	RM55 – RM1,800	RM55 – RM1,800

(Carrying value as at 31 December 2019 of RM86,582,000 (2018: RM73,460,000)).

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%	RM3.00 – RM7.50  RM1.89 10% 6%
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(Carrying value as at 31 December 2019 of RM242,000,000 (2018: RM238,000,000)).

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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 sq ft 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.

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 25 basis points increase/decrease in the term yield will result in a lower/higher fair value change by RM47 million and RM77 million, while an increase in void rate to 12.5% will result in a lower fair value change by RM6 million.

19 INTANGIBLE ASSETS

	<u>Goodwill</u> RM'000	<u>Software expenditure</u> RM'000	<u>Software expenditure under development</u> RM'000	<u>Total</u> RM'000
<u>Group</u>				
<u>2019</u>				
<u>Cost</u>				
At 1 January 2019	195,522	40,336	29,296	265,154
Additions	-	84	6,596	6,680
Transfer to property, plant and equipment (Note 16)	-	-	(3,735)	(3,735)
At 31 December 2019	<u>195,522</u>	<u>40,420</u>	<u>32,157</u>	<u>268,099</u>

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19 INTANGIBLE ASSETS (CONTINUED)

	<u>Goodwill</u> RM'000	<u>Software expenditure</u> RM'000	<u>Software expenditure under development</u> RM'000	<u>Total</u> RM'000
<u>Group</u>				
<u>2019</u>				
<u>Accumulated amortisation</u>				
At 1 January 2019	-	(12,328)	-	(12,328)
Amortisation charge for the year (Note 9)	-	(4,013)	-	(4,013)
At 31 December 2019	-	(16,341)	-	(16,341)
<u>Accumulated impairment</u>				
At 1 January / 31 December 2019	(16,356)	-	-	(16,356)
<u>Net carrying amount</u>				
At 31 December 2019	179,166	24,079	32,157	235,402
<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 16)	-	-	(2,337)	(2,337)
At 31 December 2018	195,522	40,336	29,296	265,154

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19 INTANGIBLE ASSETS (CONTINUED)

	<u>Goodwill</u> RM'000	<u>Software expenditure</u> RM'000	<u>Software expenditure under development</u> RM'000	<u>Total</u> RM'000
<u>Group</u>				
<u>2018</u>				
<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

20 IMPAIRMENT OF INTANGIBLE ASSETS

Impairment tests for goodwill and software expenditure under development

	<u>Group</u>	
	<u>2019</u> RM'000	<u>2018</u> RM'000
Malaysia:		
- Goodwill	177,544	177,544
- Software expenditure under development	32,157	24,143
Others	1,622	1,622
	<u>211,323</u>	<u>203,309</u>

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20 IMPAIRMENT OF INTANGIBLE ASSETS (CONTINUED)

Recoverable amount based on value-in-use

Malaysia

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:

	<u>2019</u> %	<u>2018</u> %
Revenue <sup>1</sup>	7 - 9	6 - 12
EBITDA margin <sup>2</sup>	16.9 – 17.4	13.3 – 15.7
Discount rate <sup>3</sup>	13	13
Terminal growth rate <sup>4</sup>	5	5

Assumptions:

1. Based on revenue range
2. EBITDA margin over the budget period
3. Pre-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 pre-tax discount rate used is 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.

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21 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are made up as follows:

	<u>Company</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Cost	965,024	964,424
Preference shares	300	300
Capital contribution reserve relating to share-based payments	73,380	71,482
Unquoted shares	<u>1,038,704</u>	<u>1,036,206</u>

The following are subsidiaries of the Company:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2019</u>	<u>2018</u>	
		%	%	
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	99	98	Operating as a specialist hospital
Pusat Pakar Tawakal Sdn Bhd +	Malaysia	100	100	Operating as a specialist hospital
Puteri Specialist Hospital (Johor) Sdn Bhd #	Malaysia	100	100	Dormant



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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2019</u> %	<u>2018</u> %	
<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

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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2019</u> %	<u>2018</u> %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd</u> (continued)				
Miri Specialist Hospital Sdn Bhd *	Malaysia	70	70	Operating as a specialist hospital
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
Healthcare Technical Services Sdn Bhd *	Malaysia	51	30	Providing management and engineering maintenance services for specialist hospital
Kota Kinabalu Wellness Sdn Bhd	Malaysia	100	100	Operating as an aged-care centre
KPJ Ambulatory Care Centre Sdn Bhd	Malaysia	100	0	Management and operation of ambulatory care centre
KPJ Dhaka (Pte) Ltd *	Bangladesh	100	100	Providing management services to a specialist hospital

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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2019</u> %	<u>2018</u> %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd</u> (continued)				
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
KPJ MedikTV Sdn Bhd *	Malaysia	100	100	Operating as medical service provider
Kuantan Wellness Center Sdn Bhd	Malaysia	100	100	Operating as a dialysis and aged-care centre
Lablink (M) Sdn Bhd	Malaysia	51	51	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

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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2019</u> %	<u>2018</u> %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd</u> (continued)				
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
Healthcare IT Solutions Sdn Bhd *	Malaysia	100	70	Providing healthcare information technology services
Pride Outlet Sdn Bhd *	Malaysia	75	90	Providing maintenance services for medical equipment
Skop Yakin (M) Sdn Bhd *	Malaysia	100	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

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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2019</u> %	<u>2018</u> %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd</u> (continued)				
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
Bayan Baru Specialist Hospital Sdn Bhd *	Malaysia	100	55	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
<u>Subsidiary of Johor Specialist Hospital Sdn Bhd</u>				
Bandar Dato Onn Specialist Hospital Sdn Bhd	Malaysia	100	100	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

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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2019</u> %	<u>2018</u> %	
<u>Subsidiary of Selangor Specialist Hospital Sdn Bhd</u>				
Pusrawi SMC Sdn Bhd *	Malaysia	52	52	Operating as a polyclinic
<u>Subsidiary of SMC Healthcare Sdn Bhd</u>				
Amity Development Sdn Bhd	Malaysia	100	100	Dormant
<u>Subsidiaries of Pharmaserv Alliances Sdn Bhd</u>				
Medical Supplies (Sarawak) Sdn Bhd	Malaysia	0	75	Marketing and distributing 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

# Direct equity holding by the Company is 84% (2018: 84%)

+ Direct equity holding by the Company is 68% (2018: 68%)

\* Audited by firms other than PricewaterhouseCoopers PLT, Malaysia

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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

**Acquisition of additional interest in a subsidiary**

- (i) On 5 April 2019, Kumpulan Perubatan (Johor) Sdn Bhd (“KPJSB”) acquired 21% equity interest in Healthcare Technical Services Sdn Bhd (“HTS”) for a total cash consideration of RM335,000. With this acquisition, the Group now hold 51% shareholdings of HTS. Following this acquisition, HTS, previously an associate became a subsidiary of the Group.

<u>Healthcare Technical Services Sdn Bhd</u>	<u>Acquiree's carrying amounts</u> RM'000	<u>Fair value at date of acquisition</u> RM'000
Receivables, deposits and prepayments	16,188	16,188
Deposits, bank and cash balances	3,055	3,055
Payables	(16,884)	(16,884)
	<u>2,359</u>	<u>2,359</u>
Fair value of net assets acquired		2,359
Less: Fair value of attributable to non-controlling interest		(1,156)
		1,203
Less: Purchase consideration settled in cash		(335)
Less: Fair value of previously held investments		(655)
		<u>213</u>
Negative goodwill		<u>213</u>
		335
Purchase consideration settled in cash		335
Less: Cash and cash equivalents acquired		(3,055)
		<u>(2,720)</u>
Cash inflow of the Group on acquisition		<u>(2,720)</u>

The Group recognised a negative goodwill on acquisition of RM213,000. The amounts of revenue and loss of HTS since the acquisition date included in the consolidated statement of comprehensive income for the reporting period are RM5,585,000 and RM1,690,000 respectively. The revenue and net profit of KPJ Group for the current reporting period had the acquisition occurred on 1 January 2019 would be RM3,606,073,000 and RM226,870,000 respectively.

- (ii) On 10 September 2019, KPJSB acquired 30% equity interest in Healthcare IT Solutions Sdn Bhd for a total consideration of RM1,200,000. With this acquisition, the Group now hold 100% shareholdings of Healthcare IT Solutions Sdn Bhd.
- (iii) On 18 September 2019, KPJSB acquired 45% equity interest in Bayan Baru Specialist Hospital Sdn Bhd for a total consideration of RM2,571,000 as settlement of amount owing to KPJSB. With this acquisition, the Group now hold 100% shareholdings of Bayan Baru Specialist Hospital Sdn Bhd.
- (iv) On 30 December 2019, KPJSB acquired 30% equity interest in Skop Yakin (M) Sdn Bhd for a total consideration of RM30,000. Cash payment of RM10,000 was made with the balance via settlement of outstanding balance owed to KPJSB. With this acquisition, the Group now hold 100% shareholdings of Skop Yakin (M) Sdn Bhd.

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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

**Acquisition of additional interest in a subsidiary (continued)**

- (v) On 31 January 2019, the company acquired 1% equity interest in Ipoh Specialist Hospital Sdn Bhd for a total cash consideration of RM600,000. With this acquisition, the Group now hold 99% shareholdings of Ipoh Specialist Hospital Sdn Bhd.

**Incorporation of subsidiary**

On 19 March 2019, KPJSB incorporated a wholly owned subsidiary, KPJ Ambulatory Care Centre Sdn Bhd with cost of investment amounting to RM2,400,000.

**Disposal of interest in subsidiary**

- (i) On 17 April 2019, Pharmaserv Alliances Sdn Bhd ("PASB") disposed its entire equity interest in a subsidiary, Medical Supplies (Sarawak) Sdn Bhd for a consideration of RM1,148,000. A gain on disposal of RM48,000 was recorded by the Group.

Group  
2019  
RM'000

Medical Supplies (Sarawak) Sdn Bhd

Consideration received	1,148
Less: Carrying amount of equity interest disposed	(308)
Less: Realisation of post-acquisition profits	(792)
	<hr/>
Gain on disposal	48
	<hr/> <hr/>

- (ii) On 1 July 2019, KPJSB disposed 15% interest in subsidiary, Pride Outlet Sdn Bhd for a total consideration of RM20,000. With this disposal, the Group now hold 75% shareholdings of Pride Outlet Sdn Bhd.

Group  
2019  
RM'000

Pride Outlet Sdn Bhd

Carrying amount of equity interest disposed	49
Consideration received	20
	<hr/>
Excess of consideration received recognised in the transactions with non-controlling interest reserve within equity	69
	<hr/> <hr/>

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



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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

**Acquisition of additional interest in a subsidiary in 2018:**

On 4 September 2018, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") acquired 3% equity interest in Kota Kinabalu Wellness Sdn Bhd for a total cash consideration of RM610,000. With this acquisition, the Group now hold 100% shareholdings of Kota Kinabalu Wellness Sdn Bhd. The impact of the acquisition to the Group was immaterial.

**Disposal of interest in subsidiary in 2018:**

- (i) On 23 January 2018, the Board of Directors of the Group announced that 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 RM119,920,000. The disposal was completed on 22 March 2018.

The Group recognised additional non-controlling interest of RM66,120,000 and an increase in equity attributable to owners of the parent of RM53,800,000. 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:

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

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

- (ii) 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 RM233,000 and RM367,000 was recorded by the Group and PharmaCARE Sdn Bhd, respectively.

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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	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-controlling interests percentage of ownership interest and voting interest	39%	39%	40%	40%	49%	49%		
Non-current assets	93,479	59,988	193,513	142,018	25,313	27,517	312,305	229,523
Current assets	18,454	17,196	58,913	42,927	156,324	136,194	233,691	196,317
Current liabilities	(24,442)	(16,308)	(53,120)	(46,061)	(17,740)	(19,160)	(95,302)	(81,529)
Non-current liabilities	(44,739)	(13,099)	(68,029)	(15,346)	(27)	-	(112,795)	(28,445)
Net assets	42,752	47,777	131,277	123,538	163,870	144,551	337,899	315,866
Net equity attributable	42,752	47,777	131,277	123,538	163,870	144,551	337,899	315,866
Equity attributable to:								
Owners of the Company	26,079	29,144	78,766	74,123	83,574	73,721	188,419	176,988
Non-controlling interests	16,673	18,633	52,511	49,415	80,296	70,830	149,480	138,878

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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(ii) Summarised statements of comprehensive income

	Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Labilink (M) Sdn Bhd		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	100,115	92,479	187,703	170,720	102,237	87,706	390,055	350,905
Profit for the year	4,241	4,999	34,778	15,325	19,219	10,921	58,238	31,245
Profit attributable to:								
Owners of the company	2,587	3,049	20,867	9,195	9,802	5,570	33,256	17,814
Non-controlling interests	1,654	1,950	13,911	6,130	9,417	5,351	24,982	13,431
Total net profit	4,241	4,999	34,778	15,325	19,219	10,921	58,238	31,245
Total comprehensive income attributable to:								
Owners of the Company	2,872	1,546	21,077	6,675	9,802	5,560	33,751	13,781
Non-controlling interests	1,836	989	14,051	4,450	9,417	5,341	25,304	10,780
Total comprehensive income	4,708	2,535	35,128	11,125	19,219	10,901	59,055	24,561
Dividends paid to non-controlling interests	830	830	5,600	7,200	-	-	6,430	8,030

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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(iii) Summarised statements of cash flows

	Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Labilink (M) Sdn Bhd		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net cash generated from operating activities	14,337	9,365	22,085	35,532	4,273	14,628	40,695	59,525
Net cash used in from investing activities	(10,852)	(11,236)	(9,711)	(1,786)	(107,895)	(13,265)	(128,458)	(26,287)
Net cash (used in)/generated from financing activities	(5,153)	4,921	(18,373)	(26,490)	(1,161)	104,112	(24,687)	82,543
Net changes in cash and cash equivalents	(1,668)	3,050	(5,999)	7,256	(104,783)	105,475	(112,450)	115,781
Cash and cash equivalents at the beginning of the year	3,868	818	15,651	8,395	106,085	610	125,604	9,823
Cash and cash equivalents at the end of the year	2,200	3,868	9,652	15,651	1,302	106,085	13,154	125,604

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22 INVESTMENTS IN ASSOCIATES

	<u>Group</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Quoted ordinary shares in Al-`Aqar Healthcare REIT, at cost	233,292	210,079
Disposals	(7,823)	-
Addition	-	9,000
	<u>225,469</u>	<u>219,079</u>
Unquoted ordinary shares, at cost	65,229	65,229
Disposal	(138)	-
	65,091	65,229
Group's share of post-acquisition reserves	155,673	138,153
Disposal	(518)	-
	<u>155,155</u>	<u>138,153</u>
	<u>445,715</u>	<u>422,461</u>
Market value of quoted ordinary shares in Al-`Aqar Healthcare REIT	<u>355,179</u>	<u>361,721</u>

The associates of the Group are as follows:

	<u>Country of incorporation</u>	<u>Effective equity interest</u>		<u>Principal activities</u>
		<u>2019</u>	<u>2018</u>	
		%	%	
<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
Vejthani Public Company Limited *	Thailand	23	23	Operating as an international specialist hospital
Healthcare Technical Services Sdn Bhd *	Malaysia	-	30	Providing management and engineering maintenance services for specialist hospital

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22 INVESTMENTS IN ASSOCIATES (CONTINUED)

The associates of the Group are as follows: (continued)

<sup>^</sup> Listed on the Main Market of Bursa Malaysia Securities Berhad.

<sup>\*</sup> Audited by a firm other than PricewaterhouseCoopers PLT, Malaysia.

<sup>#</sup> 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.

On 1 April 2019, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") acquired 21% equity interest in Healthcare Technical Services Sdn Bhd ("HTS") for a total cash consideration of RM334,950. With this acquisition, the Group now hold 51% shareholdings of HTS. Following this acquisition, HTS, previously an associate became a subsidiary of the Group.

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

	<u>Al-Aqar Healthcare REIT</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Non-current assets	1,569,814	1,485,727
Current assets	104,538	94,742
Total assets	<u>1,674,352</u>	<u>1,580,469</u>
Current liabilities	53,839	20,095
Non-current liabilities	662,000	612,576
Total liabilities	<u>715,839</u>	<u>632,671</u>
Net assets	<u>958,513</u>	<u>947,798</u>

(ii) Summarised statement of comprehensive income

Revenue	106,110	102,649
Profit before tax	76,148	92,292
Net profit for the financial year	68,122	85,422
Dividends received from associates during the year	21,118	26,046

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22 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	<u>Al-`Aqar Healthcare REIT</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Net assets at 1 January	947,798	923,290
Issuance of new units	-	9,000
Profit for the financial year	68,122	85,422
Dividend paid during the year	(57,407)	(69,914)
	<hr/>	<hr/>
Net assets at 31 December	958,513	947,798
	<hr/>	<hr/>
Interest in associates	37%	37%
Carrying value of Group's interest	354,650	350,685
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
The Group's share of profit before tax	18,585	13,970
The Group's share of profit after tax	14,438	10,696
The Group's share of total comprehensive income	14,438	10,696
	<hr/> <hr/>	<hr/> <hr/>

- (v) Commitments and contingent liabilities

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

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23 EQUITY INSTRUMENTS CLASSIFIED AS FVOCI

Equity investments at FVOCI comprise of the following individual investments:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Quoted shares:				
Al-Salam Real Estate Investment Trust	1,864	1,864	1,864	1,864
Unquoted shares:				
Intrapreneur Value Creation Sdn Bhd	2,532	2,532	2,532	2,532
AHCS Advanced HealthCare Solutions AG	282	282	-	-
	4,678	4,678	4,396	4,396

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

24 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	
	2019	2018
	RM'000	RM'000
Deferred tax assets	109,126	68,463
Deferred tax liabilities	(64,962)	(68,657)
At 31 December	44,164	(194)



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24 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:

	<u>2019</u>	<u>Group</u> <u>2018</u>
	RM'000	RM'000
At 1 January	(194)	(35,524)
Adjustment on adoption of MFRS16	70,514	-
(Charged)/credit to profit or loss (Note 13)		
- Property, plant and equipment	(3,891)	(991)
- Investment properties	598	-
- Trade and other receivables	(11,590)	(4,038)
- Unutilised tax losses	(8,262)	7,410
- Contract liabilities	(15,850)	11,496
- Leases	2,901	3,346
- Trade and other payables	10,178	21,931
	(25,916)	39,154
Charged to other comprehensive income		
- Deferred tax on revaluation surplus during the year	(240)	(2,904)
- Change in Real Property Gain Tax ("RPGT") rate	-	(920)
	(240)	(3,824)
At 31 December	<u>44,164</u>	<u>(194)</u>
Subject to income tax:		
Deferred tax assets (before offsetting):		
- Unutilised tax losses	23,636	31,898
- Contract liabilities	8,504	24,354
- Leases	73,415	-
- Trade and other payables	39,077	28,899
	<u>144,632</u>	<u>85,151</u>
Offsetting	<u>(35,506)</u>	<u>(16,688)</u>
Deferred tax assets (after offsetting)	<u><u>109,126</u></u>	<u><u>68,463</u></u>

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24 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: (continued)

	<u>Group</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Subject to income tax: (continued)		
Deferred tax liabilities (before offsetting):		
- Property, plant and equipment	(57,357)	(53,226)
- Investment properties	(19,679)	(20,277)
- Trade and other receivables	(23,432)	(11,842)
	<u>(100,468)</u>	<u>(85,345)</u>
Offsetting	35,506	16,688
Deferred tax liabilities (after offsetting)	<u>(64,962)</u>	<u>(68,657)</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Unabsorbed capital allowances	35,601	13,060	114	85
Unutilised tax losses	87,144	79,787	3,444	9,791
Unutilised ITA	314,758	288,762	-	-
	<u>397,503</u>	<u>381,609</u>	<u>3,558</u>	<u>9,876</u>

No deferred tax assets are recognised from the above due to uncertainties of their recoverability. The unutilised tax losses will substantially expire in year 2025. 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.

The Group was granted approval on ITA from Malaysian Investment Development Authority, which provides income tax exemption in the form of 100% on the qualifying capital expenditure incurred within a period of 5 years for new private healthcare facility projects, expansion, modernisation and refurbishment projects for existing facilities. The unabsorbed capital allowances and unutilised ITA do not expire under the current tax legislation.

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25 INVENTORIES

	<u>Group</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At cost:		
Pharmaceutical products	34,467	33,289
Medical supplies	14,394	13,628
Laboratory chemicals	2,320	1,395
Consumables and disposable items	255	279
Other supplies	2,173	1,579
	<u>53,609</u>	<u>50,170</u>

26 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM SUBSIDIARIES

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Trade receivables	415,701	405,453	-	-
Less: Impairment of trade receivables	(39,678)	(40,859)	-	-
Trade receivables (net)	<u>376,023</u>	<u>364,594</u>	-	-
Amount due from ultimate holding corporation	3,494	3,029	12	8
Amounts due from related companies	5,576	5,817	7	5
Amounts due from associates	3,683	2,879	4	-
Other receivables	90,974	70,804	675	574
Deposits	48,755	48,924	30	16
Prepayments	21,097	19,696	52	46
	<u>549,602</u>	<u>515,743</u>	<u>780</u>	<u>649</u>
Amounts due from subsidiaries	<u>-</u>	<u>-</u>	<u>456,935</u>	<u>379,555</u>
Total	<u>549,602</u>	<u>515,743</u>	<u>457,715</u>	<u>380,204</u>

Credit terms of trade receivables range from 30 to 60 days (2018: 30 to 60 days).

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

Amount due from subsidiaries are unsecured, bearing interest rate of 5.85% (2018: 3.70%) per annum and repayable on demand.

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26 **TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)**

As at 31 December 2019, trade receivables of RM39,678,000 (2018: RM40,859,000) were impaired and provided for. Movement in allowance accounts:

	<u>Group</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At 1 January	40,859	44,873
Charge for the financial year (net) (Note 9)	4,654	1,303
Written-off	(5,835)	(5,317)
	<u>39,678</u>	<u>40,859</u>
At 31 December	<u>39,678</u>	<u>40,859</u>

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:

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	490,908	479,864	457,663	380,158
Indonesian Rupiah	15,481	15,519	-	-
Bangladesh Taka	1,236	646	-	-
Singapore Dollar	-	18	-	-
Australian Dollar	20,880	-	-	-
	<u>528,505</u>	<u>496,047</u>	<u>457,663</u>	<u>380,158</u>

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27 DEPOSITS, BANK AND CASH BALANCES

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	206,373	125,719	-	-
Cash and bank balances	271,962	414,485	4,540	80,237
<b>Total cash and bank balances</b>	<b>478,335</b>	<b>540,204</b>	<b>4,540</b>	<b>80,237</b>
Less: Bank overdrafts (Note 31)	(8,688)	(9,251)	-	-
Deposits with licensed banks with maturity of more than 3 months	(192,816)	(118,452)	-	-
Designated account (FSRA & DSRA)	(8,469)	(8,287)	-	-
<b>Cash and cash equivalents</b>	<b>268,362</b>	<b>404,214</b>	<b>4,540</b>	<b>80,237</b>

Included in the deposits with licensed banks of the Group is an amount of RM8,469,000 (2018: RM8,287,000) being minimum balance required in the Financial Service Reserve Account ("FSRA") and Deposit Service Reserve Account ("DSRA") for loans purposes (Note 31).

The weighted average interest rate of deposits with licensed banks of the Group during the financial year is 3.64% (2018: 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 (2018: 1 to 365 days).

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

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	448,898	524,894	4,540	80,237
Indonesia Rupiah	13,146	14,255	-	-
Bangladesh Taka	350	524	-	-
Singapore Dollar	-	531	-	-
Australian Dollar	15,941	-	-	-
<b>Total</b>	<b>478,335</b>	<b>540,204</b>	<b>4,540</b>	<b>80,237</b>

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28 **ASSETS HELD FOR SALE**

During the financial year 2017, the Directors approved the divestment of the Group's aged care operations in Australia, by disposing its shares in Jeta Gardens (Qld) Pty Ltd ("Jeta Gardens") and its subsidiaries. Following the approval, management commenced discussion with buyers in connection with the disposal. The disposal is subject to the approval by the local relevant authorities and was expected to be completed in 2019.

In October 2019, the Directors acknowledged that the aged care providers such as Jeta Gardens have been adversely affected by changes in policies and actions by the Australian Government. During the financial year 2019, the Government launched an Aged Care Royal Commission Inquest into the aged care quality and safety of the aged care industry of which the results of this inquest is only expected to be made available to the public by end of 2020. In addition, the Government is also making available more home care packages, thereby reducing the demand for aged care facilities.

In this unfavourable and uncertain market condition, potential investors are more cautious in their decision to invest or expand their business until there are more clarity in respect of the findings from the inquest and subsequent decision to be taken by the Government, if any.

Due to this current development, Directors have decided that the disposal will not be completed within the next twelve months and believe that it is more appropriate to take the opportunity to improve the operations of Jeta Gardens under the current climate and reconsider any divestment in the future, if appropriate. The Directors will review the financial structure and management of Jeta Gardens to improve sustainability and subsequently increase shareholders' return.

Since the investment in Jeta Gardens no longer meets the criteria set in MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", this disposal group has been re-presented as continuing operations in the current year in accordance with paragraph 36 of MFRS 5.

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

	<u>2019</u>	<u>Group</u> <u>2018</u>
	RM'000	RM'000
Assets held for sale:		
- Disposal groups	-	163,808
- Property, plant and equipment (Note 16)	-	12,720
	<u>-</u>	<u>176,528</u>
Liabilities associated with assets held for sale:		
- Disposal groups	-	179,995
	<u>-</u>	<u>179,995</u>

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28 ASSETS HELD FOR SALE (CONTINUED)

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

	<u>Group</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Assets held for sale:		
- Property, plant and equipment	-	94,285
- Investment properties	-	12,104
- Equity instruments classified as FVOCI	-	14,214
- Other receivables	-	18,810
- Deposits, cash and bank balances	-	22,178
- Deferred tax assets	-	1,583
- Inventories	-	624
- Tax recoverable	-	10
	<u>-</u>	<u>163,808</u>
Liabilities associated with assets held for sale:		
- Trade and other payables	-	156,964
- Borrowings	-	23,031
	<u>-</u>	<u>179,995</u>
Current		
Conventional financing:		
- Term loans	-	17,604
- Finance lease liabilities	-	14
- Revolving credits	-	5,413
	<u>-</u>	<u>23,031</u>

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29 **TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO SUBSIDIARIES**

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Non-current:				
Amounts due to subsidiaries	-	-	212,910	300,074
Other payables	7,744	21,436	-	-
	<u>7,744</u>	<u>21,436</u>	<u>212,910</u>	<u>300,074</u>
Current:				
Trade payables	256,223	162,793	-	-
Other payables	176,127	83,262	2,033	1,500
Accruals	321,343	263,720	19,502	18,428
Amount due to ultimate holding corporation	1,632	1,033	1,488	518
Amounts due to related companies	1,668	3,118	50	50
Amounts due to associates	13,530	3,151	-	-
	<u>770,523</u>	<u>517,077</u>	<u>23,073</u>	<u>20,496</u>
Amounts due to subsidiaries	<u>-</u>	<u>-</u>	<u>38,102</u>	<u>48,031</u>
<b>Total</b>	<u><u>778,267</u></u>	<u><u>538,513</u></u>	<u><u>274,085</u></u>	<u><u>368,601</u></u>

Non-current other payables comprises of retention sum that is payable later than 1 year and not later than 4 years.

Included in amounts due to subsidiaries are advances from subsidiaries which are unsecured, bear an effective average interest rate of 4.48% (2018: 4.48%) per annum and are repayable on demand after 2020.

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



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29 **TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO SUBSIDIARIES (CONTINUED)**

Credit terms of trade payables ranges from 30 to 60 days (2018: 30 to 60 days). Payables are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	615,874	523,939	274,085	368,601
Indonesian Rupiah	12,582	12,363	-	-
Bangladesh Taka	2,727	2,036	-	-
Singapore Dollar	-	175	-	-
Australian Dollar	147,084	-	-	-
	778,267	538,513	274,085	368,601
	778,267	538,513	274,085	368,601

30 **CONTRACT LIABILITIES**

	Group	
	2019	2018
	RM'000	RM'000
Balance at beginning of the year	70,274	68,464
Revenue recognised that was included in contract liability balance at the beginning of the year	(21,314)	(56,563)
Increases due to cash received, excluding amounts recognised as revenue during the year	17,936	58,373
At 31 December	66,896	70,274
	66,896	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.

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31 **BORROWINGS**

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
<u>Current</u>				
Islamic financing				
- Term loans (secured)	63,489	61,684	-	-
- Revolving credits (unsecured)	197,300	187,000	187,000	187,000
- Hire purchase creditors and finance lease (secured)	7,228	5,170	-	-
- Bank overdrafts (unsecured)	8,688	9,251	-	-
	276,705	263,105	187,000	187,000
Conventional financing				
- Term loans (secured)	7,120	390	-	-
- Hire purchase creditors and finance lease (secured)	388	769	-	-
- Revolving credits (unsecured)	5,327	-	-	-
	12,835	1,159	-	-
Finance lease transferred to lease liabilities	(27)	-	-	-
	289,513	264,264	187,000	187,000
<u>Non-current</u>				
Islamic financing				
- Islamic Medium Term Notes (unsecured)	1,100,000	1,100,000	-	-
- Term loans (secured)	343,786	367,243	-	-
- Hire purchase creditors and finance lease (secured)	24,305	13,752	-	-
	1,468,091	1,480,995	-	-
Conventional financing				
- Term loans (secured)	4,778	-	-	-
- Hire purchase creditors and finance lease (secured)	957	695	-	-
	5,735	695	-	-
Finance lease transferred to lease liabilities	(14)	-	-	-
	1,473,812	1,481,690	-	-
	1,763,325	1,745,954	187,000	187,000

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31 **BORROWINGS (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
<u>Total borrowings</u>				
Islamic financing				
- Islamic Medium Term Notes (unsecured)	1,100,000	1,100,000	-	-
- Term loans (secured)	407,275	428,927	-	-
- Revolving credits (unsecured)	197,300	187,000	187,000	187,000
- Hire purchase creditors (secured)	31,492	18,922	-	-
- Bank overdrafts (unsecured)	8,688	9,251	-	-
Conventional financing				
- Term loans (secured)	11,898	390	-	-
- Hire purchase creditors (secured)	1,345	1,464	-	-
- Revolving credits (unsecured)	5,327	-	-	-
	1,763,325	1,745,954	187,000	187,000
The maturity profile of borrowings is as follows:				
Less than 1 year	289,513	264,264	187,000	187,000
Between 1 and 5 years	1,448,373	1,023,163	-	-
More than 5 years	25,439	458,527	-	-
	1,473,812	1,481,690	-	-
	1,763,325	1,745,954	187,000	187,000

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31 BORROWINGS (CONTINUED)

Hire purchase creditors

	<u>2019</u>	<u>Group</u> <u>2018</u>
	RM'000	RM'000
Gross hire purchase creditors - minimum lease payments:		
- due not later than 1 year	7,784	6,105
- due later than 1 year and not later than 5 years	25,895	14,850
	<u>33,679</u>	<u>20,955</u>
Future finance charges	(842)	(555)
	<u>32,837</u>	<u>20,400</u>
Transfer to liabilities associated with assets held for sale (Note 28)	-	(14)
Present value of hire purchase creditors	<u>32,837</u>	<u>20,386</u>

The present value of hire purchase creditors is analysed as follows:

	<u>2019</u>	<u>Group</u> <u>2018</u>
	RM'000	RM'000
<u>Current</u>		
Due not later than 1 year	7,589	5,953
<u>Non-current</u>		
Due later than 1 year and not later than 5 years	25,248	14,447
Present value of hire purchase creditors	<u>32,837</u>	<u>20,400</u>
Transfer to liabilities associated with assets held for sale (Note 28)	-	(14)
	<u>32,837</u>	<u>20,386</u>



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31 **BORROWINGS (CONTINUED)**

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:

	<u>Carrying value</u>		<u>Group Fair value</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Term loans	348,564	367,243	303,948	335,794
Hire purchase creditors	25,248	14,447	15,081	13,423
Islamic Medium Term Notes	1,100,000	1,100,000	869,453	869,453
	<u>1,473,812</u>	<u>1,481,690</u>	<u>1,188,482</u>	<u>1,218,670</u>

The borrowings are secured by:

- (a) The property, plant and equipment and investment property pledged for borrowing facilities as at 31 December 2019 is RM404,432,000 (2018: RM441,136,000);
- (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) Corporate Guarantee;
- (g) assignment of all Rights & Benefits or its equivalent over the relevant Takaful cover;
- (h) a charge on the specific FSRA & DSRA and all monies standing to the credit of certain subsidiaries;
- (i) specific debenture charge over assets;
- (j) 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 1.50 times for Islamic Medium Term Notes;
- (ii) Gearing ratio to not exceed 1.25 times for revolving credit facility;
- (iii) Debt service coverage ratio more than 4.00 times.

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31 **BORROWINGS (CONTINUED)**

At subsidiaries level:

- (i) Gearing ratio of not more than 1.50 times;
- (ii) Dividend declared or paid not more than fifty percent (50%) of profit after tax;
- (ii) Debt service current ratio more than 2.00 times;
- (iii) Gearing ratio to not exceed 3.50 times;
- (iv) Gearing ratio to not more than 2.00 times;
- (v) Gearing ratio to not exceed 2.50 times;
- (vi) Debt service coverage ratio to be more than 1.50 times;
- (vii) Debt service coverage ratio to be more than 1.25 times.

32 **LEASE LIABILITIES**

	<u>2019</u>	<u>Group</u> <u>2018</u>
	RM'000	RM'000
Amount due for settlement within 12 months	47,359	-
Amount due for settlement after 12 months	1,174,790	-
	<u>1,222,149</u>	<u>-</u>
Maturity analysis		
Less than 1 year	113,450	-
Between 1 and 5 years	453,510	-
Later than 5 years and not later than 10 years	513,470	-
Later than 10 years and not later than 20 years	841,565	-
Later than 20 years and not later than 30 years	161,910	-
	<u>1,970,455</u>	<u>-</u>
	<u>2,083,905</u>	<u>-</u>

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**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:

	<u>2019</u>	<u>Group</u>
	RM'000	2018
		RM'000
At 1 January	2,678	2,616
Charged to profit or loss (Note 10)	322	310
Retirement benefits paid	(225)	(248)
	<u>2,775</u>	<u>2,678</u>

The amount recognised in profit or loss is as follows:

Current service cost	159	157
Interest cost on benefit obligation	163	153
	<u>322</u>	<u>310</u>

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

	<u>2019</u>	<u>Group</u>
	%	2018
		%
Discount rate <sup>1</sup>	5.0	5.0
Expected rate of salary increase		
- Non-management staff <sup>2</sup>	6.0	6.0
- Management staff <sup>2</sup>	6.0	6.0
Turnover <sup>3</sup>		
		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 report dated on 11 January 2019. The valuation was carried out by third party actuaries, Towers Watson (Malaysia) Sdn Bhd.



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33 PROVISION FOR RETIREMENT BENEFITS (CONTINUED)

Sensitivity analysis on present value of defined benefit obligation:

		<u>2019</u> RM'000	<u>2018</u> RM'000
1.	A 1% increase in salary increment rate		
	a Increase on defined benefit obligation	3,077	3,441
	b Increase in net defined liability	303	303
2.	A 1% decrease in salary increment rate		
	a Decrease on defined benefit obligation	3,084	3,447
	b Decrease in net defined liability	309	309
		<u>          </u>	<u>          </u>

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

	<u>Group/Company</u>			
	<u>2019</u> Units'000	<u>2019</u> RM'000	<u>2018</u> Units'000	<u>2018</u> RM'000
Issued and fully paid ordinary shares:				
At 1 January	4,399,148	860,295	4,281,413	736,069
Issued during the financial year:				
- Exercise of warrants	22,884	25,230	78,603	86,659
- ESOS	17,165	21,218	39,132	37,567
At 31 December	<u>4,439,197</u>	<u>906,743</u>	<u>4,399,148</u>	<u>860,295</u>

(a) Warrants

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

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35 **SHARE CAPITAL (CONTINUED)**

(b) **Treasury shares**

On 18 April 2019, 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 47,109,200 ordinary shares of its issued share capital from the open market at an average price of RM0.93 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 2019, the Company held a total of 162,306,700 of its 4,439,197,175 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM155,310,152.

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 was initially be in-force for a period of 5 years. However, upon approval from KPJ's Board of Directors (BOD) on 3 December 2019, it has been resolved that ESOS's period is extended to another 3 years, whereby no additional options will be granted. The options will expire on 27 February 2023.

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 remained dividable 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.

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 (2018: RM0.91).

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36 SHARE-BASED PAYMENTS (CONTINUED)

Movement of share options during the financial year

	<u>2019</u> Unit'000	<u>2018</u> Unit'000
Number of share options at exercise price of RM0.91 each:		
Outstanding as at 1 January	212,955	260,007
- Granted	1,089	1,792
- Exercised	(17,165)	(39,132)
- Lapsed	(8,476)	(9,712)
Outstanding as at 31 December	<u>188,403</u>	<u>212,955</u>
Exercisable at end of financial year	<u>188,403</u>	<u>146,983</u>

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 Note 10 to the financial statements arising from the ESOS granted to Directors and employees of the Group and the Company.

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37 OTHER RESERVES

	Warrant reserve (Note a) RM'000	Merger reserve (Note b) RM'000	Exchange reserve (Note c) RM'000	Revaluation reserve (Note d) RM'000	Share option reserve (Note e) RM'000	Total RM'000
At 1 January 2019	24,361	(3,367)	3,540	125,993	71,560	222,087
Other comprehensive income	-	-	5,266	-	-	5,266
Translation of foreign subsidiaries	-	-	-	760	-	760
Revaluation surplus	-	-	-	(5,331)	-	(5,331)
Disposal of property, plant and equipment	-	-	5,266	(4,571)	-	695
Total other comprehensive income	24,361	(3,367)	8,806	121,422	71,560	222,782
Transactions with owners:						
Issue of share capital:						
- Warrants	(2,117)	-	-	-	-	(2,117)
- ESOS	-	-	-	-	(5,599)	(5,599)
	(2,117)	-	-	-	(5,599)	(7,716)
ESOS expenses during the financial year	-	-	-	-	3,827	3,827
Lapsed ESOS	-	-	-	-	(8,635)	(8,635)
Lapsed warrants	(22,244)	-	-	-	-	(22,244)
Total transactions with Owners	(24,361)	-	-	-	(10,407)	(34,768)
At 31 December 2019	-	(3,367)	8,806	121,422	61,153	188,014

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37 OTHER RESERVES (CONTINUED)

	Warrant reserve (Note a) RM'000	Merger reserve (Note b) RM'000	Exchange reserve (Note c) RM'000	Revaluation reserve (Note d) RM'000	Share option reserve (Note e) RM'000	Total RM'000
At 1 January 2018	31,631	(3,367)	(5,134)	98,070	61,189	182,389
Other comprehensive income	-	-	8,674	-	-	8,674
Translation of foreign subsidiaries	-	-	-	27,923	-	27,923
Revaluation surplus	-	-	-	-	-	-
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

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37 OTHER RESERVES (CONTINUED)

- (a) Warrant reserve is a reserve arising from the fair value of the warrants issue net of issuance cost. 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).

	<u>Group</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At 1 January	125,993	98,070
Revaluation surplus, net of tax	760	27,923
Disposal of property, plant and equipment	(5,331)	-
At 31 December	<u>121,422</u>	<u>125,993</u>

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.

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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

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
<u>Group and Company</u>				
Project management fee to associate	-	2,866	-	-
Rental paid to an associate*	109,022	100,736	-	-
Management fee from subsidiaries	-	-	(53,262)	(50,314)
Dividend received (net) from subsidiaries	-	-	(119,789)	(121,598)
Interest income from subsidiaries	-	-	(72,823)	(5,950)
Interest expense to subsidiaries	-	-	17,095	12,551
Dividends received from associates	21,118	29,295	-	-
* Al-Aqar Healthcare REIT				
<u>Johor Corporation group of companies</u>				
Secretarial fee	487	505	52	56
Insurance premiums	5,641	4,883	59	146
Dividend paid	-	-	31,087	30,738
Contribution to Klinik Waqaf An-Nur	1,858	2,010	-	-

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 26 and 29.

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## 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 11)	7,147	5,428	7,099	5,242
Salaries, allowances and bonuses	2,553	2,858	2,553	2,858
Contributions to defined contribution plan	577	653	577	653
Share-based payments	35	82	35	82
	10,312	9,021	10,264	8,835

## 39 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases as disclosed in the prior year financial statements are as follows:

	Group 2018 RM'000
Represented by:	
Not later than 1 year	108,017
Later than 1 year and not later than 2 years	209,991
Later than 2 years and not later than 5 years	329,153
Later than 5 years and not later than 10 years	559,343
Later than 10 years and not later than 20 years	885,317
Later than 20 years and not later than 30 years	835,871
	2,927,692

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. Refer to Note 2.15 for explanations of changes in accounting policy upon adoption of MFRS 16.



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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:

	<u>2019</u>	<u>Group</u> <u>2018</u>
	RM'000	RM'000
Approved by the Directors and contracted	235,895	259,246
Approved by the Directors but not contracted	176,522	163,438
	<u>412,417</u>	<u>422,684</u>
Analysed as follows:		
- Buildings	253,546	300,024
- Medical equipment	136,448	103,529
- Other property, plant and equipment	22,423	19,131
	<u>412,417</u>	<u>422,684</u>

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 Executive Committee ("EXCO"). The EXCO considers the business by geographical location. The reportable segments for the financial year have been identified as follows:

- (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 and aged care services in Indonesia, Thailand, Bangladesh and Australia, 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.

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 EXCO assesses the performance of the operating segments based on EBITDA and profit before tax.

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42 SEGMENTAL REPORTING (CONTINUED)

	<u>Malaysia</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Year ended 31 December 2019</u>			
<u>Revenue</u>			
Revenue from external customers	3,436,876	167,488	3,604,364
<u>Results</u>			
EBITDA *	619,620	20,992	640,612
Profit/(loss) before tax	309,385	(33,992)	275,393
Total assets	5,396,232	589,615	5,985,847
Total liabilities	3,507,942	428,641	3,936,583
Additions to property, plant and equipment	405,711	9,871	415,582
<u>Year ended 31 December 2018</u>			
<u>Revenue</u>			
Revenue from external customers	3,205,783	159,825	3,365,608
<u>Results</u>			
EBITDA *	499,445	(2,477)	496,968
Profit/(loss) before tax	274,292	(16,235)	258,057
Total assets	4,328,015	464,854	4,792,869
Total liabilities	2,407,571	248,595	2,656,166
Additions to property, plant and equipment	380,610	8,571	389,181

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

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42 SEGMENTAL REPORTING (CONTINUED)

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

	<u>2019</u> RM'000	<u>2018</u> RM'000
EBITDA	640,612	496,968
Depreciation and amortisation	(220,260)	(157,829)
Finance cost - net	(144,959)	(81,082)
Profit before tax	<u>275,393</u>	<u>258,057</u>
Tax	(48,696)	(71,872)
Profit for the financial year	<u><u>226,697</u></u>	<u><u>186,185</u></u>

43 FIRST-TIME ADOPTION OF MFRS 16 'LEASES'

During the financial year, the Group changed its accounting policy on leases upon adoption of MFRS 16. The Group has elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information is not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Int. 4 "Determining whether an Arrangement Contains a Lease".

As a lessor, the Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases at the date of initial application.

In addition, the Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying MFRS 117 and IC Interpretations 4.

The majority of the Group's leasing activities are lease of buildings with Al-Aqar Healthcare REIT. The rental contracts are typically made for a period of 15 years with an option to extend for another 15 years. The lease terms are negotiated with the lessor, such that similar terms are set for properties with similar characteristics. These terms are used to maximise operational efficiencies in terms of managing contracts. There are no covenants attached to these leases and the properties may not be used as security for borrowing purposes.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment that is within the control of the lessee.

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43 **FIRST-TIME ADOPTION OF MFRS 16 'LEASES' (CONTINUED)**

Until 2018, these leases are recognised as non-cancellable operating leases of the Group. Payments made to the lessor were charged to profit or loss on the straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group. Each lease payment is allocated between liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

**The Group as a lessee**

a) **Leases classified as operating leases under MFRS 117**

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.85%.

In arriving at the remaining lease payments, management has considered and incorporated the extension option of an additional period of 15 years for the lease of buildings with Al-'Aqar Healthcare REIT.

The associated right-of-use ("ROU") assets for property leases were measured on a retrospective basis as if the new requirements has always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Other ROU assets were measured using a discount rate based on Group's incremental borrowing rate at the date of initial application.

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(b) **Leases classified as finance leases under MFRS 117**

For leases previously classified as finance leases (other than hire purchase creditors) and presented as a part of 'property, plant and equipment', the Group recognised the carrying amount of the lease asset and lease liability immediately before transition which were measured applying MFRS 117 as the carrying amount of the ROU asset and the lease liability at the date of initial application.

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43 FIRST-TIME ADOPTION OF MFRS 16 'LEASES' (CONTINUED)

**Impact on the financial statements**

(a) Measurement of lease liabilities on 1 January 2019

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

	<u>Group</u> <u>2019</u> RM'000
Operating lease commitments disclosed as at 31 December 2018 (Note 39)	2,927,692
<u>Lease liabilities</u>	
Lease liability previously not disclosed as a lease commitment as it was classified as MFRS 5	76,111
Operating lease commitments discounted using the lessee's incremental borrowing rate at the date of initial application	1,080,739
	<u>1,156,850</u>
Lease liabilities recognised as at 1 January 2019:	
- Current lease liabilities	41,687
- Non-current lease liabilities	1,115,163
	<u>1,156,850</u>

The reclassification and adjustments to right-of-use assets and lease liabilities recognised have the following impact to financial statements as at 1 January 2019:

	As previously <u>reported</u> RM'000	Adoption of <u>MFRS 16</u> RM'000	Reclassi- fication of leasehold <u>land to ROU</u> RM'000	As <u>restated</u> RM'000
Property, plant and equipment	2,430,363	-	(168,289)	2,262,074
ROU assets	-	862,508	168,289	1,030,797
Deferred tax assets	68,463	70,514	-	138,977
Retained earnings	1,012,837	(223,828)	-	789,009
Lease liabilities	-	1,156,850	-	1,156,850
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

43 FIRST-TIME ADOPTION OF MFRS 16 'LEASES' (CONTINUED)

**Impact on the financial statements (continued)**

(b) Measurement of lease liabilities on 1 January 2019 (continued)

The reconciliation between EBITDA and profit before tax for the year ended 31 December 2019 is shown below:

	<u>Group</u> <u>2019</u> RM'000
EBITDA with MFRS 16 impact	640,612
Impact on adoption of MFRS 16:	
- Lease rental	(110,333)
EBITDA without MFRS 16 impact	<u>530,279</u>
Profit before tax with MFRS 16 impact	275,393
Impact on adoption of MFRS 16:	
- Depreciation	57,165
- Finance costs	69,631
- Lease rental	(110,333)
	<u>16,463</u>
Profit before tax without MFRS 16 impact	<u>291,856</u>