



IHH Healthcare Berhad

FOCUS

SCALE

**Growing
with
Purpose**

Annual Report 2019

OPTIMISE

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About This Report

The Annual Report 2019 has been prepared in accordance with the International <IR> Framework set by the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI) – Core Option and GRI Sector Disclosures – to enhance reporting connectivity while providing stakeholders with a more holistic view of how the Company creates and sustains value.

Our reporting processes also comply with the provisions of the Malaysian Code on Corporate Governance, the Main Market Listing Requirements (MMLR) and the Sustainability Reporting Guide of Bursa Malaysia Securities Berhad, the Companies Act 2016, and the Malaysian Financial Reporting Standards (MFRS).

Besides financial reporting, our Report also includes non-financial performances, opportunities, risks and outcomes attributable to, or associated with, all our stakeholders that significantly influence IHH's ability to create value.

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Our Purpose

Touching lives, transforming care

Our Vision

To be the world's most trusted healthcare services network

Our Mission

To take exemplary care of our patients, anchored around our people who strive to continuously raise the bar in clinical, operational and service excellence

Our Values

- P**atients First
We put patient's needs first
- I**ntegrity
We do the right thing
- E**mpathy
We listen to our people
- T**eamwork
We are better together
- E**xcellence
We champion continuous improvement and innovation

FOCUS
WITH FORTITUDE

SCALE
WITH EXCELLENCE

OPTIMISE
WITH EFFICIENCY

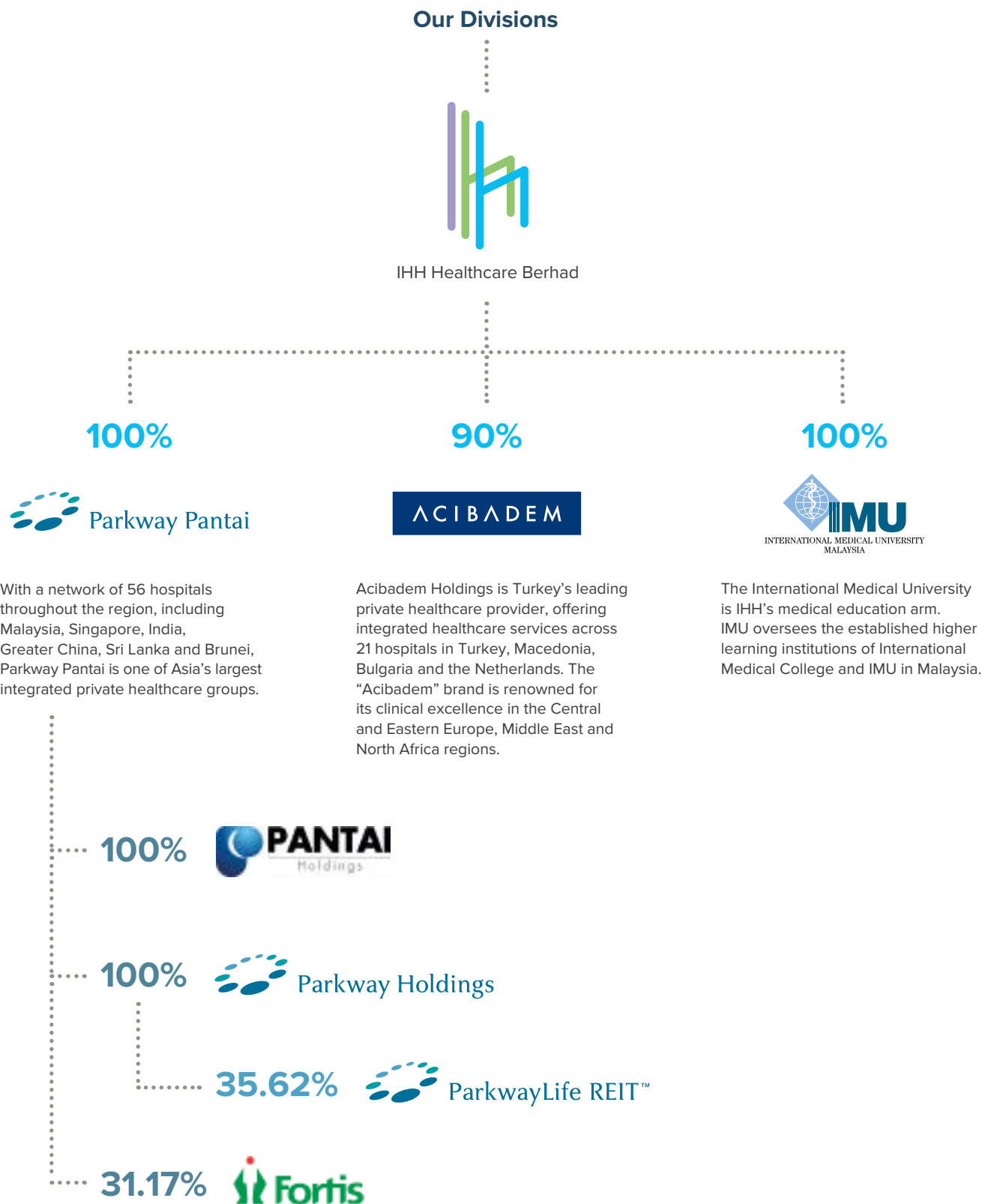
With our strong fundamentals and sound investment strategies, IHH continues to Focus, Scale and Optimise as we grow from strength to strength to realise our vision “To be the world’s most trusted healthcare services network”.



Read more on Business Strategy on pages 44 and 45

IHH at a Glance

As at 30 April 2020



Our Leading Hospital Brands

IHH offers an integrated network of hospital and ancillary services through a wide array of brands. Our brands are among the most prestigious in Asia and are widely recognised for their clinical excellence in Central and Eastern Europe, the Middle East and North Africa regions.



Gleneagles

Gleneagles is the Group's international brand, with footprint in Malaysia, Singapore, India, China, Hong Kong and Brunei. Across Asia, the brand is synonymous with personalised care and superior clinical outcomes.



Mount Elizabeth

With two established hospitals in Singapore specialising in tertiary and quaternary care, Mount Elizabeth is among the world's top destinations for medical treatment.



Pantai

Pantai has a strong reputation in Malaysia for delivering quality healthcare through a wide spectrum of services ranging from hospitals to laboratory and rehabilitation services.



Acibadem

Acibadem is renowned for its clinical excellence as a leading private healthcare provider in Turkey. It offers the full suite of integrated healthcare services and has a presence in Bulgaria, Macedonia and the Netherlands.



Parkway Shenton

Parkway Shenton is a well-known primary healthcare brand in Singapore with an extensive network of practitioner clinics, 24-hour clinics and executive health screening centres across the island state.



ParkwayHealth

ParkwayHealth is the brand for Parkway Pantai's ancillary services in Singapore, including radiology and laboratory services. It is also the preferred primary healthcare network for expatriates and locals in China.



Fortis Healthcare

Fortis Healthcare is a leading integrated healthcare delivery service provider in India. The healthcare verticals of Fortis primarily comprise hospitals, diagnostics and day care specialty facilities. Currently, Fortis operates its healthcare delivery services in India and Sri Lanka.

FOCUS WITH FORTITUDE

Keeping our pulse on a sustainable growth strategy, IHH continues ramping up existing operations and strengthening our presence in home markets where we see rising affluence, ageing populations, and the demand for quality private healthcare.

OUR STRATEGIES IN ACTION

Geographical Cluster Strategy; Leveraging International

UNLOCKING VALUE THROUGH FORTIS

July 2018

- Proposed acquisition of 31.17% in Fortis through a INR40 billion (about RM2.4 billion) subscription to a preferential allotment of Fortis shares at INR170 per share

Q4 2018

- Acquired 31.17% stake with board control in Fortis
- Initiated a 100-day turnaround plan which includes improving operational efficiencies, operating leverage, renegotiating credit lines and procurement costs

Q1 2019 (end of 100-day plan)

- Completed the acquisition and consolidated various Indian subsidiaries of RHT Health Trust for INR36.0 billion (about RM2.1 billion), eliminating business trust costs to improve operational profitability
- Successful in refinancing high-cost debt with lower-cost borrowings
- Improved credit rating to investment grade (BBB-) with Indian credit rating agencies ICRA and CARE
- New CEO Dr Ashutosh Raghuvanshi appointed; New CFO Mr Vivek Goyal appointed

FORTIS IN NUMBERS

* Fortis' India hospitals including hospitals with O&M arrangement

26*
Hospitals

4,000+
Licensed Beds



Scale



Read more on Business Strategy on pages 44 and 45

Q2 2019

- Post 100-day turnaround plan – second straight quarter of operational profit before tax, with higher revenue and improved balance sheet
- Contributions from Fortis raised Q2 2019 revenues by RM671.4 million compared to Q2 2018
- Cost-saving initiatives undertaken to drive operational performance and enhance profitability
- Streamlined organisational structure for more efficiency between hospital operations and corporate functions.
- Initiatives to improve manpower productivity in both clinical and non-clinical areas

Q3 2019

- Further improved credit rating to investment grade BBB+ from BBB- with India credit agency
- Global synergies from shared savings when investing in new cardiac angioplasty equipment with IHH from global procurement platform

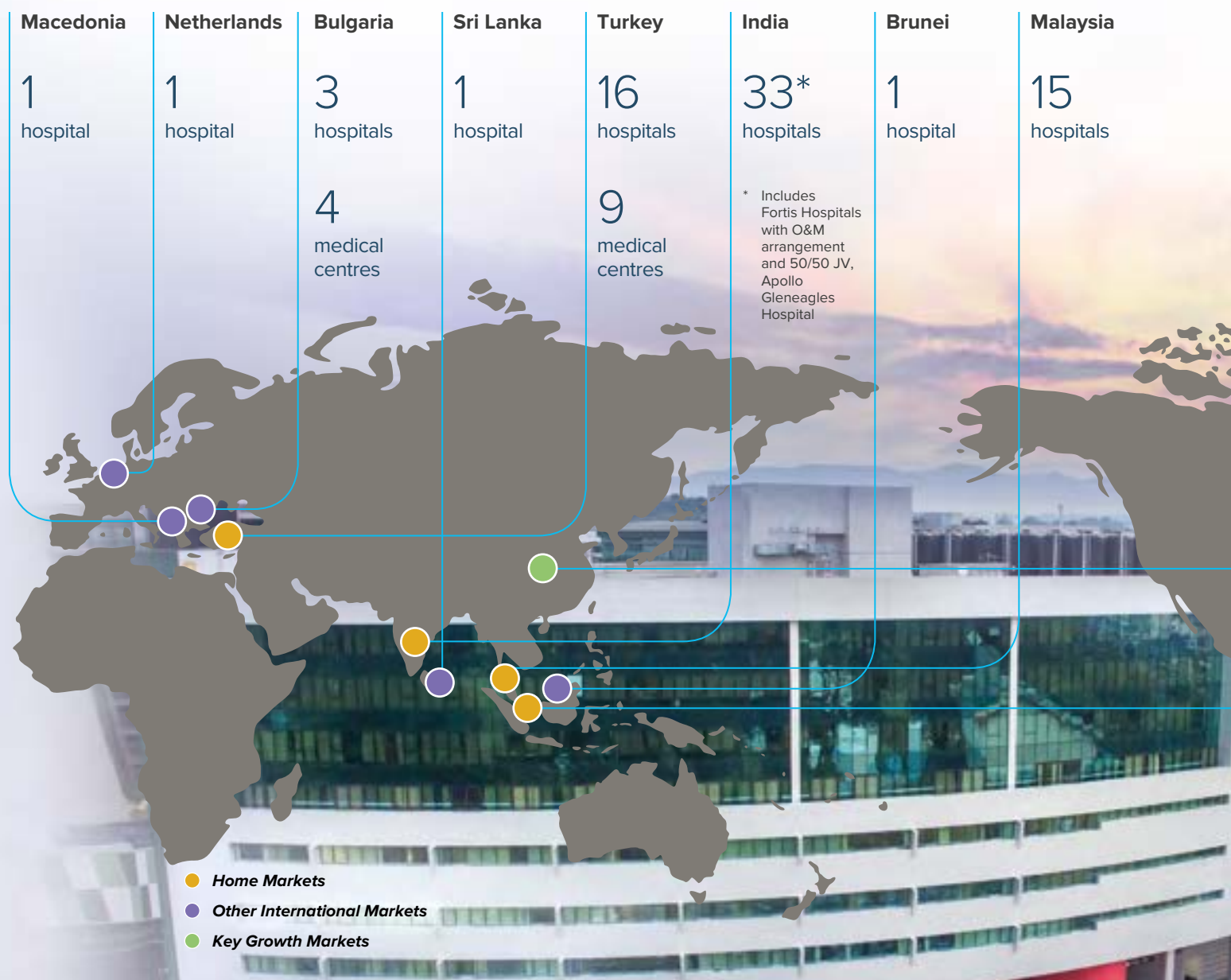
Q4 2019

- Continued improvement through cost efficiency initiatives through optimising manpower costs, improvement in IT and infrastructure, corporate office expense, supply chain and procurement

415+
Diagnostic Centres

2,600+
Doctors

20,000+
Staff



OUR STRATEGIES IN ACTION

Geographical Cluster Strategy; Leveraging International

BENEFITS OF INTERNATIONAL SCALE



Ability to leverage expertise and knowledge across the Group



Continuously deepening operating capabilities



Integrated systems to drive cost savings across the Group



Synergies gained through shared resources in procurement, IT services, talent management and other administrative functions

Singapore

4
hospitals

50+
clinics

Greater China

2
hospitals

8
medical
centres

SCALE WITH EXCELLENCE

Adopting a multi-country portfolio strategy, IHH diversifies our earnings base in cashflow-generative markets. We are also scaling up our presence in Greater China with new services in Gleneagles Hong Kong and the opening of Gleneagles Chengdu in October 2019 with 30 beds in its initial phase.

Strong ecosystem of **77**
hospitals in **10** markets

Scale



Read more on Business Strategy on pages 44 and 45



Investment facilitated for digitalising healthcare and precision medicine capabilities, improving care and service quality standards



Access to international laboratory diagnostics capability through SRL Diagnostics, cost savings and improved diagnostic efficiency



Effective clinical governance across the Group through the International Clinical Governance Advisory Council (ICGAC)

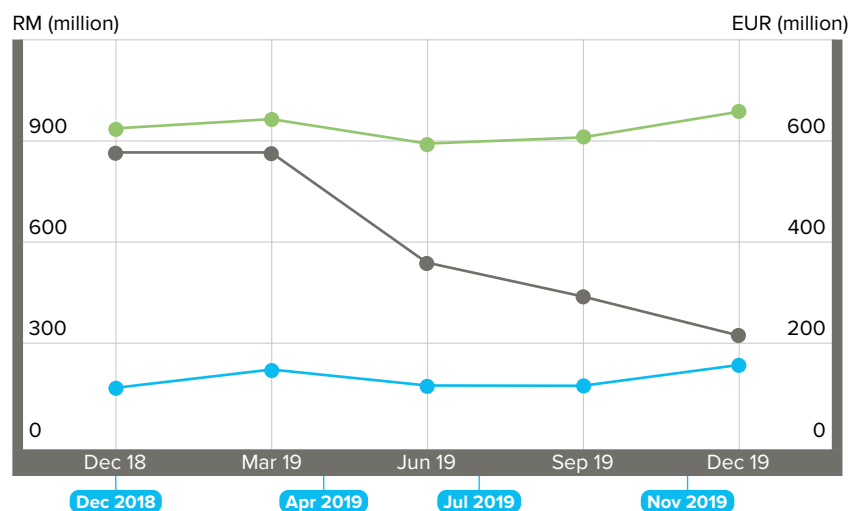
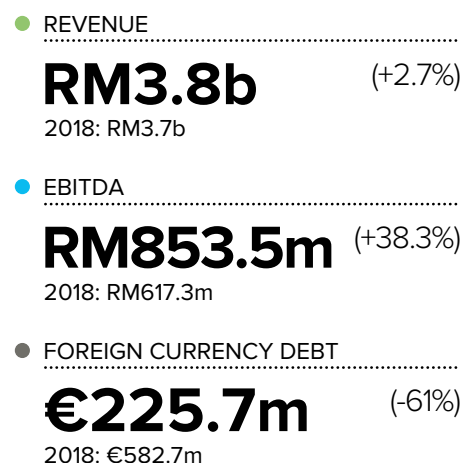
OPTIMISE WITH EFFICIENCY

Leveraging our scale for operational synergies, IHH optimises capital management and resource allocation within our multi-country portfolio. This allows us to mitigate risks and boost our ability to navigate various market conditions while delivering cost-effective solutions.

OUR STRATEGIES IN ACTION

Geographical Cluster Strategy; Leveraging International

Delivering Strong Performance in Turkey Amid Currency Volatility





Scale



Read more on Business Strategy on pages 44 and 45

HIGHLIGHTS

Dec 2018

- Initiated plans for debt restructuring to reduce Acibadem's foreign currency denominated debt of equivalent to €583 million

Apr 2019

- Repaid an equivalent of €215 million of foreign currency denominated debt to manage forex exposure and strengthen Acibadem's balance sheet

Jul 2019

- Further reduced forex exposure by swapping €66 million of non-Turkish Lira debt to Turkish Lira

Feb 2020

- Swapped €37 million of existing bank loans to Turkish Lira, further reducing the Non-Lira debt

Nov 2019

- Repaid bank loans of €25 million through internal cashflow

Total non-Lira debt reduced by

61%

to bring down exposure to currency volatility

Financial Highlights

Revenue by Strategic Business Units

(RM million)

Parkway Pantai

10,745.2



Acibadem Holdings

3,764.7



IMU Health

259.0



PLife REIT

347.9



Others

4.1



EBITDA by Strategic Business Units

(RM million)

Parkway Pantai

2,370.7



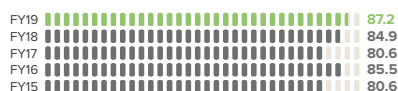
Acibadem Holdings

853.5



IMU Health

87.2



PLife REIT

294.4



Others

(78.7)



Profit Tax and Minority Interest (PATMI)

excluding exceptional items
(RM million)

920.7



Basic Earnings per Share

excluding exceptional items
(sen)

9.49



See pages 51 and 52 on Financial Review for more information

The above charts are not drawn to scale.

	FY2015	FY2016	FY2017	FY2018	FY2019
A INCOME STATEMENT (RM MILLION)					
Revenue by Strategic Business Units					
Parkway Pantai	5,159.8	6,165.0	6,902.6	7,450.4	10,745.2
Acibadem Holdings	2,952.9	3,480.2	3,853.5	3,676.2	3,764.7
IMU Health	229.3	237.1	250.4	257.5	259.0
Others ⁵	7.9	8.0	2.1	3.6	4.1
	8,349.8	9,890.3	11,008.6	11,387.8	14,773.0
PLife REIT total revenue	288.3	327.8	342.3	335.7	347.9
PLife REIT inter-segment revenue	(182.7)	(196.3)	(208.3)	(202.5)	(208.4)
Total	8,455.5	10,021.9	11,142.6	11,520.9	14,912.5
EBITDA¹ by Strategic Business Units					
Parkway Pantai	1,271.1	1,404.1	1,349.1	1,518.2	2,370.7
Acibadem Holdings	521.0	538.1	617.9	617.3	853.5
IMU Health	80.6	85.5	80.6	84.9	87.2
Others ⁵	(37.4)	(31.4)	(50.8)	(64.4)	(78.7)
	1,835.3	1,996.2	1,996.8	2,156.0	3,232.7
PLife REIT	306.2	286.9	282.7	321.7	294.4
Eliminations	—	—	—	—	(209.3)
Total	2,141.5	2,283.2	2,279.5	2,477.7	3,317.8
Profit After Tax and Minority Interest (PATMI)					
Including Exceptional Items	933.9	612.4	970.0	627.7	551.5
Excluding Exceptional Items	899.2	866.0	595.3	1,027.6	920.7
B FINANCIAL POSITION (RM MILLION)					
Total Assets	35,497.9	37,188.0	38,925.5	45,114.5	45,053.3
Net Borrowings	4,718.5	5,043.9	1,559.5	2,807.3	4,311.0
Equity attributable to Owners of the Company	22,155.7	21,985.7	21,890.2	21,994.0	22,339.5
C FINANCIAL RATIOS					
Basic Earnings per Share (sen)					
Including Exceptional Items	11.38	7.44	11.31	6.54	5.28
Excluding Exceptional Items	10.95	10.52	6.76	11.36	9.49
Net Assets² per Share (RM)	2.69	2.67	2.66	2.51	2.55
Net Tangible Assets³ per Share (RM)	1.04	1.02	1.08	0.90	0.88
Return on Shareholders' Fund⁴ (%)					
Including Exceptional Items	4.22%	2.79%	4.43%	2.85%	2.47%
Excluding Exceptional Items	4.06%	3.94%	2.72%	4.67%	4.12%
Return on Total Assets (%)					
Including Exceptional Items	2.63%	1.65%	2.49%	1.39%	1.22%
Excluding Exceptional Items	2.53%	2.33%	1.53%	2.28%	2.04%
Net Debt Equity Ratio (times)	0.19	0.21	0.06	0.10	0.15

Notes

The above historical financial summary may not be comparable across the period presented due to the changes in the Group structure.

For changes in the accounting policies and adoption of new and/or revised accounting standards, as well as changes in presentation of financial statements for the respective financial year under review, only the comparative figures for the previous year were restated to conform with the requirements arising from the said changes or adoption.

Comparative figures for the previous year were restated, where applicable, upon the completion of the Purchase Price Allocation on the Group's acquisitions of subsidiaries as required under MFRS 3, *Business Combinations*.

1. Being earnings before interest, tax, depreciation, amortisation, exchange differences, share of results of associates and joint ventures and other non-operational items.

2. Being net assets attributable to ordinary shareholders (excluding non-controlling interests).

3. Being net assets attributable to ordinary shareholders (excluding non-controlling interests) less goodwill and intangible assets.

4. Being PATMI for the year over equity attributable to owners of the Company as at year-end.

5. Others comprise mainly IHH Group's corporate office, as well as other investment holding entities.

Operational and Sustainability Highlights

	FY2015	FY2016	FY2017	FY2018	FY2019
Malaysia					
No. of hospitals at end of year	14	14	14	15	15
No. of licensed beds ¹ at end of year	2,235	2,385	2,399	2,503	2,537
No. of operational beds ¹ at end of year	2,065	2,143	2,182	2,327	2,372
Inpatient admissions ²	183,265	192,113	197,563	203,419	218,051
Average length of stay ³ (days)	2.8	2.7	2.7	2.7	2.7
Occupancy rate ⁴	68%	69%	67%	67%	70%
Average revenue per inpatient admission (in RM)	5,491	5,915	6,237	6,615	7,054
Singapore					
No. of hospitals at end of year	4	4	4	4	4
No. of licensed beds ¹ at end of year	908	914	942	967	998
No. of operational beds ¹ at end of year	880	892	928	942	960
Inpatient admissions ²	67,917	74,119	76,459	76,917	78,541
Average length of stay ³ (days)	3.0	2.9	2.8	2.8	2.9
Occupancy rate ⁴	63%	65%	64%	63%	65%
Average revenue per inpatient admission (in SGD)	8,904	8,866	9,527	10,266	10,730
Average revenue per inpatient admission (in RM, SGD1=RM3.0553)	27,204	27,089	29,109	31,365	32,782
India⁵					
No. of hospitals at end of year	8	8	9	33	29
No. of licensed beds ¹ at end of year	1,552	1,546	1,664	5,954	5,887
No. of operational beds ¹ at end of year	1,260	1,192	1,192	4,845	4,770
Inpatient admissions ²	59,884	62,126	72,005	88,793	363,126
Average length of stay ³ (days)	4.0	3.9	3.9	3.7	3.3
Occupancy rate ⁴	52%	56%	63%	59%	69%
Average revenue per inpatient admission (in INR)	109,270	119,140	122,003	127,112	110,014
Average revenue per inpatient admission (in RM, INR1=RM0.05796)	6,333	6,905	7,071	7,367	6,376
Turkey and Central and Eastern Europe					
No. of hospitals at end of year	18 ⁷	20	21	21	21
No. of licensed and operational beds ⁶ at end of year	2,772	3,446	3,818	4,099	4,157
No. of overnight beds ⁶ at end of year	1,903	2,556	2,729	2,781	2,863
Inpatient admissions ²	130,429	171,583	213,590	229,433	221,493
Average length of stay ³ (days)	3.6	3.3	3.4	3.4	3.5
Occupancy rate ⁴	72%	70%	74%	78%	75%
Average revenue per inpatient admission (in TL)	7,290	7,104	7,956	9,896	11,662
Average revenue per inpatient admission (in RM, TL1=RM0.69047)	5,033	4,905	5,493	6,833	8,052

Notes

The above information comprises operational data relating to hospitals owned by subsidiaries of the Group only. It does not include data relating to hospitals owned by joint ventures and associates of the Group and does not include hospitals that are managed for third parties.

Hospitals in Turkey do not compile certain operational data, including the number of operational beds, the average length of stay and occupancy rates on the same basis as the rest of the regions and therefore, these numbers may not be comparable.

For changes in classification/definitions for the respective financial year under review, only the comparative figures for the previous year were restated to conform with the current classification/definitions.

- Licensed beds are the approved number of beds by the Ministry of Health that the hospital regularly maintains and staffs.
Operational beds is an internal measure for which we include licensed beds utilised for our patients.
- Represents the total number of overnight inpatients admitted to our hospitals.
- Represents the average number of days an overnight inpatient stays at our hospitals.
- Represents the percentage of hospital operational/overnight beds occupied by inpatients.
Occupancy rate may be lower due to new hospitals that are in the ramp up stage.
- The Group acquired Continental and Global Hospitals during FY2015. Information disclosed is for full year FY2015.
The Group acquired Fortis Group in November 2018. Information disclosed for FY2018 includes operational data of Fortis post acquisition
- Under Turkish Law, "licensed beds" refers to the approved number of beds used for observation and treatment of at least 24 hours, including intensive care, premature and infant unit beds, beds in the burn care units and as indicated in the hospital operation licenses.
In addition to licensed beds, "operational beds" include beds used for treatments of less than 24 hours, such as for chemotherapy, radiotherapy and sedation or other beds such as incubators, labour beds and beds for examination, small treatments and relaxation, from which Acibadem derives revenue and does not require licensing.
"Overnight beds" comprise beds used for observation and treatment of at least 24 hours.
- Number of hospitals includes Aile Hospital Goztepe, whose operations were suspended in late April 2012 for building works.
- SGD: Refers to Singapore Dollars; TL: Refers to Turkish Lira; INR: Refers to Indian Rupees



Number of Hospitals

15

Malaysia

4

Singapore

29

India

21

Turkey¹



Number of Operational Beds

2,372

Malaysia

960

Singapore

4,770

India

4,157

Turkey¹



Number of Inpatient Admissions

218,051

Malaysia

78,541

Singapore

363,126

India

221,493

Turkey¹



Average Revenue per Inpatient Admission (RM)

7,054

Malaysia

32,782

Singapore

6,376

India

8,052

Turkey¹



See pages 54 to 59 on Operating Review and pages 62 to 91 on Sustainability for more information

1. Information disclosed for Turkey includes operational data from Acibadem Holdings' overseas operations in Macedonia, Bulgaria and the Netherlands.

2019

Pantai Hospital Cheras celebrates 25th anniversary

13 Jan



Mount Elizabeth Novena Hospital opens new Cardiac Unit

4 Mar



IHH's 9th Annual General Meeting FY2018 held in Kuala Lumpur, Malaysia

28 May



IHH is recognised as “Most Outstanding Company in Malaysia – Healthcare Sector” in the 2010s by Asiamoney Asia’s Outstanding Companies Poll 2019. We also received an accolade in the “30 Years of Asia’s Outstanding Company in Malaysia in 2010s” category for our management team’s excellence, Investor Relations (IR) activities and Corporate Social Responsibility (CSR) initiatives

28 Jun

27 Feb

IHH announces full year 2018 results

24 Apr

Gleneagles Hong Kong Hospital launches Hong Kong’s first private Behavioural Health inpatient service offering round-the-clock specialist care in a safe and healing environment

25 Jun



Gleneagles Medini Hospital Johor launches RM25 million Cancer Centre equipped with state-of-the-art radiotherapy system

30 Jun



Gleneagles 60th Anniversary

Gleneagles Hospital, Singapore’s first private hospital, celebrates its 60-year diamond anniversary with a pledge of \$43,200 to sponsor 60 primary school children from The Straits Times School Pocket Money Fund. The amount will provide the children with \$60 per month, for one year, to cover food and transport expenses, and alleviate other financial constraints



Pantai Hospital Klang opens new Haemodialysis Centre facility to cater for chronic kidney disease patients in the Klang Community

3 Jul



Gleneagles Hong Kong Hospital launches Spine Centre to offer systematic and comprehensive assessment on complex spine cases to foster all-round effective treatment strategies

16 Jul



All Parkway Pantai hospitals in Singapore have now successfully attained the World Health Organization's (WHO) Baby-friendly Hospital Initiative (BFHI) certification

10 Oct

IHH invests in genomic medicine company Lucence to provide cancer patients with better treatment outcomes

20 Nov

6 Jul



Mount Elizabeth Hospitals mark 40th Anniversary with the adoption of the Autism Resource Centre (Singapore) (ARC) as their official charity to champion a more inclusive society

17 Sep

IHH announces proposed acquisition of Prince Court Medical Centre to strengthen our position in Malaysia, broaden our service offerings and enhance our medical tourism prospects

5 Nov



Parkway Pantai is awarded **Best Adoption – Enterprise** with its groundbreaking Artificial Intelligence (AI)-powered hospital bill estimation system

9 Dec

IHH's Extraordinary General Meeting held in Kuala Lumpur, Malaysia

Awards and Accreditations

Awards

IHH Healthcare Berhad

Institutional Investor's ALL-ASIA Executive Team 2019

- Most Honoured Company
- Best CEO
- Best CFO
- Best Investor Relations Officer in Malaysia

Asiamoney Asia's Outstanding Companies Poll 2019

- Most Outstanding Company in Malaysia – Healthcare Sector
- 30 Years of Asia's Outstanding Company in Malaysia in 2010s

PwC Malaysia Building Trust Awards 2019

- 3rd place

HealthInvestor Asia Awards 2019

- Acute/Secondary Care Deal of the Year for the transformational deal in Fortis Healthcare

Malaysia Operations

Gleneagles Penang

Global Health & Travel Awards 2019 (Asia Pacific Region)

- Value-Based Hospital of the Year
- Oncology Service Provider of the Year
- Paediatric Service Provider of the Year

Pantai Premier Pathology Reference Core Lab

ASEAN LEAN Healthcare Award 2018 Winner

Pantai Hospital Sungai Petani

Malaysia Productivity Corporation – Gold Lean Award

Pantai Hospital Ampang

10th National Quality Assurance Convention – Jury Award

Gleneagles Kuala Lumpur

Global Health & Travel Awards 2019 (Asia Pacific Region)

- Health Screening Provider of the Year
- Urology Service Provider of the Year

Singapore Operations

Parkway Pantai

SG Digital Techblazer Awards

- Best Adoption – Enterprise

Asia Pacific ICT Alliance Awards

- Runner-up, Merit

Asia Pacific Society of Infection Control (APSIC) Congress 2019

- Central Sterile Supply Department Centre of Excellence (CSSD COE) Award

Parkway East Hospital

Nurses' Merit Award from the Ministry of Health

- Siti Hosier, Senior Assistant Director of Nursing

Mount Elizabeth Hospital

Global Health & Travel Awards 2019

- Hospital of the Year in Asia Pacific
- Hospital of the Year in Singapore
- Neurology Service Provider of the Year
- Cardiology Service Provider of the Year
- Orthopaedics Service Provider of the Year
- Bariatric Service Provider of the Year
- Health Screening Provider of the Year

Nurses' Merit Award from the Ministry of Health

- Pua Siew Keing, Senior Nurse Manager

Mount Elizabeth Novena Hospital

Asian Hospital Management Awards 2019

- Gold Award (Customer Service Category)

Asia Pacific Society of Infection Control (APSIC)

- CSSD Centre of Excellence (CoE) Award

Nurses' Merit Award from the Ministry of Health

- Tan Mui Eng, Deputy Director of Nursing

Gleneagles Hospital

Global Health & Travel Awards 2019

- Transplant Service Provider of the Year
- Gastroenterology Provider of the Year

Nurses' Merit Award from the Ministry of Health

- Constance Koh, Assistant Director of Nursing

Turkey Operations

Acibadem Healthcare Group

Capital 500 – Turkey's Largest Companies

- 86th largest company
- 1st in healthcare sector

Acibadem Tokuda Hospital

Survey by Bulgarian Hospital Association and Investor Media Group (supported by the Ministry of Health)

- First place for its Surgery Clinic
- Second place for its Cardiology Clinic
- Third place for its Oncology Department

India Operations

Fortis Hospitals, Anandapur, Kolkata

FICCI Medical Travel Value Awards 2019

- Best Case Study

Fortis Escorts Heart Institute & Research Centre Ltd

FICCI Medical Travel Value Awards 2019

- Medical Value Travel Specialist Hospital – Cardiology (Cardiac Surgery)
- Medical Value Travel Specialist Hospital – Cardiology (Interventional Cardiology)

Fortis Memorial Research Institute, Gurugram

FICCI Medical Travel Value Awards 2019

- Medical Value Travel Specialist Hospital – Neurosciences
- Medical Value Travel Specialist Hospital – Spine Surgery – Fortis Memorial Research Institute, Gurugram

Fortis Hospital India

Asian Hospital Management Awards (AHMA) 2019

- Runner-up, Excellence Award for Clinical Service Project

Greater China Operations

Gleneagles Hong Kong Hospital

Healthcare Asia Awards 2019

- Management Innovation of the Year Award

Hong Kong Living Awards 2019

- Best Hospital award

Accreditations

Joint Commission International (JCI)	
Malaysia	Gleneagles Kuala Lumpur, Gleneagles Penang, Pantai Hospital Kuala Lumpur
Singapore	Gleneagles Hospital, Mount Elizabeth Hospital, Mount Elizabeth Novena Hospital, Parkway East Hospital
Turkey	Acibadem Adana and Acibadem Sistina hospitals
India	Fortis Memorial Research Institute (FMRI), Gurugram

Baby-friendly Hospital Initiative	
Singapore	Mount Elizabeth, Mount Elizabeth Novena, Gleneagles and Parkway East hospitals

Certificate of Accreditation – granted by The Australian Council on Healthcare Standards (ACHS) International (December 2019)	
Greater China	Gleneagles Hong Kong

Hazard Analysis Critical Control Points (HACCP)	
Greater China	Gleneagles Hong Kong

Malaysia Society for Quality Health (MSQH)		
1. Pantai Hospital Ampang	6. Pantai Hospital Klang	11. Gleneagles Kota Kinabalu
2. Pantai Hospital Ayer Keroh	7. Pantai Hospital Kuala Lumpur	12. Gleneagles Kuala Lumpur
3. Pantai Hospital Batu Pahat	8. Pantai Hospital Manjung	13. Gleneagles Medini
4. Pantai Hospital Cheras	9. Pantai Hospital Penang	14. Gleneagles Penang
5. Pantai Hospital Ipoh	10. Pantai Hospital Sungai Petani	

MS ISO 15189:2014	
Malaysia	Pantai Premier Pathology
Turkey	Acibadem Labmed Clinical Laboratories

National Accreditation Board for Hospitals and Healthcare Providers (NABH)	
India	<ul style="list-style-type: none"> Global Hospitals, Parel Gleneagles Global Hospitals, Lakdi-Ka-Pul Gleneagles Global Health City, Perumbakkam Aware Gleneagles Global Hospitals, LB Nagar



ACCELERATING PROGRESS

Our significant achievements in our key markets this year reflect our accelerating progress towards disciplined integration and consolidation across the Group to achieve operational efficiency and financial sustainability.

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Chairman's Statement



As an international healthcare service provider operating in an increasingly volatile and competitive global environment, it is imperative that we grow sustainably.

Dato' Mohammed Azlan bin Hashim
Non-Executive Chairman

Dear Stakeholders,

Resolute in our commitment to continue creating and delivering the best value for our stakeholders, IHH Healthcare (IHH) will keep building our resilience and growing sustainably.

As an international healthcare organisation operating in an increasingly volatile and competitive global environment, it is imperative that we grow sustainably. With our sound fundamentals, effective corporate governance and prudent oversight of our businesses, we are well on the way.

Validating Trust

The key healthcare trends that are shaping the future of our business include the growing demand for healthcare services from rapidly ageing populations in the communities we serve, and rising expectations for higher-quality healthcare services from the burgeoning middle-class in our major markets.

As the Group operates across 10 countries, we are also exposed to volatility in currency exchange rates, as well as a tendency for authorities to consider pricing controls. However, despite these challenges, we performed soundly in 2019, validating the trust our shareholders have place in us. Guided by our core values of putting patients first, integrity, empathy, teamwork and excellence, we continued delivering value-driven, quality outcomes for our patients while operating sustainably.

Trusted Healthcare Services Network

In 2019, the Board, together with the new Managing Director and CEO, Dr Kelvin Loh, introduced a new vision “To be the world’s most trusted healthcare services network”. This ties in with how we will create long-term value for our stakeholders

through our leading brands in our home markets, underpinned by an outstanding reputation for clinical outcomes. We will continue to build on that and make healthcare services more convenient and transparent to our patients throughout our network of 77 hospitals across 10 countries.

To continue growing and expanding as a Group, we will keep forging strong ties with stakeholders and partners that complement our strengths synergistically and are equally committed to delivering excellent patient care and clinical outcomes responsibly.

As an economically, environmentally and socially conscientious organisation, we also manage the impact of our operations efficiently and ensure responsible management and sustainable development across the Group.

Our fourth Sustainability Report, which you will find on page 62, continues to offer insights on how the businesses within the Group have been collaborating to embed sustainability and identify key risks and opportunities when managing operations. Because sustainability is critical to our performance, we have increased the scope of this year’s reporting to include Central and Eastern Europe, and Greater China to share insights on more areas of their operations.

We are pleased that efforts to prioritise sustainable growth have been helping us drive operational excellence and giving impetus to our businesses to keep upping the ante on efficiency. The table below illustrates our sustainability journey across various operations in our four home countries so far.

We aim to incorporate all our geographical operations within our scope of reporting next year.

9.5 sen
Basic Earnings per Share
(Excluding Exceptional Items)

4.0 sen
Dividend per Ordinary Share

Our Sustainability Journey

Where We Were			Where We Are Now	Where We Aim To Be
2016	2017	2018	2019	2020
Inaugural Sustainability Statement	Sustainability Report	Integrated Report	Integrated Report	Integrated Report
Scope: Malaysia (including International Medical University or IMU), Singapore and Turkey	Scope: Malaysia (including IMU), Singapore, Turkey and India	Scope: Malaysia (including IMU), Singapore, Turkey and India	Scope: Malaysia (including IMU), Singapore, Turkey, Central and Eastern Europe, India, and Greater China	Scope: To include all geographical operations
Disclosing Economic and Social Sustainability Indicators	Disclosing Economic, Environmental and Social Sustainability Indicators and established six United Nations SDG (Sustainable Development Goals) focus areas	Selecting key Environmental, Economic and Social Indicators that are pertinent to sustainable healthcare and retained our six United Nations SDG focus areas	Strengthening the sustainability performance of the Group and commitment to the United Nations SDGs by extending to seven of our United Nations SDG focus areas (we added UN SDG 4)	Strengthening the sustainability performance of the Group and commitment to the seven United Nations SDG focus areas we have picked
Reporting in line with Bursa Malaysia's Sustainability Reporting Guide	Reporting in line with Bursa Malaysia's Sustainability Reporting Guide and GRI (Global Reporting Initiative) four standards	Reporting in line with Bursa Malaysia's Sustainability Reporting Guide, GRI Standards – Core Option and Sector Specific Disclosures	Reporting in line with Bursa Malaysia's Sustainability Reporting Guide (2 nd Edition), GRI Standards – Core Option and Sector Specific Disclosures	Reporting in line with Bursa Malaysia's Sustainability Reporting Guide, GRI Standards – Core Option and Sector Specific Disclosures
Identifying material matters from survey responses from stakeholders	Conducting materiality assessment	Identifying material sustainability matters that have a short-term, medium-term and long-term impact on stakeholders' decision – making and Environment Effects Statement (EES) performance of our business operations	Conducting materiality assessment	Maintaining material matters

Upholding Integrity in Our Business Conduct

To ensure that all IHH businesses are conducted ethically and with integrity, we have established and are continuing to introduce various policies, procedures and guidelines to prevent unethical and unlawful actions. Recently, for example, our International Medical University (IMU) set up its own Social Media Guidelines in response to social media incidents that risked diminishing the brand reputation. We expect this initiative to lead to staff and students exercising more prudent oversight on social media activities.

IHH also formalised its Anti Bribery and Corruption policy that has been in effect across its operations. The policy outlines expected behaviour and proper conduct pertaining to business activity, and took effect since 1 September 2019.

Prioritising Safety

Safety, being key to our business operations, is a top priority for the Group. To ensure the safety and well-being of all our patients when they undergo any of our medical procedures and throughout their stay in our hospitals, we have in place rigorous policies,

measures and internal controls. We also stand ready to respond to the emergence of new extreme hazards such as “superbugs”. To contain issues caused by these drug-resistant microorganisms arising from antibiotics overuse, we adopt precautionary approaches for ensuring the rational use of antibiotics at our hospitals. Additionally, we organise awareness campaigns to educate employees on selecting antibiotics, dosage, and optimum antibiotic treatment, and stay alert to new precautionary measures we can take.

We also have in place a control plan for the safety of our employees who are

constantly exposed to safety and health risks while working in a hospital environment. This includes procedures and guidelines for the safe disposal of clinical wastes that are hazardous, and a dedicated team assigned to oversee the safety and health of our people.

Recently we responded swiftly to the COVID-19 pandemic with appropriate measures and can assure all our stakeholders that we are fully equipped to respond to this outbreak across all our hospitals. As the COVID-19 situation is still unfolding, there are a lot of uncertainties globally, but rest assured that we are continuing to monitor this pandemic and staying vigilant. You will find details of the measures we have taken in our Sustainability Report.

Meeting and Exceeding Healthcare Standards

Our healthcare services not only meet the expectations of our patients, but often exceed them. One of the ways we ensure high-quality services and processes is through quality accreditations.

We also conduct surveys regularly to offer us insights on how patients view our service quality. Seeing their perspective helps us heed their feedback so we can work on the areas in which we can do better.

In addition, to build trust and transform care for our patients, we have embarked on a value driven outcomes initiative to go beyond providing excellent treatment and related healthcare services. This is done by devising packages and explaining upfront to our patients how service is delivered and how it benefits them, including clinical outcomes, for a particular price point. This is in addition to our value-added services such as financial counselling, transparent fee structures, as well as payment plans and cost-effective treatment packages. This is what patients need and want. We believe this is a more holistic way to earn patients' trust so as to engender strong and sustainable growth going forward.

Protecting the Environment

In delivering our healthcare services, our daily business operations generate a significant amount of clinical and general wastes. Most of the waste produced are clinical waste that could be hazardous or even infectious.

To mitigate this impact, we ensure that the waste management systems and practices we have put in place in all our markets comply with the laws and regulations on waste management of the respective countries. We have proper schedules and practices instituted to make sure all healthcare waste are securely stored before they are collected by contractors who are certified and licensed by local authorities. We also see to it that recyclable wastes churned out are sent for recycling to minimise resource depletion.

Committing to Sustainable Development

In its quest for a more prosperous, equitable and sustainable world, the United Nations (UN) established a list of Sustainable Development Goals (SDGs) to fight extreme poverty, inequality, injustice and climate change. At IHH, we have committed to helping the UN cause by focusing initially on six of its SDGs and broadening this focus by adding a seventh this past year.

Our first six SDG focus areas are Good Health and Well-Being (SDG 3); Affordable and Clean Energy (SDG 7); Decent Work and Economic Growth (SDG 8); Industry, Innovation and Infrastructure (SDG 9); Responsible Consumption and Production (SDG 12) and Peace, Justice and Strong Institutions (SDG 16). The latest SDG we have embraced is SDG 4 – on Quality Education – which reflects our impact on medical education through subsidiaries such as IMU. By increasing our SDG focus areas from six to seven, we are signalling our broader support for the UN SDGs and showing our commitment towards sustainable development.

Adhering to Our Pillars of Sustainability

For this year's report, we have decided to broaden our scope of our sustainability disclosures to incorporate our operations in Greater China (including Hong Kong), and Central and Eastern Europe (Bulgaria, Macedonia and the Netherlands) since our operations have expanded.

As we believe our sustainability reporting should reflect our current business

practices, we conducted a review of our previous materiality assessment process and reassessed the relevance of each material matter to our business operations. This led to us identifying 20 such material matters, 10 of which are included in this report. As the table below illustrates, these are categorised according to our pillars of sustainability, which reflect five intrinsic elements: Our Patients, People, Organisation, Environment and Community.

Moving forward, the Group will continue creating shared value for our stakeholders, providing advanced and sustainable patient-centric healthcare, and making sure our operations remain socially responsible and environmentally friendly as we fulfil our purpose and achieve our goals.

Board and Management Changes

Like in many dynamic organisations, changes occur at Board and Management levels each year. In 2019, four Board members left us: Mr Chang See Hiang, Mr Chintamani Aniruddha Bhagat, Mr Koji Nagatomi and Ms Quek Pei Lynn. Mr Chang, a Senior Independent, Non-Executive Director, joined us on the Board in April 2012 and served as a member of the audit and risk committee. Mr Chintamani Aniruddha Bhagat, who became a Non-Independent, Non-Executive Director in September 2016, was a member of the steering committee, nomination committee and remuneration committee. Mr Koji Nagatomi, a Non-Independent, Non-Executive director, joined us on the Board in April 2017. Ms Quek Pei Lynn joined us as an alternate Director in October 2012. I thank all four for their invaluable contributions to the Board.

Taking their places are Mr Masato Sugahara, a Non-Independent, Non-Executive Director, Dr Farid bin Mohamed Sani, a Non-Independent, Non-Executive Director; Ms Ong Shilin, a Non-Independent, Non-Executive Alternate Director to Mr Takeshi Saito; and Mr Wong Eugene, a Non-Independent, Non-Executive Alternate Director to Dr Farid bin Mohamed Sani. Mr Wong will also be a member of the Steering Committee, serving as an Alternate to Dr Farid bin Mohamed Sani.

In the new year, we also saw a major change in our Group Management. Dr Tan See Leng had elected to retire as Managing Director and Chief Executive Officer upon the end of his contract period at the end of 2019. During his 15 years

Our Patients 	<p>We aim to promote a patient-centred culture by constantly improving and prioritising quality of medical care, as well as assuring patients' satisfaction, safety, wellness and privacy.</p>	Material Matters <ul style="list-style-type: none"> • Patient Safety and Welfare • Quality of Care and Patient Satisfaction • Privacy of Patient's Data and Medical Records
Our People 	<p>We provide all our employees with a safe working environment and nurture a culture of excellence and high standards of conduct, as well as offer them a conducive working environment for their personal and professional growth.</p>	Material Matters <ul style="list-style-type: none"> • Occupational Safety and Health • Talent Recruitment and Retention
Our Organisation 	<p>We govern our organisation with full transparency, responsible ethics and high integrity. This will allow us to remain resilient on the business front and secure our local and international market presence without impairing and compromising areas pertaining to quality and sustainability.</p>	Material Matters <ul style="list-style-type: none"> • Ethics and Integrity • Corporate Governance • Economic Performance
Our Environment 	<p>We continue to establish measures to ensure sustainable energy consumption, proper waste management practices and resource conservation without compromising on patient safety and well-being.</p>	Material Matters <ul style="list-style-type: none"> • Waste Management
Our Community 	<p>We create a positive impact on the local communities where we operate and improve their health and well-being by providing affordable and accessible treatment.</p>	Material Matters <ul style="list-style-type: none"> • Affordable and Accessible Treatment

 Read more on Our Material Matters on pages 40 and 41

with the organisation, Dr Tan steered us towards becoming one of the largest healthcare providers in the world and was responsible for overseeing the transformation and acquisition of significant assets in our portfolio across our key markets.

On behalf of the Board, I would like to thank him for his immense contribution towards building IHH. Under his stewardship, we have evolved into the leading international healthcare provider we are today, with a footprint of 77 hospitals across 10 countries from 33 hospitals in 2012. His passion and commitment to the business have been exemplary.

At the same time, I am delighted to welcome Dr Kelvin Loh back to our Group as our new Managing Director and Chief Executive Officer. Dr Loh had worked with us between 2008 and 2017 in various senior management positions before becoming CEO for our Singapore Operations Division. This role incorporated, among other duties, responsibility for our four multi-specialty tertiary hospitals: Mount Elizabeth Orchard, Mount Elizabeth Novena, Gleneagles and Parkway East.

Dr Loh left in 2017 to helm the Columbia Asia Group and, as its CEO, was responsible for overseeing Columbia Asia's 28 hospitals in four Asian countries, including IHH's home markets of Malaysia and India.

We are confident that Dr Loh is the person to lead IHH in our next phase of growth to deliver sustainable growth and returns. We plan to scale even greater heights while ensuring we maintain our core values and attributes.

A Hearty Thank You

Our success so far is the result of cherished contributions from all our stakeholders: our patients, partners such as doctors, specialists and consultants, shareholders, management and staff. With your help, we have been able to deliver best-in-class healthcare for our patients and this, in turn, has led to continual growth for the Group.

To our patients, we say a hearty thank you for the confidence you have placed in us to provide you with the best healthcare services possible. It is this trust that motivates us to strive to offer even better healthcare services so we remain your preferred healthcare partner.

We are also grateful to our doctors, specialists, consultants and other allied healthcare professionals who embody our core values and enhance our brand names. Our appreciation also goes to our loyal shareholders for putting your faith in us to represent your interest in the boardroom and increase your shared value.

Last, but not least, we thank our Board members, the management team and all our employees for your hard work and commitment that have enabled us to be a leading healthcare service provider.

As we turn the page to another chapter with the new year, we believe that the continuing contributions from each of you will help us keep fulfilling our new vision "To be the world's most trusted healthcare services network".

Thank you.

**Dato' Mohammed Azlan
bin Hashim**

Non-Executive Chairman

CEO's Message



With an eye on long-term operational growth and value creation, we built on our core and competitive advantages in our four home markets in 2019.

Dr Tan See Leng

Managing Director and Chief Executive Officer
(2014 – 2019)

Dear Stakeholders,

With an eye on long-term operational growth and value creation, we built on our core and competitive advantages in our four home markets in 2019. This led to a solid performance that will enable us to grow sustainably in the next phase of our journey. We intend to keep sharpening our strategy and driving greater synergies from our network of 77 hospitals in 10 countries.

A Year of Consolidation and Integration

Our cost-saving initiatives and strategic capital management activities, among other strategies, helped us achieve operational efficiency and resilient earnings. By consolidating our multi-country portfolio strategy, we were able to diversify our earnings base in markets generating strong cash flows such as Malaysia and Singapore, seize the medium-term growth momentum in Turkey, and tap long-term growth opportunities in India and Greater China.

As a result, Group revenue rose 29% YoY to RM14.9 billion for the full year compared with RM11.5 billion for the full year in 2018. Earnings before Interest, Taxes, Depreciation, Amortisation, Foreign Currency Exchanges and other non-operational items (EBITDA) came in at RM3.3 billion, up 34% YoY from 2018's RM2.5 billion, for the full year ended 31 December 2019.

We also registered a headline Profit After Tax and Minority Interests (PATMI) of RM551.5 million, a decline of RM627.7 million the previous year, but our PATMI excluding exceptional items was RM920.7 million, lower by 10% YoY from 2018's RM1.0 billion due to higher net interest expense and higher depreciation from new hospital projects.

Let me share an overview of our significant achievements in our key markets in 2019. They reflect our focus on executing our strategy of disciplined integration and consolidation across the Group, optimising our capital management, and being discerning in scaling our operations.

Malaysia

To illustrate our increasing focus on Centres of Excellence to undertake complex procedures, Pantai Hospital Klang opened its new Haemodialysis Centre in July. This enables chronic kidney disease patients in Klang and its surrounding areas to receive treatment closer to home.

In June, our Gleneagles Medini Hospital Johor launched its RM25 million state-of-the-art Cancer Centre, complete with a highly experienced and skilled multi-disciplinary team of medical specialist consultants, nurses, counsellors and other paramedical professionals, to offer end-to-end treatment and support services.

Our Amanjaya Specialist Centre, acquired in October 2018, was renamed to Pantai Hospital Laguna Merbok in December 2019. It has integrated well into our Malaysia operations and started contributing to the Group.

Early in December, we received near-unanimous support from our shareholders to acquire Prince Court Medical Centre (PCMC). Located in the "Golden Triangle" area of Kuala Lumpur, this private hospital will augment the Group's clinical talent pool and allow us to sharpen our focus to strengthen our position in the Klang Valley. Upon completion of the transaction, PCMC adds to the Group's hospital cluster in Klang Valley, further improving synergies in Kuala Lumpur. The proposed acquisition is expected to be completed upon obtaining regulatory approvals.

RM14.9 billion

Revenue

.....

RM3.3 billion

EBITDA

Strategic Report

CEO's Message

Singapore

With Gleneagles and Parkway East hospitals receiving their Baby-friendly Hospital Initiative (BFHI) certification from the World Health Organization (WHO) in October, all our four Parkway Pantai hospitals in Singapore are now baby-friendly. They are Singapore's first private hospitals to be certified as such.

Singapore Operations also clinched the Best Adoption Enterprise accolade at the SG:D Techblazer Awards for its use of an Artificial Intelligence (AI) system to generate bill estimations. Launched in November 2018, this system predicts bills with an 80% accuracy, allowing patients to make better-informed decisions on medical treatment options available and thus giving them greater peace of mind. In a pioneering move, we launched the Price Guarantee Procedures Programme to guarantee hospitalisation fees for selected procedures, even if there are complications, as part of our efforts to give patients greater certainty over their medical expense.

In November, IHH led a minority investment in Singapore-based genomic medicine start-up company Lucence Diagnostics. The investment is part of IHH's collaboration with start-ups to deploy innovative and cutting-edge healthcare technology, giving IHH patients access to Lucence's suite of cancer diagnostics and AI-driven analytics.

Turkey

In March, Mr Tahsin Guney became the new CEO of our Acibadem Healthcare Group. He is highly experienced, with deep knowledge on hospital operations, and has been with Acibadem since 2008.

Turkey remains an important medical services destination in the region, especially for Central Europe, the Middle East, North Africa and the Balkans. Over the last few years, there has been a rapid rise in foreign patients to Acibadem. In 2017, foreign patients contributed to about 8% of its revenue and in 2019, this has grown to 16%.

Accordingly, Acibadem has been ramping up its operations, including introducing cutting-edge new services and equipment. Our flagship Acibadem Maslak Hospital increased its capacity to 472 beds through its new block expansion while Acibadem Altunizade Hospital continued growing its operations.

Acibadem has also continued to make advancements in immunotherapy treatments by engineering patients' immune cells to treat cancer. A clinical study in 2019 proved successful and its results will be tapped for use in emergency cases in Q2 of 2020.

In Q1 of 2019, the Acibadem International Medical Centre in Amsterdam, the Netherlands, was converted to a surgical hospital with 28 operational beds. In Bulgaria, another of Acibadem's markets, Acibadem Tokuda Hospital opened a new Angiology Laboratory in April. This means we now have six catheterisation laboratories in Bulgaria. We have also established a IVF (In Vitro Fertilisation) department and carried out robotic surgery procedures upon the purchase Da Vinci equipment in the Bulgarian hospital.

We are cognisant of the geopolitical uncertainty facing Turkey which exacerbates currency volatility and thereby affects our earnings. We have therefore been proactively reducing the foreign debt exposure for Acibadem to mitigate the impact. In April, Acibadem repaid €215 million out of a €583 million equivalent of non-Turkish Lira (TL) debt. In July, it successfully refinanced an Euro debt and swapped €66 million of it into Lira. In November, Acibadem also repaid €25 million using internal cashflow. Through such debt restructuring activities, IHH lowered our foreign debt exposure to €226 million as of end December 2019.

India

In India, our turnaround plan for Fortis Healthcare is proving successful as Fortis recorded an operational profit before tax for four straight quarters. As a result of registering higher revenue and through tight cost controls, Fortis now has a much stronger balance sheet.

Both our hospital operations and diagnostic business via SRL Diagnostics (SRL) are displaying healthy momentum.

Fortis, a strong brand name in India, is also a leader in complex and innovative procedures with expertise in areas that tie in with the Group's focus on multi-specialty tertiary and quaternary care. Scaling up our investment in India through Fortis has already yielded a return after only a year and we are confident its value will continue to be accretive for the Group.

As we have previously clarified IHH's acquisition of a 31.17% stake in Fortis was obtained through a preferential allotment of new shares and we did not buy or have any existing Fortis shares transferred to us. Our subscription to the preferential shares, completed on 13 November 2018, complied with the requisite corporate and regulatory approvals and was in accordance with all applicable laws.

As part of India Stock Exchange requirements, the initial deal for the stake required us to offer another 26% of the shares in Fortis Healthcare. We are committed to proceeding with our offer, but due to a stay order from India's Supreme Court in December 2018 arising from ongoing investigations of the founders and previous owners of Fortis, we are unable to proceed with our Fortis Open Offer and Malar Open Offer until the stay order is lifted.

Greater China

Our expansion in Greater China has also been encouraging. The opening of the 350-bed capacity Gleneagles Chengdu in October has enabled us to begin offering multi-specialty care such as Gastro-intestinal, Cardiovascular, Orthopedics and other clinical services to an area encompassing Chengdu, Sichuan, and other cities in Western China with 148 million people.

Construction work on Gleneagles Shanghai is proceeding according to plan. However, this may be impacted by the COVID-19 epidemic and the expected slowdown of the Chinese economy. Co-developed by Parkway Pantai and

Shanghai Hongxin Medical Investment Holding Co Ltd, this multi-specialty tertiary hospital will offer integrated healthcare services for residents in the Yangtze River Delta and beyond.

Meanwhile, our Gleneagles Hong Kong Hospital (GHK) continues to ramp up and introduce new specialties. GHK now provides systematic and comprehensive assessment on complex spine cases at its Spine Centre which was launched in July. It also introduced Hong Kong's first private inpatient behavioural health service in April for patients with mild mental health conditions such as anxiety disorder, bipolar disorder, depression and early dementia, among others. The hospital's Musculoskeletal Tumour Centre, set up in September, offers comprehensive and accurate musculoskeletal tumour services.

In June, the hospital won the "Management Innovation of the Year Award" at the Healthcare Asia Awards 2019. The accolade was a nod to innovative initiatives by the hospital, such as all-inclusive fixed price packages.

In Q4 of 2019, due to the ongoing protests, we have seen some impact on growth as a result of patients deferring non-essential treatments. However, the demographics and long-term trends remain in favour of GHK and we continue to be confident about the hospital's prospects.

Strengthening Our Capabilities Through Innovation and Technology

In striving towards our goals, one of our key competitive advantages is our commitment to innovate and invest in technologies and advanced medical treatments so we can stay ahead of the curve and offer our patients better clinical outcomes.

Our investment in genomic medicine start-up Lucence is part of the Group's ongoing collaboration with start-ups to tap innovative and cutting-edge healthcare technology for enhancing the patient experience, treatment and clinical outcomes across our entire network.

The tie-up gives our patients access to Lucence's suite of cancer diagnostics and AI-driven analytics. By using liquid biopsy, a blood-based technology that is less invasive than tissue biopsies, Lucence helps clinicians discover more about tumours and aids in their treatment decisions through a simple blood sample.

As I touched on earlier, our award-winning personalised bill estimates system, provides up to 80% accuracy in bill estimates by tapping on an advanced suite of AI and machine learning algorithms. The system factors in relevant parameters such as a patient's medical condition and medical practices, current age, revisit frequency and existing conditions such as blood pressure or diabetes.

The dynamic bill estimates, with their enhanced price transparency, allow patients to make better-informed decisions when choosing treatment options. So far, the hospitals have produced more than 40,000 estimations and the system continues to improve with time through a self-learning process. We have plans to expand this service to our other markets in the future to benefit all our patients.

Outlook and Prospects

As the Group starts the new decade, we will leverage our international scale to drive stronger synergies and optimise capital management and resource allocation within our extensive network to deliver higher returns on capital.

The ongoing geopolitical tension in Middle East will continue to weigh on economic activities in Turkey, which will result in currency volatility. To counter this, we have reduced our non-Lira debt in 2019 to lower our forex risk exposure. Rising healthcare costs globally and in our home markets will also affect our margins, as will potential tendencies for authorities to consider price controls in some of the markets we serve. We intend to mitigate any issues arising from such developments by continuing to actively engage with regulators to address the healthcare financing structure holistically.

Against this backdrop of challenges as well as the near-term impact arising from COVID-19, we have good reasons to remain cautiously optimistic about the Group's prospects. Our core operations continue to be resilient. We have engines for growth with new hospitals and expansion projects, and can leverage strong and rising demand for quality private healthcare in the markets we operate.

We also have an experienced management team with a proven track record and strong business acumen to execute our strategic plans. There is every reason then for us to be confident of attaining further value for our stakeholders. Read more on our Market Outlook on pages 42 and 43.

Appreciation

Over the past 15 years, I have had the privilege of working with an extraordinary team in helping IHH to become what it is today. Together, we have achieved significant progress and growth on behalf of our stakeholders. I am grateful to have had the opportunity to lead IHH's development and thank all stakeholders for their support of my leadership and vision during this time. Our shared values, the unique culture of IHH and the camaraderie we enjoy have all been critical for our success so far.

Now that the groundwork for the next phase of IHH's journey has been laid, it is an opportune time for me to pass the baton to Dr Kelvin Loh with whom I worked between July to December to ensure a seamless transition.

Thank you.

Dr Tan See Leng
Managing Director and
Chief Executive Officer
(2014 – 2019)

Looking Ahead With Our New CEO

As we build on what we do well and share our strengths and resources globally, we will make healthcare better, faster, easier and more affordable for our patients.

Dr Kelvin Loh Chi-Keon

Managing Director and Chief Executive Officer
(From 2020)¹



1. Dr Loh assumed the position of Managing Director and Chief Executive Officer of IHH Healthcare Berhad on 1 January 2020.

Dear Stakeholders,

I am excited and honoured by the opportunity to helm IHH and look forward to working with the many experienced leaders and partners across the Group's international platform. Doing my rounds in our hospitals, one thing is clear to me. IHH is blessed with great people with a big heart for our patients and I am humbled by their genuine care for patients. IHH has been building its business on this foundation of trust and care over the years.

As we build on what we do well and share our strengths and resources globally, we will make healthcare better, faster, easier and more affordable for our patients. We will leverage our international scale with our network of 77 hospitals to accelerate improvements to care locally. Everything we do brings us to one end goal – to earn the trust of the people around us.

Together, and in close counsel with the Board, I will build on former Managing Director and Chief Executive Officer Dr Tan See Leng's legacy and take IHH onto the next phase of growth. I am aware that our stakeholders will want to know my vision and plans for IHH. I will address them by answering your key questions below.



IHH selected you as its Managing Director and CEO after an extensive global search. Tell us a little about yourself.



I started out as a physician before joining the public sector in Singapore, serving in areas such as clinical services development, hospital planning and hospital operations for a decade. Between 2008 when I first joined IHH and 2017, I held various management posts before taking over as CEO for Singapore Operations Division.

The scope of my role included, among other duties, responsibility for IHH's four multi-specialty tertiary hospitals – Mount Elizabeth Orchard, Mount Elizabeth Novena, Gleneagles and Parkway East. In 2017, I assumed leadership of Columbia Asia Group and, as CEO, oversaw its 28 hospitals across four countries, including Malaysia and India, which are also two of IHH's home markets.

Through my experience with these giant healthcare organisations, I honed my skills in building relationships with stakeholders, managing hospital operations, financial management and developing people. I also gained invaluable insights into the healthcare operating contexts in different countries across Asia.



What do you think are the challenges IHH faces today and what are the near-term and longer-term opportunities you see for the Group?



Operating in 10 countries across the world, we are susceptible to currency exchange risks that are exacerbated by macroeconomic factors, including geopolitical tensions. Costs for providing healthcare continue to spiral upwards globally and in the key markets we serve. Meanwhile, competition from rivals in the sector can only accelerate.

However, we believe that the region's growing ageing population and increasing affluence will significantly drive demand for private healthcare as life expectancy, chronic diseases and co-morbidity rise. At IHH, we are readying ourselves.

Given this, we believe that the way to bolster the foundation for strong and sustainable returns to shareholders is to double down on building trust with our patients. We already have leading brands

in the various markets, underpinned by an outstanding reputation for clinical outcomes. We will continue to build on that and make healthcare services more convenient and transparent to our patients.

As part of my refreshed strategy, we will pursue a geographical cluster strategy for growth. This means expanding IHH's established clusters in metro areas to achieve greater economies of scale while delivering better patient services.

We will review our portfolio of assets that will include divesting of under-performing assets outside our focus clusters to redeploy capital to improve returns.

Lastly, we will leverage our international network to achieve stronger synergies by pooling together best practices, and building deep capabilities while amortising the costs over a large international base. Through this, we can also make healthcare better, faster and more cost effective, thereby allowing us to earn the trust of our stakeholders and enabling sustainable growth.

Currently, like every other sector in the economy, we are facing a challenging period because of the COVID-19 pandemic. However, we are well prepared to face this headwind in our stride and have introduced measures such as conducting temperature checks on visitors and enforcing stricter visitation policies. We have also rolled out Business Continuity Plans for staff to ensure the protection and safety of all our people.

As a socially responsible organisation, we are also doing our part to help the larger community in which we operate. We currently offer on-demand coronavirus tests in Malaysia, and are the only private facility accredited by the Singapore Ministry of Health (MOH) to help test and diagnose suspected cases. Such services help public hospitals free up bandwidth to prioritise treatment of infected patients.

In the longer term, IHH will continue to respond to the rising demand for quality private healthcare in its home and growth markets. It will build on its strengths to deepen operating capabilities to deliver long term value to all stakeholders.

Strategic Report

Looking Ahead With Our New CEO



What are your ambitions for IHH?



Our vision is “To be the world’s most trusted healthcare services network”. We have to earn the right to ask our stakeholders to trust us. The healthcare industry today is the only industry where people engage services without knowing exactly how much they will be charged and what the outcomes will be. To our patients, trust is knowing that at any price point, they will get better treatment, care and outcomes from our hospitals than elsewhere.

Therefore, we have embarked on a journey to change that through our value-driven outcomes initiative (VDO). VDO will enable us to deliver value-driven care by being upfront to our patients on what to expect from our services, including clinical outcomes, for any

We need to keep deepening our clinical expertise and leveraging innovation and technology. Our growth will remain sustainable as long as we continue to create new growth engines while sharpening our business strategy. We are confident in delivering long-term value for our stakeholders by creating new sustainable growth engines and improving our business model. Read more on our Business Model and Business Strategy on pages 34 and 35, and pages 44 and 45 respectively.



What are your plans to steer IHH towards your envisioned future?



As healthcare providers, we are driven to live up to the trust our patients place in us by providing the best medical care and outcomes.

Vision

To be the world’s most trusted healthcare services network

particular price point. As healthcare service providers, we have to disrupt ourselves to ensure our patients and customers get what is promised. This is vital if we are to earn their trust and be cost-effective at the same time.

We want to be a deeply caring healthcare services company at our core while focusing on being operationally strong and doing right by our patients. By tapping the scale of our business and operating knowledge from markets around the world, we strive to bring best practices to our various markets.

We will create a culture of trust, leverage our international scale to extract synergies and improve our returns on capital employed.

By creating a culture of trust within IHH, we inspire and empower employees to deliver best patient care, which in turn drives sustained value for shareholders.

We are focused on creating the best employee experience by embedding a culture of trust in our workplace. With that, we have to ensure that our people will continue to take exemplary care of our patients and strive to raise the bar in clinical, operational and service excellence.

As an international company, we will also leverage our scale to drive stronger synergies and deliver better patient care. In each of the market we operate, we have the benefit of extracting synergies from a large network consisting of 77 hospitals in 10 countries. This means, we are able to drive greater cost savings for equipment through our global procurement office. As a result, we are able to equip and deepen the services for sub-specialties in our hospitals and deliver higher quality care, yet bend the healthcare cost inflation curve through economies of scale.

In addition to leveraging our international scale to help patients manage healthcare costs, we will use this scale to continually deepen our operating capabilities. We can and will invest in advanced technological capabilities to deliver better care. For example, we are using artificial intelligence to generate accurate and personalised hospital bill estimations for patients. Starting in Singapore at its four hospitals, this system has enabled us to provide 80% accuracy in inpatient bill estimates prior to admission, up from 50% previously. This gives the patient fee transparency and peace of mind to manage their healthcare costs and thus enables us to further build trust, so as to engender strong, sustainable growth.

We are focused on executing our strategy to ensure disciplined integration and consolidation across the Group. By being discerning in our acquisitions and greenfield projects via the geographical cluster strategy to pursue growth, we can focus on assets that complement and are synergistic to our portfolio to achieve higher returns for the business.



What kind of culture should IHH embody as it enters its next phase of growth?



We want a culture that marks us as a high-trust organisation. In their interactions with our stakeholders,

our people represent the IHH spirit. It is important for us to scrutinise the values we promote within the business and identify the ones we want our people to embody when interacting with our various stakeholders.

Our employees are the ones that make a difference as they go about at work to touch lives and transform care. We are focused on creating the best employee experience by nurturing a culture of trust in our workplace. We will provide opportunities for career progression by investing in their development and providing a conducive work and training environment they need to provide the highest quality of care.

By embedding a sense of purpose into our business and putting patients first, we will drive long-term returns for our shareholders. We will create sustainable value for our shareholders by driving stronger synergies across our existing operations and optimising capital structure, while achieving growth and returns on capital.

We have identified five core values in our recent review. They are: putting *Patients First*, showing *Integrity* by always doing the right thing, demonstrating *Empathy* by listening to our people, working better together through *Teamwork*, and championing continuous improvement and innovation to achieve *Excellence*.

A culture epitomising such values will enable us to realise our vision for IHH, thereby fulfilling our *raison d'être* "To be the world's most trusted healthcare services network".

Dr Kelvin Loh Chi-Keon
Managing Director and
Chief Executive Officer

Our Values

1. **Patients First**
We put patient's needs first
2. **Integrity**
We do the right thing
3. **Empathy**
We listen to our people
4. **Teamwork**
We are better together
5. **Excellence**
We champion continuous improvement and innovation

Business Model

IHH Healthcare is a leading international private healthcare operator. The Group's vast healthcare network is built to provide a full spectrum of healthcare services and related services to create sustainable value for our stakeholders, including the provision of excellent clinical outcomes for our patients.

Our Assets

Financial Capital

IHH Healthcare has a strong financial profile in our home and key markets. We have good access to capital and invest for growth with a disciplined and prudent approach supported by a cash-generative operating model.

Physical Capital

The Group boasts an integrated healthcare network with multi-specialty hospitals, medical clinics, and a comprehensive range of ancillary services across 10 countries. As a leading integrated healthcare service, our hospital facilities are equipped with the best-in-class medical equipment and technology to provide their services.

Human Capital

The skills and experience of our employees are instrumental in building relationships with our patients and stakeholders. Our multi-pronged talent retention programme offers competitive remuneration, training and development opportunities to attract and retain high quality clinical and non-clinical staff.

Clinical Governance Framework

Our Board of Directors and management team have established an all-inclusive clinical governance framework to ensure that all patients receive the best possible care.

Innovation Capital

Our focus on individual patient experience drives our quest for innovative solutions to improve patient care and outcomes. Leveraging intellectual and digital assets brings us benefits in the area of hospital bill estimates and empowers our patients to seek treatment options that are most cost efficient and effective for recovery.

Brand Capital

Our healthcare brands, including but not exclusive to Gleneagles, Mount Elizabeth, Pantai, Parkway Shenton, ParkwayHealth, Fortis Healthcare and Acibadem, are reputed for their premier service quality and are among the most prestigious in Asia, Central and Eastern Europe.

Social and Relationship Capital

Our commitment to our key stakeholders is paramount to the level of service we provide. We proactively engage with our patients, employees, doctors, business partners, governments and communities to build long-term relationships.

What We Do

As a healthcare service network, our mission is to take exemplary care of our patients, anchored around our people who strive to continuously raise the bar in clinical, operational and service excellence.



IHH Healthcare Edge

1

Leading Brand in Each of Our Home Markets

Our full spectrum of quality healthcare services and talent has firmly established us as household names in our home markets.



Find out more on our approach to governance and sustainability on page 106 and 138

Delivering Value to Our Stakeholders



Primary Care

Access to basic day-to-day healthcare services via outpatient treatment of common illnesses, routine check-ups and vaccinations. This includes preventive care and patient education.



Secondary & Tertiary Care

Secondary care comprises specialist consultation, local surgeries, emergency care, laboratory services, diagnostics and acute treatment. Tertiary care goes a step beyond with specialist consultative care, advanced treatment or complex surgeries and inpatient care.



Quaternary Care

Quaternary care is an advanced level of medical care, which involves high-intensity complex surgeries, such as organ transplants, neurosurgery, cardiac surgery and reconstructive plastic surgery. These vastly complex clinical procedures require highly trained, experienced surgeons and best-in-class intensive care units and facilities.



Complementary Ancillary Services

Our suite of complementary ancillary services includes comprehensive diagnostics, analytical laboratory testing, therapeutic radiology, physiotherapy, integrated rehabilitation and advanced molecular diagnostics.



Medical Education

We offer quality education in health and medical sciences to train and develop nurses, doctors, allied healthcare professionals and other medical and healthcare sector professionals.

Our Patients

Our patients' needs are our priority. We will go the extra mile to provide quality and exemplary care. They rely on us to give sound medical advice and deliver superior clinical outcomes, with the help of our medical technologies. We already have leading brands in our various home markets, underpinned by an outstanding reputation for clinical outcomes. To double down building trust with our patients, we will continue to build on our strengths and make healthcare services more convenient. Our patients are also assured of speed, affordability and high-quality medical care.

Our People

When we build a caring and inspiring environment for employees to succeed, they are motivated to do their best and shape the future with us. Competitive remuneration and a nurturing work environment aside, we provide continuous training and development opportunities for all our employees in both clinical and business services.

Our Partners

We view our doctors, healthcare professionals and vendors as important partners, and will work together with them with respect and honesty for mutual benefits. The doctors enjoy access to our best-in-class medical equipment and professional support from our staff. Our suppliers and vendors are required to be registered and approved by the local regulatory bodies for the sale of medical consumables and pharmaceutical items. We engage suppliers who are ethical and committed to the sustainable development of the business.

Our Shareholders

We deliver value to shareholders by balancing purpose and profit to achieve long-term sustainable growth and shareholder value. We reciprocate their trust and loyalty through active stewardship of the company based on a strong corporate governance framework.

Our Communities

We will do good in our communities beyond our healthcare services. With our people, size, reach and relentless pursuit of excellence, we commit to making a difference one patient, one family, one touch at a time.

2

Outstanding Reputation for Clinical Outcomes

Our unwavering commitment to provide the highest standards of healthcare has led to global prominence for excellent clinical outcomes.

3

Leveraging International Scale

Our network of 77 hospitals across 10 countries allows the Group achieve stronger synergies by pooling together best practices and building deep capabilities.

4

Continuously Deepening Operating Capabilities

Our international network allows IHH to invest in various deep capabilities to better deliver care while amortising the costs over its large international network.



Find out more about our Business Strategy on pages 44 and 45

Stakeholder Engagement

IHH provides the full spectrum of healthcare services, from primary to quaternary care and postoperative rehabilitation. We also have a wide range of ancillary facilities, including diagnostic laboratories, imaging centres, ambulatory care, medical education facilities, as well as hospital project management and other related services.

Stakeholder Group	Stakeholder Profile
Senior Management	As leaders of the Group, they play an important role in determining the direction of the organisation in building economic resilience, environmental stewardship and social responsibility now and in future. Senior Management reports to the Board and the committees.
Doctors, Nurses and Employees	Our doctors, nurses and employees are our most important assets and a key resource for all our activities. We consider employee satisfaction to be important across the value chain of our healthcare business. Employees are also encouraged to interact with Senior Management and express their concerns at town hall meetings. We listen and respond to our employees' needs and concerns through effective communication.
Investors and Shareholders	<p>As owners and providers of equity capital to the business, shareholders are treated in a fair and non-preferential manner. The Group's corporate governance framework protects and facilitates the exercise of shareholders' rights, such as entitlement to be apprised of the latest developments in the company, and to express their feedback on the company.</p> <p>The Group and its Board recognise the importance of promoting mutual understanding and direct communication between management and shareholders through continued engagement.</p>
Academia ¹	As an internal stakeholder, IHH's academic community plays an important role in shaping the lives of future doctors, nurses, pharmacists, dentists and other healthcare professionals.
Patients	Patients are the cornerstone of IHH's business and it is very important to enhance the quality of life of our patients by providing comprehensive high-quality healthcare services. Garnering feedback on patient experience is an important measure of our performance which we strive to improve continuously.

1. International Medical University (IMU)

However, to achieve sustainability, it is necessary to look beyond what we have now and determine the concerns and expectations of our stakeholders.

Stakeholder perspective is beneficial for any successful business, and we recognise the need to create sufficient platforms for stakeholder discussion and feedback. We foster relationships with

key stakeholders and create value by leveraging our engagements with each stakeholder group. Our various engagement approaches are reflected in the table below.

Stakeholder Expectations	Methods of Engagement	Frequency of Engagement
<ul style="list-style-type: none"> Financial performance Staffing issues Succession planning Operational performance Sustainable growth 	IHH Operations Meeting	Monthly
	Board meeting	Quarterly and, as and when required
	Board Audit Committee Meeting	Quarterly and, as and when required
	Board Risk Management Committee Meeting	Quarterly and, as and when required
	Board Steering Committee Meeting	Monthly
	Board Nomination Committee Meeting	As and when required
	Board Remuneration Committee Meeting	As and when required
<ul style="list-style-type: none"> Staff and doctor engagement/ feedback sessions Positive workplace culture and a conducive workplace Employee development and training 	Town hall meeting	Annually and, as and when required
	Focus group session	Annually or as and when required
	Employee Engagement Survey	Annually or once every two years
	Physicians' meeting	Weekly or as and when required
<ul style="list-style-type: none"> Continued operational growth and financial sustainability Clear and transparent reporting Good Corporate Governance framework Effective and timely shareholder engagement 	Annual General Meeting (AGM)	Annual
	Extraordinary General Meeting (EGM)	As and when required
	Investor conferences, site visits and ad-hoc events with investors, engagement sessions with sell-side and buy-side analysts	Ongoing engagement throughout the year
	Non-deal roadshows	Ongoing engagement throughout the year
	Corporate website	Throughout the year
<ul style="list-style-type: none"> Research and development Strong relationship with Partner Schools/Universities Education financing, teaching and learning support Industry partnership Students welfare and emotional support Strong relationship with residents and community 	Town hall meeting	Twice a year
	Faculty meeting	Once every two months
	Deans meeting	Quarterly
	Staff Barometer Survey	Biennially
	Admission	Once or twice a year
	Academic Council Meeting	Once a year or as and when required
	Student portal – Campus- Life – Career Development Unit	As and when required
	Meetings with Residents' Associations	Twice a year or as and when required
<ul style="list-style-type: none"> Delivery of quality healthcare Patient experience Health awareness and information Cost-effectiveness Patient privacy and data protection 	Consultations	As and when required
	Patient Satisfaction Survey	Ongoing engagement throughout the financial year
	Admission and discharge	As and when required
	Patient Education and Family Conferences	As and when required

Strategic Report

Stakeholder Engagement

Stakeholder Group	Stakeholder Profile
Accreditation Bodies	Accreditation bodies strengthen our performance as quality healthcare providers by advocating, promoting, and supporting continuous quality improvements and safety in the healthcare arena in each country we operate in. Examples are: the Joint Commission International (JCI), Malaysian Society for Quality in Health (MSQH), National Accreditation Board for Hospitals, Healthcare Providers (NABH), Malaysian Qualifications Agency (MQA) for accreditation of post-secondary or higher education programmes. Multiple international accreditation and recognition for Higher Education programmes are provided by international regulatory bodies for employment opportunities for graduates. There is also the SETARA rating system by the Ministry of Education, and Malaysia Research Assessment (MyRA) for research capacity and Higher Education Institutions' performance.
Regulators	Our regulators and authorities specify the laws and regulations that determine the scope and extent of our activities in our respective countries. We maintain open channels of communication with them as they are best positioned to provide advice and clarification in relation to our operations and obligations. IHH works proactively with local regulators and authorities from every jurisdiction as local requirements vary from one country to another.
Local Communities	The local communities and vulnerable sections of society are the key beneficiaries of our corporate social responsibility (CSR) projects. Our engagement with these communities is primarily to ensure that our CSR programmes are making a positive difference to their lives, and to ascertain how our programmes can be further improved to better serve them.
Intermediaries	Stakeholders in healthcare industry who support the delivery of medical treatment and services, such as employers, insurance companies, general practitioners, privately insured patients, and third-party administration.
Suppliers and Service Providers	As suppliers and service providers offer vital services that are key enablers for IHH, it is important that we maintain a professional relationship of trust with them where views from either party can be freely exchanged. The Group relies on them to deliver products and services of the highest quality, in line with internal, regulatory and accreditation agency standards.

Stakeholder Expectations	Methods of Engagement	Frequency of Engagement
<ul style="list-style-type: none"> Regular audits and verifications Meeting international benchmarks 	JCI audit and inspection	Triennially
	MSQH surveillance audit	Annually
	MSQH certification inspection	Every four years
	NABH surveillance audit	Every one and a half years
	NABH certification audit	Triennially
	MQA Audit	As and when required
	SETARA assessment	Biennially
	Malaysia Research Assessment (MyRA)	Annually
<ul style="list-style-type: none"> Compliance Regulatory reform relating to hospital planning Employee and patient safety 	Formal correspondence and meetings	As and when required
	Hospital visits	As and when required
	Ministry of Health audit and inspection	Biennially or as and when required
<ul style="list-style-type: none"> Improving accessibility to healthcare services Increasing public awareness about healthcare Providing opportunities for the next generation of healthcare professionals Funding community projects 	Free medical treatment	Ongoing programme (<i>Life Renewed</i>)
	Health awareness initiatives	Ad-hoc
	Scholarships and professorships	Endowed and carried out in perpetuity
	Sponsorships and donations	Ad-hoc
<ul style="list-style-type: none"> At the service level – timeliness of the guarantee letter issuance from intermediaries The cost of healthcare in private hospitals, especially in medical treatment packages and services 	Guarantee Letter/Referrals	Daily
	Health talks, forums, Continuing Medical Education (CME)	Monthly or every two months
	Process and service improvements	Monthly or quarterly or as and when required
	Hospital empanelment/renewal	As and when required
	Claim and charges review meeting	As and when required
<ul style="list-style-type: none"> Cost-effectiveness Fair and transparent negotiations Value proposition in price and quality 	Vendor presentations and product demonstrations	Upon the introduction of new products
	Formal sessions to update knowledge on product information	At least twice a year
	Tender briefing	Held at each tender session upon user's request to brief tenderers on tender specifications
	Tender clarification sessions	Held with each tender launched to seek clarification on details relating to tender submissions
	Group Procurement Office/MMD/ Purchase Committee	Price negotiations with vendors are carried out continuously – both for existing and new purchases

Our Material Matters

Sustainability at IHH focuses on areas where opportunities for our business intersect with positive social and environmental impact. We identify areas of opportunity to maximise our value for long-term growth, and areas of impact to ensure we are not causing harm to the ecosystem surrounding our operations.

These areas of opportunity and impact are known as sustainability matters. We are diligent in ensuring that the sustainability matters that are important and material to us reflect our current business and operations. We do so by

assessing them regularly through a materiality assessment.

This year, we reviewed our former list of material sustainability matters comprising 31 matters and consolidated them into 20 material matters that are

most relevant to the Group. Employing these 20 matters, we conducted a three-step materiality assessment in a workshop setting to rank them in order of importance to the Group's business operations, as well as to our stakeholders.



The 20 material sustainability matters, ranked in order of priority under the five pillars of our sustainability theme, are presented below.



Our Patients

- Patient Safety and Welfare
- Quality of Care and Patient Satisfaction
- Privacy of Patients' Data and Medical Records



Our People

- Occupational Safety and Health
- Talent Recruitment and Retention
- Employee Capacity Building
- Human Rights



Our Organisation

- Ethics and Integrity
- Corporate Governance
- Compliance and Regulatory Risks
- Economic Performance
- Cost-Effectiveness
- Technology and Innovation



Our Environment

- Waste Management
- Energy Conservation
- Water Efficiency
- Green Design and Construction
- Climate Change



Our Community

- Affordable and Accessible Treatment
- Community Engagement

Material Matter	Why is it Material?	Sustainable Development Goal
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Our Patients

Patient Safety and Welfare

IHH carries the responsibility to provide a healthcare system that protects the safety and well-being of our patients by eliminating errors, fool-proofing procedures and providing stringent and informational care and guidance, among others. Incidences that may adversely affect patients must be avoided at all costs.

The topics discussed under this material matter include the rational use of medicine and patient menu.



Quality of Care and Patient Satisfaction

The ability to deliver quality care and ensure patient satisfaction is an essential value driver for IHH. Our excellent healthcare services that are consistent with current professional knowledge increase the likelihood of desired health outcomes for the people we serve.

The topics discussed under this material matter include value-added care, measurement of value and quality, and challenges faced in the provision of quality care.



Privacy of Patients' Data and Medical Records

The storage and use of patients' health records is a key issue in relation to the right to privacy. IHH has taken the initiative to establish administrative, physical, and technical safeguards to protect the integrity, confidentiality, and availability of patient health information.

The topics discussed under this material matter include management systems and procedures relating to data privacy protection.



Our People

Occupational Safety and Health

We regularly assess workplace safety needs, implement safety and health management systems, and enhance safe patient handling programmes. We have guidelines, policies and procedures in place for investigation, control and prevention, especially for the control of diseases from spreading, to ensure employees, patients and families are protected against infectious diseases and infections.

The topics discussed under this material matter include disease spread control.



Talent Recruitment and Retention

The ability to recruit, develop and retain our healthcare practitioners is crucial in this industry. We disclose our performance in managing our critical human capital factor to allow our shareholders to understand how we are performing in the global healthcare delivery industry.

The topics discussed under this material matter include recruiting new talents, retaining employees, and challenges faced in retaining talent.



Our Organisation

Ethics and Integrity

IHH provides means for our stakeholders to seek advice on ethical and lawful behaviour, and organisational integrity, or to report concerns about these matters. These means can include escalating issues through line management, whistleblowing mechanisms and hotlines.

The topics discussed under this material matter include values, principles, standards, and norms of behaviour.



Corporate Governance

IHH's corporate governance is important in driving sustainability initiatives, ensuring transparency and managing disclosures. Healthcare is one of the most regulated industries, globally receiving policy attention, especially private healthcare, which is an important component of Malaysia's healthcare system.

The topics discussed under this material matter include compliance.



Economic Performance

IHH is committed to delivering world-class healthcare to our patients and to ensuring the organisation continues to do so, now and in the future, by reacting well to key market movements. It is important to us to safeguard the interest and returns of our stakeholders.

The topics discussed under this material matter include international healthcare services.



Our Environment

Waste Management

Inadequate and inappropriate handling of clinical waste may have serious public health consequences and a significant impact on the environment. Sound management of clinical waste is thus a crucial component of environmental health protection.

The topics discussed under this material matter include healthcare-related wastes and the technologies employed for waste sterilisation.



Our Community

Affordable and Accessible Treatment

Quality medical treatments should be accessible for all, regardless of racial and ethnic disparities. All patients are adequately informed on our medical procedure costs. By achieving a transparent pricing structure, we are better positioned to protect shareholder value and compete for market share.

The topics discussed under this material matter include accessible medical treatment and access for low-income patients.



Market Outlook

We review and plan our growth strategies in an increasingly competitive and volatile healthcare environment of game-changing technological disruptions. This entails monitoring the development of long-term global trends.

Trend	Impact to Group	Our Response	Link to Strategy
Technological Disruption	Global consulting firms have identified technological disruptions as one of the impending, if not current, issues that the healthcare industry will face. With the exponential growth of technology, innovators and non-traditional healthcare players around the world have begun to enter the industry for a piece of the pie. For IHH Healthcare, any failure to keep up with the changes will put us behind the curve.	<p>Taking an active approach, we established the Innovation Office at Parkway Pantai in 2016 to bring new technologies and business models to the organisation, whether by partnership or investment. We embrace an innovation culture and encourage new ideas at all levels of the Group. We further sharpened our competitive edge in 2019 by investing in innovative, proven healthcare solutions. An example is our investment in Lucence, a genomic medicine company which gives IHH's patients access to Lucence's suite of cutting-edge liquid biopsy cancer diagnostics and AI-driven analytics.</p> <p>In 2019, Parkway Pantai won an award with its groundbreaking AI-powered hospital bill estimation system that empowers patients to make better informed decisions on medical treatment options available.</p>	<p>Geographical Cluster Strategy</p> <p>Enhance Service Offerings</p> <p>Leverage Innovation</p>
Strong Demand for Private Healthcare	By the year 2050, we expect to see an elderly population of nearly 923 million in Asia. The region's growing ageing population and increasing affluence will significantly drive demand for private healthcare as life expectancy, incidence of chronic diseases and co-morbidity jump. Asia's overall healthcare spending is projected to surge to US\$2.27 trillion by 2026 from US\$1.69 trillion in 2017. By 2030, the mass affluent income group is expected to climb from 57 million to 137 million in ASEAN alone, accounting for 21 per cent of the region's combined population by 2030. As patients are demanding more personalised, efficient and seamless healthcare experiences with rising affluence, IHH must be ready to capitalise on these growth opportunities.	<p>IHH is expanding capacity of our hospitals in Malaysia and India. We continue to ramp up existing capacity and clinical services offerings of our hospitals in Hong Kong and Chengdu.</p> <p>IHH has a cluster strategy for growth in key metro cities where there is strong demand for private healthcare. In 2019, we received shareholder's approval for the proposed acquisition of Prince Court Medical Centre, located in the "Golden Triangle" area of Kuala Lumpur. The proposed acquisition is expected to be completed upon obtaining regulatory approvals.</p>	<p>Geographical Cluster Strategy</p> <p>Enhance Service Offerings</p>
Regulatory Risk Arising from New Pricing Controls	Changes to healthcare regulations will affect the margins in countries where we operate. In Malaysia, the Health Ministry may potentially introduce drug price controls in a bid to improve access to medicine.	We will work with regulators in public consultation sessions to achieve a mutually beneficial outcome. We aim to focus on cost efficiency and innovation initiatives across our hospitals to mitigate the potential impact on profitability.	<p>Enhance Service Offerings</p> <p>Leverage Innovation</p>
Shortage of Skilled Healthcare Professionals Amid a Competitive Landscape	<p>The demand for skilled healthcare professionals has grown immensely globally. The World Health Organization and the World Bank have projected a global shortage of 18 million healthcare workers in 2030. Southeast Asia alone will require about 4.7 million more health workers to achieve effective coverage. This pursuit of effective and skilled professionals has also resulted in rising labour costs over the years.</p> <p>With labour shortages and a higher cost base, delivering effective and efficient service is a challenge for many healthcare providers. The healthcare industry is largely reliant on manpower, so given the rising population and their growing needs, we must find effective solutions to reduce labour-intensive tasks and enhance overall productivity.</p>	<p>Besides ensuring competitive remuneration packages and career development opportunities for our employees, we leverage technology and innovation to drive productivity. Our well-established international reputation and cross-country exchange programmes between our operating subsidiaries continue to give us the edge in talent recruitment and retention.</p> <p>IHH keeps seeking new ways to raise productivity standards through increased digitisation, innovation and technology. We believe in cultivating a culture of consistent upskilling through training and maintaining positive mindsets. The Group organises an annual Quality Summit where innovative projects of staff from our different countries are presented. Selected projects are potentially implemented to realise synergies across the Group.</p>	<p>Build Trust With Our Stakeholders</p> <p>Leverage Innovation</p>

Trend	Impact to Group	Our Response	Link to Strategy
Geopolitical Tensions	Escalating geopolitical tensions take a toll on global investment portfolios, with some markets facing uncertainties. The unstable political climate in the Middle East, especially in Turkey, has seen the US imposing sanctions and tariffs. This exacerbates the volatility of the Turkish Lira (TL). As Acibadem operates in Turkey, it is impacted by TL volatility and this issue is a challenge IHH must manage actively.	<p>IHH is committed to managing geopolitical risks by applying defences to our strategies. One of the immediate ways is to defer all expansion capital expenditure for Acibadem. The Group is also closely monitoring developments involving TL and has established clear plans to reduce Acibadem's foreign debt to manage its exposure to currency volatility.</p> <p>In April 2019, Acibadem repaid €215 million of non-TL debt. In July, Acibadem successfully refinanced a Euro debt and swapped €66 million of it into Lira. In November, Acibadem also repaid €25 million using internal cashflow. Through such debt restructuring activities, IHH lowered our foreign debt exposure to €226 million as of end December 2019.</p> <p>Moreover by diversifying our businesses and geographies, the Group reduces our reliance on a single market. This allows cyclical dips in one market to be offset by gains in another. Our strong portfolio of cash-generative assets and ready cashflow in developed markets such as Singapore and Malaysia is well poised to support our growth in the emerging markets of Turkey, India and Greater China. See our Case Study on Optimise with Efficiency on page 8 and 9</p>	<p>Geographical Cluster Strategy</p> <p>Leveraging International Scale</p>
Increased Competition	We operate in an increasingly competitive marketplace and a fragmented healthcare industry where new entrants can impact the demand for our services. Competition from established healthcare providers aside, we have been increasingly facing pressure from disruptive digital healthcare startups that have entered the market.	We have enhanced our capabilities and capacities to undertake more complex medical cases. In addition, we are taking advantage of our scale by tapping our wide pool of talent to develop high-value-added service and product offerings to boost our competitive strength in the marketplace. For instance, we have introduced synergistic patient programmes in some of our home markets, with a key focus on improving collaboration between our experts across our hospital networks.	<p>Leveraging International Scale</p> <p>Leverage Innovation</p>
Disease Outbreaks	<p>In the industry we are in, epidemics require us to change the way we operate and step up security and protective measures. There will be increased costs of manpower and consumables in response to disease outbreaks. This is to limit cross infections and ensure the safety of our staff, patients and visitors.</p> <p>During infectious disease outbreaks, we may see doctors and patients deferring non-essential procedures.</p>	To cope with infectious disease outbreaks, we will implement screening measures to prevent any cross infection in our hospitals and offices. For our staff, we have preventive and business continuity measures in place to minimise disruption to our operations and ensure business functions remain viable during the outbreak.	Build Trust With Our Stakeholders

Business Strategy

IHH's business strategies are aligned to our values and purpose of touching lives and transforming care. To sustain our competitive edge in a highly competitive and volatile marketplace, we continue to focus, scale and optimise our multi-country

Build Trust With Our Stakeholders

What We Are Doing

For IHH, the foundation for strong and sustainable returns to stakeholders is to double down on building trust with our stakeholders. This means making the following commitments to the individual stakeholder group:

- i. **Our patients and their loved ones**
We will always put our patients' needs first and go the extra mile to provide quality and exemplary care.

We will also nurture a relationship with them that makes them trust that at any price point, they will get better treatment, care and outcomes from our hospitals than from anywhere else.
- ii. **Our people**
We will build caring and inspiring work environments for our people in which they feel empowered to succeed and shape their futures.
- iii. **Our partners**
We will work together with our partners with respect and honesty for the mutual benefit of all.
- iv. **Our shareholders**
We will balance purpose and profit to achieve long-term sustainable growth and shareholder value.
- v. **Our communities**
We will go beyond just providing our healthcare services to do good for the communities in which we serve.

Geographical Cluster Strategy

We pursue a geographical cluster strategy for growth that sees us expanding our hospital network coverage in IHH's established clusters in metro areas to achieve greater economies of scale. Our decisions on capital allocation are based on the following logical growth framework:

- i. We expand existing hospital facilities that are already at near maximum operating capacity. Such facilities can be ramped up very quickly as they already have an existing patient demand, a pool of existing doctors and corporate overheads.
- ii. We build greenfield projects or acquire brownfield facilities within IHH's established cluster that will give us the opportunity to deepen our Centres of Excellence. With a strong cluster, we can also drive economies of scales and extract cost synergies in areas such as shared services, marketing and procurement for all the hospitals within the established cluster.
- iii. We will conduct a review of our portfolio of asset which will involve divestments of underperforming assets outside our focus clusters and redeploy capital to improve returns.

Our Progress in 2019

With our new vision "To be the world's most trusted healthcare services network", we have embarked on creating a high-trust organisation. One example would be promoting price transparency for our stakeholders to better manage healthcare costs. On that front, we introduced more than 250 fixed price packages at Gleneagles Hong Kong and Price Guarantee Procedures for selected services at our Singapore Hospitals. This is to provide price certainty for our patients when they engage our services and have a peace of mind as they receive excellent treatment, care and outcomes at our hospitals.

In addition, we continue to focus on developing the potential of our people through our Management Associate Programme (MAP) and Individual Development Plan (IDP), which offer on-the-job training and career development opportunities for our people.

We are in the process of acquiring Prince Court Medical Centre in the "Golden Triangle" of Kuala Lumpur, which allows us to tap further on the medical tourism market in Malaysia, and in particular, the Klang Valley. This private hospital also augments the Group's clinical talent pool.

We made progress in Greater China with the opening of Gleneagles Chengdu in October and the ramping up of operations in Gleneagles Hong Kong.

In Turkey, we have expanded operations for Acibadem Altunizade Hospital and increased the capacity of our flagship Acibadem Maslak Hospital to 472 beds since the completion of its new block expansion in November 2018.

Link to Principal Risks



See page 47 on Principal Risk for more information

- ▶ Bribery and corruption risk
- ▶ Cybersecurity risk
- ▶ Disease outbreak risk

- ▶ Geopolitical risk
- ▶ Foreign exchange risk

Supported by our Sustainability Strategy

Quality Healthcare

To prioritise patient experience and encourage feedback to improve satisfaction levels and to continuously benchmark our standards for quality to international standards throughout our operations.

portfolio. We will concentrate on strategic priorities that further strengthen our business position and create value for all our stakeholders.

Leveraging International Scale

As an international Group, we are able to leverage our scale to deepen operational capabilities while amortising the costs over a large international base. Each market has its own strengths and we can pool best practices across the Group. Our vast network enables us to create new customised services for our patients by tapping on the tremendous amount of healthcare data we gather.

Our scale also gives us greater bargaining power when engaging with vendors and banks. This can translate to significant cost and procurement synergies for our hospitals.

Enhance Service Offerings

To improve our revenue intensity, we are looking to deepen and widen our offerings, especially in high-acuity services or services for seriously ill patients requiring more care. We plan on doing this by bringing together Centres of Excellence in our hub hospitals that carry out complex procedures such as stem cell transplants, robotic surgery, multi-organ transplants and advanced cardiac and neuro-vascular interventions. We are also constantly looking to bring in the latest technology and tests to boost clinical outcomes.

Leverage Innovation

IHH has a dedicated team exploring innovative evidence-based solutions to offer value-driven services. This anchors our ambition to be the preferred healthcare partner for our patients and potential customers and helps us achieve our purpose of touching lives and transforming care. Through incremental innovation that builds on existing capabilities to generate near-term tangible outcomes, we shore up our existing business model while seeking the next game-changing solution in healthcare service delivery.

Our global procurement office allows us to achieve cost savings in a significant way. For example, instead of buying one cardiac angioplasty machines, we could bulk purchase 30 machines across multiple countries, allowing the Group to realise savings of about US\$10 million over the next few years. Global procurement enables IHH to continue delivering high-quality healthcare while keeping a lid on healthcare cost inflation.

- i. We opened a new Haemodialysis Centre in Pantai Hospital Klang in July. The facility caters to chronic kidney disease patients in Klang and surrounding areas, enabling them to get treatment closer to home.
- ii. Our Gleneagles Medini Hospital in Johor launched its RM25 million Cancer Centre in July. It is equipped with a state-of-the-art radiotherapy system with cutting-edge technology that provides more precise, accurate and quicker treatment using a lower dose of radiation. This allows patients to resume their normal routine quickly while enhancing their overall quality of life.
- iii. Also in July, Gleneagles Hong Kong opened its Spine Centre to provide systematic and comprehensive assessments on complex spine cases. A team of sub-specialists from different disciplines offers targeted, professional and comprehensive diagnoses and treatments to patients with common or complex spine-related problems. This centre-based approach gives patients a quality option of receiving optimal treatment outcomes.

- i. In November, we invested in Lucence, a genomic medicine company based in Singapore, to provide cancer patients with better treatment outcomes through less invasive, more precise, and more affordable technology.
- ii. Our hospitals in Singapore use Artificial Intelligence to generate accurate and personalised bill estimations for patients.
- iii. In March 2020, we invested a minority stake in a Singapore-based telehealth company Doctor Anywhere. This investment is in line with IHH's strategy to partner with innovative companies that deploy cutting-edge healthcare technology to enhance patient's experience, treatment and clinical across our network of hospitals.

- ▶ Geopolitical risk
- ▶ Foreign exchange risk
- ▶ Bribery and corruption risk

- ▶ Cybersecurity risk

- ▶ Cybersecurity risk

2

Sustainable Growth

To develop and deepen our operations in each market in a manner that provides economic opportunity, strengthens the local healthcare infrastructure, builds local talent and supports the surrounding communities.

3

New Markets

To expand into new markets by identifying opportunities, formulating implementable strategies, establishing a strong market presence and strengthening the business case for sustainability.

4

Eco-Efficiency

To implement measures and consider alternatives throughout our operations to manage our performance on matters relating to energy and other areas that have an environmental impact.

Risk Management

Managing risk is an integral part of our business strategy and critical to achieving sustainable long-term growth and profitability. IHH Healthcare's robust risk management framework is underpinned by a disciplined risk culture which encourages ownership and accountability for risk management at all levels.

Risk Management Framework

The Board has overall responsibility for risk governance and ensures that Group management maintains an effective risk management and internal control framework.

The Audit Committee (AC) and Risk Management Committee (RMC) oversee the Risk Management framework and policies. In doing this, the AC and RMC identify, for the Board's determination, the Group's level of risk tolerance and

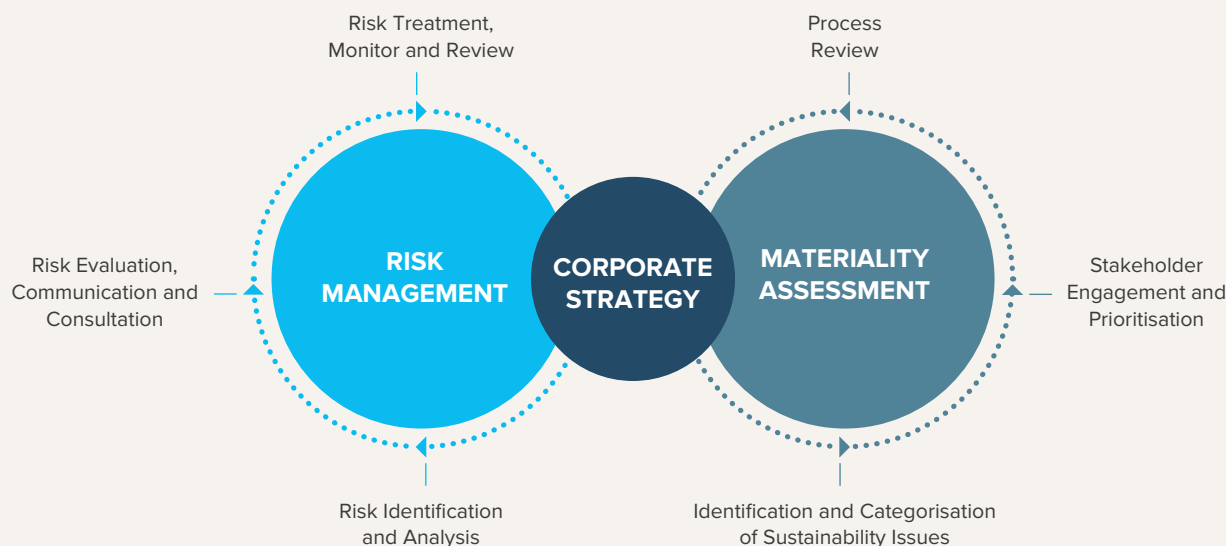
actively highlight, assess and monitor key business risks of the Group. The RMC has a specific focus on clinical governance and quality risk.

In addition, the AC is responsible for assisting the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that the Group has in place a sound and robust internal control framework. The AC also ensures that such framework has been effectively implemented to enhance the Group's ability to achieve its strategic objectives.

An Enterprise Risk Management (ERM) framework is deployed at the Group level and major operations divisions. This framework identifies, assesses and mitigates relevant risk in a timely manner, with at least quarterly updates to the RMC.

Our Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, Audit Committee Report and Risk Management Committee Report are described in more detail on pages 106 to 137.

Integration of Risk Management and Material Matters



The Group faces an evolving landscape of economic, environmental, social and governance-related (ESG) risks and/or opportunities that have the potential to significantly impact our business performance and sustainability.

Materiality assessment has been embedded into the Group's processes and integrated into our ERM framework, including the risk dimension of missed

opportunities. Through this, matters that are critical to the Group are identified and assessed based on risk rating criteria of likelihood and impact. This approach allows us to compare sustainability issues with other business risks. For more information on material sustainability matters, refer to page 40.

Risk and Sustainability collaborators have also been appointed across major Group

entities to manage sustainability risks through responses needed to counter threats and take advantage of opportunities. Annual risk reviews are undertaken with independent assurance to ensure our risk management framework and processes are sound and effective. Refer to page 129 for more on our risk management strategy.

Principal Risk

The Group has established an effective and structured risk management system that helps to identify, track and mitigate principal risks associated with our operations. This system enhances the Group's decision-making capabilities to ensure that all risks are managed in line with returns and expectations.

Key Area	Principal Risk Factor	Description	Mitigation Measures	Material Matters	Trend
Strategic	Geopolitical	The Group is subject to political, economic and social developments, conditions and changes in the countries that we operate, which include our home markets of Malaysia, Singapore, Turkey, India and key growth markets of China and Hong Kong.	Our key mitigating strategy includes the diversification of businesses and geographies in the Group. The Group's presence in various countries helps to mitigate the impact of political instability and market volatility in each specific country. For countries facing political uncertainties, we continue to actively monitor the situation to ensure the potential adverse impacts are understood and where possible, mitigated.	<ul style="list-style-type: none"> Compliance and regulatory risks Economic Performance 	↔
	Disease Outbreak	Epidemics of infectious diseases are occurring more often and spreading faster and further than ever in many different regions of the world. As a healthcare services provider, the group is exposed to the risk of infectious disease outbreak.	The Group has implemented surveillance strategies and control programmes to prevent the spread of infectious disease within our premises. For continuity of care, the Group has in place response protocols and scenario planning for such incidents, which include ensuring uninterrupted supply chain of equipment, drugs and consumables. Our employees are trained and equipped with the knowledge and skills to handle the outbreak without compromising their health and safety.	<ul style="list-style-type: none"> Patient safety and welfare Quality of care and patient satisfaction Occupational safety and health 	↑
Operational	Cybersecurity	The Group employs information technology (IT) systems to support its business, including the provision of healthcare and telemedicine services. Security breaches and other IT disruptions could interfere with the Group's operations and compromise information belonging to the Group and its patients, employees and partners, exposing the Group to liability which could adversely impact our business and reputation.	Cybersecurity measures are continuously reviewed and upgraded, including monitoring of networks and systems, vulnerability assessments and penetration testing and employee training. Although the Group maintains insurance coverage to mitigate against the various cybersecurity risks where feasible, there can be no guarantee that all costs or losses incurred will be fully insured.	<ul style="list-style-type: none"> Security and asset protection 	↑
	Foreign Exchange	Exchange rate instability could adversely affect our business, financial condition, results of operations and prospects. The Group is exposed to foreign exchange risk on sales, purchases, cash and cash equivalents, receivables and payables, and loans and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.	The Group actively monitors its foreign exchange risk and minimises such risk by borrowing in the functional currency of the respective entities. We also enter into foreign exchange forward contracts and cross currency interest rate swaps to manage our exposure. We have reduced exposure to foreign debt significantly in our Turkish operations from €583 million in December 2018 to €226 million in December 2019.	<ul style="list-style-type: none"> Sustainable international healthcare services 	↔
Compliance	Bribery and Corruption	Given IHH Group's global presence and continued expansion, it is vital for the Group to stay compliant with anti-corruption laws across our home markets, key growth markets and other international markets. The Group is exposed to bribery and corruption risk that would detrimentally affect the reputational, financial, operational and sustainability both in the short and long run.	As part of ensuring adequate procedures to mitigate this risk, IHH Group has established our Anti-Bribery and Corruption Policy which governs compliance by all employees and third-party representatives with the relevant anti-corruption laws. In addition, IHH Group's Code of Conduct Policy sets out the standards of integrity and behaviour that is required of our employees and our Whistleblowing Policy provides an avenue for all to raise concerns and offers protection from reprisals or victimisation in line with the local and/or foreign whistle blowing related laws and regulations.	<ul style="list-style-type: none"> Ethics and Integrity Corporate Governance 	↔

Trend indicates change in pre-mitigation risk level over the year:

↑ Pre-mitigation risk increased

↔ Pre-mitigation risk remained unchanged

↓ Pre-mitigation risk decreased



PANTAI HOSPITAL KUALA LUMPUR

ENTRANCE TO BLOCK C & D



CREATING VALUE WITH PURPOSE

Our purpose of touching lives and transforming care underpins our value creation process. We continue to focus, scale and optimise our multi-country portfolio strategy to create and sustain value for all our stakeholders.

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REFRESHING OUR STRATEGY

Our philosophy is to maintain a strong capital base and ensure the long-term sustainability of IHH Healthcare (IHH). Keeping a keen focus on value creation and improving our returns on capital, the Group saw considerable achievements in our financial performance in FY2019 while keeping cost management a priority.



Read more on Strategic Report on pages 20 to 47

Financial Review

FY2019 vs FY2018

In financial year ended 31 December 2019 (FY), the Group's revenue and EBITDA (Earnings before Interest, Taxes, Depreciation, Amortisation and other non-operational items) rose 29% and 34% respectively over the corresponding period in FY2019 due to sustained organic growth from existing operations and the continuous ramp-up of Gleneagles Hong Kong Hospital and Acibadem Altunizade Hospital. Both were opened in March 2017. Acibadem Maslak Hospital, whose expansion was completed in October 2018 and Amanjaya and Fortis, which were acquired in 2018 respectively, also contributed. Our FY2019 results included a one-off trustee management fee income of RM28.5 million from RHT Health Trust, which was related to the disposal of its assets.

The adoption of Malaysian Financial Reporting Standard (MFRS) 16, *Leases* from 1 January 2019 also boosted our FY2019 EBITDA since the Group no longer recognises operating lease expenses, but instead recognises depreciation on Right-of-use (ROU) assets. On a constant currency basis and excluding the effects of adopting MFRS 16, *Leases*, the Group's revenue and EBITDA grew 34% and 23% respectively year on year.

Pre-operating expenses of Gleneagles Chengdu Hospital, which opened in October 2019, partially eroded the Group's FY2019 EBITDA. Moreover, we saw a fall in the revaluation gain on PLife REIT's investment properties in FY2019 – RM11.4 million compared with RM50.4 million in FY2018.

The Group's FY2019 Profit after Taxes and Minority Interests (PATMI), excluding exception items (EI), decreased 10% to RM920.7 million. This was due to higher net interest expenses as additional loans were taken for acquisition, working capital and the conversion of EUR interest to the higher Turkish Lira (TL) interest through a Cross-currency Swaps (CCS) arrangement. The fall in PATMI, excluding EI, was also attributable to higher depreciation, foreign exchange losses and fair value losses on forward exchange contracts in FY2019. In addition, tax expenses of Fortis climbed

by RM67.2 million due to its reversal of deferred tax assets in FY2019. However, our FY2019 PATMI, excluding EI, was partially boosted by a reversal of RM21.8 million accrued interest on the previous year's tax payable.

Starting the new decade, the Group has a refreshed strategy to deliver sustainable returns to our stakeholders. We will sharpen our focus on improving returns on capital while delivering growth and achieving stronger global synergies.

The Group pursues a geographical cluster strategy for growth. We will expand IHH's established clusters in metro centres to achieve greater economies of scale while delivering better patient services. Secondly, we will consider divestments of underperforming assets outside our focus clusters to redeploy capital more efficiently. On the cost front, the Group leverages our international scale to achieve stronger synergies across our global network.

By deleveraging the non-Lira debt for our Turkish operations according to the plan we outlined a year ago, we have significantly reduced our non-Lira gross debt from €583 million as at December 2018 to €226 million as at December 2019. We will continue to manage Acibadem's foreign exchange exposure by further reducing its non-Lira loans.

Qualified Opinion

A Qualified Opinion was issued for the statutory audit of Fortis for the financial year ended 31 March 2018. IHH released an announcement on Bursa on 1 April 2019 regarding this that included the independent auditor's qualified opinion on IHH's FY2018 audited financial statements. The basis for the Qualified Opinion at the time was because Fortis's external auditors were unable to determine if there were any regulatory non-compliance and additional adjustments due to ongoing investigations.

Since then, the Fortis board has implemented specific improvement projects and additional control procedures to strengthen the process and control environment. They have also appointed

an independent audit firm to conduct further enquiries and transactions into Fortis from the issues raised in the qualified opinion with a view of closing them.

As at 26 March 2020, the Board of Fortis is reviewing the findings of the independent audit firm.

Barring unforeseen circumstances, the Group expects the review to be completed before 31 December 2020.

Capital Management

The Group's strategic aim is to maintain a strong capital base while securing the long-term financial sustainability of IHH. Our objective is to adopt a prudent debt-to-equity ratio to ensure we remain well capitalised while fulfilling debt covenants and regulatory requirements. We continue to build investor, creditor and market confidence by staying resilient and flexible as we align our resources to mitigate risks and support growth in all areas of our business.

The Group expects to invest approximately RM1.8 billion in capital expenditure (CAPEX) for hospital expansion and greenfield projects over the next three years. Our expected CAPEX for Fortis of about RM85 million will be funded at the Fortis level.

Liquidity

The Group's current cash, short-term and long-term borrowings and anticipated cash flows from operations are sufficient to meet our cash needs. This includes our working capital and CAPEX requirements for the next 18 months. We will comply strictly with all financial covenants stipulated by our banks and our internal guidelines. We also monitor all cash deposits to reduce counter-party risks across various banks. To ensure that the business has sufficient liquidity to meet our obligations while managing payments, receipts and financial risks effectively, we constantly review the funding strategy for IHH and our subsidiaries. As at 31 December 2019, our net debt/EBITDA stood at 1.3 times. Net debt to EBITDA rose due to higher

Performance Review

Financial Review

loans and borrowings taken to finance working capital, CAPEX, and the acquisition of Fortis. Our balance sheet shows a cash position of RM4.7 billion, which includes RM2 billion placed in escrow for the pending open offer for Fortis.

Outlook

In 2020 there are short-term macro headwinds. In particular, the COVID-19 outbreak will have a significant impact on the global economy, including the markets where the Group operates, as medical tourism slows, patients postpone

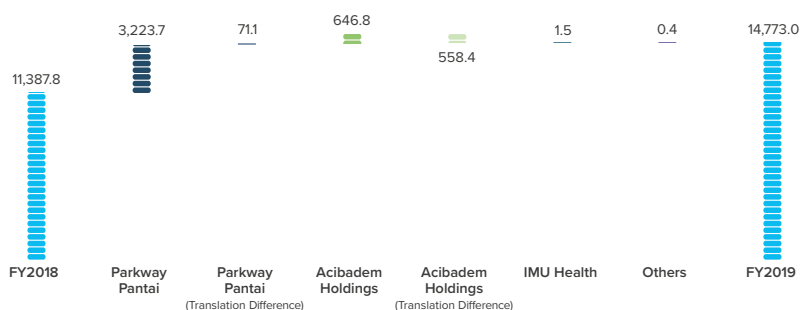
non-emergency treatments and supply chains are affected. In general, the global economic outlook for 2020 is expected to be challenging. The global economy faces the prospects of a widespread recession.

Our Group's business operations in the various markets have been affected by the current COVID-19 outbreak. As a result of stringent measures and restrictions implemented by the governments of the various countries, the private healthcare sector is expected to be significantly impacted. The hospitals' inpatient and outpatient volumes will decline as medical tourists are not able to travel and non-essential services are deferred. A prolonged fallout may further dampen the Group's performance. In addition, we expect higher costs of operations from the disruption in supply chain and wage inflation from continuing competition for skilled healthcare personnel in our home markets. While such pressures may potentially adversely affect the Group's performance, we expect to mitigate these effects through diversifying into new revenue streams, tight cost controls and deferring non-critical capital expansion projects.

As the Group improves our hospitals performance by focusing on clinical outcomes, operational efficiency and costs, we are confident that our business will remain resilient.

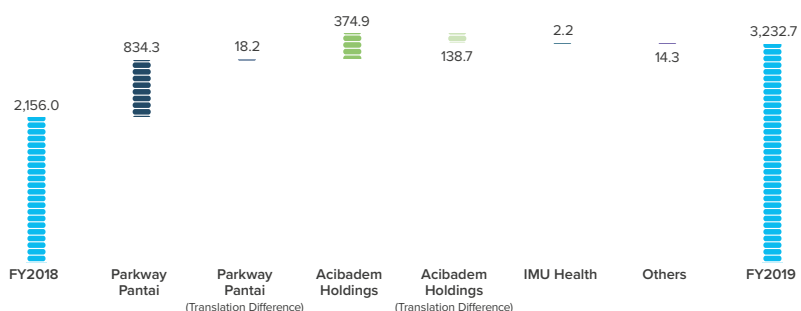
Our strong balance sheet and market-leading position will allow us to weather the short-term macro headwinds as we continue to position ourselves as the best-in-class healthcare provider. This is in line with our strategy to Focus, Scale and Optimise.

Revenue (RM million)



	FY2019 vs FY2018	
	Actual	At Constant Currency
Parkway Pantai	44%	43%
Acibadem Holdings	2%	18%
IMU Health	1%	1%
IHH Group (excluding PLife REIT)	30%	34%

EBITDA (RM million)



	FY2019 vs FY2018	
	Actual	At Constant Currency
Parkway Pantai	56%	55%
Acibadem Holdings	38%	61%
IMU Health	3%	3%
IHH Group (excluding PLife REIT)	50%	56%

PERFORMING STEADFASTLY

With four home markets spanning Malaysia, Singapore, Turkey and India, as well as our key growth market of Greater China, the Group will remain focused on ramping up existing operations and integrating Fortis Healthcare (Fortis). We will also continue to drive earnings across all the markets in which we operate and fortify our foundation to ensure IHH balances returns on capital with sustainable growth. An advocate of diversity and global outreach, IHH Healthcare (IHH) has a portfolio that also includes an education arm, IMU Health, and PLife REIT, one of Asia's largest healthcare REITs.

Operating Review

HOME MARKET – MALAYSIA



IHH is Malaysia's second largest private healthcare provider, based on number of licensed beds. Our hospital network operates under the Pantai and Gleneagles brands and has 15 hospitals with more than 2,500 licensed beds across Malaysia. To support our hospital network, we have ancillary healthcare services including, Pantai Integrated Rehab and Pantai Premier Pathology.

Performance Highlights

Revenue grew 15% to RM2.3 billion in FY2019 from RM2.0 billion in FY2018 while EBITDA increased 17% to RM675.2 million from RM578.5 million. Inpatient admissions rose 7.2% to 218,051 in FY2019. Our acquisition of Amanjaya Specialist Centre in October 2018 contributed RM33.4 million to the Group's revenue and RM12.5 million to EBITDA.

Revenue from foreign patients for our Malaysia operations climbed as our hospitals saw more foreign patients, particularly from Indonesia. The increasing number of foreign patients is due to the development of Malaysia as a healthcare travel destination with the improvement in connectivity of air and sea routes from Indonesia. We believe that our operations in Malaysia will help provide foreign patients with quality treatment options at affordable costs. Revenue per inpatient admission edged up 6.6% to RM7,054 in FY2019.

Our Malaysia operations continue to deepen our service offerings, boosting clinical outcomes for patients across the peninsula. In June, Gleneagles Medini Hospital launched a state-of-the-art Cancer Centre to provide comprehensive treatment services to cancer patients across the region. The Centre offers end-to-end cancer treatment services

for patients and is equipped with the latest Elekta Synergy Radiotherapy. This is a cutting-edge technology that enables more precise, accurate and quicker treatment using lower dose of radiation. It improves the outcomes and recovery time for patients, thereby enhancing their overall quality of life.

In July 2019, Pantai Hospital Klang opened its new Haemodialysis Centre to cater for chronic kidney disease patients in Klang and its surrounding area. Offering more comprehensive services, this Centre will complement our current renal services and improve on our suite of acute dialysis services. Renal replacement therapy continues to be an increasingly pressing need in Malaysia.

Our Pantai Hospital Ayer Keroh will open its 140-bed capacity new medical block in 2020. Located in Malacca, this hospital has been running close to full occupancy the past few years. The expansion is expected to help meet both local and the foreign community's needs.

Outlook

The rise in demand for healthcare continues unabated, with opportunities for improved diagnostics and treatments. Healthcare expenditure will continue to rise because of an ageing population, increased incidences of non-communicable diseases and prolonged life expectancies. This would suggest that our home market of Malaysia will continue to see sustainable growth and demand for private healthcare consumption in the future.

Medical tourism in Malaysia has also experienced growth over recent years, driven by a rise in quality, competitive pricing and greater cross-mobility

Key Facts

RM2.3 billion

Revenue

RM675.2 million

EBITDA

Expansion Pipeline

Type	Hospital
Expansion	Pantai Hospital Ayer Keroh 140 bed capacity (by 2020)

amongst the region's population. Malaysia is fast gaining a reputation as a choice destination for foreign patients seeking cost-effective medical treatments. With a well-developed healthcare infrastructure, our Malaysia hospitals have seen continued growth in foreign patients.

As we steadfastly enhance the delivery of clinical outcomes and healthcare facilities, we expect to seize opportunities to capitalise on medical tourism across our Malaysia network of hub hospitals. The short-term macro headwinds from COVID-19 may affect medical tourism, but overall healthcare demand in Malaysia has experienced growth in recent years. The Group will continue focusing on our geographical cluster strategy for growth by expanding within IHH-established clusters.

HOME MARKET – SINGAPORE



IHH is Singapore's leading private healthcare provider and our brands – Mount Elizabeth, Gleneagles and Parkway – are synonymous with exceptional quality and prestige in healthcare services. We have four hospitals with close to 1,000 licensed beds and a network of more than 50 medical centres and clinics. Our one-stop continuum of care also includes ancillary services in the form of ParkwayHealth Laboratory, ParkwayHealth Radiology and Angsana Molecular & Diagnostics. Through Parkway College, we also operate an education arm for Nursing, Allied Health and Healthcare Management.

Performance Highlights

Revenue increased 10% to RM4.3 billion from RM3.9 billion while EBITDA jumped 29% to RM1.5 billion from RM1.1 billion. Our Singapore hospitals' inpatient admissions went up 2.1% to 78,541 in FY2019 while revenue per inpatient admission grew 4.5% to RM32,782.

As the leading private healthcare provider in Singapore, we are known for excellent clinical outcomes, best-in-class quality and safety and immediate access to care. We remain committed to providing peace of mind for patients and cost-effective solutions. Whilst our hospitals in Singapore are almost fully ramped up, we continue our efforts to further enhance our service offerings and provide value driven outcomes for our patients.

In our effort to keep hospital charges competitive and transparent, we have introduced a Price Guarantee Procedures Programme to guarantee hospitalisation fees for selected treatments in Singapore. This refers to a single-price point that provides bill certainty on selected procedures for patients, thereby preventing any bill shock and helping insurers and patients manage healthcare costs.

We can do this because of the Artificial Intelligence (AI) pricing system we introduced in 2018. This has helped improve our operations by providing bill estimate accuracy within the 80% range for our patients, in line with our vision and aim of building greater trust with our patients and stakeholders. It has also won us the Best Adoption award in SG Techblazers.

This year saw Gleneagles and Mount Elizabeth Hospitals celebrating their 60th and 40th anniversaries respectively. Furthermore, we can celebrate all our Singapore's hospitals attaining the World Health Organization's Baby-friendly Hospital Initiative (BFHI) certification. The BFHI certification is testament to our hospitals offering mothers delivering with us the best possible environment for nursing their newborn babies, and supporting them fully throughout their breastfeeding journeys.

In October, we announced a partnership with precision diagnostics company Lucence Diagnostics (Lucence) that will give IHH patients access to Lucence's suite of cancer diagnostics and AI-driven analytics. Lucence uses liquid biopsy, a blood-based technology that is less invasive than tissue biopsies. It helps clinicians discover a range of information about a tumour and aids in their treatment decisions through a simple blood sample. Liquid biopsy is a game changer in our endeavour to provide cancer patients with better, value-driven outcomes through precise treatment selections and more affordable care. IHH looks to drive greater synergies with Lucence and co-develop solutions for patients, as well as explore opportunities to sharpen our precision medicine capabilities with other like-minded partners across our network.

Key Facts

RM4.3 billion
Revenue

RM1.5 billion
EBITDA

Outlook

Singapore continues to face an ageing population, increasing prevalence of chronic illness, escalating healthcare costs and increasing complexity of care needs. As the population ages and becomes increasingly conscious of personal health, patients will seek earlier diagnoses to enable preventive care. As such, we expect potential for growth in Singapore's healthcare industry.

The country is internationally recognised for having one of the most efficient healthcare systems in the world. Its medical tourism industry has experienced extensive growth in recent years, driven by a rise in quality and greater cross-mobility among the region's population. Our move towards greater price transparency could further boost growth in foreign patient numbers and place Singapore ahead of the competition to become the region's preferred destination for those seeking the most complicated procedures and specialised medical care.

While short-term macro headwinds from COVID-19 may affect medical tourism, overall medical growth in Singapore has continued to experience growth over recent years and we expect Singapore to remain a medical hub in the region.

HOME MARKET – TURKEY



Acibadem Holding (Acibadem) is Turkey's leading private healthcare provider, operating more than 4,000 beds across 21 hospitals and 13 medical clinics across Turkey, Macedonia, Bulgaria and the Netherlands. It is known for high quality diagnostic services and clinical treatment offerings for Turkish and international patients. With hospitals that are equipped with state-of-the-art medical technologies, including smart radiotherapy, robotic surgery, intraoperative radiotherapy and digital tomosynthesis mammography, Acibadem is a brand that spells clinical excellence in Central and Eastern Europe; Middle East and North Africa (CEEMENA) and draws foreign patients in the region.

Performance Highlights

Acibadem's FY2019 revenue increased 2% to RM3.8 billion from RM3.7 billion in FY2018 whilst its EBITDA leapt 38% to RM853.5 million from RM617.3 million.

The continuous ramp-up of Acibadem Altunizade Hospital and the increased capacity from Acibadem Maslak Hospital since October 2018 contributed to Acibadem's revenue growth. An improvement in medical tourism in the CEEMENA region also helped to grow the businesses of its existing hospitals and healthcare facilities.

Acibadem's inpatient admissions slipped 3.5% to 221,493 in FY2019 due to fewer local state insured patients at its non-Istanbul hospitals. However its revenue per inpatient admission grew 17.9% to RM8,052 in FY2019 because of more complex cases undertaken, a rise in foreign patients and a price increase to compensate for inflation.

During 2019, the Company has taken measures to reduce its foreign exchange risk exposure. In April, Acibadem repaid €215 million out of a €583 million equivalent of non-Turkish Lira (TL) debt. In July, it successfully refinanced an Euro debt and swapped €66 million of the total amount into Lira. In November, it also repaid €25 million of outstanding bank loans via internal cashflow. Through further hedging activities carried out at the beginning of 2020 as well as increase in foreign currency deposits, the Group lowered its foreign debt exposure to less than €190 million, ahead of its end-2020 target. This has significantly reduced the exposure of its earnings to forex volatility.

Acibadem continually deepens its clinical offerings in various markets it operates in. In Turkey, Acibadem Maslak Hospital continues to deepen on its oncology offerings while Acibadem Maslak Hospital has used its smart radiotherapy MRidian machine, installed in late 2018, on more than 100 patients in the machine's first year of operations. With rise in foreign patients visiting Istanbul, Acibadem has also increased its referral centres network to help attract and bring patients to our hospitals in Turkey. Acibadem International Medical Centre located in the Netherlands expanded into a surgical hospital with 28 operational beds as the number of patients and occupancy rates increased. In Bulgaria, Acibadem Tokuda Hospital opened a new Angiology Laboratory in April. Furthermore, the number of total catheterisation laboratories was raised to six in Bulgaria. With all these developments, Acibadem further strengthened its leading position in the cardiology space in Bulgaria.

Key Facts

RM3.8 billion

Revenue

RM853.5 million

EBITDA

Outlook

Our Turkish operations expects patient volumes to grow with the continued demand, increased affordability of private healthcare and more foreign patients travelling to Turkey to seek medical treatments. With the ramp up of Acibadem Altunizade Hospital and Acibadem Maslak Hospital, we are well positioned to support this growth.

As Acibadem's cash flow grow and foreign currency exposure significantly reduced, Acibadem is well positioned to allocate adequate resources for both organic and inorganic growth.

Short term macro headwinds from ongoing geopolitical tension and the volatility of the Turkish Lira will continue to have a financial impact on our Turkish operations. The COVID-19 epidemic will also have a significant impact on the number of local and foreign patients visiting Acibadem hospitals with the travel restrictions imposed. However, we expect to mitigate these effects through tight cost controls, postponement of non-critical capital expansion projects and improvement in case mix.

HOME MARKET – INDIA



With 33 hospitals, India is IHH's fourth home market. The Group has a 62.23%-stake in Continental Hospitals and a 73.87%- share in Gleneagles Global Hospitals.

On 13 November 2018, IHH became the single largest controlling shareholder in Fortis after completing an INR40 billion (approximately RM2.4 billion) subscription to a preferential allotment of shares for a 31.17%-stake in Fortis Healthcare Limited (Fortis). This is a leading integrated healthcare services provider in India with operations incorporating both hospitals and diagnostics businesses. Currently, Fortis is the second largest player in India, in terms of number of hospitals, and operates a network of 26 healthcare facilities with over 4,000 operational beds and approximately 9,000 potential beds capacity. Fortis, through its subsidiary SRL Limited, operates over 415 diagnostic centres across India and is one of the largest diagnostic players in the country.

In addition, IHH has a 50-50 joint venture with Apollo Hospitals Enterprise Ltd (Apollo) to operate Apollo Gleneagles Hospitals in Kolkata.

Performance Highlights

Revenue for the Group's India hospitals increased to RM3.3 billion in FY2019 from RM851.3 million the previous year and EBITDA grew to RM360.0 million from RM6.3 million, with the consolidation of Fortis, acquired in November 2018.

Our India hospitals inpatient admissions tripled to 363,126 with the inclusion of Fortis' inpatient admissions for the full year in FY2019. This contrasts with the inclusion of only one month in FY2018 when Parkway Pantai acquired Fortis in November 2018. However, Parkway Pantai's India hospitals revenue per

inpatient admission contracted 13.5% to RM6,376 as Fortis's revenue intensity is generally lower than Parkway Pantai's other existing operations in India.

Since the transformational acquisition of Fortis in November 2018, Fortis completed the acquisition and consolidated various Indian subsidiaries of RHT Health Trust for INR36.0 billion (approximately RM2.1 billion) as planned in January 2019. This consolidates Fortis's control over the RHT assets for a more focused and streamlined business operation and will generate substantial cost savings as Fortis will no longer need to bear significant service fees paid to the trust.

Fortis has since turned around and progressively improved, recording four consecutive quarters of positive profit before tax and improved EBITDA margins to 14% in the quarter ending December 2019, compared with 5% in the corresponding quarter in 2018. It has ongoing cost optimisation plans and continues to focus on various initiatives across the network in order to ensure that Fortis runs as a leaner organisation. The Fortis balance sheet remains robust, with low gearing and a more efficient working capital cycle.

SRL Diagnostics, an arm of Fortis, has seen relatively stable growth while maintaining its margins. Fortis's impetus going forward will be to look objectively at the portfolio of assets and expansion strategy to allocate resources for better returns. At the same time it will be further strengthening the critical building blocks of the business in terms of doctor engagement, clinical specialties, quaternary care medical treatments and technology-led initiatives in order to enhance growth and performance.

Key Facts

RM3.3 billion

Revenue

RM360.0 million

EBITDA

Outlook

India is a market with tremendous potential and the Group believes that the potential for growth continues to be supported by expanding demographics, an increase in the incidence of lifestyle-related diseases and rising affluence. At the same time, the low cost of treatment, advanced facilities and availability of highly skilled doctors make India a popular location for medical tourism. It is estimated that India's medical tourism industry could be worth INR63 billion (RM39 billion) and account for 20% of the global market share by 2020. IHH is anticipating substantial growth opportunities with the burgeoning healthcare demand in India.

In view of the lock down imposed by the government in response to the COVID-19 outbreak and the ongoing travel restrictions, we expect significant impact to patient volumes on our India operations. During this period, we will remain focus in adopting strict measures to control costs. In the medium to long term, we remain focused on improving operations and will look to introduce new service lines to ramp-up on volumes and improve our case mix.

KEY GROWTH MARKETS – GREATER CHINA



In China, we operate Gleneagles Chengdu Hospital which recently opened in October 2019. We have seven ParkwayHealth Medical Centres under our auspices. In Hong Kong, we operate a multi-specialty Gleneagles Hong Kong Hospital, which opened in March 2017. Under our Greater China portfolio, we also operate the ParkwayHealth Central Hong Kong Medical Centre and the Angsana Molecular and Diagnostics ancillary service.

Performance Highlights

Revenue from North Asia expanded 21% to RM604.6 million in FY2019 from RM499.6 million the previous year due to the continual ramp-up of Gleneagles Hong Kong Hospital.

Our North Asia EBITDA losses narrowed by 16% to RM175.5 million, compared with losses of RM208.7 million in FY2018. This reduction was helped by Gleneagles Hong Kong Hospital's decreasing start-up losses, which shrank from RM178.1 million in FY2018 to RM156.7 million in FY2019. Gleneagles Hong Kong continues to see a steady ramp-up of operations as planned, particularly in the first half of 2019. We continued to introduce and deepen our service offerings. In July 2019, we launched the Spine Centre to provide comprehensive diagnosis and treatment to patients, offering them common to complex spine-related procedures. In the second half of 2019, we recruited more clinical staff and increased the number of our operational beds to 190.

Gleneagles Chengdu Hospital soft opened in late October with 30 operational beds. We employed about 25 doctors and 50 nurses as of 31 December 2019 for

key specialities such as Cardiovascular, Gastrointestinal, Orthopaedics and Paediatrics, amongst other disciplines. The hospital will ramp up using a phased bed approach as we continue to introduce more comprehensive procedures and services.

Outlook

Private hospitals in China generally cater to the higher-income segment of the population, but they have also seen a growing demand from the middle class. A population of eight million in urban Chengdu makes it the fifth largest city in China. Chengdu has a strong supply of medical talent with the presence of Sichuan University's West China Medical Centre, ranked third in China for medical education. In recent years, the city has received a massive influx of capital as it opens itself up to foreign investment. This is evidenced by Chengdu's GDP, which grew an impressive 70% between 2012 and 2017. The continuous investment and the attractive proposition on the back of an increased urban population bode well for Gleneagles Chengdu Hospital.

In Hong Kong, the COVID-19 outbreak and ongoing demonstrations have resulted in some deferrals of non-urgent procedures and services at Gleneagles Hong Kong. However, operations and services have remained stable so far.

In the next few quarters, we expect the COVID-19 epidemic and the slowdown of the Chinese economy to impact the opening of Gleneagles Shanghai Hospital in 2020. However, we remain committed and positive on the long-term fundamentals for Greater China.

Key Facts

RM604.6 million
Revenue

(RM175.5) million
EBITDA

Expansion Pipeline

Type	Hospital
Greenfield	Gleneagles Shanghai 450 bed capacity (by 2020)

IMU HEALTH

What we do



Medical Education

IMU Health is the medical and health sciences education arm of IHH. It manages the International Medical University (IMU) and International Medical College (IMC) in Malaysia.

IMU was set up as a college in 1992 to provide students with a medical education which would enable them to complete their medical degrees at partner universities abroad while IMC, established in 1993, offers diploma and post basic nursing education and training to a new generation of nurses.

In 1999, IMU was conferred full university status and could offer its own medical programme. This gave students the option to complete the course in Malaysia or choose a transfer programme. Today, IMU provides over 20 health professional programmes ranging from pre-university studies to undergraduate and postgraduate studies in medical, dentistry, pharmacy, nursing,

health sciences and complementary and alternative medicine. IMU is also partner to 32 universities in Australasia, the United Kingdom, Ireland, North America and China.

Performance Highlights

IMU Health's revenue moved up 1% to RM259.0 million in FY2019 from RM257.5 million in FY2018 because of higher student intake and strong demand for certain courses. As a result, EBITDA also rose 3% to RM87.2 million from RM84.9 million the year before.

Outlook

The proliferation of institutions offering programmes in medicine, dentistry and pharmacy has led to increased competition for IMU. Nevertheless, there are still opportunities for attracting international students to medicine, dentistry and selected health sciences programmes. IMU is constantly working to benchmark its programmes to international standards.

Key Facts

RM259.0 million

Revenue

RM87.2 million

EBITDA

IMU and IMC are in the process of developing key programmes that will be delivered online to reach a wider target market in adult learners. The IMU Hospital began construction in December 2018 and is on track to open in 2021. This will further enhance opportunities for student attachments and observations in the hospital, in addition to their exiting attachments in government hospitals.

PARKWAYLIFE REIT

The Group holds a 35.62%-equity interest in its real estate arm, Parkway Life Real Estate Investment Trust (PLife REIT). One of Asia's largest listed healthcare REITs by asset size, PLife REIT invests in income-producing real estate and real estate-related assets used primarily for healthcare and healthcare-related purposes. As at 31 December 2019, the REIT owns a well-diversified portfolio of 53 quality properties in Singapore, Japan and Malaysia.

Performance Highlights

In FY2019, PLife REIT's gross revenue rose 5% to RM348.0 million in FY2019 from RM335.7 million in FY2018. This was mainly due to higher rent contribution from existing properties, revenue contribution from property acquisitions in Japan in February 2018

and December 2019, and the appreciation of the Japanese Yen.

EBITDA fell 8% to RM294.4 million mainly from a lower revaluation gain on PLife REIT's investment properties in 2019 as compared with 2018. In 2019, PLife REIT recognised a RM11.4 million revaluation gain on its investment properties, as compared to RM50.4 million in 2018. Correspondingly, with a portfolio value increase of 2.2%, PLife REIT's overall portfolio size stands at approximately RM6.0 billion as at 31 December 2019. Gearing remained optimal at 37.1%.

Outlook

The long-term outlook of the healthcare industry continues to be driven by an ageing population and demand for better quality healthcare and aged-care services.

Key Facts

RM348.0 million

Revenue

RM294.4 million

EBITDA

Nonetheless, with the rising volatilities in the financial market and uncertainties surrounding the global economic outlook due to COVID-19 pandemic, PLife REIT remains cautious in seeking out strategic opportunities as it continues to build on its core fundamentals to enhance its resiliency.



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FORGING A SUSTAINABLE FUTURE

We have a responsibility to secure our future and create long-term shared value for our stakeholders. Our commitment to sustainable development is embedded throughout the organisation and we have referred to international reporting frameworks to build a strong narrative for our sustainability performance this year.

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Sustainability Report

Defining Our Scope

IHH has withstood the test of time as a leading premium healthcare provider by continuously demonstrating our robust commitment to operating responsibly. Besides our four home markets of Malaysia, Singapore, Turkey and India where we have most of our healthcare capacity, we are also operating in the key markets of Greater China and in

international markets such as Brunei, Bulgaria, Macedonia, Myanmar and the Netherlands. In all, we have more than 15,000 beds in 77 hospitals spread across 10 countries.

Additionally, IHH offers medical and health sciences education through three subsidiary institutions: the International Medical University (IMU) and the International Medical College

(IMC) in Malaysia, and Parkway College in Singapore.

The Report covers all IHH entities, depicting the effort and performance put in and challenges met as we strive towards achieving sustainable healthcare. In the table below, the reporting period for the entities listed is from 1 January to 31 December 2019, unless otherwise stated.

Malaysia

- | | | |
|---|---------------------------------------|--|
| 1. Pantai Hospital Sungai Petani (PHSP) | 7. Pantai Hospital Cheras (PHC) | 13. Gleneagles Medini (GMH) |
| 2. Pantai Hospital Penang (PHP) | 8. Pantai Hospital Ampang (PHA) | 14. Gleneagles Kota Kinabalu (GKK) |
| 3. Pantai Hospital Ipoh (PHI) | 9. Pantai Hospital Batu Pahat (PHBP) | 15. Pantai Hospital Laguna Merbok (PHLM) |
| 4. Pantai Hospital Manjung (PHM) | 10. Pantai Hospital Ayer Keroh (PHAK) | 16. International Medical University (IMU) |
| 5. Pantai Hospital Klang (PHK) | 11. Gleneagles Kuala Lumpur (GKL) | |
| 6. Pantai Hospital Kuala Lumpur (PHKL) | 12. Gleneagles Penang (GPg) | |

Singapore

- | | |
|--|--------------------------------|
| 1. Mount Elizabeth Novena Hospital (MNH) | 3. Parkway East Hospital (PEH) |
| 2. Mount Elizabeth Hospital (MEH) | 4. Gleneagles Hospital (GEH) |

India

- | | | |
|--|---|--------------------------------------|
| 1. BGS Gleneagles Global Hospital Kengeri (Bengaluru) | 4. Gleneagles Global Hospitals Parel (Mumbai) | 7. Continental Hospitals (Hyderabad) |
| 2. Gleneagles Global Hospital, Richmond Road (Bengaluru) | 5. Aware Gleneagles Global Hospitals LB Nagar (Hyderabad) | |
| 3. Gleneagles Global Health City Perumbakkam (Chennai) | 6. Gleneagles Global Hospitals Lakdi-Ka-Pul (Hyderabad) | |

Greater China

China

- | | | |
|--|--|--|
| 1. Shanghai Xin Rui Healthcare Co. Ltd (Luwan Clinic/GPS Clinic) | 4. Shanghai Rui Xiang Clinic Co. Ltd (Hongqiao Clinic) | 7. Shanghai Hui Xing Jin Pu Clinic Co. Ltd (Jinmao Clinic) |
| 2. Shanghai Rui Xin Healthcare Co. Ltd (Shanghai Center Clinic) | 5. Shanghai Rui Ying Clinic Co. Ltd (Tomorrow Square Clinic) | 8. Chengdu Shenton Health Clinic Co. Ltd (Chengdu Senton Clinic) |
| 3. Shanghai Rui Pu Clinic Co. Ltd (Jinqiao Clinic) | 6. Suzhou Industrial Park Yuan Hui Clinic Co. Ltd (SIP Clinic) | |

Hong Kong

1. Gleneagles Hong Kong

Turkey and Central and Eastern Europe

Turkey

- | | | |
|------------------------|----------------------------|------------------------|
| 1. Acibadem Adana | 7. Acibadem Bursa | 13. Acibadem Kocaeli |
| 2. Acibadem Altunizade | 8. Acibadem Eskisehir | 14. Acibadem Kozyatagi |
| 3. Acibadem Ankara | 9. Acibadem Fulya | 15. Acibadem Maslak |
| 4. Acibadem Atakent | 10. Acibadem International | 16. Acibadem Taksim |
| 5. Acibadem Bakirkoy | 11. Acibadem Kadikoy | |
| 6. Acibadem Bodrum | 12. Acibadem Kayseri | |

Bulgaria

- | | | |
|---|---|--|
| 1. Acibadem City Clinic Tokuda Hospital | 2. Acibadem City Clinic Cardiology Hospital | 3. Acibadem City Clinic Mladost Hospital |
|---|---|--|

Macedonia

- | |
|------------------------------|
| 1. Acibadem Sistina Hospital |
|------------------------------|

The Netherlands

- | |
|--|
| 1. Acibadem International Medical Center |
|--|

Our hospitals in Malaysia, Singapore, India, and Greater China are managed by Parkway Pantai Limited, one of Asia's largest integrated private healthcare groups.

IMU, the education arm of IHH, oversees both the IMC and IMU itself. Given their significance in providing skilled healthcare professionals to meet the needs of the healthcare industry, we have also

included IMU and IMC in this report, and they are collectively represented as IMU.

Like our Sustainability Report in FY2018, this year's Report demonstrates our commitment to the principles of Integrated Reporting as such a framework provides a way for IHH to examine and communicate our financial and non-financial drivers comprehensively. Since sustainability

is so intrinsically connected to the way IHH operates, we have integrated sustainability into other key areas of reporting to reflect the way we communicate our sustainability efforts.

The table of sustainability content below guides readers in accessing sustainability information within this Report.

Contents of the Sustainability Statement	Can be Found In	Page Number
Material sustainability matters	Stakeholder Engagement	36
• How they are identified		
• Why they are important to IHH	Our Material Matters	40
The scope of the Sustainability Statement and basis for the scope	Sustainability Report	62
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• Measures and actions taken to deal with these sustainability matters which demonstrate how IHH has performed in managing these sustainability matters	Our Organisation	78
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The governance structure in place to manage economic, environmental and social risks and opportunities	Sustainability Governance Report	138

Sustainability

Sustainability Report

Benchmarking Sustainability

We adopt the healthcare industry's best practices and benchmark against key performers to identify relevant sustainability matters and the respective reporting disclosures. In building a strong narrative for our sustainability performance in the reporting year, we have referred to international reporting frameworks such as the Health Care Standards by the Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI) Standards 2018, and GRI's Sustainability Topics in Healthcare Providers and Services and Healthcare Technology. Following the amendments to the Main Market Listing Requirements on sustainability reporting issued by Bursa Malaysia Securities Berhad (Bursa Securities) in October 2015, we have also considered the requirements

of Bursa Securities' Sustainability Reporting Guide (2nd Edition).

United Nations Sustainable Development Goals

The United Nations' 17 Sustainable Development Goals (SDGs) define global sustainable development priorities and aspirations for 2030 and seek to champion global efforts around a common set of goals and targets. The SDGs call for action among governments, business and civil society to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet. As a leader in the healthcare sector, IHH is committed to contributing towards the achievement of SDGs by focusing on the seven SDGs that are relevant to our business operations.

Good health is an essential element of sustainable development. Contributing towards **SDG 3: Good Health and Well-being**, we solve problems that pertain to the removal of direct and indirect threats to the health of the general population.

For **SDG 9: Industry, Innovation and Infrastructure**, we focus on sustainable innovations and advocate the promotion of products in our healthcare system that are safer alternatives for the well-being of patients and the community, and which also boost our circular economy. IHH leverages our purchasing power to ensure that the materials we purchase generate as little waste as possible that is toxic, non-repairable or non-recyclable. This approach also helps us achieve **SDG 12: Responsible Consumption and Production**, which means reducing pollution and health impacts.

SDG 8: Decent Work and Economic Growth is about making sure work provides people with economic well-being. IHH offers the best local talents career opportunities that not only benefit the individual, but aid the national economy. We also improve the quality of education through the provision of our established medical training and educational institutions in support of **SDG 4: Quality Education**.

Focusing on our increased energy efficiency and identifying solutions to stay resilient to environmental issues, we are working towards a well-established energy system to accelerate our trajectory towards the targets of **SDG 7: Affordable and Clean Energy**.

To build a more peaceful and inclusive society, IHH is incorporating the targets of **SDG 16: Peace, Justice and Strong Institutions** into our core beliefs as we work towards sustainable development. In the process, we are building the Group to become effective, accountable and inclusive at all levels.





OUR PATIENTS

We aim to promote a patient-centred culture by constantly improving and prioritising quality of medical care as well as assuring patients' satisfaction, safety, wellness and privacy.

Our Patients

Patient Safety and Welfare



Patient safety is at the forefront of our business philosophy. One of the most pressing threats issues facing the global medical industry today has to do with the spread of Superbugs. Microorganisms resistant to antibiotics, Superbugs cause infections in humans that are more difficult to treat compared with infections caused by non-resistant bacteria. Superbug infections may lead to more expensive treatment costs and increased mortality rate.

Antimicrobial Stewardship Programme (AMS) is a coordinated programme that promotes the appropriate use of antimicrobials (including antibiotics), improves patient outcomes, reduces

microbial resistance, and decreases the spread of infections caused by multidrug-resistant organisms. The Group is taking precautionary approaches to ensure the rational use of antibiotics at our hospitals. To this end, we organise awareness campaigns to educate employees and the public on selecting antibiotics, dosage, and optimum antibiotic treatment.

Another threat we can and do encounter from time to time is the outbreak of infectious diseases. In recent years, communities in which we operate have been variously hit by SARS (Severe Acute Respiratory Syndrome), MERS (Middle East Respiratory Syndrome), Swine Flu (H1N1 flu), Ebola and now COVID-19.

In response to COVID-19, our hospitals are ramping up measures to minimise the risk of transmission of COVID-19 and ensure the protection and safety of our patients, visitors and staff.

Rational Use of Medicine

The rational use of medicines requires that “patients receive medications appropriate to their clinical needs, in doses that meet their individual requirements, for an adequate period of time, and at the lowest cost to them and their community (WHO, 1985)”. Selection of drugs without consideration to cost-adequacy and viability, failure to prescribe medicines in accordance with standard treatment protocols, wasteful acquisition of expensive drugs, poor dispensing practices, ill-advised patients’ adherence to dosing timetables and methods, and wrong self-medication are key issues related to irrational medication use.

At IHH, we recognise that the rational use of medicine necessitates patients receiving medication that is suitable to their clinical needs and prerequisites, such as the right dosage, at the right interval and for the right duration.

INDIA: CASE STUDY

Checks and Measures for Controlled Drug Utilisation

In India, our hospitals utilise prescription audits as one of the strategies to assess drug utilisation and rationality of prescribing. Prescriptions are reviewed for potential drug use, drug food interaction, and drug allergy impact as indicated by lab values on the appropriateness of the medication, dose, frequency and route.

Doctors are requested to prescribe drugs as per the approved Hospital Drug Formulary, which is reviewed by the Pharmacy and Therapeutic Committee after a thorough discussion with a primary consultant and based on supporting research. The Pharmacy and Therapeutic Committee plays an important role in ensuring the rational use of medicine. The Committee recommends strategies on medication management, including the prevention of medication errors (Prescription, Transcription, Dispensing and Administration Errors) and adverse drug events, as well as

audits for the Hospital Drug Formulary. In addition to prescription audits conducted by clinical pharmacists, this Committee reviews prescription errors to check for illegible prescriptions and incomplete medication orders.

Also, ensure the correct use of medication and to prevent wastage, our Pharmacy Unit is required to dispense medicine only as per a doctor’s prescription; it is not allowed to make any changes without informing the prescribing doctor.

Another measure is the Credentialing Committee that regularly reviews all permanent and visiting doctors to establish that they are licensed medical professionals and to assess their backgrounds and legitimacy.

Antimicrobial Use

The Antimicrobial Stewardship Programme (AMS), led by the clinical pharmacy with the support of Hospital Infection Control (HIC) Committee Chairperson, Infectious Disease (ID)

specialist and HIC Nurses, was established to assess all antimicrobial use in all hospital units, for perioperative antibiotic prophylaxis, rational sepsis use, culture and sensitivity-based antibiotic de-escalation, and rationalised escalation as appropriate for the condition. The AMS programme strengthens daily surveillance on multidrug resistance bacteria, adherence to antibiotic policy, and sharing of antibiotic de-escalation days for each pathogen category.

Each hospital has a list of antimicrobials that are restricted, and their use is monitored strictly on a case-by-case basis with acceptable justification. In addition, training is provided to all new joiners during induction on drug safety and antibiotic policy. Other measures include regular clinical specialty group meetings involving the surgical group, medical group and other specialty groups to exchange ideas, and an incident reporting system to capture any trend of excessive use of antibiotics.

Creating Awareness

Among local communities, we conduct free consultations in neighbourhood districts and distribute pamphlets on the importance of avoiding antibiotics. Also, under the aegis of Aware Gleneagles Global Hospitals LB Nagar (Hyderabad) and the CAMPS programme, we promoted awareness on “superbugs”.

In the near future, to further assist on this issue and for research, a PhD scholar from the University of Hyderabad will be working with Continental Hospitals, Hyderabad.

Gleneagles Global Health City (GGHC) Chennai conducted a live TV Talk Show with Q&A for the public. GGHC is also represented in the Congress of Asian Society of Transplant where one of

their clinicians served as chairperson for the ID in Transplantation session. The ID specialist for both GGHC and Global Hospitals (BGSGGH) Bengaluru is one of two Indian representatives in the Asia Pacific working group aiming to create awareness and reduce Antimicrobial Resistance (AMR) in the community.

Disease Outbreak

With the onset of any infectious disease, patient safety is of paramount importance. As a leading healthcare service provider, we play a critical role in responding to disease epidemics in the home markets

we operate in. Failure to contain and prevent the spread of infectious diseases on our premises could have an amplifying effect, with the infection spreading to patients, visitors and staff. There is, therefore,

a need to ensure we have adequate measures and controls to prevent and control infections, while not interfering with our ability to deliver quality healthcare services.

SINGAPORE: CASE STUDY

Implementing COVID-19 Safety Measures

At our Singapore hospitals, we have implemented the following measures to help contain the spread of COVID-19:

- All visitors have to undergo temperature screening before entering hospital premises.
- All visitors are required to complete a visitor registration form before entering hospital premises to facilitate contact tracing.
- Additionally, patients are required to fill in a health declaration form at the respective treatment facilities within any of our hospitals.
- A maximum of one visitor is allowed at any one time in both inpatient and outpatient areas within our hospitals and medical centres.
- Visitors or patients who fit the current MOH (Ministry of Health) case definitions for COVID-19 are isolated.



- We provide alcohol-based hand sanitisers within our hospital premises.
- We ensure regular cleaning and disinfection of all high-touch areas, such as elevators.

Quality of Care and Patient Satisfaction



At IHH, we believe that patient satisfaction is intrinsically related to quality of care, and they are both guiding principles by which we measure the sustainability of our business. As a leading healthcare

service provider, we aim to improve the lives of our patients through the delivery of high-quality care. We provide training to our employees to embed a strong service culture and mindset as we believe every employee is our steward of quality service and care to our patients. We have a robust patient satisfaction management system which includes patient surveys, regular feedback mechanisms, complaint reports and audits. These tools provide us with information on our clinical and service performance, as well as areas for improvement.

To continuously improve the quality of our services, we monitor our service quality via performance indicators that are reported to the Group's management team. Furthermore, for our operations in Malaysia, Singapore, India and Greater China, we adhere to a framework on quality of care, which guides our clinical governance, improvement and change of management. At IHH, we monitor any improvement initiatives conducted at the local and country levels.

GREATER CHINA (HONG KONG): CASE STUDY

Added Value for Patients

In Hong Kong, Gleneagles Hong Kong Hospital (GHK) enhances its efforts to improve the quality of care by providing outstanding service and added value for patients, as well as ensuring a comfortable stay. In fact, GHK is the first and only private hospital in Hong Kong to provide all-inclusive, fixed-fee medical packages. These medical packages cover all relevant services for treatment including, but not limited to, doctor's professional fees, operating expenses and hospital charges. A standard room at GHK is two-bedded and equipped with en suite bathrooms, providing ample space and comfort to ensure a restful stay for patients.

Cognisant of our patients' concerns regarding the cost of quality medical care, we ensure fee transparency. Package coverage and fee advisory are made available to all patients prior to their admission. This approach helps patients to make informed decisions and assists them in cost management before they undergo treatment. The packages also cover all charges associated with complications of surgical intervention within the prescribed length of stay, allowing patients to receive quality medical service without worries about unexpected expenses. Since our

establishment, we have developed over 140 packages for our patients.

Building Partnerships for Quality Improvement

In 2016, GHK initiated a clinical partnership with the Li Ka Shing Faculty of Medicine of The University of Hong Kong (HKU). This partnership provides clear and focused strategies on the hospital's delivery of quality care. The clinical governance structure that is helmed by the Medical Board is chaired by a senior HKU professor and supported by clinical sub-committees responsible for overall quality.

This partnership is led by HKU professors undertaking the role of Chair of Specialty (COS), who are in charge of the hospital's training programme for undergraduate and postgraduate medical trainees, and for the continuing education of practitioners to ensure standardisation and better-quality care. This partnership has also led to systematic monitoring, the establishment and review of key performance indicators and clinical quality indicators, an incident reporting system, and risk-based clinical audits, which collectively enhance patient clinical care in the hospital.

Following this collaboration, a research on GHK's patient safety culture was conducted to evaluate staff's perceptions

on patient safety, and the necessary follow-up actions were carried out.

Quality Customer Service

We believe that in order to provide premium quality care for all our patients, our workforce and frontline staff need to be equipped with the necessary skills and capabilities. Therefore, training programmes such as nursing best practices and customer service are provided. Another training programme conducted is the 5-Ups training that is provided to all frontline staff. 5-Ups are the service values of Parkway, which have been formulated by interviewing thousands of Parkway employees on what they consider good customer service. This training, which is divided into two categories – supervisor grade and frontline staff – helps build and foster strong and sustainable service quality throughout the Parkway Hospitals.

In addition, GHK organises orientation programmes for all staff. This programme is vital for integrating a culture of patient-centred care into our daily operations and focuses on three main aspects:

- Quality and Risk Management
- Tips on Customer Service
- Patient Data Privacy

Furthermore, to provide a conducive work environment for employees, the Service Excellence Department of GHK provides regular customer service training. In appreciation of employees' hard work, GHK presents service awards to staff who deliver excellent customer service.

Accreditations

GHK is committed to ensuring all its hospitals deliver safe and high-quality healthcare services to patients. Hence, the hospital prepared an action plan to obtain accreditation from the Australian Council on Healthcare Standards (ACHS) within three years from the opening of the hospital. The hospital's clinical laboratory obtained the "Hong Kong Laboratory Accreditation Scheme" (HOKLAS) in April 2019. To communicate information on quality issues and share best practices, a Central Quality Improvement Forum for IHH and other Parkway Hospitals is conducted on a monthly basis.

Strengthening Communication

GHK prioritises the continued enhancement of its standards of healthcare services, quality and safety. One of the approaches for achieving this is the Client Feedback Group (CFG) that is organised quarterly by our Service Excellence Department. CFG is a group discussion that is chaired by Hospital Senior Leaders and attended by 10-12 patients. The purpose of this GHK-CFG discussion is to build and maintain a two-way communication bridge regarding our service enhancement and price transparency. The topics discussed are:

- Customers' perception of GHK
- Patient experience
- Pricing
- Staff attitude/performance

- Feedback and complaint
- Food and beverage
- Facilities
- Any other suggestions for GHK

All feedback and suggestions received during the discussion are reviewed regularly and preventive and corrective actions are implemented. Compliments are shared during staff meetings and the monthly hospital roll call deck. As staff play a vital role in patient care, GHK presents Service Champion awards to staff and departments for their outstanding efforts in delivering extraordinary service to our customers.

Measuring Patient Satisfaction

GHK's key performance indicators on quality of care are measured by the

Enterprise Balanced Scorecard. This Scorecard identifies key performance indicators and measurements in five strategic areas: People, Quality, Service, Finance and Growth.

In line with its patient-centred practices, GHK's dedicated and competent Front Desk team conducts regular ward visits to collect direct feedback from patients. The average monthly ward visit covers 60% of the total wards. The feedback from patients are handled by the hospital's Service Improvement Taskforce.

To further enhance its quality of care, GHK distributes a patient satisfaction survey to discharged inpatients and outpatients. During the year under review, the hospital's customer satisfaction survey recorded the following results, based on a monthly average:

Customer Satisfaction Survey	2018		2019 (as at 30 September)	
	Target KPI	Actual achievement	Target KPI	Actual achievement
Overall satisfaction level	8 point	8.46 point	8 point	8.4 point
Net Promoter Score (NPS)	20%	50.6%	>30%	50.8%

The survey criteria include;

- Shuttle bus
- Concierge
- Admission
- Hospital/ward environment and facilities
- Nursing and supporting staff
- Attending doctor
- Food and catering
- Discharge
- Pharmacy
- Hospital website
- Hospital charges
- Reasons for choosing GHK

Challenges

The nurse-to-patient ratio has always been a challenge for the healthcare sector. Appropriate nurse staffing level is vital to achieving clinical and economic improvement in patient care. Recognising this, GHK maintains a nurse-to-patient ratio of 1:6, which is in keeping with the international practice standard.

Privacy of Patients' Data and Medical Records



The healthcare industry predominantly uses information technology for data storage and retrieval to assist doctors, patients and administrative people to deliver services. Digitisation of information has led to improved efficiency of healthcare services. However, it comes with heightened risk of data breaches due to multiple

handling of data. Recognising this, IHH prioritises the need to protect patients' private data, including personal information, financial information, medical records and others.

The Group is in the process of adopting a robust data protection system. Each of our entities in the different

TURKEY AND CENTRAL AND EASTERN EUROPE: CASE STUDY

Data Protection Policies

Over and above complying with the General Data Protection Regulation (GDPR) in Bulgaria and the Netherlands, and Turkey's Law on the Protection of Personal Data, IHH hospitals in these countries have established internal policies and procedures in this regard as a strong safeguard against data breaches.

Turkey	Bulgaria
LAWS AND REGULATIONS <ul style="list-style-type: none"> Turkish Law on The Protection of Personal Data Regulation on Erasure, Destruction or Anonymisation of Personal Data Regulation on Processing and Protection of Privacy of Personal Health Data 	<ul style="list-style-type: none"> GDPR (EU) 2016/679 Ordinance on the minimum requirements for network and information security Cyber Security Act
INTERNAL POLICIES AND PROCEDURES <ul style="list-style-type: none"> Disciplinary Procedure Personal Data Protection and Processing Procedure Information Systems Authorisation Procedure Personal Data Storage and Disposal Procedure Information Management Plan Data Protection Procedure Cyber Crises Management Instructions Cyberattack Policy Technological Disaster Procedure Information Management Risk Assessment Procedure General Information Redundancy Procedure IT Emergency Management Instruction Data Protection Assessment Data Protection Officer Data Protection Training 	<ul style="list-style-type: none"> Personal Data Protection Policy Privacy Policy of the Group of Companies Acibadem City Clinic Bulgaria Data Protection Assessment Data Protection Officer Data Protection Training

markets has established measures for data protection, such as privacy statement, policy, procedures and guidelines. In addition, Bulgaria, the Netherlands, Turkey, Malaysia, Singapore, Greater China and India have each defined their national legislation pertaining to personal data protection.

Netherlands	Macedonia
<ul style="list-style-type: none"> GDPR (EU) 2016/679 	<ul style="list-style-type: none"> Law on Personal Data Protection
<ul style="list-style-type: none"> Employee Privacy Statement Privacy Statement Privacy Browsing Description Privacy Regulation Model in Health Sector Preparing and Maintaining Privacy Regulations Privacy Protection Rules Data Protection Assessment Data Protection Officer Data Protection Training 	<ul style="list-style-type: none"> Rulebook on protection, processing and confidentiality of personal data Rulebook on reporting, and resolving incidents Rulebook on reporting, acting upon and resolving incidents in personal data processing Plan for technical and organisational measures for confidentiality and protection of personal data processing Procedure for password managing Procedure for managing users in a domain system Authorisation for personal data processing Rulebook with deadlines for keeping the documents containing personal data Rulebook on the method of destroying documents, as well as the method of destroying, deleting and clearing the media

Specifically for Turkey's operations, patient data are segmented according to the level of privacy in which access and process of certain segments of patient data are only allowed for a certain period of time, and accessible only by authorised personnel according to their professional job title.

Management of Digital Information

Digitisation of information is crucial for the healthcare sector due to the handling of multiple and wide-ranging data. To ensure delivery of services, the Group uses digitisation to improve process efficiency, ensure consistency throughout the

information chain, and enhance the quality of our services. Understanding the risks of storing data electronically, such as the loss or damage of device software, hardware, information and processing capability, our operations in Turkey and Central and Eastern Europe take precautionary steps to manage digital information.

Turkey	<ul style="list-style-type: none"> • Use a combination of hardware and software technology for data storage • At the hardware level, use redundant power supply, climatisation, servers with their backups, connectivity and its backups • At the OS level – VMware as it is industry-leading for the purpose of server virtualisation • At the service level – implement Oracle Database solutions • At the data level – implement NetBackup solutions to meet backup demands • Data backup has daily, weekly and monthly backups, and data backups are transferred to tape library • Tape cartridges are protected in a special safe area and all access to data backup is under constant management • All digital data of patients are located inside Cerebral (HIS) Databases, with clear rules established and ensuring patient privacy is treated in accordance with the Regulation on Processing and Protection of Privacy of Personal Health Data and Turkish Law on Protection of Personal Data
Bulgaria	<ul style="list-style-type: none"> • Use a combination of hardware and software technology for data storage • At the hardware level, uses redundant power supply, climatisation, servers with their backups, and connectivity and its backups • At the OS level – VMware as it is industry-leading for the purpose of server virtualisation • At the service level – implement Microsoft SQL clustering solution • At the data level – implement Veeam Backup solution which provides Intelligent Data Management and meets the backup demands
Netherlands	<ul style="list-style-type: none"> • Use SaaS cloud system as per requirement by the GDPR legislation for the protection of personal data and privacy. SaaS is a software service which provides protection to personal and medical data of patients, including in the event of any disasters that could affect any data stored
Macedonia	<ul style="list-style-type: none"> • At the hardware level, use data backup servers which have a live backup hardware and data recovery backup hardware • Data backup has daily, weekly and monthly backups • Data backup connections are monitored by a special team • Access to data backups is under constant management • Data backups and their servers are monitored all the time by the Database Activity Monitoring System • All digital data of patients are located inside Cerebral Plus (HIS) Databases with clear rules in place and ensuring patient privacy is treated in accordance with the Regulation on Processing and Protection of Privacy of Personal Health Data and the Macedonian Law on The Protection of Personal Data

Data Retention

Patients data and records have to be kept for a certain period of time, according to the respective local laws and regulations. It is important to ensure that stored data can be easily retrieved in the event of data loss or for future reference.

Turkey law requires medical records to be kept for at least 20 years, with no upper limit specified.

In Bulgaria, businesses are obligated to maintain medical records of patients

according to statutory deadlines, which vary according to type of documentation and can be from three to 50 years. For operations in the Netherlands and Macedonia, patient data are required to be kept for 15 years upon completion of treatment for the patient.

Management of Data Leaks

We take pride in putting in place stringent controls for the prevention of data leaks. Our operations in Turkey and Central and Eastern Europe have implemented enhancements to our existing data leaks

prevention measures to ensure restricted access to our patients' medical records. Typical measures include authorising only designated staff to process relevant patient information, undertaking regular checks to ensure no breaches, increasing traceability, discontinuing the transfer of patient information via emails, restricting the viewing of medical results being transferred to a patient's database, carrying out ad-hoc privacy checks, and conducting cybersecurity awareness training regularly with monthly communication on the subject via emails.



OUR PEOPLE

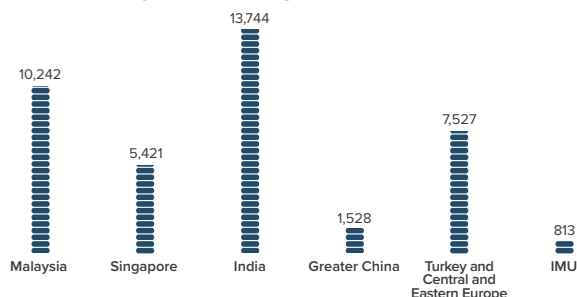
We provide all our employees with a safe working environment and instil a culture of excellence, high standards of conduct and conducive working environment for the personal and professional growth of employees.

Sustainability

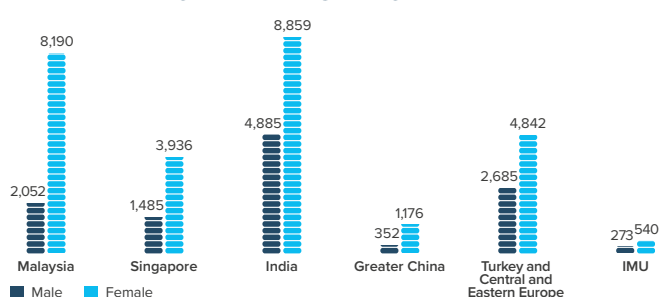
Our People

At IHH, we have a diverse workforce drawn from different age groups, genders, races and nationalities. We embrace differences among our employees as we build bridges to respect and trust. The bar charts below show our total employee strength and the distribution of employees throughout our business operations from 1 January 2019 to 30 September 2019.

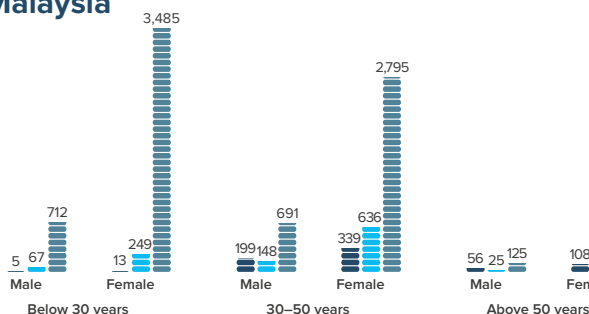
Total Employee Strength



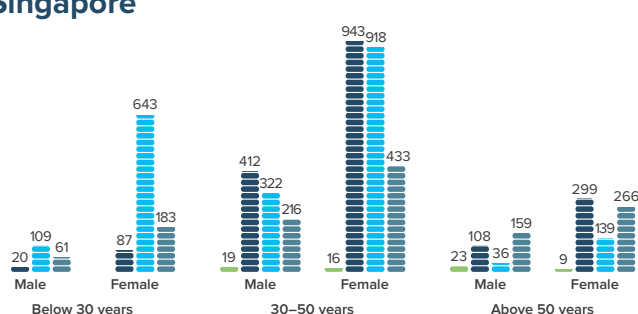
Total Employee Strength by Gender



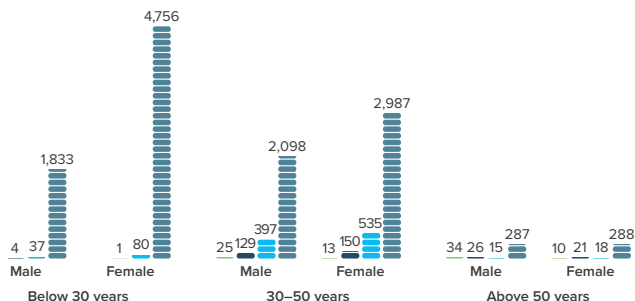
Malaysia



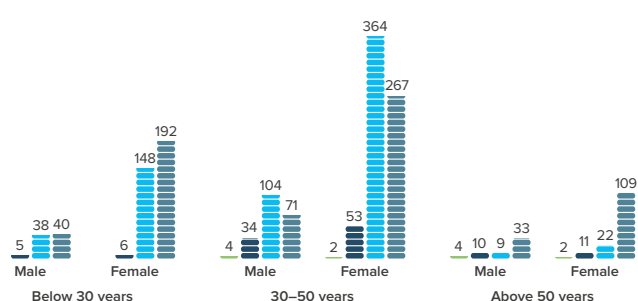
Singapore



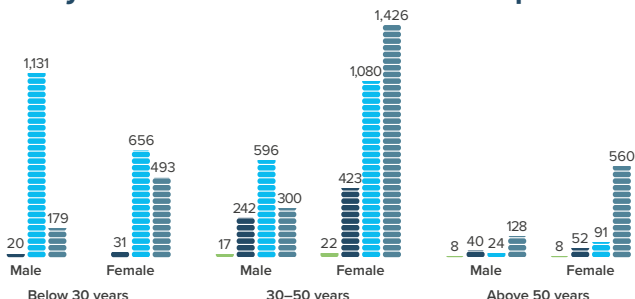
India



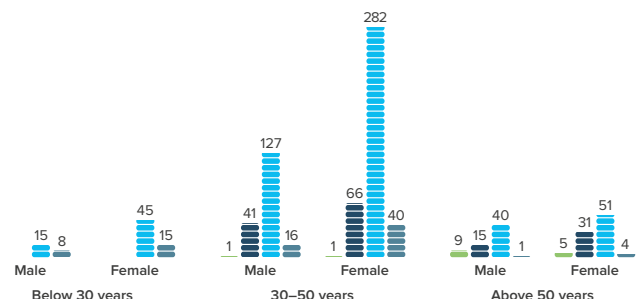
Greater China



Turkey and Central and Eastern Europe



IMU



Senior Management Management Executive Non-Executive

Occupational Safety and Health



The hospital workplace is unpredictable and can be hazardous. IHH ensures a strong safety culture which demands that the safety of both patients and employees takes the highest priority.

We invest the time and resources required to manage occupational health and safety (OHS) through a systematic approach that complies with relevant legislation and standards.

Core safety elements such as incident reporting, hazard assessment and control, and monitoring and review are key considerations of our safety management systems. This enables OHS risks to be controlled effectively, particularly in a large and complex working environment such as a hospital.

OHS management is established to ensure the health, safety and well-being of employees. After all, a healthy, productive and well-motivated group of employees is one of the key drivers of business sustainability. Furthermore, good OHS management will lead to high-quality performance and productivity, which in turn guarantee good delivery of services.

TURKEY AND CENTRAL AND EASTERN EUROPE: CASE STUDY

Prevention Measures

In managing the risk of occupational diseases, Acibadem hospitals have established an **Infection Control Plan** that was approved by the President of the Medical Executive Board. This plan requires the presence of an infectious disease expert and infectious disease nurse at each hospital who are responsible for the following:

- monitoring infection and antibiotic use,
- eliminating any potential occupational infectious hazards,
- inspecting hospital hygiene and the disposal of biological waste,
- implementing isolation procedures when necessary,
- proactively monitoring processes of disinfection and sterilisation,
- staying actively seized on hand hygiene, and
- conducting training and periodical examination of employees for infectious risks and occupational hazards.

Also, the team reports any relevant issues to the Infection Control Committee of the hospital which may urge the hospital administration to take action whenever necessary.

The Infection Control Plan ensures all employees are trained annually on infectious occupational hazards. This training on occupational hazards is provided according to corporate procedures.

All employees are examined by the occupational physician annually and, if needed, specific tests such as nasal cultures and chest x-rays may be applied. Occupational nurses and the infectious disease nurse work together by following the employees' vaccination schedules to ensure all employees are vaccinated against Hepatitis B, C, Tetani and other microorganisms that may pose a threat.

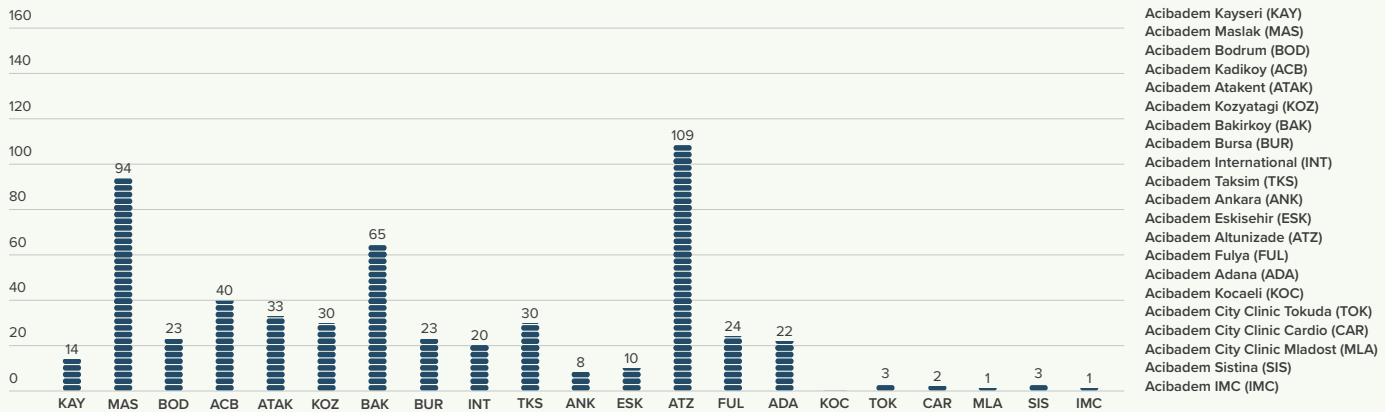
Acibadem adheres to both international and national guiding principles on disease control and prevention. As a healthcare institution that aims for excellence at a global level, Acibadem follows international guidelines, such as those published by the **National Health Care Safety Network** and **Centers for Disease Control**. It also abides by national legislation, namely, the **Inpatient Treatment Institutions Infection Control Regulation**.

Overall, in FY2019, our hospitals in Turkey recorded a higher number of workplace incidents, including accidents and near-miss occurrences, than in FY2018. This is due to the expansion

of operations in Maslak Hospital for 2019, which correspondingly led to a significant increase in the number of personnel, operations and surgeries. In addition, with the occupational health and safety training and education programmes provided, employee awareness about work accidents reporting has improved substantially in all our existing facilities and new locations. This also contributed to an increased number of workplace incidents reported.

Four out of our 16 hospitals in Turkey showed a reduction in the number of workplace incidents in 2019 compared with 2018. They are Acibadem Atakent, Acibadem Bursa, Acibadem Ankara and Acibadem Eskisehir. Another hospital, Acibadem Bodrum, maintained its number of incidents at 23 while Acibadem Kocaeli registered zero incidents in both 2018 and 2019. In 2019, we also monitored incidents occurring at our operations in Bulgaria, Macedonia and the Netherlands, namely, Acibadem City Clinic Tokuda, Acibadem City Clinic Mladost, Acibadem Sistina and Acibadem IMC. These operations recorded fewer than five workplace incidents.

Number of Workplace Incidents at Acibadem Hospitals (Jan–Sep 2019)



As part of our corrective actions pertaining to workplace incidents, we examined our occupational incidents statistics and provided individual training to affected employees. In addition, we prepared posters and banners and displayed them to convey information that will raise awareness in departments with increased incident rates. We also conducted frequent field visits to accident-prone areas and further improved physical conditions in general.

Talent Recruitment and Retention



IHH employees are the true assets on whom the success of our business depends. Motivated employees are needed for an organisation to further improve productivity which ultimately leads to better performance. The Group

is constantly striving towards providing a conducive workplace and promoting work-life balance and work flexibility to motivate our employees in their daily work activities.

To motivate and retain our employees, we conduct multiple programmes such as an annual market benchmarking, which aims to review compensation values for our employees to ensure our offers are fair and competitive. Furthermore, the Group has established career progression pathways for employees at all job levels, which

increases the visibility and transparency of their career growth plans.

To understand employee expectations of the Group, we conduct annual or biennial employee engagement surveys. We believe that feedback from employees is crucial for continual improvement and can promote two-way communication between Management and our employees. Additionally, we provide training to equip our employees with relevant skills, carry out process reviews, and introduce a range of work schedules to retain and attract a wide pool of talent.

GREATER CHINA (CHINA): CASE STUDY

IHH's operations in China are implementing various initiatives to attract and retain talent. For instance, the Doctors Engagement Plan engages and rewards doctors who are selected based on their contributions to the company's revenue. The additional benefits they receive include Continual Medical Education (CME) leave, allowances and coverage for international medical insurance. These initiatives have enabled the Group to retain highly competent doctors.

Employees are provided with benefits such as medical insurance, annual health check-up, paid annual leave, parental leave, and sick leave, among others. In 2019, a total of 11 employees took parental leave, eight women and three men. Of the employees who took parental leave, one left the company after parental leave ended.

The bar chart depicts the number of employees joining and leaving the company in 2019. It shows that the number of employees who joined the company is higher than the number of employees who left, which indicates that we have been able to attract more talents than we lose. From the chart, it can be noted that a higher female composition in our staff has resulted

in more female employees leaving the company than male employees.

The employee hire rate in 2019 (as at 30 September) is 57.2% as opposed to 25% in 2018. This is due to the company adding two new hospitals by the end of this financial year. Employee turnover percentage in 2019 is 10.7% compared with 27.8% in 2018. China's operations have shown an

outstanding reduction in employee turnover because of the added variable bonuses in 2019 that were the result of our market adjustment of staff salaries, clearer articulation of our value proposition to potential candidates from Parkway, and deeper engagement at all levels with recognition and training of staff for personal development.

Employees Joining and Leaving the Company



Given the competitiveness for hiring potential talent within the healthcare industry, IHH's operations in China continuously promote working opportunities within the company

by participating in career fairs and on-campus recruitment exercises. We also engage recruiting firms to accelerate the recruitment process and reduce the cost of turnover and staffing gaps.

MALAYSIA: CASE STUDY



Staying One Step Ahead

We remain vigilant in the face of COVID-19 outbreak and our employees have shown resilience and determination by taking the necessary precautions and measures across all our hospitals.

Our Malaysia Operations Division has set up a Hospital Infectious Disease Outbreak Committee to identify and implement COVID-19 infection control measures. We also have a taskforce

made up of consultants, clinicians and the management team to share updates and discuss actions plans.

Additionally, our Purchasing Department ensures our frontline staff have a sufficient supply of masks and Personal Protective Equipment. Furthermore, we have implemented Business Continuity Plans, including carrying out measures such as daily temperature checks, splitting teams, and letting staff work from home.



OUR ORGANISATION

We govern our organisation with full transparency, responsible ethics and high integrity. This will allow us to remain resilient in the business front and secure our local and international market presence without impairing and compromising areas pertaining to quality and sustainability.

Sustainability

Our Organisation

Ethics and Integrity



Our trustworthiness and long-term success are built on our business principles. We conduct our business operations with the highest of standards, ethics and transparency to maintain a transparent business climate and forge strong relationships with our stakeholders.

The Group's Code of Conduct Policy and Whistleblowing Policy encourage our Directors and employees to observe the highest standard of integrity and maintain professionalism in all aspects of their work.

We have also set in place a well-structured process for handling whistleblower cases, where the respective Regional Divisional Heads report its division's whistleblower cases to Internal Audit on a quarterly basis. These audit reports are then presented to the Audit Committee in the IHH Quarterly Audit Committee Meeting.

In addition, IHH has introduced its Anti-Bribery and Corruption Policy, outlining expected behavioural and proper conduct pertaining to business activities, which took effect from 1 September 2019. Training and certification on anti-corruption policies and procedures for all relevant stakeholders will be undertaken through an e-learning programme, in addition to on-site briefing sessions.

MALAYSIA (IMU): CASE STUDY

The International Medical University (IMU), with more than 27 years of dedicated focus on healthcare education, is

Malaysia's first and most established private medical and healthcare university. IMU gained international recognition through its

education at pre-university, undergraduate, postgraduate and continuing professional development levels.

Core Values

The integrity and reputation of IMU have been further driven by its core values – Trustworthy, Responsive, Unity, Service and Tenacity – which were launched in 2011 using the acronym T.R.U.S.T.



TRUST Builds Tomorrow's Leaders

We transform and inspire individuals to be tomorrow's leaders

These values are institutionalised through effective change management in our daily operations via the hiring process, performance measurement and other frameworks. To encourage a value-led culture throughout the entire organisation, competency and behavioural interviews are conducted during the recruitment process to gauge whether a candidate's values are aligned with those of IMU.

The Core Values are communicated to all employees during induction when they begin their careers at IMU. One of the focus areas of the induction programme is the Cultural Sensitivity Workshop, where an awareness and understanding of the diversity and inclusiveness prevalent at IMU is established among employees.

At IMU, the annual performance appraisal is the foremost step to evaluate staff competency and determine whether their behaviour reflects IMU's values. In addition to the performance appraisal, the 'Achievement Award on Core Values' is awarded to employees who have demonstrated the core values outstandingly. For FY2019 (as at 30 September), 18 employees were given the Core Values Award.

Integrity and Transparency

IMU's comprehensive Code of Conduct (the Code) reflects the highest standard of integrity, transparency and professionalism. The Code is supported by various policies and procedures, including the Discipline and Standards of Performance Policy, Grievance Policy, Whistleblowing Policy, Gifts and Hospitality Policy, Harassment Policy, Diversity Policy, Social Media Guidelines, and Academic Staff Handbook.

In tandem with the Code, IMU encourages all parties to raise integrity concerns through its whistleblowing platform made available on the intranet and IMU's website. Employees may

write, call or make a personal visit to the Chief Human Resource Officer or the Deputy VC-Academic. Non-employees may write to our Whistleblowing Taskforce at whistleblowingreport@imu.edu.my. For further details on the Whistleblowing Policy, please refer to the IMU website <http://imu.edu.my/imu/wp-content/uploads/imu-whistle-blowing-policy.pdf>. We are pleased to disclose that there are zero whistleblowing cases for FY2019 (as at 30 September).

Additionally, IMU has embedded principles on Bioethics and Professionalism throughout the curriculum to reiterate to students the importance of being ethical medical and health professionals.

IMU is aware of the importance and influence of social media in society and is committed to respecting students' rights and allowing staff to voice their opinion in a way that is in line with IMU's Code of Conduct. To ensure the safe and responsible use of social media, IMU has established the Social Media Guidelines for both its students and staff to guide ethical behaviour that reflects the IMU brand image.

For the reporting period of FY2019, one incident was recorded where a student had misused a social media platform in a way that prompted unwarranted comments from the public. As IMU has in place a sound mechanism to address such incidents, the issue was successfully resolved.

Corporate Governance



IHH recognises the importance of good corporate governance in driving sustainability and continues to be committed to ensuring good business conduct and delivering long-term sustainable value to our stakeholders. At IHH, our Board of Directors (BOD) spearheads the sustainability agenda of the Group with the guidance of good corporate governance practices.

We operate in a highly regulated business environment and adhere to relevant laws and regulations of the countries in which we operate. Our commitment to ensuring good business conduct is underpinned by our corporate values, principles, and the guidelines of the respective regulators and government bodies of the various countries in which we operate.

Concerning our procurement practices, we observe fair and transparent practices in conducting business dealings with suppliers and service providers. The Group has established relevant standard operating procedures to be used in our procurement and tendering processes to mitigate bribery and corruption risks.

We communicate transparently to all participating tenderers. To further reinforce our commitment, we have already incorporated anti-bribery and anti-corruption addendum clauses into our purchase orders and contracts.

The Group believes that robust risk management is an important element of corporate governance. Effective risk management enables the identification of emerging sustainability risks and the execution of action plans to minimise any identified risks. To this end, we have put in place an internal auditing system to assess the effectiveness of the Group's corporate governance processes and risk management system.

MALAYSIA (PARKWAY PANTAI): CASE STUDY

Corporate Governance

Good Corporate Governance (CG) practices are intrinsic to a sustainable business operation. CG plays an active role in ensuring professionals standards are at their level best for all our stakeholders. CG aims to oversee the day-to-day management of business operations and includes assessing operational risks, monitoring the implementation of best practices, and providing assurance that audit outcomes are being addressed. At Malaysia's hospitals, we take various measures to ensure we practise good CG and comply with relevant healthcare legislations such as the ones listed below.

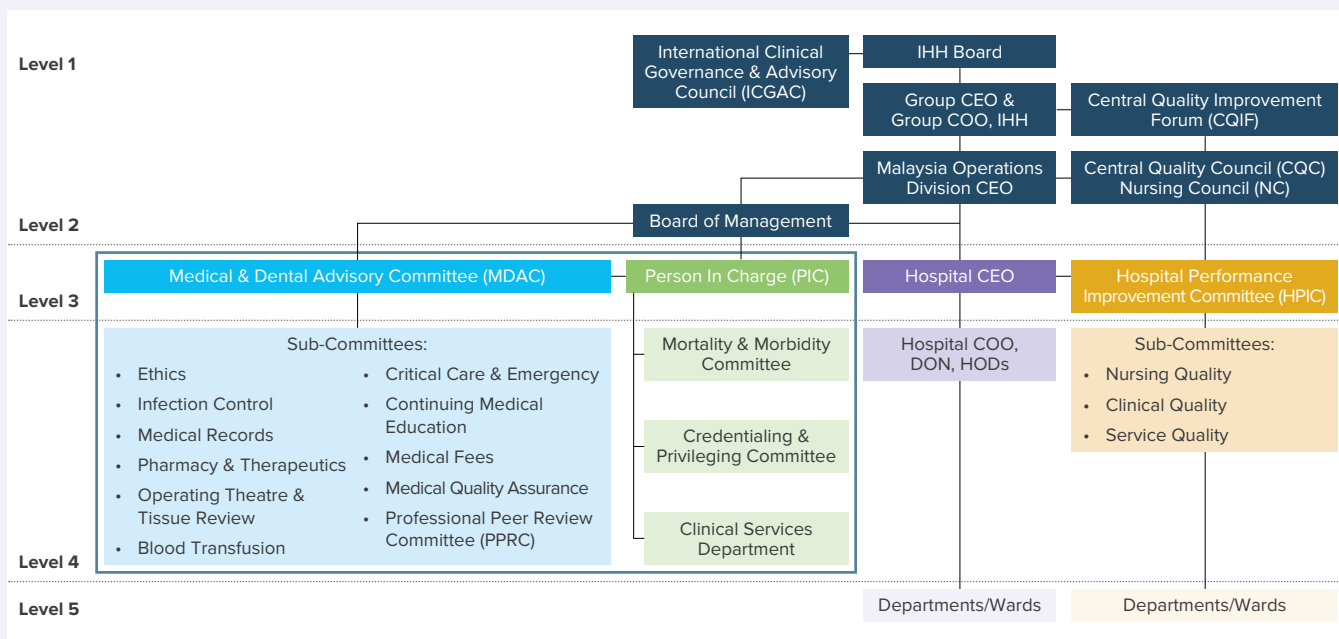
- Clinical Risk Management has been established for legal liability containment by adequately stratifying and implementing strategies
- Malaysia's Limit of Authority serves to govern both operational and non-operational matters
- Group Standard Operating Procedures (SOP) have been cascaded down to the respective hospitals or supporting units to ensure best practices and regulatory compliance are adopted across the entire Malaysia operations
- Regular internal audits on the risk areas and any non-compliances are escalated to the management and action will be taken to resolve any non-compliance issue

- Succession planning of key management who play a pivotal role within the Group has been established
- Whistleblowing Policy is in place that seeks to create an environment where integrity and ethical behaviour are fostered and any malpractices or impropriety within the Group is exposed
- A Professional Management and Development of processes and standards has been set up for doctors to be credentialed and evaluated

In 2019, our Malaysia operations did not face any regulatory fines related to compliance.

Clinical Governance

Parkway Pantai's Clinical Governance Structure is guided by the Private Healthcare Facilities and Services (PHFS) Act 1998. The requirements are reflected in the structure and composition of our Board of Management, Advisory Committee, Person-in-Charge (PIC) and person responsible for the body corporate (CEO/COO).



The Clinical Governance governs and guides our Malaysia business operations, as well as develops and oversees the implementation, enforcement and compliance of procedures within the

company. Furthermore, the establishment of the Malaysia Operation's Clinical Governance aims at safeguarding the high standards of patient care and ensuring transparent responsibility and accountability.

We have identified and assigned roles and responsibilities to cater for the delivery of quality services that include credentialing, ethical business conduct and clinical management, among others.

Economic Performance



Economic performance is important as it determines the growth of our business and will subsequently contribute to economic growth in the areas where we operate. The Group’s operations spread across multiple countries, providing healthcare services and medical education. During the financial year under review, the Group achieved RM14.9 billion in revenue. The Group’s detailed economic performance is disclosed on page 145 of this report.

Our presence in Asia, central and western Europe, the Middle East and North Africa serves to provide greater access to medical treatment. Medical tourism promotes accessibility for patients to obtain treatment at an affordable price, higher quality of care, and better access to medical treatment. The Group strives to provide international healthcare services by deploying advanced medical technologies, promoting cost-efficient treatments, and ensuring our medical practitioners keep abreast of global trends and demands.

SINGAPORE: CASE STUDY

Hospitals in Singapore receive a significant number of international patients yearly. For this year (as at 30 September), approximately 26% of the company’s total inpatient revenue was contributed by international patients, compared with 23% the previous year. Internal studies estimate that our Singapore hospitals have an approximate 60% share of the medical tourism market in Singapore, and this has had a positive effect on the development of the local services industry and the overall economy.

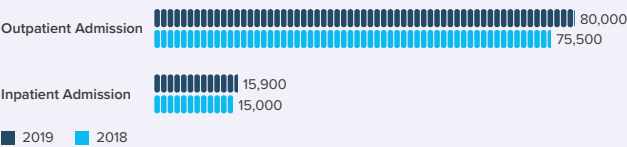
For the year under review (as at 30 September), our Singapore hospitals received about 80,000 outpatient appointments, which is a 6% increase from the previous year’s 75,500

outpatient appointments. A similar increase of 6% was also recorded for inpatient admissions this year compared to the previous year.

To remain relevant and competitive, our Singapore operations have continuously invested in advanced medical technologies and training for specialised operators and nurses.

The fact that international patients often have conditions that are more complex – due to different environmental, social and economic factors – has helped to develop the skills and competencies of the nurses and doctors in our system. This has in turn broadened and deepened the services that we can potentially offer the public.

Number of International Patients



Partnership for Global Healthcare Services

IHH's Singapore operations initiated the Medical Affiliate Programme (MAP) in 2018 with the aim of building a collaborative ecosystem with regional hospitals. Affiliate member hospitals of MAP are given the privilege to access IHH's clinical and hospital management expertise. The MAP network consists of 18 hospitals

today and spans Indonesia, Vietnam and the Philippines. This programme helps drive improvements in the quality of healthcare delivered to patients locally.

Singapore operations also have multiple Representative Offices across the region and these offices work with local partners in their cities to enhance general public awareness of disease prevention and management. For example, during the Breast Cancer

Awareness month each year, workshops are organised with various local communities and organisations in Indonesia to highlight the importance of regular self-examination exercises for breast cancer. Since 2018, our Singapore operations have also started to engage industry groups, particularly insurance companies, to educate the public on the importance of adequate medical coverage for critical illnesses.

Awards and Accolades

Our Singapore hospitals have received several industry awards in the past years, as the table below shows. These awards demonstrate IHH's ability to thrive amidst market challenges and also recognise our commitment to delivering the best healthcare services to our patients and other stakeholders.

Mount Elizabeth Novena Hospital

- Asian Hospital Management Awards 2019 – Gold Award (Customer Service)
- Asia Pacific Society of Infection Control (APSIC) CSSD Centre of Excellence

Gleneagles Hospital

- Smart Hospital of the Year in Asia Pacific
- Global Health & Travel Awards for Transplant Service Provider of the Year
- Global Health & Travel Awards for Gastroenterology Provider of the Year

Mount Elizabeth Hospital

- Global Health & Travel Awards for Hospital of the Year in Asia Pacific
- Global Health & Travel Awards for Hospital of the Year in Singapore
- Global Health & Travel Awards for Neurology Service Provider of the Year
- Global Health & Travel Awards for Cardiology Service Provider of the Year
- Global Health & Travel Awards for Orthopaedics Service Provider of the Year
- Global Health & Travel Awards for Bariatric Service Provider of the Year
- Global Health & Travel Awards for Health Screening Provider of the Year



Read more on Awards and Accreditations on pages 16 and 17



OUR ENVIRONMENT

We continue to establish measures to ensure sustainable energy consumption, proper waste management practices and resource conservation without compromising on patient safety and well-being.

Sustainability

Our Environment

Waste Management



The waste produced in the course of healthcare activities, from contaminated needles to radioactive materials, can cause infection and injury. Inadequate management is likely to have serious public health consequences and

detrimental effects on the environment. The health risk posed by infectious waste (such as, accidental needle stick injuries from used needles) is high and the handling/treatment of the same requires utmost care. This means that in providing quality and patient-centric care, safe and proper waste management is key for any hospital aiming to uphold patient and staff safety while safeguarding the environment.

IHH hospitals produce both general and clinical waste. Clinical waste consists of

infectious, pathological, pharmaceutical (vaccines, controlled drugs, antibiotics and antifungal), chemicals (alcohol, methanol and formalin), cytotoxic, radioactive and sharps waste.

At IHH, all waste management processes are carried out in strict compliance with national guidelines/legislation. Proper schedules and practices are in place to ensure all healthcare waste is securely stored prior to collection by a waste contractor. Waste contractors hired are certified and licensed by local authorities.

SINGAPORE: CASE STUDY

In Singapore, IHH hospitals manage our waste according to the Singapore Government's laws and regulations. The waste is carefully separated into two categories (general waste and clinical waste) and managed in a responsible manner.

For general waste, the 3R method (Reduce, Reuse and Recycle) is adopted as one of our more sustainable waste management practices. For clinical waste, our hospitals have established a healthcare waste sterilisation system that applies pressure and steam to

kill microorganisms before the waste is collected for disposal. This helps to reduce cost, saves time and even reduces the likelihood of incidents pertaining to improper waste management.

Waste Management Systems

Our hospitals have implemented systems and processes that enable the segregation of waste by allocating bin liners for each waste type. Personal Protective Equipment (PPE) is also worn during the process of waste collection, storage and disposal.

Appointed contractors for waste collection are licensed by the National Environmental Agency (NEA), the leading public organisation responsible for planning, developing and administering Singapore's solid waste management systems. Only vendors who comply with the local legislation and regulations are contracted for their waste disposal service.

The table below shows the frequency of waste collection for general waste and clinical waste at each of the hospitals.

Hospitals	General Waste	Clinical Waste
Gleneagles Hospital (GEH)	By Vendor ISS (Four times a week)	By Vendor Aroma Chemical (Once a day)
Mount Elizabeth Hospital (MEH)	By Vendor Sembcorp (Twice a day)	By Vendor Aroma Chemical (Once a day)
Mount Elizabeth Novena Hospital (MNH)	By Vendor ISS (Four times a week)	By Vendor Aroma Chemical (Once a day)
Parkway East Hospital (PEH)	By Vendor Sembcorp (Once a day)	By Vendor Aroma Chemical (Once a day)

Sustainability

Our Environment

We monitor the performance of the appointed waste collection contractors by conducting quarterly vendor evaluation. This evaluation

assesses the contractors based on multiple critical areas shown below. This ensures that waste generated in our Singapore hospitals is handled in

compliance with laws and regulations, and that the best waste management practices are implemented.

Evaluation Areas	Contractors Handling General Waste	Contractors Handling Clinical Waste
Scheduled routine services carried out	✓	✓
Risk management	✓	✓
Employees and workers' insurance and compensation validity	✓	✓
Transportation of Toxic Industrial Waste validity by NEA	✓	✓
Ad-hoc requests are attended within 24 hours	✓	✓
Staff training is recorded and documented	✓	✓
Records of daily waste collection	✓	✓
Cleanliness of compactor after haulage	✓	—
Proper use of PPE during waste handling	—	✓
Cleanliness of biohazard bins after collection	—	✓

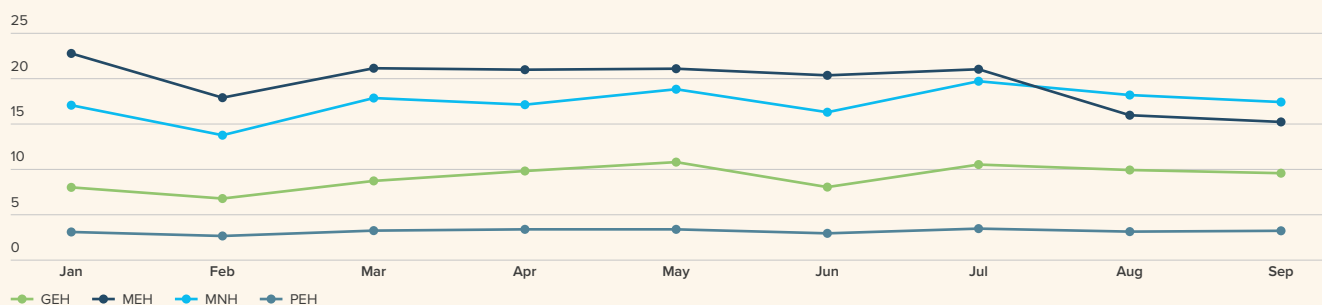
Clinical Waste – Biohazard and Cytotoxic

Biohazard and Cytotoxic waste is clinical waste that contains potentially harmful microorganisms that can infect hospital patients, healthcare workers

and the general public. The potential risks from this condition may include the spreading of hazards from the health facilities to the environment. We manage these types of waste and monitor the amount generated on a

monthly basis to ensure they are all properly disposed. The chart below shows the amount of biohazard and cytotoxic waste generated by all our Singapore hospitals from the start of FY2019 to the month of September.

Biohazard and Cytotoxic Waste (FY2019)



Clinical Waste – Radioactive Waste

Another type of clinical waste that requires special treatment is radioactive waste. The hospitals

manage the disposal of radioactive isotopes used for diagnostics and therapeutic procedures, and radioactive waste from imaging machines, by packing them into red radioactive bags and storing them in individual bins.

All radioactive waste is cleared daily and stored in the decay room for an identified period of time, as specified by the radioactive safety officer, prior to its disposal.

Waste Disposal Methods

While all clinical waste is incinerated, general waste goes through a recycling screening process before the non-recyclables are sent for incineration.

Below are disposal methods used for the different type of waste generated:

Type of Waste	Clinical		General
	Infectious, sharps, pharmaceutical, chemical, cytotoxic, radioactive (after decay)	Pathological waste	
Disposal Method	Incineration (Aroma Chemical Incineration Plant)	Incineration (Choa Chu Kang Crematorium and Mt Vernon Crematorium)	Incineration (Tuas Incineration Plant)

Waste Management Programmes and Initiatives

As part of the hospitals' initiatives to create awareness on proper management of waste, posters are placed at waste disposal areas such as Dirty Utility rooms to educate staff on the types of waste and the correct colour of liners and bin types to be used to contain them.

Furthermore, our hospitals' environmental services departments and their

outsourced service providers are all audited to ensure compliance on matters regarding waste identification, type, sharps disposal, PPE and waste holding areas.

Hospital food waste is categorised and managed along with general waste for disposal as the daily volume of food waste is less than 35 kg. Nevertheless, our hospitals are practising waste prevention initiatives, such as using pre-cut food items for food preparation, and a single menu, which means the

chef plans a similar menu for a day for all hospital occupants (patients, doctors and staff), closely estimating the daily amount to be prepared to prevent food wastage.

Another initiative undertaken by the hospitals to reduce waste generation is the usage of steam sterilisation by the Central Sterile Supply Department (CSSD); items sterilised do not need to be disposed of as they are reusable.



OUR COMMUNITY

We create a positive impact on the local communities where we operate and improve their health and well-being by providing affordable and accessible treatment.

Sustainability

Our Community

Affordable and Accessible Treatment



We are committed to providing accessible medical treatment by offering affordable medical packages to meet the different medical requirements and

financial conditions of our patients. We manage a mixture of insurance coverages and offer alternative pricing mechanisms for uninsured patients to improve their access to quality medical treatment.

In countries where we operate, we embrace the diversity of ethnics and races; however, in some instances, language is a challenge. In managing this situation, we have specialist consultants who speak different languages, not only to

promote diversity, but to help facilitate communication between our staff and patients who come from various ethnic and racial backgrounds.

We promote healthcare and well-being not only for our patients, but also for the local communities surrounding our operations. Guided by reliable and effective hospital governance, we provide a considerable amount of resources to vulnerable communities via our CSR programmes.

MALAYSIA (PARKWAY PANTAI): CASE STUDY

Financial Counselling

To ensure transparency and access to treatment for patients with limited financial support, we provide financial counselling. The financial counselling is given to the patient or the patient's next of kin, by the admitting specialist consultant or hospital financial counsellor. Counselling involves discussions regarding the patients' financial obligations before admission, including the total estimated cost

of treatment/surgery/procedure and length of stay. Should the patient face difficulty in making a payment, the counsellor proposes payment plans such as instalments or easy payment schemes offered by credit cards.

Community Outreach

In Malaysia, Parkway Pantai defines business success by its achievements in improving public health, especially in underprivileged communities. Through various community engagement

programmes, Parkway Pantai hospitals in Malaysia continue to promote their medical packages that cover health screening, diagnostic and treatment packages for the public. Through CSR, we also conduct health talks that are presented by hospital residents and specialist consultants. The aim is to educate the public on wellness and create health awareness. Below is a list of programmes that we conducted for the year under review.

Programme's Objectives	Location	Description
To provide free medical treatment to underprivileged patients	All Parkway Pantai hospitals in Malaysia	<p><i>Life Renewed</i> Programme represents our commitment to social responsibility and make a positive impact to the community.</p> <p>From 2012 to 2017, this programme was supported by the Khazanah-IHH Healthcare Fund with over RM40 million sponsored to provide medical treatment to the needy.</p> <p>Since 2018 the <i>Life Renewed</i> Programme has been continuing and is internally funded by Parkway Pantai.</p> <p>More than 1,900 underprivileged patients in Malaysia have benefited from this programme and gained access to the expertise of Parkway Pantai's network of healthcare professionals and medical facilities.</p>

Programme's Objectives	Location	Description
To give back to the community through free or sponsored medical treatments	Gleneagles Kuala Lumpur	The <i>A-Heart For A-Heart</i> programme by Gleneagles Kuala Lumpur provides medical intervention for children with congenital heart disease who come from a low-income background.
	Gleneagles Penang	The <i>Heart-to-Heart</i> programme is an initiative by Gleneagles Penang, which began 10 years ago, to provide surgery for children with congenital heart disease.
To raise funds for NGOs for the mutually benefiting aim of helping patients and creating awareness on certain diseases	Pantai Hospital Ayer Keroh	Pantai Hospital Ayer Keroh participated in <i>Relay for Life Melaka</i> , a fundraising event for National Cancer Society Malaysia. Held on 27 April, a team of 30 staff took turns to walk and run continuously around a track in a show of support for the fight against cancer and also to express admiration for cancer survivors. <i>Relay for Life</i> is an annual global event that brings communities together to celebrate survivors, remember loved ones lost, and raise awareness and funds for cancer.
To provide a quick response to crises by way of medical treatment and medical supplies	RAPID Central Medical Facility, Pengerang & Gleneagles Medini Hospital	The RAPID Central Medical Facility, operated by Parkway Pantai, deployed medical officers, paramedics, nurses and ambulance units to help treat the victims of toxic fume inhalation during the Sungai Kim Kim, Pasir Gudang crisis. Gleneagles Medini Hospital also came forward by contributing medical aid and supplies, including Operating Theatre (OT) disposable gowns, R95 facemasks, thermoscans and towels.
To raise awareness on diseases and promote a healthy lifestyle among the public	Pantai Hospital Sungai Petani & Pantai Hospital Laguna Merbok	Pantai Hospital Sungai Petani and Pantai Hospital Laguna Merbok (formerly Amanjaya Specialist Centre) collaborated with Hospital Sultan Abdul Halim & Lions Club of Bandar Sungai Petani to organise a <i>World Kidney Day Colour Fun Run</i> to raise awareness on kidney diseases and the need for prevention and management.
	Gleneagles Kota Kinabalu	Gleneagles Kota Kinabalu launched a dengue awareness campaign in February, after Sabah recorded a high number of 530 cases of dengue within the first five weeks of 2019. The campaign aimed to raise awareness on ways to control the situation. In July and August, Gleneagles Kota Kinabalu organised an orthopaedic and sports and spine awareness campaign to create awareness on preventing orthopaedic injuries and provide tips on bone and joint care.

Programme's Objectives	Location	Description
	Pantai Hospital Ipoh	<p>Pantai Hospital Ipoh held an event titled, <i>A Heart Truth</i>, to raise awareness on heart health and the importance of annual heart screenings. The event featured a huge replica of the human heart that visitors could walk through and learn more about cardiovascular functions, the various types of heart diseases and the latest medical treatments for heart diseases.</p> <p>The hospital also organised a <i>Healthy Families, Healthy Lives</i> event focusing on bone health, mother and child, and men's health. It was a first-of-its-kind event that featured male nurses advising male patients on male issues, as well as assisting with overactive bladder and prostate screenings with free uroflow tests.</p>
	Pantai Hospital Ampang	Pantai Hospital Ampang continuously strives towards building healthy communities and one of its key initiatives is promoting health awareness in schools. Among the activities held are educating students on hand hygiene and mental and physical health, in addition to facilitating hands-on sessions on hand and mouth hygiene.
	Pantai Hospital Kuala Lumpur	For the second year running, Pantai Hospital Kuala Lumpur continued its pledge towards breastfeeding by collaborating with <i>Parenthood</i> magazine to organise a workshop to advocate and encourage breastfeeding among new mothers.
To support blood donation drives organised by the National Blood Bank (PDN) in collaboration with various entities	Pantai Hospital Penang	Pantai Hospital Penang came out in full support of a blood donation campaign held at Kolej Vokasional Balik Pulau by providing health checks, blood pressure tests and cholesterol tests to more than 100 participants.





SAFEGUARDING OUR INTEGRITY

We have established a robust governance structure that underpins our commitment to ensure all our businesses are conducted ethically and with integrity. Our Board sits at the top of this structure, ensuring we continue working towards higher standards of corporate governance to earn the trust of our stakeholders.

Governance

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Board of Directors

Our Board of Directors comprises an effective combination of individuals with a diverse range of skills, knowledge and experience that complement our strategic objectives.



Dato' Mohammed Azlan bin Hashim

**Chairman, Independent, Non-Executive
Chairman of the Steering Committee**

Nationality: Malaysian

Gender: Male

Age: 63

Date of Appointment: 30 March 2011

Length of Service: 9 years 1 month (As at 30 April 2020)

Date of Last Re-election: 28 May 2019

Work Experience

Dato' Mohammed Azlan bin Hashim was appointed to the Board of IHH Healthcare Berhad in March 2011 as Deputy Chairman and was re-designated from Non-Independent Non-Executive Deputy Chairman to Non-Independent Non-Executive Chairman on 1 January 2018. On 27 November 2018, Dato' Azlan was re-designated from Non-Independent Non-Executive Chairman to Independent Non-Executive Chairman following his cessation as a nominee director of Khazanah Nasional Berhad.

Dato' Azlan previously served as Executive Chairman of the (then) Kuala Lumpur Stock Exchange Group from 1998 to 2004 and in various other senior management roles, including at Bumiputra Merchant Bankers Berhad and Amanah Capital Malaysia Berhad.

Academic/Professional Qualification(s)

- Bachelor of Economics, Monash University
- Fellow Member, Institute of Chartered Accountants, Australia
- Member, Malaysian Institute of Accountants
- Fellow Member, The Malaysian Institute of Chartered Secretaries and Administrators

Present Directorship(s)

- D&O Green Technologies Berhad
- Marine & General Berhad
- Khazanah Nasional Berhad

Notes

- Does not have any family relationships with any directors and/or any major shareholders of the Company
- Does not have any conflict of interest with the Company
- Does not have any convictions for offences within the past five years other than for traffic offences, if any
- Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Overview Statement on pages 106 to 116 of this Annual Report



Dr Kelvin Loh Chi-Keon

**Managing Director and Chief Executive Officer,
Non-Independent, Executive
Member of the Steering Committee**

Nationality: Singaporean
Gender: Male
Age: 46
Date of Appointment: 1 July 2019
Length of Service: 10 months (As at 30 April 2020)
Date of Last Re-election: –

Work Experience

Dr Kelvin Loh Chi-Keon was appointed the Chief Executive Officer (CEO) (designate) and Executive Director of IHH Healthcare Berhad (IHH) on 1 July 2019 and assumed the position of Managing Director and CEO of IHH with effect from 1 January 2020. He also serves on the Boards and Board Committees of IHH subsidiaries.

Dr Loh started his career as a practising physician and then spent a decade in the public sector in Singapore in areas such as clinical services development, hospital planning and hospital operations. Dr Loh first joined IHH Group in 2008. Between 2008 and 2017, he held a number of senior management roles before taking over as the CEO for its Singapore Operations Division, covering among other services, the four multi-specialty tertiary hospitals – Mount Elizabeth, Mount Elizabeth Novena, Gleneagles and Parkway East.

In 2017, Dr Loh moved to Columbia Asia Group as CEO where he was responsible for overseeing its 28 hospitals across four countries in Asia. He rejoined IHH in July 2019.

An expert in lean management systems, Dr Loh was previously a member of Singapore's National Expert Advisory Panel for Healthcare Productivity and Advisor to the Asia Productivity Organisation.

Academic/Professional Qualification(s)

- Bachelor of Medicine and Bachelor of Surgery (MBBS), National University of Singapore
- Masters of Business Administration, NUS Business School, Singapore
- Graduate of the Insead Advanced Management Programme

Present Directorship(s)

- Nil

Notes

- Does not have any family relationships with any directors and/or any major shareholders of the Company
- Does not have any conflict of interest with the Company
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Masato Sugahara

Non-Independent, Non-Executive

Nationality: Japanese
Gender: Male
Age: 57
Date of Appointment: 1 April 2020
Length of Service: 1 month (As at 30 April 2020)
Date of Last Re-election: –

Work Experience

Appointed to the Board of IHH Healthcare Berhad (IHH) in April 2020, Mr Masato Sugahara is the Managing Officer and Chief Operating Officer of Healthcare and Service Business Unit at Mitsui & Co., Ltd (Mitsui) in its Tokyo Headquarters.

Mr Sugahara has over 20 years of working experience having served in multiple divisions in Mitsui, spanning from engineering, procurement, construction, infrastructure project development and human resources. Between 2018 and 2020, Mr Sugahara served as the Managing Officer Deputy Chief Operation Officer & Chief Administrative Officer at the Asia Pacific Business Unit of Mitsui. Prior to that, Mr Sugahara served in the position of Division General Manager of the Planning & Administration Division (Machinery & Infrastructure). In 2014, he was appointed Department General Manager of Human Resources Planning Department. Preceding his tenure in the Human Resources Planning Department, Mr Sugahara served as the Division General Manager of the Infrastructure Project Development in the Middle East, Africa and Russia+Commonwealth of Independent States (CIS) division.

Academic/Professional Qualification(s)

- Bachelor's degree, Japanese law, Tokyo University

Present Directorship(s)

- Nil

Governance

Board of Directors



Takeshi Saito

Non-Independent, Non-Executive

Member of the Steering Committee

Nationality: Japanese

Gender: Male

Age: 48

Date of Appointment: 28 March 2019

Length of Service: 1 year 1 month (As at 30 April 2020)

Date of Last Re-election: 28 May 2019

Work Experience

Appointed to the Board of IHH Healthcare Berhad (IHH) in 2019, Mr Takeshi Saito was an alternate director to Mr Satoshi Tanaka and Mr Koji Nagatomi, former Directors of IHH, between June 2015 and March 2019. He also serves on the Boards of a few IHH subsidiaries. Mr Saito currently serves as Chief Executive Officer (CEO) of MBK Healthcare Management Pte Ltd (MHM), a wholly-owned subsidiary of Mitsui & Co., Ltd (Mitsui) based in Singapore, which manages the healthcare assets within the portfolio of Mitsui.

Preceding his appointment as CEO of MHM, he served as General Manager of Healthcare Business 1st Department in Healthcare Business Division of Mitsui. In 2017, he was an Executive Assistant to a Representative Director and Executive Vice President of Mitsui. Between 2015 and 2016, he was the General Manager of the Provider Network Department, Medical Healthcare Business Division 1, Consumer Service Business Unit of Mitsui and also sat on the Board and Executive Committee of Parkway Pantai Limited, a wholly-owned subsidiary of IHH, as an alternate director. In 2011, Mr Saito was seconded to Parkway Group Healthcare as Vice President of Strategic Planning, following his appointment as Director of the Medical Healthcare Business Department at Mitsui, where he led the investment in IHH.

Prior to this in 2007, Mr Saito was appointed Manager of the Strategic Planning/Business Development Department of the Life Science Division at Mitsui, which subsequently became the Medical Healthcare Division in 2008.

Academic/Professional Qualification(s)

- Bachelor of Political Science, Keio University, Japan
- Master of Business Administration, Kellogg School of Management, Northwestern University

Present Directorship(s)

- Nil

Notes

- Does not have any family relationships with any directors and/or any major shareholders of the Company
- Does not have any conflict of interest with the Company
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Dr Farid bin Mohamed Sani

Non-Independent, Non-Executive

Member of the Steering Committee

Member of the Nomination Committee

Member of the Remuneration Committee

Nationality: Malaysian

Gender: Male

Age: 44

Date of Appointment: 29 November 2019

Length of Service: 5 months (As at 30 April 2020)

Date of Last Re-election: –

Work Experience

Appointed to the Board of IHH Healthcare Berhad (IHH) in November 2019, Dr Farid bin Mohamed Sani is the Head of Telecommunications of Khazanah Nasional Berhad (Khazanah). He also serves on the Board and Board Committees of IHH subsidiaries.

Dr Farid re-joined Khazanah in December 2018 after serving as Chief Strategy Officer of UEM Group. Prior to that, Dr Farid was with Telekom Malaysia Berhad from 2012 to 2017. Dr Farid first joined Khazanah in July 2004 until 2011. Prior to joining Khazanah, Dr Farid was previously a consultant at McKinsey & Co.

Academic/Professional Qualification(s)

- Bachelor of Arts (Chemical Engineering), University of Cambridge
- Masters In Engineering (Chemical Engineering), University of Cambridge
- PhD in Chemical Engineering, University of Cambridge

Present Directorship(s)

- Nil



Mehmet Ali Aydinlar

Non-Independent, Non-Executive

Member of the Steering Committee

Nationality: Turkish

Gender: Male

Age: 63

Date of Appointment: 24 January 2012

Length of Service: 8 years 3 months (As at 30 April 2020)

Date of Last Re-election: 22 May 2017

Work Experience

Appointed to the Board of IHH Healthcare Berhad (IHH) in January 2012, Mr Mehmet Ali Aydinlar is also the Chairman of Acibadem Saglik Yatirimlari Holding A.S. (ASYH), a 90%-owned subsidiary of IHH. He was re-designated from Executive Director to Non-Executive Director of IHH on 1 March 2019 following his cessation as the Chief Executive Officer (CEO) of ASYH. Mr Aydinlar, after an illustrious tenure as founding CEO of ASYH, continues to serve as the Chairman of the Board of Acibadem group of companies.

Mr Aydinlar is also the Chairman of the Turkish Accredited Hospitals Association and Vice Chairman of Private Hospitals and Healthcare Institutions Association (OHSAD). A certified public accountant-turned-entrepreneur, Mr Aydinlar has been recognised for his extensive experience in management and involvement in the healthcare sector since 1993 and received numerous prestigious awards including but not limited to "Ernst & Young Entrepreneur of the Year, Turkey" for the year 2018 for his entrepreneurship and contributions in healthcare industry.

Being a philanthropist, Mr Aydinlar is also the Chairman of the Board of Trustees of Acibadem University, an ambitious social responsibility undertaking initiated by Mr Aydinlar to advance healthcare in Turkey through education and research.

Academic/Professional Qualification(s)

- Business Administration Degree, Galatasaray Economy and Management College

Present Directorship(s)

- Nil

Notes

- Does not have any family relationships with any directors and/or any major shareholders of the Company
- Does not have any conflict of interest with the Company
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Rossana Annizah binti Ahmad Rashid

Independent, Non-Executive

Chairman of the Audit Committee

Chairman of the Risk Management Committee

Member of the Nomination Committee

Member of the Remuneration Committee

Nationality: Malaysian

Gender: Female

Age: 54

Date of Appointment: 17 April 2012

Length of Service: 8 years (As at 30 April 2020)

Date of Last Re-election: 28 May 2018

Work Experience

Appointed to the Board of IHH Healthcare Berhad (IHH) in April 2012, Ms Rossana Annizah binti Ahmad Rashid also serves on the Boards and Board Committees of a few IHH subsidiaries.

Ms Rossana serves as Country Chairman of the Jardine Matheson Group of Companies in Malaysia. She subsequently joined the Board of Cycle & Carriage Bintang Berhad, a member of the Jardine Matheson Group, as Non-Independent Non-Executive Director. She also serves as Chairman of Bank Simpanan Nasional. Further, she serves as a member of the Investment Panel and Investment Panel Risk Committee of Malaysia's Employee Provident Fund. She is also a Board member of Celcom Axiata Berhad and edotco Group Sdn Bhd, both are subsidiaries of Axiata Group Berhad.

Prior to her current roles, Ms Rossana previously served in various senior management roles with TIME dotCom Berhad, Maxis Berhad and RHB Bank Berhad, after beginning her banking career with Citibank Malaysia.

Academic/Professional Qualification(s)

- Bachelor of Arts in Banking and Finance, Canberra College of Advanced Education (now known as the University of Canberra), Australia
- CPA Australia

Present Directorship(s)

- Cycle & Carriage Bintang Berhad
- Celcom Axiata Berhad

Board of Directors



Shirish Moreshwar Apte

Independent, Non-Executive

Chairman of the Nomination Committee

Chairman of the Remuneration Committee

Member of the Audit Committee

Member of the Risk Management Committee

Nationality: British

Gender: Male

Age: 67

Date of Appointment: 3 September 2014

Length of Service: 5 years 8 months (As at 30 April 2020)

Date of Last Re-election: 28 May 2018

Work Experience

Appointed to the Board of IHH Healthcare Berhad (IHH) in September 2014, Mr Shirish Moreshwar Apte is currently also an Independent, Non-Executive, Chairman of Pierfront Mezzanine Fund Pte Ltd, and Chairman of Fullerton India Credit Corporation, India. Besides, he is on the Boards and Board Committees of a few IHH subsidiaries.

Mr Apte concurrently serves on other Boards of Directors, including the Commonwealth Bank of Australia, the Supervisory Board of Bank Handlowy, Poland and Clifford Capital Holdings, Singapore.

Prior to his retirement from Citigroup in 2014 as Chairman of Asia Pacific Banking, Mr Apte held numerous positions with Citibank/Citigroup in Singapore (2011–2013), Hong Kong (2009–2011), London (2003–2009), Poland (1997–2003) and London (1993–1997). He also supervised Citigroup's operations in the Emerging Markets covering Central and Eastern Europe, Middle East, Africa (CEEMEA) and Asia Pacific. Mr. Apte began his career in banking with Citibank India in 1981.

Academic/Professional Qualification(s)

- Bachelor of Commerce, Calcutta University
- Master of Business Administration — London Business School (Major in Finance)
- Institute of Chartered Accountants England and Wales

Present Directorship(s)

- Nil

Notes

- Does not have any family relationships with any directors and/or any major shareholders of the Company
- Does not have any conflict of interest with the Company
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Jill Margaret Watts

Independent, Non-Executive

Member of the Audit Committee

Member of the Risk Management Committee

Nationality: Australian

Gender: Female

Age: 61

Date of Appointment: 4 April 2018

Length of Service: 2 years 1 month (As at 30 April 2020)

Date of Last Re-election: 28 May 2018

Work Experience

Appointed to the Board of IHH Healthcare Berhad (IHH) in April 2018, Ms Jill Margaret Watts currently serves on several Boards of Directors/ Governors, including Sidra Medicine, St Vincent's Health Australia Ltd and Nexus Day Hospitals. She was previously a Director of the Australian Chamber of Commerce, United Kingdom, the Royal Australian Flying Doctor Service, United Kingdom, Ramsay Sante in France and the Netcare Group in South Africa. Ms Watts also served on several Industry Boards including NHS Partners Network and the Association of Independent Hospital Operators.

Ms Watts was the Group Chief Executive Officer of BMI (GHG) Health Care Group (BMI Healthcare) in United Kingdom from 2014 to 2017. Prior to her appointment at BMI Healthcare, she was the Group Chief Executive Officer of Ramsay Health Care, United Kingdom for over six years. She was the Chair of NHS Partners Network between 2009 and 2012.

Academic/Professional Qualification(s)

- Registered Nurse, Northwick Park Hospital, London, United Kingdom
- Midwifery, Mater Mothers Hospital, Brisbane, Australia
- Grad. Dip Health Administration and Information Systems, University of Central Queensland, Australia
- Master's in Business Administration, Griffith University, Queensland, Australia
- Wharton Fellow, Pennsylvania University, United States of America

Present Directorship(s)

- Nil



Tomo Nagahiro

Non-Independent, Non-Executive (Alternate Director to Mr Masato Sugahara)

Nationality: Japanese
Gender: Male
Age: 44
Date of Appointment: 3 April 2019
Length of Service: 1 year 1 month (As at 30 April 2020)
Date of Last Re-election: –

Work Experience

Mr Tomo Nagahiro is an alternate director to Mr Masato Sugahara on the Board of IHH Healthcare Berhad (IHH), a role he assumed on 1 April 2020. Prior to his current position in IHH, he was appointed alternate director to Mr Koji Nagatomi on 3 April 2019 and ceased to be his alternate on 31 March 2020, following Mr Nagatomi's resignation as a Director of IHH.

Mr Nagahiro has been General Manager of Healthcare Business 1st Department in Healthcare Business Division of Mitsui & Co., Ltd (Mitsui), overseeing Mitsui's investment in IHH since April 2019.

Mr Nagahiro has over 20 years of working experience having served in multiple divisions in Mitsui, spanning from strategic planning, business development and operations management. Preceding his appointment as General Manager of Healthcare Business 1st Department at Mitsui, he was seconded to MIMS Pte Ltd which is based in Singapore as the Chief Operating Officer from 2015 to 2018.

Prior to this, Mr Nagahiro was seconded to Parkway Pantai Limited, a wholly-owned subsidiary of IHH, as Assistant Vice President of Strategic Planning and Business Development where he led multiple business development projects from 2013 to 2015.

Academic/Professional Qualification(s)

- Bachelor of Arts in Law, University of Tokyo, Japan
- Master of Business Administration, Kellogg School of Management, Northwestern University
- U.S. Certified Public Accountant

Present Directorship(s)

- Nil

Notes

- Does not have any family relationships with any directors and/or any major shareholders of the Company
- Does not have any conflict of interest with the Company
- Does not have any convictions for offences within the past five years other than for traffic offences, if any
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Ong Shilin

Non-Independent, Non-Executive (Alternate Director to Mr Takeshi Saito)

Nationality: Singaporean
Gender: Female
Age: 39
Date of Appointment: 30 August 2019
Length of Service: 8 months (As at 30 April 2020)
Date of Last Re-election: –

Work Experience

Ms Ong Shilin (Ms Ong) is an alternate director to Mr Takeshi Saito on the Board of IHH Healthcare Berhad (IHH), a role she assumed on 30 August 2019.

Ms Ong is currently the Chief Operating Officer of MBK Healthcare Management Pte Ltd (MHM), a wholly-owned subsidiary of Mitsui & Co., Ltd. She joined MHM in 2016 and oversees the healthcare assets within its portfolio. Ms Ong was previously with Parkway Pantai Limited (Parkway), a wholly-owned subsidiary of IHH, for 4 years, covering various roles and projects in the strategic planning and business development department, and in operations management with Gleneagles Hospital Singapore. Prior to joining Parkway, Ms Ong was a consultant in Brand Finance, and a Senior Officer in the South Asia International Operations division of International Enterprise Singapore (currently known as Enterprise Singapore).

Academic/Professional Qualification(s)

- Bachelor of Business Management, Singapore Management University

Present Directorship(s)

- Nil

Board of Directors



Wong Eugene

Non-Independent, Non-Executive
(Alternate Director to Dr Farid bin Mohamed Sani)

Member of the Steering Committee
(Alternate to Dr Farid bin Mohamed Sani)

Nationality: Malaysian

Gender: Male

Age: 41

Date of Appointment: 31 July 2019

Length of Service: 9 months (As at 30 April 2020)

Date of Last Re-election: –

Work Experience

Mr Wong Eugene is an alternate director to Dr Farid bin Mohamed Sani on the Board of IHH Healthcare Berhad (IHH), a role he assumed on 29 November 2019. Prior to his current position in IHH, he was appointed alternate director to Mr Chintamani Aniruddha Bhagat on 31 July 2019 and ceased to be his alternate on 29 November 2019, following Mr Bhagat's resignation as a Director of IHH.

Mr Wong joined Khazanah Nasional Berhad (Khazanah) in 2013 and is currently Senior Vice President in the Investments Division. Since joining, he has covered both the healthcare and airline sectors. He is currently the Team Lead of the IHH PIPE team under the Commercial Fund. Prior to joining Khazanah, Mr Wong was previously with Deloitte & Touche Corporate Finance (Singapore), where he worked as a financial advisor for both buy and sell-side merger and acquisitions transactions. During his tenure there, he covered various sectors such as manufacturing and consumer, with an emphasis on the oil and gas sector.

Academic/Professional Qualification(s)

- Bachelor of Science in Economics & Accounting, Queens University of Belfast, United Kingdom

Present Directorship(s)

- Nil

Notes

- Does not have any family relationships with any directors and/or any major shareholders of the Company
- Does not have any conflict of interest with the Company
- Does not have any convictions for offences within the past five years other than for traffic offences, if any
- Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Overview Statement on pages 106 to 116 of this Annual Report

Group Management



Dr Kelvin Loh Chi-Keon **Managing Director and** **Chief Executive Officer,** **Non-Independent, Executive**

Nationality: Singaporean
Age: 46 (As at 30 April 2020)
Date of Joining: 1 July 2019

Work Experience

Dr Kelvin Loh Chi-Keon was appointed the Chief Executive Officer (CEO) (designate) and Executive Director of IHH Healthcare Berhad (IHH) on 1 July 2019 and assumed the position of Managing Director and CEO of IHH with effect from 1 January 2020. He also serves on the Boards and Board Committees of IHH subsidiaries.

Dr Loh started his career as a practising physician and then spent a decade in the public sector in Singapore in areas such as clinical services development, hospital planning and hospital operations. Dr Loh first joined IHH Group in 2008.

Between 2008 and 2017, he held a number of senior management roles before taking over as the CEO for its Singapore Operations Division, covering among other services, the four multi-specialty tertiary hospitals – Mount Elizabeth, Mount Elizabeth Novena, Gleneagles and Parkway East.

In 2017, Dr Loh moved to Columbia Asia Group as CEO where he was responsible for overseeing its 28 hospitals across four countries in Asia. He rejoined IHH in July 2019.

An expert in lean management systems, Dr Loh was previously a member of Singapore's National Expert Advisory Panel for Healthcare Productivity and Advisor to the Asia Productivity Organisation.

Academic/Professional Qualification(s)

- Bachelor of Medicine and Bachelor of Surgery (MBBS), National University of Singapore
- Masters of Business Administration, NUS Business School, Singapore
- Graduate of the Insead Advanced Management Programme



Low Soon Teck **Group Chief Financial Officer**

Nationality: Singaporean
Age: 55 (As at 30 April 2020)
Date of Joining: 10 January 2016

Work Experience

Mr Low Soon Teck assumed the position of Group Chief Financial Officer of IHH Healthcare Berhad (IHH) on 10 January 2016, bringing with him over 20 years of leadership experience in finance, legal and general management.

Prior to joining IHH, he served with the RCMA Group, a commodities supply chain management company, as its Chief Financial Officer between 2013 and 2015.

Mr Low began his career as a solicitor in Singapore at a boutique law firm from 1991 to 1993, focusing on corporate and banking laws.

From 1994 to 2013, he was employed in the Kuok/Kerry Group, holding various senior positions in diverse businesses within the group in Hong Kong and Singapore. His last position in the group was as Chief Financial Officer of the PACC Offshore Services

Holdings Group, the offshore marine arm of the Kuok/Kerry Group. Prior to this, Mr Low was Group Treasurer at Wilmar International Limited after its merger in 2006 with Kuok Oils and Grains. He had served as Group Financial Controller at Kuok Oils and Grains following his relocation from Hong Kong to Singapore in 2005.

Whilst based in Hong Kong from 1994 to 2005, he held various positions within the Kerry Group, including that of Director of China Operations at the SCMP Group, publisher of the South China Morning Post. In these roles, he was responsible for business development, newspaper publishing and circulation operations, as well as managing a chain of retail convenience stores.

Currently, he also holds non-executive directorships in PLife REIT and Fortis Healthcare Ltd., both subsidiaries of IHH.

Academic/Professional Qualification(s)

- Bachelor of Laws (Hons) (2nd Upper), National University of Singapore
- Master of Business Administration, University of Chicago, Booth School of Business
- Advocate and Solicitor, Supreme Court of Singapore
- Member of Law Society of England and Wales

Notes

- Does not have any family relationships with any directors and/or any major shareholders of the Company
- Does not have any conflict of interest with the Company
- Does not have any convictions for offences within the past five years other than for traffic offences, if any
- Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Overview Statement on pages 106 to 116 of this Annual Report



Joe Sim Heng Joo
Group Chief Operating Officer

Nationality: Singaporean
Age: 48 (As at 30 April 2020)
Date of Joining: 1 January 2020

Work Experience

Joe Sim Heng Joo is Group Chief Operating Officer of IHH Healthcare Berhad (IHH).

He was appointed Group Chief Operating Officer of IHH with effect from 1 January 2020. He was previously Chief Executive Officer of IHH's Malaysia Operations Division where he was instrumental in providing strategic direction and leadership for the Group's integrated healthcare businesses in Malaysia.

Mr Sim has extensive experience spanning over 18 years in the public and private healthcare industry. Prior to joining IHH in 2017, he held leadership roles within the National University Health System and National Healthcare Group in Singapore.

Mr Sim began his career with the Singapore Administrative Service and held different positions at the Ministry of Finance, Community Development Council and Ministry of Defence. In 2000, he founded a company that developed business-to-business trading hubs before joining Accenture where he was responsible for developing thought leadership, concepts and innovations on next-generation revenue.

Between 2008 and 2015, Mr Sim was also an adjunct lecturer at Nanyang Business School, during which he was recognised with a Teacher of the Year Award. He was also an Adjunct Associate Professor at the National University of Singapore's School of Public Health and Business School before he joined the IHH.

Currently he sits on the Board of IHH's subsidiaries, PLife REIT and Fortis Healthcare Ltd, as a Non-executive Director.

Academic/Professional Qualification(s)

- Masters in Public Administration, Kennedy School of Government, Harvard University
- Bachelors of Arts in Electronic and Information Science Tripos, University of Cambridge



Prof Abdul Aziz Baba
President, IMU Health Sdn Bhd

Nationality: Malaysian
Age: 64 (As at 30 April 2020)
Date of Joining: 1 July 2013

Work Experience

Professor Abdul Aziz Baba was promoted as the President of IMU Health Sdn Bhd, a wholly-owned subsidiary of IHH Healthcare Berhad (IHH), on 1 January 2018. Since 1 January 2016, he is also the Chief Executive Officer and Vice-Chancellor of IMU Education Sdn Bhd, a wholly-owned subsidiary of IHH, responsible for operating the International Medical University (IMU). Prior to assuming this role, Prof Aziz served as Vice President of IMU since 1 November 2013, a role he was promoted to since joining IMU in 1 July 2013 as Vice President with responsibility for the Medical and Dental Programmes.

Before he joined IMU, Prof Aziz held several key academic administrative positions at the School of Medical Sciences (SMS) of Universiti Sains Malaysia (USM). These included the positions of Dean (2005–2012) and Deputy Dean (2003–2005). Preceding this he served as a Professor (2000), Associate Professor (1992) and Lecturer and Clinical Haematologist/Oncologist at USM's SMS, following the completion of his postgraduate training in 1986. During his tenure with USM, Prof Aziz was instrumental in establishing the Clinical Haematology and Stem Cell Transplantation service at USM's teaching hospital, HUSM.

Prof Aziz undertook his undergraduate medical training at the University of Melbourne on a Colombo Plan scholarship and graduated in November 1979. He subsequently trained in Internal Medicine, Haematology and Medical Oncology at several leading overseas institutions in Singapore, Scotland and Melbourne, Australia.

His past national appointments include those of President of the Malaysian Society of Haematology and Chairman of the National Conjoint Board for Postgraduate Medical Programmes, as well as Chairman of the Specialist Advisory Committee (Clinical Haematology) of the National Specialist Register. Prof Aziz has also been a member of the Malaysian Medical Council (MMC) and has served the MMC on several accreditation visits to local and foreign medical institutions. Currently he serves as a member of the Joint Technical Committee of the Malaysian Medical Council, the Executive Committee of the National Cancer Council Malaysia (MAKNA), the Vice Chancellor's Council for Private University (VCCPU) and the Accreditation Committee of the Malaysian Qualifying Agency (MQA).

Academic/Professional Qualification(s)

- Bachelor of Medicine and Bachelor of Surgery (MBBS), University of Melbourne, Australia
- Membership of the Royal Colleges of Physicians of the United Kingdom
- Membership of the Royal College of Physicians of Ireland, Dublin
- Fellow of the Royal College of Physicians of Edinburgh (UK)
- Member, Academy of Medicine Malaysia

Notes

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Tahsin Güney
Chief Executive Officer,
Acibadem Saglik Yatirimlari
Holding A.S

Nationality: Turkish
 Age: 53 (As at 30 April 2020)
 Date of Joining: 1 March 2019

Work Experience

Mr Tahsin Güney was appointed as the Chief Executive Officer of Acibadem Saglik Yatirimlari Holding A.S on 1 March 2019. He is a highly experienced healthcare professional with deep knowledge on hospital operations and management. He first joined Acibadem in 2008 as Planning and Business Development Director and has served as Deputy General Manager since 2013.

Armed with a Bachelor's degree in Public Administration and a Master's degree in Actuarial Science and Statistics, Mr Tahsin Güney started his career in 1990 as an Assistant Inspector at Turkey's Social Security Agency, where he rose through the ranks to become Acting President and Acting President of the Board in 2008.

Academic/Professional Qualification(s)

- Bachelor of Public Administration, Middle East Technical University, Ankara, Turkey
- Master of Actuarial Science and Statistics, City University, London, UK



Ida Suryati Ab. Rahim
Group General Counsel and
Company Secretary

Nationality: Malaysian
 Age: 47 (As at 30 April 2020)
 Date of Joining: 27 June 2019

Work Experience

Ms Ida Suryati brings with her more than 20 years of experience in legal and company secretarial in agribusiness, oil and gas and fast moving consumer goods companies. Immediately prior to joining IHH Healthcare Berhad (IHH) in June 2019, Ida served in FGV Holdings Berhad (FGV), a Malaysian-based global agribusiness public listed company, between December 2011 and June 2019.

Her last position in FGV was as Chief Counsel, a position she held since December 2017 and preceding this, she held various leadership roles in FGV including as Head, Sustainability & Environment, Head, Group Governance and Compliance, Vice President, International Business and as Group Company Secretary of FGV and MSM Malaysia Holdings Berhad (a public listed subsidiary of FGV) for the period between 2011 and 2013.

Ida was admitted to the High Court of Malaya as an advocate and solicitor in April 1997. She began her career as Management Trainee in Unilever Malaysia and worked there as an Assistant Manager in legal and company secretarial roles until year 2000.

Thereafter she moved to hold legal and company secretarial positions in Golden Hope Plantations Berhad (now a part of Sime Darby Group) (2000–2002), Tradewinds (M) Berhad (2002–2009) and MISC Berhad (2009–2011).

Academic/Professional Qualification(s)

- Bachelor of Law (Hons), Universiti Kebangsaan Malaysia
- Master of Law (LLM) (Commercial), University of Cambridge, United Kingdom
- Master of Law (LLM), University of Malaya, Malaysia

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Angela Ryan

Group Chief Human Resources Officer

Nationality: British
Age: 47 (As at 30 April 2020)
Date of Joining: 16 September 2019

Work Experience

Ms Angela Ryan joined IHH Healthcare Bhd (IHH) as Group Chief Human Resources Officer with 25 years of global HR experience and expertise in creating people-centered organisational, cultural and HR transformation.

Prior to joining IHH, Ms Ryan was the Senior Vice President of Human Resources (Asia Pacific and the Middle East) at Fox Networks Group (The Walt Disney Company). Preceding this, Ms Ryan served for 11 years with GroupM (WPP Plc), a leading global media investment company, holding various leadership roles including Global Chief Human Resources and Talent Officer.

Academic/Professional Qualification(s)

- Bachelor of Laws (Honours), University of the West of England, United Kingdom
- Postgraduate Diploma in European Business Administration, Bristol Business School, United Kingdom
- Master's degree in European Business, Bristol Business School, United Kingdom
- Candidate – Doctor of Professional Studies: Human Resources, Middlesex University, United Kingdom
- Fellow of the Chartered Institute of Personnel and Development



Audrey Huang Lok Sen

Group Head, Internal Audit

Nationality: Singaporean
Age: 64 (As at 30 April 2020)
Date of Joining: 1 March 2013

Work Experience

Ms Audrey Huang was appointed the Group Head of Internal Audit of IHH Healthcare Berhad (IHH) on 1 March 2013. In this position, she is responsible for managing the internal audit functions of the Group's overall system of internal controls, risk and governance.

Ms Huang brings to the table more than 30 years experience in auditing, including external audit experience with one of the big four accounting firms as well as internal audit experience with various financial institutions.

Prior to joining IHH, Ms Huang had served as the Head of Internal Audit of Parkway Pantai Limited following its incorporation on 21 March 2011. Before that, she was Head of Internal Audit of Parkway Holdings Limited from 21 February 2005.

In 2013, she obtained the Certification in Risk Management Assurance (CRMA) from the Institute of Internal Auditors, Inc USA, thereby strengthening her portfolio of skills.

Academic/Professional Qualification(s)

- Fellow member of the Association of Chartered Certified Accountants (UK)
- Member of the Institute of Singapore Chartered Accountants
- Member of the Malaysian Institute of Accountants
- Member of the Institute of Internal Auditors, Singapore

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Nili Shayrina binti Saat
Group Head, Risk Management

Nationality: Malaysian
Age: 45 (As at 30 April 2020)
Date of Joining: 19 November 2018

Work Experience

Ms Nili Shayrina binti Saat has more than 20 years of experience in Risk Management with broad industry experiences and market exposure in South East Asia and the Central Europe, North Africa and Middle East region.

Prior to joining IHH in 2018, Nili was the Director of Risk Management and Business Process for Eagle Hills Properties in Abu Dhabi, United Arab Emirates where she oversaw the risk management and business process improvement functions for the group.

Preceding this, she was attached to Iskandar Investment Berhad for six years, holding several roles including the Innovation Chief, spearheading the Innovation initiatives for the organisation, and Head of Risk Management & Compliance where she was responsible for setting up the function.

Academic/Professional Qualification(s)

- Bachelor of Arts (Hons) in Accounting and Finance of Lancaster University, UK

Notes

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Corporate Governance Overview Statement

Our Commitment to Good Corporate Governance

At IHH Healthcare Berhad (IHH or the Company), together with its subsidiaries (the Group), we recognise that building a culture of integrity in today's highly competitive marketplace is vital to the ongoing success and sustainability of our operations. Underpinning the high standards we demand in every aspect of our operations is our commitment to the practices and guidance of good corporate governance.

In addition to delivering sustainable value and enhancing business integrity, good governance essentially reciprocates the confidence that our investors and other stakeholders place in us as we deliver on our corporate objectives and vision.

The Board of Directors (Board), Management and staff of the Group affirm their commitment to upholding the guidelines, policies and practices of our

corporate governance framework, which is modelled upon the best practices of the following industry-leading standards:

- Malaysian Code on Corporate Governance (MCCG);
- Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities); and
- Corporate Governance Guide: Moving from Aspiration to Actualisation by Bursa Securities (CG Guide).

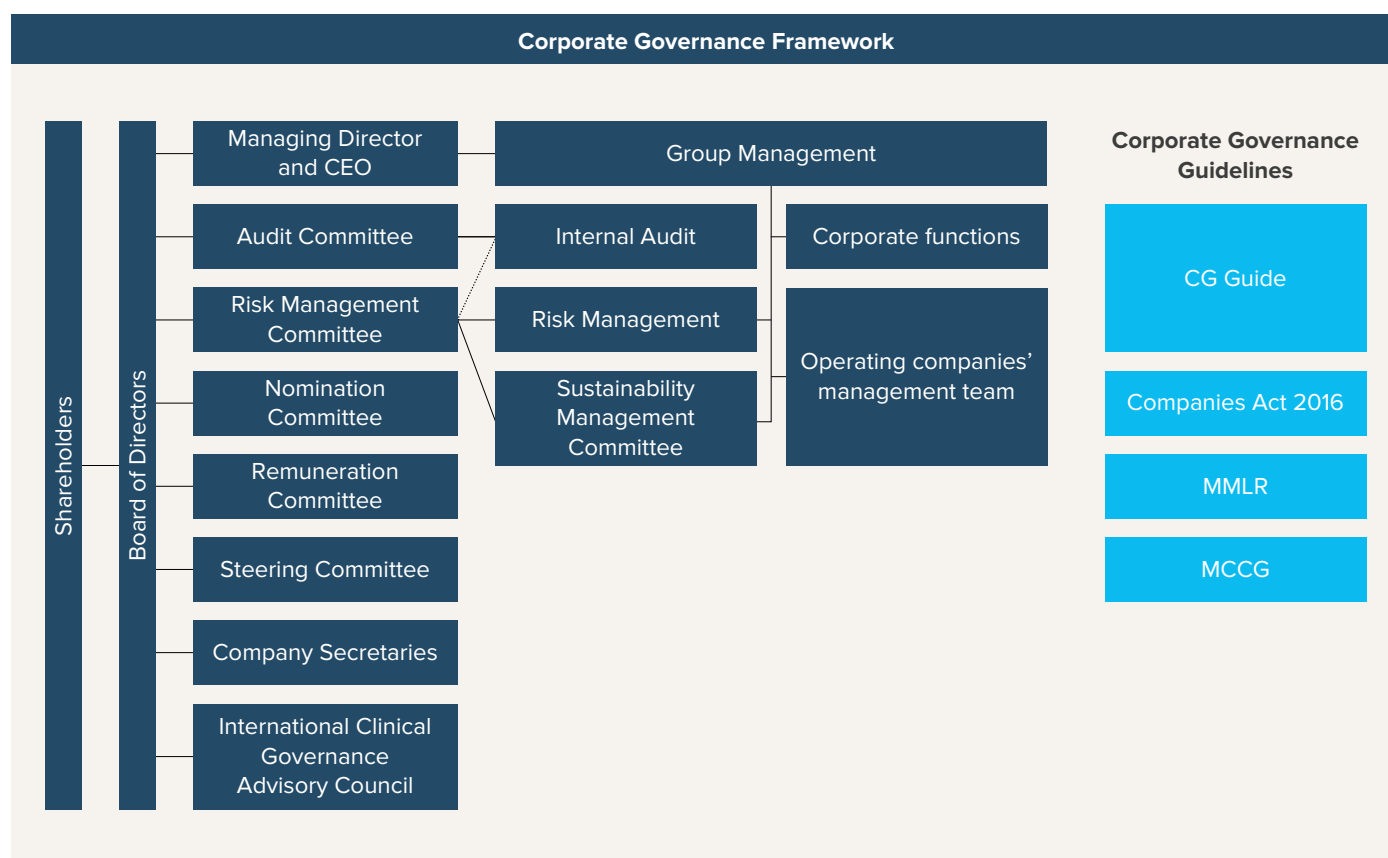
The requisite of good governance is accountability. At IHH, this begins at the top. Our Board is accountable for providing clear and accurate information to our investors, customers, employees, agencies and other stakeholders. To further this objective, the Board subscribes to internal guidelines on corporate disclosure policies and procedures based on the best practices recommended by Bursa Securities. The Group also abides by the guidelines of the respective

regulators and authorities of the various countries in which it operates.

The Board is pleased to present this statement pursuant to Paragraph 15.25 of the MMLR, in respect of the financial year ended 31 December 2019 (CG Overview Statement). The CG Overview Statement serves to show how our measures align with the principles of good governance in accordance with the MCCG. These comprise:

- Board Leadership and Effectiveness;
- Effective Audit and Risk Management; and
- Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

The CG Overview Statement shall be read together with the Corporate Governance Report 2019, which is available on the Company's website at www.ihhhealthcare.com/corporate-governance.html.



Principle A – Board Leadership and Effectiveness

1. Board Responsibilities

The Board is elected to oversee the management of the business and affairs of IHH and the Group as a whole, with the goal of enhancing long-term shareholder value and contributing to the success of the Company. The Board makes major policy decisions, participates in strategic planning, reviews the performance and effectiveness of the Management and ensures overall accountability for the Group's growth.

Each member of the Board is expected to act with a view towards the best interests of the Company. The Board is also mandated to assess the effectiveness of the Board as a whole, its committees and the contributions of individual Directors. The Board believes that the Company's governance system is effective with appropriate structures and procedures in place.

A Board training on "Responsibilities of Directors and Senior Management" was held in August 2019, attended by the Company's Directors, which discussed the importance of and issues surrounding productive and harmonious relationship between the Board and Management in ensuring good governance and organisational effectiveness.

Board Charter

The Board Charter is a comprehensive reference document for Directors in relation to its roles, powers, duties and functions. It lists out the principles for the operation of the Board, whose members are stewards of the Company. It describes the functions of the Board and Board Committees and those functions delegated to Management of the Company.

The Board Charter is available for reference on the Company's website at www.ihhhealthcare.com/corporate-governance.html.

The Board shall review the Board Charter as and when it deems fit to ensure its applicability to the Company's operating environment and to align with current

rules and regulations for its continued relevance. The Board Charter was last reviewed by the Board in May 2016.

Limits of Authority

The Limits of Authority (LOA) are a set of authority limits for the Board, Board Committees, Managing Director & Chief Executive Officer (MD & CEO) and Senior Management personnel, to facilitate compliance with the principles of good corporate governance. Although the operations of the Group are governed by the LOA, the overall management and control of the business and affairs of the Group still vests with the Board. Where necessary, the Board shall review the LOA to tailor to the Group's operating environment. The LOA was last amended by the Board in November 2019.

Whistleblowing Policy

It is in the interest of our stakeholders that we maintain confidence in the integrity of the operations of IHH and its major operating subsidiaries. We have established a confidential reporting procedure that enables employees to raise concerns to prevent or deter improper activities. The Whistleblowing Policy also ensures that whistleblowers are protected from retaliation or reprisal as a result of making the information known in good faith.

Any concern about unethical behaviour or serious misconduct should first be raised with the immediate superior or respective Human Resource department where possible, or via email to governance@ihhhealthcare.com. Alternatively, employees may choose to write in confidence directly to the MD & CEO of IHH. Where reporting to Management is a concern, the report should be made in confidence to the Chairman of IHH.

Read about our Whistleblowing Policy at www.ihhhealthcare.com/corporate-governance.html.

Division of Roles and Responsibilities Between the Chairman and the MD & CEO

At IHH, the roles and responsibilities of the Chairman and MD & CEO are separated and clearly defined. The

Chairman is responsible for the leadership of the Board and is instrumental in creating the necessary conditions inside and outside the boardroom. The Chairman promotes and oversees the highest standards of corporate governance within the Board and Company. The MD & CEO undertakes the day-to-day management of the Company, in line with the strategy and objectives approved by the Board.

During the year, the Company saw the change of the top leadership. Dr Kelvin Loh Chi-Keon (Dr Loh) had been appointed as the Non-Independent Executive Director of the Company holding the position as the Chief Executive Officer (Designate) and Executive Director of the Company with effect from 1 July 2019 to succeed Dr Tan See Leng, who had retired as MD & CEO of the Company on 31 December 2019. On 1 January 2020, Dr Loh had been re-designated as MD & CEO of the Company.

Board Committees

Board Committees are set up to manage specific tasks for which the Board is responsible within clearly-defined Terms of Reference (TOR). This ensures that the members of the Board can spend their time more efficiently while the Board Committees are entrusted with the authority to examine particular issues.

The Board has to date established the following Board Committees:

- Audit Committee (AC)
- Risk Management Committee (RMC)
- Nomination Committee (NC)
- Remuneration Committee (RC)
- Steering Committee (SC)

The TOR of the relevant Board Committees are available on the Company's website at www.ihhhealthcare.com.

Audit Committee

The AC assists the Board in fulfilling its statutory and fiduciary responsibilities relating to the monitoring and management of financial risk processes along with its accounting practices, system of internal controls as well as the management and financial reporting practices of the Group.

Corporate Governance Overview Statement

To achieve these, the AC oversees the reports of external and internal auditors and safeguards the integrity of financial reporting, as well as ensures a sound system of internal controls to safeguard and enhance enterprise value. It also oversees the implementation of the Whistleblowing Policy for the Group.

The composition and the summary of meetings attended by the AC members, as well as the work carried out by the AC, are set out separately in the AC Report as laid out on pages 124 to 128 of this Annual Report.

Risk Management Committee

The RMC assists the Board in ensuring the implementation of effective risk management processes for the Group and clinical governance to ensure the delivery of high quality and safe patient care across the Group. Its role includes reviewing the management in key risks and clinical quality indicators across the Group's operations in different jurisdictions and ways to improve and enhance the clinical quality.

The composition and the summary of meetings attended by the RMC members, as well as the work carried out by the RMC, are set out separately in the RMC Report as laid out on pages 129 to 131 of this Annual Report.

Nomination Committee

The NC plays a key role in the oversight of the nomination and selection process of the Board members and Senior Management, assesses and monitors the composition and effectiveness of the Board and undertakes development needs and succession planning initiatives for the Board and the Group as a whole.

The composition and the summary of meetings attended by the NC members, as well as the work carried out by the NC, are set out separately in the NC Report as laid out on pages 117 to 121 of this Annual Report.

Remuneration Committee

The RC is responsible for recommending and reviewing remuneration policies, the remuneration framework and performance measures of individual Directors and the Senior Management.

The composition and the summary of meetings attended by the RC members, as well as the work carried out by the RC, are set out separately in the RC Report as laid out on pages 122 to 123 of this Annual Report.

Steering Committee

The SC functions to assist the Board in reviewing the Group's long-term and short-term strategies, evaluating major transactions, material borrowings, any investment projects, financial management (such as operating budgets, capital expenditures, cashflow, dividend payout, etc.), broad procurement strategy and procurement and tender processes that any of the Group entities may undertake.

The SC comprises the following members:

Chairman: Dato' Mohammed Azlan bin Hashim

Members: Dr Kelvin Loh Chi-Keon
(Appointed on 1 January 2020)

Takeshi Saito

Dr Farid bin Mohamed Sani
(Appointed on 29 November 2019)

Mehmet Ali Aydinlar
(Appointed on 29 November 2019)

Wong Eugene (Alternate to Dr Farid bin Mohamed Sani)
(Ceased as Alternate to Chintamani Aniruddha Bhagat and appointed as Alternate to Dr Farid bin Mohamed Sani on 29 November 2019)

The following persons had resigned/ceased to be a member of the SC during the year:

- Dr Tan See Leng (Ceased with effect from 31 December 2019)
- Chintamani Aniruddha Bhagat (Ceased with effect from 29 November 2019)

- Quek Pei Lynn (Alternate to Chintamani Aniruddha Bhagat) (Resigned with effect from 31 July 2019)

Company Secretaries

The Board has ready and unrestricted access to the advice and services of the Company Secretaries. The Company Secretaries support the Board in its leadership role, discharge of fiduciary duties and as stewards of governance. They provide an important advisory role to the Board on issues relating to corporate governance and compliance with applicable statutory and regulatory rules.

Summary of Board Activities in the Financial Year 2019

Pursuant to the Board Charter, the Board, among others, performed the following roles and responsibilities during the financial year 2019, which are discharged in the best interests of the Company in pursuance of regulatory and commercial objectives:

- governing and setting the strategic direction of the Group including evaluating acquisition opportunities which fit into the Group's overall strategy;
- reviewing, challenging and deciding on Management's proposals for the Group, and monitoring its implementation by Management;
- overseeing the conduct of the Group's businesses to ensure that the businesses are managed properly;
- identifying the principal risks and ensuring the implementation of appropriate systems to manage these risks;
- establishing succession plans including appointing, training, fixing the compensation of key management;
- developing and implementing an Investor Relations programme and shareholders' communication policy;
- reviewing the adequacy and the integrity of the Group's internal control systems and management information systems to safeguard and enhance enterprise value;
- reviewing and approving financial statements and the Company's annual reports;
- ensuring the integrity of the Company's financial and non-financial reporting;

- ensuring that the necessary resources are in place for the Company to meet its objectives and review Management's performance;
 - setting the Company's values and standards, and ensuring that its obligations to the Company's shareholders and other stakeholders are understood and met;
 - together with Management, promoting good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;
 - together with Management, implementing its policies and procedures, which include managing conflict of interest, preventing the abuse of power, corruption, insider trading and money laundering;
 - determining the remuneration of Directors and Management in accordance with the MCCG, which takes into account the demands, complexities and performance of the Company as well as skills and experience required; and
 - undertaking a formal and objective annual evaluation to determine the effectiveness of the Board, its committees, each individual Director as well as the Board Chairman.
- The Board held its 2-day Board Offsite Meeting in October 2019 to discuss and review the Group's performance and set the Group's strategic directions, values and aspirations. The Board Offsite Meeting was attended by the Board, Senior Management and the relevant Heads of Department of the Group. At the Board Offsite Meeting, the Board discussed the Group's strategic directions and priorities, delivering synergy, growth platforms, business transformation plan and review of the performance of the investments made by the Group. The outcome of the Board Offsite Meeting saw the establishment of a common understanding of the Group's strategic goals, objectives and actions moving forward.
- The Board is committed to acting in the best interests of the Group and its shareholders by exercising due diligence and care in discharging its duties and responsibilities to ensure that high ethical standards are applied at all times. We undertake this through compliance with the relevant rules, regulations, directives and guidelines, in addition to adopting the best practices in the MCCG and CG Guide.

Meeting Attendance

During the financial year under review, the Board met ten times, of which six meetings were pre-scheduled and the remaining four meetings were convened on ad-hoc basis. The details of the attendance of the Board members are as follows:

Director	Designation	Total Meetings Attended
Dato' Mohammed Azlan bin Hashim	Chairman, Independent Non-Executive Director	10/10
Dr Tan See Leng (Resigned as Director in tandem with his retirement as MD & CEO on 31 December 2019)	Managing Director and Chief Executive Officer, Non-Independent Executive Director	7/10 ¹
Dr Kelvin Loh Chi-Keon (Appointed as Chief Executive Officer (Designate) and Executive Director on 1 July 2019 and re-designated as MD & CEO on 1 January 2020)	Managing Director and Chief Executive Officer, Non-Independent Executive Director	5/5
Koji Nagatomi	Non-Independent Non-Executive Director	9/10 ²
Takeshi Saito	Non-Independent Non-Executive Director	10/10
Chintamani Aniruddha Bhagat (Resigned on 29 November 2019)	Non-Independent Non-Executive Director	9/10 ²
Dr Farid bin Mohamed Sani (Appointed on 29 November 2019)	Non-Independent Non-Executive Director	1/1
Mehmet Ali Aydinlar	Non-Independent Non-Executive Director	10/10
Rossana Annizah binti Ahmad Rashid	Independent Non-Executive Director	10/10
Chang See Hiang (Resigned on 28 May 2019)	Senior Independent Non-Executive Director	2/4
Shirish Moreshwar Apte	Independent Non-Executive Director	10/10
Jill Margaret Watts	Independent Non-Executive Director	10/10

Notes

Directors did not participate in certain meetings held during the financial year due to:

- clearing his annual leave prior to retirement; and
- scheduling conflict in respect of the ad-hoc meetings convened at short notice.

Corporate Governance Overview Statement

2. Board Composition

Our Board consists of individuals of different backgrounds, academic qualifications, experience, knowledge and skills. This allows the Board as a whole to draw on a diverse yet balanced group of individuals to provide insights, perspectives and independent judgement to lead and steer the business of the Group.

Independent Directors

Independent Directors are appointed to ensure objectivity to the oversight function of the Board and evaluate the performance and well-being of the Company without having any conflict of interest or undue influence. They act independently of Management and are free from any business or other relationships that could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company.

The Board, as at the date of this CG Overview Statement, consists of twelve members out of which, four members are Independent Non-Executive Directors (INED), including the Chairman. None of our INEDs have exceeded a cumulative term of nine years.

Rossana Annizah binti Ahmad Rashid, our INED, will reach her nine-year tenure as a Director of the Company in 2021. Our NC and Board will perform an evaluation to determine the retention of the INED. The Board will comply with the recommendation of the MCCG, which states that the tenure of an independent director should not exceed a cumulative term of nine years unless shareholders' approval is obtained for such director to be retained as an independent director or to continue to serve on the board subject to the director's re-designation as a non-independent director.

Diversity Policy

The Company recognises that a Board comprising individuals of diverse backgrounds and perspectives, serving a common purpose, is a compelling competitive advantage for the Company. The Board leverages on the strengths of the differences in skills, regional and industry experience, background, age, race, gender and other qualities of our Directors in maintaining a competitive advantage. These differences are considered in determining the optimum composition of the Board. The criteria, process and requirements to be undertaken by the NC and Board

in discharging their responsibilities in terms of nomination, assessment and re-election of the Board members are set out in the Policy on Nomination and Assessment Process of Board Members adopted by the Company. Besides the above, the Company has also adopted a Boardroom Diversity Policy which sets out the approach to diversity on the Board including gender, age, cultural background and ethnic diversity.

Read about our Boardroom Diversity Policy at www.ihhhealthcare.com/corporate-governance.html.

Annual Evaluation

The Board had conducted the annual evaluation on the effectiveness of the Board, Board Committees, individual Directors (including INEDs), MD & CEO, Group Chief Financial Officer (GCFO) and external and internal auditors. This was facilitated internally by the Company Secretaries/Human Capital Management. The evaluation was conducted in the form of self-evaluation and evaluation by the respective Board Committees.

The following are the points of assessment for the Board, Board Committees and individual Directors:

Board	Board Committees	Individual Directors
<ul style="list-style-type: none"> Board composition and structure Dynamics and culture Operations Partnership with the Executive Team Meeting administration and continuous development Effectiveness of the Board Chairman 	<ul style="list-style-type: none"> Composition and experience of members Fulfilment of objectives in line with their respective TORs Effectiveness and efficiency of the decision-making process Quality of information communicated to the Board Effectiveness of the Board Committees' Chairmen 	<ul style="list-style-type: none"> Fit and proper Contributions and performance Continuous development Affirmation of Independence (for INEDs)

The Board, having reviewed the performance of the respective persons/parties from the evaluation findings, is satisfied that:

a) the Board and Board Committees are effective as a whole, considering the required mix of skills, size and composition, experience, integrity,

core competencies, time committed and other qualities in carrying out their duties and responsibilities to steer the Group;

b) the AC has consistently performed well during the financial year and discharged its duties and responsibilities satisfactorily in

upholding the integrity of financial reporting and managing financial risks in accordance with its TOR. The AC members have sound judgement, objectivity, independent attitude, professionalism, integrity, knowledge of the industry and are financially literate;

- c) the NC, RC and RMC have consistently performed well during the financial year and discharged their respective duties and responsibilities satisfactorily in accordance with their TOR under the chairmanship of the NC, RC and RMC Chairmen respectively;
- d) the four INEDs of the Company are independent from the management and free from any business or other relationships which could interfere with the exercise of independent judgement. The INEDs have continuously brought independent and objective judgement to the Board deliberations;
- e) each of the Directors, including the MD & CEO, has the character, experience, integrity, competence and time to effectively discharge their respective roles;
- f) the GCFO has the character, experience, integrity, competence and time to effectively discharge his role; and

- g) the external auditors, KPMG PLT, have discharged their duties independently, as well as adopted an objective approach in their audit process. The Board considered the performance of KPMG PLT and was satisfied with KPMG PLT's calibre and hence, recommended that KPMG PLT be re-appointed as the external auditors of the Company for the financial year ending 31 December 2020.

Based on the assessment of the individual Directors seeking re-election at the forthcoming Tenth Annual General Meeting (AGM) of the Company, and at the recommendation of the NC, the Board has recommended for the shareholders to vote in favour of the relevant resolutions with regard to the re-election of the Directors as stipulated in the Notice of Tenth AGM.

Directors' Training

The Company encourages all Directors to attend appropriate programmes, courses

and seminars to stay abreast of relevant business development and the outlook in the industry and marketplace, locally and abroad.

The organisation of such programmes is facilitated by the Company Secretaries. The Company Secretaries also maintain the details of the training attended by the Directors.

The following Directors, who were appointed as Directors of the Company during the financial year 2019, had attended the Mandatory Accreditation Programme (MAP):

- a) Dr Kelvin Loh Chi-Keon;
b) Dr Farid bin Mohamed Sani;
c) Wong Eugene; and
d) Ong Shilin.

The training programmes attended by the Directors during the financial year 2019 are as follows:

Director	List of Training, Conferences, Seminars, Workshops Attended			
Dato' Mohammed Azlan bin Hashim	i)	In-House Training – Short Talk on Admiralty Law	iii)	Responsibilities of Directors and Senior Management
	ii)	National Medical Research Council Awards Ceremony and Research Symposium (Singapore)	iv)	IHH Board Offsite Meeting
			v)	IHH Quality Summit
			vi)	Forbes Conference – Transcending The Turbulence
Dr Kelvin Loh Chi-Keon	i)	Responsibilities of Directors and Senior Management	iii)	Induction Programme – Corporate Governance
	ii)	Mandatory Accreditation Programme	iv)	IHH Board Offsite Meeting
Koji Nagatomi	i)	Utilisation of Artificial Intelligence technology in medical fields and future issues	iii)	Current status and future strategies of data accumulation in medical image
	ii)	Present state and future of computer diagnostic imaging and preventive medicine medical checkup	iv)	India Facilities visit
			v)	IHH Board Offsite Meeting
			vi)	Anti-Harassment Training
Takeshi Saito	i)	India Facilities visit	iii)	IHH Board Offsite Meeting
	ii)	Responsibilities of Directors and Senior Management		
Dr Farid bin Mohamed Sani	i)	Invest Malaysia	v)	Managing Crucial Conversation: Board Conversation
	ii)	Knowledge Sharing on 5G	vi)	Wild Digital – The Premier Digital Conference
	iii)	Khazanah Spokeperson Media Training	vii)	Khazanah Megatrends Forum
	iv)	Perdana Leadership CEO Forum		
Mehmet Ali Aydinlar	i)	Responsibilities of Directors and Senior Management	ii)	IHH Board Offsite Meeting

Corporate Governance Overview Statement

Director	List of Training, Conferences, Seminars, Workshops Attended	
Rossana Annizah binti Ahmad Rashid	i) Digital Native Agenda (DNA23) ii) Digital Innovation Conference iii) ACI Breakfast Roundtable 2019 iv) Luncheon – Future Prospects for Trade & Investment v) Responsibilities of Directors and Senior Management vi) International Infrastructure Summit	vii) Khazanah Megatrends Forum viii) IHH Quality Summit ix) EPF Investment Seminar x) Audit Oversight Board Conversation with Audit Committees xi) IHH Board Offsite Meeting xii) EPF International Social Well-being Conference 2019
Shirish Moreshwar Apte	i) Hospitals tour to Acibadem Altunizade and Acibadem Maslak ii) Hospitals tour to Fortis Mohali Hospital and Fortis Memorial Research Institute, Gurgaon	iii) IHH Board Offsite Meeting
Jill Margaret Watts	i) Tour of Sidra Medicine Hospital and Research Centre, Doha, Qatar ii) Tour of Australian Surgical Day Care Centres iii) Tour of Australia Hospitals and Aged Care Facilities	iv) Responsibilities of Directors and Senior Management v) India Facilities visit vi) IHH Board Offsite Meeting vii) Health Innovations Conference and Awards, Brisbane
Tomo Nagahiro (Alternate Director to Koji Nagatomi)	i) Utilisation of Artificial Intelligence technology in medical fields and future issues ii) Current status and future strategies of data accumulation in medical image	iii) Mandatory Accreditation Programme iv) India Facilities visit v) IHH Board Offsite Meeting vi) Anti-Harassment Training
Ong Shilin (Alternate Director to Takeshi Saito)	i) India Facilities visit ii) Mandatory Accreditation Programme	iii) IHH Board Offsite Meeting
Wong Eugene (Alternate Director to Dr Farid bin Mohamed Sani)	i) Responsibilities of Directors and Senior Management	ii) Mandatory Accreditation Programme iii) IHH Board Offsite Meeting

The Board also assessed the training needs of its Directors by referring to the list of trainings attended by each of the Directors during the financial year under review. The Board was satisfied that the trainings attended by the Directors in year 2019 were appropriate and aided the Directors in the discharge of their duties. The Directors were encouraged to attend relevant training programmes to enhance their ability in discharging their duties and responsibilities as Directors.

3. Remuneration

As the Company grows, we believe in appropriate remuneration for our talents by aligning pay and performance

against the key strategic drivers of our long-term growth. Our policy on Directors' remuneration serves to attract, retain and motivate capable Directors to manage the Group successfully. The remuneration packages have been carefully aligned with industry practices, taking into account the appropriate calibre of each talent, while upholding the interests of our shareholders.

The Executive Directors' remuneration package is designed in such a way that it links the rewards to corporate and individual performance. The RC is responsible for reviewing and recommending to the Board the policy and framework of the Directors' remuneration and the

remuneration package for our Executive Directors. In the process, the RC may receive advice from external consultants for the recommendation of the Group's remuneration policy. The Board takes the ultimate responsibility of approving the remuneration of these Directors.

The Non-Executive Directors' (NEDs) remuneration package reflects the merits, valuable contribution and level of responsibilities undertaken by the individual NED. The Board determines the fees payable to NEDs, and individual Directors do not participate in decisions regarding their own remuneration package.

The details of aggregate remuneration of Directors for the financial year ended 31 December 2019 are as follow:

	Company				Subsidiaries				Group Total RM'000
	Salaries RM'000	Fees RM'000	Bonus, Incentives & Others RM'000	Benefits- in-kind RM'000	Salaries RM'000	Fees RM'000	Bonus, Incentives & Others RM'000	Benefits- in-kind RM'000	
Executive Directors									
Dr Tan See Leng (Resigned on 31 December 2019)	2,284	–	23,173	78	2,386	–	10,436	143	38,500
Dr Kelvin Loh Chi-Keon (Appointed on 1 July 2019)	667	–	3,717	2	1,644	–	3,894	12	9,936
Total	2,951	–	26,890	80	4,030	–	14,330	155	48,436
Non-Executive Directors									
Dato' Mohammed Azlan bin Hashim	–	950	–	28	–	–	–	–	978
Koji Nagatomi ¹	–	285	–	–	–	–	–	–	285
Takeshi Saito ¹ (Appointed on 28 March 2019)	–	318	–	–	–	96	–	–	414
Dr Farid bin Mohamed Sani ¹ (Appointed on 29 November 2019)	–	51	–	–	–	–	–	–	51
Chintamani Aniruddha Bhagat ² (Resigned on 29 November 2019)	–	514	–	–	–	201	–	–	715
Mehmet Ali Aydinlar (Re-designated as Non-Independent Non-Executive Director on 1 March 2019)	–	248	–	–	–	2,124	6,917	–	9,289
Rossana Annizah binti Ahmad Rashid	–	814	–	–	–	322	–	–	1,136
Chang See Hiang (Resigned on 28 May 2019)	–	270	–	–	–	–	–	–	270
Shirish Moreswar Apte	–	785	–	–	–	190	–	–	975
Jill Margaret Watts	–	485	–	–	–	–	–	–	485
Tomo Nagahiro (Alternate Director to Koji Nagatomi) (Appointed on 3 April 2019)	–	–	–	–	–	–	–	–	–
Ong Shilin (Alternate Director to Takeshi Saito) (Appointed on 30 August 2019)	–	–	–	–	–	–	–	–	–
Wong Eugene (Alternate Director to Dr Farid bin Mohamed Sani) (Appointed on 31 July 2019)	–	–	–	–	–	–	–	–	–
Quek Pei Lynn (Alternate Director to Chintamani Aniruddha Bhagat) (Resigned on 31 July 2019)	–	–	–	–	–	–	–	–	–
Total	–	4,720	–	28	–	2,933	6,917	–	14,598

Notes

1. Fees for representatives of Pulau Memutik Ventures Sdn Bhd and Mitsui & Co., Ltd/MBK Healthcare Management Pte Ltd on the Board are directly paid to Khazanah Nasional Berhad and Mitsui & Co., Ltd/MBK Healthcare Management Pte Ltd, respectively.
2. Out of which, a total fee of RM467,446 is directly paid to Khazanah Nasional Berhad and the remaining fees of RM247,804 are paid to him directly.

Corporate Governance Overview Statement

Senior Management's Remuneration

There is a guideline and policy in place which defines the pay range (based on market data) of different levels of Senior Management according to a job grade structure. A review of the job grade structure has been undertaken to enable consistent adoption and application across the Group.

The Company's remuneration policy is based on competitive and market-aligned guidelines, taking into account the different levels of Senior Management according to roles, responsibilities and levels of accountability.

The Board determines all bonuses and share-based payments, at the recommendation of the RC. This is done after reviewing the individual performance appraisals and achievements of the key performance indicators (KPIs) of the Group's Balanced Scorecard, which was approved by the Board at the beginning of the financial year. This ensures that the remuneration packages for our Senior Management are fair, equitable and competitive and commensurate with their individual performance, taking the Group's performance into consideration.

Principle B – Effective Audit and Risk Management

1. Audit Committee

The AC plays a crucial role in assisting the Board to fulfil its oversight responsibilities through review of financial information and provides an unbiased review of the effectiveness and efficiency of the Group's internal control. The AC comprises three INEDs from diverse backgrounds with extensive experience in healthcare, banking and finance and corporate governance.

Review of External Auditors

In line with market practice, the Company performs a major review of our external auditors every five years, except for under certain circumstances as determined by the Board. Management assesses the experiences, capabilities,

audit approach and independence of the audit firms we engage and subsequently recommends their appointment or reappointment to the AC for approval.

On an annual basis, Management will review the service levels of the auditors, agree on amendments to their scope of work to address new developments in the business and recommend their reappointment to the AC. All major non-audit services proposed by the auditors are presented to the AC to determine if the auditors' independence will be compromised.

The annual evaluation of the external auditors is also carried out via evaluation forms by the MD & CEO, GCFO, the internal auditors and the AC. The review measures areas including objectivity and independence, technical competence and ability, understanding of IHH Group's businesses and industry, resources assigned and capability of the engagement partner and engagement team, as well as the ability to provide constructive observations, recognise implications and make recommendations in areas needing improvement, particularly with respect to the organisation's internal control system over financial reporting.

Oversight of Financial Reporting

The Board, assisted by the AC, oversees the financial reporting processes and the quality of the financial reporting by the Group. The AC reviews the quarterly financial results and audited financial statements which are then approved by the Board before their release to Bursa Securities and Singapore Exchange Securities Trading Limited (SGX).

Please refer to the following reports/statements as contained in this Annual Report for further details:

- Directors' Responsibility Statement for the audited financial statements of the Company and the Group on page 144;
- Company and the Group financial statements for financial year ended

31 December 2019 on pages 146 to 313; and

- AC Report on pages 124 to 128.

2. Risk Management and Internal Control Framework

Organisations worldwide face a wide range of uncertain internal and external factors that may affect the achievement of their objectives. Risk Management focuses on identifying threats and opportunities, while Internal Control helps counter threats and take advantage of opportunities. Recognising the importance of these roles, the Board established the RMC to oversee the Group's overall risk management framework and quality delivery of the Group's medical services, with the assistance of the International Clinical Governance Advisory Council (ICGAC).

The RMC comprises three INEDs from diverse backgrounds, from healthcare to banking and finance and corporate governance. These appointed members have been carefully chosen for their sound judgement, objectivity, integrity, management experience and keen knowledge of the industry.

The Board is of the view that the system of internal control and risk management in place during the financial year 2019 is sound and sufficient to safeguard the Group's assets and shareholders' investments, as well as the interests of customers, regulators, employees and other stakeholders.

Please refer to the AC Report, RMC Report and Statement on Risk Management and Internal Control as laid out on pages 124 to 128, pages 129 to 131 and pages 132 to 137 respectively of this Annual Report for further details on the risk management and internal control framework of the Group.

Internal Audit

A key duty of the AC is to oversee the Company's internal controls. The independent internal audit function of the Group is an important resource

to help carry out this responsibility. The Group's Internal Audit function is undertaken in-house (excluding the IMU Group) and reports directly to the AC. The internal audit function of Fortis Healthcare Limited Group is undertaken in-house and supported by outsourced independent internal audit firms. The Group's Internal Audit is guided by international standards and professional best practices of Internal Audit. The Group Internal Audit uses structured risk-based and strategic-based approaches to develop its strategic audit plan, which is reviewed and approved by the AC annually.

The internal audit function is further disclosed in the AC Report and Statement on Risk Management and Internal Control on pages 124 to 128 and pages 132 to 137 respectively of this Annual Report.

Principle C – Integrity in Corporate Reporting and Meaningful Relationship With Stakeholders

1. Communication with Stakeholders

Having an open, clear and timely communication is a key thrust to building confidence between the Group and its stakeholders, shareholders and the investing community at large. Management is committed to providing information that accurately and fairly represents the

Group to ensure our stakeholders have clear and factual insights into the Group's strategy and financial performance.

In view of the Company's dual listing status, we are obliged to adopt the MCCG and Singapore Code of Corporate Governance, as well as the disclosure obligations under the MMLR and the Mainboard Rules of SGX, where applicable, in all our communications.

Please refer to pages 36 to 39 of this Annual Report for more about how the Company engages our key stakeholders and pages 139 to 141 of this Annual Report for our Investor Relations Report section on shareholder engagement.

2. Conduct of General Meetings AGM

IHH regards accountability as a key value for our stakeholders and shareholders. Shareholders are invited to attend our AGM, the Group's principal platform for meaningful dialogue between private and institutional shareholders with the Board and Management of the Group. This platform also offers the opportunity for the Group to obtain constructive and valuable feedback from IHH's shareholders.

Before proceeding with the agenda of the AGM, the MD & CEO presents to the shareholders the operational and financial performance of the Group

during the year under review and an overview of the growth strategies of the Group moving forward. This accords our shareholders with a better understanding of their investment.

IHH values the feedback and input from our stakeholders. Shareholders are encouraged to participate in the proceedings. We ensure sufficient time is provided for shareholders to ask questions on the Group's performance, and on any resolutions proposed, with the Management on site to address concerns raised by them.

During the AGM, queries raised by the Minority Shareholder Watch Group (MSWG) on IHH's business or other pertinent governance issues raised prior to the meetings, and feedback, are shared with all shareholders. In addition, the results of the voting of each resolution are immediately announced after the voting process.

The Notice and agenda of the AGM, together with the Form of Proxy, are given to shareholders at least 28 days prior to the AGM. This gives shareholders sufficient time to prepare to attend or appoint a proxy or proxies to attend and vote on their behalf. Each item of special business included in the Notice of AGM is accompanied by an explanatory statement for the proposed resolution to facilitate the full understanding and evaluation of the issues involved.

The Company has also implemented an electronic poll voting at the AGM. These votes are validated by an independent scrutineer engaged by IHH.

All Directors and Senior Management attend and are available at the AGM to address shareholders' questions relating to functions and activities within their purview, unless another pressing commitment precludes them from doing so.

A summary of the key matters discussed at the general meetings will be published on IHH's corporate website as soon as practicable after the conclusion of the general meeting.

The Company ensures that its communication with various stakeholders through various means complies with the following criteria:

TRANSPARENT

Information will be released in a balanced and fair manner

ACCURATE

Information should be complete and accurate when released

CONSISTENT AND TIMELY

All stakeholders will receive the same information through broad public dissemination, which is made as and when possible

Corporate Governance Overview Statement

Key Focus Areas and Future Priorities

Moving forward, the Company will continue working towards achieving higher standards of corporate governance. To achieve this objective, the Board has identified the following key focus areas and future priorities in relation to the corporate governance practices.

1. Women Representation on Board

At the end of the financial year, the Board comprised three women Directors, one of whom is an Alternate Director, representing approximately 25% of the Board composition (excluding Dr Tan See Leng who resigned as Director in tandem with his retirement as MD & CEO on 31 December 2019).

The Board does not specify a target for boardroom gender diversity as the appointment of Board members should be based on objective criteria, merit and with due regard for diversity.

Nevertheless, the Board remains committed in its efforts to source for and increase women representation on the Board by 2021 depending on the availability of the right candidates.

2. Board Independence

At the end of the financial year, the INEDs made up 44% of the Board comprising nine members (excluding Dr Tan See Leng who resigned as Director in tandem with his retirement as MD & CEO on 31 December 2019 and the three Alternate Directors). The INEDs reinforce the objectivity and impartiality of the Board. The Board believes the current board composition provides the appropriate balance in terms of skills, knowledge, experience and independent elements to promote the interests of all shareholders and to govern the Group effectively.

The Board acknowledges that promoting good corporate governance practices is an ongoing process and as such, the Board will continuously assess and implement relevant measures to enhance and safeguard the Board's independence in the long-term whilst simultaneously ensuring it remains dynamic and in line with the needs of the Group.

The Board aims to increase the number of INEDs to a balanced proportion of at least 50% instead of a majority as recommended in the MCCG for Large Companies (as defined in the MCCG).

Compliance Statement

IHH's corporate governance (CG) structure is central to the operation of the Board and the Group, and maintaining its high standards is critical for our sustainable growth.

In this vein, we continuously explore new measures to refine the Company's governance framework to improve our system of policies and procedures to meet the expectations of our stakeholders. We strive towards a model of governance that reflects our culture of performance, compliance and accountability. We are committed to strengthening the Group's position and status as the world's most trusted healthcare services network.

The Board has reviewed, deliberated upon and approved this CG Overview Statement and the Corporate Governance Report 2019 in line with the practices and guidance of the MCCG and in accordance with the resolution of the Board, dated 26 March 2020.

Nomination Committee Report

The Nomination Committee (NC) was established on 1 July 2018 arising from the division of the Nomination and Remuneration Committee (NRC) into two separate committees, namely the NC and Remuneration Committee (RC), respectively. The NRC was previously established on 18 April 2012.

Roles of the NC

The NC's primary role is to assist the Board in fulfilling its fiduciary responsibilities relating to the review and assessment of the nomination and selection process of Board members and Senior Management, review of Board and Senior Management succession plans and talent management, assessment of the Board, its Committees and each individual Director's performance, as well as evaluation of the training and development needs of the Board members.

The NC is governed by a clearly defined and documented Terms of Reference (TOR). The NC's TOR is reviewed and updated from time to time, as the need arises, to ensure that it remains relevant and up-to-date to be in line with the Group's policies and various changes in regulations. The TOR of the NC was last reviewed and approved for adoption by the Board in February 2020. The TOR of the NC is accessible for reference on the Company's website at www.ihhhealthcare.com.

In carrying out its duties and responsibilities, the NC has the following authorities:

- Perform the activities required to discharge its responsibilities and make recommendations to the Board;
- Select, engage and seek approval from the Board (within the Group's Limits of Authority) for fees for professional advisors that the NC may require to carry out its duties;
- Have full and unrestricted access to information, records, properties and employees of the Group; and
- Have access to the advice and services of the Company Secretary.

Composition and Meetings

The NC is comprised exclusively of Non-Executive Directors, a majority of whom are independent and represent an appropriate balance and diversity of skills, experience, gender and knowledge.

During the year under review, NC membership was reduced to three following the resignation of Chang See Hiang as Independent Non-Executive Director of the Company on 28 May 2019.

On 29 November 2019, Dr Farid bin Mohamed Sani, a Non-Independent Non-Executive Director, was appointed as a member of the NC, in place of Mr Chintamani Aniruddha Bhagat, who ceased as a member of the NC following his resignation as a Director on 29 November 2019.

Based on the analysis/findings of the performance evaluation of the NC, the Board is satisfied that the NC has consistently performed well and discharged its duties and responsibilities satisfactorily in accordance with its TOR under the chairmanship of the NC Chairman.

The NC met five times during the year under review. The composition of the NC and the attendance record of its members for the year under review are as follows:

Director	Designation	Total Meetings Attended
Shirish Moreshwar Apte (Chairman)	Independent Non-Executive Director	5/5
Rossana Annizah binti Ahmad Rashid (Member)	Independent Non-Executive Director	5/5
Dr Farid bin Mohamed Sani (Member) <i>(Appointed on 29 November 2019)</i>	Non-Independent Non-Executive Director	Not Applicable
Chintamani Aniruddha Bhagat (Member) <i>(Resigned on 29 November 2019)</i>	Non-Independent Non-Executive Director	5/5
Chang See Hiang (Member) <i>(Resigned on 28 May 2019)</i>	Senior Independent Non-Executive Director	1/2

Nomination Committee Report

The NC meetings were attended by the Managing Director & Chief Executive Officer (MD & CEO), Chief Executive Officer (Designate) and Executive Director and Group Chief Human Resource Officer together with other professional advisors engaged on particular subject matters, if any, upon invitation by the NC, to brief the NC on pertinent issues.

Minutes of the NC meetings would be circulated to all members for comments and extracts of the decisions made by the NC would be escalated to relevant process owners for action. The Chairman of the NC would provide a report highlighting significant points of the decisions and recommendations made by the NC to the Board and significant matters reserved for the Board's approval would be tabled at the Board meetings. The NC may call for ad-hoc meetings as and when necessary to follow through on the necessary actions post the Board's decision or to discuss matters which require urgent decisions. Urgent matters which require the NC's decision may also be sought via circular resolutions, together with the proposals containing relevant information for their consideration.

Summary of Activities

During the financial year, the NC carried out the following key activities:

- a) Reviewed the results/findings of the performance evaluation of the Board as a whole, Board Committees, individual Directors and Independent Directors, in accordance with the performance evaluation criteria set out in the Corporate Governance Guide – 3rd Edition: Moving from Aspiration to Actualism by Bursa Securities (Corporate Governance Guide), for the year 2017;
- b) Assessed the NC's composition, performance, quality, skills, competencies and effectiveness, as well as their accountability and responsibilities for the year 2018;
- c) Undertook an assessment to review the term of office and evaluate the Audit Committee's (AC) overall performance and each of its members in discharging its duties and responsibilities in accordance with its TOR;
- d) Assessed and evaluated the training needs of its Directors to ensure the Directors kept abreast of regulatory changes, other developments and broad business trends to enable them to effectively discharge their duties;
- e) Assessed and evaluated the MD & CEO and the Group Chief Financial Officer (taking into consideration the feedback of the Audit Committee) to determine whether they have the character, experience, integrity, competence and time to effectively discharge their respective roles;
- f) Recommended the re-election of Directors at the Ninth AGM to the Board for consideration after taking into account the composition of the board and the required mix of skills, as well as the experience and contributions of the individual Directors, based on the assessment conducted for the year 2018;
- g) Conducted the search and interviews of candidates and recommended to the Board for approval, the appointment of the shortlisted candidate to succeed Dr Tan See Leng, who had retired as MD & CEO of the Company on 31 December 2019;
- h) Reviewed and recommended to the Board for approval, the NC Report for inclusion in the Annual Report 2018;
- i) Assessed, deliberated and recommended to the Board for approval, the re-designation of Mehmet Ali Aydinlar as Non-Executive Director of the Company following his cessation as the Chief Executive Officer of Acibadem Saglik Yatirimlari Holding A.S;
- j) Reviewed, deliberated and recommended to the Board for approval, the appointment of Takeshi Saito and Dr Farid bin Mohamed Sani as Non-Independent Non-Executive Directors on the Board and members of the Board committees;

- k) Reviewed, deliberated and recommended to the Board for approval, the appointment of Alternate Directors on the Board upon receipt of the nomination by the Principal Directors;
- l) Reviewed and deliberated on the Group's succession planning and talent development;
- m) Reviewed, deliberated and recommended to the Board for approval, the appointment of Dr Kelvin Loh Chi-Keon in various directorship roles in the major subsidiaries of the Company in place of Dr Tan See Leng who had retired on 31 December 2019;
- n) Reviewed, deliberated and recommended to the Board for approval, the roles and functions of the Board Committees of the Company, having regard that the Group size has grown substantially over the years and to improve the efficiency of the Group;
- o) Deliberated and recommended to the Board for approval, the promotion or appointment of Senior Management of the Group and their corresponding compensation package upon taking into consideration their experience, skillset and competency; and
- p) Deliberated and recommended to the Board for approval, the composition of the Board and Board Committees of the Company and certain major subsidiaries within the Group.

Subsequent to the financial year ended 31 December 2019, the NC carried out the following activities:

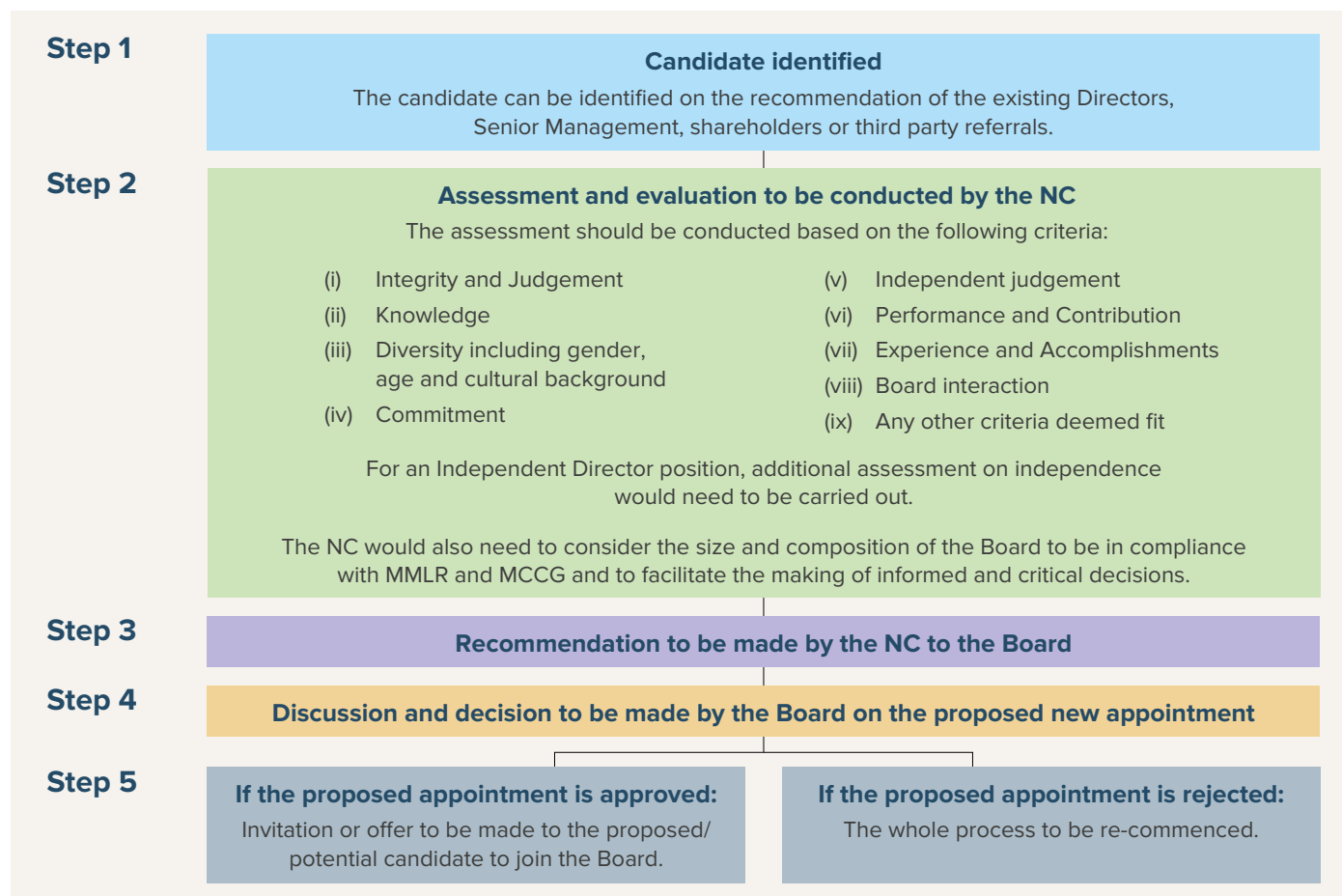
- a) Reviewed the results/findings of the performance evaluation of the Board as a whole, Board Committees, individual Directors and Independent Directors in accordance with the performance evaluation criteria set out in the Corporate Governance Guide, for the year 2019;
- b) Assessed the NC's composition, performance, quality, skills, competencies and effectiveness as well as their accountability and responsibilities for the year 2019;
- c) Undertook an assessment to review the term of office and evaluate the AC's overall performance and each of its members in

- discharging its duties and responsibilities in accordance with its TOR;
- d) Assessed and evaluated the training needs of its Directors to ensure the Directors kept abreast of regulatory changes, other developments and broad business trends;
- e) Assessed and evaluated the MD & CEO and the Group Chief Financial Officer (taking into consideration the feedback of the Audit Committee) to determine whether they have the character, experience, integrity, competence and time to effectively discharge their respective roles;
- f) Reviewed and deliberated on the Group's talent movements updates and succession planning;
- g) Reviewed, deliberated and recommended to the Board for approval, the review of the Board Committees of the Company;
- h) Recommended the re-election of Directors at the Tenth AGM to the Board for consideration after taking into account the composition of the Board and the required mix of skills, as well as the experience and contributions of the individual Directors based on the assessment conducted for the year 2019;
- i) Reviewed the NC Report for inclusion in the Annual Report 2019;
- j) Reviewed and recommended to the Board for approval, the revisions to the TOR of the NC, Boardroom Diversity Policy and Policy on Nominating and Assessment Process of Board Members, in line with the changes in the relevant laws, rules and regulations including, but not limited to, the Companies Act 2016, Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad and Malaysian Code on Corporate Governance (MCCG); and
- k) Reviewed, deliberated and recommended to the Board for approval, the appointment of Masato Sugahara with Tomo Nagahiro as his alternate on the Board.

Selection and Assessment of Directors

The Group has adopted the Policy on the Nomination and Assessment Process of Board Members (Policy) that sets out the process and requirements to be undertaken by the NC and Board in discharging their responsibilities in terms of the nomination, assessment and re-election of Board members in compliance with the MMLR and MCCG. The Policy is administered by the NC.

The process for the appointment of a new director is summarised in the diagram below:



Nomination Committee Report

During the year under review, the Board approved the following upon the recommendation of the NC:

- The re-designation of Mehmet Ali Aydinlar as Non-Independent Non-Executive Director on 1 March 2019;
- The appointment of Takeshi Saito as Non-Independent Non-Executive Director on 28 March 2019;
- The appointment of Tomo Nagahiro as Alternate Director to Koji Nagatomi on 3 April 2019 in place of Takeshi Saito;
- The appointment of Dr Kelvin Loh Chi-Keon who was appointed to succeed Dr Tan See Leng who had retired as MD & CEO of the Company on 31 December 2019. Dr Kelvin Loh Chi-Keon was appointed as Chief Executive Officer (Designate) and Executive Director on 1 July 2019 and was subsequently re-designated as MD & CEO on 1 January 2020;
- The appointment of Wong Eugene as Alternate Director to Chintamani Aniruddha Bhagat on 31 July 2019 in place of Quek Pei Lynn;
- The appointment of Ong Shilin as Alternate Director to Takeshi Saito on 30 August 2019;
- The appointment of Dr Farid bin Mohamed Sani as Non-Independent Non-Executive Director on 29 November 2019; and
- The appointment of Wong Eugene as Alternate Director to Dr Farid bin Mohamed Sani on 29 November 2019 following his cessation as Alternate Director to Chintamani Aniruddha Bhagat.

Re-election of Directors

The NC ensures that the Directors retire and are re-elected in accordance with the relevant laws and regulations and the Constitution of the Company.

Pursuant to Clause 113(1) of the Constitution of the Company, at least one-third of the Directors (excluding Directors seeking re-election pursuant to Clause 120 of the Constitution of the Company) are required to retire by rotation at each AGM, provided always that all Directors, including the Managing Director and Executive Directors, shall retire from office at least once every three years. A retiring Director is eligible for re-election.

Pursuant to Clause 120 of the Constitution of the Company, any Director so appointed to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next following AGM, and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

The Directors recommended to be re-elected at the AGM are subject to prior assessment by the NC and are required to give their consent on their re-election prior to NC and Board meetings. In assessing the candidates, the NC takes into consideration their character, experience, integrity, competence and time to effectively discharge their role as Directors, as well as their contribution and performance based on the performance evaluation undertaken during the year under review. The recommendations are thereafter submitted to the Board for deliberation prior to recommending to the shareholders for approval.

Pursuant to Clause 113(1) of the Constitution of the Company, Mehmet Ali Aydinlar and Rossana Annizah binti Ahmad Rashid shall retire at the forthcoming Tenth AGM. The retiring Directors have expressed their intention to seek re-election at the Tenth AGM.

Pursuant to Clause 120 of the Constitution of the Company, Dr Kelvin Loh Chi-Keon and Dr Farid bin Mohamed Sani, who were appointed subsequent to the Ninth AGM held on 28 May 2019, will be subject to re-election at the forthcoming Tenth AGM. The retiring Directors have expressed their intention to seek re-election at the Tenth AGM.

Upon reviewing the results/findings of the performance evaluation undertaken during the year under review for the Board as a whole, Board Committees, individual Directors and Independent Directors, the Board is of the view that the following Directors, who are subject to re-election at the Tenth AGM, have the character, experience, integrity, competence and time to effectively discharge their role as Directors. They have also continuously brought objective judgement in Board deliberations and decisions. In this respect, the Board recommended the shareholders to vote in favour of their re-election at the Tenth AGM in accordance with the relevant clauses of the Constitution of the Company:

- a) Clause 113(1)
 - (i) Mehmet Ali Aydinlar; and
 - (ii) Rossana Annizah binti Ahmad Rashid.
- b) Clause 120
 - (i) Dr Kelvin Loh Chi-Keon; and
 - (ii) Dr Farid bin Mohamed Sani.

Any new Directors appointed prior to the convening of the Tenth AGM of the Company will also be subject to re-election at the forthcoming Tenth AGM pursuant to Clause 120 of the Constitution of the Company.

Boardroom Diversity

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining competitive advantage. Thus, the Board will take the necessary measures to ensure that in every possible event, boardroom diversity will be taken into consideration in the board appointment, as well as annual assessment.

Gender Diversity

The Company appreciates the benefits of having gender diversity in the boardroom as a mix-gendered board would offer different viewpoints, ideas and market insights which enables better problem solving to gain competitive advantage in serving an increasingly diverse customer base, compared with the boardroom dominated by one gender.

The Board also takes cognisance of the MCCG to have at least 30% women participation on the board of Large Companies. Large Companies are defined in the MCCG as companies on the FTSE Bursa Malaysia Top 100 Index or companies with market capitalisation of RM2 billion and above. The Company does not set any specific target for women Directors on the Board but will actively continue to work towards having at least 30% women Directors on the Board.

Presently, there are three women Directors on the Board, comprising Rossana Annizah binti Ahmad Rashid, an Independent Non-Executive Director, who is also the Chairman of the AC and Risk Management Committee (RMC) and a member of the NC and RC; Jill Margaret Watts, an Independent Non-Executive Director, who is also a member of the AC and RMC; and Ong Shilin, Alternate Director to Takeshi Saito.

The Company shall provide a suitable working environment that is free from harassment and discrimination in order to attract and retain women participation on the Board.

Age Diversity

The Board acknowledges the benefits of having diversity in the boardroom in terms of age demographics, which would create professional environments that are rich with experience and maturity, as well as youthful exuberance. The Board with a wide range of age has the advantage of creating a dynamic, multi-generational workforce with a diverse range of skill sets that are beneficial to the Company.

The Company does not set any specific target for boardroom age diversity but will work towards having appropriate age diversity on the Board.

The Company does not fix a maximum age for its Directors given that such Directors are normally reputed and experienced in the corporate world and could continue to contribute to the Board in steering the Company.

The Board is composed of Directors from diversified age groups ranging from the age of 40 to 70, which enables the Board to drive the Group in delivering operational excellence. The Board would be able to tap on information from Directors of different age groups in order to have better understanding of the needs and the sensitivities of the stakeholders in their age group.

Cultural Background Diversity

The Board recognises that as today's world becomes increasingly global in its outlook and as the marketplace becomes increasingly global in nature, cultural background diversity in the boardroom would be encouraged as it provides advantages that can help a company prosper, including but not limited to, sharing of knowledge in different markets where the Group is operating. This enhances the Group's global presence, as well as sharing of viewpoints by Directors from different cultural backgrounds. When a variety of viewpoints are thrown into the problem-solving mix, new and innovative solutions can be reached.

The Company does not set any specific target for cultural background diversity in the boardroom but will work towards having appropriate cultural background diversity on the Board.

The Board is composed of Directors from different cultural backgrounds and foreign countries where the Group has significant presence. The Company believes that the Board members from different cultures contribute to more holistic and quality discussions and more effective and feasible ideas compared with a Board with predominantly the same culture. Having Board members from different cultural backgrounds widens the Board's perspectives, especially when making a decision that touches on issues that are peculiar to a particular cultural group or country.

The Board is of the view that, while promoting overall boardroom diversity is essential, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority. Nonetheless, the Company will work towards achieving the appropriate boardroom diversity mix covering gender, age and cultural background to enhance its effectiveness and governance performance.

The NC is responsible for ensuring that the boardroom diversity objectives are adopted in board recruitment, board performance evaluation and succession planning processes.

The Boardroom Diversity Policy is accessible for reference on the Company's website at www.ihhhealthcare.com.

Remuneration Committee Report

The Remuneration Committee (RC) was established on 1 July 2018, arising from the division of the Nomination and Remuneration Committee (NRC) into two separate committees, namely the Nomination Committee (NC) and RC, respectively. The NRC was previously established on 18 April 2012.

Roles of the RC

The RC's primary role is to assist the Board in fulfilling its fiduciary responsibilities relating to the implementation of policies and procedures on remuneration, including reviewing the Group's executive remuneration policy, remuneration framework and performance measures criteria and the various incentive or retention schemes implemented by the Group.

The RC is governed by a clearly defined and documented Terms of Reference (TOR). The RC's TOR is reviewed and updated from time to time, as the need arises, to ensure that it remains relevant and up-to-date to be in line with the Group's policies and various changes in regulations. The TOR of the RC was last reviewed and approved for adoption by the Board in February 2020. The TOR of the RC is accessible for reference on the Company's website at www.ihhhealthcare.com.

In carrying out its duties and responsibilities, the RC has the following authorities:

- Perform the activities required to discharge its responsibilities and make recommendations to the Board;
- Select, engage and seek approval from the Board (within the Group's Limits of Authority) for fees for professional advisors that the RC may require to carry out its duties;
- Have full and unrestricted access to information, records, properties and employees of the Group;
- Seek input from the concerned individuals on remuneration policies, but no individual should be directly involved in deciding their own remuneration; and
- Have access to the advice and services of the Company Secretary.

Composition and Meetings

The RC is comprised exclusively of Non-Executive Directors, a majority of whom are independent and represent an appropriate balance and diversity of skills, experience, gender and knowledge.

During the year under review, RC membership was reduced to three following the resignation of Chang See Hiang as Independent Non-Executive Director of the Company on 28 May 2019.

On 29 November 2019, Dr Farid bin Mohamed Sani, a Non-Independent Non-Executive Director, was appointed as member of the RC, in place of Mr Chintamani Aniruddha Bhagat, who ceased as a member of the RC following his resignation as a Director on 29 November 2019.

Based on the analysis/findings of the performance evaluation of the RC, the Board is satisfied that the RC has consistently performed well and discharged its duties and responsibilities satisfactorily in accordance with its TOR under the chairmanship of the RC Chairman.

The RC met five times during the year under review. The composition of the RC and the attendance record of its members for the year under review are as follows:

Director	Designation	Total Meetings Attended
Shirish Moreshwar Apte (Chairman)	Independent Non-Executive Director	5/5
Rossana Annizah binti Ahmad Rashid (Member)	Independent Non-Executive Director	5/5
Dr Farid bin Mohamed Sani (Member) (Appointed on 29 November 2019)	Non-Independent Non-Executive Director	Not Applicable
Chintamani Aniruddha Bhagat (Member) (Resigned on 29 November 2019)	Non-Independent Non-Executive Director	5/5
Chang See Hiang (Member) (Resigned on 28 May 2019)	Senior Independent Non-Executive Director	1/2

The RC meetings were attended by the Managing Director & Chief Executive Officer (MD & CEO), Chief Executive Officer (Designate) and Executive Director and Group Chief Human Resource Officer, together with other professional advisors engaged on particular subject matters, if any, upon invitation by the RC, to brief the RC on pertinent issues.

Minutes of the RC meetings would be circulated to all members for comments and extracts of the decisions made by the RC would be escalated to relevant process owners for action. The Chairman of the RC would provide a report highlighting significant points of the decisions and recommendations made by the RC to the Board and significant matters reserved for the Board's approval would be tabled at the Board meetings. The RC may call for ad-hoc meetings as and when necessary to follow through on the necessary actions post the Board's decision or to discuss matters which require urgent decision. Urgent matters which require the RC's decision may also be sought via circular resolutions, together with the proposals containing relevant information for their consideration.

Summary of Activities

During the financial year, the RC carried out the following key activities:

- a) Assessed the performance and achievement of the key performance indicators of the Group for 2018 against the pre-determined targets in the balanced scorecard which had been approved by the Board;
- b) Deliberated and recommended to the Board for approval, the balanced scorecard of the Group for the year 2019 and any subsequent amendments made thereto;

- c) Discussed and recommended to the Board for approval, the bonus and salary increment for Executive Directors, Management and employees of the Company and key subsidiaries (where applicable) upon assessing the performance of the Company, subsidiaries and employees for the year 2018;
- d) Discussed and recommended to the Board for approval, the 2019 Long Term Incentive Plan (LTIP) and Enterprise Option Scheme grants for the eligible Executive Directors, Management and employees, upon assessing the performance of the Company, the respective operating companies and employees;
- e) Discussed and recommended to the Board for approval, the changes to the terms of the new incentive scheme for the eligible employees of the Group that have been approved by the Board in 2018. The new incentive scheme was devised to replace the LTIP which will be expiring in 2021;
- f) Reviewed and recommended to the Board for approval, the RC Report for inclusion in the Annual Report 2018;
- g) Reviewed the Non-Executive Directors' fees from 1 July 2019 until 30 June 2020;
- h) Reviewed the Non-Executive Directors' fees of a major subsidiary as tabled by Management; and
- i) Reviewed and discussed the Executive Compensation Review Report and findings prepared by the external consultant engaged.

Subsequent to the financial year ended 31 December 2019, the RC carried out the following activities:

- a) Assessed the performance and achievement of the key performance indicators of the Group for 2019 against the pre-determined targets in the balanced scorecard which had been approved by the Board;
- b) Deliberated and recommended to the Board for approval, the balanced scorecard of the Group for the year 2020;
- c) Discussed and recommended to the Board for approval, the bonus and salary increment for Executive Directors, Management and employees of the Company and key subsidiaries, upon assessing the performance of the Company, subsidiaries and employees for the performance year 2019;
- d) Discussed and recommended to the Board for approval, the 2020 LTIP grant for the eligible Executive Directors, Management and employees, upon assessing the performance of the Company, the respective operating companies and employees;
- e) Reviewed and recommended to the Board for approval, the RC Report for inclusion in the Annual Report 2019;
- f) Reviewed the Non-Executive Directors fees from 1 July 2020 until 30 June 2021;
- g) Reviewed and recommended to the Board for approval, the revisions to the TOR of the RC in line with the changes in the relevant laws, rules and regulations including, but not limited to, the Companies Act 2016, Main Market Listing Requirements and Malaysian Code on Corporate Governance; and
- h) Reviewed and recommended to the Board for approval, the Remuneration Guideline for Directors and Senior Management.

Audit Committee Report

The Audit Committee (AC) was established on 1 July 2018 arising from the division of the Audit and Risk Management Committee (ARMC) into two separate committees, namely the AC and Risk Management Committee, respectively. The ARMC was previously established on 18 April 2012.

Roles of the AC

The AC's primary role is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to monitoring and management of financial risk processes along with its accounting and financial reporting practices, reviewing the business processes, ensuring the efficacy of the system of internal controls, and maintaining oversight of both external and internal audit functions for the Group on behalf of the Board.

The AC is a Board-delegated committee empowered by the Board to carry out its duties and responsibilities as set out in the Terms of Reference (TOR). The TOR is assessed, reviewed and updated from time to time, as the need arises, to ensure that it remains relevant and up-to-date to be in line with the requirements in the Malaysian Code on Corporate Governance, and the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad or any other applicable regulatory requirements. The TOR would also be reviewed and updated in the event of changes to the direction or strategies of the Group that may affect the role of the AC. The TOR was last reviewed and approved for adoption by the Board in February 2020. The TOR of the AC is accessible for reference on the Company's website at www.ihhhealthcare.com.

In carrying out its duties and responsibilities, the AC has the following authority:

- Approve any appointment or termination of senior staff members of the internal audit function;
- Convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary, and such meetings with the external auditors shall be held at least twice a year;
- Obtain external professional advice or other advice and invite persons with relevant experience to attend its meetings, if necessary;
- Investigate any matter within its TOR, have the resources which it needs to do so and have full and unrestricted access to information pertaining to the Group and the Management whereby all employees of the Group are required to comply with the requests made by the AC;
- Have direct communication channels to engage with the external auditors and internal auditors and also engage with the Senior Management, such as the Managing Director and Chief Executive Officer (MD & CEO), the Chief Operating Officer and the Chief Financial Officer of the Group and its operating subsidiaries, on a continuous basis in order to be kept informed of matters affecting the Group;
- Appoint an independent party to conduct or to assist in conducting any investigation, upon the terms of appointment to be approved by the AC;

- Authorise the AC Chairman for the time being to carry out the AC's responsibilities as required under the Whistleblowing Policy for the Group; and
- Have access to the advice and services of the Company Secretary.

Composition and Meetings

The AC is comprised exclusively of Independent Non-Executive Directors, and no Alternate Director is appointed as a member of the AC. The AC members come from diverse backgrounds with extensive experience in banking, finance, healthcare, business strategy and corporate governance. The composition of the AC is in compliance with Paragraph 15.09(1) of the MMLR.

In May 2019, Chang See Hiang, the Senior Independent Non-Executive Director, resigned as a Director of the Company and accordingly, ceased to be a member of the AC. The AC is now comprised of three Independent Non-Executive Directors. The Board believes that the existing AC composition provides the appropriate balance in terms of skills, experience, gender and knowledge to ensure the effective functioning of the AC. Based on the analysis/findings of the performance evaluation of the AC and its individual AC members by the Nomination Committee, the Board is satisfied that the AC has consistently performed well during the financial year and discharged its duties and responsibilities satisfactorily in upholding the integrity of financial reporting and managing financial risks in accordance with its TOR. The AC members have sound judgement, objectivity, an independent attitude, professionalism, integrity, knowledge of the industry and are financially literate.

During the financial year under review, the AC held seven meetings in total, out of which four were quarterly meetings while two meetings were held to consider projects which require

an assessment by the AC for recommendation to the Board. The remaining one meeting was held to review the Audited Consolidated Financial Statements of the Company

and Group for the financial year ended 31 December 2018. The composition of the AC and the attendance record of its members for the year under review are as follows:

Director	Designation	Total Meetings Attended
Rossana Annizah binti Ahmad Rashid (Chairman)	Independent Non-Executive Director	7/7
Shirish Moreshwar Apte (Member)	Independent Non-Executive Director	6/7
Jill Margaret Watts (Member)	Independent Non-Executive Director	7/7
Chang See Hiang (Member) (Resigned on 28 May 2019)	Senior Independent Non-Executive Director	3/4

The AC meetings were attended by the MD & CEO, Chief Executive Officer (Designate), Group Chief Operating Officer, Group Chief Financial Officer (GCFO), Group Head, Internal Audit and Group Head, Risk Management, together with other members of the Senior Management of the Group and the external auditors, upon invitation by the AC, to brief the AC on pertinent issues. Senior Management members of the Group are also invited to brief and provide clarification to the AC on their areas of responsibility for specific agenda items to support detailed discussions during the AC meetings.

The external auditors also attended and briefed the AC on matters relating to external audit at five of the AC meetings held during the financial year and provided a high level review of the financial position of the Group at the aforesaid meetings.

Minutes of the AC meetings would be circulated to all members for comments and extracts of the decisions made by the AC would be escalated to the relevant process owners for action. At the Board meetings, the Chairman of the AC would provide a report, highlighting pertinent issues, significant points of the decisions and recommendations made by the AC to the Board and matters reserved for the Board's approval, if any.

Summary of Activities

During the financial year, the AC carried out the following key activities:

Financial Reporting

- Reviewed the unaudited quarterly financial results of the Group, including the draft announcements pertaining thereto, significant judgements made by Management, significant matters highlighted and how these matters are addressed for recommendation to be made to the Board for approval. These reviews serve to ensure that IHH's financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the MMLR and applicable accounting standards in Malaysia;
- Reviewed the report of the external auditors on the focus areas and key findings arising from their review of the unaudited quarterly financial results of the Group;
- Reviewed the focus areas, as well as issues reported arising from the annual statutory audit by the external auditors including basis of the modified opinion by the external auditors and proposed actions to be undertaken in relation
- Reviewed and made recommendations to the Board for approval of the Annual Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2018 to ensure that it presented a true and fair view of the Group's financial position and performance for the year and is in compliance with regulatory requirements;
- Reviewed with the external auditors their audit plan and strategy for the financial year ended 31 December 2019, outlining, among others, the audit scope, methodology and timing of audit, audit materiality, audit focus areas and fraud risk assessment;
- Reviewed the revaluation of investment properties of the Group which was undertaken by independent valuers to ensure that the current market value of the investment properties was in compliance with MFRS 140, *Investment Property*, prior to the same being tabled to the Board for approval;

Governance

Audit Committee Report

External Auditors

- g) Evaluated the performance of the external auditors for the financial year ended 31 December 2018, covering areas such as the calibre of external audit firm, independence and objectivity, quality of the processes/performance, audit team, audit scope and planning, audit fees, audit communications and resources which was supported by the assessment conducted by relevant Management members on the experience and opinions of the firm, independence and objectivity and quality of the processes/performance of the external auditors. The AC, having been satisfied with the independence, suitability and performance of KPMG PLT, had recommended to the Board for approval the re-appointment of KPMG PLT as external auditors for the financial year ended 31 December 2019;
- h) Reviewed and recommended to the Board for approval the proposed fees for the annual audit, one-time audit related services and non-audit services rendered by the external auditors for the financial year ended 31 December 2018;
- i) Monitored the status of the special audit initiated by the Board of Directors of Fortis Healthcare Limited (Fortis), a subsidiary of the Group acquired on 13 November 2018, and conducted enquiries of certain entities and transactions in Fortis Group that were impacted in respect of the issues raised in the qualified opinion by the external auditors, with a view of closing them;
- j) Met with the external auditors twice without the presence of the Executive Directors and Management during the year under review, with the exception of the Company Secretaries, to discuss any issues or reservations arising from the audits and any other matters the external auditors may wish to discuss, including but not limited to the cooperation rendered by the Group's employees to facilitate their audit work;

Internal Audit

- k) Reviewed and approved the 2019 internal audit plan to ensure that there is adequate scope and comprehensive coverage over the activities of IHH Group and that all high-risk areas are audited annually, as well as the availability of adequate resources within the internal audit team to carry out the audit work;
- l) Reviewed the internal audit reports issued by the internal audit function of the respective operating divisions during the year and presented at quarterly AC meetings;
- m) Monitored the implementation of the management action plan on outstanding issues on a quarterly basis to ensure that all key risks and control weaknesses are being properly addressed until the issues are fully resolved and rectified;
- n) Met with the Group Head, Internal Audit, twice, without the presence of the Executive Directors and Management, with the exception of the Company Secretaries, during the year under review to obtain feedback on the internal audit activities, audit findings and any other related matters;
- o) Reviewed the Key Performance Indicators, competency and resources of the internal audit function to ensure that, collectively, the internal audit function is suitable and has the required expertise, resources and professionalism to discharge its duties, etc;
- p) Reviewed the report of the internal auditors in respect of their audit of the related party transactions and recurrent related party transactions (except transactions exempted by law and/or the MMLR) entered into by IHH and its subsidiaries to ensure compliance with the MMLR;

Related Party Transactions and Recurrent Related Party Transactions

- q) Monitored the thresholds of the related party transactions and recurrent related party transactions to ensure compliance with the MMLR;
- r) Reviewed the investment proposal, due diligence findings from the advisers and evaluation of the independent adviser in relation to the acquisition of the entire issued share capital of Prince Court Medical Centre Sdn Bhd by Pantai Holdings Sdn Bhd, an indirect wholly-owned subsidiary of the Company from Pulau Memutik Ventures Sdn Bhd, a wholly-owned subsidiary of Khazanah Nasional Berhad, a related party of the Group, for a cash consideration of RM1,020.0 million (Proposed Acquisition). This is to ensure that the Proposed Acquisition is in the best interest of the Group, fair and reasonable, on normal commercial terms and not detrimental to the interest of the minority shareholders of IHH, prior to recommending the same to the Board for approval;

Verification of the Allocation of Long Term Incentive Plan (LTIP) units and Enterprise Option Scheme (EOS) options

- s) Verified the allocation and movement of LTIP units and EOS options respectively for the year 2018 to ensure that it had been carried out consistently according to the approved criteria and matrix stipulated in the respective Bye Laws of LTIP and EOS;

Other Activities

- t) Reviewed the ancillary governance, control and reputational risk reports summary as highlighted by the AC of the relevant operating subsidiaries of the Group;
- u) Reviewed and recommended to the Board for approval the AC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2018;

- v) Reviewed the Group debt and cash position (including the treasury and foreign exchange management) of IHH and its subsidiaries on a quarterly basis to assess the various financial ratios, debt headroom, compliance with bank covenants, balance sheet risk, projected capital expenditure and funding status, treasury focus areas and action plans, as well as foreign currency exposures of the Group in connection with its subsidiaries which are operating abroad, and made relevant recommendations to the Board to ensure that the business has sufficient liquidity to meet its obligations, whilst managing payments, receipts and financial risks effectively;
 - w) Reviewed the summary report and proposed financial assistance provided to the subsidiaries and associates of the Group to ensure that it is fair and reasonable to the Company and is not to the detriment of the Company and its shareholders, prior to the same being tabled to the Board for approval, where applicable;
 - x) Evaluated the performance of the GCFO of the Company to ensure that the GCFO has the character, experience, integrity, competence and time to effectively discharge his role as the GCFO of the Company;
 - y) Reviewed and recommended to the Board for approval, the revisions to the Limits of Authority of IHH Group in relation to the tender function of the Group and changes to the approving authority therein.
- Subsequent to the financial year ended 31 December 2019, the AC carried out the following duties:
- a) Reviewed the unaudited quarterly financial results of the Group for the quarter ended 31 December 2019, including the draft announcements pertaining thereto and significant judgements made by Management for recommendation to be made to the Board for approval;
 - b) Reviewed the report of the external auditors on the focus areas and key findings arising from their review of the unaudited quarterly financial results of the Group for the quarter ended 31 December 2019;
 - c) Reviewed the internal audit work plan for the financial year ending 31 December 2020;
 - d) Reviewed the ancillary governance, control and reputational risk reports summary as highlighted by the AC of the relevant operating subsidiaries of the Group;
 - e) Reviewed the focus areas, as well as issues reported arising from the annual statutory audit, Management's responses to the audit findings and any changes in or implementation of major accounting policy changes for the financial year ended 31 December 2019;
 - f) Reviewed the Annual Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2019 and made recommendations to the Board for approval;
 - g) Evaluated the GCFO and internal auditors in connection with their performance for the financial year ended 31 December 2019;
 - h) Considered the re-appointment of external auditors for the ensuing year upon reviewing the suitability and independence of the external auditors. The AC also reviewed and recommended to the Board for approval the proposed fees for the annual audit, one-time audit related service and non-audit services rendered by the external auditors for the financial year ended 31 December 2019;
 - i) Confirmed and verified the allocation and movement of LTIP units and EOS options respectively for the year 2019 to ensure that it had been carried out according to the criteria and matrix stipulated in the Bye Laws of LTIP and EOS;
 - j) Reviewed the report of the internal auditors in respect of their audit of the related party transactions and recurrent related party transactions (except transactions exempted by law and/or the MMLR) entered into by IHH and its subsidiaries to ensure compliance with the MMLR;
 - k) Reviewed the revaluation of investment properties of the Group which was undertaken by independent valuers to ensure that the current market value of the investment properties was in compliance with MFRS 140, *Investment Property*, prior to the same being tabled to the Board for approval;
 - l) Reviewed the AC Report, as well as Statement on Risk Management and Internal Control for inclusion in the Annual Report 2019;
 - m) Reviewed and recommended to the Board for approval, the revisions to the TOR of the AC, in line with the changes in the relevant laws, rules and regulations including, but not limited to, the Companies Act 2016, MMLR and MCCG;
 - n) Met with the external auditors without the presence of the Executive Directors and Management, with the exception of the Company Secretaries, to discuss any issues or reservations arising from the audit for financial year ended 31 December 2019, including, but not limited to, the system of internal controls and assistance given by the Group's employees to facilitate their audit work; and
 - o) Met with the Group Head, Internal Audit without the presence of the Executive Directors and Management, with the exception of the Company Secretaries, to obtain feedback on any concerns noted in the course of auditing and feedback on the overall internal audit function of the Group.

Group Internal Audit Function

The internal audit function is under the purview of the Group Internal Audit (Group IA) department. Group IA is independent and reports directly to the AC. The internal audit reporting structure within the Group has been organised in such a way that the internal audit function of the major operating companies reports to the respective operating companies' AC, where applicable, or to the AC with a dotted reporting line to Group IA. Group IA has direct control and supervision of internal audit activities in those subsidiaries that do not have an internal audit function.

Group IA provides independent, objective assurance on areas of operations reviewed and makes recommendations based on the best practices that will improve and add value to the Group. Group IA identifies, coordinates, monitors and oversees the internal audits that are to be carried out throughout the Group and also provides standards, policies, guidelines and advice to the subsidiaries' internal audit functions to standardise the internal audit activities within the Group.

Group IA adopts a systematic and disciplined approach to evaluate the adequacy and effectiveness of the financial, operational and compliance processes. Structured risk-based and strategic-based approaches are adopted in identifying the internal audit activities that are aligned with the Group's strategic plans to ensure those risks faced by the Group are adequately reviewed. In addition, international standards and best practices are adopted to enhance the relevancy and effectiveness of the internal audit activities.

The internal audit reports are issued to Management for their comments and for them to agree on action plans with deadlines to complete the necessary preventive and corrective actions. The reports and summary of key findings are tabled to the AC for deliberation to ensure that Management undertakes to carry out the agreed remedial actions.

Please refer to the Statement on Risk Management and Internal Control as laid out on pages 132 to 137 of this Annual Report for the summary of the work of the internal audit function undertaken during the year ended 31 December 2019.

The total costs incurred by Group IA in 2019 was RM8,032,200.

Risk Management Committee Report

The Risk Management Committee (RMC) was established on 1 July 2018 arising from the division of the Audit and Risk Management Committee (ARMC) into two separate committees, namely the Audit Committee and RMC respectively. The ARMC was previously established on 18 April 2012.

Roles of the RMC

The RMC's primary role is to assist the Board in ensuring that the Company has in place a sound and robust risk management and internal control framework and that such framework and processes have been effectively implemented. The RMC reviews the management of the Company in addressing key risks impacting the Group's operations including, but not limited to, financial, operational, medical and clinical, regulatory compliance, cyber security, sustainability and reputational risks. The RMC also reviews the clinical governance and quality framework and reports to ensure delivery of high quality and safe patient care across the Group in accordance with the appropriate standards.

The RMC is a Board-delegated committee empowered by the Board to carry out its duties and responsibilities as set out in the Terms of Reference (TOR). The TOR is assessed, reviewed and updated from time to time, as the need arises, to ensure that it remains relevant and up-to-date to be in line with the requirements in the Malaysian Code on Corporate Governance (MCCG), and the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad or any other applicable regulatory requirements. The TOR would also be reviewed and updated in the event of changes to the direction or strategies of the Group that

may affect the role of the RMC. The TOR was last reviewed and approved for adoption by the Board in February 2020. The TOR of the RMC is accessible for reference on the Company's website at www.ihhhealthcare.com.

In carrying out its duties and responsibilities, the RMC has the following authority:

- Obtain external professional advice or other advice and invite persons with relevant experience to attend its meetings, if necessary;
- Investigate any matter within its TOR, have the resources which it needs to do so and have full and unrestricted access to information pertaining to the Group and the Management, whereby all employees of the Group are required to comply with the requests made by the RMC;
- Have direct communication channels to engage with Senior Management, such as the Managing Director and Chief Executive Officer (MD & CEO), the Chief Operating Officer and the Chief Financial Officer of the Group and its operating subsidiaries, on a continuous basis in order to be kept informed of matters affecting the Group;
- Appoint an independent party to conduct or to assist in conducting any investigation, upon the terms of

appointment to be approved by the RMC; and

- Have access to the advice and services of the Company Secretary.

Composition and Meetings

The RMC is comprised exclusively of Independent Non-Executive Directors. The RMC members come from diverse backgrounds with extensive experience in healthcare, banking, finance, business strategy and corporate governance.

In May 2019, Chang See Hiang, the Senior Independent Non-Executive Director, resigned as a Director of the Company and accordingly, ceased to be a member of the RMC. The RMC is now comprised of three Independent Non-Executive Directors. The Board believes that the existing RMC composition provides the appropriate balance in terms of skills, experience, gender and knowledge to ensure the effective functioning of the RMC. Based on the analysis/findings of the performance evaluation of the RMC, the Board is satisfied that the RMC has consistently performed well during the financial year and discharged its duties and responsibilities satisfactorily in accordance with its TOR.

During the financial year under review, the RMC held four meetings in total. The composition of the RMC and the attendance record of its members for the year under review are as follows:

Director	Designation	Total Meetings Attended
Rossana Annizah binti Ahmad Rashid (Chairman)	Independent Non-Executive Director	4/4
Shirish Moreswar Apte (Member)	Independent Non-Executive Director	4/4
Jill Margaret Watts (Member)	Independent Non-Executive Director	4/4
Chang See Hiang (Member) (Resigned on 28 May 2019)	Senior Independent Non-Executive Director	1/1

Risk Management Committee Report

The RMC meetings were attended by the MD & CEO, Chief Executive Officer (Designate), Group Chief Operating Officer, Group Chief Financial Officer, Group Head, Internal Audit, Group Head, Risk Management and Group Head, Medical and Quality, together with other members of the Senior Management of the Group, upon invitation by the RMC, to brief the RMC on pertinent issues.

Minutes of the RMC meetings would be circulated to all members for comments and extracts of the decisions made by the RMC would be escalated to the relevant process owners for action. At the Board meetings, the Chairman of the RMC would provide a report highlighting pertinent issues, significant points of the decisions and recommendations made by the RMC to the Board and matters reserved for the Board's approval, if any.

Summary of Activities

During the financial year, the RMC carried out the following key activities:

Enterprise Risk Management

- (a) Reviewed the Group's consolidated Enterprise Risk Management (ERM) reports, including the ERM reports of the respective operating divisions, which covered the ERM reporting status, risk profile, key highlights and risk priorities, to ensure that the Group's business activities and risk management methodologies are aligned and enhanced on an ongoing basis. This is to proactively manage the key risk areas that arise with the developments in the external operating environment;

- (b) Reviewed the reports pertaining to cyber risk prepared by the Group Risk Management team in collaboration with the information technology (IT) team, which covered, among others, the cyber security residual risk profile, cyber security strengthening plan and cyber security threat report, aiming to identify and mitigate any potential cyber threat which may impact the Group's IT system;
- (c) Reviewed and recommended to the Board for approval the revisions to the ERM Policy to ensure the policy is reflective of the Group's current operating environment and ensure alignment to prevailing standards such as ISO 31000 Risk Management;

Anti-Bribery and Corruption

- (d) Reviewed and recommended to the Board for approval the Anti-Bribery and Corruption Policy (ABC Policy) for adoption by the Group which spells out the steps required in managing, escalating, assessing, preventing and reporting any potential or actual bribery and corruption risk during the course of business. The ABC Policy was established to further enhance the Group's existing processes in combating bribery and corruption, in line with the amendments to the Malaysian Anti Corruption Commission Act 2009 which will take effect on 1 June 2020;
- (e) Reviewed the Group's anti-bribery and corruption risk updates, including the risk profile, key highlights, and strengthening plans against possible bribery and corruption, in line with the ABC Policy;

Medical/Quality and Clinical Quality Updates

- (f) Reviewed the clinical governance structure and common set of clinical quality indicators adopted by the Group for monitoring and reporting to the RMC, Board or any other reporting entity within the Group as may be identified by Management or the Board;
- (g) Examined the clinical governance framework, clinical governance structure and clinical quality indicators of a newly acquired subsidiary, Fortis Healthcare Limited, in order to ascertain its adequacy;
- (h) Reviewed the reports on Medical/Quality and Clinical Quality Updates, which encompassed the following activities:
 - (i) report on clinical quality indicators of the Group's operating divisions in Malaysia, Singapore, India, Hong Kong and other South East Asian countries with the key objectives of monitoring and assessing the clinical performance of hospitals so as to facilitate continuous quality improvement and benchmarking;
 - (ii) report on the action plans to highlight initiatives that drive quality improvement activities; and
 - (iii) report on the trend of serious reportable events to highlight problem areas in clinical performance and opportunities for improvement;

Sustainability Disclosures

- (i) Reviewed the Sustainability Reporting methodology and workplan for the Group for 2019;
- (j) Reviewed and recommended to the Board for approval the Sustainability Report covering the period from 1 January 2019 to 31 December 2019. The Sustainability disclosures were prepared in line with the Global Reporting Initiative (GRI) Standards – Core Options and GRI Sector Disclosures for inclusion in the Annual Report 2019;

Other Activities

- (k) Reviewed and recommended to the Board for approval the RMC Report, as well as Statement on Risk Management and Internal Control for inclusion in the Annual Report 2018; and
- (l) Reviewed the Investment Risk Assessment Report comprising the risks, impact and mitigation plans in relation to the acquisition of the entire issued share capital of Prince Court Medical Centre Sdn Bhd by Pantai Holdings Sdn Bhd, an indirect wholly-owned subsidiary of the Company from Pulau Memutik Ventures Sdn Bhd, a wholly-owned subsidiary of Khazanah Nasional Berhad, for a cash consideration of RM1,020.0 million.

Subsequent to the financial year ended 31 December 2019, the RMC carried out the following duties:

- (a) Reviewed the Group's consolidated ERM reports, including the ERM reports of the respective operating divisions, which covered the Group's ERM reporting status, risk profile, key highlights and risk priorities;
- (b) Reviewed the reports on Medical/ Clinical Quality updates, which include reporting on clinical quality indicators of the Group's operating divisions;
- (c) Reviewed and recommended to the Board for approval, the revisions to the TOR of the RMC, in line with the changes in the relevant laws, rules and regulations including, but not limited to, the Companies Act 2016, MMLR and MCCG; and
- (d) Reviewed the RMC Report, as well as Statement on Risk Management and Internal Control, for inclusion in the Annual Report 2019.

Statement on Risk Management and Internal Control

The Board of Directors of IHH Healthcare Berhad (IHH or the Company), together with that of its subsidiary companies (the Group), is committed to maintaining a sound system of risk management and internal control. In accordance with Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad, the Board is pleased to provide the following Statement on Risk Management and Internal Control prepared in accordance with the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers”.

Board Responsibility

The Board, in discharging its responsibilities, is fully committed to maintaining a sound system of risk management and internal control, as well as to review its adequacy, integrity and effectiveness to safeguard shareholders' investment and the Group's assets. The system of risk management and internal control by its nature is designed to manage key risks that may hinder the achievement of the Group's business objectives within an acceptable risk profile. In view of the limitations inherent in any system of risk management and internal control, the systems put in place can only manage risks within tolerable and knowledgeable levels, rather than eliminate the risk of failure to achieve business objectives completely.

Control Structure

The Board is assisted by the Audit Committee (AC) and Risk Management Committee (RMC), which consist of four Independent Non-Executive members of the Board. The Board, through the AC and RMC, maintains risk oversight within the Group to ensure that the implementation of the approved policies and procedures on risks and controls is as intended. The approved policies and appropriate key internal controls have been put in place to mitigate the key risk areas which have been identified and assessed by the respective departments in charge for the year under review and up to the date of approval of this statement for inclusion in the annual report.

The Board, through the AC, provides constructive, focus and independent view

on the financial reporting process and ensuring Management maintains a sound system of internal controls to safeguard and enhance enterprise value.

The internal control system covers areas of finance, operations and compliance, and provides reasonable assurance that the following objectives have been achieved:

- (i) Reliability and integrity of financial reports;
- (ii) Compliance with relevant regulations, policies, procedures and laws;
- (iii) Safeguarding of the Company's assets;
- (iv) Effective and efficient utilisation of the Company's resources; and
- (v) Ensuring the long-term sustainability of the Company

For the year ended 2019, the Board is of the view that the present system of internal control is adequate and has been adhered to, to the best of its ability. The opinion is based on the following key internal controls practised:

Limits of Authority

The Limits of Authority established by the Group serves to govern the operations of all companies within the Group. It encompasses authorised signatories for Procurement and Payment, Financial Treasury, Human Capital Management, Corporate Transactions, Legal Documentation and Donations. It defines the authority limit for each level of management in the major operating subsidiaries and the Group as a whole. Major capital investment, acquisition and disposal are approved by the Board of the major operating subsidiaries and the Group.

Recommendations by Internal Auditors

The Group has an Internal Audit function to review the effectiveness of the material internal controls of the major operating subsidiaries, based on the approved annual audit plan. Unannounced visits are conducted randomly to ensure compliance at all times.

Consequently, Management ensures that the recommendations made by the Internal Auditors to strengthen and improve the internal controls have been implemented.

Performance Monitoring and Budgets

Annual Budgets are prepared by the major operating subsidiaries and approved by their respective Boards. These budgets are then consolidated into the IHH Group Budget and approved by the IHH Board.

The major operating subsidiaries' performance is presented and discussed at their respective Board meetings on a quarterly basis, and is also discussed together with the consolidated IHH Group Performance at the quarterly IHH Board meetings.

Procurement and Project Management

There is a Centralised Procurement function in each major operating subsidiary for major purchases, such as hospital equipment, drugs, maintenance expenditures and expansion projects. This ensures adherence to the Group Procurement Guidelines, and provides economies of scale during negotiations.

Major expenditure is subject to Tender procedures and evaluated by the Tender Committee.

There is also a Centralised Project Management office in each major operating subsidiary to handle and manage major renovation and expansion projects undertaken by the respective major operating subsidiaries.

Legal and Regulatory

The major operating subsidiaries adhere strictly to the applicable Acts and Regulations, as required of an institution operating private hospitals, medical clinics, private higher education, and healthcare services. Amongst them, are the established Acts and Regulations such as the Private Hospital and Medical Clinic Act, Private Hospital and Medical Clinic Regulations, Dangerous Drugs and Poison Act, Private Higher Educational Institutional Act, as well as the Occupational Safety and Health Act. Quality audits are also conducted by the Quality Assurance function within the hospital and by the Group Accreditation, Standards and Medical Affairs Departments on an ongoing basis.

Fraud Prevention

The Board strives to have zero incidences of fraud with strong internal accounting controls, proper segregation of duties in the work processes, and regular audits carried out by the Group Internal Auditors team.

The inherent system of internal controls is designed to provide a reasonable, though not absolute, assurance against the risk of fraud, material errors or losses.

Clinical Governance

International Clinical Governance Advisory Council (ICGAC)

In its fourth year as an independent high-level advisory committee, the Council continues to serve as an advisory in the areas of Clinical Governance which covers the management of Clinical Affairs, including Quality and Patient Safety, Clinical Risk Management, Continuing Professional Development and clinical training.

For the year ended 31 December 2019, the management have developed the following plan of action based on the recommendations by the ICGAC:

1. Strengthening the overall Clinical Governance framework;
 - (a) Through defining the roles and responsibilities of key committees and personnel with regards to clinical governance;
2. Strengthening Incident Reporting and Root Cause Analysis (RCA)
 - (a) Establishing a system-wide electronic incident reporting system and tracking of investigations and implementation of recommendations;
 - (b) Establishing a rapid response team for serious events;

3. Measuring and reporting on Quality

- (a) Establishing a standardised quality report and a process to select, define, analyse and report indicators;

4. Improving Quality group-wide

- (a) Providing an annual system wide quality plan;
- (b) Establishing unit-based skills in quality
- (c) Strengthening system-wide cross learning
- (d) Improving the quality of care and reduce cost through standardisation of common processes

5. Further enhancing doctor engagement

The Council comprises the following members:

1. **Dr Joseph Sheares**, Cardiothoracic surgeon, Mt Elizabeth Hospital, Singapore
2. **Tan Sri Datuk Dr K. Ampikaipakan**, Consultant respiratory physician at Pantai Hospital, Kuala Lumpur, Malaysia
3. **Dr E.H Akalin**, Independent academic consultant, Istanbul, Turkey
4. **Professor Yeoh Eng Kiong**, Director at the JC School of Public Health and Primary Care of The Chinese University of Hong Kong (CUHK)

Statement on Risk Management and Internal Control

Control Environment

The operating structure includes a defined delegation of responsibilities in terms of the management of operating subsidiaries. The limit of authority is clearly defined and set out in the Group's policies.

These policies and procedures are meant to be reviewed regularly and updated when necessary.

A Whistleblowing Policy is in place within the Group's major operating subsidiaries. This policy encourages employees to report any wrongdoing by any person in the Group to the proper authorities so that the appropriate business action can be taken immediately.

The system of risk management and internal control, covers not only financial controls but also operational, risk and

compliance controls as well. These systems are designed to manage, rather than eliminate, the risk of failure arising from non-achievement of the Group's policies, goals and objectives.

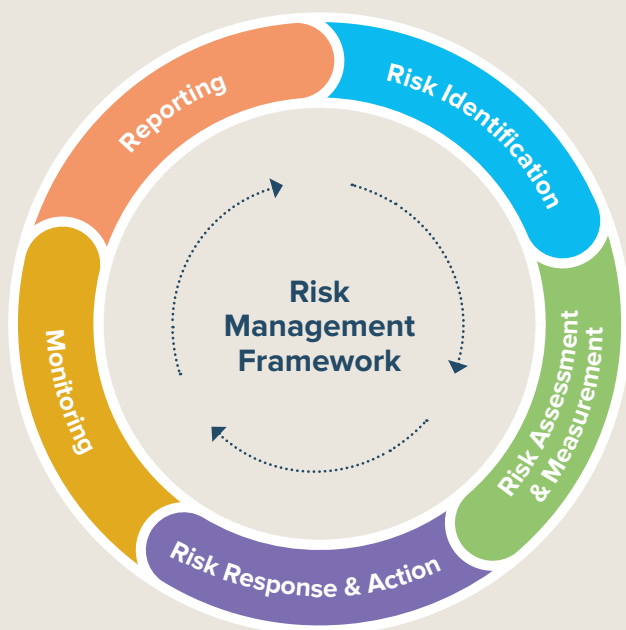
Such systems provide reasonable, rather than absolute, assurance against material incidents or loss.

Risk Management

The Group recognises that risk management is an important and integral part of good management and corporate governance practice, and fundamental to driving shareholder value through quality healthcare. Although risks cannot be completely eliminated, effective risk identification and management can reduce the uncertainties associated with executing the Group's business strategies and maximising opportunities that may arise.

Operating Companies and business units have a primary responsibility for managing risk exposures. Group Risk is the central resource for managing the portfolio of risks assumed by the Group as a whole, and works closely with business units to strengthen their risk management practices and capabilities. Risk updates are consolidated and analysed for monitoring and reporting to the Group's RMC on a quarterly basis.

The Group recognises that Enterprise Risk Management (ERM) is a proactive management system for anticipating emerging risks and putting in place pre-emptive action plans so that the effect of uncertainties on fulfilling business goals and objectives are minimised. The Group has in place a Risk Management Framework which is consistent with the definition of an 'appropriate framework' in Standard ISO 31000:2018 Risk Management – Guidelines.



Establish the Context

- Understand business strategy & objectives
- Review business environment
- Understand the risk acceptance criteria
- Identify critical business processes



Read more on Principal Risk on page 47

The framework encompasses practices relating to the identification, assessment and measurement, response and action, as well as monitoring and reporting of the strategic and operational control risks pertinent to achieving our key business objectives.

Evaluate-Response-Monitor (E-R-M) Process

For the year ended 31 December 2019, the major risk management activities undertaken during the year were as follows:

1. Reviewed the adequacy and effectiveness of the risk control processes and risk reporting systems;
2. Revised the Enterprise Risk Management Governance policy;
3. Conducted risk assessment workshop in each operating division, in line with the business planning cycle;
4. Assessed emerging risks and developed risk action plans with internal stakeholders;
5. Standardised Group-wide key risk indicators and risk register format;
6. Established a compliance function with focus on Data Protection and Anti-Bribery & Corruption Initiatives;
7. Developed and socialised Group-wide Anti-Bribery & Corruption Policy;
8. Conducted Group-wide risk assessment of bribery and corruption exposures, including implementing adequate procedures;
9. In collaboration with Group IT, conducted a Group-wide risk assessment of Cyber Security exposures;
10. Undertook placements and renewals of Insurance Programme, including the Group's Directors & Officers Policy;
11. Monitored cost of insurance claims and claims settlement through quarterly claims meetings with insurance service providers as part of the group insurance programme of a major operating company

12. Reviewed claims reporting system of medical malpractice cases for certain geographies, with plans to extend to other country operating divisions; and

13. Carried out ad-hoc assignments requested by Senior Management.

The ERM framework for Fortis Healthcare Limited and its group of companies (Fortis Group) has been approved during the year and Fortis Group is in the midst of implementing and strengthening their risk management practices to ensure alignment with the Group's framework and reporting requirements.

Group Internal Audit

The Group has an independent internal audit function, which is an integral part of the Group's assurance framework, with the function of reporting directly to the AC. The Group Internal Audit's (Group IA) primary mission is to provide an independent and objective assessment of the adequacy and effectiveness of the risk management, internal control and governance processes. The internal audit function within the Group is structured such that the internal audit function of the major operating subsidiaries has a dotted reporting line to the Group IA and a reporting line to the AC. Audits are performed on all major units or areas in the audit population to provide an independent and objective report on operational and management activities in the Group. The Group IA will also perform ad hoc audits and investigations requested by the AC and/or by Senior Management, and will follow up on the implementation of audit recommendations by Management to ensure that all key risks are addressed.

The Annual Internal Audit plans of the Group as developed are reviewed and approved by the AC annually.

The Group IA highlights significant gaps identified in governance, risk management and control, makes recommendations for improvements, and tables management action plans to the AC through audit reports and during its quarterly AC meetings.

The Group IA also follows up on the management action plans to address the improvements on a quarterly basis, and results of the status are presented at the quarterly AC meetings.

The Group IA adopts a systematic and disciplined approach to evaluate the adequacy and effectiveness of the Group's governance, internal control and risk management system, using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework.

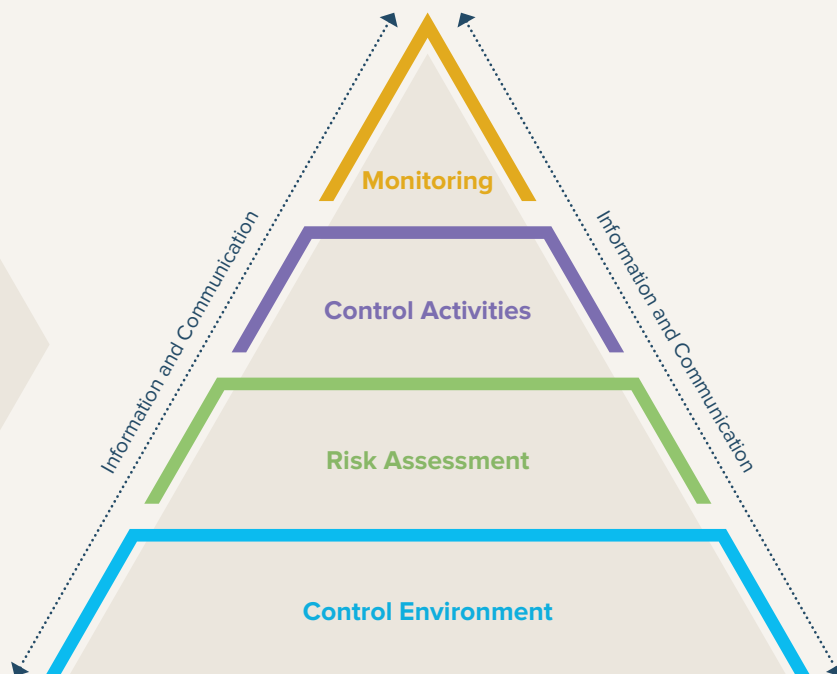
For the year ended 31 December 2019, the major internal audit activities undertaken were as follows:

- Developed a risk-based annual audit plan;
- Performed financial and operational audits on revenue cycle management (covering billing, cash and credit collections, credit control and accounts receivable), procurement and inventory and the capital and operating expenditure of hospitals, clinics and ancillary departments within the Group;
- Conducted Information Technology (IT) audits, risk assessments, security and control reviews across the entities of the Group;
- Reviewed the level of compliance with established policies and procedures and statutory requirements to ensure that major units comply with the requirements, with any non-compliances highlighted to Management for remediation;
- Witnessed the tendering process for procurement of services or assets to ensure the activities in the tendering process are conducted in a fair, transparent and consistent manner;
- Carried out ad hoc assignments and investigations requested by the AC and Senior Management; and
- Followed up on the implementation of the Management Action Plan to ensure that necessary actions have been taken/are being taken to remedy any significant gaps identified in governance, risk management and control.

Statement on Risk Management and Internal Control

COSO Internal Control — Integrated Framework

The adequacy and effectiveness of the Group's risk management, internal control and governance processes are assessed and reported according to the following five interrelated COSO components:



The review of the adequacy and effectiveness of the internal control process has been undertaken by the internal audit function and necessary actions have been/are being taken to remedy any significant failing or weakness for the financial year under review and up to the date of approval of this statement for inclusion in the annual report.

In the course of performing its duties, the Group IA has unrestricted access to all functions, records, documents, personnel, or any other resources or information, at all levels throughout the Group.

Other Risk and Control Processes

The overall governance structure, and formally defined policies and procedures play a major part in establishing the control and risk environment of the Group. Although the Group is a networked organisation, a documented and auditable trail of accountability has been established within the operating subsidiaries of the Group.

Each major operating subsidiary of the Group is tasked with undertaking these corporate governance and risk management practices, as well as implementing the same:

1. A governance and management structure is established within each hospital for functional accountability with operational/functional heads reporting financial, operational (clinical and non-clinical) risks, compliance with statutory and regulatory requirements and reputational risks to the Hospital Chief Executive Officer (CEO)/Director;
2. Hospital CEOs/Directors, Business Heads, Country Heads and Corporate Heads report on business operations issues to the Senior Management on a monthly basis. Matters such as nursing issues, clinical/medical incidents with lapses, adverse outcomes, potential legal issues and media exposure, are reported and addressed at the hospital quality meetings chaired by the Hospital CEOs;
3. The Medical Affairs department/ Medical Execution Committee oversees the accreditation, as well as the qualifications and experience of our medical practitioners, and will not hesitate to remove their privileges if they are found to be unethical or negligent. They also ensure patient safety and quality of services delivered within the hospitals, and compliance with government regulations;
4. The respective quality committees or councils of the major operating subsidiaries ensures the quality of services and the safety of patients;
5. On a quarterly/monthly basis, the operations divisions are to submit to the Group CEO updates pertaining to clinical/medico-legal cases, IT, hospital development projects, business matters, HR matters, financial performance and analyses, group target savings, as well as the outlook for the business and strategic projects. These information will form the body of the Executive

Report by the Group CEO to the Board of each major operating subsidiary, ultimately surfacing at the Board of the Group;

6. Senior management tracks the development of any potential medico-legal cases. Any significant risk exposures or trends, in terms of incident type or case categorisation, are highlighted to the Board/RMC quarterly;
7. Insurance policies relating to workforce compensation, property damage and equipment breakdown, cyber liability and network business interruption, third party liability, professional indemnity and medical malpractice liability, are procured to meet the local regulatory requirements and business requirements of the operational divisions and the wider Group;
8. Financial risk management systems are in place to address credit risk, liquidity risk, market risk, interest rate risk and foreign currency risk;
9. The internal auditors independently audit and report findings on financial, operational and compliance controls to the AC or the Board. In addition, on an annual basis, the external auditors perform statutory audit and report findings on financial controls relevant to the statutory audit to the AC; and
10. Employees must abide by the Code of Conduct and avoid any dealings or conduct that could be or could appear to be in conflict with the Group's interests, unless such business relationships are consented to by the Board.

Adequacy and Effectiveness of the Group's Risk Management and Internal Control Systems

IHH's Management is accountable to the Board for the implementation of the processes involved in identifying, evaluating and managing risk and internal control. In the financial year under review and up to the date of approval of this Statement, the Board has received assurances from the Managing Director and Chief Executive Officer, as well as Chief Financial Officer, that the Group's system of risk management and internal control is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

Taking into consideration the information and assurances given, the Board is satisfied with the adequacy, integrity and effectiveness of the Group's system of risk management and internal control. For the financial year under review, there were no material control failure or adverse consequences that have directly resulted in any material losses to the Group. However, the investigation on Fortis Group by the Securities and Exchange Board of India (SEBI) and the Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs of India for matters that occurred prior to IHH's acquisition of Fortis, is still ongoing and the overall impact assessment of the investigation, including the identification of deficiencies, have not been concluded. Since the acquisition on 18th November 2018, the Board of Fortis has initiated additional control procedures and has appointed Ernst & Young LLP, India, to conduct enquiries of certain entities and transactions in Fortis Group (the Project) in relation to the issues raised in the investigation. The measures to protect and enhance shareholder value and business sustainability continue to be a focal point of the Group and, therefore, the system of risk management and internal control across the Group continues to be subject to enhancement, validation and regular review.

The Group's system of risk management and internal controls does not cover associates and joint ventures.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide (AAPG) 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants (MIA)*, for inclusion in the annual report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system, including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Sustainability Governance

Since 2016, we have had a robust governance structure established to underpin our strategic vision for sustainability. Our Board of Directors is at the apex of this governance structure, and the other key constituents include the Managing Director and Chief Executive Officer (MD & CEO), the Risk Management Committee (RMC), the Sustainability Management Committee (SMC) and the Sustainability Representatives (SReps).

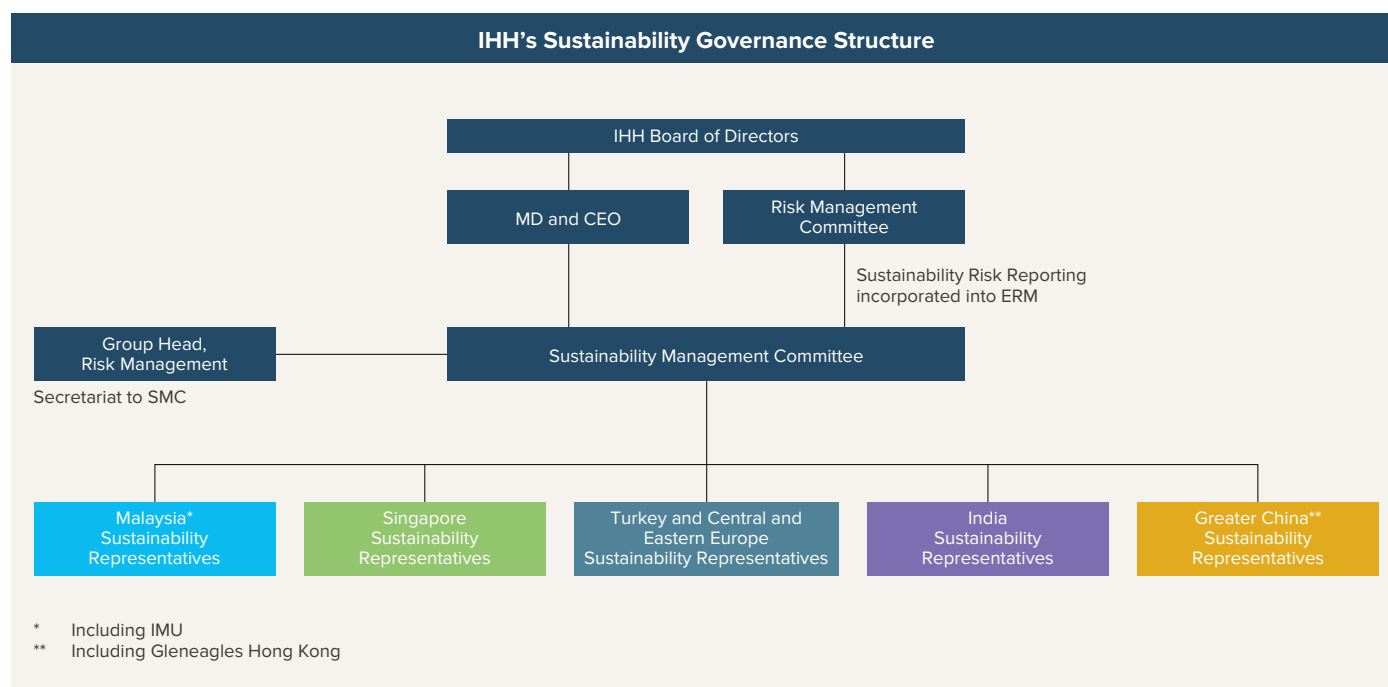
Our MD & CEO are mandated by the Board of Directors to oversee the delegation of duties of the SMC in relation to sustainability reporting.

The SMC is mandated to support value creation for our main stakeholders by integrating ethical, social and environmental responsibilities into daily business activities.

Chaired by the Group Chief Operating Officer, the SMC ensures that IHH has in place the policies, processes, systems and people required to identify and meet relevant international sustainability standards, and abide by agreements we are formally committed to upholding. In fulfilling its role within the Sustainability Governance structure, the SMC also serves as an advisor to the Board

and acts as the internal point of contact for sustainability matters concerning the Group.

Sustainability champions who are in charge of sustainability matters within their respective home, key growth and other international markets, or Heads of Operating Entity of IHH Group will be the SReps. They may appoint additional representatives to assist them in implementing and executing the directions of the SMC (with the assistance of the Secretariat to SMC that acts as the coordinator for sustainability matters at the Group level).



Investor Relations Report

Our commitment to effective shareholder engagement

IHH Healthcare (IHH) recognises the importance of effective communication between the Company, our shareholders and the general public. We believe good, clear and credible communication fosters confidence and a better understanding of our business.



IHH has a dedicated Investor Relations and Corporate Communications Department that facilitates communication between the Company and all our stakeholders, including the domestic and international investment community. We engage in active dialogue with our stakeholders, and leverage strategic communication platforms to provide timely, accurate and comprehensive insights on the Group's corporate developments, financial performance and material operations affecting us.

The Investor Relations function builds relationships between the Group and our investment community via various channels in Malaysia and internationally. We engage with shareholders through our annual reports and Annual General Meetings. In addition, we provide timely and consistent disclosures and material announcements on Bursa Malaysia Securities Berhad (Bursa Malaysia) and Singapore Exchange Limited (SGX).

Our Senior Management members are actively involved in the Group's extensive Investor Relations programme. This includes organising regular in-house meetings and facilitating hospital visits, investor non-deal roadshows (NDRs)

and conference calls, both locally and internationally, with financial analysts, institutional shareholders and fund managers. Proactive communication through these platforms keeps the investment community abreast of our strategic developments and financial performance. Furthermore, analyst briefings and media briefings are conducted when we release the Group's quarterly and annual results.

Every quarter, our Investor Relations Department updates the Board on shareholding details, Investor Relations activities, recommendations by analysts and comments from the investment community, as well as on commentaries on share price performance.

Our Board has endorsed our Investor Relations Policy, which aims to enforce IHH's commitment towards maintaining effective and timely communication with our shareholders and stakeholders. The Policy mandates that the Group updates our stakeholders on all material developments. It also outlines guidelines on the processes and procedures to be followed to ensure the successful implementation of our Investor Relations programme.

Group Corporate Website

The Group's corporate website at www.ihhhealthcare.com offers stakeholders a dedicated platform for accessing essential information on the Group. This information includes IHH's corporate profile, individual profiles of Board Members and Senior Management, share prices, financial results, dividend policy, annual reports, media releases, investor presentations, Annual General Meeting details and corporate governance-related policies. Our Investor Relations team ensures that the Investor Relations section of the website is regularly updated with the latest Group disclosures. In addition, stakeholders can also obtain regulatory announcements made by IHH to Bursa Malaysia and SGX on our Investor Relations webpage at www.ihhhealthcare.com/investor-relations.html. Any queries or concerns regarding the Group can be directed to the Investor Relations Department at ir@ihhhealthcare.com.

Investor Relations Report

Analyst Briefings for Quarterly and Annual Financial Results Announcement

In 2019, IHH's Senior Management conducted four analyst briefings and one media briefing via conference calls to discuss and communicate the Group's quarterly and annual financial results. This was on top of our timely quarterly and annual financial results

announcements to Bursa Malaysia and SGX. To widen our reach to the investment community, we uploaded recordings of these conference calls and materials related to the results announcements onto the Group's IR website.

The materials include:

- a press release with key operational and financial highlights for the quarter;

- a consolidated quarterly financial report;
- a set of presentation slides with operational and financial information; and
- a recording of the briefing for on-demand playback.

Our analyst briefings are also broadcast live via webcast to stakeholders who are overseas or unable to participate in person.

Table of Key Events

Key Events	2019	2018	2017	2016	2015	2014
Annual and Quarterly Results Announcement: Teleconference & Webcasts	4	4	4	4	4	4
Investor Conferences & Non-deal Roadshows	8	9	8	12	18	17
Number of analysts/fund managers met (in-house, conference calls and roadshows)	252	247	292	443	591	436

Conferences and Roadshows

In 2019, Investor Relations worked with the major brokerage firms to conduct stakeholder engagements through investor conferences and NDRs, locally and internationally. IHH's Senior

Management, led by Managing Director and CEO, Dr Tan See Leng, and Investor Relations reached out directly to our shareholders and investors to provide updates on our strategic developments, latest quarterly operational and financial

performance, material operations affecting the Group and the business outlook. Our Senior Management also took the opportunity to solicit feedback and perceptions of the Group from the investment community.

Dates	Conference Names	Location	Organisers
7–8 Jan	37 th J.P. Morgan Healthcare Conference: Emerging Markets	San Francisco	J.P. Morgan
28 Feb	Maybank Kuala Lumpur NDR	Kuala Lumpur	Maybank Kim Eng
4–5 Mar	Credit Suisse New York NDR	New York	Credit Suisse
6–8 Mar	CLSA London NDR	London	CLSA Limited
3 Sep	Goldman Sachs New York NDR	New York	Goldman Sachs
5–6 Sep	Credit Suisse London NDR	London	Credit Suisse
9 Sep	26 th CLSA Investor's Forum	Hong Kong	CLSA Limited
10–11 Oct	CIMB Kuala Lumpur NDR	Kuala Lumpur	CIMB Securities Ltd

Analyst Coverage

IHH is closely tracked by the investment community. As at 30 April 2020, 25 analysts provided coverage on IHH, reflecting strong interest from sell side equity research houses, both domestic and abroad.

No	Analyst Coverage	No	Analyst Coverage
1	Affin Securities Sdn Bhd	14	KAF Seagroatt & Campbell Sec Sdn Bhd
2	AmlInvestment Bank Berhad	15	K&N Kenanga Holdings Bhd
3	Bank of America Merrill Lynch Global Research	16	Macquarie Securities Ltd
4	BIMB Securities Sdn Bhd	17	Maybank Kim Eng Securities
5	CIMB Securities Pte Ltd	18	MIDF Amanah Investment Bank Bhd
6	Citigroup Global Markets Asia	19	Morgan Stanley
7	CLSA Limited	20	Nomura Securities Co Ltd/Tokyo
8	Credit Suisse Holdings USA Inc	21	Public Investment Bank
9	DBS Vickers Securities	22	RHB Research Institute Sdn Bhd
10	Deutsche Bank AG/Hong Kong	23	TA Securities Holdings Bhd
11	Goldman Sachs India Sec Pte Ltd	24	UBS Securities Malaysia Sdn
12	Hong Leong Investment Bank Bhd	25	UOB Kay Hian Pte Ltd
13	J.P. Morgan Securities (Malaysia) Sdn Bhd		

Additional Compliance Information

The following information is provided in accordance with Paragraph 9.25 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities), as set out in Part A of Appendix 9C thereto.

Utilisation of Proceeds

There were no proceeds raised by the Company from corporate proposals during the financial year ended 31 December 2019 (FY2019).

Employee Share Schemes

The following are employee share schemes established by

our Group and in existence during FY2019:

- (i) Long Term Incentive Plan (LTIP) of our Company (IHH LTIP) for a duration of 10 years from 25 March 2011 and expiring on 24 March 2021;
- (ii) LTIP of Parkway Holdings Limited (Parkway LTIP) for a duration of 10 years from 21 April 2011 and expiring on 24 March 2021;
- (iii) LTIP of Pantai Holdings Berhad (now known as Pantai Holdings Sdn Bhd) (Pantai LTIP) for a duration of 10 years from 24 May 2011 and expiring on 24 March 2021;

- (iv) LTIP of IMU Health Sdn Bhd (IMU LTIP) for a duration of 10 years from 25 August 2011 and expiring on 24 March 2021; and
- (v) Enterprise Option Scheme (EOS) of our Company for a duration of 10 years from 22 June 2015 and expiring on 21 June 2025.

(IHH LTIP, Parkway LTIP, Pantai LTIP, and IMU LTIP are collectively referred to as LTIPs)

Brief details on the numbers of LTIP units/ EOS options granted, vested and outstanding since the commencement of the LTIPs and EOS until FY2019 are as follows:

	LTIPs	EOS
Total number of LTIP units/EOS options granted	69,683,415	61,521,000
Total number of LTIP units/EOS options surrendered/exercised	57,069,045	1,033,000
Total number of LTIP units/EOS options lapsed/cancelled/opted out	8,062,370	4,637,000
Total number of LTIP units/EOS options outstanding	4,552,000	55,851,000

Granted to Directors and Chief Executive

	LTIPs	EOS
Aggregate number of LTIP units/EOS options granted	18,804,000	35,786,000
Aggregate number of LTIP units/EOS options surrendered/exercised	16,544,000	123,000
Aggregate number of LTIP units/EOS options outstanding	2,260,000	35,663,000

In accordance with the Bye Laws for the LTIPs and EOS respectively, the total number of shares which may be issued under the LTIPs and EOS to eligible participants, including Executive Directors and Senior Management of the Company, shall not exceed the aggregate of 2% of our Company's total number of issued shares. Additionally, the total number of shares which may be issued under LTIP units and EOS options granted to a participant, who either singly or collectively with persons connected with him or her owns 20% or more of the total number of issued shares of our Company,

shall not exceed in aggregate 10% of the total number of shares to be issued under the LTIPs and EOS respectively. None of our Directors and Senior Management, either singly or collectively with persons connected with them, owns 20% or more of the total number of issued shares of our Company.

For FY2019, the actual percentage of LTIP units and EOS options granted to Executive Directors and Senior Management of the Company was 70% and 82% of the total number of LTIP units and EOS options granted in 2019 respectively.

Since the commencement of the LTIP and EOS, the actual percentage of LTIP units and EOS options granted in aggregate to Executive Directors and Senior Management of the Company are 31% and 67% of the total number of LTIP units and EOS options granted respectively.

There were no LTIP units and EOS options granted to the Non-Executive Directors since the commencement dates of the LTIPs and EOS until FY2019.

Details of the LTIP units and EOS options exercised during the financial year are disclosed in Note 23 of the financial statements.

Audit and Non-Audit Fees

The amount of audit and non-audit fees paid or payable to external auditors by the Group and the Company respectively for FY2019 are as follows:

	Audit Fees		Non-Audit Fees	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
KPMG PLT	1,254	453	503	503
Affiliates of KPMG PLT	11,107	424	2,421	491
Total	12,361	877	2,924*	994

* Approximately RM1,021,000 of the non-audit fees are tax related studies or projects engaged by the various entities of the Group.

Services rendered by KPMG PLT are not prohibited by regulatory and other professional requirements and are based on globally practised guidelines on auditors' independence.

Material Contracts Involving Directors', Chief Executive's and Major Shareholders' Interests

Save as disclosed below and in the financial statements, there were no material contracts entered into by the Company and/or its subsidiaries involving Directors', Chief Executive's and Major Shareholders' interests subsisting as at 31 December 2019 or entered into since the end of the previous financial year:

- (i) A shareholders' agreement dated 23 December 2011 was entered into among the Company, Integrated Healthcare Hastaneler Turkey Sdn Bhd, Bagan Lalang Ventures Sdn Bhd, Hatice Seher Aydinlar and Mehmet Ali Aydinlar, whereby the parties have agreed on, among others, the rights and obligations of the parties regarding the governance of Acibadem Saglik Yatirimlari Holding A.S. and its group.

- (ii) On 17 September 2019, Pantai Holdings Sdn Bhd (PHSB), an indirect wholly-owned subsidiary of the Company, entered into a Conditional Share Purchase Agreement with Pulau Memutik Ventures Sdn Bhd (PMV), a wholly-owned subsidiary of Khazanah Nasional Berhad, in respect of the acquisition by PHSB of 100,000,000 ordinary shares and 35,176 redeemable preference shares, representing the entire issued share capital of Prince Court Medical Centre Sdn Bhd (PCMC) for a cash consideration of RM1,020 million (Proposed Acquisition).

The Proposed Acquisition is subject to the following approvals being obtained:

- (a) Non-interested shareholders of the Company at an Extraordinary General Meeting (EGM) of the Company;
- (b) Ministry of Health, Malaysia (MOH);
- (c) Economic Planning Unit of the Prime Minister's Department (EPU); and
- (d) Any other relevant authorities and/or parties, where required.

The Company obtained approval from its non-interested shareholders at the EGM held on 9 December 2019.

PHSB and PMV have, via a letter of extension issued by PHSB on 13 February 2020 and accepted by PMV on 17 February 2020, mutually agreed to extend the Long Stop Date of the SPA from 17 February 2020 to 13 May 2020, being 60 business days from the original Long Stop Date for the fulfilment of the remaining conditions precedent under the SPA, namely, regulatory approvals and/or waiver from the MOH and EPU.

Recurrent Related Party Transactions

The recurrent related party transactions of a revenue nature incurred by the Group for FY2019 did not exceed the threshold prescribed under Paragraph 10.09(1) of the MMLR.

Directors' Responsibility Statement

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year. These are to be made out in accordance with the applicable approved accounting standards and to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year as well as of the results and cash flows of the Group and Company for the financial year.

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

The Directors have overall responsibility for taking such steps necessary to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out in the financial statements.

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Directors' Report

for the year ended 31 December 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in note 45 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in note 45 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	551,476	35,288
Non-controlling interests	(36,634)	–
	<u>514,842</u>	<u>35,288</u>

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single tier cash dividend of 3 sen per ordinary share amounting to RM263,220,000 for the financial year ended 31 December 2018 on 18 July 2019.

The Board of Directors have declared that a first and final single tier cash dividend of 4 sen per ordinary share for the financial year ended 31 December 2019 to be paid on 30 April 2020 to shareholders whose names appear in the Record of Depositors of Bursa Malaysia Depository Sdn Bhd and The Central Depository (Pte) Limited ("CDP") at the close of business on 31 March 2020. The Company shall apply the RM:SGD noon middle rate as disclosed in the Bank Negara Malaysia's website on 31 March 2020 as the basis for computing the dividend quantum to be paid in SGD to the Singapore investors whose Company's shares are traded on SGX-ST.

DIRECTORS OF THE COMPANY

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

Dato' Mohammed Azlan Bin Hashim	
Dr. Kelvin Loh Chi-Keon	Appointed on 1 July 2019
Koji Nagatomi	
Takeshi Saito	
Mehmet Ali Aydinlar	
Rossana Annizah Binti Ahmad Rashid	
Shirish Moreshwar Apte	
Jill Margaret Watts	
Dr. Farid Bin Mohamed Sani	Appointed on 29 November 2019
Tomo Nagahiro (Alternate Director to Koji Nagatomi)	Appointed on 3 April 2019
Ong Shilin (Alternate Director to Takeshi Saito)	Appointed on 30 August 2019
Wong Eugene* (Alternate Director to Dr. Farid Bin Mohamed Sani)	Appointed on 29 November 2019
Dr. Tan See Leng	Resigned on 31 December 2019
Chang See Hiang	Resigned on 28 May 2019
Bhagat Chintamani Aniruddha	Resigned on 29 November 2019
Quek Pei Lynn (Alternate Director to Bhagat Chintamani Aniruddha)	Resigned on 31 July 2019

* Wong Eugene was appointed as an alternate director to Bhagat Chintamani Aniruddha on 31 July 2019. On 29 November 2019, he ceased to be an alternate director to Bhagat Chintamani Aniruddha and was appointed as an Alternate Director to Dr. Farid Bin Mohamed Sani.

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

DIRECTORS' INTERESTS

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

	At 1 January 2019	Number of ordinary shares			At 31 December 2019
		Options exercised	Bought	Sold	
Interests in the Company					
Dr. Tan See Leng					
– Direct	8,201,800	1,422,000	–	(9,623,800)	–
Mehmet Ali Aydinlar					
– Direct	420,244,132	691,000	–	–	420,935,132
– Deemed	107,767,141	–	–	(5,619,700)	102,147,441
Number of ordinary shares of TL1.00 each					
	At 1 January 2019	Options exercised	Bought	Sold	At 31 December 2019
Interests in subsidiaries					
Acıbadem Sağlık Yatırımları Holding A.Ş. (“ASYH”)					
Mehmet Ali Aydinlar					
– Direct	141,813,235	–	132,996,312	–	274,809,547
– Deemed	10,986,766	–	10,303,688	–	21,290,454
Acıbadem Sağlık Hizmetleri ve Ticaret A.Ş. (“ASH”)					
Mehmet Ali Aydinlar					
– Direct	1	–	–	–	1
– Deemed	1	–	–	–	1
Acıbadem Poliklinikleri A.Ş.					
Mehmet Ali Aydinlar					
– Direct	1	–	–	–	1
– Deemed	3	–	–	–	3
Acıbadem Proje Yönetimi A.Ş.					
Mehmet Ali Aydinlar					
– Direct	1	–	–	–	1
Aplus Hastane Otelcilik Hizmetleri A.Ş.					
Mehmet Ali Aydinlar					
– Direct	1	–	–	–	1
– Deemed	2	–	–	–	2

Directors' Report

for the year ended 31 December 2019

DIRECTORS' INTERESTS *(continued)*

	Number of ordinary shares of TL2.00 each				
	At 1 January 2019	Options exercised	Bought	Sold	At 31 December 2019
Interests in a subsidiary					
International Hospital Istanbul A.Ş.					
Mehmet Ali Aydinlar					
– Direct	1	–	–	–	1
– Deemed	1	–	–	–	1
Number of units convertible into ordinary shares					
	At 1 January 2019	Granted	Exercised	Lapsed/ cancelled	At 31 December 2019
Interests in the Company					
Long Term Incentive Plan (“LTIP”)					
Dr. Tan See Leng	1,308,000	1,665,000	(1,422,000)	–	1,551,000
Mehmet Ali Aydinlar	665,000	735,000	(691,000)	–	709,000
Number of options over ordinary shares					
	At 1 January 2019	Granted	Exercised	Lapsed/ cancelled	At 31 December 2019
Interests in the Company					
Enterprise Option Scheme (“EOS”)					
Dr. Tan See Leng	20,661,000	9,748,000	–	–	30,409,000
Mehmet Ali Aydinlar	2,283,000	2,844,000	–	–	5,127,000
Number of units					
	At 1 January 2019/ Date of appointment	Options exercised	Bought	Sold	At 31 December 2019
Interests in a subsidiary					
Parkway Life Real Estate Investment Trust (“PLife REIT”)					
Dr. Kelvin Loh Chi-Keon					
– Direct	120,000	–	–	–	120,000
Shirish Moreshwar Apte					
– Direct	150,000	–	–	–	150,000
Value of perpetual securities held					
	At 1 January 2019 USD’000	Bought USD’000	Sold USD’000		At 31 December 2019 USD’000
Perpetual securities issued by a subsidiary					
Parkway Pantai Limited					
Dr. Tan See Leng		3,000	–	(3,000)	–

DIRECTORS' INTERESTS *(continued)*

Except as disclosed above, none of the other Directors holding office as at 31 December 2019 had any interest in the ordinary shares, options over ordinary shares, units convertible into ordinary shares, other units and perpetual securities of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in note 42 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate apart from the issue of the LTIP and EOS as disclosed in note 23.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 4,694,000 new ordinary shares pursuant to the surrender of vested LTIP units.

Upon completion of the above, the issued and fully paid number of shares of the Company increased from 8,769,296,463 to 8,773,990,463 as at 31 December 2019.

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

EOS

At an extraordinary general meeting held on 15 June 2015, the Company's shareholders approved the establishment of the EOS for granting of non-transferrable options to eligible employees of the Group any time during the existence of the scheme.

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

- i. Eligible employees are executive directors and selected senior management employed by the Group who has been selected by the Board at its discretion, if as at the offer date, the employee:
 - has attained the age of 18 years;
 - is in the full time employment and payroll of the Group including contract employees or in the case of a director, is on the board of directors of the Group; and
 - falls within such other categories and criteria that the Board may from time to time at its absolute discretion determine.
- ii. The aggregate number of shares to be issued under the EOS shall not exceed 2% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company.

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Directors' Report

for the year ended 31 December 2019

OPTIONS GRANTED OVER UNISSUED SHARES *(continued)*

EOS (continued)

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

LTIP

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

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

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

OPTIONS GRANTED OVER UNISSUED SHARES *(continued)*

The Group acquired Fortis Healthcare Limited and its subsidiaries ("Fortis Group") on 13 November 2018. Fortis Group has share-based payment schemes and the salient features and terms of these schemes are disclosed in note 23 to the financial statements.

The options granted during the financial year is disclosed in note 23 to the financial statements.

INDEMNITY AND INSURANCE COSTS

During the financial year, the Company purchased a Directors' and Officers' Liability Insurance for the Group's directors and officers. The insurance premium paid by the Company was RM673,000.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

In the opinion of the Directors, except for those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Financial Statements

Directors' Report

for the year ended 31 December 2019

SIGNIFICANT EVENTS

Significant events during the financial year are as disclosed in notes 43 and 44 to the financial statements.

SUBSEQUENT EVENTS

Significant event subsequent to the end of the reporting period is as disclosed in note 53 to the financial statements.

CONSOLIDATION OF SUBSIDIARIES WITH DIFFERENT FINANCIAL YEAR END

Pursuant to Section 247(7) of the Companies Act 2016, the Company has applied and has been granted approval by the Companies Commission of Malaysia for the following subsidiaries of the Company to continue to have or to adopt a financial year which does not coincide with the Company in relation to the financial year ended 31 December 2019:

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

The details of the subsidiaries of RGE, Continental and Fortis are disclosed in note 45 to financial statements.

AUDITORS

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

The auditors' remuneration is disclosed in note 31 to the financial statements.

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

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

.....
Dr. Kelvin Loh Chi-Keon
Director

26 March 2020

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 159 to 313 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

The Directors would like to draw your attention to note 49. Given the ongoing regulatory investigations, any further adjustments/disclosures, if required, would be made in the financial statements of the Group as appropriate when the outcome is known.

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

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

.....
Dr. Kelvin Loh Chi-Keon
Director

26 March 2020

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Low Soon Teck**, the officer primarily responsible for the financial management of IHH Healthcare Berhad, do solemnly and sincerely declare that the financial statements set out on pages 159 to 313 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Oaths and Declarations Act (Cap 211, 2001 Rev Ed.).

Subscribed and solemnly declared by the abovenamed Low Soon Teck, Passport No.: K0764500H in the Republic of Singapore on 26 March 2020.

.....
Low Soon Teck

Before me:

Commissioner for Oaths
Singapore

Independent Auditors' Report

To the members of IHH Healthcare Berhad
(Registration No. 201001018208 (901914-V))
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the financial statements of IHH Healthcare Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 159 to 313.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Qualified Opinion

As disclosed in Note 49 to the financial statements, the Group completed its acquisition of Fortis Healthcare Limited ("Fortis") and its subsidiaries ("Fortis Group") on 13 November 2018. Prior to the acquisition, an investigation report by an independent external legal firm was submitted to the former Fortis Board, indicating systematic lapses and/or override of internal controls. Significant findings, amongst others, highlighted the placement of inter-corporate deposits and existence of possible related parties connected with former controlling shareholders of Fortis which may require appropriate reassessment by Fortis Group on the claims from, or transactions with, such parties. The Fortis Group had also initiated enquiries of the management of the entities in the Fortis Group that were impacted in respect of the matters investigated by the external legal firm.

In addition, there are ongoing investigations by the Securities and Exchange Board of India ("SEBI") and the Serious Fraud Investigation Office ("SFIO"), Ministry of Corporate Affairs of India. On 17 October 2018, 21 December 2018 and 19 March 2019, SEBI had issued interim orders which, amongst others, stating that certain transactions were structured by some identified entities, which were *prima facie* fictitious and fraudulent in nature, resulting in, *inter alia*, diversion of funds by former controlling shareholders of Fortis.

Due to the ongoing process of the various inquiries and investigations (including the need for any additional investigations by Fortis), the external auditors of Fortis are unable to determine if there are any regulatory non-compliances and additional adjustments or disclosures which may be necessary as a result of further findings of the ongoing or future regulatory or internal investigations and their consequential impact, if any, on the consolidated financial statements of Fortis. Any consequential adjustments may be recorded either as adjustments to the assets acquired and liabilities assumed in the acquisition which will have an impact to the post-acquisition adjustments to be recognised in the financial statements of the Group in the period the adjustments are known.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

Emphasis of Matter

We draw attention to Note 50 to the financial statements on the judgment dated 15 November 2019 by the Supreme Court of India (“Judgment”), relating to the issuance of a suo-moto contempt notice to, amongst others, Fortis, and directed its Registry to register a fresh contempt petition in regard to alleged violation of its order dated 14 December 2018.

Since the issuance of the Judgment, several parties have filed applications before the Supreme Court, in attempts to seek remedies for themselves. On 5 March 2020, Northern TK Venture Pte. Ltd., the immediate holding company of Fortis, through its legal counsel, filed the necessary applications to intervene in the aforementioned Supreme Court proceedings.

As explained in the said note, the Group believes that it has a strong case on merits. The outcome of the Supreme Court proceedings cannot be predicted at this juncture and therefore the potential impact to the Group’s financial statements cannot be determined. Our opinion is not further modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

a. Impairment of goodwill and intangible assets – Group

Refer to Note 2(f) and 2(g) – Significant accounting policies: “Goodwill on consolidation” and “Intangible assets” and Note 7 – Goodwill on consolidation and intangible assets.

The key audit matter

As at 31 December 2019, the Group’s goodwill and intangible assets of RM14.7 billion represented 32.5% of the Group’s total assets.

In view of the financial significance of the balance, the inherent uncertainties and the level of judgement required by us in evaluating the Group’s assumptions included within the cash flow model and fair value less costs to sell model, impairment of goodwill and intangible assets is a key audit matter.

The Group conducted an impairment assessment on all its cash-generating units (“CGUs”) to identify if the recoverable amount is less than the carrying amount, indicating that the goodwill and intangible assets may be impaired. The Group determined the recoverable amounts of CGUs using value in use model involving cash flow projections with a terminal value or fair value less costs to sell model. Key assumptions within these models include revenue growth, EBITDA margin, long-term growth rates and discount rates.

During the year, an impairment charge of RM214.8 million was recognised in the profit or loss of the Group in respect of the cash-generating units where its recoverable amount is less than the Group’s carrying amount.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We assessed the appropriateness of using value in use or fair value less costs to sell models as the basis for determining the CGUs’ recoverable amounts.
- We evaluated the Group’s cash flow projections by performing retrospective assessment of the key assumptions driving the business units’ cash flow projections, in particular revenue growth and EBITDA margin, to the latest internal board approved budget and plan, external market data, the historical accuracy of the Group’s estimates in the previous years and our understanding of the future prospects of the business or investments.
- We worked with our own valuation specialists to challenge the discount rates and long-term growth rates, and comparing these assumptions to economic and industry forecasts.
- We performed our own sensitivity of the impairment calculation to changes in the key assumptions used by the Group to assess the extent of the changes that would be required for the assets to be impaired.
- We also assessed the adequacy of key assumptions disclosure in the Group’s financial statements.

Independent Auditors' Report

To the members of IHH Healthcare Berhad
(Registration No. 201001018208 (901914-V))
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

Key Audit Matters *(continued)*

b. Basis of allocating the Purchase Price for the acquisition of Fortis and four (4) subsidiaries of Fortis Global Healthcare Infrastructure Pte Ltd

Refer to Note 2(a) – Significant accounting policies: “Basis of consolidation”, Note 8 – Investment in subsidiaries and Note 43 – Acquisition and disposal of subsidiaries/business.

The key audit matter

In prior year, the Group acquired 31.17% equity interest in Fortis Healthcare Limited (“Fortis”) for a consideration of INR40.0 billion (approximately RM2.3 billion). The acquisition was completed on 13 November 2018. On 15 January 2019, Fortis completed the acquisition of four (4) subsidiaries of Fortis Global Healthcare Infrastructure Pte Ltd, a wholly owned subsidiary of RHT Healthcare Trust, for a total consideration of INR36.0 billion (approximately RM2.1 billion).

This was a key audit matter as the accounting for the acquisition of Fortis and four (4) subsidiaries of Fortis Global Healthcare Infrastructure Pte Ltd, were complex and the process of purchase price allocation required significant judgement and estimation used by the Group.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We evaluated the appropriateness of the Group’s assessment on the fair value of identifiable assets and liabilities, with the involvement of KPMG’s valuation specialist.
- We evaluated the appropriateness of the discount rate used by comparing it with our expectations based on our knowledge of the industry in which the asset operates.
- We assessed those significant and highly sensitive assumptions to determine that they were appropriate and supportable by comparing them with internal and external sources.
- We re-computed the goodwill arising from the business combination.
- We have also assessed the adequacy of the disclosures in respect of the acquisition in the Group’s financial statements.

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

Information Other than the Financial Statements and Auditors’ Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors’ report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditors' Report

To the members of IHH Healthcare Berhad
(Registration No. 201001018208 (901914-V))
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements *(continued)*

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 45 to the financial statements.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT

(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Malaysia
26 March 2020

Lee Yee Keng

Approval Number: 02880/04/2021 J
Chartered Accountant

Statements of Financial Position

as at 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Assets					
Property, plant and equipment	3	11,196,308	14,123,301	627	1,429
Right-of-use assets	4	6,736,016	—	1,237	—
Prepaid lease payments	5	—	1,017,810	—	—
Investment properties	6	3,508,182	3,310,429	—	—
Goodwill on consolidation	7	12,574,673	11,829,197	—	—
Intangible assets	7	2,081,266	2,256,877	—	—
Investment in subsidiaries	8	—	—	19,713,748	16,286,644
Interests in associates	9	92,454	875,314	—	—
Interests in joint ventures	10	212,529	206,641	—	—
Other financial assets	11	46,763	18,668	—	—
Trade and other receivables	15	155,809	112,420	18,252	—
Tax recoverable		385,512	276,414	—	—
Derivative assets	27	9,220	722	—	—
Deferred tax assets	12	428,228	457,264	208	—
Total non-current assets		37,426,960	34,485,057	19,734,072	16,288,073
Development properties	13	84,213	80,729	—	—
Inventories	14	350,321	350,729	—	—
Trade and other receivables	15	2,107,897	1,959,970	5,938	15,330
Amounts due from subsidiaries	16	—	—	50,451	2,546,875
Tax recoverable		17,081	18,020	—	—
Other financial assets	11	344,283	347,185	186,148	179,646
Derivative assets	27	85	9,315	—	—
Cash and cash equivalents	17	4,714,669	7,763,398	156,169	1,280,302
		7,618,549	10,529,346	398,706	4,022,153
Assets classified as held for sale	18	7,780	6,448	—	—
Total current assets		7,626,329	10,535,794	398,706	4,022,153
Total assets		45,053,289	45,020,851	20,132,778	20,310,226

Statements of Financial Positionas at 31 December 2019 *(continued)*

		Group		Company	
	Note	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Equity					
Share capital	19	19,455,138	19,427,586	19,455,138	19,427,586
Other reserves	20	(1,529,495)	(1,665,515)	83,357	61,207
Retained earnings		4,413,888	4,231,930	501,371	729,004
Total equity attributable to owners of the Company		22,339,531	21,994,001	20,039,866	20,217,797
Perpetual securities	21	2,158,169	2,157,943	–	–
Non-controlling interests		3,596,269	4,199,755	–	–
Total equity		28,093,969	28,351,699	20,039,866	20,217,797
Liabilities					
Loans and borrowings	22	8,266,065	9,366,382	–	–
Lease liabilities		1,851,567	–	253	–
Employee benefits	23	99,821	98,938	17	122
Trade and other payables	26	249,514	691,264	–	–
Derivative liabilities	27	33,124	12,168	–	–
Deferred tax liabilities	12	1,110,002	982,333	–	–
Total non-current liabilities		11,610,093	11,151,085	270	122
Bank overdrafts	17	121,814	81,215	–	–
Loans and borrowings	22	637,834	1,123,108	–	–
Lease liabilities		222,366	–	999	–
Employee benefits	23	145,484	130,547	1,468	1,603
Trade and other payables	26	3,858,162	3,786,795	9,558	11,367
Derivative liabilities	27	12,964	5,931	–	–
Amounts due to subsidiaries	16	–	–	79,797	78,589
Tax payable		350,418	390,471	820	748
		5,349,042	5,518,067	92,642	92,307
Liabilities classified as held for sale	18	185	–	–	–
Total current liabilities		5,349,227	5,518,067	92,642	92,307
Total liabilities		16,959,320	16,669,152	92,912	92,429
Total equity and liabilities		45,053,289	45,020,851	20,132,778	20,310,226

The notes on pages 171 to 313 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Revenue	28	14,912,485	11,520,932	115,562	2,577,204
Other operating income		308,635	372,910	876	14,582
Inventories and consumables		(2,923,546)	(2,210,445)	–	–
Purchases and contracted services		(1,584,059)	(948,729)	–	–
Development cost of properties sold		(738)	–	–	–
Staff costs	29	(5,371,535)	(4,538,075)	(55,832)	(43,109)
Depreciation and impairment of property, plant and equipment	3	(954,505)	(880,701)	(631)	(859)
Depreciation of right-of-use assets	4a	(335,357)	–	(990)	–
Amortisation and impairment of intangible assets and prepaid lease payments	7	(65,629)	(58,457)	–	–
Operating lease expenses	4c	(84,582)	(334,316)	(1,185)	(2,186)
Net (loss)/write back on impairment of financial instruments		(62,689)	34,487	–	–
Other operating expenses		(2,097,587)	(1,414,669)	(32,724)	(2,322,652)
Finance income	30	131,325	174,943	13,903	25,726
Finance costs	30	(903,600)	(978,822)	(2,682)	(2,042)
Share of profits of associates (net of tax)		64,244	11,515	–	–
Share of profits of joint ventures (net of tax)		9,862	1,897	–	–
Profit before tax	31	1,042,724	752,470	36,297	246,664
Income tax expense	34	(527,882)	(262,610)	(1,009)	(2,891)
Profit for the year		514,842	489,860	35,288	243,773
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences from foreign operations		(155,909)	(346,877)	29	8
Hedge of net investments in foreign operations		1,477	(78,542)	–	–
Cash flow hedge		976	4,249	–	–
Cost of hedging reserve		914	–	–	–
	32	(152,542)	(421,170)	29	8
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liabilities		(9,519)	(11,241)	–	–
Net change in fair value of fair value through other comprehensive income ("FVOCI") financial instruments		(9,252)	759	–	759
Effect of change in tax rate on the past revaluation of property, plant and equipment upon transfer to investment properties		(2,456)	–	–	–
	32	(21,227)	(10,482)	–	759
Total comprehensive income for the year		341,073	58,208	35,317	244,540
Profit attributable to:					
Owners of the Company		551,476	627,687	35,288	243,773
Non-controlling interests		(36,634)	(137,827)	–	–
Profit for the year		514,842	489,860	35,288	243,773
Total comprehensive income/(expense) attributable to:					
Owners of the Company		428,448	377,349	35,317	244,540
Non-controlling interests		(87,375)	(319,141)	–	–
Total comprehensive income/(expense) for the year		341,073	58,208	35,317	244,540
Earnings per ordinary share (sen):					
Basic	35	5.28	6.54		
Diluted	35	5.28	6.53		

The notes on pages 171 to 313 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2019

Group	Note	Attributable to owners of the Company				
		Non-distributable				
		Share capital RM'000	Share option reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Cost of hedging reserve RM'000
At 1 January 2018		16,462,994	54,959	—	85,890	—
Foreign currency translation differences from foreign operations (restated)		—	—	—	—	—
Hedge of net investments in foreign operations		—	—	—	—	—
Net change in fair value of FVOCI financial instruments		—	—	759	—	—
Cash flow hedge		—	—	—	—	—
Remeasurement of defined benefit liabilities		—	—	—	—	—
Total other comprehensive income/(expense) for the year	32	—	—	759	—	—
Profit for the year		—	—	—	—	—
Total comprehensive income/(expense) for the year		—	—	759	—	—
<i>Contributions by and distributions to owners of the Company</i>						
– Share options exercised		1,282	—	—	—	—
– Share-based payment	23	—	38,909	—	—	—
– Dividends to owners of the Company	36	—	—	—	—	—
Transfer to share capital on share options exercised		1,282	38,909	—	—	—
Cancellation of vested share options		31,395	(31,395)	—	—	—
Acquisitions of subsidiaries (restated)	43	—	(1,094)	—	—	—
Changes in ownership interests in subsidiaries	44	—	—	—	—	—
Issue of shares by subsidiaries to non-controlling interests		2,931,915	—	—	—	—
Changes in fair value of put options granted to non-controlling interests	38(vii)	—	—	—	—	—
Transfer per statutory requirements		—	—	—	—	—
Payment of coupon on perpetual securities	21	—	—	—	—	—
Accrued perpetual securities distribution	21	—	—	—	—	—
Dividends paid to non-controlling interests		—	—	—	—	—
Total transactions with owners of the Company		2,964,592	6,420	—	—	—
Reclassification		—	—	(759)	—	—
At 31 December 2018 (restated)		19,427,586	61,379	—	85,890	—

					Distributable				
Hedge reserve RM'000	Capital reserve RM'000	Legal reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual securities RM'000	Non-controlling interests RM'000	Total equity RM'000	
15,200	(1,015,092)	47,755	2,289,575	3,948,881	21,890,162	2,158,664	1,851,904	25,900,730	
–	–	–	(215,086)	–	(215,086)	–	(131,791)	(346,877)	
–	–	–	(27,985)	–	(27,985)	–	(50,557)	(78,542)	
–	–	–	–	–	759	–	–	759	
1,514	–	–	–	–	1,514	–	2,735	4,249	
–	–	–	–	(9,540)	(9,540)	–	(1,701)	(11,241)	
1,514	–	–	(243,071)	(9,540)	(250,338)	–	(181,314)	(431,652)	
–	–	–	–	627,687	627,687	–	(137,827)	489,860	
1,514	–	–	(243,071)	618,147	377,349	–	(319,141)	58,208	
–	–	–	–	–	1,282	–	–	1,282	
–	17	–	–	–	38,926	–	38	38,964	
–	–	–	–	(247,338)	(247,338)	–	–	(247,338)	
–	17	–	–	(247,338)	(207,130)	–	38	(207,092)	
–	–	–	–	–	–	–	–	–	
–	–	–	–	1,094	–	–	–	–	
–	–	–	–	–	–	–	2,495,324	2,495,324	
1	(3,258,468)	–	(3)	–	(326,555)	–	408,897	82,342	
–	(203)	–	–	–	(203)	–	11,563	11,360	
–	347,073	–	–	–	347,073	–	(50,739)	296,334	
–	–	3,767	–	(3,767)	–	–	–	–	
–	(849)	–	–	–	(849)	(86,567)	–	(87,416)	
–	–	–	–	(85,846)	(85,846)	85,846	–	–	
–	–	–	–	–	–	–	(198,091)	(198,091)	
1	(2,912,430)	3,767	(3)	(335,857)	(273,510)	(721)	2,666,992	2,392,761	
–	–	–	–	759	–	–	–	–	
16,715	(3,927,522)	51,522	2,046,501	4,231,930	21,994,001	2,157,943	4,199,755	28,351,699	

Statements of Changes in Equity

for the year ended 31 December 2019 *(continued)*

Group	Note	Attributable to owners of the Company			
		Share capital RM'000	Share option reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000
At 31 December 2018, as previously reported		19,427,586	61,379	—	85,890
Finalisation of Purchase Price Allocation ("PPA")	43	—	—	—	—
At 31 December 2018, as restated		19,427,586	61,379	—	85,890
Foreign currency translation differences from foreign operations		—	—	—	—
Hedge of net investments in foreign operations		—	—	—	—
Costs of hedging reserves		—	—	—	—
Cash flow hedge		—	—	—	—
Net change in fair value of FVOCI financial instruments		—	—	(9,252)	—
Effect of change in tax rate on the past revaluation of property, plant and equipment upon transfer to investment properties		—	—	—	(2,456)
Remeasurement of defined benefit liabilities		—	—	—	—
Total other comprehensive income/(expense) for the year	32	—	—	(9,252)	(2,456)
Profit for the year		—	—	—	—
Total comprehensive (expense)/income for the year		—	—	(9,252)	(2,456)
<i>Contributions by and distributions to owners of the Company</i>					
— Share-based payment	23	—	49,972	—	—
— Dividends to owners of the Company	36	—	—	—	—
Transfer to share capital on share options exercised		27,552	(27,552)	—	—
Cancellation of vested share options		—	(299)	—	—
Changes in ownership interests in subsidiaries	44	—	—	—	—
Issue of shares by subsidiaries to non-controlling interests		—	—	—	—
Disposal of subsidiary	43	—	—	—	—
Changes in fair value of put options granted to non-controlling interests	38(vii)	—	—	—	—
Transfer from hedge reserves to revenue reserves		—	—	—	—
Transfer per statutory requirements		—	—	—	—
Overprovision of transaction costs in prior years' dilution in interest in subsidiaries		—	—	—	—
Payment of coupon on perpetual securities	21	—	—	—	—
Accrued perpetual securities distribution	21	—	—	—	—
Dividends paid to non-controlling interests		—	—	—	—
Total transactions with owners of the Company		27,552	22,121	—	—
Transfer of accumulated losses to retained earnings upon disposal of the FVOCI equity instruments		—	—	9,252	—
At 31 December 2019		19,455,138	83,500	—	83,434

										Distributable	
Cost of hedging reserve RM'000	Hedge reserve RM'000	Capital reserve RM'000	Legal reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual securities RM'000	Non- controlling interests RM'000	Total equity RM'000		
–	16,715	(3,927,522)	51,522	2,046,501	4,231,930	21,994,001	2,157,943	4,355,141	28,507,085		
–	–	–	–	–	–	–	–	(155,386)	(155,386)		
–	16,715	(3,927,522)	51,522	2,046,501	4,231,930	21,994,001	2,157,943	4,199,755	28,351,699		
–	–	–	–	(103,133)	–	(103,133)	–	(52,776)	(155,909)		
–	–	–	–	526	–	526	–	951	1,477		
325	–	–	–	–	–	325	–	589	914		
–	347	–	–	–	–	347	–	629	976		
–	–	–	–	–	–	(9,252)	–	–	(9,252)		
–	–	–	–	–	–	(2,456)	–	–	(2,456)		
–	–	–	–	–	(9,385)	(9,385)	–	(134)	(9,519)		
325	347	–	–	(102,607)	(9,385)	(123,028)	–	(50,741)	(173,769)		
–	–	–	–	–	551,476	551,476	–	(36,634)	514,842		
325	347	–	–	(102,607)	542,091	428,448	–	(87,375)	341,073		
–	–	340	–	–	–	50,312	–	754	51,066		
–	–	–	–	–	(263,220)	(263,220)	–	–	(263,220)		
–	–	340	–	–	(263,220)	(212,908)	–	754	(212,154)		
–	–	–	–	–	–	–	–	–	–		
–	–	–	–	–	299	–	–	–	–		
–	1	(96,730)	–	(5)	–	(96,734)	–	(410,421)	(507,155)		
–	–	–	–	–	–	–	–	101,583	101,583		
–	–	1,249	(31)	–	–	1,218	–	124	1,342		
–	–	239,277	–	–	–	239,277	–	5,209	244,486		
–	(1,812)	–	–	–	1,812	–	–	–	–		
–	–	–	1,600	–	(1,600)	–	–	–	–		
–	–	74,054	–	–	–	74,054	–	–	74,054		
–	–	347	–	–	–	347	(87,946)	–	(87,599)		
–	–	–	–	–	(88,172)	(88,172)	88,172	–	–		
–	–	–	–	–	–	–	–	(213,360)	(213,360)		
–	(1,811)	218,537	1,569	(5)	(350,881)	(82,918)	226	(516,111)	(598,803)		
–	–	–	–	–	(9,252)	–	–	–	–		
325	15,251	(3,708,985)	53,091	1,943,889	4,413,888	22,339,531	2,158,169	3,596,269	28,093,969		

Statements of Changes in Equity

for the year ended 31 December 2019 *(continued)*

Company	Note	Attributable to owners of the Company					
		Non-distributable				Distributable	
		Share capital RM'000	Share option reserve RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2018		16,462,994	54,959	(180)	–	730,716	17,248,489
Foreign currency translation differences from foreign operations		–	–	8	–	–	8
Net change in fair value through other comprehensive income financial instruments		–	–	–	759	–	759
Total other comprehensive income for the year		–	–	8	759	–	767
Profit for the year		–	–	–	–	243,773	243,773
Total comprehensive income for the year		–	–	8	759	243,773	244,540
<i>Contributions by and distributions to owners of the Company</i>							
– Share options exercised		1,282	–	–	–	–	1,282
– Share-based payment		–	38,909	–	–	–	38,909
– Issue of new shares		2,931,915	–	–	–	–	2,931,915
– Dividends to owners of the Company	36	–	–	–	–	(247,338)	(247,338)
		2,933,197	38,909	–	–	(247,338)	2,724,768
Transfer to share capital on share options exercised		31,395	(31,395)	–	–	–	–
Cancellation of vested share options		–	(1,094)	–	–	1,094	–
Total transactions with owners of the Company		2,964,592	6,420	–	–	(246,244)	2,724,768
Reclassification		–	–	–	(759)	759	–
At 31 December 2018		19,427,586	61,379	(172)	–	729,004	20,217,797

Company	Note	Attributable to owners of the Company					
		Non-distributable				Distributable	
		Share capital RM'000	Share option reserve RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2019		19,427,586	61,379	(172)	–	729,004	20,217,797
Foreign currency translation differences from foreign operations		–	–	29	–	–	29
Total other comprehensive income for the year		–	–	29	–	–	29
Profit for the year		–	–	–	–	35,288	35,288
Total comprehensive income for the year		–	–	29	–	35,288	35,317
<i>Contributions by and distributions to owners of the Company</i>							
– Share-based payment		–	49,972	–	–	–	49,972
– Dividends to owners of the Company	36	–	–	–	–	(263,220)	(263,220)
		–	49,972	–	–	(263,220)	(213,248)
Transfer to share capital on share options exercised		27,552	(27,552)	–	–	–	–
Cancellation of vested share options		–	(299)	–	–	299	–
Total transactions with owners of the Company		27,552	22,121	–	–	(262,921)	(213,248)
At 31 December 2019		19,455,138	83,500	(143)	–	501,371	20,039,866

The notes on pages 171 to 313 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities					
Profit before tax		1,042,724	752,470	36,297	246,664
Adjustments for:					
Dividend income	28	(4,065)	(3,639)	(115,562)	(2,577,204)
Finance income	30	(131,325)	(174,943)	(13,903)	(25,726)
Finance costs	30	903,600	978,822	2,682	2,042
Depreciation and impairment of property, plant and equipment	3	954,505	880,701	631	859
Depreciation of right-of-use assets	4	335,357	—	990	—
Amortisation and impairment of intangible assets and prepaid lease payments	7	65,629	58,457	—	—
Impairment loss made/(written back):					
– Investment in a subsidiary	31	—	—	31	2,295,921
– Goodwill	31	214,780	66,168	—	—
– Investment in a joint venture	31	—	33,353	—	—
– Trade and other receivables	31	62,689	(34,487)	—	—
– Inventories	31	1,048	—	—	—
Write-off:					
– Property, plant and equipment	31	3,697	1,219	—	—
– Intangible assets	31	5,377	174	—	—
– Inventories	31	3,377	1,903	—	—
– Trade and other receivables	31	14,092	13,337	—	—
– Amount due from subsidiaries		—	—	66	—
Gain on disposal of property, plant and equipment	31	(10,795)	(831)	(612)	(107)
Gain on disposal of a subsidiary	31	(2,299)	—	—	—
Gain on disposal of business units	31	—	(2,925)	—	—
Gain on disposal of an associate	31	(167)	—	—	—
Change in fair value of investment properties	31	(10,169)	(74,192)	—	—
Provision for financial guarantee given to a joint venture's loan	31	2,405	3,967	—	—
Share of profits of associates (net of tax)		(64,244)	(11,515)	—	—
Share of profits of joint ventures (net of tax)		(9,862)	(1,897)	—	—
Equity-settled share-based payment	23	51,066	38,964	14,373	11,309
Net unrealised foreign exchange differences		119,446	(183,675)	6,021	(11,906)
Operating profit/(loss) before changes in working capital		3,546,866	2,341,431	(68,986)	(58,148)
Changes in working capital:					
Development properties		(3,484)	(5,702)	—	—
Inventories		(2,036)	(38,873)	—	—
Trade and other receivables		(175,286)	(153,199)	(11,690)	12,815
Trade and other payables		(343,120)	100,681	(2,185)	2,469
Cash generated from/(used in) operations		3,022,940	2,244,338	(82,861)	(42,864)
Tax paid		(575,449)	(380,080)	(1,180)	(3,835)
Net cash from/(used in) operating activities		2,447,491	1,864,258	(84,041)	(46,699)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from investing activities					
Interest received		88,995	130,324	14,289	24,670
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	43	(2,092,171)	(178,977)	–	–
Development and purchase of intangible assets		(26,395)	(14,511)	–	–
Purchase of property, plant and equipment		(1,055,564)	(1,046,729)	(45)	(573)
Payment for prepaid lease		–	(4,075)	–	–
Purchase of investment properties	6	(162,794)	(69,613)	–	–
Purchase of money market funds		–	(178,652)	–	(178,652)
Purchase of equity instruments		(30,343)	–	–	–
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed	43	3,877	–	–	–
Net cash inflow from disposal of business units	43	–	2,925	–	–
Net (placement)/withdrawal of fixed deposits with tenor of more than 3 months		(4,941)	69,517	–	–
Proceeds from disposal of an associate	9	43,574	–	–	–
Proceeds from disposal of property, plant and equipment		30,508	8,109	827	107
Proceeds from disposal of intangibles		3,164	–	–	–
Proceeds from disposal of mutual funds		52,235	–	–	–
Proceeds from disposal of equity instruments		17,224	–	–	–
Proceeds from disposal of money market funds		–	5,370	–	–
Dividends received from money market funds	28	–	3,639	–	3,639
Dividends received from subsidiaries	28	–	–	111,497	50,000
Dividends received from joint ventures		1,166	1,212	–	–
Dividends received from associates		537,283	13,849	–	–
Subscription for shares of subsidiaries		–	–	(903,570)	–
Deposits placed in escrow account		–	(1,970,800)	–	–
Repayment from subsidiaries		–	–	1,131	97,067
Net cash used in investing activities		(2,594,182)	(3,228,412)	(775,871)	(3,742)

Statements of Cash Flowsfor the year ended 31 December 2019 *(continued)*

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from financing activities					
Interest paid		(391,896)	(363,147)	–	–
Proceeds from exercise of share options		–	1,282	–	1,282
Proceeds from loans and borrowings		3,397,058	4,036,562	–	–
Proceeds from issue of fixed rate medium term notes		–	128,542	–	–
Repayment of loans and borrowings		(4,478,366)	(2,352,671)	–	–
Loan from non-controlling interest of a subsidiary		575	2,454	–	–
Payment of lease liabilities	4d	(339,915)	–	(1,018)	–
Payment of perpetual securities distribution		(87,599)	(87,416)	–	–
Dividends paid to non-controlling interests		(213,360)	(198,091)	–	–
Dividends paid to owners of the Company		(263,220)	(247,338)	(263,220)	(247,338)
Acquisition of non-controlling interests		(636,160)	(16,863)	–	–
Proceeds from dilution of interest in subsidiaries		1,173	13,745	–	–
Issue of shares by subsidiaries to non-controlling interests		101,583	11,360	–	–
Changes in pledged deposits		(5,008)	(31)	–	–
Net cash (used in)/from financing activities		(2,915,135)	928,388	(264,238)	(246,056)
Net decrease in cash and cash equivalents		(3,061,826)	(435,766)	(1,124,150)	(296,497)
Effect of exchange rate fluctuations on cash held		(7,274)	68,583	17	11,906
Cash and cash equivalents at 1 January		5,710,563	6,077,746	1,280,302	1,564,893
Cash and cash equivalents at 31 December		2,641,463	5,710,563	156,169	1,280,302

Cash and cash equivalents

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

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances		1,787,086	4,166,127	156,169	1,227,914
Fixed deposits with tenor of 3 months or less		2,927,583	3,597,271	–	52,388
		4,714,669	7,763,398	156,169	1,280,302
Less:					
– Bank overdrafts		(121,814)	(81,215)	–	–
– Deposits placed in escrow account		(1,945,564)	(1,970,800)	–	–
– Cash collateral received/pledged		(5,828)	(820)	–	–
Cash and cash equivalents	17	2,641,463	5,710,563	156,169	1,280,302

The notes on pages 171 to 313 are an integral part of these financial statements.

Notes to the Financial Statements

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" or "IHH Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in note 45 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

These financial statements were authorised for issue by the Board of Directors on 26 March 2020.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

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

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

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

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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

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

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

- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020, except for amendments which are not applicable to the Group and Company.
- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on or after 1 January 2022.

Notes to the Financial Statements

1. BASIS OF PREPARATION *(continued)*

(a) Statement of compliance *(continued)*

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

The initial application of the abovementioned accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and Company.

Early adoption of amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform

The Group early adopted the amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform* issued in October 2019 in relation to the project on interest rate benchmark reform.

Specific policies applicable from 1 January 2019 for hedges directly affected by interbank offer rates (“IBOR”) reform

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The Group has exposure to IBORs on its financial instruments that will be replaced or reformed as part of this market-wide initiative. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark IBORs with alternative rates.

On initial designation of the hedging relationship, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated. For the purpose of evaluating whether the hedging relationship is expected to be highly effective (i.e. prospective effectiveness assessment), the Group assumes that the benchmark interest rate on which the cash flows are based is not altered as a result of IBOR reform.

The Group will cease to apply the amendments to its effectiveness assessment of the hedging relationship at the earlier of, when the uncertainty arising from interest rate benchmark reform is no longer present; and when the hedging relationship is discontinued.

(b) Basis of measurement

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

(c) Functional and presentation currencies

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

(d) Use of estimates and judgements

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

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

1. BASIS OF PREPARATION *(continued)*

(d) Use of estimates and judgements *(continued)*

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

- Note 4 – extension options and incremental borrowing rate in relation to leases
- Note 6 – measurement of the fair value of investment properties
- Note 7 – measurement of the recoverable amounts of cash-generating units
- Note 10 – measurement of the recoverable value of a joint venture
- Note 23 – measurement of share-based payment
- Note 24 and 25 – measurement of retirement benefits and employment termination benefits
- Note 26 – measurement of fair value of put options granted to non-controlling interests
- Note 38 – measurement of expected credit loss (“ECL”) allowance for trade and other receivables:
key assumption in determining the weighted-average loss rate
- Note 43 – business combinations

2. SIGNIFICANT ACCOUNTING POLICIES

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

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impact arising from the changes are disclosed in note 51.

(a) Basis of consolidation

(i) Subsidiaries

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee’s return.

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

(ii) Business combinations

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

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group's equity and any resulting gain or loss is recognised directly in equity.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

(vi) Associates

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

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

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

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

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

(vii) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

(viii) Non-controlling interests

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

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

(ix) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

(ii) Foreign operations

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments

(i) Recognition and initial measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

(a) Amortised cost

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

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

(b) Fair value through profit or loss

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments *(continued)*

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

Financial assets (continued)

(c) Fair value through other comprehensive income

(i) Debt investments

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

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

(ii) Equity investments

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

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

Financial liabilities

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

(a) Fair value through profit or loss

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments *(continued)*

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

Financial liabilities (continued)

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

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

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

(b) Amortised cost

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

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

Put options granted to non-controlling interests

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

Compulsory convertible preference shares ("CCPS")

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

(iii) Financial guarantee contracts

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

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments *(continued)*

(iv) Regular way purchase or sale of financial assets

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

Trade date accounting refers to:

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

Settlement date accounting refers to:

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

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

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

(v) Hedge accounting

At inception of a designated hedging relationship, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(a) Cash flow hedge

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

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

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments *(continued)*

(v) Hedge accounting *(continued)*

(a) Cash flow hedge *(continued)*

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

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

(b) Hedge of a net investment

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

(vi) Derecognition

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

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

(vii) Offsetting

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(iii) Depreciation *(continued)*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction (construction-in-progress) are not depreciated until the assets are ready for their intended use.

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

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

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

(e) Leases

The Group has applied MFRS 16, *Leases*, using the modified retrospective approach and applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

From 1 January 2019 onwards

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Leases *(continued)*

From 1 January 2019 onwards *(continued)*

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use (“ROU”) asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities’ incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it 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. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15, *Revenue from Contracts with Customers*, to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Leases *(continued)*

From 1 January 2019 onwards *(continued)*

(iii) Subsequent measurement

(a) As a lessee

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of ROU assets are determined on the same basis as those of property, plant and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

(b) As a lessor

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

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* (see note 2(o)(i)).

Prior to 1 January 2019

As a lessee

(i) Finance lease

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

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

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

(ii) Operating lease

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Goodwill on consolidation

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

(g) Intangible assets

(i) Research and development

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

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

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

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

(ii) Other intangible assets

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

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Investment properties

(i) Recognition and measurement

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

Investment properties which are owned are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. ROU asset held under a lease contract that meets the definition of investment property is initially measured similarly as other ROU assets.

Subsequently, investment properties are measured at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

The fair value of investment properties held by the Group as a ROU asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, the Group added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

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

(ii) Reclassification to/from investment property

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

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

(i) Development properties

Properties under development

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

Development properties are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less cost to be incurred in selling the properties.

Completed properties

Completed properties comprise completed development properties held for sale. It is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less cost to be incurred in selling the properties.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Inventories

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

The cost of inventories is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their existing location and condition. Due allowance is made for all damaged, expired and slow moving items.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

(k) Contract assets/Contract liabilities

Contract assets are recognised when the Group's right to consideration is conditional on something other than the passage of time. Contract assets are subject to impairment in accordance to MFRS 9, *Financial Instruments* (see note 2(o)(i)).

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

(l) Contract costs

(i) Incremental costs of obtaining a contract

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

(ii) Costs to fulfil a contract

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

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

(m) Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Assets classified as held for sale

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

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

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

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

(o) Impairment

(i) Financial assets

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Impairment *(continued)*

(ii) Other assets

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

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

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

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

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

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

(p) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Perpetual securities

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

(r) Compound financial instruments

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

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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

Interest, losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(s) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

(ii) Defined benefit plans

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Employee benefits *(continued)*

(ii) Defined benefit plans *(continued)*

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

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

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

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

(iii) Share-based payment transactions

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

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

(t) Provisions

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

(u) Revenue and other income

(i) Revenue from contracts with customers

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Revenue and other income *(continued)*

(ii) Rental income

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

(iii) Dividend income

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

(iv) Finance income

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

Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(v) Finance costs

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

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

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Income tax

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

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

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

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

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

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

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

(x) Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

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

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

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

(y) Operating segments

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(aa) Fair value measurements

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

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

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

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

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

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Hospital and medical equipment, renovations, furniture and fittings and equipment RM'000	Laboratory and other teaching equipment RM'000	Motor vehicles RM'000	Construction-in-progress RM'000	Total RM'000
Cost									
At 1 January 2018		562,359	3,859,178	5,573,942	7,646,697	68,001	37,689	627,989	18,375,855
Acquisitions through business combinations (restated)	43	278,559	12,369	437,082	863,497	–	15,224	119,911	1,726,642
Additions		–	10,348	16,924	407,417	6,809	4,948	738,858	1,185,304
Disposals		–	–	(913)	(87,895)	–	(4,626)	(1,011)	(94,445)
Write off		–	–	–	(13,373)	(6,990)	(200)	–	(20,563)
Reclassification		–	–	37,433	759,970	661	2,489	(800,553)	–
Transfer to intangible assets	7	–	–	–	(1,569)	–	–	(956)	(2,525)
Translation differences (restated)		(36,357)	(18,182)	(104,245)	(769,859)	–	(3,540)	(88,595)	(1,020,778)
At 31 December 2018, (restated)		804,561	3,863,713	5,960,223	8,804,885	68,481	51,984	595,643	20,149,490
At 31 December 2018, as previously reported		1,042,757	4,147,733	5,897,056	8,827,735	68,481	51,984	595,643	20,631,389
Finalisation of PPA	43	(238,196)	(284,020)	63,167	(22,850)	–	–	–	(481,899)
At 31 December 2018, as restated		804,561	3,863,713	5,960,223	8,804,885	68,481	51,984	595,643	20,149,490
Adjustment on initial application of MFRS 16, Leases		–	(3,863,713)	(248,928)	(166,287)	–	(927)	(10,933)	(4,290,788)
Acquisitions through business combinations	43	622,072	–	349,191	80,104	–	228	129,096	1,180,691
Disposal of a subsidiary	43	–	–	–	(4,666)	–	–	–	(4,666)
Additions		–	–	4,695	569,334	6,422	7,327	464,411	1,052,189
Disposals		–	–	–	(136,411)	–	(5,734)	(279)	(142,424)
Write off		–	–	–	(28,183)	(1,760)	(234)	(1,371)	(31,548)
Reclassification		–	–	105,112	278,605	(19)	–	(383,698)	–
Transfer to intangible assets	7	–	–	–	(920)	–	–	(883)	(1,803)
Transfer to assets classified as held for sale	18	–	–	–	(965)	–	–	–	(965)
Translation differences		(15,345)	–	(96,280)	(321,614)	–	(1,753)	(15,872)	(450,864)
At 31 December 2019		1,411,288	–	6,074,013	9,073,882	73,124	50,891	776,114	17,459,312

3. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group	Note	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Hospital and medical equipment, renovations, furniture and fittings and equipment RM'000	Laboratory and other teaching equipment RM'000	Motor vehicles RM'000	Construction- in-progress RM'000	Total RM'000
Accumulated depreciation and impairment losses									
At 1 January 2018		–	371,777	838,086	3,958,672	40,500	25,199	–	5,234,234
Acquisitions through business combinations	43	–	–	32,037	372,100	–	10,915	–	415,052
Depreciation charge for the year		–	44,450	110,983	709,003	7,646	4,900	–	876,982
Impairment loss		–	–	–	2,184	–	–	1,535	3,719
Disposals		–	–	(43)	(82,910)	–	(4,214)	–	(87,167)
Write off		–	–	–	(12,705)	(6,520)	(119)	–	(19,344)
Reclassification		–	–	(4,942)	4,389	553	–	–	–
Translation differences		–	(1,022)	(23,867)	(371,571)	–	(835)	8	(397,287)
At 31 December 2018		–	415,205	952,254	4,579,162	42,179	35,846	1,543	6,026,189
Adjustment on initial application of MFRS 16, Leases		–	(415,205)	(27,985)	(67,141)	–	(566)	–	(510,897)
Acquisitions through business combinations	43	–	–	66,172	33,049	–	52	–	99,273
Disposal of a subsidiary	43	–	–	–	(3,061)	–	–	–	(3,061)
Depreciation charge for the year		–	–	140,052	799,711	6,711	6,529	–	953,003
Impairment loss		–	–	–	2,218	–	–	(716)	1,502
Disposals		–	–	–	(117,724)	–	(4,987)	–	(122,711)
Write off		–	–	–	(25,420)	(1,366)	(234)	(831)	(27,851)
Translation differences		–	–	(9,719)	(141,769)	–	(970)	15	(152,443)
At 31 December 2019		–	–	1,120,774	5,059,025	47,524	35,670	11	6,263,004
Net carrying amount									
At 1 January 2018		562,359	3,487,401	4,735,856	3,688,025	27,501	12,490	627,989	13,141,621
At 31 December 2018/ 1 January 2019 (restated)	52	804,561	3,448,508	5,007,969	4,225,723	26,302	16,138	594,100	14,123,301
At 31 December 2019		1,411,288	–	4,953,239	4,014,857	25,600	15,221	776,103	11,196,308

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company	Renovations, furniture and fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 January 2018	1,493	3,100	4,593
Additions	17	556	573
Disposal	—	(650)	(650)
Translation differences	—	(7)	(7)
At 31 December 2018/1 January 2019	1,510	2,999	4,509
Additions	45	—	45
Disposal	(5)	(2,084)	(2,089)
Translation differences	—	(4)	(4)
At 31 December 2019	1,550	911	2,461
Accumulated depreciation			
At 1 January 2018	831	2,040	2,871
Depreciation charge for the year	284	575	859
Disposal	—	(650)	(650)
At 31 December 2018/1 January 2019	1,115	1,965	3,080
Depreciation charge for the year	286	345	631
Disposal	(3)	(1,871)	(1,874)
Translation differences	—	(3)	(3)
At 31 December 2019	1,398	436	1,834
Net carrying amount			
At 1 January 2018	662	1,060	1,722
At 31 December 2018/1 January 2019	395	1,034	1,429
At 31 December 2019	152	475	627

Leasehold land under perpetual lease

At 31 December 2018, the carrying amount of leasehold land of the Group includes an amount of RM12,284,000 (restated) which is not depreciated as the land is taken on a perpetual lease. These are transferred to ROU assets with the adoption of MFRS 16, *Leases* on 1 January 2019.

Securities

As at 31 December 2019, property, plant and equipment of the Group with carrying amounts of RM2,348,442,000 (2018: RM1,139,559,000) are charged to licensed financial institutions for credit facilities and term loans granted to the Group.

Assets under finance lease arrangements

As at 31 December 2018, included in the net carrying amount of property, plant and equipment of the Group are motor vehicles and equipment with net carrying amounts of RM427,905,000 that are held under finance lease arrangements. These are transferred to ROU assets with the adoption of MFRS 16, *Leases* on 1 January 2019.

Borrowing costs

In 2019, the Group capitalised borrowing costs at 4.5% to 5.6% (2018: 4.8%), amounting to RM13,003,000 (2018: RM24,674,000).

3. PROPERTY, PLANT AND EQUIPMENT *(continued)*

ROU assets depreciation

Included in the 2019 additions of construction-in-progress of the Group is the depreciation expenses of ROU assets amounting to RM3,582,000 (see note 4).

Prepaid lease payments amortisation capitalised

Included in 2018 additions of construction-in-progress of the Group is the amortisation of prepaid lease payments amounting to RM3,764,000 (see note 5).

4. LEASES

The Group leases certain land and buildings, clinics, offices, equipment and vehicles. The leases are between more than 1 year and 99 years and may have options to renew the leases after expiry. Lease payments are renegotiated at end of lease terms or periodically to reflect market rentals.

(a) Right-of-use assets

Group	Note	Land and buildings RM'000	Equipment RM'000	Motor vehicles RM'000	Total RM'000
At 1 January 2019		6,457,379	123,077	4,157	6,584,613
Acquisitions through business combinations	43	232,954	—	—	232,954
Disposal of a subsidiary	43	(938)	—	—	(938)
Additions		370,223	13,025	4,187	387,435
Modification/Reassessment		(37,404)	(837)	(29)	(38,270)
Expiry of leases		(273)	—	—	(273)
Depreciation charge for the year		(304,475)	(29,429)	(3,087)	(336,991)
Impairment loss		(1,948)	—	—	(1,948)
Translation differences		(81,226)	(8,851)	(489)	(90,566)
At 31 December 2019		6,634,292	96,985	4,739	6,736,016

Company	Land and buildings RM'000	Equipment RM'000	Total RM'000
At 1 January 2019	2,187	40	2,227
Depreciation charge for the year	(972)	(18)	(990)
At 31 December 2019	1,215	22	1,237

Notes to the Financial Statements

4. LEASES (continued)

(a) Right-of-use assets (continued)

i. Depreciation and impairment losses capitalised in carrying amount of another asset

		Group 2019 RM'000	Company 2019 RM'000
	Note		
Recognised in profit or loss		335,357	990
Capitalised into property, plant and equipment	3	3,582	—
		<u>338,939</u>	<u>990</u>

ii. Extension options

Some properties, equipment and motor vehicles leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in lease liability of RM117,965,000.

iii. Significant judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying significant judgement, whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances, including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

iv. Restriction imposed by lease

For certain leases of properties, equipment and vehicles, the Group is restricted from entering into any sub-lease arrangements.

v. Leases committed but not yet commenced

As at 31 December 2019, the Group has entered into new leases which will results in an increase in lease liability of RM53,979,000.

(b) Leases as lessor

Operating lease

The Group leases out investment properties and certain properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following are recognised in profit or loss:

	Group 2019 RM'000
Rental income	264,229
Variable rental income that do not depend on an index or rate	768
	<u>264,997</u>

4. LEASES (continued)

(b) Leases as lessor (continued)

Operating lease (continued)

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease receivables after the end of financial year:

	Group RM'000
2019	
Less than one year	229,004
One to two years	188,066
Two to three years	144,299
Three to four years	124,904
Four to five years	111,421
More than five years	493,954
Total	<u>1,291,648</u>
2018	
Less than one year	270,542
Between one and five years	901,629
More than five years	1,737,826
Total	<u>2,909,997</u>

(c) Amounts recognised in profit or loss

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Expenses)/income arising from leases:				
Expenses relating to short-term leases	(64,431)	—	(1,183)	—
Expenses relating to leases of low-value assets	(1,667)	—	(2)	—
Expenses relating to variable lease payments not included in the measurement of lease liabilities	(18,484)	—	—	—
Income from subleasing ROU assets (excluding subleasing of investment properties)	4,746	—	—	—
Rental expense	—	(334,316)	—	(2,186)

Notes to the Financial Statements

4. LEASES (continued)

(d) Cash outflows for leases as a lessee

Note	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Included in net cash from operating activities				
Payment relating to short-term leases	(64,431)	—	1,183	—
Payment relating to leases of low-value assets	(1,667)	—	2	—
Payment relating to variable lease payments not included in the measurement of lease liabilities	(18,484)	—	—	—
Interest paid in relation to lease liabilities	30 (184,827)	—	43	—
Included in net cash from financing activities				
Payment of lease liabilities	(339,915)	—	1,018	—
Total cash outflows for leases	(609,324)	—	2,246	—

5. PREPAID LEASE PAYMENTS

	Group	
	2019 RM'000	2018 RM'000
Cost		
At 1 January	1,134,091	1,130,005
Adjustment on initial application of MFRS 16, <i>Leases</i>	(1,134,091)	—
Additions	—	4,075
Translation differences	—	11
At 31 December	—	1,134,091
Accumulated amortisation		
At 1 January	116,281	93,374
Adjustment on initial application of MFRS 16, <i>Leases</i>	(116,281)	—
Amortisation charge for the year	—	21,509
Translation differences	—	1,398
At 31 December	—	116,281
Net carrying amount		
At 1 January	1,017,810	1,036,631
At 31 December	—	1,017,810

Prepaid lease payments relate to leasehold land which are in substance operating leases. The prepaid lease payments are amortised on a straight-line basis over lease term ranging from 50 to 99 years. For the year ended 31 December 2018, RM3,764,000 was capitalised in property, plant and equipment.

6. INVESTMENT PROPERTIES

		Group	
	Note	2019 RM'000	2018 RM'000
At 1 January		3,310,429	3,109,985
Additions		164,508	69,613
Recognition of ROU assets		6,499	–
Change in fair value recognised in profit or loss	31	10,169	74,192
Translation differences		16,577	56,639
At 31 December		<u>3,508,182</u>	<u>3,310,429</u>

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

Changes in fair values are recognised as gain or losses in profit or loss and are respectively included in 'other operating income' or 'other operating expenses' in the consolidated statement of comprehensive income. All gains are unrealised.

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

		Group	
		2019 RM'000	2018 RM'000
Rental income		183,406	177,267
Direct operating expenses:			
– income generating investment properties		(20,169)	(20,427)
– non-income generating investment properties		(1,013)	(1,386)
		<u>162,224</u>	<u>155,454</u>

Fair value hierarchy

The fair values of investment properties are categorised as follows:

		Level 3	
		2019 RM'000	2018 RM'000
Land		984,494	933,737
Buildings		2,523,688	2,376,692
		<u>3,508,182</u>	<u>3,310,429</u>

Notes to the Financial Statements

6. INVESTMENT PROPERTIES *(continued)*

Determination of fair value

The fair values of investment properties were determined by external, independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued.

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

Policy on transfer between levels

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

Transfer between Level 1 and 2 fair values

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

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

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flow approach: The method involves the estimation and the projection of an income stream over a period and discounting the income stream with an appropriate rate of return.	Risk-adjusted discount rates range from 4.60% to 7.00% (2018: 4.70% to 7.25%)	The estimated fair value would increase/ (decrease) if the risk-adjusted discount rates were lower/(higher).
Direct comparison approach: The method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties.	Premium made for differences in type of development (including design, use and proximity to complementary businesses) range from 0% to 25% (2018: 0% to 25%)	The estimated fair value would increase/ (decrease) if premium made for differences in type of development was higher/(lower).
Direct capitalisation approach: The method capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates.	Capitalisation rates range from 4.7% to 6.7% (2018: 4.7% to 6.8%)	The estimated fair value would increase/ (decrease) if the capitalisation rates were lower/(higher).

7. GOODWILL ON CONSOLIDATION AND INTANGIBLE ASSETS

Group	Note	Brand names RM'000	Hospital licences RM'000	Customer relationships RM'000	Other intangibles* RM'000	Total intangible assets RM'000	Goodwill on consolidation RM'000	Total intangible assets and goodwill RM'000
Cost								
At 1 January 2018		1,774,139	266,168	362,472	245,775	2,648,554	10,692,198	13,340,752
Acquisitions through business combinations (restated)	43	—	—	20,501	273,767	294,268	1,612,732	1,907,000
Additions		—	—	—	14,511	14,511	—	14,511
Write off		—	—	—	(222)	(222)	—	(222)
Transfer from property, plant and equipment	3	—	—	—	2,525	2,525	—	2,525
Translation differences (restated)		(123,298)	(44,049)	(40,676)	(36,549)	(244,572)	(408,388)	(652,960)
At 31 December 2018 (restated)		<u>1,650,841</u>	<u>222,119</u>	<u>342,297</u>	<u>499,807</u>	<u>2,715,064</u>	<u>11,896,542</u>	<u>14,611,606</u>
At 31 December 2018, as previously reported		1,650,841	222,119	322,094	372,269	2,567,323	11,896,542	14,463,865
Finalisation of PPA	43	—	—	20,203	127,538	147,741	—	147,741
At 31 December 2018, as restated		<u>1,650,841</u>	<u>222,119</u>	<u>342,297</u>	<u>499,807</u>	<u>2,715,064</u>	<u>11,896,542</u>	<u>14,611,606</u>
Adjustment on initial application of MFRS 16, <i>Leases</i>		—	—	—	(64,168)	(64,168)	—	(64,168)
Acquisitions through business combinations	43	—	—	—	3,468	3,468	1,048,312	1,051,780
Disposal of a subsidiary	43	—	—	—	(11)	(11)	—	(11)
Additions		—	—	—	26,395	26,395	—	26,395
Write off		—	—	—	(5,474)	(5,474)	—	(5,474)
Disposals		—	—	—	(3,984)	(3,984)	—	(3,984)
Transfer from property, plant and equipment	3	—	—	—	1,803	1,803	—	1,803
Translation differences		(43,237)	(17,469)	(14,739)	(13,580)	(89,025)	(92,097)	(181,122)
At 31 December 2019		<u>1,607,604</u>	<u>204,650</u>	<u>327,558</u>	<u>444,256</u>	<u>2,584,068</u>	<u>12,852,757</u>	<u>15,436,825</u>

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

Notes to the Financial Statements

7. GOODWILL ON CONSOLIDATION AND INTANGIBLE ASSETS (continued)

Group	Note	Brand names RM'000	Hospital licences RM'000	Customer relationships RM'000	Other intangibles* RM'000	Total intangible assets RM'000	Goodwill on consolidation RM'000	Total intangible assets and goodwill RM'000
Accumulated amortisation and impairment losses								
At 1 January 2018		–	–	254,407	115,705	370,112	–	370,112
Acquisitions through business combinations	43	–	–	–	87,278	87,278	–	87,278
Amortisation charge for the year		–	–	19,476	21,236	40,712	–	40,712
Impairment loss		–	–	–	–	–	66,168	66,168
Write off		–	–	–	(48)	(48)	–	(48)
Translation differences		–	–	(25,078)	(14,789)	(39,867)	1,177	(38,690)
At 31 December 2018/ 1 January 2019		–	–	248,805	209,382	458,187	67,345	525,532
Adjustment on initial application of MFRS 16, <i>Leases</i>		–	–	–	(5,689)	(5,689)	–	(5,689)
Acquisitions through business combinations	43	–	–	–	3,445	3,445	–	3,445
Disposal of a subsidiary	43	–	–	–	(4)	(4)	–	(4)
Amortisation charge for the year		–	–	18,027	47,602	65,629	–	65,629
Impairment loss		–	–	–	–	–	214,780	214,780
Write off		–	–	–	(97)	(97)	–	(97)
Disposal		–	–	–	(820)	(820)	–	(820)
Translation differences		–	–	(10,602)	(7,247)	(17,849)	(4,041)	(21,890)
At 31 December 2019		–	–	256,230	246,572	502,802	278,084	780,886
Net carrying amount								
At 1 January 2018		1,774,139	266,168	108,065	130,070	2,278,442	10,692,198	12,970,640
At 31 December 2018/ 1 January 2019 (restated)	52	1,650,841	222,119	93,492	290,425	2,256,877	11,829,197	14,086,074
At 31 December 2019		1,607,604	204,650	71,328	197,684	2,081,266	12,574,673	14,655,939

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

7. GOODWILL ON CONSOLIDATION AND INTANGIBLE ASSETS *(continued)*

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

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

	Goodwill		Brand names		Hospital licences	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group						
Singapore healthcare services	5,831,157	5,796,769	1,145,173	1,145,173	—	—
Malaysia healthcare services	2,089,676	2,081,322	116,000	116,000	—	—
India healthcare services						
– Fortis Group	2,541,334	1,517,088	—	—	—	—
– RGE Group	403,073	607,573	—	—	—	—
China healthcare services	181,143	185,476	—	—	—	—
Turkey healthcare services	1,150,486	1,249,246	346,431	389,668	204,650	222,119
PLife REIT	152,828	151,938	—	—	—	—
Education	224,976	224,976	—	—	—	—
Others	—	14,809	—	—	—	—
	<u>12,574,673</u>	<u>11,829,197</u>	<u>1,607,604</u>	<u>1,650,841</u>	<u>204,650</u>	<u>222,119</u>

Amortisation

The amortisation of customer relationships, capitalised development costs, brand use rights and favourable lease arrangements were recognised in amortisation and impairment of intangible assets and prepaid lease payment in the statements of profit or loss and other comprehensive income.

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

(a) Healthcare services and Education CGUs

Key assumptions used in determining the recoverable amount

For the purpose of impairment testing, the carrying amounts are allocated to the Group's operating divisions which are the cash-generating units ("CGU"). Recoverable amount of each CGU, except for RGE Group and PLife REIT (2018: Fortis Group and PLife REIT), is estimated based on its value in use. The value in use calculations apply a discounted cash flow model using cash flow projections based on past experience, actual operating results, approved financial budgets for 2020 and 5 years business plans.

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

- (i) Anticipated annual revenue growth rates for 2020 to 2024 (2018: 2019 to 2023):

	2019 Per annum	2018 Per annum
Singapore healthcare services	5%–7%	4%–6%
Malaysia healthcare services	3%–9%	8%–9%
India healthcare services		
– Fortis Group	11%–15%	— ⁽¹⁾
– RGE Group	— ⁽¹⁾	11%–22% ⁽³⁾
– Continental Group	— ⁽²⁾	10%–15% ⁽³⁾
China healthcare services	15%–28%	8%–23%
Turkey healthcare services	7%–14%	7%–28%
Education services	1%	-1%–3%

Notes to the Financial Statements

7. GOODWILL ON CONSOLIDATION AND INTANGIBLE ASSETS *(continued)*Impairment testing for cash-generating units containing goodwill, brand names and hospital licences *(continued)***(a) Healthcare services and Education CGUs** *(continued)***Key assumptions used in determining the recoverable amount** *(continued)*

(ii) EBITDA margins assumptions:

	2019	2018*
Singapore healthcare services	31%–33%	25%–27%
Malaysia healthcare services	26%–28%	23%–27%
India healthcare services		
– Fortis Group	15%–22%	— ⁽¹⁾
– RGE Group	— ⁽¹⁾	13%–25% ⁽³⁾
– Continental Group	— ⁽²⁾	4%–25% ⁽³⁾
China healthcare services	13%–27%	13%–27%
Turkey healthcare services	23%–27%	18%–21%
Education services	28%–32%	23%–29%

* 2018 EBITDA margin were not restated for the effects of adoption of MFRS 16, Leases on 1 January 2019

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

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

	2019	2018
Singapore healthcare services	1.0%	1.0%
Malaysia healthcare services	3.0%	3.0%
India healthcare services		
– Fortis Group	5.5%	— ⁽¹⁾
– RGE Group	— ⁽¹⁾	5.0%
– Continental Group	— ⁽²⁾	5.0%
China healthcare services	2.5%	2.5%
Turkey healthcare services	5.0%	5.5%
Education services	0%	0%

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

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

	2019	2018
Singapore healthcare services	7.5%	7.5%
Malaysia healthcare services	10.0%	10.0%
India healthcare services		
– Fortis Group	11.5%	— ⁽¹⁾
– RGE Group	— ⁽¹⁾	15.3%
– Continental Group	— ⁽²⁾	15.3%
China healthcare services	9.5%	9.5%
Turkey healthcare services	19.0%	21.0%
Education services	9.5%	9.0%

7. GOODWILL ON CONSOLIDATION AND INTANGIBLE ASSETS *(continued)*

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

(a) Healthcare services and Education CGUs (continued)

Key assumptions used in determining the recoverable amount (continued)

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

¹ Key assumptions not applicable since recoverable value was determined based on fair value less cost to sell.

² Continental Group's goodwill was fully impaired in 2018.

³ RGE Group's and Continental Group's anticipated annual revenue growth rates and EBITDA margins in 2018 are for the period of 2019 to 2027.

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

The Group has identified that a reasonably possible change in discount rate or EBITDA margins for the years 2020 to 2024 (2018: 2019 to 2023) of the Fortis Group and China healthcare services CGUs (2018: RGE Group CGU) could cause the carrying amount to exceed the recoverable amount. As at 31 December 2019, an approximate 0.4% and 3.1% increase in discount rate or 0.9% and 2.9% decrease in the EBITDA margins respectively for Fortis Group CGU and China Healthcare services CGU for the years 2020 to 2024 would have reduced the recoverable amount of Fortis Group CGU and China healthcare services CGU to the carrying amount. As at 31 December 2018, an approximate 3% increase in discount rate or a 14% decrease in the EBITDA margins for the years 2019 to 2023 would have reduced the recoverable amount of RGE Group CGU to the carrying amount.

During the year, RGE Group and the Others CGUs (2018: Continental Group CGU) continued to incur operating losses arising from the challenges faced in its business operations. The Group performed an assessment of the recoverable amount using the fair value less cost to sell approach for the RGE Group and the value in use approach for the Others CGU (2018: Value in use approach for Continental Group CGU) and determined the recoverable amount of these CGUs are to be lower than the carrying amount. Accordingly, an impairment loss of RM200,000,000 and RM14,780,000 on RGE Group and the Others CGUs respectively (2018: RM66,168,000) were recognised in 'other operating expenses' in the profit or loss.

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

(b) PLife REIT CGU

Recoverable amount of PLife REIT is based on fair value less cost to sell, using the open market price of PLife REIT as at the end of the financial year.

(c) Fortis Group CGU

In 2018, the recoverable amount of Fortis Group was based on fair value less cost to sell determined using the open market price of Fortis at 31 December 2018, adjusted for control premium. The fair value measurement is classified as Level 3 of the fair value hierarchy. A 3% decrease in share price or 4% decrease in control premium at 31 December 2018 would have reduced the recoverable amount to its carrying amount.

Notes to the Financial Statements

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Cost of investment		
Unquoted shares in Malaysia	22,009,669	18,582,534
Unquoted shares outside Malaysia	31	31
	22,009,700	18,582,565
Allowance for impairment loss	(2,295,952)	(2,295,921)
	19,713,748	16,286,644

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

	Company	
	2019 RM'000	2018 RM'000
At 1 January	18,582,565	15,650,650
Subscription of new ordinary shares in subsidiaries	3,427,135	2,931,915
At 31 December	22,009,700	18,582,565

Out of the RM3.4 billion subscription of new ordinary shares in subsidiaries, RM2.5 billion was settled via the capitalisation of debts due from the subsidiary (see note 16).

During the year, the Company recognised a full impairment loss of RM31,000 on its investment in Integrated Healthcare Holdings (Bharat) Limited ("IHHBL"). As at 31 December 2019, IHHBL is undergoing members' voluntary liquidation.

In 2018, the Company performed an assessment on the recoverable amount of its investment in Turkey based on the greater of value in use or fair value less cost to sell and determined the recoverable amount is lower than the Company's cost of investment. Accordingly, an impairment loss of RM2,295,921,000 has been recognised in the Company's profit or loss in 2018.

Details of the investment in subsidiaries are as disclosed in note 45.

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

a) Fortis

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

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

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

c) PLife REIT

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

The Group, via PLife REIT, does not hold any ownership interest in the special purpose entities ("SPEs") listed in note 45. Notwithstanding that the Group does not have any direct or indirect shareholdings in these SPEs, the Group has accounted for the SPEs as subsidiaries in accordance to MFRS 10, *Consolidated Financial Statements*, as the Group receives substantially all of the returns related to the SPEs' operations and net assets and has the current ability to direct these SPEs' activities that most significantly affect their returns based on the terms of agreements under which these SPEs were established.

8. INVESTMENT IN SUBSIDIARIES *(continued)*

Non-controlling interests in subsidiaries

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

	Material NCI			Other individually immaterial subsidiaries	Total
	PLife REIT RM'000	Fortis Group RM'000	GHK ⁽ⁱⁱⁱ⁾ RM'000	RM'000	RM'000
2019					
NCI percentage of ownership interest and voting interest	64.36%	68.83%	40.00%		
Carrying amount of NCI	1,331,218	1,696,608 ⁽ⁱ⁾	(580,708)	1,149,151	3,596,269
Profit/(Loss) allocated to NCI	142,476	(9,773)	(175,373)	6,036	(36,634)
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	4,709,064	5,721,314	2,378,601		
Current assets	71,469	646,077	82,371		
Non-current liabilities	(2,345,134)	(943,413)	(3,722,554)		
Current liabilities	(287,569)	(1,517,317)	(190,189)		
Net assets/(liabilities)	2,147,830	3,906,661 ⁽ⁱⁱⁱ⁾	(1,451,771)		
Year ended 31 December					
Revenue	347,913	2,728,495	430,670		
Profit/(Loss) for the year	222,640	11,565 ^(iv)	(438,435)		
Total comprehensive income/(expenses)	227,231	(52,373)	(430,033)		
Cash flows from/(used in) operating activities	270,801	9,613	(193,625)		
Cash flows used in investing activities	(185,517)	(1,506,093)	(49,735)		
Cash flows (used in)/from financing activities	(86,300)	(624,019)	220,029		
Net decrease in cash and cash equivalents	(1,016)	(2,120,499)	(23,331)		
Dividends paid to NCI	155,202	—	—		

Notes to the Financial Statements

8. INVESTMENT IN SUBSIDIARIES (continued)

Non-controlling interests in subsidiaries (continued)

	Material NCI			Other individually immaterial subsidiaries RM'000	Total RM'000
	PLife REIT RM'000	Fortis Group RM'000 (Restated)	GHK ⁽ⁱⁱ⁾ RM'000		
2018					
NCI percentage of ownership interest and voting interest	64.34%	68.83%	40.00%		
Carrying amount of NCI	1,288,323	1,695,361 ⁽ⁱ⁾	(405,521)	1,621,592	4,199,755
Profit/(Loss) allocated to NCI	166,008	5,493*	(168,266)	(141,062) ^(v)	(137,827)
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	4,511,716	4,110,479	2,535,330		
Current assets	75,247	2,734,102	91,317		
Non-current liabilities	(2,389,776)	(808,938)	(3,430,505)		
Current liabilities	(41,182)	(1,604,668)	(209,945)		
Net assets/(liabilities)	2,156,005	4,430,975 ⁽ⁱⁱⁱ⁾	(1,013,803)		
Year ended 31 December					
Revenue	335,699	217,111*	290,172		
Profit/(Loss) for the year/period	239,761	10,739 ^{*(iv)}	(420,666)		
Total comprehensive income/(expenses)	232,521	(30,569)*	(438,255)		
Cash flows from/(used in) operating activities	263,928	12,562*	(176,842)		
Cash flows (used in)/from investing activities	(82,975)	34,381*	(22,847)		
Cash flows (used in)/from financing activities	(193,305)	(174,471)*	138,037		
Net decrease in cash and cash equivalents	(12,352)	(127,528)*	(61,652)		
Dividends paid to NCI	183,131	—	—		

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

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

ⁱⁱ GHK Hospital Limited ("GHK").

ⁱⁱⁱ Includes net assets of RM359,216,000 (2018: RM774,265,000) attributable to NCIs within Fortis Group which are individually immaterial.

^{iv} Includes total profit of RM25,750,000 (2018: RM2,767,000) attributable to NCIs within Fortis Group which are individually immaterial.

^v Included is an amount of RM142,809,000 losses, representing share of profit or loss for the period from January 2018 to November 2018 pertaining to the NCIs' 40% equity interest in ASYH. On 1 December 2018, NCI's equity interest has decreased to approximately 10%. Refer to note 44 for details.

8. INVESTMENT IN SUBSIDIARIES *(continued)*

Significant restrictions

PLife REIT

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

The assets of PLife REIT are held in trust by a Trustee for the Unitholders. As at 31 December 2019, the carrying amounts of PLife REIT's assets and liabilities are RM4,780,533,000 (2018: RM4,586,963,000) and RM2,632,703,000 (2018: RM2,430,958,000) respectively.

9. INTERESTS IN ASSOCIATES

	Group 2019 RM'000	2018 RM'000 (Restated)
Investment in shares		
Unquoted shares	2,246	2,236
Quoted shares	416,737	494,571
Share of post-acquisition reserves	(326,529)	104,210
	<u>92,454</u>	<u>601,017</u>
Investment in non-convertible debentures	–	274,297
	<u>92,454</u>	<u>875,314</u>
Fair value of quoted shares		
Level 1	<u>71,484</u>	<u>620,177</u>

Details of the associates are disclosed in note 46.

The non-convertible debentures ("NCDs") as at 31 December 2018 were issued by International Hospitals Limited ("IHL"), a wholly owned subsidiary of RHT Health Trust, an associate. The NCDs carry an interest of 9% per annum and mature in 10 years from the date of issuance. During the year, IHL was acquired by Fortis as disclosed in note 43.

During the year, the Group also disposed of its interest in C-Care Mauritius Limited (*formerly known as The Medical and Surgical Centre Limited*) for a cash consideration of RM43,574,000. Gain on disposal amounting to RM167,000 was recognised in the profit or loss.

Notes to the Financial Statements

9. INTERESTS IN ASSOCIATES *(continued)*

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

	Individually immaterial associates	
	2019 RM'000	2018 RM'000
Share of profit from continuing operations	64,244	11,515
Share of other comprehensive income	(4)	4,009
Share of total comprehensive income	<u>64,240</u>	<u>15,524</u>

10. INTERESTS IN JOINT VENTURES

	Group	
	2019 RM'000	2018 RM'000 (Restated)
Investment in shares		
Unquoted shares	372,344	373,187
Share of post-acquisition reserves	(51,795)	(57,129)
Allowance for impairment loss	(127,718)	(129,019)
	<u>192,831</u>	<u>187,039</u>
Amount due from a joint venture	19,698	19,602
	<u>212,529</u>	<u>206,641</u>

Details of the joint ventures are disclosed in note 47.

Amount due from a joint venture

The amount due from a joint venture is unsecured and interest-free. The repayment of the amount is at the discretion of the lender and is not expected to be repaid within the next 12 months from 31 December 2019.

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

	Individually immaterial joint ventures	
	2019 RM'000	2018 RM'000
Share of profit from continuing operations, representing share of total comprehensive income	<u>9,862</u>	<u>1,897</u>

In 2016, the construction of Khubchandani Hospitals Private Limited ("KHPL")'s greenfield hospital in Mumbai stalled as a result of failed negotiations over disagreements with the joint venture partner. The disagreement persisted in 2018, resulting in further delays in the construction of the hospital. Accordingly, the Group fully impaired its investment in KHPL with the recognition of an impairment loss of RM33,353,000 in 2018 in the Group's other operating expenses. As at the 31 December 2019, the accumulated impairment loss recognised for KHPL was RM125,405,000 (2018: RM126,018,000).

11. OTHER FINANCIAL ASSETS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Fair value through other comprehensive income	30,645	11,334	–	–
Investments at amortised cost				
– Fixed deposits with tenor of more than 3 months	15,711	7,003	–	–
Others				
– Club membership	407	331	–	–
	<u>46,763</u>	<u>18,668</u>	<u>–</u>	<u>–</u>
Current				
Fair value through profit and loss				
– Mutual funds	–	4,257	–	–
– Money market funds	186,148	179,646	186,148	179,646
Investments at amortised cost				
– Fixed deposits with tenor of more than 3 months	158,135	163,282	–	–
	<u>344,283</u>	<u>347,185</u>	<u>186,148</u>	<u>179,646</u>

Equity investments designated at fair value through other comprehensive income

The Group designated the investments in equity securities shown below as at fair value through other comprehensive income because these investments in equity securities represent investments that the Group intends to hold for long term strategic purposes.

	Fair value as at	
	31 December 2019 RM'000	31 December 2018 RM'000
FWD Singapore Pte. Ltd.	–	11,334
Lucence Life Sciences Pte. Ltd.	<u>30,645</u>	<u>–</u>

During the year, the Group exercised its put option (see note 27) and disposed off its interest in FWD Singapore Pte. Ltd..

	Fair value at derecognition RM'000	Cumulative losses on disposal RM'000
FWD Singapore Pte. Ltd.	<u>1,986</u>	<u>(9,252)</u>

Notes to the Financial Statements

12. DEFERRED TAX ASSETS AND LIABILITIES

Group	Note	Unutilised tax losses and unabsorbed capital allowance RM'000	Investment tax allowances RM'000	Receivables/ provisions RM'000	Property, plant and equipment RM'000	Investment properties RM'000	Intangible assets RM'000	Leases RM'000	Others RM'000	Total RM'000
At 1 January 2018		19,789	6,194	64,120	(389,337)	(72,345)	(413,713)	–	3,927	(781,365)
Acquired through business combinations (restated)	43	225,569	5,277	271,103	(203,315)	–	(136,049)	–	4,156	166,741
Recognised in profit or loss	34	57,503	(2,808)	2,684	20,395	(14,620)	8,316	–	(88)	71,382
Recognised in other comprehensive income	32	–	–	3,667	–	–	–	–	–	3,667
Translation differences (restated)		(14,002)	(48)	(13,174)	4,230	(3,224)	40,858	–	(134)	14,506
At 31 December 2018 (restated)		288,859	8,615	328,400	(568,027)	(90,189)	(500,588)	–	7,861	(525,069)
At 31 December 2018, as previously reported		288,859	8,615	253,737	(553,938)	(90,189)	(448,954)	–	14,495	(527,375)
Finalisation of PPA	43	–	–	74,663	(14,089)	–	(51,634)	–	(6,634)	2,306
At 31 December 2018, as restated		288,859	8,615	328,400	(568,027)	(90,189)	(500,588)	–	7,861	(525,069)
Adjustment on initial adoption of MFRS 16, <i>Leases</i>		–	–	–	5,980	–	18,632	(24,612)	–	–
Acquired through business combinations	43	25,307	–	697	(52,648)	–	–	–	(8,228)	(34,872)
Disposal of a subsidiary	43	–	–	(31)	(31)	–	–	–	–	(62)
Acquisition of non-controlling interest		–	–	(158,859)	–	–	–	–	–	(158,859)
Recognised in profit or loss	34	(48,835)	(2,134)	26,579	24,588	(10,787)	20,296	21,816	6,113	37,636
Recognised in other comprehensive income	32	–	–	2,669	–	(2,456)	–	–	–	213
Translation differences		(9,255)	–	(5,861)	1,572	(320)	13,745	(387)	(255)	(761)
At 31 December 2019		256,076	6,481	193,594	(588,566)	(103,752)	(447,915)	(3,183)	5,491	(681,774)
Company										
At 31 December 2018		–	–	–	–	–	–	–	–	–
Recognised in profit or loss	34	–	–	208	–	–	–	–	–	208
At 31 December 2019		–	–	208	–	–	–	–	–	208

12. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

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

	Assets		Liabilities		Net	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
Group						
Unutilised tax losses and unabsorbed capital allowance	256,076	288,859	—	—	256,076	288,859
Investment tax allowances	6,481	8,615	—	—	6,481	8,615
Receivables/provisions	185,982	329,219	7,612	(819)	193,594	328,400
Property, plant and equipment	19,933	26,984	(608,499)	(595,011)	(588,566)	(568,027)
Investment properties	—	—	(103,752)	(90,189)	(103,752)	(90,189)
Intangible assets	1,312	1,771	(449,227)	(502,359)	(447,915)	(500,588)
Leases	9,960	—	(13,143)	—	(3,183)	—
Others	6,821	8,773	(1,330)	(912)	5,491	7,861
	486,565	664,221	(1,168,339)	(1,189,290)	(681,774)	(525,069)
Set off	(58,337)	(206,957)	58,337	206,957	—	—
	428,228	457,264	(1,110,002)	(982,333)	(681,774)	(525,069)
Company						
Receivables/provisions	208	—	—	—	208	—

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

Unrecognised deferred tax assets

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

	Group	
	2019 RM'000	2018 RM'000
Deductible temporary difference	553,916	336,060
Unutilised tax losses	2,468,299	1,654,831
	3,022,215	1,990,891

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

The unutilised tax losses carried forward do not expire under current tax legislations, except for amount of RM1,005,200,000 (2018: RM386,157,000) which will expire in next 5 to 8 years.

Notes to the Financial Statements

13. DEVELOPMENT PROPERTIES

	Group	
	2019 RM'000	2018 RM'000
At 1 January	80,729	75,027
Additions	4,222	5,702
Recognised in profit or loss	(738)	–
As at 31 December	84,213	80,729

14. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
Pharmaceuticals, surgical and medical supplies	350,321	350,729

At 31 December 2019, inventories with carrying amount of RM44,500,000 (2018: RM46,920,000) were pledged to licensed financial institutions as securities for credit facilities granted to certain subsidiaries.

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Trade receivables	360	768	–	–
Other receivables	38,864	17,823	–	–
Interest receivables	129	38,885	–	–
Deposits	24,298	20,062	–	–
Financial assets, at amortised cost	63,651	77,538	–	–
Prepayments	92,158	34,882	18,252	–
	155,809	112,420	18,252	–
Current				
Trade receivables	1,825,085	1,670,330	–	–
Trade amounts due from associates	148	8,203	–	–
Trade amounts due from joint ventures	24,278	20,474	–	–
Other receivables	86,036	83,930	5	35
Non-trade amounts due from associates	66	14,542	–	–
Non-trade amounts due from joint ventures	3,836	1,350	–	–
Interest receivables	7,042	17,485	–	2,823
Deposits	58,461	55,396	5	5
Financial assets, at amortised cost	2,004,952	1,871,710	10	2,863
Prepayments	102,945	88,260	5,928	12,467
	2,107,897	1,959,970	5,938	15,330

15. TRADE AND OTHER RECEIVABLES *(continued)*

Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set off for presentation purpose:

Group	Note	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount in the statements of financial position RM'000
2019				
Trade receivables		1,917,137	(67,266)	1,849,871
Trade payables	26	(1,416,116)	67,266	(1,348,850)
2018				
Trade receivables		1,796,145	(96,370)	1,699,775
Trade payables	26	(1,528,147)	96,370	(1,431,777)

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

16. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

At 31 December 2018, amounts due from subsidiaries included dividend receivable of RM2,523,565,000. This dividend receivable was settled in January 2019 via Company's subscription of new ordinary shares in the subsidiary.

Amounts due to subsidiaries included RM79,427,000 (2018: RM77,023,000) which is unsecured, repayable on demand and bears an interest rate of 3.25% (2018: 3.50%) per annum.

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

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	1,787,086	4,166,127	156,169	1,227,914
Fixed deposits with tenor of 3 months or less	2,927,583	3,597,271	–	52,388
	4,714,669	7,763,398	156,169	1,280,302
Secured bank overdrafts	(121,814)	(81,215)	–	–
Deposits placed in escrow account	(1,945,564)	(1,970,800)	–	–
Cash collateral received/pledged	(5,828)	(820)	–	–
Cash and cash equivalents in statements of cash flows	2,641,463	5,710,563	156,169	1,280,302

Deposits placed in escrow account

These are the amounts deposited in accordance with the requirements of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers Regulations) ("SEBI (SAST) Regulations") relating to the Group's Mandatory Open Offer ("Offer") to acquire up to an additional 197,025,660 and 4,894,308 equity shares of Fortis and Fortis Malar Hospitals Limited respectively (see note 41). These amounts can only be released in the manner prescribed in Clause 17(10) of the SEBI (SAST) Regulations.

Notes to the Financial Statements

18. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

	Group	
	2019 RM'000	2018 RM'000
Assets classified held for sale		
Property, plant and equipment	7,662	6,448
Inventories	13	—
Tax recoverable	94	—
Cash and cash equivalents	11	—
	<u>7,780</u>	<u>6,448</u>
Liabilities classified held for sale	(145)	—
Trade and other payables	(40)	—
Other taxes payable	<u>(185)</u>	<u>—</u>

Included in the property, plant and equipment classified as held for sale is a piece of freehold land in India amounting to RM6,365,000 (2018: RM6,448,000) that is committed for sale.

19. SHARE CAPITAL

	Group and Company			
	Number of shares 2019 '000	Amount 2019 RM'000	Number of shares 2018 '000	Amount 2018 RM'000
Ordinary shares				
Issued and fully paid with no par value classified as equity instruments:				
At 1 January	8,769,296	19,427,586	8,239,583	16,462,994
Issued pursuant to the surrender of vested LTIP units	4,694	27,552	4,994	30,930
Issued pursuant to the exercise of vested EOS options	—	—	226	1,747
New shares issued (note 44)	—	—	524,493	2,931,915
At 31 December	<u>8,773,990</u>	<u>19,455,138</u>	<u>8,769,296</u>	<u>19,427,586</u>

The new ordinary shares issued in 2018 rank *pari passu* in all respects with the existing ordinary shares of the Company.

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

20. OTHER RESERVES

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

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

(a) Share option reserve

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

When the share options expire, the amount from the share option reserve is transferred to retained earnings. Details of the share options are disclosed in note 23.

(b) Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of financial instruments designated at fair value through other comprehensive income until the investments are derecognised or impaired.

(c) Revaluation reserve

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

(d) Hedge reserve

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

(e) Cost of hedging reserve

The cost of hedging reserve reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the time value element of interest rate cap contracts.

(f) Capital reserve

The capital reserve comprises:

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

Notes to the Financial Statements

20. OTHER RESERVES *(continued)*

(g) Legal reserve

The legal reserve comprises:

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

(h) Foreign currency translation reserve

The foreign currency translation reserve of the Group comprises:

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

21. PERPETUAL SECURITIES

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

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

The salient features of the perpetual securities are as follows:

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

21. PERPETUAL SECURITIES *(continued)*

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

During the financial year, distributions amounting to RM88,172,000 (2018: RM85,846,000) were accrued to perpetual security holders, and distributions amounting to RM87,599,000 (2018: RM87,416,000) were paid to the perpetual security holders.

As at 31 December 2018, perpetual securities amounting to US\$3,000,000, (approximately RM12,497,000) was held by a Director of the Company. During the year, the Director had fully disposed off his interest in the perpetual securities.

22. LOANS AND BORROWINGS

	Group	
	2019	2018
	RM'000	RM'000
		(Restated)
Non-current		
Secured		
Bank borrowings	859,875	922,495
Loans from corporates	4,735	7,350
Finance lease liabilities*	–	141,131
Unsecured		
Bank borrowings	6,044,071	6,705,248
Fixed rate medium term notes	446,430	444,537
Debt component of compulsory convertible debentures ("CCDs")	–	289,292
Loans from corporates	632	626
Loans from NCI	910,322	855,703
	<u>8,266,065</u>	<u>9,366,382</u>
Current		
Secured		
Bank borrowings	281,153	324,672
Loans from corporates	1,455	1,709
Finance lease liabilities*	–	35,912
Unsecured		
Bank borrowings	354,572	760,168
Loans from corporates	654	647
	<u>637,834</u>	<u>1,123,108</u>
Total loans and borrowings	<u>8,903,899</u>	<u>10,489,490</u>

* With the adoption of MFRS 16, *Leases*, financial leases were reclassified from loans and borrowings to lease liabilities with effect from 1 January 2019.

Notes to the Financial Statements

22. LOANS AND BORROWINGS *(continued)*

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

Group	Currency	Nominal interest rate %	Year of maturity	Carrying amount RM'000
2019				
Secured bank loans	EUR	Euribor ⁽¹⁾ + 1.5%	2021–2024	118,331
Secured bank loans	INR	MCLR ⁽²⁾ + 0.4% to 2.55%	2020–2030	934,522
Secured bank loans	MKD	3.94%	2023	20,430
Secured bank loans	RMB	PBC interest rate ⁽³⁾	2022–2031	67,745
Secured loans from corporates	INR	7.88%–11.5%	2020–2024	6,190
Unsecured bank loans	EUR	1.85%	2024	68,880
Unsecured bank loans	EUR	Euribor + 0.38% to 1.05%	2023–2028	1,242,396
Unsecured bank loans	HKD	HIBOR ⁽⁴⁾ + 0.8%	2021	1,554,728
Unsecured bank loans	JPY	LIBOR ⁽⁵⁾ + 0.3% to 0.41%	2021–2025	1,195,697
Unsecured bank loans	JPY	COF ⁽⁶⁾	2020	4,314
Unsecured bank loans	SGD	SOR ⁽⁷⁾ + 0.45% to 1.00%	2021	1,278,732
Unsecured bank loans	SGD	SWAP rate + 0.92%	2021	998,854
Unsecured bank loans	SGD	COF	2020	3,666
Unsecured bank loans	TL	10.75%–12.75%	2020	51,376
Unsecured fixed rate medium term notes				
– Issued in 2016	JPY	0.58%	2022	124,860
– Issued in 2017	JPY	0.57%	2023	189,151
– Issued in 2018	JPY	0.65%	2024	132,419
Unsecured loans from NCI	HKD	HIBOR + 1.30%	2021	850,597
Unsecured loans from NCI	RMB	PBC interest rate	2020–2025	59,725
Unsecured loans from corporates	AED	0.00%	2021	632
Unsecured loans from corporates	USD	6.00%	2020	654
				<u>8,903,899</u>

¹ Euro Interbank Offer Rate

² Marginal Cost of Funds Based Lending Rate

³ People's Bank of China benchmark loan interest rate

⁴ Hong Kong Interbank Offered Rate

⁵ London Interbank Offered Rate

⁶ Bank's cost of funds

⁷ Singapore Swap Offer Rate

22. LOANS AND BORROWINGS *(continued)*

Group	Currency	Nominal interest rate %	Year of maturity	Carrying amount RM'000
2018				
Secured bank loans	EUR	4.50%	2020	3,902
Secured bank loans	EUR	Euribor + 1.5%	2021–2024	381,302
Secured bank loans	INR	MCLR + 0.4% to 2.45%	2019–2027	774,789
Secured bank loans	INR	Base rate + 1.25% to 1.70%	2019–2028	61,066
Secured bank loans	MKD	4.50%	2019	4,367
Secured bank loans	SGD	2.88%	2019	19,811
Secured bank loans	USD	LIBOR + 1.75%	2019	1,930
Secured loans from corporates	INR	7.78%–9.75%	2019–2024	9,059
Unsecured bank loans	EUR	2.10% to 3.80%	2019–2021	61,613
Unsecured bank loans	EUR	Euribor + 0.38% to 3.10%	2020–2028	1,648,826
Unsecured bank loans	HKD	HIBOR + 0.8%	2021	1,293,372
Unsecured bank loans	JPY	LIBOR + 0.3% to 1.05%	2019–2024	1,037,456
Unsecured bank loans	SGD	SOR + 0.45% to 1.00%	2019–2021	1,259,187
Unsecured bank loans	SGD	SWAP rate + 0.92%	2021	1,551,003
Unsecured bank loans	TL	0%–27%	2019	91,474
Unsecured bank loans	USD	LIBOR + 1.55% + 3.10%	2020–2021	522,485
Unsecured CCDs	INR	17.5%	2030	289,292
Unsecured fixed rate medium term notes				
– Issued in 2016	JPY	0.58%	2022	124,329
– Issued in 2017	JPY	0.57%	2023	188,349
– Issued in 2018	JPY	0.65%	2024	131,859
Unsecured loans from NCI	HKD	HIBOR + 1.30%	2021	853,268
Unsecured loans from NCI	RMB	PBC interest rate	2020–2025	2,435
Unsecured loans from corporates	AED	0.00%	2021	626
Unsecured loans from corporates	USD	6.00%	2019	647
				<u>10,312,447</u>

Notes to the Financial Statements

22. LOANS AND BORROWINGS *(continued)*

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

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

The secured Macedonian Denar (“MKD”) and Euro Dollars (“Euro”) denominated bank borrowings are secured over assets of certain subsidiaries.

The secured Chinese Renmibi (“RMB”) denominated bank loans are secured over a ROU asset relating to prepaid lease for land.

In the prior year, the secured Singapore Dollar (“SGD”) and United States Dollar (“USD”) denominated bank borrowings are secured over the units in an associate held by the Group and over assets of certain subsidiaries, respectively. These loans were paid in 2019.

Breach of loan covenant

One of the subsidiaries, Continental, breached its loan covenants in respect of a bank loan amounting to RM94,131,000 (2018: RM95,470,000). Several non-financial covenants, including the requirement for the loan to be secured with a pledge of 51% shares in Continental, was not in place since 31 December 2018. Consequently, the bank loan became repayable on demand and was classified in full as a current liability. The breach was not remedied when these financial statements were authorised for issue.

Unsecured fixed rate medium term notes

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

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

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

As at 31 December 2019, there are three series of outstanding fixed rate notes issued under the Multicurrency Debt Issuance Programme amounting to JPY11.8 billion (approximately RM446.4 million) (2018: JPY11.8 billion (approximately RM444.5 million)) with maturity dates between 2022 to 2024.

Debt component of compulsorily convertible debentures (“CCDs”)

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

In January 2019, Fortis bought over the CCDs from the investor.

Loans from non-controlling interest

The HKD-denominated loans from a non-controlling interest are in relation to the non-controlling interest’s share of the financing granted to a subsidiary, GHK.

22. LOANS AND BORROWINGS (continued)

Finance lease liabilities

Finance lease liabilities at 31 December 2018 were payable as follows:

Group	Payments 2018 RM'000 (Restated)	Interest 2018 RM'000	Principal 2018 RM'000 (Restated)
Less than 1 year	44,756	(8,844)	35,912
Between 1 and 5 years	127,001	(28,060)	98,941
More than 5 years	120,594	(78,404)	42,190
	292,351	(115,308)	177,043

The Group has finance lease contracts for various items of property, plant and equipment. There are no restrictions placed upon the Group when entering into these leases and no arrangements have been entered into with contingent rental payments. With the adoption of MFRS 16, *Leases*, on 1 January 2019, the finance lease liabilities are reclassified to lease liabilities.

Reconciliation of movement of liabilities to cash flows arising from financing activities

Company	Lease liabilities RM'000
Adjustment on initial adoption of MFRS 16, <i>Leases</i> , on 1 January 2019	2,227
Net changes from financing cash flows	(1,018)
Other liability-related changes	43
At 31 December 2019	1,252

Group	Fixed rate medium term notes RM'000	Loan from NCI RM'000	Debt component of CCDs RM'000 (Restated)	Finance lease liabilities RM'000 (Restated)	Other loans and borrowings RM'000	Lease liabilities RM'000	Interest payable RM'000	Total RM'000 (Restated)
At 1 January 2018	301,007	844,268	—	138,791	6,353,974	—	36,082	7,674,122
Net changes from financing cash flows	128,542	2,454	—	(38,319)	1,722,210	—	(363,147)	1,451,740
New finance leases	—	—	—	58,654	—	—	—	58,654
Acquisition of subsidiaries (restated)	—	—	294,265	22,997	753,592	—	12,772	1,083,626
Foreign exchange movements (restated)	14,988	8,981	(4,293)	(5,080)	(69,188)	—	(1,222)	(55,814)
Other liability-related changes	—	—	(680)	—	(37,673)	—	358,152	319,799
At 31 December 2018 (restated)	444,537	855,703	289,292	177,043	8,722,915	—	42,637	10,532,127
At 31 December 2018, as previously reported	444,537	855,703	247,657	183,238	8,722,915	—	42,637	10,496,687
Finalisation of PPA	—	—	41,635	(6,195)	—	—	—	35,440
At 31 December 2018, as restated	444,537	855,703	289,292	177,043	8,722,915	—	42,637	10,532,127
Adjustment on initial adoption of MFRS 16, <i>Leases</i>	—	—	—	(177,043)	—	1,946,248	—	1,769,205
Net changes from financing cash flows	—	575	—	—	(1,081,308)	(339,915)	(391,896)	(1,812,544)
New leases	—	—	—	—	—	396,982	—	396,982
Reassessment	—	—	—	—	—	1,046	—	1,046
Expiry/early termination	—	—	—	—	—	(29,113)	—	(29,113)
Acquisition of subsidiaries	—	—	—	—	16,261	10,828	38,657	65,746
Disposal of subsidiary	—	—	—	—	(1,022)	—	—	(1,022)
Acquisition of NCI	—	—	(286,690)	—	—	—	—	(286,690)
Foreign exchange movement	1,893	54,044	(2,602)	—	(91,763)	(96,970)	(344)	(135,742)
Other liability-related changes	—	—	—	—	(17,936)	184,827	330,758	497,649
At 31 December 2019	446,430	910,322	—	—	7,547,147	2,073,933	19,812	10,997,644

(Note 26)

Notes to the Financial Statements

23. EMPLOYEE BENEFITS

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current					
Retirement benefits	24	76,694	69,322	–	–
Employment termination benefits	25	18,666	15,958	–	–
Provision for unconsumed leave		2,286	2,347	–	–
Deferred bonus scheme		2,175	11,311	17	122
		<u>99,821</u>	<u>98,938</u>	<u>17</u>	<u>122</u>
Current					
Cash-settled LTIP		–	111	–	111
Retirement benefits	24	8,637	7,055	–	–
Employment termination benefits	25	916	925	–	–
PTM long term incentive plan (cash-settled)		1,292	1,119	–	–
Defined contribution plan		38,138	36,172	166	200
Provision for unconsumed leave		76,560	69,683	785	1,047
Deferred bonus scheme		19,941	15,482	517	245
		<u>145,484</u>	<u>130,547</u>	<u>1,468</u>	<u>1,603</u>

Cash-settled LTIP

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

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

PTM long term incentive plan (cash-settled)

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

Provision for unconsumed leave

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

Deferred bonus scheme

The Group established a deferred bonus scheme for eligible employees with the aim to make total employee remuneration sufficiently competitive to recruit, reward, retain and motivate outstanding employees. The deferred bonus is paid out in cash over 2 to 3 years if the eligible employees remain employed by the Group.

23. EMPLOYEE BENEFITS *(continued)*

Share-based payment scheme

(a) LTIP

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

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

The movement in the number of the outstanding LTIP are as follows:

	Key management personnel		Other eligible employees	
	2019 '000	2018 '000	2019 '000	2018 '000
<u>Number of LTIP</u>				
Outstanding as at 1 January	1,995	1,948	2,156	4,110
Granted during the year	2,400	1,980	2,710	1,620
Forfeited during the year	—	—	(15)	(513)
Exercised during the year	(2,135)	(1,933)	(2,559)	(3,061)
Outstanding at 31 December	2,260	1,995	2,292	2,156
Exercisable as at 31 December	—	—	—	—

The LTIP outstanding as at 31 December 2019 has a weighted average contractual life of 2.09 years (2018: 3.29 years):

Fair value of options and assumptions

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

During the year, a total of 5,110,000 (2018: 3,600,000) equity-settled LTIP units were granted to eligible employees.

Notes to the Financial Statements

23. EMPLOYEE BENEFITS *(continued)*

Share-based payment scheme (continued)

(a) LTIP *(continued)*

Fair value of options and assumptions *(continued)*

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

	Key management personnel		Other eligible employees	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fair values at grant date	RM5.55 to RM5.61	RM5.97 to RM6.03	RM5.55 to RM5.61	RM6.01 to RM6.07
Share price at grant date	RM5.61	RM6.03	RM5.61	RM6.07
Expected volatility (average volatility)	17.20%	13.31%	17.20%	13.31%
Option life (expected average life)	1.75 years	2.75 years	1.92 years	2.92 years
Expected dividend yield	0.54%	0.49%	0.54%	0.49%
Risk free rate	3.82%–3.89%	3.76%–3.82%	3.82%–3.89%	3.76%–3.82%

(b) EOS

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

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

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

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

The movement in the number of the outstanding EOS options are as follows:

	Key management personnel		Other eligible employees	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
2019				
Outstanding as at 1 January	RM6.17	22,944	RM6.17	15,712
Granted during the year	RM5.79	12,592	RM5.79	4,899
Forfeited during the year	—	—	RM6.03	(296)
Outstanding as at 31 December	RM6.03	35,536	RM6.00	20,315
Exercisable as at 31 December	RM6.19	15,099	RM6.02	2,480

23. EMPLOYEE BENEFITS *(continued)*

Share-based payment scheme (continued)

(b) EOS *(continued)*

	Key management personnel		Other eligible employees	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
2018				
Outstanding as at 1 January	RM6.26	14,229	RM6.17	5,310
Granted during the year	RM6.02	8,715	RM6.02	11,713
Forfeited during the year	–	–	RM6.24	(1,085)
Exercised during the year	–	–	RM5.67	(226)
Outstanding as at 31 December	RM6.17	22,944	RM6.06	15,712
Exercisable as at 31 December	RM6.12	8,783	RM6.08	3,410

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

	2019	2018
Weighted average contractual life (in years)	7.45	8.10
Exercise prices	RM5.67 – RM6.55	RM5.67 – RM6.55

Fair value of options and assumptions

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

During the year, a total of 17,491,000 (2018: 20,428,000) equity-settled EOS options with an exercise price of RM5.79 (2018: RM6.02) were granted to eligible employees.

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

	Key management personnel		Other eligible employees	
	2019	2018	2019	2018
Fair value at grant date	RM1.33	RM1.58	RM1.33	RM1.58
Share price at grant date	RM5.82	RM6.00	RM5.82	RM6.00
Expected volatility (average volatility)	15.36%	15.06%	15.36%	15.06%
Option life (expected average life)	6 years	7 years	6 years	7 years
Expected dividend yield	0.52%	0.50%	0.52%	0.50%
Risk free rate	3.50%	3.99%	3.50%	3.99%

(c) Fortis Employee Stock Option Plan (“Fortis ESOP”)

Fortis, has share-based payment schemes, “Employee Stock Option Plan 2007” and “Employee Stock Option Plan 2011” granted to the eligible employees and directors of Fortis and its subsidiaries. The schemes were approved by the shareholders of Fortis in 2007 and 2011 respectively.

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

Notes to the Financial Statements

23. EMPLOYEE BENEFITS *(continued)*

Share-based payment scheme (continued)

(c) Fortis Employee Stock Option Plan (“Fortis ESOP”) *(continued)*

The movement in the number of the outstanding Fortis ESOP options from the date the Group acquired Fortis (“acquisition date”) to 31 December 2019 are as follows:

	2019		2018	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding as at 1 January/acquisition date	INR161.96	2,765	INR151.58	3,353
Forfeited during the year	INR162.69	(2,600)	INR158.00	(68)
Exercised during the year	INR83.77	(6)	INR95.62	(520)
Outstanding as at 31 December	INR152.94	159	INR161.96	2,765
Exercisable as at 31 December	INR152.94	159	INR161.96	2,765

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

	2019	2018
Exercise prices	INR152.94	INR50.00–INR163.30
Weighted average contractual life (in years)	0.73	4.73

(d) Malar Employee Stock Option Plan (“Malar ESOP”)

Fortis Malar Hospital Limited (“FHML”), has a share-based payment scheme, Malar Employee Stock Option Plan 2008 (“Malar ESOP”), granted to the eligible employees of FHML and its subsidiary.

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

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

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

The movement in the number of the outstanding Malar ESOP options from acquisition date to 31 December 2019 are as follows:

	2019		2018	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding as at 1 January/ acquisition date	INR26.20	79	INR26.20	79
Forfeited during the year	INR26.20	(56)	—	—
Outstanding as at 31 December	INR26.20	23	INR26.20	79
Exercisable as at 31 December	INR26.20	23	INR26.20	79

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

	2019	2018
Exercise prices	INR26.20	INR26.20
Weighted average contractual life (in years)	5.0	5.0

23. EMPLOYEE BENEFITS *(continued)*

Share-based payment scheme (continued)

(e) SRL Employee Stock Option Plan (“SRL ESOP”)

SRL Limited (“SRL”), has provided share-based payment schemes, “Employee Stock Option Plan 2009” and “Employee Stock Option Plan 2013” granted to the eligible employees and directors of SRL and its subsidiaries. The schemes were approved by the shareholders of SRL on 17 August 2009 and 20 September 2013 respectively.

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

The movement in the number of the outstanding SRL ESOP options from acquisition date to 31 December 2019 are as follows:

	2019		2018	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding as at 1 January/ acquisition date	INR310.99	1,254	INR310.99	1,254
Forfeited during the year	INR414.03	(214)	—	—
Outstanding as at 31 December	INR289.85	1,040	INR310.99	1,254
Exercisable as at 31 December	INR40.00	513	INR40.00	537

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

	2019	2018
Exercise prices	INR40–INR674	INR40–INR674
Weighted average contractual life (in years)	1.6	3.3

Value of employee services received for issue of share options

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Share-based payment expenses included in staff costs	29	51,066	38,964	14,373	11,309

Included in share-based payment expenses of the Group, share-based payment expenses relating to the Fortis ESOP, Malar ESOP and SRL ESOP amounted to is an amount of RM1,094,000 (2018: RM54,000).

Notes to the Financial Statements

24. RETIREMENT BENEFITS

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

	Group	
Note	2019 RM'000	2018 RM'000
Present value of unfunded obligations	85,331	76,377
Movement in the liability for defined benefits obligations		
At 1 January	76,377	29,427
Included in profit or loss		
– Current service costs	13,345	4,511
– Past service credit	39	33
– Interest on obligation	5,856	1,210
	19,240	5,754
Included in other comprehensive income		
Remeasurement loss		
Actuarial gain/(loss) arising from:		
– demographic assumptions	(76)	57
– financial assumptions	1,887	1,207
– experience adjustments	(3,720)	(42)
	(1,909)	1,222
Others		
– Additions through business combinations	–	42,422
– Benefits paid	(7,592)	(2,013)
– Translation differences	(785)	(435)
At 31 December	85,331	76,377

Actuarial assumptions

Principal actuarial assumptions at the end of the financial year:

	Group	
	2019 %	2018 %
Discount rate	4.5–8.0	5.0–8.4
Future salary growth	5.0–8.0	5.0–8.0
Future mortality	0.01–1.15	0.1–0.7

24. RETIREMENT BENEFITS *(continued)*

Sensitivity analysis

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

	Group	
	Increase RM'000	Decrease RM'000
2019		
Discount rate (1% movement)	(8,286)	7,146
Future salary growth (1% movement)	7,058	(8,347)
Future mortality (1% movement)	—	—
2018		
Discount rate (1% movement)	(7,130)	8,468
Future salary growth (1% movement)	8,316	(7,112)
Future mortality (1% movement)	—	—

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

25. EMPLOYMENT TERMINATION BENEFITS

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

The termination benefits are calculated as one month gross salary for every employment year and as at 31 December 2019, the ceiling amount has been limited to TL6,380 (2018: TL5,434), equivalent to RM4,405 (2018: RM4,240). The reserve has been calculated by estimating the present value of future probable obligations of these subsidiaries arising from retirement. The calculation was based upon the retirement pay ceiling announced by the local government.

In Bulgaria, the subsidiaries have an obligation to pay certain amounts to each employee who retires in accordance with Art. 222, 3 of the Labor Code ("LC"). According to these regulations in the LC, when a labor contract of an employee, who has acquired a pension right, is ended, the employer is obliged to pay to the employee compensations in the amount of two gross monthly salaries. In case the employee's length of service in the Company equals to or is greater than 10 or more years, as at the retirement date, then the compensation amount to six gross monthly salaries.

Notes to the Financial Statements

25. EMPLOYMENT TERMINATION BENEFITS *(continued)*

		Group	
	Note	2019 RM'000	2018 RM'000
Present value of unfunded obligations		19,582	16,883
Movement in the liability for defined benefits obligations			
At 1 January		16,883	16,199
Included in profit or loss			
– Current service costs		2,773	2,390
– Interest on obligation		1,897	1,115
		4,670	3,505
Remeasurement loss			
– Actuarial loss arising from financial assumptions	32	14,097	13,686
Others			
– Benefits paid		(14,594)	(13,911)
– Disposal of subsidiary		(219)	–
– Translation differences		(1,255)	(2,596)
At 31 December		19,582	16,883

Actuarial assumptions

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

	Group	
	2019	2018
Turkey		
Annual inflation rate	7%	11%
Discount rate	11%	15%
Retirement pay ceiling amount	TL6,380	TL5,434
Bulgaria		
Future salary growth	0.35%	0.75%
Future income growth	3%	3%

Sensitivity analysis

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

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Non-current				
Trade payables	303	3,779	—	—
Other payables	40,931	38,344	—	—
Accruals	4,027	15,557	—	—
Put options granted to non-controlling interests	143,237	567,586	—	—
	188,498	625,266	—	—
Deposits	61,016	65,998	—	—
	249,514	691,264	—	—
Current				
Trade payables	1,348,547	1,385,657	—	—
Trade amounts due to associates	—	42,341	—	—
Other payables	482,721	365,577	577	3,277
Non-trade amounts due to associates	1,162	1,171	—	—
Non-trade amounts due to joint ventures	984	927	—	—
Accruals	855,610	961,266	8,981	8,090
Interest payables	19,812	42,637	—	—
Dividends payable to a non-controlling interest	7,791	—	—	—
Financial guarantee provision	42,104	39,739	—	—
Put options granted to non-controlling interests (restated)	890,328	741,859	—	—
	3,649,059	3,581,174	9,558	11,367
Deposits and rental advance billings	139,257	135,296	—	—
Contract liabilities	69,846	70,325	—	—
	3,858,162	3,786,795	9,558	11,367

Notes to the Financial Statements

26. TRADE AND OTHER PAYABLES *(continued)*

Contract liabilities

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

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

	Group	
	2019 RM'000	2018 RM'000
Contract liabilities at the beginning of the period recognised as revenue	70,325	69,230

CCPS liabilities

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

In 2018, as the conversion ratio for the remaining tranches of CCPS held by the non-controlling interests was fixed, all CCPS were reclassified from other payables to equity.

Put options granted to non-controlling interests

- (i) Pursuant to the acquisition of RGE in 2015, the Group granted the following put options to a non-controlling interest of RGE:
 - a. An option for the non-controlling interest to sell their 7.13% interest in RGE, on a fully diluted basis, to the Group at a fixed consideration of INR1,463.0 million (equivalent to RM84.8 million) (2018: RM85.9 million) less price adjustment of not more than INR110.0 million subject to the occurrence of a certain event in 2018 pursuant to an option agreement entered with the non-controlling interests. As at 31 December 2018, this put option does not have any value as the target was not met; and
 - b. Another option to sell their remaining interest in RGE to the Group at the prevailing market price on the date the option is exercised. This put option can only be exercised from December 2020 onwards and does not have an expiry date.
- (ii) Pursuant to the acquisition of Continental in 2015, the Group granted a put option to a non-controlling interest to sell its existing interest in Continental to the Group at the prevailing market price on the date the option is exercised. The put option can only be exercised from March 2018 onwards and does not have an expiry date.
- (iii) Pursuant to the acquisition of City Hospitals and Clinics AD ("City Clinic"), the Group granted put options to non-controlling interests of Acibadem City Clinic B.V. ("ACC"), who were formerly shareholders of City Clinic, to sell their shares in ACC, to the Group at the higher of the prevailing market price or an amount determined by the formula stated in the agreement. These put option are exercisable until May 2022.
- (iv) Pursuant to the disposal of 15% equity interest in ACC by the Group to International Finance Corporation ("IFC"), the Group granted put options to IFC to sell their shares in ACC to the Group at the higher of the cost of investment of IFC or an amount determined by the formula stated in the agreement. The put options can only be exercised from June 2022 to May 2026.

26. TRADE AND OTHER PAYABLES *(continued)*

Put options granted to non-controlling interests (continued)

- (v) Pursuant to the acquisition of Angsana Holdings Pte. Ltd. ("Angsana") in 2017, the Group granted put options to the non-controlling interests to sell their existing interest in Angsana to the Group at the prevailing market price on the date the options are exercised. The put options can only be exercised from August 2020 onwards and do not have an expiry date.
- (vi) Pursuant to a shareholders' agreement and exit agreement entered into by SRL, Fortis and certain non-controlling interests of SRL, Fortis granted a cash put option to certain non-controlling interest of SRL to sell their shares in SRL to Fortis upon the occurrence of certain trigger event (i.e. Cash Option Trigger Event) as stated in the exit agreement. The Cash Option Trigger Event occurred prior to the Group's acquisition of Fortis and the exercise period for the cash put option was extended several times, with the latest extension of the exercise period given till 31 March 2020.

During the year, change in fair values of put options granted to non-controlling interests amounting to RM244,486,000 (2018: RM296,334,000 gain) was recognised in equity (see note 38(vii)).

Financial guarantee provision

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

27. DERIVATIVE ASSETS AND LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
Non-current assets		
Held at fair value through profit or loss		
– Foreign exchange forward contracts	7,482	722
Held for hedging		
– Interest rate cap	1,738	–
	<u>9,220</u>	<u>722</u>
Current assets		
Held at fair value through profit or loss		
– Foreign exchange forward contracts	85	5,559
– Put option	–	3,756
	<u>85</u>	<u>9,315</u>
Non-current liabilities		
Held at fair value through profit or loss		
– Foreign exchange forward contracts	–	(956)
– Cross currency swaps	(30,627)	–
Held for hedging		
– Interest rate swaps	(841)	(2,021)
– Cross currency interest rate swaps	(1,656)	(9,191)
	<u>(33,124)</u>	<u>(12,168)</u>
Current liabilities		
Held at fair value through profit or loss		
– Foreign exchange forward contracts	(5,402)	–
– Call option granted to NCI	–	(4,861)
Held for hedging		
– Interest rate swaps	(144)	(1,070)
– Cross currency interest rate swaps	(7,418)	–
	<u>(12,964)</u>	<u>(5,931)</u>

Notes to the Financial Statements

27. DERIVATIVE ASSETS AND LIABILITIES (continued)

	Nominal value		Fair value	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Derivatives at fair value through profit or loss				
– Foreign exchange forward contracts	324,302	808,076	2,165	5,325
– Cross currency swaps	290,678	–	(30,627)	–
– Call option granted to NCI	29,575	29,355	–	(4,861)
– Put option	–	16,199	–	3,756
Derivatives used for hedging				
– Interest rate cap	444,042	–	1,738	–
– Interest rate swaps	600,687	1,040,480	(985)	(3,091)
– Cross currency interest rate swaps	382,487	380,626	(9,074)	(9,191)
	<u>2,071,771</u>	<u>2,274,736</u>	<u>(36,783)</u>	<u>(8,062)</u>

The Group enters into interest rate cap, interest rate swaps, cross currency interest rate swaps, cross currency swaps and foreign exchange forward contracts to manage interest rate fluctuations and exchange rate fluctuations on certain loans, as set out in note 38(v) and (vi).

Call option granted to NCI

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

During the year, change in fair value of RM4,766,000 gain (2018: RM17,202,000 gain) was recognised in profit or loss.

Put option

On disposal of the Group's controlling stake in FWD Singapore Pte. Ltd. ("FSPL") (formerly known as Shenton Insurance Pte. Ltd.) on 14 April 2016, the Group entered into an agreement with the purchaser and is granted a put option to sell all of its remaining shares in FSPL only after April 2019 and at the higher of the prevailing market price or consideration determined pursuant to the agreement. The put option is classified as a financial derivative asset.

During the year, fair value gain of RM11,348,000 (2018: RM2,102,000 gain) was recognised in profit or loss and the option has been exercised.

Offsetting financial assets and financial liabilities

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

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

28. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Healthcare services	14,327,880	11,006,467	—	—
Education services	267,982	267,336	—	—
Management fees	46,407	10,284	—	—
Sale of development properties	1,153	—	—	—
Revenue from contracts with customers	14,643,422	11,284,087	—	—
Rental income	264,998	233,206	—	—
Dividend income				
– from subsidiaries	—	—	111,497	2,573,565
– from unquoted money market funds	4,065	3,639	4,065	3,639
	14,912,485	11,520,932	115,562	2,577,204

Included in the FY2018 dividend income from subsidiaries was dividends amounting to RM2,523,565,000 which was settled during the year via the Company's subscription of new ordinary shares in the subsidiary.

Disaggregation of revenue from contracts with customers

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

	Healthcare services RM'000	Education services RM'000	Management fees RM'000	Sale of development properties RM'000	Total RM'000
2019					
Reportable segments					
Singapore	4,199,745	10,727	854	—	4,211,326
Malaysia	2,308,483	257,255	—	1,153	2,566,891
India	3,260,318	—	37,154	—	3,297,472
North Asia	603,802	—	—	—	603,802
Central and Eastern Europe	3,764,678	—	—	—	3,764,678
Others	190,854	—	8,399	—	199,253
	14,327,880	267,982	46,407	1,153	14,643,422
2018					
Reportable segments					
Singapore	3,801,649	11,119	554	—	3,813,322
Malaysia	2,000,266	256,029	—	—	2,256,295
India	847,630	188	1,888	—	849,706
North Asia	498,494	—	347	—	498,841
Central and Eastern Europe	3,676,198	—	—	—	3,676,198
Others	182,230	—	7,495	—	189,725
	11,006,467	267,336	10,284	—	11,284,087

Notes to the Financial Statements

28. REVENUE *(continued)*

Healthcare services revenue

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

Education services income

Education services revenue primarily consist of tuition fees. Tuition fee for educational services not yet provided is recorded as contract liability (see note 26) and recognised as revenue over the period when the services are rendered. There are no variable considerations. The Group maintains a tuition refund policy which provided for all, or a portion of tuition fees to be refunded if a student withdrew a semester within the stated refund periods. Refunds are recorded as a reduction of the related remaining contract liability and a reduction of revenue in the month that the student withdrawn from a semester. If a student withdrawn at the time when only a portion, or none, of the tuition fees was refundable, then the Group continues to recognise the tuition fees that was not refunded over the period of the related semester.

Management fees

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

29. STAFF COSTS

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries, bonuses and other costs		5,102,524	4,325,300	40,481	31,083
Contribution to defined contribution plans		217,945	173,811	978	717
Equity-settled share-based payments	23	51,066	38,964	14,373	11,309
		<u>5,371,535</u>	<u>4,538,075</u>	<u>55,832</u>	<u>43,109</u>

30. FINANCE INCOME AND COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance income				
Interest income	100,079	128,052	11,466	25,491
Exchange gain on loans	–	110	–	–
Fair value gain on financial derivatives	31,246	46,781	2,437	235
	<u>131,325</u>	<u>174,943</u>	<u>13,903</u>	<u>25,726</u>
Finance costs				
Interest expense on loans and borrowings	(391,240)	(283,682)	–	–
Interest expense on lease liabilities	(184,827)	–	(43)	–
Interest expense on amount due to subsidiaries	–	–	(2,624)	(2,023)
Exchange loss on loans	(235,870)	(644,949)	–	–
Fair value loss on financial derivatives	(48,427)	(11,838)	–	–
Other finance costs	(56,239)	(38,353)	(15)	(19)
Less capitalised interest expenses in property, plant and equipment from:				
– Interest expense on loans and borrowings	2,927	–	–	–
– Interest expense on lease liabilities	10,076	–	–	–
	<u>(903,600)</u>	<u>(978,822)</u>	<u>(2,682)</u>	<u>(2,042)</u>

31. PROFIT BEFORE TAX

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration				
Audit fees				
– KPMG PLT	(1,254)	(1,212)	(453)	(458)
– Overseas affiliates of KPMG PLT	(11,107)	(7,850)	(424)	(424)
– Other auditors	(2,775)	(778)	–	–
Non-audit fees				
– KPMG PLT	(503)	(810)	(503)	(810)
– Overseas affiliates of KPMG PLT	(2,421)	(859)	(491)	–

Notes to the Financial Statements

31. PROFIT BEFORE TAX *(continued)*

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

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Material (expenses)/income					
Exchange (losses)/gains – net		(8,873)	67,699	(6,123)	14,212
Impairment loss (made)/written back on:					
– Goodwill	7	(214,780)	(66,168)	–	–
– Investment in subsidiary	8	–	–	(31)	(2,295,921)
– Investment in a joint venture	10	–	(33,353)	–	–
– Trade and other receivables		(62,689)	34,487	–	–
– Inventories		(1,048)	–	–	–
Write-off:					
– Property, plant and equipment	3	(3,697)	(1,219)	–	–
– Intangible assets	7	(5,377)	(174)	–	–
– Inventories		(3,377)	(1,903)	–	–
– Trade and other receivables		(14,092)	(13,337)	–	–
– Amount due from subsidiaries		–	–	(66)	–
Gain on disposal of property, plant and equipment		10,795	831	612	107
Gain on disposal of a subsidiary		2,299	–	–	–
Gain on disposal of an associate	9	167	–	–	–
Gain on disposal of businesses	43	–	2,925	–	–
Change in fair value of investment properties	6	10,169	74,192	–	–
Provision for financial guarantee given on a joint venture's loan facility	26	(2,405)	(3,967)	–	–
Insurance compensation for flood		3,479	17,186	–	–

32. OTHER COMPREHENSIVE INCOME

Group	2019			2018		
	Before tax RM'000	Tax benefit RM'000 (Note 12)	Net of tax RM'000	Before tax RM'000 (Restated)	Tax benefit RM'000 (Note 12)	Net of tax RM'000 (Restated)
Items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences from foreign operations	(155,909)	–	(155,909)	(346,877)	–	(346,877)
Hedge of net investments in foreign operations	1,477	–	1,477	(78,542)	–	(78,542)
Cash flow hedge:						
– Changes in fair value	(511)	–	(511)	2,571	–	2,571
– Reclassification adjustments for losses included in profit or loss	1,487	–	1,487	1,678	–	1,678
	976	–	976	4,249	–	4,249
Cost of hedging reserve	914	–	914	–	–	–
	(152,542)	–	(152,542)	(421,170)	–	(421,170)
Items that will not be reclassified subsequently to profit or loss						
Effect of change in tax rate on the past revaluation of property, plant and equipment upon transfer to investment properties	–	(2,456)	(2,456)	–	–	–
Remeasurement of defined benefit liabilities (note 24 and 25)	(12,188)	2,669	(9,519)	(14,908)	3,667	(11,241)
Net change in fair value of FVOCI financial instruments	(9,252)	–	(9,252)	759	–	759
	(21,440)	213	(21,227)	(14,149)	3,667	(10,482)
	(173,982)	213	(173,769)	(435,319)	3,667	(431,652)

Company	2019		2018	
	Before tax RM'000	Net of tax RM'000	Before tax RM'000	Net of tax RM'000
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences from foreign operations	29	29	8	8
Items that will not be reclassified subsequently to profit or loss				
Net change in fair value of FVOCI financial instruments	–	–	759	759
	29	29	767	767

Notes to the Financial Statements

33. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The Group considers the Directors of the Company to be key management personnel in accordance with MFRS 124, *Related Party Disclosures*.

The key management personnel compensation are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-executive Directors:				
– Fees	7,653	4,719	4,720	3,993
– Remuneration and other benefits	28	25	28	25
– Share-based payment	6,917	–	–	–
	14,598	4,744	4,748	4,018
Executive Directors:				
– Fees	–	2,065	–	–
– Remuneration and other benefits	29,351	21,366	20,103	16,092
– Share-based payment	19,085	20,463	9,818	8,058
	48,436	43,894	29,921	24,150
	63,034	48,638	34,669	28,168

The estimated monetary value of Directors' benefit-in-kind is RM263,000 (2018: RM250,000).

34. INCOME TAX EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax expense				
Current year	590,140	394,255	2,592	3,278
Over provided in prior years	(24,622)	(60,263)	(1,375)	(387)
	565,518	333,992	1,217	2,891
Deferred tax income				
Reversal of temporary differences	(26,988)	(67,670)	(208)	–
Over provided in prior years	(10,648)	(3,712)	–	–
	(37,636)	(71,382)	(208)	–
	527,882	262,610	1,009	2,891

34. INCOME TAX EXPENSE *(continued)*

Reconciliation of income tax expense

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	1,042,724	752,470	36,297	246,664
Less:				
Share of profits of associates (net of tax)	(64,244)	(11,515)	–	–
Share of profits of joint ventures (net of tax)	(9,862)	(1,897)	–	–
	968,618	739,058	36,297	246,664
Income tax calculated using Malaysia tax rate of 24% (2018: 24%)	232,468	177,374	8,711	59,199
Effect of tax rates in foreign jurisdictions	202,276	(30,257)	(567)	(205)
Effect of reduction tax rates	(44,734)	–	–	–
Tax exempt income	(84,798)	(62,790)	(26,812)	(618,636)
Tax incentive	(507)	–	–	–
Non-deductible expenses	269,649	93,709	21,052	562,920
Recognition of previously unrecognised deferred tax assets	(81,659)	(11,652)	–	–
Deferred tax assets not recognised	70,457	160,201	–	–
Over provided in prior years	(35,270)	(63,975)	(1,375)	(387)
	527,882	262,610	1,009	2,891

35. EARNINGS PER SHARE

	Group	
	2019	2018
Basic and diluted earnings per share is based on:		
Net profit attributable to ordinary shareholders (RM'000)		
Profit after tax and non-controlling interests	551,476	627,687
Perpetual securities distribution	(88,172)	(85,846)
	463,304	541,841
Basic earnings per share		
Weighted average number of shares ('000)	8,772,198	8,288,793
Basic earnings per share (sen)	5.28	6.54

Notes to the Financial Statements

35. EARNINGS PER SHARE *(continued)*

Diluted earnings per share

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

	Group	
	2019	2018
Weighted average number of ordinary shares used in calculation of basic earnings per share ('000)	8,772,198	8,288,793
Weighted average number of unissued ordinary shares from units under LTIP ('000)	2,431	3,264
Weighted average number of unissued ordinary shares from share options under EOS ('000)	–	55
Weighted average number of ordinary shares used in calculation of diluted earnings per share ('000)	<u>8,774,629</u>	<u>8,292,112</u>
Diluted earnings per share (sen)	<u>5.28</u>	<u>6.53</u>

At 31 December 2019, 55,851,000 outstanding EOS options (2018: 32,850,000) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

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

36. DIVIDENDS

Dividends recognised by the Company:

	Per ordinary share sen	Total amount RM'000	Date of payment
2019			
First and final single tier cash dividend for financial year ended 31 December 2018	3.0	<u>263,220</u>	18 July 2019
2018			
First and final single tier cash dividend for financial year ended 31 December 2017	3.0	<u>247,338</u>	18 July 2018

The Board of Directors have declared that a first and final single tier cash dividend of 4 sen per ordinary share for the financial year ended 31 December 2019 to be paid on 30 April 2020 to shareholders whose names appear in the Record of Depositors of Bursa Malaysia Depository Sdn Bhd and CDP at the close of business on 31 March 2020. The Company shall apply the RM:SGD noon middle rate as disclosed in the Bank Negara Malaysia's website on 31 March 2020 as the basis for computing the dividend quantum to be paid in SGD to the Singapore investors whose Company's shares are traded on SGX-ST.

	Per ordinary share sen	Total amount RM'000
First and final single tier cash dividend for financial year ended 31 December 2019	4.0	<u>350,960*</u>

* Based on 8,773,990,000 ordinary shares as at 31 December 2019.

37. SEGMENT REPORTING

Operating segments

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

The Group's reportable segments comprise:

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

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

Inter-segment pricing is determined on negotiated basis.

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

Notes to the Financial Statements

37. SEGMENT REPORTING (continued)

	Parkway Pantai ⁽¹⁾				
2019	Singapore RM'000	Malaysia RM'000	India RM'000	North Asia RM'000	PPL Others ⁽²⁾ RM'000
Revenue and expenses					
Revenue from external customers	4,289,778	2,331,064	3,320,868	604,647	198,861
Inter-segment revenue	104,034	1,000	–	–	1,499
Total segment revenue	4,393,812	2,332,064	3,320,868	604,647	200,360
EBITDA	1,546,887	675,215	359,965	(175,461)	35,824
Depreciation and impairment losses of property, plant and equipment	(159,428)	(181,430)	(167,769)	(157,487)	(6,451)
Depreciation of ROU assets	(290,622)	(21,446)	(32,932)	(72,240)	(7,142)
Amortisation and impairment losses of intangible assets	(3,644)	(709)	(37,541)	(5,098)	–
Foreign exchange differences	(398)	(223)	13,425	(449)	(9,046)
Finance income	680	24,813	30,492	53,237	50,869
Finance costs	(32,943)	(4,473)	(178,964)	(138,153)	(50,865)
Share of profits of associates (net of tax)	2,938	–	61,306	–	–
Share of profits of joint ventures (net of tax)	1,166	–	9,287	(591)	–
Others	(15,993)	–	(198,760)	–	–
Profit/(Loss) before tax	1,048,643	491,747	(141,491)	(496,242)	13,189
Income tax expense	(176,824)	(121,341)	(142,718)	(13,423)	(17,097)
Profit/(Loss) for the year	871,819	370,406	(284,209)	(509,665)	(3,908)
Assets and liabilities					
Cash and cash equivalents	280,853	850,848	2,088,713	505,851	627,357
Other assets	13,138,971	5,008,883	8,022,268	3,826,008	2,847,956
Segment assets as at 31 December 2019	13,419,824	5,859,731	10,110,981	4,331,859	3,475,313
Loans and borrowings	–	–	942,013	2,532,782	998,854
Other liabilities	5,274,818	724,765	2,381,863	910,712	(383,476)
Segment liabilities as at 31 December 2019	5,274,818	724,765	3,323,876	3,443,494	615,378

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

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

³ “CEE” refers to Central and Eastern Europe.

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

Acibadem Holdings CEE ⁽³⁾ RM'000	IMU Health Malaysia RM'000	PLife REIT ⁽¹⁾ RM'000	Others ⁽⁴⁾ RM'000	Eliminations RM'000	Total RM'000
3,764,678	259,048	139,476	4,065	–	14,912,485
–	3,754	208,437	172,255	(490,979)	–
3,764,678	262,802	347,913	176,320	(490,979)	14,912,485
853,497	87,173	294,387	93,591	(453,366)	3,317,712
(239,698)	(11,965)	(29,646)	(631)	–	(954,505)
(101,549)	(4,639)	(5,711)	(990)	201,914	(335,357)
(17,983)	(654)	–	–	–	(65,629)
(5,711)	(2)	(345)	(6,124)	–	(8,873)
7,677	5,069	7,421	13,903	(62,836)	131,325
(555,255)	206	(20,077)	(2,683)	79,607	(903,600)
–	–	–	–	–	64,244
–	–	–	–	–	9,862
2,298	–	–	–	–	(212,455)
(56,724)	75,188	246,029	97,066	(234,681)	1,042,724
(12,836)	(19,245)	(23,389)	(1,009)	–	(527,882)
(69,560)	55,943	222,640	96,057	(234,681)	514,842
104,448	33,492	66,821	156,286	–	4,714,669
5,384,782	539,245	4,713,712	211,203	(3,354,408)	40,338,620
5,489,230	572,737	4,780,533	367,489	(3,354,408)	45,053,289
2,169,227	–	2,261,023	–	–	8,903,899
1,926,890	161,324	371,680	41,253	(3,354,408)	8,055,421
4,096,117	161,324	2,632,703	41,253	(3,354,408)	16,959,320

Notes to the Financial Statements

37. SEGMENT REPORTING (continued)

2018	Parkway Pantai ⁽¹⁾				
	Singapore RM'000	Malaysia RM'000	India RM'000	North Asia RM'000	PPL Others ⁽²⁾ RM'000
Revenue and expenses					
Revenue from external customers	3,890,725	2,019,834	851,269	499,623	188,936
Inter-segment revenue	100,711	1,000	–	–	1,879
Total segment revenue	3,991,436	2,020,834	851,269	499,623	190,815
EBITDA	1,213,407	578,513	6,319	(208,714)	(1,178)
Depreciation and impairment losses of property, plant and equipment	(214,268)	(157,622)	(63,374)	(146,981)	(6,156)
Amortisation and impairment losses of intangible assets	(3,644)	(709)	(10,439)	(23,115)	–
Foreign exchange differences	(239)	68	41,073	(213)	9,926
Finance income	603	22,830	49,056	48,176	40,690
Finance costs	(14,669)	(2,329)	(56,458)	(86,933)	(24,546)
Share of profits of associates (net of tax)	1,667	–	9,848	–	–
Share of profits of joint ventures (net of tax)	1,213	–	669	15	–
Others	29,873	(6,070)	(86,301)	2,925	–
Profit/(Loss) before tax	1,013,943	434,681	(109,607)	(414,840)	18,736
Income tax (expense)/credit	(140,713)	(88,823)	(2,355)	(11,987)	(23,742)
Profit/(Loss) for the year	873,230	345,858	(111,962)	(426,827)	(5,006)
Assets and liabilities (restated)					
Cash and cash equivalents	202,779	625,241	4,339,118	701,685	448,447
Other assets	12,321,766	4,795,784	6,540,723	3,206,234	4,389,347
Segment assets as at 31 December 2018	12,524,545	5,421,025	10,879,841	3,907,919	4,837,794
Loans and borrowings	7,310	256	1,194,714	2,153,906	1,551,003
Other liabilities	4,364,225	546,688	3,270,688	327,793	327,921
Segment liabilities as at 31 December 2018	4,371,535	546,944	4,465,402	2,481,699	1,878,924

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

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

³ “CEE” refers to Central and Eastern Europe.

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

Acibadem Holdings CEE ⁽³⁾ RM'000	IMU Health Malaysia RM'000	PLife REIT ⁽¹⁾ RM'000	Others ⁽⁴⁾ RM'000	Eliminations RM'000	Total RM'000
3,676,198	257,540	133,168	3,639	–	11,520,932
–	3,461	202,531	2,573,636	(2,883,218)	–
3,676,198	261,001	335,699	2,577,275	(2,883,218)	11,520,932
617,320	84,935	321,688	2,509,239	(2,643,830)	2,477,699
(242,430)	(14,364)	(34,647)	(859)	–	(880,701)
(19,760)	(790)	–	–	–	(58,457)
(91)	(1)	2,964	14,212	–	67,699
34,622	5,701	19	25,726	(52,480)	174,943
(817,452)	(16)	(26,857)	(2,042)	52,480	(978,822)
–	–	–	–	–	11,515
–	–	–	–	–	1,897
–	–	–	(3,730)	–	(63,303)
(427,791)	75,465	263,167	2,542,546	(2,643,830)	752,470
51,040	(19,733)	(23,406)	(2,891)	–	(262,610)
(376,751)	55,732	239,761	2,539,655	(2,643,830)	489,860
73,512	24,789	67,201	1,280,626	–	7,763,398
5,027,213	530,141	4,519,762	196,423	(4,269,940)	37,257,453
5,100,725	554,930	4,586,963	1,477,049	(4,269,940)	45,020,851
3,504,877	247	2,077,177	–	–	10,489,490
1,040,113	149,212	353,781	69,181	(4,269,940)	6,179,662
4,544,990	149,459	2,430,958	69,181	(4,269,940)	16,669,152

Notes to the Financial Statements

37. SEGMENT REPORTING (continued)

Geographical segment

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

	Singapore RM'000	Malaysia RM'000	North Asia RM'000	India RM'000	Japan RM'000	CEE RM'000	Other regions RM'000	Others ⁽¹⁾ RM'000	Elimina- tions RM'000	Total RM'000
2019										
Revenue from external customers	4,288,281	2,590,310	604,647	3,320,868	139,278	3,764,678	200,358	4,065	–	14,912,485
Inter-segment revenue	–	–	–	–	–	–	–	172,255	(172,255)	–
Total segment revenue	4,288,281	2,590,310	604,647	3,320,868	139,278	3,764,678	200,358	176,320	(172,255)	14,912,485
Non-current assets ⁽²⁾	14,282,790	4,914,750	3,672,494	6,364,837	2,287,467	4,547,711	25,747	649	–	36,096,445
2018										
Revenue from external customers	3,888,843	2,277,686	499,624	851,268	132,857	3,676,198	190,817	3,639	–	11,520,932
Inter-segment revenue	–	–	–	–	–	–	–	2,529,534	(2,529,534)	–
Total segment revenue	3,888,843	2,277,686	499,624	851,268	132,857	3,676,198	190,817	2,533,173	(2,529,534)	11,520,932
Non-current assets ⁽²⁾ (restated)	14,154,746	4,725,583	3,084,320	4,224,648	2,106,266	4,192,607	48,016	1,428	–	32,537,614

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

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

38. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

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

38. FINANCIAL INSTRUMENTS *(continued)*

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

2019	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000	FVOCI – EIDUIR RM'000	Derivatives used for hedging RM'000
Financial assets					
Group					
Amount due from a joint venture	19,698	19,698	–	–	–
Other financial assets					
– Unquoted shares	30,645	–	–	30,645	–
– Money market funds	186,148	–	186,148	–	–
– Fixed deposits	173,846	173,846	–	–	–
– Trade and other receivables ⁽¹⁾	2,068,603	2,068,603	–	–	–
Derivative assets					
– Foreign exchange forward contracts	7,567	–	7,567	–	–
– Interest rate cap	1,738	–	–	–	1,738
Cash and cash equivalents	4,714,669	4,714,669	–	–	–
	<u>7,202,914</u>	<u>6,976,816</u>	<u>193,715</u>	<u>30,645</u>	<u>1,738</u>
Company					
Money market funds	186,148	–	186,148	–	–
Trade and other receivables ⁽¹⁾	10	10	–	–	–
Amount due from subsidiaries	50,451	50,451	–	–	–
Cash and cash equivalents	156,169	156,169	–	–	–
	<u>392,778</u>	<u>206,630</u>	<u>186,148</u>	<u>–</u>	<u>–</u>
Financial liabilities					
Group					
Trade and other payables ⁽²⁾	(2,803,992)	(2,803,992)	–	–	–
Loans and borrowings	(8,903,899)	(8,903,899)	–	–	–
Bank overdrafts	(121,814)	(121,814)	–	–	–
Derivative liabilities					
– Interest rate swaps	(985)	–	–	–	(985)
– Cross currency swaps	(30,627)	–	(30,627)	–	–
– Cross currency interest swaps	(9,074)	–	–	–	(9,074)
– Foreign exchange forward contracts	(5,402)	–	(5,402)	–	–
	<u>(11,875,793)</u>	<u>(11,829,705)</u>	<u>(36,029)</u>	<u>–</u>	<u>(10,059)</u>
Company					
Trade and other payables ⁽²⁾	(9,558)	(9,558)	–	–	–
Amounts due to subsidiaries	(79,797)	(79,797)	–	–	–
	<u>(89,355)</u>	<u>(89,355)</u>	<u>–</u>	<u>–</u>	<u>–</u>

¹ Excludes prepayments

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

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS (continued)

(i) Categories of financial instruments (continued)

2018	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000	FVOCI – EIDUIR RM'000	Derivatives used for hedging RM'000
Financial assets					
Group					
Amount due from a joint venture	19,602	19,602	–	–	–
Investment in NCDs (restated)	274,297	274,297	–	–	–
Other financial assets					
– Unquoted shares	11,334	–	–	11,334	–
– Mutual funds	4,257	–	4,257	–	–
– Money market funds	179,646	–	179,646	–	–
– Fixed deposits	170,285	170,285	–	–	–
– Trade and other receivables ⁽¹⁾	1,949,248	1,949,248	–	–	–
Derivative assets					
– Foreign exchange forward contracts	6,281	–	6,281	–	–
– Put option	3,756	–	3,756	–	–
Cash and cash equivalents	7,763,398	7,763,398	–	–	–
	10,382,104	10,176,830	193,940	11,334	–
Company					
Money market funds	179,646	–	179,646	–	–
Trade and other receivables ⁽¹⁾	2,863	2,863	–	–	–
Amount due from subsidiaries	2,546,875	2,546,875	–	–	–
Cash and cash equivalents	1,280,302	1,280,302	–	–	–
	4,009,686	3,830,040	179,646	–	–
Financial liabilities					
Group					
Trade and other payables ⁽²⁾	(2,896,995)	(2,896,995)	–	–	–
Loans and borrowings (restated)	(10,489,490)	(10,489,490)	–	–	–
Bank overdrafts	(81,215)	(81,215)	–	–	–
Derivative liabilities					
– Interest rate swaps	(3,091)	–	–	–	(3,091)
– Cross currency interest swaps	(9,191)	–	–	–	(9,191)
– Call option granted to NCI	(4,861)	–	(4,861)	–	–
– Foreign exchange forward contracts	(956)	–	(956)	–	–
	(13,485,799)	(13,467,700)	(5,817)	–	(12,282)
Company					
Trade and other payables ⁽²⁾	(11,367)	(11,367)	–	–	–
Amounts due to subsidiaries	(78,589)	(78,589)	–	–	–
	(89,956)	(89,956)	–	–	–

¹ Excludes prepayments

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

38. FINANCIAL INSTRUMENTS *(continued)*

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

Net gains/(losses) arising from financial instruments

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Mandatorily at FVTPL financial instruments				
– Fair value changes recognised in profit or loss	3,015	273	2,437	235
– Dividend income	4,065	3,639	4,065	3,639
Financial assets at amortised cost	23,298	149,202	11,369	25,491
Financial liabilities at amortised cost	(855,173)	(966,874)	2,682	(2,042)
– Recognised in other comprehensive income	3,340	(11,873)	–	–
– Recognised in profit or loss	(20,195)	34,670	–	–
	(841,650)	(790,963)	20,553	27,323

(ii) Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(iii) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's primary exposure to credit risk, arises principally through its trade receivables and investment in debt securities. The Company's exposure to credit risk arises principally from its amounts due from subsidiaries and financial guarantee provided to banks for banking facilities and cross currency swaps granted to subsidiaries.

Trade receivables

Risk management objectives, policies and processes for managing the risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on major customers requiring credit over a certain amount. Self-pay customer may be requested to place an initial deposit or obtain a letter of guarantee at the time of admission to the hospital. Additional deposit is requested from the customer when the hospital charges exceed a certain level.

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

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

There are no significant changes as compared to previous year.

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS *(continued)*

(iii) Credit risk *(continued)*

Trade receivables *(continued)*

Exposure to credit risk, credit quality and collateral

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

Credit risk concentration profile

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

	Group	
	2019	2018
Note	RM'000	RM'000
Malaysia	315,173	449,361
Singapore	489,206	283,008
India	559,627	608,523
North Asia	50,339	49,576
Middle East	42,945	30,239
South East Asia	121,570	106,511
CEE	567,595	543,290
Others	17,727	15,647
	<u>2,164,182</u>	<u>2,086,155</u>
Impairment losses	<u>(314,311)</u>	<u>(386,380)</u>
15	<u>1,849,871</u>	<u>1,699,775</u>

At 31 December 2019 and 31 December 2018, the Group has no outstanding trade receivables from significant customers.

Recognition and measurement of impairment losses

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

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

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

38. FINANCIAL INSTRUMENTS *(continued)*

(iii) Credit risk *(continued)*

Trade receivables *(continued)*

Recognition and measurement of impairment losses (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables.

Group	Gross carrying amount RM'000	Impairment loss RM'000	Net balance RM'000
2019			
Not credit impaired			
Not past due	781,847	(4,989)	776,858
Past due 1–30 days	334,550	(5,234)	329,316
Past due 31–180 days	437,235	(17,538)	419,697
Past due 181 days–1 year	172,187	(47,913)	124,274
Past due more than 1 year	265,580	(173,406)	92,174
	1,991,399	(249,080)	1,742,319
Credit impaired			
Individually impaired	172,783	(65,231)	107,552
	2,164,182	(314,311)	1,849,871
2018			
Not credit impaired			
Not past due	769,828	(350)	769,478
Past due 1–30 days	315,340	(3,241)	312,099
Past due 31–180 days	431,600	(19,854)	411,746
Past due 181 days–1 year	123,465	(43,405)	80,060
Past due more than 1 year	309,553	(258,078)	51,475
	1,949,786	(324,928)	1,624,858
Credit impaired			
Individually impaired	136,369	(61,452)	74,917
	2,086,155	(386,380)	1,699,775

The movement in the allowance for impairment in respect of trade receivables during the year are shown below:

	Group RM'000
At 1 January 2018	252,845
Additions through business combinations	197,186
Impairment loss reversed	(35,037)
Written off	(8,799)
Translation differences	(19,815)
Balance at 31 December 2018/1 January 2019	386,380
Impairment loss made	76,044
Written off	(141,632)
Translation differences	(6,481)
At 31 December 2019	314,311

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS *(continued)*

(iii) Credit risk *(continued)*

Fixed deposits and cash and cash equivalents

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

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

Amount due from subsidiaries

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

A wholly owned subsidiary, PHL provided an unsecured financial guarantee to a bank in respect of the 50% value of the banking facilities provided to KHPL, a 50% owned joint venture.

The Company also provided unsecured financial guarantees to banks in respect of banking facilities and cross currency swaps ("CCS") arrangements granted to certain subsidiaries.

The Group and the Company monitor on an ongoing basis the abilities of the borrowing entities to service their loans and CCS obligations on an individual basis.

Exposure to credit risk, credit quality and collateral

(a) Group

The maximum exposure of the Group in respect of financial guarantee on 50% KHPL's bank facilities (note 26) at the end of financial year amounted to RM42,104,000 (2018: RM39,739,000) representing the Group's share of bank loans amount drawn down and interest payable by KHPL.

On 5 January 2017, the bank served a notice to KHPL that an event of default has occurred. In view that KHPL is unlikely to be able to repay the loan, the Group had made a provision for its 50% share of the amounts that KHPL owes the bank (note 26).

(b) Company

The maximum exposure of the Company in respect of financial guarantee at 31 December 2019 amounted to RM1,570,102,000 (2018: RM665,697,000) representing the outstanding bank facilities and CCS obligations of the subsidiaries.

At the end of the financial year, the Company does not consider it probable that claims will be made against the Company under the financial guarantees.

The financial guarantees are not recognised since the fair value on initial recognition was not material.

38. FINANCIAL INSTRUMENTS *(continued)*

(iv) Liquidity risk

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

Maturity analysis

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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

Group	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	After 1 year but within 5 years RM'000	After 5 years RM'000
2019					
Non-derivative financial liabilities					
Loans and borrowings	8,903,899	9,677,164	919,740	7,879,318	878,106
Bank overdrafts	121,814	121,814	121,814	—	—
Lease liabilities	2,073,933	3,684,471	385,758	1,193,572	2,105,141
Trade and other payables*	3,837,557	3,837,557	3,649,059	27,684	160,814
	<u>14,937,203</u>	<u>17,321,006</u>	<u>5,076,371</u>	<u>9,100,574</u>	<u>3,144,061</u>
Derivative financial instruments					
Foreign exchange forward contracts (gross-settled)					
— inflows	(271,825)	(327,542)	(145,825)	(181,717)	—
— outflows	269,660	362,194	186,041	176,153	—
Cross currency interest rate swaps (gross-settled)					
— inflows	(579)	(596)	(504)	(92)	—
— outflows	9,653	9,920	8,411	1,509	—
Cross currency swaps (gross-settled)					
— inflows	(109,524)	(309,528)	—	(309,528)	—
— outflows	140,151	396,087	—	396,087	—
Interest rate swaps (net-settled)	985	1,012	376	636	—
Interest rate caps (net-settled)	(1,738)	—	—	—	—
	<u>36,783</u>	<u>131,547</u>	<u>48,499</u>	<u>83,048</u>	<u>—</u>
	<u>14,973,986</u>	<u>17,452,553</u>	<u>5,124,870</u>	<u>9,183,622</u>	<u>3,144,061</u>

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

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS *(continued)*(iv) Liquidity risk *(continued)***Maturity analysis** *(continued)*

Group	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	After 1 year but within 5 years RM'000	After 5 years RM'000
2018					
Non-derivative financial liabilities					
Loans and borrowings (restated)	10,489,490	11,762,370	1,416,756	9,173,881	1,171,733
Bank overdrafts	81,215	81,215	81,215	–	–
Trade and other payables* (restated)	4,206,440	4,214,493	3,589,226	413,012	212,255
	<u>14,777,145</u>	<u>16,058,078</u>	<u>5,087,197</u>	<u>9,586,893</u>	<u>1,383,988</u>
Derivative financial instruments					
Foreign exchange forward contracts (gross-settled)					
– inflows	(272,590)	(278,318)	(173,432)	(104,886)	–
– outflows	267,265	272,974	168,194	104,780	–
Cross currency interest rate swaps (gross-settled)					
– inflows	(4,738)	(4,889)	(2,563)	(2,326)	–
– outflows	13,929	14,372	7,534	6,838	–
Interest rate swaps (net-settled)	3,091	3,189	2,013	1,149	27
	<u>6,957</u>	<u>7,328</u>	<u>1,746</u>	<u>5,555</u>	<u>27</u>
	<u>14,784,102</u>	<u>16,065,406</u>	<u>5,088,943</u>	<u>9,592,448</u>	<u>1,384,015</u>

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

38. FINANCIAL INSTRUMENTS *(continued)*

(iv) Liquidity risk *(continued)*

Maturity analysis (continued)

Company	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	After 1 year but within 5 years RM'000	After 5 years RM'000
2019					
Non-derivative financial liabilities					
Amounts due to subsidiaries	79,797	79,797	79,797	—	—
Lease liabilities	1,252	1,272	1,018	254	—
Trade and other payables [#]	9,558	9,558	9,558	—	—
	<u>90,607</u>	<u>90,627</u>	<u>90,373</u>	<u>254</u>	<u>—</u>
2018					
Non-derivative financial liabilities					
Amounts due to subsidiaries	78,589	78,589	78,589	—	—
Trade and other payables [#]	11,367	11,367	11,367	—	—
	<u>89,956</u>	<u>89,956</u>	<u>89,956</u>	<u>—</u>	<u>—</u>

[#] Excludes deposits and rental advance billings

(v) Market risk

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

(a) Foreign currency risk

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

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

Risk management objectives, policies and processes for managing the risk

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

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

The Group also enters in cross currency interest rate swaps and cross currency swaps to realign borrowings to the same currency of the Group's foreign investments to achieve a natural hedge (see note 38(vi)).

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

The nominal value and fair value of the foreign exchange forward contracts, cross currency swaps and cross currency interest rate swaps is disclosed in note 27.

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS (continued)(v) **Market risk** (continued)(a) **Foreign currency risk** (continued)**Exposure to foreign currency risk**

The Group's exposure to foreign currency (a currency which is other than the functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows:

Group	Singapore Dollar RM'000	United States Dollar RM'000	Euro RM'000	Japanese Yen RM'000	India Rupee RM'000	Chinese Renminbi RM'000	Others* RM'000
2019							
Carrying value							
Trade and other receivables	–	4,437	2,061	–	22,243	–	307
Intra-group receivables	44,428	1,473	–	–	8,961	296	34
Cash and cash equivalents	12,471	40,432	17,616	587	–	215,885	102,185
Loans and borrowings	–	(654)	(1,323,621)	–	–	–	(632)
Trade and other payables	(4,714)	(96,992)	(5,092)	(1,797)	(109)	(5,915)	(1,610)
Intra-group payables	(79,519)	(2,020)	–	–	(6)	(1,228)	(38,978)
Put options granted to non-controlling interests	–	–	(150,072)	–	(199,576)	–	–
	(27,334)	(53,324)	(1,459,108)	(1,210)	(168,487)	209,038	61,306
Off balance sheet net derivative assets/liabilities							
Foreign exchange forward contracts	–	2,666	42,201	(257,415)	–	–	–
Cross currency swaps	–	–	303,074	–	–	–	–
	(27,334)	(50,658)	(1,113,833)	(258,625)	(168,487)	209,038	61,306
2018							
Carrying value							
Trade and other receivables	1,037	18,178	2,700	–	17,708	–	6,703
Intra-group receivables	2,544,330	126,563	–	–	3,937	417	1,307
Cash and cash equivalents	60,048	1,269,047	5,716	818	–	220,234	2,666
Loans and borrowings	(19,811)	(525,423)	(2,023,337)	–	–	–	(626)
Trade and other payables	(141,028)	(111,186)	(4,618)	(1,754)	–	(27,601)	(1,383)
Intra-group payables	(1,029,486)	(125,935)	–	–	–	(1,353)	(24,048)
Put options granted to non-controlling interests	–	–	(224,272)	–	(362,967)	–	–
Call option granted to non-controlling interests	–	–	–	–	(4,862)	–	–
	1,415,090	651,244	(2,243,811)	(936)	(346,184)	191,697	(15,381)
Off balance sheet net derivative assets/liabilities							
Foreign exchange forward contracts	–	32,017	55,028	(180,061)	–	–	–
	1,415,090	683,261	(2,188,783)	(180,997)	(346,184)	191,697	(15,381)

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

38. FINANCIAL INSTRUMENTS *(continued)*

(v) Market risk *(continued)*

(a) Foreign currency risk *(continued)*

Exposure to foreign currency risk (continued)

Company	Singapore Dollar RM'000	Malaysian Ringgit RM'000	United States Dollar RM'000
2019			
Cash and cash equivalents	25	–	9,743
Amounts due from/(to) subsidiaries	29,905	(17,330)	226
	<u>29,930</u>	<u>(17,330)</u>	<u>9,969</u>
2018			
Cash and cash equivalents	615	–	1,209,438
Amounts due from/(to) subsidiaries	2,536,971	(7,027)	227
Trade and other payables	(152)	–	(3,508)
	<u>2,537,434</u>	<u>(7,027)</u>	<u>1,206,157</u>

Sensitivity analysis

A 10% (2018: 10%) strengthening of the following currencies against the respective functional currencies of the Group entities at the end of the reporting period would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Group	2019		2018	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Singapore Dollar	–	(2,733)	–	141,509
United States Dollar	–	(5,066)	–	68,326
Euro	(15,007)	(96,376)	(22,427)	(196,451)
Japanese Yen	–	(25,863)	–	(18,100)
India Rupee	(19,958)	3,109	(36,297)	1,678
Chinese Renminbi	–	20,904	–	19,170
Others*	–	6,131	–	(1,538)
	<u>(34,965)</u>	<u>(99,894)</u>	<u>(58,724)</u>	<u>14,594</u>

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

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS *(continued)*

(v) Market risk *(continued)*

(a) Foreign currency risk *(continued)*

Sensitivity analysis (continued)

Company	2019		2018	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Singapore Dollar	–	2,993	–	253,743
Malaysian Ringgit	–	(1,733)	–	(703)
United States Dollar	–	997	–	120,616
	–	2,257	–	373,656

A 10% (2018: 10%) weakening of the above currencies against the respective functional currencies of the Group entities at the end of the reporting period would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(b) Interest rate risk

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

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

Risk management objectives, policies and processes for managing the risk

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

Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposures within the Group's policy (see note 38(vi)).

The nominal value and fair value of the interest rate swaps is disclosed in note 27.

38. FINANCIAL INSTRUMENTS *(continued)*

(v) Market risk *(continued)*

(b) Interest rate risk *(continued)*

Exposure to interest rate risk

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

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Fixed rate instruments				
Investment in NCD	–	274,297	–	–
Fixed deposits	3,101,429	3,767,556	–	52,388
Amount due to a subsidiary	–	–	(79,427)	(77,023)
Fixed rate medium term notes	(446,430)	(444,537)	–	–
Debt component of CCD	–	(289,292)	–	–
Lease liabilities	(2,073,933)	–	(1,252)	–
Finance lease liabilities	–	(177,043)	–	–
Other loans and borrowings	(127,102)	(171,706)	–	–
Variable rate instruments				
Cash and bank balances	110	1,203,480	110	1,203,480
Loans and borrowings	(8,330,367)	(9,406,912)	–	–
Bank overdrafts	(121,814)	(81,215)	–	–
Financial guarantee provision	(42,104)	(39,739)	–	–
Interest rate caps	1,738	–	–	–
Interest rate swaps	(985)	(3,091)	–	–
Cross currency interest rate swaps	(9,074)	(9,191)	–	–

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS *(continued)***(v) Market risk** *(continued)***(b) Interest rate risk** *(continued)***Sensitivity analysis****Cash flow sensitivity analysis for variable rate instruments**

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

	Equity		Profit or loss	
	100bp increase RM'000	100bp decrease RM'000	100bp increase RM'000	100bp decrease RM'000
Group				
2019				
Interest rate caps	16,288	(828)	2,848	—
Interest rate swaps	7,638	(1,821)	6,007	(6,007)
Cross currency interest rate swaps	3,935	(4,009)	3,825	(3,825)
Other variable rate instruments	—	—	(83,875)	83,875
	<u>27,861</u>	<u>(6,658)</u>	<u>(71,195)</u>	<u>74,043</u>
2018				
Interest rate swaps	15,312	(8,489)	10,404	(10,404)
Cross currency interest rate swaps	7,853	(8,042)	3,807	(3,807)
Other variable rate instruments	—	—	(83,228)	83,228
	<u>23,165</u>	<u>(16,531)</u>	<u>(69,017)</u>	<u>69,017</u>
Company				
2019				
Other variable rate instruments	—	—	1	(1)
2018				
Other variable rate instruments	—	—	12,035	(12,035)

(vi) Hedging activities**Interest rate caps**

As part of the Group's effort in managing its exposure to interest rate movement on its floating rate loans, the Group also entered into interest rate caps during the year. As at 31 December 2019, the Group had interest rate caps with a notional principal of RM444,042,000 (2018: Nil).

These instruments are designated as hedging instruments. As at 31 December 2019, the change of time value of the interest rate caps of RM914,000,000 gain was recognised in the cost of hedging reserve. There was no intrinsic value recognised in the hedging reserve during the year.

Cash flow hedge

The Group manages its exposure to interest rate movements on certain floating rate loans and borrowings by entering into interest rate swaps, where appropriate. As at 31 December 2019, the Group has interest rate swaps with a total notional amount of RM600,687,000 (2018: RM1,040,480,000) to provide fixed rate funding up to 2024 (2018: up to 2024) at a weighted average effective interest rate of 0.2% (2018: 0.25%) per annum.

38. FINANCIAL INSTRUMENTS *(continued)*

(vi) Hedging activities *(continued)*

Cash flow hedge (continued)

Also, the Group has cross currency interest rate swaps (“CCIRS”) with notional amount of RM382,487,000 (2018: RM380,626,000) as at 31 December 2019 to manage its foreign currency risk and interest rate risk arising from the financing of Japanese properties using Singapore dollar facilities. To maintain a natural hedge, the Group utilised CCIRS to realign the Singapore dollar denominated loans back into effective Japanese Yen denominated loans to match its underlying Japanese Yen denominated assets.

As at 31 December 2019, where the interest rate swaps and cross currency interest rate swaps that were designated as hedging instruments in qualifying cash flow hedges, the effective portion of the changes in fair value of the swaps amounting to RM511,000 losses (2018: RM2,571,000 gain) was recognised in other comprehensive income (see note 32).

During the year, where hedge accounting was discontinued, not practised or ineffective, the changes in fair value of interest rate swaps amounting to RM1,326,000 (2018: RM708,000) gain was charged to profit or loss. Accordingly, the changes in fair value of these interest rate swaps, previously recognised in the hedge reserve amounting to RM1,487,000 (2018: RM1,678,000) losses were reclassified to profit or loss.

At 31 December 2019, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Maturity			
	2019 Within 1 year	2019 More than 1 year	2018 Within 1 year	2018 More than 1 year
Interest rate risk				
Cross currency interest rate swaps				
Net exposure (RM'000)	229,722	152,765	—	380,626
Average fixed interest rate	0.89%	0.54%	—	0.75%
Interest rate swaps				
Net exposure (RM'000)	293,379	307,308	442,238	598,242
Average fixed interest rate	0.27%	0.13%	0.31%	0.20%
Interest rate caps				
Net exposure (RM'000)	—	444,042	—	—
Average fixed interest rate	0.00%	0.25%	0.00%	0.00%

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS *(continued)*

(vi) Hedging activities *(continued)*

Cash flow hedge (continued)

The amounts at 31 December relating to items designated as hedged items were as follows:

	Change in value used for calculating hedge ineffectiveness RM'000	Hedge reserve RM'000	Cost of hedging reserve RM'000	Balances remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied RM'000
Interest rate risk				
2019				
Variable-rate instruments	—	(1,059)	325	(46)
2018				
Variable-rate instruments	23,074	16,715	—	407

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

	2019 Cost of hedge reserve RM'000	2019 Hedge reserve RM'000	2018 Hedge reserve RM'000
Cash flow hedges			
At 1 January	—	16,715	15,200
Changes in fair value	914	(511)	2,571
Hedge ineffectiveness recognised in profit or loss	—	1,487	1,678
	914	976	4,249
OCI attributed to NCI	(589)	(629)	(2,735)
Changes in ownership interest in subsidiaries with no change in control	—	1	1
Transfer from hedge reserves to revenue reserves	—	(1,812)	—
At 31 December	325	15,251	16,715

38. FINANCIAL INSTRUMENTS (continued)

(vi) Hedging activities (continued)

Cash flow hedge (continued)

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

Interest rate risk	Nominal amount RM'000	Carrying amount		Line item in the statement of financial position where		Changes in the value of the hedging instrument recognised in OCI RM'000	Hedge ineffectiveness recognised in profit or loss RM'000	Line item in profit or loss that includes hedge ineffectiveness
		Assets RM'000	Liabilities RM'000	the hedging instrument is included	the hedged item is included			
2019								
Cross currency interest rate swaps	382,487	–	(9,074)	Financial derivatives	Loans and borrowings	(1,293)	–	Not applicable
Interest rate swaps	600,687	–	(985)	Financial derivatives	Loans and borrowings	782	1,487	Finance cost
Interest rate caps	444,042	1,738	–	Financial derivatives	Loans and borrowings	914	–	Not applicable
						403	1,487	
2018								
Cross currency interest rate swaps	380,626	–	(9,191)	Financial derivatives	Loans and borrowings	2,171	–	Not applicable
Interest rate swaps	1,040,480	–	(3,091)	Financial derivatives	Loans and borrowings	400	1,678	Finance cost
						2,571	1,678	

Hedge of net investments in foreign operations

The Group's Japanese Yen denominated unsecured bank loans has been designated as a natural hedge of the Group's net investments in Japan. In 2014, the Group refinanced a Japanese Yen denominated loan with a Singapore Dollar denominated loan which was overlaid with a cross currency interest rate swaps to realign this SGD borrowing into an effective Japanese Yen loan to maintain as a natural hedge for its foreign investment in Japan. The carrying value of these Japanese denominated loan and Japanese medium term notes as at end of financial year was RM1,646,441,000 (2018: RM1,481,993,000).

Foreign currency risk	Nominal amount RM'000	Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI RM'000	Hedge ineffectiveness recognised in profit or loss RM'000	Line item in profit or loss that includes hedge ineffectiveness
		Assets RM'000	Liabilities RM'000				
2019							
Foreign currency denominated loans and borrowings	2,033,425	—	(2,024,198)	Loans and borrowings	1,477	—	Not applicable
2018							
Foreign currency denominated loans and borrowings	1,865,984	—	(1,861,785)	Loans and borrowings	(78,542)	—	Not applicable

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS (continued)

(vi) Hedging activities (continued)

Hedge of net investments in foreign operations (continued)

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows:

	Change in value used for calculating hedge ineffectiveness RM'000	Foreign currency translation reserve RM'000	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied RM'000
2019			
Net investment in SPEs with JPY functional currency	(5,122)	(16,221)	—
2018			
Net investment in SPEs with JPY functional currency	108,164	(13,603)	—

It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(vii) Fair value information

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

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows.

		Fair value of financial instruments carried at fair value				Total fair value RM'000	Carrying amount RM'000
Group	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2019							
Financial assets							
FVOCI unquoted shares	11	—	—	30,645	30,645	30,645	30,645
FVTPL money market funds	11	—	186,148	—	186,148	186,148	186,148
Foreign exchange forward contracts	27	—	7,567	—	7,567	7,567	7,567
Interest rate caps	27	—	1,738	—	1,738	1,738	1,738
		—	195,453	30,645	226,098	226,098	226,098
Financial liabilities							
Put options granted to NCI	26	—	—	(1,033,565)	(1,033,565)	(1,033,565)	(1,033,565)
Interest rate swaps	27	—	(985)	—	(985)	(985)	(985)
Foreign exchange forward contracts	27	—	(5,402)	—	(5,402)	(5,402)	(5,402)
Cross currency interest rate swaps	27	—	(9,074)	—	(9,074)	(9,074)	(9,074)
Cross currency swaps	27	—	(30,627)	—	(30,627)	(30,627)	(30,627)
		—	(46,088)	(1,033,565)	(1,079,653)	(1,079,653)	(1,079,653)

It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

38. FINANCIAL INSTRUMENTS *(continued)*

(vii) Fair value information *(continued)*

Fair value of financial instruments carried at fair value							
Group	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2018							
Financial assets							
FVOCI unquoted shares	11	—	—	11,334	11,334	11,334	11,334
FVTPL money market funds	11	—	179,646	—	179,646	179,646	179,646
FVTPL mutual funds	11	—	4,257	—	4,257	4,257	4,257
Foreign exchange forward contracts	27	—	6,281	—	6,281	6,281	6,281
Put option	27	—	—	3,756	3,756	3,756	3,756
		—	190,184	15,090	205,274	205,274	205,274
Financial liabilities							
Put options granted to NCI (restated)	26	—	—	(1,309,445)	(1,309,445)	(1,309,445)	(1,309,445)
Interest rate swaps	27	—	(3,091)	—	(3,091)	(3,091)	(3,091)
Foreign exchange forward contracts	27	—	(956)	—	(956)	(956)	(956)
Cross currency interest rate swaps	27	—	(9,191)	—	(9,191)	(9,191)	(9,191)
Call option granted to NCI	27	—	—	(4,861)	(4,861)	(4,861)	(4,861)
		—	(13,238)	(1,314,306)	(1,327,544)	(1,327,544)	(1,327,544)
Fair value of financial instruments carried at fair value							
Company	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2019							
Financial assets							
Other financial assets – FVTPL money market funds	11	—	186,148	—	186,148	186,148	186,148
2018							
Financial assets							
Other financial assets – FVTPL money market funds	11	—	179,646	—	179,646	179,646	179,646

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS *(continued)*

(vii) Fair value information *(continued)*

Policy on transfer between levels

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

Level 2 fair value

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

Derivatives, money market funds and mutual funds

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

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2018: no transfer in either direction).

Level 3 fair value

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

	Call option granted to NCI RM'000	Put option RM'000	FVOCI unquoted shares RM'000	CCPS liabilities RM'000	Put options granted to NCI RM'000 (Restated)
At 1 January 2018	(22,493)	—	—	(93,185)	(998,309)
Reclassification on application of MFRS 9	—	1,625	11,385	—	—
Arising from business combination	—	—	—	—	(703,032)
Reclassification to equity	—	—	—	85,460	—
Change in fair value to equity	—	—	—	—	296,334
Change in fair value to profit and loss	17,202	2,102	—	—	—
Translation differences	430	29	(51)	7,725	95,562
At 31 December 2018/1 January 2019	(4,861)	3,756	11,334	—	(1,309,445)
Purchase of equity instruments	—	—	30,343	—	—
Change in fair value to equity	—	—	(9,252)	—	244,486
Change in fair value to profit and loss	4,766	11,348	—	—	—
Disposal	—	(15,104)	(1,969)	—	—
Translation differences	95	—	189	—	31,394
At 31 December 2019	—	—	30,645	—	(1,033,565)

38. FINANCIAL INSTRUMENTS *(continued)*

(vii) Fair value information *(continued)*

Measurement of fair values

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

Valuation techniques and significant unobservable inputs

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

(a) Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Group			
Interest rate swaps, foreign exchange forward contracts, cross currency swaps and cross currency interest rate swaps	<i>Market comparison technique:</i> The fair values are based on valuations provided by the financial institutions that are the counterparties to the transactions. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.	Not applicable	Not applicable
Call option granted to non-controlling interests	<i>Black Scholes model</i>	<ul style="list-style-type: none"> Risk-adjusted discount rate at 5.2% (2018: 7.0%) Dividend yield at nil% (2018: nil%) Volatility at 36.0% (2018: 31.2%) 	<p>The estimated fair value would increase/(decrease) if the risk-adjusted discount rates were lower/(higher).</p> <p>The estimated fair value would increase/(decrease) if the dividend yield were lower/(higher).</p> <p>The estimated fair value would increase/ (decrease) if volatility were higher/(lower).</p>
Liabilities on put options granted to non-controlling interests	<i>Discounted cash flows:</i> The fair values are based on the subsidiary's equity value computed mainly using the discounted cash flow method based on present value of projected free cash flows of the subsidiary discounted using a risk-adjusted discount rate. For put options granted to non-controlling interests, the expected payment is then discounted using a risk-adjusted discount rate.	Risk-adjusted discount rates at 8.3% to 15.5% (2018: 7.3% to 15.25%)	The estimated fair value would increase/(decrease) if the risk-adjusted discount rates were lower/(higher).

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS *(continued)*

(vii) Fair value information *(continued)*

Valuation techniques and significant unobservable inputs (continued)

(b) *Financial instruments not carried at fair value*

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

39. CAPITAL MANAGEMENT

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

	Note	Group	
		2019 RM'000	2018 RM'000
Loans and borrowings	22	8,903,899	10,489,490
Bank overdrafts		121,814	81,215
Lease liabilities		2,073,933	–
Less: Cash and cash equivalents	17	(4,714,669)	(7,763,398)
Net debt		<u>6,384,977</u>	<u>2,807,307</u>
Total equity		<u>28,093,969</u>	<u>28,351,699</u>
Debt-to-equity ratio		<u>0.23</u>	<u>0.10</u>

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

Except as disclosed in note 22, the Group complies with all externally imposed capital requirements for the financial years ended 2019 and 2018.

40. OPERATING LEASES

Leases as lessee

	Group 2018 RM'000	Company 2018 RM'000
Non-cancellable operating lease payable:		
– Within 1 year	275,752	1,018
– After 1 year but within 5 years	1,006,822	1,272
– After 5 years	2,043,068	–
	3,325,642	2,290

Land lease premium

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

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

As at 31 December 2018, the Group has accrued annual lease premium of RM116,000 for 2014 and RM420,000 for 2015, 2016, 2017 and 2018 respectively.

41. CAPITAL AND OTHER COMMITMENTS

	Group 2019 RM'000	2018 RM'000
(a) Capital expenditure commitments		
<i>Property, plant and equipment and investment properties</i>		
– Contracted but not provided for in these financial statements	710,362	887,340
(b) Joint venture		
Share of capital commitment of joint venture	5,228	128,285
(c) Other commitments		
Maximum amount committed for Fortis Open Offer ¹	1,941,302	1,966,483
Maximum amount committed for Malar Open Offer ¹	16,453	16,666
	1,957,755	1,983,149

¹ The actual number of Fortis shares and the actual number of Fortis Malar Hospitals Limited shares that Northern TK Venture Pte. Ltd. ("NTK") will be acquiring can only be determined at the end of the Fortis Open Offer and Malar Open Offer respectively.

Notes to the Financial Statements

41. CAPITAL AND OTHER COMMITMENTS *(continued)*

On 13 November 2018, IHH acquired 31.17% equity interest in Fortis through a preferential allotment by Fortis to an indirect wholly owned subsidiary of the Company, NTK. As a consequence of the preferential allotment by Fortis, NTK is required to carry out the following:

- (i) a mandatory open offer for acquisition of up to 197,025,660 equity shares of face value of INR10 each in Fortis, representing additional 26% of the Expanded Voting Share Capital of Fortis, at a price of not less than INR170 per share ("Fortis Open Offer") or such higher price as required under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (ii) in light of the acquisition of the controlling stake of Fortis, a mandatory open offer for acquisition of up to 4,894,308 fully paid up equity shares of face value of INR10 each in Malar, representing 26% of the paid-up equity shares of Malar at a price of INR58 per share ("Malar Open Offer"). The Malar Open Offer is subject to the completion of the Fortis Open Offer.

In light of the 14 December 2018 status quo Order, and the 15 November 2019 Judgment mentioned in note 50, the Fortis Open Offer as well the Malar Open Offer (which is subject to the completion of the Fortis Open Offer) will not proceed for the time being.

42. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates and key management personnel.

42. RELATED PARTIES *(continued)*

Related party transactions

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

	Group	
	2019	2018
	RM'000	RM'000
<i><u>With substantial shareholders and their related parties</u></i>		
Sales and provision of services	688	316,677
Purchases and consumption of services	–	(50,318)
Acquisition of approximately 15% equity interest in ASYH	–	(1,465,957)
<i><u>With key management personnel and their related parties</u></i>		
Sales and provision of services	4,564	9,448
Purchases and consumption of services	(63,081)	(64,461)
Acquisition of approximately 15% equity interest in ASYH	–	(1,465,957)
<i><u>With associates and joint ventures</u></i>		
Sales and provision of services	14,467	10,954
Rental income	1,620	1,583
Purchases and consumption of services	(17,617)	(15,928)
<i><u>With related corporations</u></i>		
Consultancy fees rendered	394	792
Purchases and consumption of services	(3,662)	(3,459)
<i><u>With director of a subsidiary</u></i>		
Consultancy fees paid	–	(140)
	Company	
	2019	2018
	RM'000	RM'000
<i><u>With subsidiaries</u></i>		
Share-based payment transactions	35,599	27,600

Notes to the Financial Statements

42. RELATED PARTIES *(continued)*

Related party transactions (continued)

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

	Group	
	2019 RM'000	2018 RM'000
Trade and other receivables		
Substantial shareholders and their related parties	74	12,251
Key management personnel and their related parties	1,957	1,137
	<u>2,031</u>	<u>13,388</u>
Trade and other payables		
Substantial shareholders and their related parties	(4,079)	(3,213)
Key management personnel and their related parties	(4,076)	(4,802)
	<u>(8,155)</u>	<u>(8,015)</u>

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

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

43. ACQUISITION AND DISPOSAL OF SUBSIDIARIES/BUSINESS

Acquisitions of subsidiaries in 2019

On 15 January 2019, Fortis acquired 100% equity interest and other securities of the following entities (collectively known as "Subs of FGHI") from Fortis Global Healthcare Infrastructure Pte Ltd ("FGHI"), a wholly owned subsidiary of RHT Healthcare Trust ("RHT"), for a total cash consideration of INR36,033,000,000 (equivalent to RM2,097,711,000). The following are the subsidiaries of FGHI:

- (i) International Hospital Limited ("IHL");
- (ii) Fortis Health Management Limited;
- (iii) Escorts Heart and Super Speciality Hospital Limited; and
- (iv) Hospitalia Eastern Private Limited.

Post completion of the acquisition, these entities became direct or indirect wholly owned subsidiaries of Fortis and thus became indirect subsidiaries of the Group.

The Subs of FGHI provide medical and clinical establishment services to Fortis. As such, the acquisition is expected to save significant clinical establishment fees that Fortis pays and provide Fortis full control over all the hospitals, enabling direct and more focused management of the business.

43. ACQUISITION AND DISPOSAL OF SUBSIDIARIES/BUSINESS (continued)

Acquisitions of subsidiaries in 2019 (continued)

Fair value of consideration transferred

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

	Subs of FGHI RM'000
Cash and cash equivalents	<u>2,097,711</u>

Identifiable assets acquired and liabilities assumed

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

	Note	Subs of FGHI RM'000
Property, plant and equipment	3	1,081,418
ROU assets	4	232,954
Intangible assets	7	23
Inventories		319
Tax recoverable		76,904
Trade and other receivables		251,458
Other financial assets		47,385
Cash and cash equivalents		5,540
Trade and other payables		(310,696)
Employee benefits		(1,975)
Lease liabilities		(10,828)
Loans and borrowings		(288,231)
Deferred tax liabilities	12	(34,872)
Net identifiable assets acquired		<u>1,049,399</u>

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired in relation to the acquisitions of Subs from FGHI were as follows:

Assets acquired	Valuation technique
Property, plant and equipment	<i>Market comparison technique and cost technique:</i> The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Notes to the Financial Statements

43. ACQUISITION AND DISPOSAL OF SUBSIDIARIES/BUSINESS *(continued)*

Acquisitions of subsidiaries in 2019 (continued)

Net cash outflow arising from acquisitions of subsidiaries

	Subs of FGHI RM'000
Purchase consideration settled in cash and cash equivalents	2,097,711
Less: Cash and cash equivalents acquired	(5,540)
	<u>2,092,171</u>

Goodwill

	Note	Subs of FGHI RM'000
Fair value of consideration transferred		2,097,711
Fair value of net identified assets acquired		(1,049,399)
Goodwill	7	<u>1,048,312</u>

Goodwill comprises of expected synergies from integrating the operations of Fortis and the acquiree. Goodwill also includes value for assets that are not separately identifiable.

Acquisition-related costs

The Group incurred acquisition-related costs of approximately RM20,747,000 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in other operating expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

Post-acquisition contributions to the Group

	Subs of FGHI RM'000
Revenue	44,151
Net profit after tax	<u>158,487</u>

If the above acquisitions had occurred on 1 January 2019, the Group would report a consolidated Group revenue of RM14,912,981,000 and a consolidated Group profit after tax of RM539,305,000 for the financial year.

43. ACQUISITION AND DISPOSAL OF SUBSIDIARIES/BUSINESS *(continued)*

Disposal of subsidiaries in 2019

- (a) On 2 August 2019, Pantai Hospital Sdn. Bhd. (“PHSB”) and Pantai Group Resources Sdn Bhd (“PGRSB”) completed the disposal of 1,000 ordinary shares, representing the entire issued share capital in P.T. Pantai Healthcare Consulting (“PTPHC”), for a cash consideration of USD1.00 (equivalent to RM4.00) only. Prior to the disposal, PTPHC was a dormant company held equally by PHSB and PGRSB.
- (b) On 19 December 2019, a 89.8% owned subsidiary, Acıbadem Poliklinikleri A.Ş. (“POL”) disposed of its entire interest in Gemtip Özel Sağlık Hizmetleri Sanayi Ve Ticaret Anonim Şirketi (“Gemtip”) for a total consideration of TL5,463,000 (equivalent to RM3,983,000). Following the disposal, Gemtip ceased to be a subsidiary of POL.

The effects of the disposal of Gemtip are as follows:

	Note	2019 RM'000
Property, plant and equipment	3	1,605
ROU assets	4	938
Intangible assets	7	7
Deferred tax assets	12	62
Inventories		15
Trade and other receivables		176
Tax recoverable		435
Cash and cash equivalents		106
Loans and borrowings		(1,022)
Employee benefits	25	(219)
Trade and other payables		(543)
Non-controlling interest		124
Net identifiable assets disposed		1,684
Legal reserve transferred to profit or loss	31	(31)
Capital reserve transferred to profit or loss	31	1,249
Gain on disposal	31	1,081
Cash consideration		3,983
Less: Cash and cash equivalents disposed		(106)
Net cash inflow from disposal		3,877

Acquisitions of subsidiaries in 2018

- (a) In March 2018, Medical Resources International Pte Ltd acquired 60% equity interest in Chengdu Shenton Health Clinic Co., Ltd (formerly known as Sincere Chengdu Clinic Co., Ltd) (“Chengdu Shenton Clinic”) from Beijing Yizhi Zhuoxin Corporate Management Information Co., Ltd for a total consideration of RMB12,000,000 (equivalent to RM7,418,000).
- (b) In October 2018, Pantai Hospitals Sdn. Bhd. completed the acquisition of 9,500,000 ordinary shares in Amanjaya Specialist Centre Sdn. Bhd. (“Amanjaya”), representing a 100% equity interests therein, for a total cash consideration of RM104,762,000.
- (c) In November 2018, NTK completed the subscription of 235,294,117 new equity shares of face value of INR10 each (“Fortis Shares”) in Fortis for a total cash consideration of INR39,999,999,980 (equivalent to RM2,383,160,000). Consequential thereto, NTK holds 31.17% of the equity interest of Fortis and obtained majority control of the Board of Fortis.

Notes to the Financial Statements

43. ACQUISITION AND DISPOSAL OF SUBSIDIARIES/BUSINESS *(continued)*

Acquisitions of subsidiaries in 2018 (continued)

Fair value of consideration transferred

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

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

Final purchase price allocation ("PPA") in 2019

Following the completion of the final purchase price allocation during the financial year, adjustments were made to the provisional fair values originally recorded in the prior year in respect of Fortis Group. The effect of the adjustments made during the 12 months period from acquisition date (the "Window Period") is set out below:

	Note	Fair values recognised on acquisition RM'000 (provisional)	Fortis Group Adjustments during Window Period RM'000	Fair values recognised on acquisition RM'000 (final)
Property, plant and equipment	3	1,741,564	(489,026)	1,252,538
Intangible assets	7	57,065	149,926	206,991
Interests in associates		713,988	167,722	881,710
Interests in joint ventures		18,875	92,657	111,532
Deferred tax assets	12	257,146	(6,732)	250,414
Inventories		36,626	–	36,626
Tax recoverable		245,506	(9,592)	235,914
Trade and other receivables		517,602	–	517,602
Other financial assets		89,838	–	89,838
Cash and cash equivalents		2,437,013	–	2,437,013
Trade and other payables		(1,317,716)	(35,747)	(1,353,463)
Tax payable		(5,246)	–	(5,246)
Employee benefits		(66,439)	–	(66,439)
Bank overdrafts		(130,563)	–	(130,563)
Loans and borrowings		(1,012,847)	(35,964)	(1,048,811)
Deferred tax liabilities	12	(86,789)	9,072	(77,717)
Net identifiable assets acquired		3,495,623	(157,684)	3,337,939

The above fair value adjustments were recorded with effect from date of acquisition. As a result, certain balances on the statement of financial position at 31 December 2018 were restated (see note 52). There was no impact to profit or loss for the year ended 31 December 2018.

43. ACQUISITION AND DISPOSAL OF SUBSIDIARIES/BUSINESS (continued)

Acquisitions of subsidiaries in 2018 (continued)

Identifiable assets acquired and liabilities assumed

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

	Note	Chengdu Shenton Clinic RM'000	Amanjaya RM'000	Fortis Group RM'000 (Restated)	Total RM'000
Property, plant and equipment	3	5,052	54,000	1,252,538	1,311,590
Intangible assets	7	—	—	206,991	206,991
Interests in associates		—	—	881,710	881,710
Interests in joint ventures		—	—	111,532	111,532
Deferred tax assets	12	—	—	250,414	250,414
Inventories		1	723	36,626	37,350
Tax recoverable		—	—	235,914	235,914
Trade and other receivables		163	4,962	517,602	522,727
Other financial assets		—	—	89,838	89,838
Cash and cash equivalents		667	9,246	2,437,013	2,446,926
Trade and other payables		(3,315)	(3,505)	(1,353,463)	(1,360,283)
Tax payable		—	(2)	(5,246)	(5,248)
Employee benefits		—	—	(66,439)	(66,439)
Bank overdrafts		—	—	(130,563)	(130,563)
Loans and borrowings		—	(22,043)	(1,048,811)	(1,070,854)
Deferred tax liabilities	12	—	(5,956)	(77,717)	(83,673)
Net identifiable assets acquired		2,568	37,425	3,337,939	3,377,932

Measurement of fair values

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

Assets acquired	Valuation technique
Property, plant and equipment	<i>Market comparison technique and cost technique:</i> The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	<i>Multi period excess earnings method and income approach:</i> The valuation model considers the forecasted revenues of the intangibles after taking into consideration the impact of the lifespan and competition of the intangibles on the revenue generated.

Notes to the Financial Statements

43. ACQUISITION AND DISPOSAL OF SUBSIDIARIES/BUSINESS (continued)*Acquisitions of subsidiaries in 2018 (continued)*

Net cash outflow arising from acquisitions of subsidiaries

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

Goodwill

	Note	Chengdu Shenton Clinic RM'000	Amanjaya RM'000	Fortis Group RM'000 (Restated)	Total RM'000
Fair value of consideration transferred		7,418	104,762	2,383,160	2,495,340
Fair value of net identified assets acquired		(2,568)	(37,425)	(3,337,939)	(3,377,932)
Non-controlling interests, based on their proportionate interest in the net identifiable assets acquired		1,027	—	2,494,297	2,495,324
Goodwill	7	5,877	67,337	1,539,518	1,612,732

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

The effect of the adjustments made upon the completion of purchase price allocation during the Window Period in respect of Fortis Group is set out below:

	Note	Fair values recognised on acquisition RM'000 (provisional)	Fortis Group Adjustments during Window Period RM'000	Fair values recognised on acquisition RM'000 (final)
Fair value of consideration transferred		2,383,160	—	2,383,160
Fair value of net identified assets acquired		(3,495,623)	157,684	(3,337,939)
Non-controlling interests, based on their proportionate interest in the net identifiable assets acquired		2,651,981	(157,684)	2,494,297
Goodwill	7	1,539,518	—	1,539,518

Acquisition-related costs

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

43. ACQUISITION AND DISPOSAL OF SUBSIDIARIES/BUSINESS *(continued)*

Acquisitions of subsidiaries in 2018 (continued)

Post-acquisition contributions to the Group

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

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

[#] Arrived at after taken into consideration mainly the impairment loss of inter-corporate deposits of Fortis, approximately INR4.5 billion (equivalent to RM261.2 million) (see note 49) and impairment of Fortis's goodwill and investment totalled INR5.5 billion (equivalent to RM322.9 million). Both impairments were recognised in profit or loss of Fortis prior to the acquisition by the Group on 13 November 2018.

Disposal of business in 2018

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

44. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

Changes in ownership interests in subsidiaries in 2019

- (a) In January 2019, Fortis acquired the remaining 49% equity interest and other securities of FHTL for cash consideration of INR8,434,381,000 (equivalent to RM491,022,000) and INR2,195,795,000 (equivalent to RM127,832,000) respectively. Consequential thereto, the Group's effective interest in FHTL increased from 15.90% to 31.17%.
- (b) In April 2019, Parkway Trust Management Limited ("PTM") transferred 138,500 PLife REIT units that it owned to its eligible employees in accordance to PTM's LTIP. Consequential thereto, the Group's effective interest in PLife REIT was diluted from 35.66% to 35.64%.
- (c) In April 2019, ASH acquired an additional 3.5% equity interest in Clinical Hospital Acibadem Sistina Skopje ("Sistina") for a total cash consideration of EUR3,000,000 (equivalent to RM13,671,000). Consequential thereto, the Group's effective interest in Sistina increased from 45.18% to 48.33%.
- (d) In September 2019, ASH acquired an additional 0.74% equity interest in ACC for a total cash consideration of EUR778,000 (equivalent to RM3,603,000). Consequential thereto, the Group's effective interest in ACC increased from 50.16% to 51.29%.
- (e) In September 2019, Acibadem City Clinic EAD acquired the remaining 30% equity interest in Acibadem City Clinic Burgas EOOD (formerly known as Acibadem City Clinic Cardiac Surgery Hospital Burgas OOD) ("ACC Burgas") for a total cash consideration of BGN1,120 (equivalent to RM3,000). Consequential thereto, the Group's effective interest in ACC Burgas increased from 35.11% to 51.29%.
- (f) In November 2019, POL acquired an additional 16% equity interest in Gemtip for a total consideration of TL40,000 (equivalent to RM29,000). Consequential thereto, the Group's effective interest in Gemtip increased from 61.1% to 75.4%. On 19 December 2019, POL disposed off its entire interest in Gemtip (see note 43).

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44. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES *(continued)*

Changes in ownership interests in subsidiaries in 2019 (continued)

The effects of the above transactions are as follows:

	Hedge reserve RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Non- controlling interests RM'000
(a) Increase 49% interest in FHTL	–	(84,397)	–	(406,625)
(b) Decrease 0.02% interest in PLife REIT	1	650	(5)	527
(c) Increase 3.5% interest in Sistina	–	(8,935)	–	(4,736)
(d) Decrease 0.74% interest in ACC	–	1,540	–	(5,143)
(e) Increase 30% interest in ACC Bargas	–	(4,339)	–	4,336
(f) Increase 16% interest in Gemtip	–	(1,249)	–	1,220
	1	(96,730)	(5)	(410,421)

Changes in ownership interests in subsidiaries in 2018

- (a) In January 2018 and February 2018 respectively, Parkway-Healthcare Mauritius Limited (“PHML”) acquired a total of 1.70% equity interest in RGE for a total cash consideration of INR272,109,000 (equivalent to RM16,863,000). Consequential thereto, IHH Group’s interest in RGE increased from 76.25% to 77.96%.
- (b) In February 2018, PHL disposed 26% equity interest in Gleneagles JPMC Sdn. Bhd. (“GJPMC”) to Jerudong Park Medical Centre Sdn. Bhd. at a total consideration of BND4,203,000 (equivalent to RM12,509,000). Consequential thereto, the Group’s interest in GJPMC decreased from 75.0% to 49.0%.
- (c) In April 2018, PTM transferred 140,900 PLife REIT units that it owned to its eligible employees in accordance to PTM’s LTIP. Consequential thereto, the Group’s effective interest in PLife REIT was diluted from 35.69% to 35.66%.
- (d) In May 2018, Gleneagles Development Pte Ltd (“GDPL”) subscribed for 35,087,716 new equity shares in Continental for a total consideration of INR1,400,000,000 (equivalent to RM82,600,000) pursuant to the rights issue undertaken by Continental. Post the rights issue, GDPL’s equity interest in Continental increased from 53.13% to 62.23%.
- (e) In August 2018, the Group’s interest in RGE was diluted by 4.09% from 77.96% to 73.87% as the conversion ratio for the remaining tranches of CCPS held by the non-controlling interests were fixed and these CCPS were reclassified from other payables to equity.
- (f) In November 2018, Integrated Healthcare Hastaneler Turkey Sdn. Bhd. (“IHH Turkey”) has completed the acquisition of 458,399,999 equity shares in ASYH from ASYH’s existing two shareholders, namely Bagan Lalang Ventures Sdn. Bhd. and Mehmet Ali Aydinlar, through a share swap of 524,492,824 new ordinary shares of the Company. Consequential thereto, IHH Turkey’s equity interest in ASYH has increased from 60.0% to approximately 90.0%.

44. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES *(continued)*

Changes in ownership interests in subsidiaries in 2018 (continued)

The effects of the above transactions are as follows:

	Share Capital RM'000	Hedge reserve RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Non- controlling interests RM'000
(a) Increase 1.7% interest in RGE	—	—	(15,534)	—	(1,329)
(b) Decrease 26% interest in GJPMC	—	—	(6,425)	—	18,935
(c) Decrease 0.03% interest in PLife REIT	—	1	620	(3)	618
(d) Increase 9.1% interest in Continental	—	—	(20,515)	—	20,515
(e) Decrease 4.09% interest in RGE	—	—	60,830	—	24,629
(f) Increase 30% interest in ASYH	2,931,915	—	(3,277,444)	—	345,529
	<u>2,931,915</u>	<u>1</u>	<u>(3,258,468)</u>	<u>(3)</u>	<u>408,897</u>

45. SUBSIDIARIES

Details of subsidiaries are as follows:

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
<u>Direct subsidiaries</u>				
IMU Health Sdn. Bhd.	Malaysia	Investment holding and provision of management services to its subsidiaries	100	100
Integrated Healthcare Holdings Limited	Federal Territory of Labuan Malaysia	Investment holding	100	100
Integrated Healthcare Holdings (Bharat) Limited ⁺	Mauritius	In the process of striking off	100	100
Integrated Healthcare Turkey Yatirimlari Limited	Federal Territory of Labuan Malaysia	Investment holding	100	100

Notes to the Financial Statements

45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect subsidiaries				
Held through IMU Health Sdn. Bhd.:				
IMU Education Sdn. Bhd.	Malaysia	Establishing and carrying on the business of managing educational institutions, colleges, schools and other centres of learning, research and education	100	100
IMU Healthcare Sdn. Bhd.	Malaysia	Investment holding and provision of healthcare services	100	100
IMC Education Sdn. Bhd.	Malaysia	Provision of educational programs and training courses for healthcare and related fields	100	100
Held through Integrated Healthcare Holdings Limited:				
Parkway Pantai Limited [#]	Singapore	Investment holding	100	100
Held through Integrated Healthcare Holdings (Bharat) Limited:				
Integrated (Mauritius) Healthcare Holdings Limited ⁺	Mauritius	Struck off during the year	—	100
Held through IMU Healthcare Sdn. Bhd.:				
IMU Dialysis Sdn. Bhd.	Malaysia	Establishing, operating and managing dialysis centre(s) for the provision of haemodialysis services	60	60
Held through Integrated Healthcare Turkey Yatirimlari Limited:				
Integrated Healthcare Hastaneler Turkey Sdn. Bhd.	Malaysia	Investment holding	100	100
Held through Parkway Pantai Limited:				
Parkway HK Holdings Limited ^{#(1)}	Hong Kong	Investment holding	100	100
Parkway Holdings Limited [#]	Singapore	Investment holding	100	100
Pantai Diagnostics Indonesia Sdn. Bhd. ⁺	Malaysia	Struck off during the year	—	100
Pantai Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
Parkway Group Healthcare Pte Ltd ^{^(2)}	Singapore	Investment holding and provision of management and consultancy services	100	100
Gleneagles Development Pte Ltd ^{^(3)}	Singapore	Investment holding	100	100

45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect subsidiaries <i>(continued)</i>				
Held through Parkway Pantai Limited <i>(continued)</i> :				
Parkway Healthcare Indo-China Pte. Ltd. [#]	Singapore	Investment holding	100	100
Northern TK Venture Pte. Ltd. [#]	Singapore	Investment holding	100	100
Angsana Holdings Pte. Ltd. [#]	Singapore	Investment holding	55	55
Held through Integrated Healthcare Hastaneler Turkey Sdn. Bhd.:				
Acıbadem Sağlık Yatırımları Holding A.Ş. [#]	Turkey	Investment holding	90	90
Held through Acıbadem Sağlık Yatırımları Holding A.Ş.:				
APlus Hastane Otelcilik Hizmetleri A.Ş. [#]	Turkey	Provision of catering, laundry and cleaning services for hospitals	90	90
Acıbadem Proje Yönetimi A.Ş. [#]	Turkey	Supervise and manage the construction of healthcare facilities	90	90
Acıbadem Sağlık Hizmetleri ve Ticaret A.Ş. [#]	Turkey	Provision of medical, surgical and hospital services	89.8	89.8
Held through Acıbadem Sağlık Hizmetleri ve Ticaret A.Ş.:				
Acıbadem Poliklinikleri A.Ş. [#]	Turkey	Provision of outpatient and surgical (in certain clinics only) services	89.8	89.8
Acıbadem Labmed Sağlık Hizmetleri A.Ş. [#]	Turkey	Provision of laboratory services	89.8	89.8
International Hospital İstanbul A.Ş. [#]	Turkey	Provision of medical, surgical and hospital services	80.8	80.8
Acıbadem Mobil Sağlık Hizmetleri A.Ş. [#]	Turkey	Provision of emergency, home and ambulatory care services	89.8	89.8
Clinical Hospital Acıbadem Sistina Skopje [#]	Macedonia	Provision of medical, surgical and hospital services	48.3	45.2
Acıbadem Sistina Medikal Kompani Doo Skopje [#]	Macedonia	Provision of medical equipment and import and wholesale of drug and medical materials	44.9	44.9
Acıbadem Ortadogu Saglik Yatirimlari A.Ş. [#]	Turkey	Dissolved during the year	—	89.8
Acıbadem International Medical Center B.V. [#]	Netherlands	Provision of outpatient services	89.8	89.8

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45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect subsidiaries <i>(continued)</i>				
Held through Acibadem Sağlık Hizmetleri ve Ticaret A.Ş. <i>(continued)</i> :				
Acibadem Teknoloji A.Ş. [#]	Turkey	Conduct research, develop and commercially market healthcare information systems, web-based applications and other technology solutions nationally and internationally	89.8	89.8
APIus Sağlık Hizmetleri A.Ş. [#]	Turkey	Dissolved during the year	—	89.8
Acibadem City Clinic B.V. ^{#(4)}	Netherlands	Investment holding	51.3	50.2
Famicord Acibadem Kordon Kani Sağlık Hizmetleri A.Ş. [#]	Turkey	Provision of cord blood banking services	89.8	—
Held through Acibadem Poliklinikleri A.Ş.:				
Gemtip Özel Sağlık Hizmetleri Sanayi ve Ticaret A.Ş. [#]	Turkey	Provision of outpatient services	—	61.1
Bodrum Medikal Sağlık Hizmetleri A.Ş. <i>(formerly known as Bodrum Medikal Özel Sağlık Hizmetleri Turizm Gıda İnşaat Pazarlama İthalat İhracat Sanayi ve Ticaret A.Ş.)</i> [#]	Turkey	Provision of outpatient services	53.9	53.9
Held through Acibadem City Clinic B.V.:				
Acibadem City Clinic EAD [#]	Bulgaria	Investment holding	51.3	50.2
Held through Acibadem City Clinic EAD:				
Acibadem City Clinic University Hospital EOOD [#]	Bulgaria	University multi-profile hospital for acute care	51.3	50.2
Acibadem City Clinic Cardiac Surgery Hospital Burgas OOD [#]	Bulgaria	Dissolved during the year	—	35.1
Acibadem City Clinic Diagnostic and Consultation Centre EOOD [#]	Bulgaria	Outpatient diagnostic and consultative centre	51.3	50.2
Acibadem City Clinic Medical Center Varna EOOD [#]	Bulgaria	Outpatient medical centre	51.3	50.2
Acibadem City Clinic Medical Center Burgas EOOD [#]	Bulgaria	Dissolved during the year	—	50.2
Acibadem City Clinic Pharmacies EOOD [#]	Bulgaria	Pharmacy	51.3	50.2

45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect subsidiaries <i>(continued)</i>				
Held through Acibadem City Clinic EAD <i>(continued):</i>				
Healthcare Consulting OOD [#]	Bulgaria	Clinical research	25.9	25.3
Tokuda Clinical Research Center AD [#]	Bulgaria	Clinical research	43.6	42.6
Acibadem City Clinic Services EOOD <i>(formerly known as Acibadem City Clinic Hospice EOOD)</i> [#]	Bulgaria	Facility management and building maintenance	51.3	50.2
Tokuda Pharmacy EOOD [#]	Bulgaria	Pharmacy	51.3	50.2
Acibadem City Clinic Diagnostic and Consultation Center Tokuda EAD [#]	Bulgaria	Outpatient diagnostic and consultative centre	51.3	50.2
Acibadem City Clinic Tokuda Hospital EAD [#]	Bulgaria	Multi-profile hospital for acute care	51.3	50.2
Held through Pantai Holdings Sdn. Bhd.:				
Pantai Group Resources Sdn. Bhd.	Malaysia	Investment holding	100	100
Pantai Hospitals Sdn. Bhd.	Malaysia	Investment holding and provision of management and consultation services to hospitals and medical centres	100	100
Pantai Management Resources Sdn. Bhd.	Malaysia	Dormant	100	100
Gleneagles (Malaysia) Sdn. Bhd.	Malaysia	Investment holding	100	100
Held through Pantai Group Resources Sdn. Bhd.:				
P.T. Pantai Healthcare Consulting ^{#(5)}	Indonesia	Dormant	—	100
Pantai Premier Pathology Sdn. Bhd.	Malaysia	Provision of medical laboratory services	100	100
Pantai Integrated Rehab Services Sdn. Bhd.	Malaysia	Provision of rehabilitation services	100	100
Twin Towers Healthcare Sdn. Bhd.	Malaysia	Dissolved during the year	—	100
Pantai Wellness Sdn. Bhd.	Malaysia	Provision of health and wellness services	100	100
POEM Corporate Health Services Sdn. Bhd.	Malaysia	Provision of occupational and environmental health services and other industry specific medical services to corporate clients	100	100
Twin Towers Medical Centre KLCC Sdn. Bhd.	Malaysia	Operation of an outpatient and daycare medical centre	100	100

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45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect subsidiaries <i>(continued)</i>				
Held through Pantai Hospitals Sdn. Bhd.:				
Pantai Medical Centre Sdn. Bhd.	Malaysia	Provision of medical, surgical and hospital services, as well as providing administrative support, management and consultancy services	100	100
Cheras Medical Centre Sdn. Bhd.	Malaysia	Dormant	100	100
Pantai Klang Specialist Medical Centre Sdn. Bhd.	Malaysia	Dormant	100	100
Syarikat Tunas Pantai Sdn. Bhd.	Malaysia	Provision of medical, surgical and hospital services	100	100
Paloh Medical Centre Sdn. Bhd.	Malaysia	Provision of medical, surgical and hospital services	95.6	95.6
Hospital Pantai Ayer Keroh Sdn. Bhd.	Malaysia	Dormant	100	100
Hospital Pantai Indah Sdn. Bhd.	Malaysia	Provision of medical, surgical and hospital services	100	100
Pantai Hospital Sungai Petani Sdn. Bhd.	Malaysia	Dormant	100	100
Pantai Screening Services Sdn. Bhd.	Malaysia	Dormant	100	100
Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd. ⁽⁶⁾	Malaysia	Dormant	100	100
Pantai Hospital Manjung Sdn. Bhd.	Malaysia	Dormant	100	100
Pantai Hospital Johor Sdn. Bhd.	Malaysia	Development, construction and leasing of medical facility buildings	100	100
Amanjaya Specialist Centre Sdn. Bhd.	Malaysia	Specialist hospital	100	100
Held through Pantai Medical Centre Sdn. Bhd.:				
Pantai-ARC Dialysis Services Sdn. Bhd.	Malaysia	Provision of haemodialysis services	51	51
Oncology Centre (KL) Sdn. Bhd.	Malaysia	Provision of comprehensive professional oncological services, inclusive of diagnostic, radiotherapy and chemotherapy treatment	100	100

45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect subsidiaries <i>(continued)</i>				
Held through Pantai Premier Pathology Sdn. Bhd.:				
Orifolio Options Sdn. Bhd.	Malaysia	Letting of property	100	100
Held through Gleneagles (Malaysia) Sdn. Bhd.:				
Pulau Pinang Clinic Sdn. Bhd.	Malaysia	Rendering of hospital services	71.88	71.88
GEH Management Services (M) Sdn. Bhd.	Malaysia	Dormant	100	100
Held through Parkway Healthcare Indo-China Pte. Ltd.:				
Andaman Alliance Healthcare Limited ^{^(17)}	Myanmar	Provision of medical and health related facilities and services	52	52
Held through Parkway HK Holdings Limited:				
Parkway Healthcare (Hong Kong) Limited [#]	Hong Kong	Provision of medical and healthcare outpatient services	100	100
GHK Hospital Limited [#]	Hong Kong	Private hospital ownership, development and management	60	60
Held through Parkway Holdings Limited:				
Parkway Hospitals Singapore Pte. Ltd. [#]	Singapore	Private hospitals ownership and management	100	100
Parkway Trust Management Limited [#]	Singapore	Provision of management services to PLife REIT	100	100
Parkway Investments Pte. Ltd. [#]	Singapore	Investment holding	100	100
Parkway Novena Pte. Ltd. [#]	Singapore	Development, ownership and management of private hospital premises	100	100
Parkway Irrawaddy Pte. Ltd. [#]	Singapore	Development, ownership and management of a medical centre	100	100
Parkway Shenton Pte Ltd [#]	Singapore	Investment holding and operation of a network of clinics and provision of comprehensive medical and surgical advisory services	100	100
Medi-Rad Associates Ltd [#]	Singapore	Operation of radiology clinics	100	100
Parkway Laboratory Services Ltd. [#]	Singapore	Provision of comprehensive diagnostic laboratory services	100	100
Gleneagles Medical Holdings Limited [#]	Singapore	Investment holding	100	100

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45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect subsidiaries <i>(continued)</i>				
Held through Parkway Holdings Limited <i>(continued)</i> :				
Parkway College of Nursing and Allied Health Pte. Ltd. [#]	Singapore	Provision of courses in nursing and allied health	100	100
iXchange Pte. Ltd. [#]	Singapore	Agent and administrator for managed care and related services	100	100
Gleneagles JPMC Sdn. Bhd. [#]	Brunei Darussalam	Management and operation of a cardiac and cardiothoracic care centre	49	49
Gleneagles Management Services Pte Ltd [#]	Singapore	Provision of advisory, administrative, management and consultancy services to healthcare facilities	100	100
Held through Parkway Hospitals Singapore Pte. Ltd.:				
Parkway Promotions Pte Ltd [#]	Singapore	Dormant	100	100
Held through Parkway Group Healthcare Pte Ltd:				
Parkway-Healthcare (Mauritius) Ltd ^{##}	Mauritius	Investment holding	100	100
Gleneagles International Pte. Ltd. [#]	Singapore	Investment holding	100	100
PCH Holding Pte. Ltd. [#]	Singapore	Investment holding	70.1	70.1
Shanghai Gleneagles Hospital Management Co., Ltd [#]	People's Republic of China	Provision of management and consultancy services to healthcare facilities	100	100
Held through PCH Holding Pte. Ltd.:				
Medical Resources International Pte Ltd [#]	Singapore	Investment holding	70.1	70.1
M & P Investments Pte Ltd [#]	Singapore	Investment holding	70.1	70.1
Parkway (Shanghai) Hospital Management Ltd. [#]	People's Republic of China	Provision of management and consultancy services to healthcare facilities	70.1	70.1

45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect subsidiaries <i>(continued)</i>				
Held through M & P Investments Pte Ltd:				
ParkwayHealth Shanghai Hospital Company Limited [#]	People’s Republic of China	Provision of medical and health related facilities and services	49.07	49.07
Gleneagles Chengdu Hospital Company Limited [#]	People’s Republic of China	Provision of specialised care and services	49.07	49.07
ParkwayHealth Zifeng Nanjing OBGYN Hospital Company Limited [#]	People’s Republic of China	Provision of medical and health related facilities and services	42.06	42.06
Held through Medi-Rad Associates Ltd:				
Radiology Consultants Pte Ltd [#]	Singapore	Provision of radiology consultancy and interpretative services	100	100
Held through Gleneagles Development Pte Ltd:				
Continental Hospitals Private Limited ^{# (17)}	India	Private hospital ownership and management	62.23	62.23
Ravindranath GE Medical Associates Private Limited ^{# (7) (17)}	India	Private hospital ownership and management, specialty tertiary care including multi organ transplant healthcare facility	73.87	73.87
Parkway Healthcare India Private Limited ^{# (17)}	India	Provision of management and consultancy services	100	100
Held through Continental Hospitals Private Limited:				
C3 Health Community Corporation Private Limited ^{## (17)}	India	Operation of clinics	60.99	60.99
Continental Community Clinics Private Limited ^{## (17)}	India	Dormant	60.99	60.99
Held through Ravindranath GE Medical Associates Private Limited:				
Centre for Digestive and Kidney Diseases (India) Private Limited ^{# (17)}	India	Private hospital ownership and management, specialty tertiary care including multi organ transplant healthcare facility	48.00	48.00
Global Clinical Research Services Private Limited ^{# (17)}	India	Provision of clinical research services	73.63	73.63

Notes to the Financial Statements

45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
<u>Indirect subsidiaries</u> (continued)				
Held through Parkway Shenton Pte Ltd:				
Nippon Medical Care Pte Ltd [#]	Singapore	Operation of clinics	70	70
Parkway Shenton International Holdings Pte. Ltd. [#]	Singapore	Investment holding	100	100
Shenton Family Medical Clinics Pte Ltd [#]	Singapore	To provide, establish and carry on the business of clinics	100	100
Held through Parkway Shenton International Holdings Pte. Ltd.:				
Parkway Shenton Vietnam Limited ⁺	Vietnam	Dormant	100	100
Held through Medical Resources International Pte Ltd:				
Shanghai Rui Xin Healthcare Co., Ltd. ^{##(8)}	People’s Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Shanghai Rui Hong Clinic Co., Ltd. ^{##(9)}	People’s Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Shanghai Xin Rui Healthcare Co., Ltd. ^{##(10)}	People’s Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Chengdu Shenton Health Clinic Co., Ltd [#]	People’s Republic of China	Management and operation of medical and health related facilities and services	42.06	42.06
Held through Parkway (Shanghai) Hospital Management Ltd.:				
Shanghai Shu Kang Hospital Investment Management Co., Ltd. [#]	People’s Republic of China	Investment holding	70.1	70.1
Suzhou Industrial Park Yuan Hui Clinic Co., Ltd. [#]	People’s Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Held through Shanghai Shu Kang Hospital Investment Management Co., Ltd.:				
Shanghai Mai Kang Hospital Investment Management Co., Ltd. [#]	People’s Republic of China	Investment holding	70.1	70.1
Held through Shanghai Mai Kang Hospital Investment Management Co., Ltd.:				
Chengdu Rui Rong Clinic Co., Ltd. [#]	People’s Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Shanghai Rui Pu Clinic Co., Ltd. [#]	People’s Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1

45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect subsidiaries <i>(continued)</i>				
Held through Shanghai Mai Kang Hospital Investment Management Co., Ltd. <i>(continued):</i>				
Shanghai Rui Xiang Clinic Co., Ltd. [#]	People’s Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Shanghai Rui Ying Clinic Co., Ltd. [#]	People’s Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Held through Northern TK Venture Pte. Ltd.:				
Fortis Healthcare Limited ^{##(17)}	India	Operates multi specialty hospitals	31.17	31.17
Held through Fortis Healthcare Limited:				
Hiranandani Healthcare Private Limited ^{##(17)}	India	Operates a multi-specialty hospital	31.17	31.17
Fortis Hospotel Limited ^{##(11)(17)}	India	Operates clinical establishment	31.17	15.90
Fortis La Femme Limited ^{#(17)}	India	Investment holding	31.17	31.17
Fortis Healthcare International Limited ^{##(17)}	Mauritius	Investment holding	31.17	31.17
SRL Limited ^{#(17)}	India	Operates a network of diagnostics centres	17.98	17.98
Escorts Heart Institute and Research Centre Limited ^{#(17)}	India	Operates a multi-specialty hospital	31.17	31.17
Fortis Hospitals Limited ^{#(17)}	India	Operates a network of multi-specialty hospitals	31.17	31.17
Fortis CSR Foundation ^{##(17)}	India	Non-profit Company for carrying out Corporate Social Responsibilities	31.17	31.17
International Hospital Limited ^{##(12)(17)}	India	Provision of medical and Clinical Establishment services	31.17	—
Fortis Health Management Limited ^{##(13)(17)}	India	Provision of medical and Clinical Establishment services	31.17	—
Escorts Heart and Super Speciality Hospital Limited ^{##(14)(17)}	India	Provision of medical and Clinical Establishment services	31.17	—
Held through Fortis Health Management Limited:				
Hospitalia Eastern Private Limited ^{##(17)}	India	Provision of medical and Clinical Establishment services	31.17	—

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45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect subsidiaries <i>(continued)</i>				
Held through SRL Limited:				
SRL Diagnostics Private Limited ^{#(17)}	India	Operates a network of diagnostics centres	17.98	17.98
SRL Reach Limited ^{#(17)}	India	Operates a network of diagnostics centres	17.98	17.98
SRL Diagnostics FZ-LLC ^{##(17)}	United Arab Emirates	Operates a network of diagnostics centres	17.98	17.98
Held through SRL Diagnostics FZ-LLC:				
SRL Diagnostic Middle East LLC ^{##(17)}	United Arab Emirates	Voluntarily liquidated during the year	—	8.81
Held through Fortis Hospitals Limited:				
Fortis Emergency Services Limited ^{##(17)}	India	Operates ambulance services	31.17	31.17
Fortis Cancer Care Limited ^{#(17)}	India	Investment holding	31.17	31.17
Fortis Malar Hospitals Limited ^{#(17)}	India	Operates a multi-specialty hospital	19.55	19.55
Fortis Health Management (East) Limited ^{#(17)}	India	Investment holding	31.17	31.17
Birdie & Birdie Realtors Private Limited ^{##(17)}	India	Renting of immovable property	31.17	31.17
Stellant Capital Advisory Services Private Limited ^{##(17)}	India	Merchant banker	31.17	31.17
Fortis Global Healthcare (Mauritius) Limited ^{##(17)}	Mauritius	Investment holding	31.17	31.17
Held through Escorts Heart Institute and Research Centre Limited:				
Fortis Asia Healthcare Pte Limited ^{#(17)}	Singapore	Investment holding	31.17	31.17
Fortis HealthStaff Limited ^{##(17)}	India	Operates a network of Heart Command centres	31.17	31.17
Held through Fortis Asia Healthcare Pte Limited:				
Fortis Healthcare International Pte Limited ^{#(17)}	Singapore	Investment holding	31.17	31.17
Held through Fortis Healthcare International Pte Limited:				
MENA Healthcare Investment Company Limited ^{##(17)}	British Virgin Islands	Investment holding	25.73	25.73
Held through MENA Healthcare Investment Company Limited:				
Medical Management Company Limited ^{##(17)}	British Virgin Islands	Investment holding	25.73	25.73

45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect subsidiaries <i>(continued)</i>				
Held through Fortis Malar Hospitals Limited:				
Malar Stars Medicare Limited ^{#(17)}	India	Investment holding	19.55	19.55
Held through Stellant Capital Advisory Services Private Limited:				
RHT Health Trust Manager Pte Limited ^{##(17)}	Singapore	Trustee-manager of a Business Trust	31.17	31.17
Held through Parkway Investments Pte. Ltd.:				
Gleneagles Technologies Services Pte Ltd [#]	Singapore	Struck off during the year	—	100
Gleneagles Medical Centre Ltd. [#]	Singapore	Dormant	100	100
Gleneagles Pharmacy Pte Ltd [#]	Singapore	Dormant	100	100
Mount Elizabeth Medical Holdings Ltd. [#]	Singapore	Investment holding	100	100
Parkway Life Real Estate Investment Trust ^{##(15)}	Singapore	Real estate investment trust	35.64	35.66
Held through Parkway Life Real Estate Investment Trust:				
Matsudo Investment Pte. Ltd. [#]	Singapore	Investment holding	35.64	35.66
Parkway Life Japan2 Pte. Ltd. [#]	Singapore	Investment holding	35.64	35.66
Parkway Life Japan3 Pte. Ltd. [#]	Singapore	Investment holding	35.64	35.66
Parkway Life Japan4 Pte. Ltd. [#]	Singapore	Investment holding	35.64	35.66
Parkway Life MTN Pte. Ltd. [#]	Singapore	Provision of financial and treasury services	35.64	35.66
Parkway Life Malaysia Pte. Ltd. [#]	Singapore	Investment holding	35.64	35.66
Held through Matsudo Investment Pte. Ltd.:				
Godo Kaisha Phoebe ⁽¹⁶⁾	Japan	Special purpose entity — Investment in real estate	35.64	35.66
Held through Parkway Life Japan2 Pte. Ltd.:				
Godo Kaisha Del Monte ⁽¹⁶⁾	Japan	Special purpose entity — Investment in real estate	35.64	35.66
Godo Kaisha Tenshi 1 ⁽¹⁶⁾	Japan	Special purpose entity — Investment in real estate	35.64	35.66
Godo Kaisha Tenshi 2 ⁽¹⁶⁾	Japan	Special purpose entity — Investment in real estate	35.64	35.66
G.K. Nest ⁽¹⁶⁾	Japan	Special purpose entity — Investment in real estate	35.64	35.66

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45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect subsidiaries <i>(continued)</i>				
Held through Parkway Life Japan3 Pte. Ltd.:				
Godo Kaisha Healthcare 1 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Healthcare 2 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Healthcare 3 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Healthcare 4 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Healthcare 5 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Held through Parkway Life Japan4 Pte. Ltd.:				
Godo Kaisha Samurai ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Samurai 2 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Samurai 3 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Samurai 4 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Samurai 5 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Samurai 6 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Samurai 7 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Samurai 8 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Samurai 9 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Samurai 10 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Samurai 11 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Samurai 12 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	35.66
Godo Kaisha Samurai 13 ⁽¹⁶⁾	Japan	Special purpose entity – Investment in real estate	35.64	–

45. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect subsidiaries <i>(continued)</i>				
Held through Parkway Life Malaysia Pte. Ltd.:				
Parkway Life Malaysia Sdn. Bhd. [#]	Malaysia	Special purpose entity – Investment in real estate	35.64	35.66
Held through Angsana Holdings Pte. Ltd.:				
Angsana Molecular & Diagnostics Laboratory Pte. Ltd. [#]	Singapore	Provision of medical laboratories including biochemistry, chemistry, haematology and molecular blood analysis and testing	55	55
Angsana Molecular & Diagnostics Laboratory (HK) Limited [#]	Hong Kong	Provision of molecular diagnostic assays and services	55	55
Angsana Molecular & Diagnostics Laboratory Sdn. Bhd.	Malaysia	Research laboratories and carry on business, including taking blood samples for testing	55	55
Held through Angsana Molecular & Diagnostics Laboratory Pte. Ltd.:				
Allergy Laboratory Pte Ltd [#]	Singapore	Struck off during the year	–	55

¹ PPL and PHL hold 99.99% and 0.01% shares in Parkway HK Holdings Limited respectively.

² PPL and PHL hold 78.52% and 21.48% shares in Parkway Group Healthcare Pte Ltd (“PGH”) respectively.

³ PPL holds more than 99.99% shares in Gleneagles Development Pte Ltd. The remaining are held by Gleneagles International Pte Ltd.

⁴ ASH and Clinical Hospital Acibadem Sistina Skopje hold 49.05% (2018: 48.3%) and 15.0% (2018: 15.0%) shares in ACC respectively.

⁵ As at 31 December 2018, PGRSB and PHSB held 50% shares in PTPHC respectively.

⁶ PHSB holds 100% shares in Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd.. As at 31 December 2018, PHSB held 70% shares while the remaining 30% shares were held by Gleneagles (Malaysia) Sdn. Bhd..

⁷ Gleneagles Development Pte Ltd and Parkway-Healthcare (Mauritius) Ltd. holds 72.26% and 1.61% share in RGE respectively. The Group consolidated 73.87% of RGE on the basis of shareholding interests that give rise to present access to the rights and rewards of ownership in RGE. The Group’s equity interest in RGE is 73.87% on a fully diluted basis.

⁸ Medical Resources International Pte Ltd (“MRI”) and Shanghai Mai Kang Hospital Investment Management Co., Ltd. (“Shanghai Mai Kang”) hold 70% and 30% shares in Shanghai Rui Xin Healthcare Co., Ltd. respectively.

⁹ MRI and Shanghai Mai Kang hold 70% and 30% shares in Shanghai Rui Hong Clinic Co., Ltd. respectively.

¹⁰ MRI and Shanghai Mai Kang hold 70% and 30% shares in Shanghai Xin Rui Healthcare Co., Ltd. respectively.

¹¹ Fortis and Fortis Health Management Limited (“FHML”) hold 74.35% (2018: 51.0%) and 25.65% (2018: Nil) shares in Fortis Hospotel Limited respectively.

¹² Fortis and FHML hold 78.40% and 21.60% shares in IHL respectively.

¹³ Fortis and IHL hold 52% and 48% share in FHML respectively.

¹⁴ Fortis, IHL and FHML hold 48.58%, 38.29% and 13.13% shares in Escorts Heart and Super Speciality Hospital Limited respectively.

¹⁵ Parkway Investments Pte. Ltd., PTM and Integrated Healthcare Holdings Limited hold 35.25% (2018: 35.25%), 0.35% (2018: 0.38%) and 0.04% (2018: 0.04%) of the units in PLife REIT respectively.

¹⁶ Not required to be audited under the laws of country of incorporation. These special purpose entities have been consolidated in the financial statements in accordance with MFRS 10, as the Group primarily bears the risks and enjoys the benefits of the investments held by these special purpose entities.

¹⁷ The entity was granted approval by Companies Commission of Malaysia to have a financial year which does not coincide with the Company.

[#] Audited by other member firms of KPMG International.

^{##} Audited by firms other than member firms of KPMG International.

⁺ Audit is not required.

Notes to the Financial Statements

46. ASSOCIATES

Details of associates are as follows:

Name of associate	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect associates				
Held through Gleneagles Medical Holdings Limited:				
PT Tritunggal Sentra Utama Surabaya ^{##}	Indonesia	Provision of medical diagnostic services	30	30
Asia Renal Care Mt Elizabeth Pte Ltd ^{##}	Singapore	Provision of dialysis services and medical consultancy services	20	20
Asia Renal Care (Katong) Pte Ltd ^{##}	Singapore	Provision of dialysis services and medical consultancy services	20	20
Held through Medi-Rad Associates Ltd:				
Positron Tracers Pte. Ltd. [#]	Singapore	Ownership and operation of a cyclotron for production of radioactive tracers	33	33
Held through Fortis Healthcare Limited:				
Sunrise Medicare Private Limited ^{##}	India	Liquidation in process	9.74	9.74
Held through Fortis Healthcare International Limited:				
C-Care Mauritius Limited (formerly known as The Medical and Surgical Centre Limited) ^{##}	Mauritius	Operates a multi-specialty hospital	–	9.00
RHT Health Trust ^{## (1)}	Singapore	Investment holding company	8.67	8.67
Held through Fortis Healthcare International Pte Limited:				
Lanka Hospitals Corporation Plc [#]	Sri Lanka	Operates a multi-specialty hospital	8.93	8.93

¹ Fortis Healthcare International Limited holds 25.14% shares in RHT Health Trust. The other 2.68% is held by RHT Health Trust Manager Pte Limited.

[#] Audited by other member firms of KPMG International.

^{##} Audited by firms other than member firms of KPMG International.

47. JOINT VENTURES

Details of joint ventures are as follows:

Name of joint venture	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
<u>Indirect joint ventures</u>				
Held through Gleneagles Development Pte Ltd:				
Apollo Gleneagles Hospital Ltd ^{##}	India	Private hospital ownership and management	50	50
Held through Parkway-Healthcare (Mauritius) Ltd:				
Apollo Gleneagles PET-CT Private Limited ^{##}	India	Operation of PET-CT radio imaging centre	50	50
Held through Shenton Family Medical Clinics Pte Ltd:				
Shenton Family Medical Clinic (Ang Mo Kio) ⁺	Singapore	Operation of medical clinic	60	60
Shenton Family Medical Clinic (Bedok Reservoir) ⁺	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Duxton) ⁺	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Jurong East) ⁺	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Tampines) ⁺	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Yishun) ⁺	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Towner) ⁺	Singapore	Operation of medical clinic	50	50
Held through Parkway Shenton Pte Ltd:				
Hale Medical Clinic (Concourse) Pte Ltd ^{##}	Singapore	Liquidated during the year	—	50
Held through Parkway Group Healthcare Pte Ltd:				
Khubchandani Hospitals Private Limited ^{##}	India	Dormant	50	50
Held through Shanghai Mai Kang Hospital Investment Management Co., Ltd.:				
Shanghai Hui Xing Hospital Management Co., Ltd. (formerly known as Shanghai Hui Xing Hospital Investment Management Co., Ltd.) ^{*(1)}	People’s Republic of China	Investment holding	42.06	42.06

Notes to the Financial Statements

47. JOINT VENTURES (continued)

Name of joint venture	Place of incorporation and business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Indirect joint ventures (continued)				
Held through Shanghai Hui Xing Hospital Management Co., Ltd. (formerly known as Shanghai Hui Xing Hospital Investment Management Co., Ltd.):				
Shanghai Hui Xing Jinpu Clinic Co., Ltd. [#]	People's Republic of China	Provision of medical and healthcare outpatient services	42.06	42.06
Held through SRL Limited:				
SRL Diagnostics (Nepal) Private Limited ^{##}	Nepal	Operates a network of diagnostics centers	8.99	8.99
Held through SRL Diagnostics Private Limited:				
DDRC SRL Diagnostics Private Limited ^{##}	India	Operates a network of diagnostics centers	8.99	8.99
Held through Fortis Hospitals Limited:				
Fortis C-Doc Healthcare Limited ^{#(1)}	India	Operates a hospital	18.70	18.70
Held through Fortis Cancer Care Limited:				
Fortis Cauvery (Partnership Firm) ^{##}	India	Under members voluntary liquidation	15.90	15.90

¹ The Group has accounted for the entity as a joint venture in accordance with MFRS on the basis that the entity's operating decisions are made jointly with the joint venture partner.

[#] Audited by other member firms of KPMG International.

^{##} Audited by firms other than member firms of KPMG International.

⁺ Audit is not required.

48. CONTINGENT LIABILITIES

The following are the material litigations and investigations of Fortis which occurred prior to the Group's acquisition of its 31.17% interest in Fortis in November 2018:

- a) In respect of Escorts Heart Institute and Research Centre Limited ("EHIRCL"), a subsidiary of Fortis:
 - i. The Delhi Development Authority ("DDA") had terminated the lease deeds and allotment letters relating to land parcels on which the Fortis Escorts Hospital exists due to certain alleged non-compliances of such documents. Consequent to the termination, DDA issued show cause notice and initiated eviction proceedings against EHIRCL. These terminations, show cause notices and eviction proceedings have been challenged by EHIRCL before the High Court of Delhi, Supreme Court of India and Estate Officer of DDA. The Supreme Court of India, vide its order dated 14 November 2019, has quashed the show cause notice for eviction proceedings. Based on external legal counsel advice, Fortis is of the understanding that EHIRCL will be able to suitably defend the termination of lease deeds and allotment letters and accordingly considers that no adjustments are required.
 - ii. Further EHIRCL also has open tax demands of INR795.2 million (equivalent to RM46.1 million) for various assessment years before the Indian Income-tax authorities. While the Commissioner of Income Tax (Appeals) decided the case in favour of EHIRCL in the past, the Income Tax Department has filed an appeal before Income Tax Appellate Tribunal ("ITAT"). ITAT has decided the appeal in favour of EHIRCL on 11 June 2019. The Income Tax Department has contested the decision of ITAT before the Hon'ble High Court of Delhi.

48. CONTINGENT LIABILITIES *(continued)*

a) In respect of Escorts Heart Institute and Research Centre Limited (“EHIRCL”), a subsidiary of Fortis *(continued)*:

iii. In relation to the judgement of the Hon’ble High Court of Delhi relating to provision of free treatment/beds to the economically weaker sections of society pursuant to such obligations set forth under certain land grant orders/allotment letters (“EWS Obligations”), the Directorate of Health Services (“DoHS”), Government of NCT of Delhi, appointed a firm to calculate “unwarranted profits” arising to EHIRCL due to alleged non-compliance of such EWS Obligations. Following various hearings and appeals between 2014 and 2018, in a hearing before the DoHS in May 2018, an order was passed imposing a penalty of INR5.03 billion (equivalent to RM291.5 million) which was challenged by EHIRCL before the Delhi High Court. Through an order dated 1 June 2018, the Delhi High Court has issued notice and directed that no coercive steps may be taken subject to EHIRCL depositing a sum of INR50 million (equivalent to RM2.9 million) before the DoHS. In compliance of the above direction, EHIRCL had deposited the stipulated amount on 20 June 2018. Matter is *sub-judice* before the Delhi High Court. Based on its internal assessment and advice from its counsels, on the basis of the documents available, EHIRCL believes that it is in compliance of the conditions of free treatment and free beds to patients of economic weaker sections and expects the demand to be set aside.

b) In respect of Hiranandani Healthcare Private Limited (“HHPL”), a subsidiary of Fortis:

Through an order dated 18 January 2017, Navi Mumbai Municipal Corporation (“NMMC”) terminated the lease agreements with HHPL (“Termination Order”) for certain alleged contravention of such hospital lease agreement. HHPL has filed a writ petition before the Hon’ble Supreme Court of India towards challenging the Termination Order. The writ petition has been tagged with special leave petition which has also been filed by HHPL for *inter alia* challenging the actions of State Government, City Industrial Development Corporation and the NMMC which led to the passing of the Termination Order. The Hon’ble Supreme Court of India in the hearing held on 30 January 2017 ordered that *status quo* be maintained with regard to the operation of the hospital. Further, the special leave petition has been admitted by the Hon’ble Supreme Court on 22 January 2018 and *status quo* has been continuing ever since. Based on external legal counsel’s opinion, HHPL is confident that it is in compliance of conditions of the hospital lease agreements and accordingly considers that no provisions were required.

c) A civil suit has been filed by a third party (“Claimant”) against Fortis and certain subsidiaries (together “Defendants”) before the District Court, Delhi alleging, *inter alia*, implied ownership of the “Fortis”, “SRL” and “La-Femme” brands in addition to certain other financial claims and seeking a decree that consequent to a term sheet with a certain party, Fortis is liable for claims owed by the Claimant to that certain party. In connection with this, the District Court passed an *ex-parte* order directing that any transaction undertaken by the defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed by the District Court in the said civil suit. Additionally, the said certain party with whom the term sheet had been allegedly signed has also claimed that Fortis has not abided by the aforementioned term sheet and has therefore claimed alleged ownership over the brands apart from the alleged claim to have a right to invest in Fortis.

Fortis has filed written statements denying all allegations made against it and sought for dismissal of the said civil suit. Allegations made by the said certain party have been duly responded by Fortis denying (i) execution of any binding agreement with certain party, and (ii) liability of any kind whatsoever.

In addition to the above, Fortis has also received four notices from the Claimant claiming (i) INR180 million (equivalent to RM10.4 million) as per notices dated 30 May 2018, and 1 June 2018, (ii) INR2,158 million (equivalent to RM125.1 million) as per notice dated 4 June 2018, and (iii) INR196 million (equivalent to RM11.4 million) as per notice dated 4 June 2018. All these notices have been responded by Fortis denying any liability whatsoever.

The Claimant has also filed an application against Fortis before the High Court of Delhi for seeking certain reliefs under the Indian Arbitration and Conciliation Act which is being contested by Fortis. The Claimant has also filed a claim for damages and injunctive reliefs against Fortis before International Chamber of Commerce (“ICC”). Documents from ICC have been received by Fortis on 2 November 2019.

On 23 February 2020, proceedings before the High Court of Delhi and ICC have been withdrawn by the Claimant. On 28 February 2020, the arbitration sought to be commenced before the ICC has also been withdrawn by the ICC pursuant to a request by the Claimant.

Based on opinions from external legal counsel, Fortis Board believes that the claims are without legal basis and are not tenable and accordingly, no provisions were required.

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48. CONTINGENT LIABILITIES *(continued)*

- d) Fortis, having considered all necessary facts and taking into account external legal advice, had decided to treat as non-est the Letter of Appointment dated 27 September 2016, as amended, (“LOA”) issued to Malvinder Mohan Singh, the erstwhile Executive Chairman in relation to his appointment as “Lead: Strategic Initiatives” in the Strategy Function. The external legal counsel has also advised that the payments made to him under this LOA would be considered to be covered under the limits of Section 197 of the Indian Companies Act, 2013.

In view of the above, Fortis has taken requisite action to recover the amounts paid to the erstwhile Executive Chairman during his tenure under the aforesaid LOA and certain additional amounts reimbursed in relation to expenses incurred (in excess of amounts approved by the Central Government under Section 197 of the Indian Companies Act, 2013 for remuneration & other reimbursement), aggregating to INR200.2 million (equivalent to RM11.6 million).

The erstwhile Executive Chairman has claimed an amount of INR461.0 million (equivalent to RM26.7 million) from Fortis towards his terms of employment. Fortis Board has responded denying any liability whatsoever in this regards.

Fortis has also filed a complaint against the erstwhile Executive Chairman before the Economic Offence Wing, New Delhi in the above matter.

In addition to the above, the following are contingent liabilities of the Group:

- a) Centre for Digestive and Kidney Diseases (India) Private Limited is defending an ongoing dispute with a service provider for the difference in the amounts claimed for the laboratory diagnostic and other services being rendered. On 12 July 2019, the arbitrator allowed the amended claim of INR474.9 million (equivalent to RM27.5 million). The ultimate financial impact cannot be determined till final arbitration.
- b) During the year, Continental Hospitals Private Limited received letters from the Reserve Bank of India (“RBI”) pointing out certain non-compliances with Foreign Exchange Management Act 1999 (“FEMA”). RBI sought clarifications on the status of this matter before the Singapore Arbitral Tribunal. The financial implication of such non-compliances is currently unascertainable and will be known upon the acceptance and disposal of RBI.

49. MATTERS ARISING FROM INVESTIGATIONS

The Group completed its acquisition of Fortis Healthcare Limited (“Fortis”) and its subsidiaries (“Fortis Group”) on 13 November 2018. Prior to this acquisition, an investigation report by an independent external legal firm was submitted to the former Fortis Board and there are ongoing investigations on Fortis by the Securities and Exchange Board of India (“SEBI”) and the Serious Fraud Investigation Office (“SFIO”), Ministry of Corporate Affairs of India, both further explained below.

- a) Independent investigation by external legal firm (prior to the acquisition of Fortis by IHH Group)

The external legal firm’s significant findings revealed that the Fortis Group had made investment placements in the nature of inter-corporate deposits (“ICDs”) with three companies (“borrowing companies”) totalling INR4,450 million (equivalent to RM261.2 million) which were impaired in full in the financial statements for the year ended 31 March 2018 of Fortis Group. The report suggested that the ICDs were utilised by the borrowing companies (possible related parties of Fortis Group in substance) for granting/repayment of loans to certain entities whose former directors of Fortis are connected with the former controlling shareholders of Fortis.

Additionally, the placement of ICDs, their subsequent assignment and the cancellation of such assignment were done without following the normal treasury operations and treasury mandate of Fortis Group; and without specific authorisation by the former board of Fortis.

As disclosed in note 48 – Contingent Liabilities, a third party (to whom the ICDs were previously assigned) filed a civil suit in February 2018 against various entities including Fortis and have, *inter alia*, claimed implied ownership of brands “Fortis”, “SRL” and “La-Femme”. In the suit, it claimed that consequent to a term sheet, Fortis is liable for claims owed by the third party to a certain party, in addition to total claims of INR2,534 million (equivalent to RM148.8 million) and other claims by the said certain party. Based on advice from external legal counsel, Fortis believes that these claims are without legal basis and are not tenable and accordingly, no provisions were required. Whilst this legal matter was included as part of the terms of reference of the investigation, the merits of the case cannot be reported since the matter was *sub-judice*.

49. MATTERS ARISING FROM INVESTIGATIONS *(continued)*

a) Independent investigation by external legal firm (prior to the acquisition of Fortis by IHH Group) *(continued)*

Fortis Group acquired 71% equity interest in Fortis Healthstaff Limited ("Fortis Healthstaff") at consideration of INR346,000 (equivalent to RM20,000), and 51% equity interest in Fortis Emergency Services Limited ("Fortis Emergency Services") at consideration of INR25,000 (equivalent to RM1,500). Loans of INR79.45 million (equivalent to RM4.7 million) and INR20.8 million (equivalent to RM1.2 million), were advanced to these newly-acquired subsidiaries to repay the outstanding unsecured loan amounts due to companies related to the former controlling shareholders of Fortis. The report suggested that the loan repayment and some other payments to companies connected to the former controlling shareholders of Fortis may have been ultimately routed through various intermediary companies and used for repayment of the ICDs/vendor advance to Fortis Group. Further the said loan advanced by EHIRCL to Fortis Healthstaff was impaired in the books of accounts at EHIRCL due to anticipated chances of non-recovery.

b) Regulatory investigations (prior to the acquisition of Fortis by IHH Group)

On 17 October 2018 and 21 December 2018 and 19 March 2019, SEBI issued interim orders, indicating, amongst others, certain transactions were structured by some identified entities, which were *prima facie* fictitious and fraudulent in nature, resulting in, *inter alia*, diversion of funds from the Fortis Group for the ultimate benefit of former controlling shareholders of Fortis (and certain entities controlled by them) and misrepresentation in financial statements for the year ended 31 March 2018 of Fortis Group. Further, it issued certain interim directions, *inter alia*, directing Fortis shall take all necessary steps to recover INR4,030 million (equivalent to RM236.7 million), along with due interest, from former controlling shareholders of Fortis and various other entities identified in the orders.

The matter before SEBI is *sub-judice* and its investigation has not yet concluded.

Similarly, the investigation by the SFIO is ongoing. Fortis Group has been submitting all the information required by the various investigating agencies and is fully cooperating in the investigations/inquiries.

c) Actions taken by Fortis Group

With respect to the above findings by the external legal firm, the Fortis Board has implemented specific improvement projects to strengthen the process and control environment. These include review and revision of operational and financial authority levels, greater oversight by Fortis Board, review and improve financial reporting processes, more robust secretarial documentation in regards to compliance to regulatory requirements and improving systems design and control enhancement. Accordingly, steps have been taken in relation to enhanced authority levels for payments/transfer of funds within Fortis Group, and review of borrowings above certain levels by the Fortis Board. Fortis Group had also disengaged itself from the former controlling shareholders. Fortis Board continues to evaluate other areas to strengthen processes and build a robust governance framework. The Fortis Board has initiated an enquiry of the management of the certain entities in the Fortis Group that were impacted in respect of the matters investigated by the external legal firm. To this end, Fortis Board has also appointed an independent accounting firm, to conduct enquiries of certain entities and transactions in Fortis Group to ascertain, amongst other things, the extent of diversion of funds from Fortis Group. As at 26 March 2020, the Board of Fortis is reviewing the findings of the independent accounting firm.

As per the directions from SEBI, Fortis Group has taken steps to recover dues from the former controlling shareholders of Fortis and various other entities. These include initiating civil actions against these entities demanding recovery of the outstanding amounts together with interest and to secure repayment of the outstanding amounts on the assets of these entities.

Based on the findings of investigations to-date, all identified/required adjustments/disclosures have been recorded in the financial statements of Fortis Group prior to the Group's acquisition in November 2018. Any further adjustments/disclosures, if required, would be made in the financial statements of Fortis Group pursuant to the above actions to be taken by the internal/regulatory investigations, as and when the outcome of the above is known.

Any consequential adjustments will be recorded as post-acquisition adjustments to be recognised in the financial statements of the Group in the period the adjustments are known.

Notes to the Financial Statements

50. OTHER MATTERS

On 13 July 2018, NTK, as subscriber, entered into a share subscription agreement (“Fortis SSA”) with Fortis, as issuer, where NTK has agreed to subscribe 235,294,117 new equity shares of Fortis with a face value of INR10 each (“Subscription Shares”), constituting approximately 31.17% of the total voting equity share capital of Fortis on a fully diluted basis (“Expanded Voting Share Capital”) for a total consideration of INR4,000 crore and Fortis has agreed to issue and allot the Subscription Shares by way of preferential allotment in accordance with the terms of the Fortis SSA (“Proposed Subscription”).

On 13 November 2018, the Proposed Subscription was completed in accordance with the terms of the Fortis SSA. IHH acquired 31.17% equity interest in Fortis through a preferential allotment by Fortis to NTK, and NTK became the controlling shareholder of Fortis.

As a consequence of the Proposed Subscription, NTK was required to carry out the following:

- a) pursuant to the board resolution dated 13 July 2018 passed by the Board of Directors of Fortis approving the Proposed Subscription and execution of the Fortis SSA (“Fortis Board Resolution”), a mandatory open offer for acquisition of up to 197,025,660 equity shares of face value of INR10 each in Fortis, representing additional 26% of the Expanded Voting Share Capital of Fortis, at a price of not less than INR170 per share (“Fortis Open Offer”) or such higher price as required under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (“SEBI (SAST) Regulations”).
- b) in light of the acquisition of the controlling stake of Fortis, a mandatory open offer for acquisition of up to 4,894,308 fully paid up equity shares of face value of INR10 each in Malar, representing 26% of the paid-up equity shares of Malar at a price of INR58 per share (“Malar Open Offer”). The Malar Open Offer is subject to the completion of the Fortis Open Offer.

On 14 December 2018, the Supreme Court of India passed an order in the matter of “Mr Vinay Prakash Singh v. Sameer Gehlaut & Ors.”, directing “status quo with regard to sale of the controlling stake in Fortis Healthcare to Malaysian IHH Healthcare Berhad be maintained” (“Order”). Pursuant thereto, decision was taken not to proceed with Fortis Open Offer and Malar Open Offer.

Vide its judgment dated 15 November 2019 (“Judgment”), the Hon’ble Supreme Court of India issued suo-moto contempt notice to, amongst others, Fortis, and in pursuance thereof, its Registry has registered a fresh contempt petition in regard to alleged violation of the Order (“Suo-Moto Contempt”). In this respect, the Hon’ble Supreme Court sought an enquiry into:

- i. Whether the subscription by NTK for the Shares of Fortis was undertaken in violation of the Order; and
- ii. Whether the consummation of the acquisition of healthcare assets from RHT Health Trust by Fortis was undertaken in violation of the Order.

On 5 March 2020, Fortis has filed a detailed reply to the Suo-Moto Contempt, praying *inter alia*, that the Suo-Moto Contempt proceedings be dropped and Order be modified/vacated such that the open offers may proceed.

Since the issuance of the Judgement, several parties have filed applications before the Supreme Court, in attempts to seek remedies for themselves, as summarised below (where relevant to IHH or Fortis):

- a) Anshuman Khanna, a minority shareholder of Fortis (“Minority Shareholder”) has sought resumption of the Fortis Open Offer but has asked that IHH to pay interest at 10% (ten percent) to the public shareholders of Fortis who are eligible to tender shares in the Fortis Open Offer due to the delay since IHH is earning interest on the 100% of the consideration payable under the Fortis Open Offer that has deposited in the escrow account.
- b) Daiichi Sankyo Co. Ltd (“Daiichi”) has sought permission to implead itself in and present its case as its rights are impacted by orders that may be passed in the Fortis Contempt Petition.
- c) The Securities and Exchange Board of India (“SEBI”) has sought resumption of the Fortis Open Offer, citing larger public interest at stake.

50. OTHER MATTERS *(continued)*

On 5 March 2020, NTK through its legal counsel, filed the necessary applications to intervene in the aforementioned Supreme Court Proceedings, as follows:

- i. intervention applications in the Original Contempt Petition and the Fortis Contempt Petition, respectively, and to enable NTK to be heard in the Supreme Court Proceedings before any further orders are passed by the Supreme Court; and
- ii. an application to vacate the Order that continues to stay the Fortis Open Offer so as to be able to consummate the Fortis Open Offer; and support SEBI's ask of resuming the same.

In light of the Judgement, the Fortis Open Offer as well the Malar Open Offer (which is subject to the completion of the Fortis Open Offer) will not proceed for the time being.

Based on opinions from external legal counsels, the Group believes that it has a strong case on merits. Fortis had, at all times, conducted these transactions in a fair and transparent manner after obtaining all regulatory and shareholders approval and only after making all due disclosures to public shareholders of Fortis and to the regulatory authorities, in a timely manner.

Based on the opinions from NTK's and Fortis' external legal counsels, the outcome of the proceedings in the Supreme Court cannot be predicted at this juncture and the potential liability to the Group is indeterminate, at this stage.

51. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 16, *Leases*.

Definition of a lease

On transition to MFRS 16, *Leases*, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16, *Leases* only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117, *Leases* and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16, *Leases* has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16, *Leases* retrospectively with the cumulative effect of applying the standard recognised at the date of initial application.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, *Leases*, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' and Company's incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 12.4% and 2.4% for the Group and Company respectively. ROU assets are measured at either:

- their carrying amount as if MFRS 16, *Leases* had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16, *Lease*, to leases previously classified as operating lease under MFRS 117, *Leases*:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise ROU assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the ROU asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- adjusted the ROU assets by the amount of provision for onerous contract under MFRS 137 immediately before the date of initial application, as an alternative to an impairment review.

For leases that were classified as finance lease under MFRS 117, *Leases*, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117, *Leases*, immediately before that date.

Notes to the Financial Statements

51. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES *(continued)*

As a lessor

Group entities who is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117, *Leases*, and concluded that the sublease is an operating lease under MFRS 16, *Leases*.

Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16, *Leases*, retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117, *Leases*, at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	Note	Group RM'000	Company RM'000
Operating lease commitments at 31 December 2018, as previously disclosed	40	3,325,642	2,290
Less contractual payments which are exempted or not accounted for as leases under MFRS 16, <i>Leases</i> :			
– Recognition exemption for short-term leases		(10,853)	–
– Recognition exemption for leases with low-value assets		(1,663)	–
– Variable payments not applicable under MFRS 16, <i>Leases</i>		(6,772)	–
– Not accounted for under MFRS 16, <i>Leases</i>		(6,017)	–
Net contracted payments applicable under MFRS 16, <i>Leases</i>		3,300,337	2,290
Discounted value using the incremental borrowing rate as at 1 January 2019		1,468,753	2,227
Extension options reasonably certain to be exercised		268,267	–
Financial lease liabilities as at 31 December 2018		177,043	–
Lease liabilities previously classified as cancellable operating leases at 31 December 2018		32,185	–
Lease liabilities recognised at 1 January 2019		1,946,248	2,227

52. RESTATEMENT OF COMPARATIVE GROUP FIGURES

During the year, the Group has completed the purchase price allocation for the acquisition of Fortis on 13 November 2018 (see note 43). Adjustments were made retrospectively to the provisional fair values recorded in the prior year and comparative amounts in the statements of financial position were restated. The adjustments did not have any effect on the cash flows.

The effects of the adjustments are set out below:

	As previously reported RM'000	Adjustments RM'000	Restated RM'000
<u>Statement of financial position as at 31 December 2018</u>			
Non-current assets			
Property, plant and equipment	14,605,200	(481,899)	14,123,301
Intangible assets	2,109,136	147,741	2,256,877
Interests in associates	710,036	165,278	875,314
Interests in joint ventures	115,334	91,307	206,641
Tax recoverable	285,866	(9,452)	276,414
Deferred tax assets	463,898	(6,634)	457,264
Non-current liabilities			
Loans and borrowings	9,330,942	35,440	9,366,382
Deferred tax liabilities	991,273	(8,940)	982,333
Current liabilities			
Trade and other payables	3,751,568	35,227	3,786,795
Equity			
Non-controlling interests	4,355,141	(155,386)	4,199,755
<u>Statements of profit or loss and other comprehensive income for the year ended 31 December 2019</u>			
Other comprehensive income, net of tax items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences from foreign operations	(349,175)	2,298	(346,877)

53. SUBSEQUENT EVENT

The current COVID-19 outbreak will have an impact on the global economy, including markets where the Group operates. Medical tourism is expected to decrease as a result of travel restrictions imposed by various countries, and patients may postpone non-urgent and non-emergency treatment. In addition, there may also be business interruption such as supply chain and logistics disruption. As the COVID-19 outbreak situation is evolving, the Group is actively monitoring and managing our operations and liquidity to minimise any potential impact.

Analysis of Shareholdings

As at 30 April 2020

Class of securities : Ordinary shares

Issued share capital : 8,775,759,463 ordinary shares

Voting right : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Holdings	%
Less than 100	196	2.68	1,819	0.00
100–1,000	2,153	29.45	1,647,703	0.02
1,001–10,000	3,316	45.36	14,484,192	0.16
10,001–100,000	968	13.24	31,459,513	0.36
100,001–438,787,972*	673	9.21	2,366,772,803	26.97
438,787,973 and above**	4	0.06	6,361,393,433	72.49
Total	7,310	100.00	8,775,759,463	100.00

Notes:

* Less than 5% of issued share capital

** 5% and above of issued share capital

CATEGORY OF SHAREHOLDERS

Category of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares held	% of Issued Shares
Individual	5,379	73.59	28,005,149	0.32
Banks/Finance Companies	71	0.97	948,493,200	10.81
Investments Trusts/Foundations/Charities	1	0.01	100,000	0.00
Other Types of Companies	102	1.40	5,179,547,258	59.02
Government Agencies/Institutions	1	0.01	1,600,000	0.02
Nominees	1,755	24.01	2,618,009,856	29.83
Trustee	1	0.01	4,000	0.00
Others	0	0.00	0	0.00
Total	7,310	100.00	8,775,759,463	100.00

SUBSTANTIAL SHAREHOLDERS

(As per Register of Substantial Shareholders)

No.	Name	Direct Interest		Indirect Interest	
		No. of Shares held	% of Issued Shares	No. of Shares held	% of Issued Shares
1.	MBK Healthcare Management Pte Ltd	2,888,487,400	32.91	—	—
2.	Mitsui & Co., Ltd	—	—	2,888,487,400 ⁱ	32.91
3.	Pulau Memutik Ventures Sdn Bhd	2,284,536,356	26.03	—	—
4.	Khazanah Nasional Berhad	—	—	2,284,536,356 ⁱⁱ	26.03
5.	Employees Provident Fund Board	717,296,600 ⁱⁱⁱ	8.17	—	—
6.	Mehmet Ali Aydinlar	420,935,132	4.80	98,287,041 ^{iv}	1.12

Notes:

ⁱ Deemed interest by virtue of its shareholding in MBK Healthcare Management Pte Ltd pursuant to Section 8 of the Companies Act 2016.ⁱⁱ Deemed interest by virtue of its shareholding in Pulau Memutik Ventures Sdn Bhd pursuant to Section 8 of the Companies Act 2016.ⁱⁱⁱ The shares are held through various nominees companies.^{iv} Deemed interest by virtue of his wife, Hatice Seher Aydinlar's shareholding in the Company and SZA Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş.'s shareholding in the Company, a company wholly-owned by Mehmet Ali Aydinlar and his wife, pursuant to Section 8 of the Companies Act 2016.

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

No.	Interest in the Company	Number of ordinary shares			
		Direct Interest		Indirect Interest	
		No. of Shares held	% of Issued Shares	No. of Shares held	% of Issued Shares
1.	Mehmet Ali Aydinlar	420,935,132	4.80	98,287,041 ⁱ	1.12

Note:

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

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

Interest in subsidiaries	Number of ordinary shares of TL1.00 each			
	Direct Interest		Indirect Interest	
	No. of Shares held	% of Issued Shares	No. of Shares held	% of Issued Shares
Acibadem Saglik Yatirimlari Holding A.S.	274,809,547	9.28	21,290,454	0.72
Acibadem Saglik Hizmetleri ve Ticaret A.S.	1	0.00	1	0.00
Acibadem Poliklinikleri A.S.	1	0.00	3	0.00
Acibadem Proje Yonetimi A.S.	1	0.00	—	—
Aplus Hastane Otelcilik Hizmetleri A.S.	1	0.00	2	0.00

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

Dr Kelvin Loh Chi-Keon's direct interest in the subsidiary is as follows:

Interest in subsidiary	Number of units			
	Direct Interest		Indirect Interest	
	No. of Units held	% of Issued Units	No. of Units held	% of Issued Units
Parkway Life Real Estate Investment Trust	120,000	0.02	—	—

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

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

Analysis of Shareholdings

As at 30 April 2020

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

Long Term Incentive Plan

		Number of units convertible into ordinary shares
		Direct Interest
No.	Interest in the Company	No. of Units held
1.	Mehmet Ali Aydinlar	709,000

Enterprise Option Scheme

		Number of options convertible into ordinary shares
		Direct Interest
No.	Interest in the Company	No. of Options held
1.	Mehmet Ali Aydinlar	5,127,000

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

List of Top 30 Largest Shareholders

As at 30 April 2020

No.	Name	No. of Shares held	% of Issued Shares
1.	MBK Healthcare Management Pte Ltd	2,888,487,400	32.91
2.	Pulau Memutik Ventures Sdn Bhd	2,284,536,356	26.03
3.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for The Central Depository (Pte) Limited	595,530,077	6.79
4.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	592,839,600	6.76
5.	Kumpulan Wang Persaraan (Diperbadankan)	268,751,800	3.06
6.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	264,096,200	3.01
7.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon for Kuwait Investment Authority	147,500,000	1.68
8.	Amanahraya Trustees Berhad Amanah Saham Malaysia	61,099,400	0.70
9.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	60,000,000	0.68
10.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	58,136,700	0.66
11.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Total International Stock Index Fund	53,549,736	0.61
12.	Permodalan Nasional Berhad	52,348,700	0.60
13.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Matthews Pacific Tiger Fund	50,774,600	0.58
14.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	46,749,300	0.53
15.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	42,598,855	0.49

List of Top 30 Largest Shareholders

As at 30 April 2020

No.	Name	No. of Shares held	% of Issued Shares
16.	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	40,215,400	0.46
17.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	39,287,000	0.45
18.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	38,173,300	0.43
19.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	37,229,800	0.42
20.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	33,691,100	0.38
21.	Amanahraya Trustees Berhad Public Islamic Dividend Fund	32,139,800	0.37
22.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	30,000,000	0.34
23.	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 – Wawasan	27,839,900	0.32
24.	HSBC Nominees (Asing) Sdn Bhd JPMBL SA For Stichting Depositary APG Emerging Markets Equity Pool	27,036,400	0.31
25.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN For Citibank New York (Norges Bank 14)	26,683,400	0.30
26.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 – Didik	25,393,600	0.29
27.	Citigroup Nominees (Asing) Sdn Bhd UBS Switzerland AG For SZA Gayrimenkul Yatirim Insaat VE Ticaret Anonim Sirketi	23,100,761	0.26
28.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	21,705,000	0.25
29.	Amanahraya Trustees Berhad Public Islamic Equity Fund	19,952,500	0.23
30.	Amanahraya Trustees Berhad Public Ittikal Sequel Fund	18,867,200	0.21
Total		7,908,313,885	90.11

List of Top 10 Properties

for the Financial Year Ended 31 December 2019

No.	Address	Freehold/ Leasehold Land and/or Buildings	Year of Expiry of Lease	Land Area Sq m	Built-up /Strata Area Sq m	Existing Use	Approximate Age of Buildings Years	Net Book Value @ 31 December 2019 RM'000
SINGAPORE								
1.	Mount Elizabeth Novena Hospital and Medical Centre Units 38 Irrawaddy Road Singapore 329563	Leasehold land and building	2108	N/A	Strata area: 56,361	Hospital building and medical centre	6	3,950,818 ^a
2.	Mount Elizabeth Hospital and Medical Centre Units 3 Mount Elizabeth Singapore 228510	Leasehold land and building	2075	N/A	Strata area: 58,290	Hospital building and medical centre	40	1,442,953 ^{a,b}
3.	Gleneagles Hospital and Medical Centre Units 6 Napier Road, Singapore 258499; 6A Napier Road, Singapore 258500	Freehold land and building	—	N/A	Strata area: 49,003	Hospital building and medical centre	28	701,901 ^{a,b}
MALAYSIA								
4.	Gleneagles Medini Hospital Plot A25 under HSD478967, PT 170682, Medini Iskandar Malaysia, Johor	Leasehold land and building	2107	72,313	Built-up area: 59,388	Hospital building and medical centre; Includes a plot of land held as investment property	4	378,159 ^a
5.	Pantai Hospital Kuala Lumpur 8 Jalan Bukit Pantai 59100 Kuala Lumpur	Leasehold land and building	2111	22,533	Built-up area: 132,711	Hospital building	15 years for original block; 5 years and 4 years for extension blocks	317,513 ^b

Notes:

^a Carrying value includes fair value of investment properties, which were revalued in 2019 in accordance with the Group's accounting policies.

^b Properties were revalued in 2010 pursuant to a purchase price allocation performed upon acquisition of Parkway and Pantai Group.

List of Top 10 Properties

for the Financial Year Ended 31 December 2019

No.	Address	Freehold/ Leasehold Land and/or Buildings	Year of Expiry of Lease	Land Area Sq m	Built-up /Strata Area Sq m	Existing Use	Approximate Age of Buildings Years	Net Book Value @ 31 December 2019 RM'000
HONG KONG								
6.	Gleneagles Hong Kong Hospital 1 Nam Fung Path Wong Chu Hang Hong Kong	Leasehold building	2063	27,500	Built-up area: 46,750	Hospital building	2	2,006,110
INDIA								
7.	Fortis Memorial Research Institute, Gurgaon Sector 44, Opposite HUDA City Centre Metro Station, Gurugram, Haryana – 122002	Freehold land and building	–	43,300	Built-up area: 66,065	Hospital building	8	284,810 ^c
8.	Fortis Hospital, Mulund Mulund Goregaon Link Rd, Nahur West Industrial Area, Mulund West, Mumbai, Maharashtra 400078	Freehold land and building	–	32,982	Built-up area: 27,618	Hospital building	16 years for original block; 10 years and 8 years for extension blocks	264,318 ^c
9.	Fortis Hospital, Mohali Fortis Hospital, Sector 62, Sahibzada Ajit Singh Nagar, Punjab 160062	Freehold land and building	–	53,904	Built-up area: 47,268	Hospital building and vacant land	18 years for original block; 6 years for extension blocks	240,895 ^c
10.	Continental Hospitals Plot No.3, Road No.2, IT & Financial District, Nanakramguda, Gachibowli, Hyderabad, 500 032, India	Freehold land and building	–	11,938	Built-up area: 120,242	Hospital building	6	244,441 ^d

Notes:

^c Properties were revalued in 2018 pursuant to a purchase price allocation performed upon acquisition of Fortis Group.^d Properties were revalued in 2015 pursuant to a purchase price allocation performed upon acquisition of Continental Hospitals.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of **IHH HEALTHCARE BERHAD** (IHH or the Company) will be held at Malaysia Boardroom, Level 11 Block A, Pantai Hospital Kuala Lumpur, 8 Jalan Bukit Pantai, 59100 Kuala Lumpur, Wilayah Persekutuan, Malaysia on Tuesday, 23 June 2020 at 2.00 p.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who retire pursuant to Clause 113(1) of the Constitution of the Company and who being eligible, offer themselves for re-election:
 - (i) Mehmet Ali Aydinlar **Ordinary Resolution 1**
 - (ii) Rossana Annizah binti Ahmad Rashid **Ordinary Resolution 2**
3. To re-elect the following Directors who retire pursuant to Clause 120 of the Constitution of the Company and who being eligible, offer themselves for re-election:
 - (i) Dr Kelvin Loh Chi-Keon **Ordinary Resolution 3**
 - (ii) Dr Farid bin Mohamed Sani **Ordinary Resolution 4**
 - (iii) Masato Sugahara **Ordinary Resolution 5**
4. To approve the payment of the following fees and other benefits payable to the Directors of the Company by the Company: **Ordinary Resolution 6**
 - (i) Directors' fees to the Non-Executive Directors in respect of their directorship and committee membership in the Company with effect from 1 July 2020 until 30 June 2021 as per the table below:

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

- (ii) Any other benefits provided to the Directors of the Company by the Company with effect from 1 July 2020 until 30 June 2021, subject to a maximum amount equivalent to RM1,000,000.

Notice of Annual General Meeting

5. To approve the payment of the Directors' fees (or its equivalent amount in Ringgit Malaysia as converted using the middle rate of Bank Negara Malaysia foreign exchange on the payment dates, where applicable) to the Directors of the Company who are holding directorship and committee membership in the following Company's subsidiaries and other benefits payable to the Directors of the Company by the Company's subsidiaries for the period with effect from 1 July 2020 to 30 June 2021:

Ordinary Resolution 7

- (i) Fortis Healthcare Limited

Structure	Chairman/Member (INR per meeting attended)
Board of Directors	100,000
Audit and Risk Management Committee	100,000
Nomination and Remuneration Committee	100,000
Corporate Social Responsibility Committee	100,000
Stakeholders Relationship Committee	100,000
Finance Committee	100,000
Independent Directors	100,000

- (ii) Parkway Trust Management Limited

Structure	Chairman (SGD per annum)	Member (SGD per annum)
Board of Directors	100,000	50,000
Audit Committee	33,000	10,000
Nominating and Remuneration Committee	27,000	9,000

- (iii) (a) Acibadem Saglik Yatirimlari Holding A.S. (ASYH) Group

Structure	Chairman (USD per annum)	Member (USD per annum)
Board of Directors	–	40,000
Audit and Risk Management Committee	30,000	10,000
Nomination and Remuneration Committee	25,000	10,000

- (b) ASYH, for the Board fee of USD513,000 per annum payable to Mehmet Ali Aydinlar as the Board Chairman and Director in ASYH Group.

- (iv) Any other benefits provided to the Directors of the Company by the Company's subsidiaries subject to a maximum amount equivalent to RM300,000.

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

Ordinary Resolution 8

AS SPECIAL BUSINESS

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

7. AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT 2016 Ordinary Resolution 9

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

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

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

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

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

Notice of Annual General Meeting

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

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

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

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

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

BY ORDER OF THE BOARD

IDA SURYATI BINTI AB RAHIM (SSM Practicing Certification no.: 202008000221) (LS0009477)

SEOW CHING VOON (SSM Practicing Certification no.: 202008001213) (MAICSA 7045152)

Company Secretaries

Kuala Lumpur

22 May 2020

NOTES:

PROXY AND/OR AUTHORISED REPRESENTATIVES

1. In support of the Government of Malaysia's (the Government) ongoing efforts to contain the spread of the Coronavirus (Covid-19) and the Government's advice of social distancing and not having mass gatherings, the Company would like to leverage on technology advancement by conducting the Tenth Annual General Meeting of the Company (the Meeting or AGM) on a fully virtual basis through electronic live streaming and online remote voting, pursuant to Section 327(2) of the Companies Act 2016 and Clause 78 of the Company's Constitution. The Company will be using Boardroom's LUMI AGM solution at <https://web.lumiagm.com/> or you may download the free "Lumi AGM" app from the Apple App Store or Google Play Store. Please follow the procedures as stipulated in the Administrative Details for the Meeting in order to register, participate and vote virtually via the Boardroom's LUMI AGM solution.
2. The main and only venue of the virtual Meeting is strictly to serve as the broadcast venue where the chairperson of the Meeting is physically present and no shareholders/proxies shall be physically present at the broadcast venue. The Meeting will be in compliance with Section 327(2) of the Companies Act 2016 which provides that the main venue of the AGM shall be in Malaysia and the chairperson must be present at the main venue of the AGM. The electronic means of conducting the AGM on a fully virtual basis will facilitate and enable all shareholders to participate fully in the proceedings by audio and/or video capabilities without the need to be physically present at the Meeting venue, which is advantageous given the current circumstances relating to Covid-19 and best health practices.
3. A member entitled to virtually attend and vote at the above Meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to virtually attend, participate, speak and vote in his/her stead, in accordance with the Administrative Details.
4. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. A member other than an exempt authorised nominee shall be entitled to appoint not more than two (2) proxies to virtually attend and vote at the same meeting. Notwithstanding the foregoing, any member other than an exempt authorised nominee who is also a substantial shareholder (within the meaning of the Companies Act 2016) shall be entitled to appoint up to (but not more than) five (5) proxies. Where such member appoints more than one (1) proxy, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.
6. The instrument appointing a proxy shall:
 - (i) in the case of an individual, be signed by the appointer or by his/her attorney.
 - (ii) in the case of corporation, be either under its common seal or signed by its attorney or an officer on behalf of the corporation.
7. A corporation which is a member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with the Company's Constitution.
8. The instrument appointing the proxy together with the Authorisation Document or the duly registered Power of Attorney referred to in Note 6 above, if any, must be deposited at the office of the Share Registrar, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor Online Portal at <https://www.boardroomlimited.my/> (please refer to Section D of the Administrative Details for details) not less than forty-eight (48) hours before the time appointed for holding of the Meeting or at any adjournment thereof.
9. Shareholders/proxies/corporate representatives would need to register as a member of Boardroom Smart Investor Online Portal first before they can request for the Remote Participation User identification number and password to virtually attend, participate, speak and vote at the above Meeting via Boardroom's LUMI AGM solution, in accordance with the Administrative Details.
10. **Personal data privacy**

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

Only Members whose names appear in the General Meeting Record of Depositors on 16 June 2020 shall be entitled to virtually attend, speak and vote at this Tenth Annual General Meeting of the Company or appoint a proxy(ies) on his/her behalf, in accordance with the Administrative Details.

Notice of Annual General Meeting

EXPLANATORY NOTES ON ORDINARY BUSINESS:

1. Re-election of Director

Clause 113(1) of the Company's Constitution provides that one-third (1/3) of the Directors of the Company for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire from office. Two (2) out of six (6) Directors are to retire in accordance with Clause 113(1) of the Company's Constitution under the Ordinary Resolutions 1 and 2.

Clause 120 of the Company's Constitution provides that the Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but the total number of Directors shall not at any time exceed the maximum number fixed in accordance with the Constitution. Any Director so appointed shall hold office only until the next following annual general meeting (AGM), and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting. Three (3) Directors, who were appointed subsequent to the Ninth AGM of the Company, are to retire in accordance with Clause 120 of the Company's Constitution under the Ordinary Resolutions 3 to 5.

The Board has conducted an assessment on the Directors, including the Directors seeking re-election at the Tenth AGM. Please refer to the Corporate Governance Overview Statement as laid out on pages 106 to 116 of the Company's Annual Report 2019 and Corporate Governance Report which is issued together with the Company's Annual Report 2019, for further details on the annual evaluation and its outcome.

The profiles of Directors seeking re-election are set out in the profile of the Board of Directors as laid out on pages 94 to 100 of the Company's Annual Report 2019 as well as in the Company's website at <https://www.ihhhealthcare.com/board-of-directors.html>.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

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

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

The Company had, during its Ninth Annual General Meeting held on 28 May 2019, obtained its shareholders' approval for the General Mandate. No share was issued pursuant to the General Mandate as at the date of this Notice.

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

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

Further information on the Proposed Renewal of Share Buy-Back Authority is set out in the Statement to shareholders dated 22 May 2020, which is attached together with the Company's Annual Report 2019.

Form of Proxy

Tenth Annual General Meeting



*I/*We

(Full name and NRIC/Passport/Company no. in capital letters)

of

(Full address in capital letters and telephone no.)

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

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

*and/*or

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

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

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

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

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

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

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

or failing *him/*her/*them, the CHAIRMAN OF THE MEETING as *my/*our *proxy/*proxies to vote virtually for *me/*us on *my/*our behalf at the virtual Tenth Annual General Meeting of the Company to be held at Malaysia Boardroom, Level 11 Block A, Pantai Hospital Kuala Lumpur, 8 Jalan Bukit Pantai, 59100 Kuala Lumpur, Wilayah Persekutuan, Malaysia on Tuesday, 23 June 2020 at 2.00 p.m. and at any adjournment thereof. *I/*We indicate with an “√” or “x” in the spaces below how *I/*we wish *my/*our vote to be cast virtually:

No.	Ordinary Resolutions	For	Against
1	Re-election of Mehmet Ali Aydinlar		
2	Re-election of Rossana Annizah binti Ahmad Rashid		
3	Re-election of Dr Kelvin Loh Chi-Keon		
4	Re-election of Dr Farid bin Mohamed Sani		
5	Re-election of Masato Sugahara		
6	Approval of payment of Directors' fees and other benefits to the Directors of the Company by the Company		
7	Approval of payment of Directors' fees and other benefits to the Directors of the Company by the Company's subsidiaries		
8	Re-appointment of KPMG PLT as Auditors of the Company and authority to the Directors to fix their remuneration		
9	Authority to allot shares pursuant to Section 75 of the Companies Act 2016		
10	Proposed renewal of authority for IHH to purchase its own shares of up to ten percent (10%) of the prevailing total number of issued shares of IHH		

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

* Delete whichever is not applicable.

Dated this _____ day of _____ 2020

Signature of member/Common Seal of member

Total no. of Shares held	
Securities Account No.	

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IMPORTANT: PLEASE READ THE NOTES BELOW

Notes:

1. In support of the Government of Malaysia's (the Government) ongoing efforts to contain the spread of the Coronavirus (Covid-19) and the Government's advice of social distancing and not having mass gatherings, the Company would like to leverage on technology advancement by conducting the Tenth Annual General Meeting of the Company (the Meeting or AGM) on a fully virtual basis through electronic live streaming and online remote voting, pursuant to Section 327(2) of the Companies Act 2016 and Clause 78 of the Company's Constitution. The Company will be using Boardroom's LUMI AGM solution at <https://web.lumiagm.com/> or you may download the free "Lumi AGM" app from the Apple App Store or Google Play Store. Please follow the procedures as stipulated in the Administrative Details for the Meeting in order to register, participate and vote virtually via the Boardroom's LUMI AGM solution.
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3. A member entitled to virtually attend and vote at the above Meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to virtually attend, participate, speak and vote in his/her stead, in accordance with the Administrative Details.
4. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. A member other than an exempt authorised nominee shall be entitled to appoint not more than two (2) proxies to virtually attend and vote at the same meeting. Notwithstanding the foregoing, any member other than an exempt authorised nominee who is also a substantial shareholder (within the meaning of the Companies Act 2016) shall be entitled to appoint up to (but not more than) five (5) proxies. Where such member appoints more than one (1) proxy, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.
6. The instrument appointing a proxy shall:
 - (i) in the case of an individual, be signed by the appointer or by his/her attorney.

- (ii) in the case of corporation, be either under its common seal or signed by its attorney or an officer on behalf of the corporation.

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

7. A corporation which is a member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with the Company's Constitution.
8. The instrument appointing the proxy together with the Authorisation Document or the duly registered Power of Attorney referred to in Note 6 above, if any, must be deposited at the office of the Share Registrar, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor Online Portal at <https://www.boardroomlimited.my/> (please refer to Section D of the Administrative Details for details) not less than forty-eight (48) hours before the time appointed for holding of the Meeting or at any adjournment thereof.
9. Shareholders/proxies/corporate representatives would need to register as a member of Boardroom Smart Investor Online Portal first before they can request for the Remote Participation User identification number and password to virtually attend, participate, speak and vote at the above Meeting via Boardroom's LUMI AGM solution, in accordance with the Administrative Details.
10. By submitting an instrument appointing a proxy(ies) and/or representative(s) to virtually attend, speak and vote at the above Meeting and/or any adjournment thereof, in accordance with the Administrative Details, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the above Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the above Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the Purposes), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.
11. Only Members whose names appear in the General Meeting Record of Depositors on 16 June 2020 shall be entitled to virtually attend, speak and vote at this Tenth Annual General Meeting of the Company or appoint a proxy(ies) on his/her behalf, in accordance with the Administrative Details.

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IHH HEALTHCARE BERHAD 201001018208 (901914-V)

c/o Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13,
46200 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia

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Corporate Information

As at 30 April 2020

BOARD OF DIRECTORS

Dato' Mohammed Azlan bin Hashim
Chairman, Independent, Non-Executive

Dr Kelvin Loh Chi-Keon
Managing Director and Chief Executive Officer,
Non-Independent, Executive

Masato Sugahara
Non-Independent, Non-Executive

Takeshi Saito
Non-Independent, Non-Executive

Dr Farid bin Mohamed Sani
Non-Independent, Non-Executive

Mehmet Ali Aydinlar
Non-Independent, Non-Executive

Rossana Annizah binti Ahmad Rashid
Independent, Non-Executive

Shirish Moreshwar Apte
Independent, Non-Executive

Jill Margaret Watts
Independent, Non-Executive

Tomo Nagahiro
Non-Independent, Non-Executive
(Alternate Director to Masato Sugahara)

Ong Shilin
Non-Independent, Non-Executive
(Alternate Director to Takeshi Saito)

Wong Eugene
Non-Independent, Non-Executive
(Alternate Director to Dr Farid bin Mohamed Sani)

COMPANY SECRETARIES

Ida Suryati binti Ab Rahim (LS 0009477)
(Practicing Certificate No.: 202008000221)

Seow Ching Voon (MAICSA 7045152)
(Practicing Certificate No.: 202008001213)

COMMITTEES

Audit Committee

Chairman : Rossana Annizah binti
Ahmad Rashid

Members : Shirish Moreshwar Apte
: Jill Margaret Watts

Risk Management Committee

Chairman : Rossana Annizah binti
Ahmad Rashid

Members : Shirish Moreshwar Apte
: Jill Margaret Watts

Nomination Committee

Chairman : Shirish Moreshwar Apte

Members : Dr Farid bin Mohamed Sani
: Rossana Annizah binti
Ahmad Rashid

Remuneration Committee

Chairman : Shirish Moreshwar Apte

Members : Dr Farid bin Mohamed Sani
: Rossana Annizah binti
Ahmad Rashid

Steering Committee

Chairman : Dato' Mohammed Azlan
bin Hashim

Members : Dr Kelvin Loh Chi-Keon
: Takeshi Saito
: Dr Farid bin Mohamed Sani
: Mehmet Ali Aydinlar
: Wong Eugene
(Alternate to Dr Farid bin
Mohamed Sani)

REGISTERED ADDRESS & BUSINESS ADDRESS

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

Tel : +603-2298 9898

Fax : +603-2298 9899

COMPANY WEBSITE

www.ihhhealthcare.com

SHARE REGISTRARS

Malaysia

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel : +603-7890 4700 (helpdesk)

Fax : +603-7890 4670

Email : BSR.Helpdesk@boardroomlimited.com

Singapore

Boardroom Corporate & Advisory
Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Tel : +65-6536 5355

Fax : +65-6438 8710

AUDITORS

KPMG PLT
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel : +603-7721 3388

Fax : +603-7721 3399

PRINCIPAL BANKERS

- Axis Bank
- Bank of China
- BNP Paribas
- Credit Agricole Corporate and Investment Bank
- CIMB Bank
- DBS Bank
- ING Bank
- MUFG Bank
- Oversea-Chinese Banking Corporation
- Standard Chartered Bank
- Sumitomo Mitsui Banking Corporation
- The Hongkong and Shanghai Banking Corporation
- Türkiye Garanti Bankası
- United Overseas Bank

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
(Listed since 25 July 2012)

Main Board of the Singapore Exchange
Securities Trading Limited
(Listed since 25 July 2012)

IHH HEALTHCARE BERHAD

201001018208 (901914-V)

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

Tel: 603-2298 9898

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