# Consolidating Strengths for Sustainability

As we grow and expand, we are diligent in ensuring our partners complement our strengths synergistically and are committed to deliver excellent patient care and clinical outcomes in a responsible manner. Our medical facilities across the globe adopt environmentally, economically and socially sustainable practices to safeguard the future for all our stakeholders.

# SUSTAINABILITY STATEMENT

**In our role as an international premium healthcare service provider and a dual-listed entity, the IHH Healthcare Group recognises that we have a responsibility to secure our future and create long-term shared value for our stakeholders. To this end, we are committed to ensuring responsible management and sustainable development across the Group on the Economic, Environmental and Social fronts.**

Our inaugural Sustainability Statement serves to provide some insights into how the respective businesses within the Group continue to work together, leveraging on each other's strengths and resources to embed the agenda of sustainability within our organisation. Our efforts to prioritise sustainable growth are helping drive operational excellence as well as providing the momentum for the Group's businesses to continuously improve business efficiency.

This Statement focuses on four areas, namely our Patients, People, Organisation and the Community that we operate in. We highlight our clinical performance and our efforts to deliver premium, top-notch healthcare services to our patients. We also spell out our people development initiatives and showcase what we are doing to provide our employees conducive work environments where they can stay safe, healthy and give their best. Finally, we touch upon how our investments in communities are bringing real value to society. We trust this maiden report will provide some tangible insights into the good progress we are making and will continue to make to safeguard the Group's sustainable growth pathway.

## OUR BUSINESS, MARKETS AND SCOPE

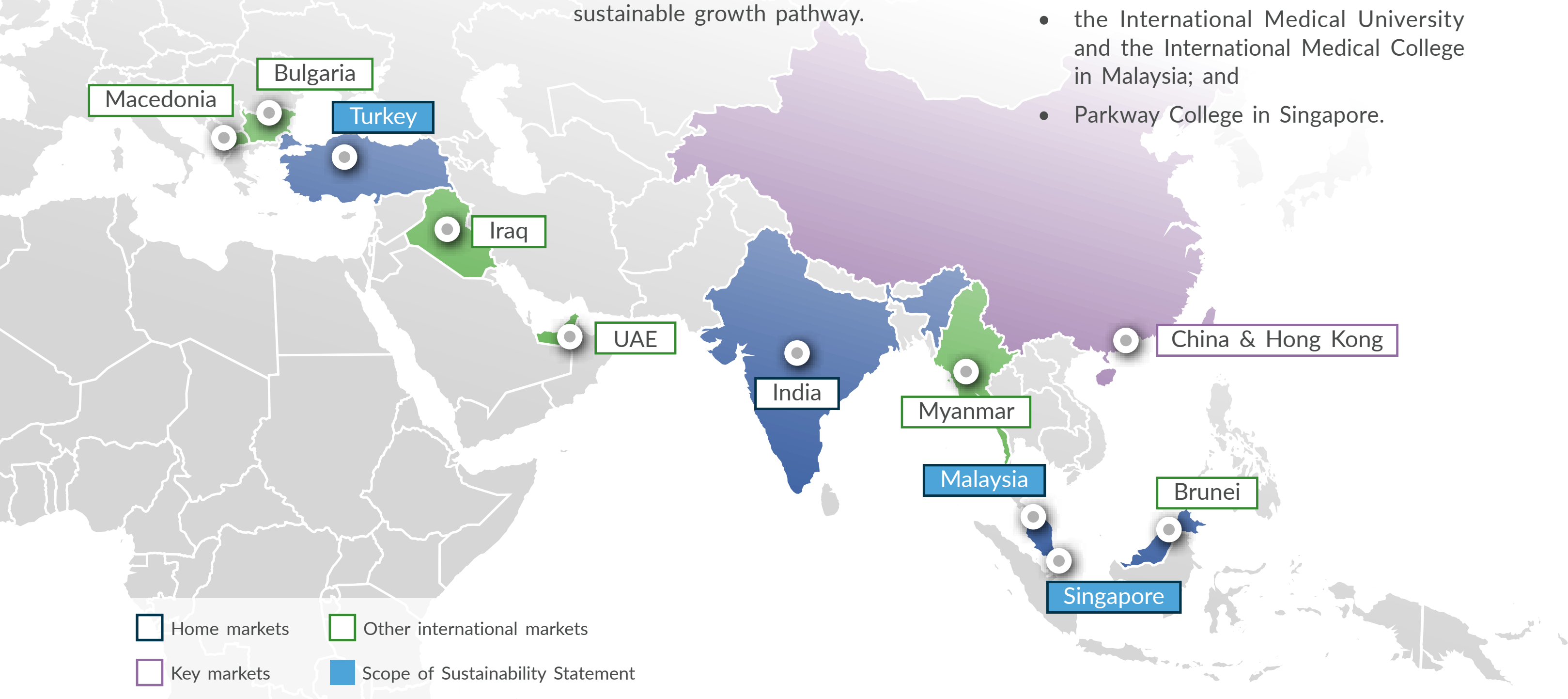
### Our business and markets

IHH Healthcare Berhad ("IHH") or ("the Group") is one of the largest private hospital groups throughout Asia, the Middle East and Eastern Europe with over 10,000 licensed beds in 50 hospitals across 10 countries.

We operate in our four home markets of Malaysia, Singapore, Turkey and India, where most of our healthcare capacity is located, as well as in the key markets of China and Hong Kong. We have also expanded into other international markets such as Brunei, Bulgaria, Iraq, Macedonia, Myanmar and the United Arab Emirates ("UAE").

IHH also provides medical and health education through three subsidiary institutions:

- the International Medical University and the International Medical College in Malaysia; and
- Parkway College in Singapore.



## Scope of the Sustainability Statement

Following the amendments to the Main Market Listing Requirements on sustainability reporting, issued by Bursa Malaysia Securities Berhad in October 2015, IHH has embarked on a journey to issue its maiden Sustainability Statement for the Financial Year 2016.

Our reporting period is from 1 January to 31 December 2016, unless otherwise stated. The information disclosed in our 2016 Sustainability Statement covers selected hospital facilities in our home markets, i.e. **Parkway Pantai Limited ("PPL") in Malaysia and Singapore, as well as Acibadem Saglik Yatirimlari Holding A.S ("Acibadem") in Turkey**, unless otherwise stated. Together, these hospitals generate 87% of the Group's revenue.

Furthermore, the International Medical University ("IMU"), as the education arm of IHH is also included in the reporting, given its significance in providing skilled healthcare professionals to meet the needs of the healthcare industry.

In determining the sustainability matters which are material to IHH, we have engaged with one major shareholder as well as internal stakeholders from PPL. For future reporting, we plan to expand our reporting coverage across other healthcare facilities as well as engage with additional stakeholder groups (both internal and external).

# SUSTAINABLE GROWTH

At IHH, we believe that financial stability and sustainability go hand in hand. Our financial performance and growth, as presented in the "Management Discussion and Analysis" section of this Annual Report, demonstrates our drive towards long-term value creation for all our stakeholders. It also allows us to provide our patients with excellent quality care, sustain the delivery of value to our shareholders, help our employees reach their full potential, as well as enrich the lives of the communities that we operate in.

## How our business model drives our sustainability journey

We believe we can drive sustainability throughout our organisation by recognising the intrinsic interconnections between our business objectives and our sustainability objectives. Key elements of our business model, as shown below, reflect how our operations create value for our stakeholders.

| Key elements of our business model | Sustainability drivers | |
|---|---|---|
| | Themes | Key measures |
| • A strong execution track record and an experienced management team backed by reputable shareholders<br>• Leading market positions in highly attractive growth markets<br>• Highly recognised brands with a reputation for clinical excellence<br>• Integrated healthcare service continuum in our core markets<br>• The ability to attract high quality doctors and medical support staff | *Our Patients*<br>• Providing excellent clinical quality care for our patients | • Compliance rates against national/ regional/ international standards |
| | *Our People*<br>• Attracting and retaining competent talent who serve as the Group's backbone and ensuring we remain the leader in the premium private healthcare industry | • Engagement and communications<br>• Remuneration and compensation<br>• Training and development |
| | *Our Organisation*<br>• Providing a safe and engaging working environment for our employees | • Safety and Health Committee<br>• Security Policy |
| | *Our Community*<br>• Giving back to our local communities | • Healthcare related public awareness campaigns<br>• Donations, sponsorships and fundraising |

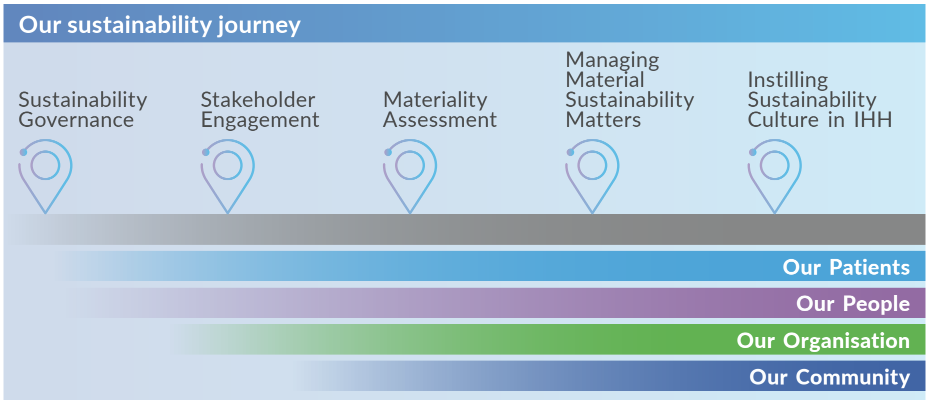
# OUR SUSTAINABILITY ROADMAP AND GOVERNANCE

## A roadmap to our first Sustainability Statement

Guided by Bursa Malaysia's Sustainability Reporting Guide, we have implemented a thorough process, which is illustrated in "Our sustainability journey" chart, on the basis of balanced, comparable and meaningful information around material sustainability matters in the Sustainability Statement.

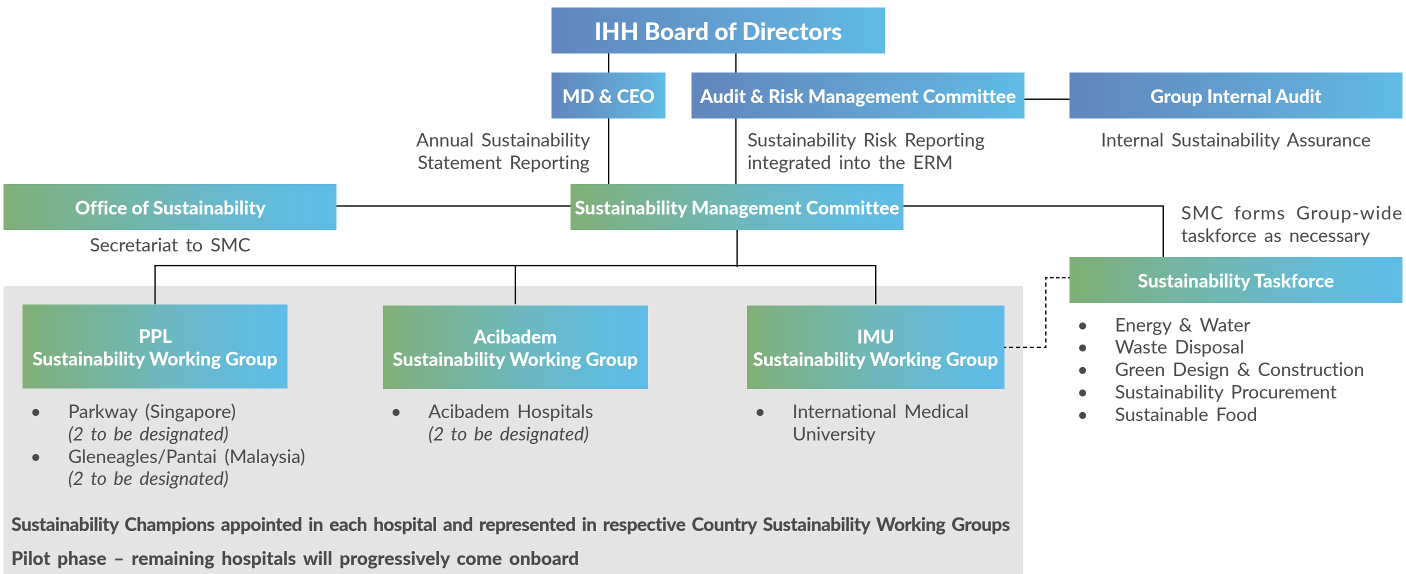
This Statement is divided in Two Sections. The First Section outlines how our sustainability governance is implemented and discusses our approach to the identification and prioritisation of risks and opportunities associated with the economic, environmental and social impacts of our business operations i.e. the "material sustainability matters". This Section also touches upon our stakeholder engagement activities.

The Second Section details our management approach and performance relating to those material sustainability matters.




## Sustainability governance at IHH

A robust governance framework underpins our strategic sustainability vision. This framework encompasses our Board of Directors as well as our Sustainability Management Committee ("SMC") and Sustainability Working Group ("SWG"), who together keep us focused and accountable for sustainable practices on a daily basis. This is illustrated in the chart below. The SMC serves as an advisor and sounding board to the Board of Directors in fulfilling the Board's duty in relation to ensuring accountability, oversight and review of the process of identification, monitoring and management of sustainability matters. Our Managing Director and Chief Executive Officer ("MD & CEO") is mandated by the Board of Directors to oversee the delegation of duties of SMC in relation to sustainability reporting. Sustainability champions within the respective home markets of IHH Group take part in the SWG. They are responsible for the implementation and monitoring of the measures based on the sustainable strategy as supervised by the SMC under the direction of the Board. A Group-wide Sustainability Taskforce supports the SWG in addressing specific sustainability matters with real or potential impact for the Group.



The Board-approved Terms of Reference for the SMC defines the roles and responsibility of the SMC supported by the SWG, as follows:

**Sustainability Management Committee (SMC)**

**Establish, monitor, manage and coordinate the IHH sustainability strategy and its implementation based on annual objectives and an action programme approved by the Board.**

- Chaired by the Chief Sustainability Officer, who is the Group Head, Corporate Secretarial & General Counsel and supported by:
  - Group Chief Financial Officer
  - Group Head, Risk Governance
  - Group Head, Human Capital Management
  - Group Head, Corporate Communications
  - Chief Procurement Officer
- Develop and increase stakeholder awareness (both internal and external) of the need for and benefit of sustainable behaviours.
- Oversee the development and implementation of policies and practices to ensure the Group complies with sustainability obligations and commitments.
- Oversee the development and implementation of operating company-wide processes and procedures (including reporting systems and investigations) to ensure compliance with the Group's policies and legal and regulatory obligations relating to sustainability.
- Ensure proper and satisfactory internal systems and controls are in place to identify and manage material sustainability matters in terms of economic, social and environmental risks and that the Group and its operating companies' businesses are conducted in a responsible manner.
- Monitor key performance indicators and targets that underpin the Group's sustainability strategy and which are supported by our operating companies.

## Identifying key stakeholders

To identify and understand the sustainability risks and opportunities that are most important to the Group and which guide our approach to materiality, IHH conducted a structured process to identify key stakeholders and engage with them.

For our maiden Sustainability Statement, the process shown in **Diagram 1** below, presents an overview of stakeholder identification and prioritisation in the order of events, giving rise to categorised and prioritised stakeholder groups relevant to IHH. We assessed the significance and importance of each stakeholder group to IHH to identify those stakeholder groups that are key to the business (both internal and external stakeholders), based on the following considerations:

- level of influence stakeholder groups have on IHH; and
- level of influence IHH has on stakeholder groups.

Following this prioritisation exercise, as illustrated in **Diagram 2**, key stakeholder groups, whether internal (e.g. Nurses, Senior Leadership, Doctors, etc.) or external (e.g. Shareholders, Ministry of Health, Industry specific magazines, patients, etc.), were found to have the highest influence as well as highest dependence on our business operations. They require most attention from IHH, to be engaged and communicated with.

For our first year of reporting, we have decided to engage with key internal stakeholder groups which include Nurses (PPL), Senior Management (PPL), Doctors (Pantai Hospital Kuala Lumpur and Pantai Hospital Ampang), IMU Deans/Faculty and a major Shareholder, to gauge their perceptions of IHH's sustainability matters.

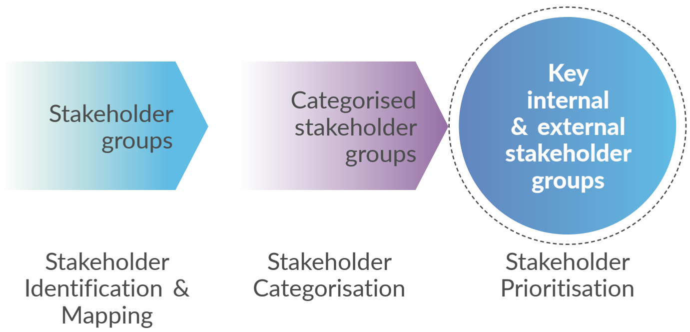



**Diagram 1: Stakeholder identification and prioritisation**

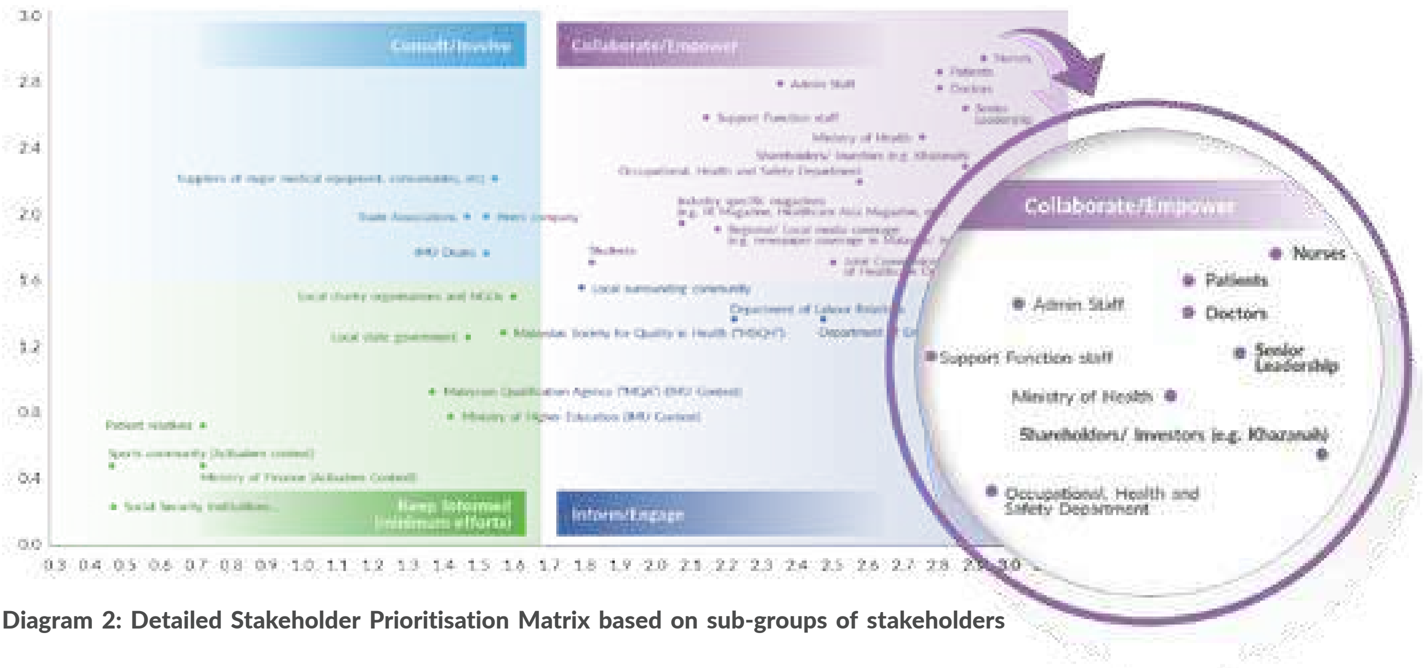



**Diagram 2: Detailed Stakeholder Prioritisation Matrix based on sub-groups of stakeholders**

## Engaging with stakeholders

We believe that proactive stakeholder engagement will act as a structured dialogue process between IHH and its stakeholders. This is essential if we are to identify and respond effectively to key stakeholders' concerns and expectations about our sustainability performance.

IHH understands that good stakeholder engagement also provides a platform from which strategic partnerships are formed when it comes to addressing complex issues. The channels of engagement also vary depending on the influence and dependence a particular stakeholder group has on IHH and vice-versa. This is reflected by our main modes of stakeholder engagement, as shown in **Table 1**. These stakeholder engagement channels are already in place to manage areas involving talent retention and attraction activities, training and development efforts as well as employee welfare initiatives.


| Stakeholder Groups | Main Stakeholder Engagement Channel (frequency) |
|---|---|
| **Senior Management** | CEO Council Meeting (Monthly)<br>Employee engagement survey (Biennially) |
| **Doctors/ Nurses** | Townhall (Biennially)<br>Council Meeting (Quarterly);<br>Focus group session (Biennially)<br>Employee engagement survey (Biennially) |
| **Shareholder(s)** | AGM (Biennially)<br>EGM<br>Investor conference (Biennially) |
| **IMU Dean/ Faculty** | Townhall (Biennially)<br>Deans/Faculty Meeting (Monthly)<br>Staff iBarometer Survey (Biennially) |
| **Patients** | Patient Satisfaction Survey (reported on a quarterly basis) |

**Table 1: Main engagement channels for respective stakeholder groups**

In addition, in the third quarter of 2016, we conducted stakeholder engagement surveys specifically aimed at identifying material sustainability matters for IHH. The stakeholder engagements involved key internal stakeholders i.e. Nurses, Doctors, Senior Management from PPL, major Shareholder (Khazanah Nasional Berhad) and IMU Deans/Faculty.

Respondents were asked to rate the importance of sustainability matters that were categorised across four focus areas, i.e. Environment and Climate Change, Good Corporate Citizenship, Quality Care and Economic Performance. Responses from a total of **173 stakeholders** were obtained and analysed in order to prioritise our sustainability matters.

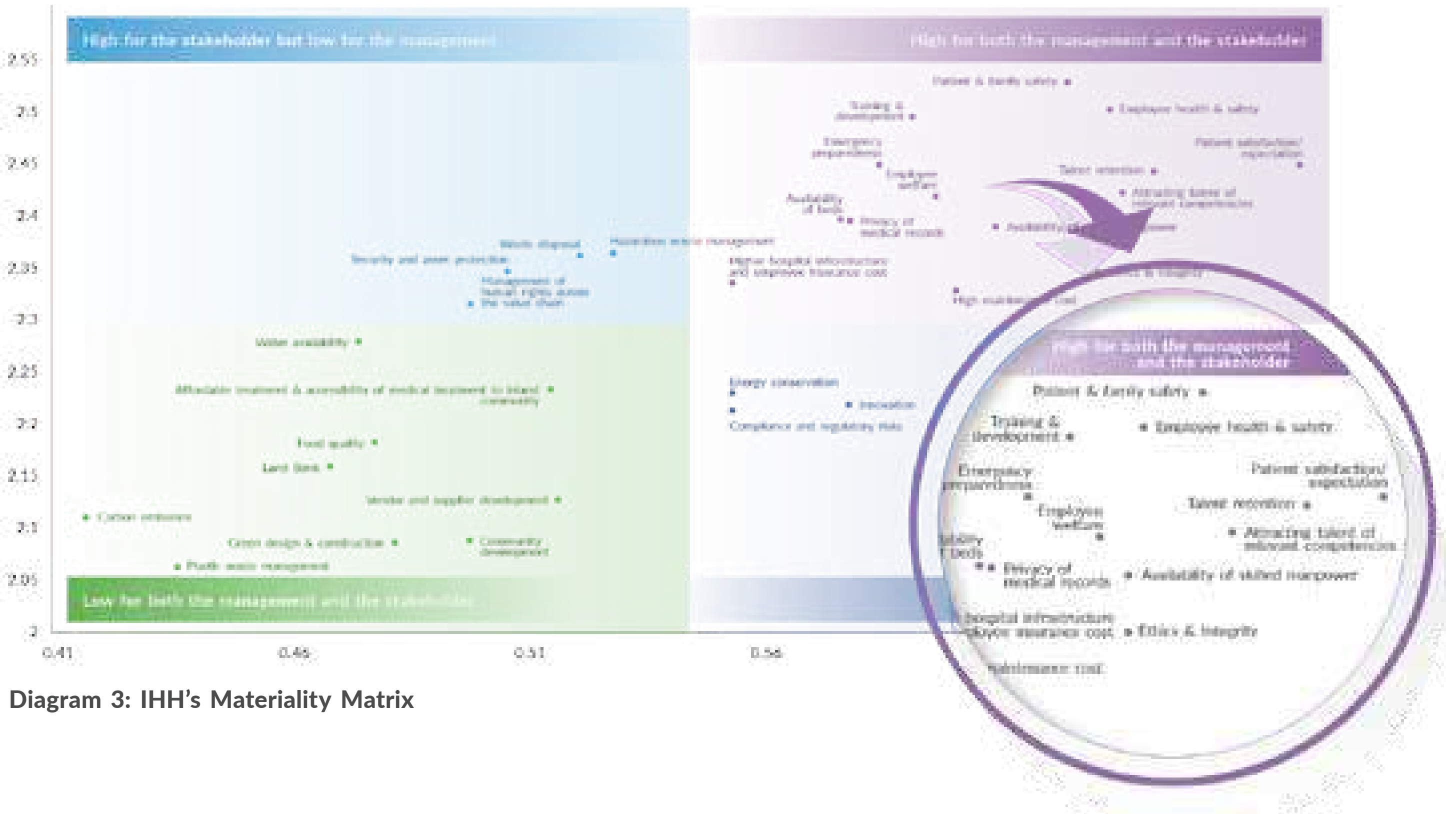



**Diagram 3: IHH's Materiality Matrix**

## Aligning business objectives and stakeholders' expectations

We analysed survey responses from stakeholders who participated in the engagement, resulting in a materiality matrix that depicts the matters of significance to our business and stakeholders, as shown in **Diagram 3** on this page.

Patient & Family Safety, Patient Satisfaction/ Expectation, Talent Retention, Training & Development and Attracting Talent of Relevant Competencies emerged as the top five sustainability matters. Such matters are of high significance to both stakeholders and management.

| Our Patients | Our People | Our Organisation | Our Community |
|---|---|---|---|
| • Patient & Family Safety<br>• Patient Satisfaction/ Expectation | • Attracting Talent of Relevant Competencies<br>• Training & Development<br>• Availability of Skilled Manpower<br>• Talent Retention<br>• Employee Welfare | • Employee Health & Safety<br>• Emergency Preparedness | • Community Development |

**Table 2: Material sustainability matters categorised across four themes**

As shown in **Table 2** on this page, we have categorised the top ten material sustainability matters across four themes, namely Our Patients, Our People, Our Organisation and Our Community.

Community Development remains a key component of IHH's strategy, as outlined in this Statement. We utilise our healthcare expertise to improve social wellbeing as well as indirectly enhance the economic conditions of the communities in the areas where we are operating. All sustainability matters shown in **Diagram 3** are continuously monitored for its effectiveness by having the relevant policies, procedures and monitoring mechanisms in place.

It was also noted that, the management of medical record privacy is critical to IHH's business operations and as such has been identified as a material sustainability matter. The Group is currently developing a system to manage its medical record privacy. Information on this material matter will be addressed and disclosed in future publications.

## Integrating material sustainability matters into the IHH Enterprise Risk Management ("ERM") Framework

One of our important goals for IHH is to ensure an effective level of strategic integration and cooperation among our healthcare operating units. Our approach to managing sustainability risks is no different. It calls for the complete integration of sustainability risks with the ERM framework across IHH companies.

The governance of our sustainability efforts extends from our Board of Directors, to IHH Group management, via the IHH SMC, with the support of SWG with representatives from companies of the IHH Group. The IHH Group Head, Risk Governance sits on the SMC and provides risk perspectives as well as advice on sustainability issues. Sustainability risks, whether strategic or operational, are treated in the same way as other strategic or operational risks to our business. These risks are reported quarterly to the IHH Audit and Risk Management Committee ("ARMC").

Using our materiality assessment process, key business risks are considered early on in the identification and assessment of material sustainability matters. Once the material sustainability matters are validated by the SWG, endorsed by the SMC and approved by the IHH Board, the corresponding sustainability risks are then defined and rated based on our ERM risk rating criteria for their impact and the likelihood of these risks taking place. The approach as depicted in **Diagram 4** below, assures us of a consistent measure of risk and comparability with other risks to our business.


**Diagram 4: Managing Sustainability Risk Framework**

Risk owners have been appointed to manage the sustainability risks and develop appropriate levels of controls to be adopted by the affected IHH operating entities in countering threats and capitalising on opportunities throughout our sustainability journey. Our annual risk review augmented by an independent internal audit function, provides the Board of Directors the assurance that the sustainability risk management framework and processes are sound and effective in meeting its objectives.

Our holistic risk management framework is integral to our sustainability commitment. Please refer to page 142 of this Annual Report, for our Statement on Risk Management and Internal Control.

## Why are these sustainability matters important?

Based on the materiality assessment conducted this year, we obtained a diverse range of views from our stakeholders. This process assisted us to identify, review and prioritise material economic, environmental and social risks and opportunities based on their significance to our stakeholders and our business. The material sustainability matters, as described in the table below, are important to IHH, and in addressing the concerns of our key stakeholders, provide us with a basis for developing the content of our reporting, as well as shaping our future sustainability strategy and financial performance.

| | Sustainability Matters | Why is this important to IHH? | How it relates to our stakeholder groups' concerns? | Addressing relevant stakeholder groups' concerns |
|---|---|---|---|---|
| Our Patients | Patient and Family Safety | Our commitment to delivering premium healthcare quality places this matter as high on our priority radar. | The demand for quality healthcare is increasing rapidly, specifically to meet the changing needs and demographics of the communities that we serve. | • Patients<br>• Local community<br>• Business partners (e.g. accredited consultant)<br>• Regulators (e.g. Ministry of Health)<br>• Visitors |
| | Patient Satisfaction/ Expectation | | | |
| Our People | Talent Retention | We acknowledge that the responsibility to deliver exceptional patient quality care rests primarily with our professional and medical support team. | Career development opportunities, effective performance management as well as recognition and effective employee relations are key matters where we need to pay particular attention to draw our employees' commitment and ensure they continue to deliver excellent service. | • Employees (existing & potential)<br>• Patients<br>• Business partners (e.g. accredited consultants) |
| | Attracting Talent of Relevant Competencies | | | |
| | Training and Development | | | |
| | Employee Welfare | | | |
| | Availability of Skilled Manpower | | | |
| Our Organisation | Employee Health and Safety | As a responsible employer, it is our responsibility to provide a safe, healthy, stimulating and supporting working environment for our employees and contractors. | A safe and healthy working environment provides a sense of security in the workplace and motivates employees and contractors to deliver excellent service. | • Employees<br>• Patients<br>• Visitors<br>• Contractors / Third-party vendors |
| | Emergency Preparedness | | | |
| Our Community | Community Development | Our investment in the community supports the growth of both the economy and social wellness of the people in the areas where we operate our business. | Ensures transparency in reporting our initiatives and results, focusing on addressing issues and meeting communities' expectation. | • Local community |

# OUR PATIENTS

## CLINICAL CARE & QUALITY

### DELIVERING EXCELLENT QUALITY CARE

IHH is committed to ensuring that the clinical services provided throughout our hospitals are efficient and effective, focusing above all on patient safety and satisfaction. Our clinical governance framework, which includes the International Clinical Governance Advisory Council ("ICGAC"), was established to provide best-in-class healthcare services to our patients. The ICGAC is an apex advisory committee, which acts as the Advisor to the Board on the areas related to clinical care and quality. Further details of the ICGAC are discussed in the Statement on Risk Management and Internal Control of this Annual Report.

As shown in **Table 3** below, the important markers associated with patient safety such as hand hygiene practices, preoperative procedures and infection prevention measures are closely monitored by direct observation and via the conduct of audit exercises throughout the year by internal staff trained in the audit. The needs and satisfaction levels of our patients are also measured through the Patient Satisfaction Survey and the results are reported to Senior Management on a quarterly basis. In circumstances where a downward performance trend is experienced or foreseen to occur, robust action plans have been executed for continuous improvement and to maintain the performance of the indicators to be well on target. The list of accreditations, as shown on the following page, reflects the effectiveness of these action plans that are geared towards both complying with regulatory requirements and our pursuit to maintain the highest standards of clinical practices.

| Material Matter | Management of Material Matters | | |
|---|---|---|---|
| | Policies | Action Plans | Indicators |
| Patient and Family Safety | 1. IHH Clinical Governance Framework<br>2. Quality and Patient Safety Framework<br>3. Guidelines for Prevention of Surgical Site Infection<br>4. Safe Anaesthetic Practice | 1. Regular audit to monitor the compliance rate against the required standards<br>2. Direct observations | 1. Compliance rates against national/regional and international standards<br>2. Infection control adherence rate in Intensive Care Unit (ICU/ NICU)<br>3. Inpatient fall incident rate |
| Patient Satisfaction/ Expectation | 1. Feedback Management | 1. Patient Satisfaction Survey | 1. Overall patient satisfaction rate |

**Table 3: Managing Material Sustainability Matters - Clinical Care and Quality**

## Accreditations

IHH hospitals within **PPL and Acibadem facilities** are recognised and accredited by international and local institutions:

### Singapore Operations of PPL

**Joint Commission International**

1. Gleneagles Hospital
2. Mount Elizabeth Hospital
3. Mount Elizabeth Novena Hospital
4. Parkway East Hospital

**RTAC (Reproduction Technology Accreditation Certification):**

1. Gleneagles Hospital
2. Mount Elizabeth Hospital

**ISO 15489 (ISO Certification)**

1. Parkway Laboratory Services Pte Ltd: Main Lab at Ayer Rajah Crescent
2. Genetics Laboratory: Main Lab at Ayer Rajah Crescent
3. Cytology Laboratory: Site Lab at Mount Elizabeth Novena Hospital

### Malaysia Operations of PPL

**Joint Commission International**

1. Gleneagles Kuala Lumpur
2. Pantai Hospital Kuala Lumpur
3. Gleneagles Penang

**Malaysian Society for Quality in Health (MSQH):**

1. Pantai Hospital Sungai Petani
2. Gleneagles Penang
3. Pantai Hospital Penang
4. Pantai Hospital Ipoh
5. Pantai Hospital Klang
6. Gleneagles Kuala Lumpur
7. Pantai Hospital Cheras
8. Pantai Hospital Ampang
9. Pantai Hospital Kuala Lumpur
10. Pantai Hospital Ayer Keroh
11. Pantai Hospital Batu Pahat

**MS ISO 15189**

1. Pantai Premier Pathology

### Acibadem

**Joint Commission International**

1. Acibadem Adana Hospital
2. Acibadem Maslak University Hospital
3. Acibadem Sistina Hospital
4. Acibadem City Clinic Tokuda Hospital
5. Acibadem City Clinic Cardiovascular Center
6. Acibadem City Clinic Cancer Center

# OUR PEOPLE

## WORKFORCE MANAGEMENT

### OUR BACKBONE FOR A SUSTAINABLE FUTURE

IHH believes that people are the greatest asset and are fundamental to the Group's winning edge. IHH currently employs more than **35,000 people worldwide**, and this figure is expected to rise in the next decade. Our workforce management framework is supported by three overarching principles: ***Say, Stay, Strive.***

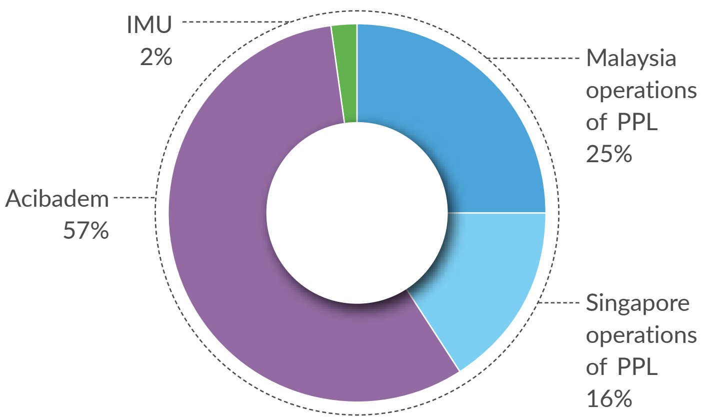
The close collaboration between the Group's healthcare operations in various countries is key to providing growth opportunities for a wide assortment of healthcare professionals within the Group. Cross-referral activities and the sharing of human resource management best practices within the Group support this. This is depicted in **Diagram 5** on the following page. Strategic cooperation among our healthcare businesses bolstered by our performance-based remuneration packages, continue to attract and retain high-performing talent.

Our learning and development programmes are customised to ensure that our employees are able to achieve their full potential and are ready to face challenges in light of evolving business environments. Our employee engagement initiatives serve as important platforms for us to communicate our expectations to our employees and to better understand their expectations. We then use the engagement outcomes to determine the best way to align our employees' career objectives with our strategic business goals.

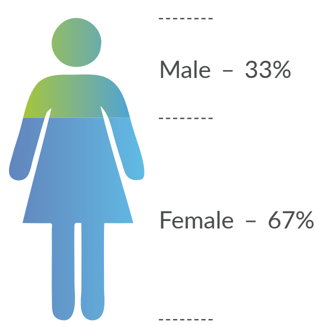
| Material Matter | Management of Material Matters | | |
|---|---|---|---|
| | Policies | Action Plans | Indicators |
| Talent Retention, Attracting Talent of Relevant Competencies and Availability of Skilled Manpower | 1. Competitive Compensation Framework | 1. Competitive Compensation Packages<br>2. Awards and Recognition | 1. Attrition rate |
| Employee Welfare | 1. Employee Engagement Policy & Procedures<br>2. Employee Handbook<br>3. Staff Grievance Policy & Procedures | 1. Employee Engagement Survey<br>2. Townhall/Weekly Open-Door Engagement Session<br>3. Internal Publications (e.g. newsletters and magazines) | 1. Employee satisfaction rate |
| Training and Development | 1. Learning & Development Framework<br>2. Performance Appraisal Framework | 1. Management Associate Programme<br>2. Individual Development Plan<br>3. Employee Performance Appraisal | 1. Percentage of successful internal talent placements |

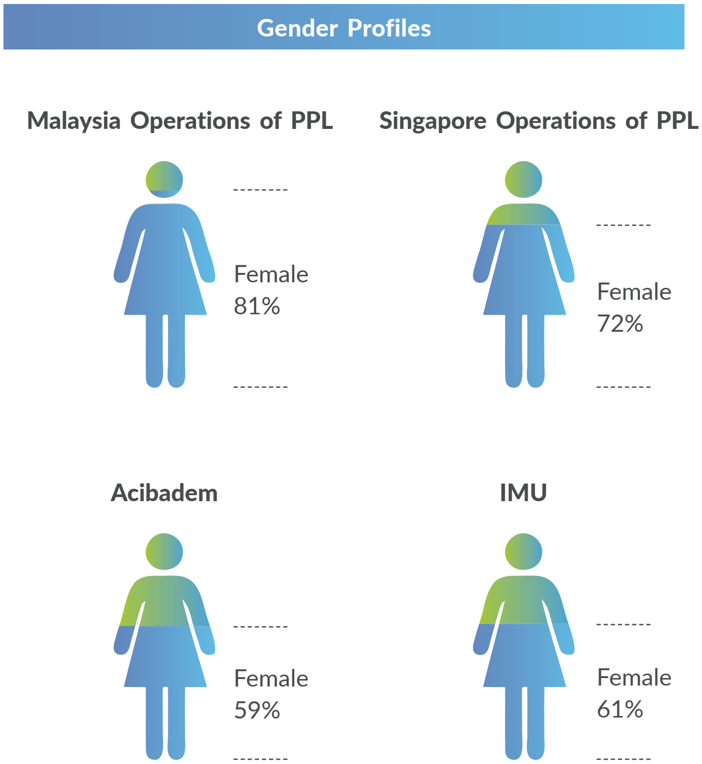
**Table 4: Managing Material Sustainability Matters - Workforce Management**

**IHH Group Workforce Distribution across Home Markets (%)**




**IHH Group Employee Gender Profile across Home Markets**





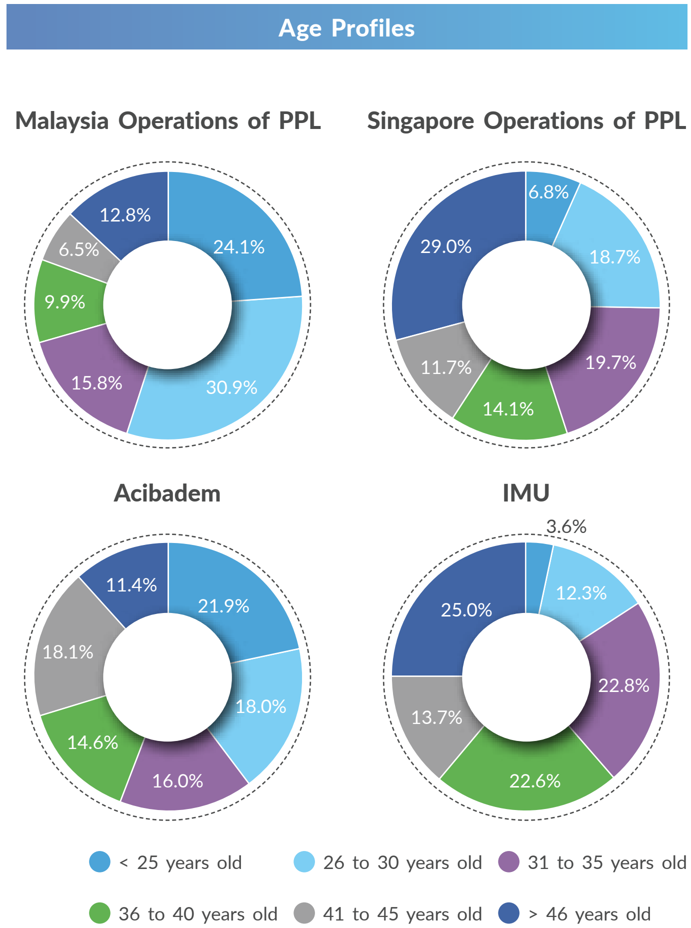




**Diagram 5: IHH Group Employee Profile across Home Markets**

At IHH, the talent management strategy is constantly reviewed in accordance with the Group's agile approach in retaining our workforce and attracting new talent to our sterling team. This is vital for ensuring an effective employee retention strategy as well as maintaining job performance and productivity. Our talent retention strategy supports the Group's strategic objectives in delivering innovative healthcare solutions by leveraging on diverse sets of expertise, skill-sets and the experiences of our healthcare professionals from various countries. The Group also acknowledges that competitive compensation packages and recognition of good performance could foster a high performing workforce team.

## Competitive compensation

IHH believes that providing a competitive compensation package is foundational to a strong talent management strategy. Our performance-linked compensation structure is formulated to ensure that the pay levels for various categories of jobs are competitive externally and equitable internally. This is a key enabler for boosting employee satisfaction and retaining top performers.

IHH reviews the Group's total compensation and benefits packages on a regular basis based on the employees' qualifications, expertise, experience and job levels. The review exercise is performed every year in Acibadem, every two years in PPL and every two to five years in IMU as well as on a need-to basis.

## Awards and recognition

IHH's annual Long Service and Golden Years Awards Ceremony is organised by PPL in recognition of those long-serving employees who stay with us to build our healthcare legacy.

In 2016, a total of **538** dedicated employees in the Singapore operations of PPL were recognised in the Ceremony. Some **488** employees received Long Service Awards for serving between five to 30 years, while 50 employees received the Golden Years Award for serving beyond Singapore's official retirement age.

In 2016, three nurses from Mount Elizabeth Hospital received the Ministry of Health's Courage Fund Healthcare Humanity Awards for their extraordinary commitment to service. They were the first from Mount Elizabeth to receive the Awards honouring their outstanding dedication to going the extra mile in caring for the sick and infirm.

In Acibadem, a manager from the Acibadem Kozyatağı Hospital Nursing Services, was the first Turkish nurse who received the prestigious Ansell Cares H.E.R.O Nurse Service Award 2015.

At IMU, the Long Service Award is organised to acknowledge employees' contributions to the University over a 10, 15 or 20-year period. In 2016, a total of 29 employees received this award.

Employees are also recognised and rewarded with Achievement Awards for those who excel under the following eight categories, i.e. Teaching Excellence, Research and Publications, Community Services, Individual Development, Business Process Improvement, IMU Core Values, e-Learning and Development of New Programmes. In 2016, some 47 employees received these awards under the various categories.



In 2016, the Group was recognised for its outstanding practices in human resources management:

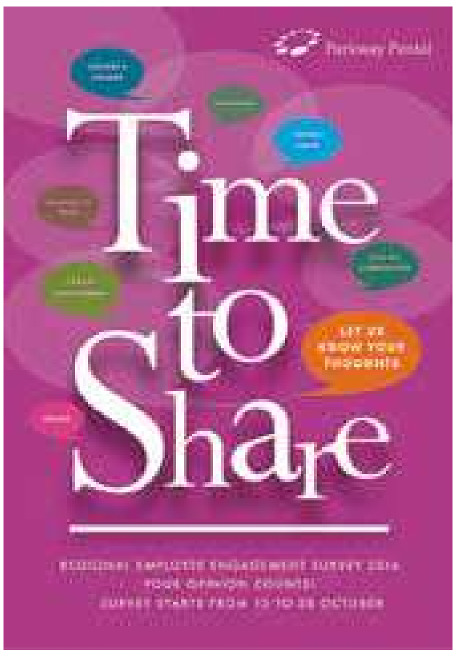
- The Singapore operations of PPL received the Bronze award for best graduate programme from *HR Magazine*;
- The Singapore and Malaysia operations of PPL received the Gold Award for Excellence in Employee Healthcare in the HR Excellence Awards 2016;
- Acibadem received the Gold Award in the Brandon Hall Group HCM Excellence Awards 2015, for the Best Certification Category;
- Acibadem was awarded the winner in the Corporate University Best-in-Class (CUBIC) Awards 2015, under the Talent Development Category;
- Acibadem was awarded the "Women-friendly Company" by *Capital* and *Forbes* Magazines;
- Acibadem was named the winner in the International E-Learning Awards 2015, under the Blended Learning Category;
- Acibadem was awarded the "High Quality Private Hospital in Turkey" and received the QUDAL – Quality Certificate of Meal Quality, based on the online consumer survey conducted by the International Certification Association or ICERTIAS; and
- IMU received the Best Employer Award 2016 from the Employees Provident Fund Wilayah Persekutuan.

IHH's employee engagement initiatives are aimed at strengthening our connection with our employees and collectively identifying mechanisms to set up the right working environment for them to give of their best each day. Our engagement initiatives also serve to ensure that our employees are committed and motivated to achieve their personal career development goals whilst meeting IHH's overall business goals and targets. Employee engagement is also an avenue for drawing on our employees' knowledge and innovative ideas that are taken into account as and when decisions are made. By cultivating and maintaining cohesive relationships, we are able to draw a deeper commitment from our employees so that they become our best advocates to bring IHH's values to our patients and the community at large. The employee engagement approaches described in the section below have succeeded in reducing our attrition rate and attracting new talents to join our team by creating a culture that fosters engaged employees.

Employee engagement surveys are organised periodically to receive direct feedback from employees. In PPL, the Employee Engagement Survey is conducted once every two years. Townhalls are conducted twice a year at each hospital facility within the respective operating divisions. This is to enable employees to provide direct feedback to their respective Chief Executive Officers ("CEOs").

In Acibadem hospitals, weekly open-door engagement sessions are conducted to enable employees to provide feedback to top management. An employee engagement survey is conducted once a year, and the survey results are reviewed and communicated to the Senior Management to formulate subsequent improvement plans.

At IMU, townhalls are conducted twice a year. This provides the opportunity for the President/Senior Management to discuss and reveal IMU's overall performance and future plans, as well as enable employees to share their concerns. In June 2016, IMU launched the Staff iBarometer Survey. The Survey will be conducted once every two years to gauge employee satisfaction and engagement levels. IMU shares its annual Engagement Calendar with all employees, detailing the engagement events that will be held every month. The range of programmes organised include employee wellness programmes, cultural celebration events and educational programmes. Monitoring and reporting of the professional employee turnover rate is carried out on a quarterly basis to the Senior Management and IMU Board of Directors.





Internal publications such as newsletters and magazines provide updates to employees on the Group's progress.

The Group has developed subsequent action plans to resolve issues which include the work environment, development opportunities, internal equity, compensation and workload. The progress and outcome of the initiatives will be reported to the Senior Management of the respective operations on a quarterly basis. The respective Head of Department and CEO will then communicate the improvements undertaken to our employees through townhalls and newsletters. The attrition rate is monitored and reported to the Senior Management of the respective operating entity on a monthly basis.

IHH believes that individual employees need the reinforcement of knowing that their contributions are valued by management. Our performance management process serves as a bridging factor that clearly links our employees' performance outcomes with rewards and their learning needs to cater for future career development and aspirations.

Learning and development is a key priority in support of our commitment to quality care. IHH continues to invest in providing learning and development programmes to strengthen employees' skills. Our learning and development programmes are designed to cater to all levels of the workforce within the industry. Internally, we have institutionalised a wide range of learning and development programmes based on employees' requirements. The Management Associate Programme ("MAP") and Individual Development Plan ("IDP"), as detailed in the next page are designed to provide on-the-job training and career development opportunities for young graduates, to senior professionals, right up to the leadership team.

## Employee performance management

The Group conducts yearly feedback on employees' performance. The results of the performance and appraisals are used to identify high potentials and to identify the specific training for respective employees through Learning Needs Analysis, an assessment to identify the gaps between employees' actual performance levels and expected performance levels.

## Management Associate Programme ("MAP")

The MAP has been established to support PPL's leadership succession plans and attract promising graduates into the organisation. The MAP is a structured development programme which offers on-the-job training and multidisciplinary exposure in both management and hospital administration routes to young graduates.

Every year PPL hires 10 to 15 Management Associates and absorbs them into the organisation. In Acibadem, the MAP has 26 participants on-board.

The performance of the Management Associates will be evaluated through a 360 Degree Feedback process from supervisors and employees they interact with. The outcome of the Programme is periodically reported to the Management.

## Individual Development Plan ("IDP")

The IDP is established to aid individual employee's professional development by providing the necessary support to chart their career path with clear objectives and a timeline. Employees who have participated in this programme found the outcome to be useful and rewarding in terms of self and career development.

# OUR ORGANISATION

## WORKPLACE MANAGEMENT

### CREATING A SAFE AND ENGAGING WORKING ENVIRONMENT

We understand that health, safety and security-related concerns may affect the ability of our employees to effectively perform their duties. To this end, IHH has developed an Environmental, Health and Safety Policy which highlights our commitment in this area. The following initiatives reflect our commitment in providing a safe and secure workplace for our employees, patients, visitors, contractors and third-party vendors.

| Material Matter | Management of Material Matters | | |
|---|---|---|---|
| | Policies | Action Plans | Indicators |
| Employee Health and Safety | 1. Security Policy<br>2. Safety & Health Policy<br>3. Procedure on Incident and Accident Reporting | 1. Establish Safety and Health Committee<br>2. Electronic Hospital Incident Report<br>3. Establish Security Steering Committee | 1. Cases within hospital's facilities |
| Emergency Preparedness | 1. Crisis Management Manual | 1. Implement Piloted Hand Hygiene Target Solution Tool<br>2. Mock Pandemic Exercises for Middle East Respiratory Syndrome Coronavirus (MERS-CoV)<br>3. Fire and Bomb Drills | 1. Number of exercises or drills conducted |

**Table 5: Managing Material Sustainability Matters - Workplace Management**

## Security Steering Committee

In March 2016, the Security Steering Committee ("Steering Committee") was established as part of the Malaysia operations of PPL's initiatives to ensure the safety and security of stakeholders. The Steering Committee meets on a monthly basis to review the effectiveness of the security measures and programmes. A Security Policy and the relevant performance indicators are in the midst of being established. The key responsibilities of the Steering Committee are as follows:

- Assist in the development and enhancement of security measures and safety systems at work;
- Review the effectiveness of the security measurement and programmes;
- Study the trend of incidents related to security and safety in the workplace/environment and report to the employer; and
- Conduct ad-hoc investigations into major security-related incidents.

Currently, the Steering Committee monitors the number of security cases, as well as performance of security-related programmes for Pantai Hospital Ampang ("PHA") as a start. The Steering Committee will widen its scope of monitoring to the other facilities of the Malaysia operations of PPL.

## IMU Safety & Health Committee

The IMU Safety and Health Committee is responsible for supporting and ensuring that safety and health related strategies are effectively implemented.

The IMU Safety and Health Committee will meet on a quarterly basis to report on the safety incidents that occur within IMU facilities and discuss possible preventive measures. Internal reviews are conducted to ensure compliance with the Malaysian Occupational Health and Safety Act (OSHA) 1994.

## Monitoring and reporting of safety and security-related incidents

The Malaysia operations of PPL continues to monitor and report on security-related incidents occurring within its selected hospital facilities. We have selected PHA as the pilot hospital for the reporting of security-related incidents. In 2015, a total of four security cases were reported in PHA and a total of five cases were reported in 2016. All the reported cases have been resolved. Moving forward, we plan to expand our reporting coverage of the incidents across other healthcare facilities within the Malaysia operations of PPL. The summary of the incidents reported in 2015 and 2016 are shown in the table below:

| Year | Types of incidents | Numbers of incidents reported | Remarks |
|---|---|---|---|
| 2015* | Safety | 3 | Resolved |
| | Security Cases | 1 | Resolved |
| 2016** | Safety | 2 | Resolved |
| | Security Cases | 3 | Resolved |

**Table 6: Types and Number of Incidents Reported**

* Data reporting period is between 1 January 2015 and 31 December 2015, covering PHA within the Malaysia operations of PPL.
** Data reporting period is between 1 January 2016 and 30 September 2016, covering PHA within the Malaysia operations of PPL.

## Emergency preparedness

In 2016, the Singapore operations of PPL implemented several preventive measures to manage healthcare outbreaks and pandemic risks, such as the following:

### Piloted Hand Hygiene Target Solution Tool ("TST")

In the Singapore operations of PPL, TST was introduced to measure hand hygiene compliance during wash in (hand hygiene upon entering the patient care area) and wash out (hand hygiene procedure upon exiting the patient care area). The concept of "wash in/wash out" was communicated to the employees during roll call sessions. Selected process owners were trained to be responsible for observing and coaching all employees from time to time.

### MERS-CoV and Ebola Virus

In 2015, hospitals in the Singapore operations of PPL conducted mock pandemic exercises for Middle East Respiratory Syndrome Coronavirus (MERS-CoV) and the Ebola Virus. Representatives from the national Ministry of Health were invited to observe the conduct of these exercises. Risk alerts are issued to communicate and disseminate updates and reviews of the surveillance rounds and internal control measures.

### Zika Virus

During the outbreak of the Zika virus, the Singapore operations of PPL conducted an internal roll call to communicate the symptoms of infection and outbreak of the virus. Larvacides and environmental checks for mosquitoes control were conducted on a weekly basis.

## Fire and bomb drills

Fire drills assessing the efficiency of fire emergency procedures are conducted twice yearly. These drills assess if a high volume of people can be quickly and safely evacuated from hospitals and assembled together. In the Singapore operations of PPL, bomb drills are conducted once a year to train employees how to assess and respond to emergency situations arising from bomb threats.

## Crisis management

In the Malaysia operations of PPL, a Crisis Management Manual has been produced to assist in the development and implementation of a crisis management plan and preventive control measures. These measures include annual emergency preparedness training, planned preventive maintenance of equipment and the conduct of environmental audits. The hospitals within the Malaysia operations of PPL have set up the following codes as a guideline for responding to various emergency cases:

- Code Red for Fire;
- Code Yellow for Disaster;
- Code Pink for Child Abduction;
- Code Grey for IT System Breakdown;
- Code Black for Bomb Threat; and
- Code Blue for Medical Emergency

# OUR COMMUNITY

## COMMUNITY DEVELOPMENT

### TRANSFORMING LIVES IN OUR COMMUNITIES

IHH's contribution towards sustaining a healthy community starts within our Group's own facilities, where we strive to provide clinical excellence and quality care. Our community development initiatives focuses on empowering our community by providing support, guidance and assistance through fundraising, health-based awareness campaigns, financial and non-financial donations, sponsorships and fundraising.

## Our community development focus areas

IHH seeks to create value for the community in which we operate by leveraging on our expertise and sharing our knowledge in areas relevant to our value chain. In 2016, a total of 133 community development projects were implemented. These community development projects have benefitted more than 10,000 patients and over 30,000 beneficiaries across the following three main focus areas:

### *Accessibility to healthcare services*

- Community development programmes as a vehicle to provide healthcare services to underprivileged patients and cater to the specialised healthcare needs of professional athletes.

### *Healthcare awareness*

- Programmes designed to increase healthcare awareness through campaigns, publications and television documentaries.

### *Nurturing the next generation*

- Fostering the next generation of healthcare professionals through early exposure of role-playing simulations to children and scholarship programmes to support students' education from secondary to post-graduate level.

| Focus Areas | Programmes |
|---|---|
| Accessibility to healthcare services | • Khazanah IHH Healthcare Fund<br>• Health Screenings<br>• Sports Sponsorship<br>• Mobility and rehabilitative aids for disabled children with cerebral palsy by IMU Cares |
| Healthcare awareness | • Breast Cancer Awareness Campaign<br>• Organ Donation Awareness Campaign<br>• Medical TV Docu-Drama<br>• Healthcare Publications<br>• Caregivers Training: Elderly Care<br>• Healthcare Education and Activities |
| Nurturing the next generation | • Doctor for a Day Programme<br>• Mount Elizabeth-Gleneagles Scholarship Fund<br>• Parkway Pantai Professorship In Medicine & Healthy Ageing |

**Table 7: Summary of our community development programmes and initiatives across three main focus areas**

# ACCESSIBILITY TO HEALTHCARE SERVICES

Access to quality healthcare services is vital for the achievement of health equity and for increasing the quality of life of our society. We have implemented a number of community development activities focusing on improving accessibility to healthcare services. A wide range of these activities are driven by the Khazanah IHH Healthcare Fund ("KIHHHF"), IHH's main community development platform. Beyond the KIHHHF, IHH has also organised health screenings, sports sponsorship, mobility and rehabilitative aids programmes that are sponsored by IHH's various operating divisions.

## Khazanah IHH Healthcare Fund

Our community development activities are driven by the KIHHHF, IHH's main community development platform. KIHHHF is the foundation of our efforts. In 2012, Khazanah allocated **RM50 million** for KIHHHF to identify and provide partial and fully-sponsored medical treatment to needy patients in IHH's home markets under PPL and Acibadem, over a period of five years.

The KIHHHF is managed by a framework which allocates 70% for the Malaysia operations of PPL, 15% for the Singapore operations of PPL and 15% for Acibadem. Since 2013, a targeted amount of **RM7 million** has been disbursed to the Malaysia operations of PPL and **RM3 million** equally among the Singapore operations of PPL and Acibadem for a sum of **RM1.5 million** respectively on an annual basis. PPL's Life Renewed Programme, IMU's IMU Cares Programme and Acibadem's Dreams Coming True Programme are three key programmes funded by KIHHHF. These programmes are independently managed by the respective operating units within the home markets of IHH.

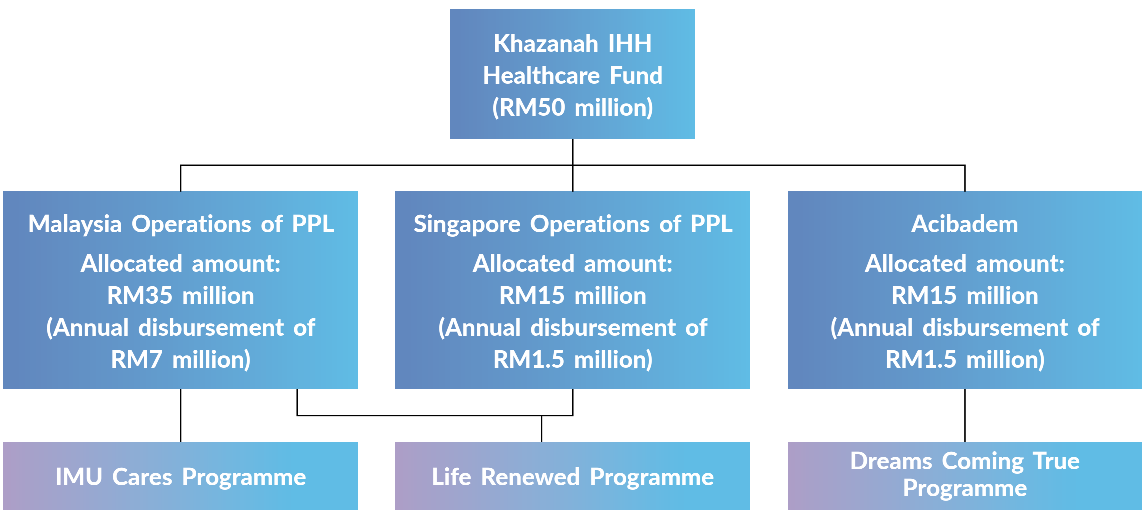



**Diagram 6: Khazanah IHH Healthcare Fund Framework**

The selection and evaluation of beneficiaries of the programmes sponsored by KIHHHF is based on a structured approach. A combination of internal and external stakeholders are involved in determining the candidates. Key stakeholders involved are:

- PPL's doctors championing the beneficiaries' treatment;
- Non-governmental Organisations ("NGOs") tasked with determining the socioeconomic suitability of the beneficiary; and
- Corporate Social Responsibility ("CSR") representatives within the receiving hospitals offering the treatment.

The **Life Renewed Programme** is an ongoing initiative by PPL which seeks to improve the quality of life of people needing surgical and medical procedures. KIHHHF covers the entire spectrum of treatment from assessment to post-surgical therapy of the patients. Knee replacement surgery is an example of a safe and simple procedure that has changed the lives of many older people who have benefitted from the Life Renewed Programme.

The two key types of initiatives under the **IMU Cares Programme** that are sponsored by this Fund are (i) health screenings to promote health and disease prevention; and (ii) empowerment and enrichment programme for IMU Cares community partners such as schools, NGOs and underprivileged communities. The underprivileged communities include children, senior citizens and individuals with disabilities. For example, IMU Cares Health Screenings promotes health and disease prevention. In 2016, health screening drives were conducted and more than 1,900 beneficiaries from underserved and underprivileged backgrounds were served. Patients that required further medical examinations were referred to IMU Healthcare, the medical services arm of IMU.

**The Dreams Coming True Programme**, initiated by Acibadem in 2013, demonstrates a successful working relationship between Acibadem hospitals and government ministries. Due to the unique nature of the Group's commitment to the project, the fund was dispersed exceptionally in a single installment for Acibadem. This project was completed in 2014 and has provided free treatment to 2,500 families.

Apart from the community development programmes that are funded by KIHHHF, the Group has also implemented a number of community development programmes that are funded and managed by IHH's various operations divisions globally, as detailed in the following sections.

## Health screenings

Since 2002, the operating units within the Group have provided free health screening services to remote communities. Our efforts are driven by our commitment to elevating healthcare standards within our community. Almost all hospitals within the Group have provided health screenings to the local community.

In 2016, we organised a total of 54 health screening events at various locations across our home markets and provided our services to more than 5,000 patients. In 2016, Acibadem provided free ophthalmology and dental screenings to more than 1,500 participants.


## Sports sponsorships

Continuing their involvement as one of Turkey's leading sports medicine care providers, Acibadem is committed to sponsorship for various sports programmes in the nation.

In 2016, Acibadem sponsored various programmes for sports clubs. Sports sponsorships have been a key community development area for Acibadem. In 2016, **12 Federations, 16 Turkish Sports teams and 13 Foreign Sports Clubs** received sponsorships from Acibadem. Sponsorships include medical screenings and treatment of sports injuries of the athletes at Acibadem with a total of 1,648 athletes treated by Acibadem's programme as well as ambulance and first aid services provided by Acibadem during sports competitions.

## Mobility and rehabilitative aids for children with cerebral palsy

In 2016, IMU Cares embarked on an initiative which will see children diagnosed with neuromuscular conditions such as cerebral palsy and congenital hydrocephalus receiving customised specialised mobility aid solutions.

Nine children have so far been identified to receive these made-to-measure mobility aid solutions with an additional two units for common use at the Spastic Children's Association of Selangor and Federal Territory (SCASFT). The mobility aids allow the children to sit right and prevent scoliosis while assisting caregivers to enable the children to perform daily activities with ease.

# HEALTHCARE AWARENESS

Various health-related awareness campaigns were held in the Group's corporate offices, hospitals and facilities, community centres and schools throughout the year to raise awareness and understanding about health issues. This is also approached by organising healthcare training workshops, public awareness, healthcare publications and television documentary programmes, as discussed in the following sections.

## Breast Cancer Awareness Campaigns

Breast cancer is the most common cancer affecting women in Malaysia with about **1 in 19 women#** at risk of being diagnosed with breast cancer in their lifetime. In 2016, all operating divisions conducted breast cancer awareness campaigns at their respective hospitals and reached out to more than 5,300 participants.

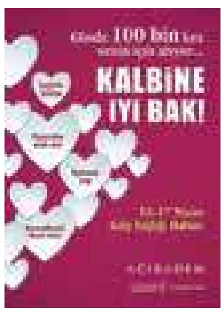
Hospitals in the Malaysia operations of PPL, namely Pantai Hospital Kuala Lumpur, Pantai Hospital Cheras, Pantai Hospital Penang, Pantai Hospital Sungai Petani and Gleneagles Kota Kinabalu embarked on the PINK October Campaign to support the fight against breast cancer and to raise awareness of the disease. The activities carried out under the PINK October Campaign are the Women's Health Summit, the PINK Umbrella Walk, free body check-ups, exhibitions, and clinical examinations. In the Singapore operations of PPL, the Pink Ribbon Walk was conducted by Mount Elizabeth Hospital to raise public awareness on breast cancer. The Charity Bazaar event channeled funds raised towards the Breast Cancer Foundation to support patients in need.

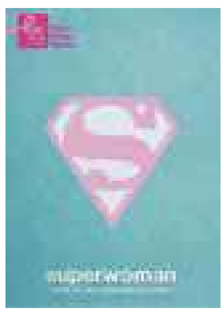
| Years | Breast Cancer Awareness Campaign |
|---|---|
| | Number of Participants |
| 2015* | 9,270 |
| 2016** | 1,217 |

**Table 8: Breast Cancer Awareness Campaign**

* Data reporting period is between 1 September 2014 and 31 August 2015, covering seven hospital facilities within the Malaysia operations of PPL.
** Data reporting period is between 1 September 2015 and 31 August 2016, covering five hospital facilities within the Malaysia operations of PPL.
# Source: Cancer Research Malaysia - retrieved from: http://www.cancerresearch.my/research/breast-cancer/





## Organ donation campaigns

The **IMU Cares Organ Donation Awareness Campaign** 2015/2016 was jointly organised by the Malaysian Association of Private Colleges and Universities (MAPCU) and Pusat Sumber Organ Transplant Nasional (NTRC). Spearheaded by IMU Cares with the participation of 11 private higher education institutions such as HELP University, Asia Pacific University, Curtin University, International Medical College, INTI University, Penang Medical College, Sunway University and UCSI University, it successfully garnered 1,570 pledges.

## Medical TV docu-drama programme

In December 2015, Acibadem collaborated with NTV, a Turkish nationwide commercial television news channel to produce a weekly docu-drama chronicling real life medical cases. Entitled "Life Renewed", it is a mini documentary series which features many interesting cases to raise public awareness on diagnosis and treatment of congenital disorders, cancer, rare diseases and transplantation. Acibadem has invested more than **RM400,000** for the huge success of the documentary. To date, 25 episodes have been aired and received ratings around 1.65, as compared to ratings of 0.4-0.5 received by other documentaries on the channel. In 2016, the medical documentary successfully reached an audience of over 500,000 viewers weekly and 12.5 million audience nationwide.

| Years | Medical TV Docu-Drama Programme |
| --- | --- |
| | Number of audience reached out |
| 2015* | 6 million |
| 2016** | 6.5 million |

**Table 9: Number of audience reached in Medical TV Docu-Drama Programme**

* Data reporting period is between 1 September 2014 and 31 August 2015.
** Data reporting period is between 1 September 2015 and 31 August 2016.



Docu-drama Series
"Life Renewed":

**500,000**
Viewers weekly

**12.5mil**
Audience nationwide in Turkey


## Healthcare publications

Since 2010, Acibadem has been publishing *Acibadem Life Magazine* and other publications related to heart health, cancer, breast cancer, pregnancy, etc. In 2016, a total of 180,000 *Acibadem Life Magazines* were published and made available for public reading.

## IMU Cares Caregiver Training: Elderly Care

As part of IMU Cares community outreach to support the old folks' homes as well as to create public awareness on the importance of elderly care, several activities were conducted. Among them, a Caregiver Training: Elderly Care workshop was held to train caregivers on how to perform the appropriate activities of daily living ("ADL") for the elderly. Educational videos were produced and given to eight old folks' homes while workshops were conducted for hands on experience training. The workshop highlighted the topic "Caregiving: A beautiful journey", a video presentation on ADL procedures, skills demonstration and hand-on sessions. In 2016, the workshop benefitted 25 caregivers from various IMU Cares community partners.

## Healthcare education and activities

Raising the level of public awareness on health and lifestyle issues puts IHH in touch with the lives of the community. This evergreen effort to educate the public endures across borders.

In 2016, IMU Cares Healthcare Education reached out to 1,700 participants through its broad range of healthcare training and awareness education on healthy lifestyle practices including personal hygiene, food hygiene and safety, dietary needs, reproductive health and stress management techniques. In Turkey, Acibadem reached out to more than 20,000 through a series of events that educated and raised public awareness on healthcare. The activities were geared for all levels of society, from pre-schools, elementary and middle school students, all the way to local employers, municipalities and the general public. Among the activities carried out were educational activities, free medical classes on diabetes and pregnancies, social events and exhibitions.

# NURTURING THE NEXT GENERATION

IHH is actively nurturing the next generation of healthcare professionals by educating and engaging all age groups and backgrounds within the medical and healthcare community. The various roles of healthcare providers as well as the responsibilities of individual healthcare providers are addressed and highlighted through role-playing simulations, official academic studies and the support of medical and healthcare students at the undergraduate and postgraduate levels.

## Doctor for a Day Programme

In 2013, Mount Elizabeth Hospital launched the Doctor for a Day Programme at KidZania Singapore. This Programme reflects the continuous efforts of Mount Elizabeth to nurture young dreams based on a similar learn-through-play concept. In 2016, this role-play experience enabled **12 children** to learn how to treat a fractured arm in the Accident & Emergency Department, conduct a kidney transplant in an operating theatre and care for infants in a nursery. Since the launch in 2013, over **8,000 children** have participated in the programme with relevant exposure in the field of healthcare services.

## Mount Elizabeth-Gleneagles Scholarship

PPL established the Mount Elizabeth-Gleneagles Scholarship in 2012 to provide financial assistance to undergraduates pursuing a medical degree at the National University of Singapore Yong Loo Lin School of Medicine. The endowed gift of RM6 million, together with government matching grant, will provide up to RM480,000 of student financial aid annually. Every year, at least 16 bond-free scholarships valued at about RM30,000 each, will be offered to cover part of the tuition fees. Since its inception, a total of 59 undergraduates have benefitted from the Scholarship. In 2016, 18 scholarships were awarded.

## Parkway Pantai Professorship in Medicine & Healthy Ageing

The Parkway Pantai Professorship in Medicine & Healthy Ageing was established in 2015, through an endowment fund of RM9 million. The Professorship enables the National University of Singapore to appoint an expert in functional ageing, and support extensive research into the causes, prevention and treatment of age-related disorders including dementia.


# STATEMENT ON CORPORATE GOVERNANCE

## OUR COMMITMENT TO GOOD CORPORATE GOVERNANCE

**IHH Healthcare Berhad ("IHH" or "the Company") together with its subsidiaries ("the Group"), are committed to achieving and maintaining the highest standards of corporate governance. The Board of Directors ("Board") strongly believes that sound corporate governance practices are essential for delivering sustainable value, enhancing business integrity, maintaining investors' confidence and achieving the Group's corporate objectives and vision. To this end, the Board, Management and staff of the Group affirm their commitment to enhancing shareholder value by way of upholding high standards of corporate governance.**

To date, the Group's corporate governance model adopts the following requirements and guidelines on corporate governance best practices:

- Malaysian Code on Corporate Governance 2012 ("MCCG");
- Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"); and
- Corporate Governance Guide: Towards Boardroom Excellence by Bursa Securities ("CG Guide").

The Board also subscribes to internal guidelines on corporate disclosure policies and procedures based on the best practices recommended by Bursa Securities. These provide the Group with the appropriate guidance to discharge its disclosure obligations and ensure the Group moves beyond the minimum mandatory disclosure requirements. As the Group maintains a significant presence in the countries it operates in, it also abides by the guidelines of the respective regulators and authorities in these countries.

Pursuant to Paragraph 15.25 of the MMLR, the Board is pleased to present this Statement on Corporate Governance ("Statement") which outlines the manner in which the principles and best practices of the aforementioned guidelines have been applied throughout the Group. This Statement also endeavours to portray how IHH's existing corporate governance measures align with MCCG's corporate governance principles and recommendations. It highlights the areas where the Group has made good progress in adhering to MCCG's principles and recommendations, as well as the areas where more work needs to be undertaken.

# ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

## Roles and Responsibilities of the Board

The Board is primarily responsible for oversight and the overall governance of the Group. It carries out its mandate by providing strategic guidance, implementing succession planning, effectively monitoring management goals and ensuring overall accountability for the Group's growth. On top of this, the Board is responsible for ensuring that the Group's internal controls, risk management processes and reporting procedures are firmly in place.

The Board is guided by the Board Charter, documented Terms of Reference ("TOR") and Limits of Authority ("LOA"), which clearly define the matters that are specifically reserved for the Board, Board Committees and outline the manner in which the day-to-day management of the Company is to be delegated to the Managing Director and Chief Executive Officer ("MD & CEO") and relevant authority limit. This formal structure of delegation is further cascaded by the MD & CEO to the Senior Management team within the Group. However, the MD & CEO and the Senior Management team remain accountable to the Board for the authority that is delegated, as well as for the performance of the Company and the Group even as the Board continues to monitor the same.

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.

## Board Charter

The Board had in 2013 formalised a Board Charter setting out the duties, responsibilities and functions of the Board in accordance with the principles of good corporate governance set out in the policy documents and guidelines issued by the regulatory authorities. The Board Charter is available for reference on the Company's website at www.ihhhealthcare.com.

The Board Charter is reviewed and updated periodically to be in line with the latest changes in the corporate governance practices and guidelines issued by the relevant regulatory authorities. The Board Charter was last reviewed and approved for adoption by the Board in May 2016 and the necessary amendments had been incorporated therein.

The Board Charter aims to ensure that all Directors acting on behalf of the Company are aware of their fiduciary duties and responsibilities as Board members. It also aims to ensure that all Directors understand the various legislations and regulations affecting their conduct and that they apply principles and practices of good corporate governance in all their dealings in respect of and on behalf of the Company. The Board Charter outlines processes and procedures for the Board and its Committees in discharging their stewardship effectively and efficiently. The Board Charter also spells out specifically the roles and responsibilities of the Chairman and MD & CEO respectively.

The Board reserves full decision-making powers on itself in areas such as material acquisitions and disposition of assets, investments in capital projects, material borrowings, related party transactions, treasury policies, risk management policies and key human resource issues.

Under the Board Charter, the Board, among others, assumes the following roles and responsibilities, which are to be discharged in the best interests of the Company in pursuance of regulatory and commercial objectives:

- **Reviewing and adopting the strategic direction of the Group**

  Management present their proposals and highlight their thought processes and justification for such proposals. The Board in turn deliberates and determines the Group's strategic and business direction based on the propositions presented by Management.

  The Board will be apprised on the progress of the execution of the strategic plan and challenges faced at the Board scheduled quarterly meetings. Please refer to the Management Discussion and Analysis as laid out on pages 28 to 49 of this Annual Report on the Group's business, operations and performance during the financial year under review.

- **Overseeing and evaluating the conduct of the Group's businesses**

  The Board and the Audit and Risk Management Committee ("ARMC") review and evaluate the conduct of the Group's businesses at their respective quarterly meetings. The representatives of each major operating companies ("OpCos") would be invited to present to the ARMC and Board at the quarterly meetings, the financial performance and operational updates of their respective OpCos. The Board would be apprised of, among others, the macro economic environment and Managements' expectations, opportunities and achievements, threats and weaknesses together with the mitigation and action plan. The Board would provide the relevant guidance on the action plan of the Group and allow knowledge and experience sharing between the representatives of different OpCos to bring about a higher level of synergy as well as operational effectiveness and efficiency.

  The Board would also track the overall performance of the Group based on the achievements of the key performance indicators as stipulated in the Group's Balanced Scorecard approved by the Board at the recommendation of the Nomination and Remuneration Committee ("NRC"), at the beginning of the financial year.

- **Identifying top tier risks and ensuring the implementation of appropriate systems to manage these risks**

  The Board recognises the need for a strong risk management discipline across the Group to ensure achievement of the desired business objectives. The Board also acknowledges that a holistic approach to business management, taking into consideration the economic, environmental and social ("EES") risks and opportunities alongside financial implications, is being seen as a measure to generate long term benefits and business continuity.

  Each of the OpCos has set up their respective Risk Management division or nominated relevant staff overseeing the risk function ("risk collaborator") who constantly monitor any potential risk that the respective OpCos might be facing in the operations. The respective OpCos' risk management division or risk collaborator would then report their findings to their respective ARMC or to Senior Management and Group Risk.

  At the Group level, the Group Risk Management division or risk collaborator would consolidate the risk reports from the respective OpCos and map the risks identified into the IHH Risk Profile. The Group Risk Management division also embeds sustainability within the Group by identifying, evaluating and managing material EES risks and opportunities and mapping it into the Group's broad risk management framework. The risk report would then be presented to the IHH ARMC for deliberation on a quarterly basis. The Group Risk Management division would also be invited to present the summary of the risk report to the Board on a half-yearly basis.

  The Group has established an International Clinical Governance Advisory Council ("ICGAC") which comprises independent healthcare thought leaders, former academia, practicing professionals from different regions and management representatives with clinical quality and ethics background from the respective OpCos, as a high-level advisory council. The ICGAC seeks to drive exemplary and consistent clinical quality and implement continuous quality improvement projects and initiatives across IHH Group. During the financial year under review, ICGAC has focused on the following four key workstreams:

  (i) Clinical Risk Management Advisory;
  (ii) Quality Assurance and Quality Improvement;
  (iii) Professional Development and Management; and
  (iv) Culture of Improvement and Patient Safety.

  Please refer to the Statement on Risk Management and Internal Control as laid out on pages 142 to 147 of this Annual Report on the identification, assessment and mitigation of actual enterprise and clinical risks faced by the Group and the Sustainability Statement 2016 as laid out on pages 84 to 116 of this Annual Report for further details on the efforts undertaken to ensure the Group's business sustainability.

- **Establishing succession plans**

  The Group has under the purview of the Human Capital Management function embarked on succession planning for key management who play a pivotal role within the Group. The said succession planning programme is created with the aim of driving the supply of sufficient talent pool internally to cater for the Group's expansion plan in various regions. Individual development plans have been established and a slew of other talent management practices are also in place for development of a pool of talent.

The Board, through the NRC, monitors the performance of the Board and Key Senior Management annually as well as reviews and evaluates the suitability of potential candidates and their expertise, to fill any gaps identified.

- **Establishing and implementing a good Investor Relations ("IR") programme and shareholders' communication policy**

  The Board recognises that a sound IR programme and shareholders' communication policy is vital in managing investors' and shareholders' interests and perception of the Company.

  The Company carries out its IR activities in accordance with its annual IR calendar and the Board is apprised of these activities including the number of investor conferences and non-deal roadshows attended as well as the number of analysts' meetings, on a quarterly basis. Key take-aways gathered from the IR activities would also be shared with the Board and Management always take into account the opinion of the investors and shareholders with the aim of further improving the Group's operational and financial performance as well as to become a better corporate citizen in the community it operates.

  Further details on IR activities undertaken during the financial year under review are laid out on pages 139 to 141 of this Annual Report.

- **Reviewing the adequacy and the integrity of the Group's internal control and management information systems**

  The Board acknowledges the importance of maintaining sound and effective internal control and management information systems in order to manage and reduce risks that will hinder the Group from achieving its goals and objectives. The internal control and management information systems are embedded within the Group's operating activities.

  The Board's function with regards to fulfilling the responsibilities of reviewing the adequacy and integrity of the Group's internal control and management information systems effectively, are reinforced through various Committees established at both the Board and Management level of each major operating subsidiary.

  Assisted by the Group Internal Audit which functions independently of the operations, the Board and the ARMC are able to effectively discharge these control responsibilities.

  Please refer to the Statement on Risk Management and Internal Control as laid out on pages 142 to 147 of this Annual Report on the Group's continuous effort in identification, assessment and management of the weaknesses identified in order to improve the quality of internal control.

## Promoting Sustainability

The Board is cognisant of the need to adopt sustainable practices. In view of the Group's geographically expansive operations, the Board has embarked and would continue on a holistic review of the Company's sustainable practices and focus on the four key material matters covering Clinical Care and Quality, Workforce Management, Workplace Management and Community Development for the year under review. The Sustainability Statement is laid out separately on pages 84 to 116 of this Annual Report.

## Limits of Authority

The LOA which set out the authority limits to be adhered to as adopted by the Group, are in compliance with the principles of good corporate governance. The LOAs of the major OpCos were developed based on the broad framework of the IHH LOA.

Although the operations of the Company and its subsidiaries are governed by the LOAs, the overall management and control of the business and affairs of IHH Group still vests with the Board.

The day-to-day operations of IHH Group are managed and administered by the Senior Management personnel of IHH Group, subject always to the policies and decisions of the Board.

The LOAs will be updated to meet the changing needs of IHH Group and to ensure compliance with the applicable laws including the MMLR. Any updates that are reviewed, verified and endorsed by the Board will supersede the previous LOA.

## Board Meetings

To facilitate productive and meaningful Board meetings, the proceedings are conducted in accordance with a structured agenda. The structured agenda together with comprehensive management reports and proposal papers are furnished to the Directors at least five working days in advance of each Board meeting. This is to accord sufficient time for the Directors to review the materials and, where necessary, conduct independent analysis or request additional material. However, genuine urgent matters and exceptional circumstances could fall outside these timing requirements and a shorter period for the circulation of the proposal papers would be allowed with the Chairman's consent and approval.

Directors are allowed to participate in Board meetings via tele-conference. All deliberations at Board meetings, including dissenting views, are duly minuted as records of their proceedings. Decisions made, policies approved and follow-up actions at Board meetings will be communicated to Management after the Board meetings.

Apart from the presentation of the financial performance and operations by the respective OpCos' representatives, the MD & CEO also provides a comprehensive explanation of significant issues relating to the Group's business while the Group Chief Financial Officer ("GCFO") presents the results of the Group's financial performance at every quarterly Board meeting. The Chairmen of the Board Committees would also report to the Directors at Board meetings, on any significant issues noted and/or deliberated by the relevant Board Committees and which require the Board's attention and approval for implementation. Management is also invited to present proposals and answer queries raised by the Board as and when required. Management takes immediate action on all matters arising from the Board meeting and updates the Board on the status of these matters at the next Board meeting or if deemed urgent via circulation of memorandum.

The Group's quarterly results are one of the regular scheduled matters that are tabled to the Board for their approval at the quarterly Board meetings. Notices on the closed period for trading in the Company's securities are sent to the Directors and principal officers on a quarterly basis as a reminder on the prohibition in dealing in the Company's securities by identifying the timeframe of the closed period as prescribed in the MMLR as well as such period during which Directors and principal officers are in possession of price-sensitive information.

## Ethical Standards

We are committed to upholding the highest standards of integrity and behaviour in all activities we undertake especially in relation to our interactions with customers, suppliers, shareholders, business partners and the communities in which we operate. To this end, the Group has implemented a Code of Conduct ("the Code") which dictates the ethics and standard of good conduct expected of every Executive Director and employee. The Code is available on the Company's website at www.ihhhealthcare.com.

The Code calls upon all Executive Directors and employees to exhibit the highest levels of professionalism in all aspects of their work even beyond normal working hours and in compliance with all applicable laws, regulations and policies within the Group. It provides a common behavioural framework for all employees of the Group irrespective of their specific job or location, as well as affords professional, ethical and legal guidance to all Directors and employees in the conduct of their business and that of the Group. Failure to comply with the Code may result in the commencement of disciplinary proceedings that may lead to termination of employment and/or appointment.

The Code covers areas such as compliance with the law, professional integrity, accurate and complete accounting, bribes, gifts and entertainment, conflicts of interest, the act of diverting, confidentiality and protection of company assets, political and charitable contributions, as well as occupational health, safety and environmental activities. Employees are to direct any questions they have about the Code and its application to their managers or the respective Human Resource departments.

In addition, IHH and its major operating subsidiaries have implemented a Whistleblowing Policy that seeks to engender an environment where integrity and ethical behaviour are fostered and any malpractice or impropriety within the Group is exposed. This Whistleblowing Policy enables employees to raise concerns internally and at a high level and to disclose information on activities, which they believe reflect instances of malpractice or impropriety. These concerns could include financial malpractice, impropriety or fraud, failure to comply with a legal obligation or statutes, bribery, abuse of power, conflicts of interest, theft or embezzlement, misuse of company property, non-compliance with procedure, danger to health, safety and environment, criminal activity, improper conduct or unethical behaviour and the attempts to conceal any of these, among other things. The Whistleblowing Policy is available on the Company's website at www.ihhhealthcare.com.

IHH is committed to treating all such disclosures in a confidential and sensitive manner. The identity of the individual making the allegation will be kept confidential so long as it does not hinder or frustrate any investigation. 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, then the report should be made in confidence to the Chairman of IHH.

## Access to Information and Advice

The Directors have access to all information within the Group. Through the regular Board meetings, the Board receives updates on the development and business operations of the Group, as well as comprehensive papers, which include the regular business progress reports and discussion documents regarding specific matters. Minutes of the respective Board Committees' meetings are presented to the Board at the meeting.

The Board may seek, at the Group's expense, external and independent professional advice and assistance from experts in furtherance of their duties.

## Company Secretaries

The Company Secretaries of the Group are experienced, competent and knowledgeable, play an important role in advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices of governance. The Directors have ready and unrestricted access to the advice and services of the Company Secretaries. The Board is regularly kept up to date on and apprised of any relevant legislation, regulations and guidelines, as well as any amendments thereto issued by Bursa Securities, Securities Commission, Companies Commission of Malaysia and other relevant regulatory authorities including recommendations on corporate law reform in Malaysia as well as relevant foreign jurisdictions, particularly the effects of such new or amended legislation, regulations and guidelines on the directors specifically and the Group generally.

The Company Secretaries are responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in a transaction involving the Group, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.

The Company Secretaries are also responsible for the operation of the secretariat function, including lodgements with relevant statutory and regulatory bodies, the administration of Board and Board Committee meetings (including preparation of the minutes, matters arising and Board Committee Chairmen's reports).

# STRENGTHEN COMPOSITION

## Board Committees

The Board delegates specific responsibilities to the respective Committees of the Board, which operate within clearly defined TOR. From time to time, the Board reviews the functions and TOR of Board Committees to ensure that they are relevant and updated in line with the MCCG and other related policies or regulatory requirements.

While the Board Committees have the authority to examine particular issues, they will report to the Board with their decisions and/or recommendations and the ultimate responsibility on all matters lies with the Board. The Committee members are expected to attend each Board Committee meeting, unless there are exceptional circumstances that prevents them from doing so. The minutes of the Board Committee meetings held are presented and reviewed by the Board at each scheduled quarterly Board meeting.

During Board meetings, the Chairmen of the various Committees provide summary reports of the decisions and recommendations made at the Committee meetings as well as highlight to the Board any further deliberation that is required at Board level. On Board reserved matters, the Board Committees shall deliberate and thereafter state their recommendations to the Board for its approval. The relevant decisions of the Board Committees are incorporated into the minutes of the meetings of the Board.

The Board has to date established three principal Board Committees namely, the ARMC, NRC and Steering Committee ("SC").

## Audit and Risk Management Committee

The ARMC assists the Board in fulfilling its fiduciary responsibilities relating to the corporate accounting, internal control and risk management processes as well as the management and financial reporting practices of the Group.

The composition as well as the summaries of meetings attended by the ARMC members, the work carried out by ARMC in discharging its responsibilities and the work of the internal audit function are set out separately in the ARMC Report as laid out on pages 148 to 153 of this Annual Report.

## Nomination and Remuneration Committee

The NRC assists the Board to review and assess the nomination and selection process as well as the remuneration framework of the Board members and Senior Management, the performance of the Board, the training and development needs of the Board members as well as the succession planning for the Board and the Group as a whole.

The composition, a summary of activities of the NRC, selection and assessment of Directors and boardroom diversity are set out separately in the NRC Report as laid out on pages 154 to 159 of this Annual Report.

## Steering Committee

The SC established by the Board consists of the following members:

| Chairman |
|---|
| Dato' Mohammed Azlan bin Hashim |
| **Members** |
| Dr Tan See Leng |
| Mehmet Ali Aydinlar |
| Satoshi Tanaka |
| Bhagat Chintamani Aniruddha |
| Quek Pei Lynn<br>(Alternate to Bhagat Chintamani Aniruddha) |

The SC meets at least once a year, and as and when necessary. Physical meetings may be held upon request by any of its members or through the secretary of the SC.

The SC's functions include the following:

- to review and make recommendations to the Board on, inter alia, major transactions by any entity within the Group including:

    i. the acquisition or disposal of assets/business where any one of the percentage ratios is 5% or more of the Group;

    ii. material borrowing which is more than 5% of the latest published audited net assets of the Group;

    iii. incorporation, winding up or liquidation of IHH's subsidiaries or material assets;

iv. listing of the securities of any of IHH's subsidiaries on any stock exchange; and

v. other transactions including any investment project that any of the Group entities may escalate to the SC for direction.

- to provide recommendations on behalf of the Company to its nominee directors sitting on the boards of subsidiaries on the courses of action to be taken in respect of matters escalated to the SC.

## Annual Assessment

The Board, through the NRC, had conducted the annual assessment covering the following in respect of the financial year under review:

(a) Board as a whole;

(b) Board Committees such as ARMC and NRC;

(c) Individual Directors;

(d) Individual ARMC members;

(e) Independent Directors; and

(f) GCFO, external and internal auditors.

The Board as a whole was evaluated in the areas covering board mix and compensation, quality of information and decision making, boardroom activities and continuous development. The Board Committees were assessed based upon the composition and experience of the respective Board Committee members, effectiveness and efficiency of decision making process as well as the quality of information communicated to the Board.

The Directors had conducted self-evaluation centering on areas such as fit and proper, contribution and performance as well as calibre and personality. Each Director was also evaluated by their fellow Board members through the Board Skills Matrix evaluation form focusing on areas in terms of strategy and entrepreneurship, legal and regulatory requirements, corporate governance, risk management and internal controls, audit, accounting, financial reporting and taxation, human capital, sales and marketing as well as production and quality assurance.

Each of the ARMC members were evaluated by the NRC in the areas covering foundational matters, responsibilities, the understanding of role, contribution to interaction and quality of input. The Chairman of the ARMC was also assessed by the NRC in respect of her ability in discharging her role as the Chairman of the ARMC.

Each Independent Director performed a self-evaluation to affirm their independence from management. The Independent Directors were also assessed by their other peers on their overall performance during the year under review in particular whether the Independent Directors had exercised independent and objective judgement when discharging their duties.

The duly completed evaluation forms were collated and a summary was tabled to the NRC for deliberation prior to recommending the appropriate action to the Board for consideration.

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 ARMC has consistently performed well during the financial year and discharged their duties and responsibilities satisfactorily in upholding the integrity of financial reporting and managing risks in accordance with its TOR. The ARMC members have sound judgement, objectivity, independent attitude, professionalism, integrity, knowledge of the industry and are financially literate;

(c) the NRC has consistently performed well during the financial year and discharged their duties and responsibilities satisfactorily in accordance with its TOR;

(d) the four Independent Non-Executive Directors ("NEDs") of the Company are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement. The Independent NEDs have continuously brought independent and objective judgement to the Board deliberations;

(e) each of the Directors including the MD & CEO and the GCFO has the character, experience, integrity, competence and time to effectively discharge their respective role; and

(f) the external auditors, KPMG PLT, have discharged their duties independently as well as adopted an objective approach in their audit process. The Board has considered the performance of KPMG PLT and was satisfied that KPMG PLT is of calibre and hence, recommended that KPMG PLT be re-appointed as the external auditors of the Company for the financial year ending 31 December 2017.

Based on the assessment of the individual Directors seeking re-election and re-appointment at the forthcoming Seventh Annual General Meeting ("AGM") of the Company and at the recommendation of the NRC, the Board has recommended for the shareholders' to vote in favour of the relevant resolutions with regard to the re-election and re-appointment of the Directors as stipulated in the Notice of Seventh AGM.

## Directors' Remuneration

The Group's policy on Directors' remuneration serves to attract, retain and motivate directors of the calibre that the Group needs to manage the Group successfully. To maximise the effectiveness of the remuneration policy, the remuneration package has been carefully aligned with industry practices while upholding shareholders' interests. The aim is to target an appropriate level of remuneration for managing the business in line with the strategy. The component parts of remuneration for the Executive Directors are structured so as to link rewards to corporate and individual performance. The NRC is responsible for reviewing and recommending to the Board, the policy and framework of the Directors' remuneration and the remuneration package for the Executive Directors. In recommending the Group's remuneration policy, the NRC may receive advice from external consultants. It is the ultimate responsibility of the Board to approve the remuneration of these Directors.

In the case of NEDs, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular NED concerned. The determination of the remuneration packages of NEDs (whether in addition to or in lieu of their fees as Directors), is a matter for the Board as a whole. Individual Directors do not participate in decisions regarding their own remuneration packages.

During the financial year under review, the Company had engaged an independent consultant to conduct a market comparison of the existing IHH NEDs fees with its peer groups comprising Malaysia-based large capitalisation ("cap") companies, Singapore-based large cap companies and regional healthcare large cap companies.

The NRC had reviewed the report prepared by the independent consultant and deferred the deliberation and decision-making with regard to the NEDs fees to the Board in view that the NRC is composed wholly of NEDs.

The Board has agreed to use market cap as the financial metrics to benchmark the NEDs fees as there is a very strong positive relationship between directors' fee and the company's market cap. Market cap includes other qualitative measures such as the status of the company's brands and reputation, the abilities of the company's management, its market position and potential growth, which would determine the price that investors are willing to pay for the company's stock.

Upon reviewing the report prepared by the independent consultant and at the recommendation of the Senior Management, the Board (save for the NEDs) has agreed to set the targeted fees to P65 of Malaysia-based large cap peers based on fees as a percentage of market cap at Group level.

The Board has also recommended for the shareholders to vote in favour of the Ordinary Resolution 7 to effect the proposed increment in the NEDs fees, as stipulated in the Notice of Seventh AGM, based on the following justifications:

- IHH has not revised its NEDs fee structure since its initial public offering exercise way back in 2012 despite the Company having grown its market cap by more than 100%. The proposed revision in NEDs fees also coincides with a 5-year period since the listing of IHH when the existing fees were first fixed;
- The proposed revision would align the IHH NEDs fees to P65 of Malaysia-based large cap peers based on fees as a percentage of market cap at Group level and increase IHH's capability to attract and retain top quality talents not only within the country but regionally to sit on IHH Board and Committees; and
- The proposed revision is commensurate with the increased duties and responsibilities undertaken by the NEDs in tandem with the increased coverage and footprint of IHH Group operationally.

# STATEMENT ON CORPORATE GOVERNANCE

The existing and proposed NEDs fees are summarised below:

| Structure | Chairman (RM per annum) | | Member (RM per annum) | |
|---|---|---|---|---|
| | Existing | Proposed | Existing | Proposed |
| Board of Directors | - | - | 220,000 | 285,000 |
| Audit & Risk Management Committee | 120,000 | 150,000 | 80,000 | 100,000 |
| Nomination & Remuneration Committee | 60,000 | 90,000 | 40,000 | 60,000 |
| Steering Committee | 60,000 | 90,000 | 40,000 | 60,000 |

The details of aggregate remuneration of Directors for the financial year ended 31 December 2016 are as follows:

| | Salaries RM'000 | Fees RM'000 | Bonus, Incentives & Others RM'000 | Benefits-in-kind RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| Executive Directors | 2,365 | – | 10,425 | 77 | 12,867 |
| Non-Executive Directors [1] | – | 2,140 | – | 7 | 2,147 |
| | | | | | |
| **Subsidiaries** | | | | | |
| Executive Directors | 2,832 | 1,487 | 16,346 | 166 | 20,831 |
| Non-Executive Directors [1] | – | 2,537 | – | – | 2,537 |
| | | | | | |
| **Group** | | | | | |
| Executive Directors | 5,197 | 1,487 | 26,771 | 243 | 33,698 |
| Non-Executive Directors [1] | – | 4,677 | – | 7 | 4,684 |

| Remuneration Band [2] | Company | | | Subsidiaries | | | Group | | |
|---|---|---|---|---|---|---|---|---|---|
| | Executive | Non-Executive | Total | Executive | Non-Executive | Total | Executive | Non-Executive | Total |
| Less than RM50,000 | – | – | – | – | 2 | 2 | – | 2 | 2 |
| between RM50,001 and RM100,000 | – | 1 | 1 | – | – | – | – | – | – |
| between RM100,001 and RM150,000 | – | – | – | – | 1 | 1 | – | – | – |
| between RM150,001 and RM200,000 | – | 1 | 1 | – | 2 | 2 | – | 1 | 1 |
| between RM200,001 and RM250,000 | – | 1 | 1 | – | – | – | – | 1 | 1 |
| between RM250,001 and RM300,000 | – | 1 | 1 | – | – | – | – | 1 | 1 |
| between RM300,001 and RM350,000 | 1 | 2 | 3 | – | – | – | – | 1 | 1 |
| between RM350,001 and RM400,000 | – | 2 | 2 | – | 1 | 1 | – | – | – |
| between RM400,001 and RM450,000 | – | – | – | – | 1 | 1 | – | – | – |
| between RM450,001 and RM500,000 | – | – | – | – | – | – | – | 1 | 1 |
| between RM500,001 and RM550,000 | – | – | – | – | – | – | – | 1 | 1 |
| between RM550,001 and RM600,000 | – | – | – | – | 1 | 1 | – | – | – |
| between RM700,001 and RM750,000 | – | – | – | – | 1 | 1 | – | 1 | 1 |
| between RM900,001 and RM950,000 | – | – | – | – | – | – | – | 1 | 1 |
| between RM1,000,001 and RM1,050,000 | – | – | – | – | – | – | – | 1 | 1 |
| between RM1,800,001 and RM1,850,000 | – | – | – | 1 | – | 1 | – | – | – |
| between RM2,100,001 and RM2,150,000 | – | – | – | – | – | – | 1 | – | 1 |
| between RM6,750,001 and RM6,800,000 | – | – | – | 1 | – | 1 | 1 | – | 1 |
| between RM12,200,001 and RM12,250,000 | – | – | – | 1 | – | 1 | – | – | – |
| between RM12,500,001 and RM12,550,000 | 1 | – | 1 | – | – | – | – | – | – |
| between RM24,750,001 and RM24,800,000 | – | – | – | – | – | – | 1 | – | 1 |
| **Total** | 2 | 8 | 10 | 3 | 9 | 12 | 3 | 11 | 14 |

[1] Fees for representatives of Pulau Memutik Ventures Sdn Bhd and MBK Healthcare Partners Limited on the Board are directly paid to Khazanah Nasional Berhad and Mitsui & Co., Ltd, respectively.

[2] Remuneration paid to the Directors of the Company includes salaries, fees, other emoluments including bonuses, EPF contributions, share-based payments and benefits-in-kind.

The Board is of the view that the transparency and accountability aspects of the MCCG as applicable to Directors' Remuneration are appropriately served by the "band disclosure" in accordance with the MMLR.

# REINFORCE INDEPENDENCE

## Board Composition and Balance

The Board members with their diverse academic qualifications, backgrounds and experiences enable the Board to provide clear and effective leadership to the Group and bring information and independent judgement to many aspects of the Group's strategy and performance, so as to ensure diversity and completeness in its deliberations.

The Board, as at the date of this Statement, consists of twelve members, comprising three Non-Independent Executive Directors including the Chairman, three Non-Independent Non-Executive Directors, four Independent Non-Executive Directors and two Alternate Directors. The present composition of the Board and the profile of each Director are set out in the Corporate Information and Profiles of Board of Directors on page 13 and pages 50 to 63 respectively of this Annual Report.

The number of Independent Directors complies with the MMLR, which states that at least two members or one-third of the Board shall be Independent Directors. The Board acknowledges and takes cognisance of the recommendations contained in the MCCG. Notwithstanding that the Board does not comprise majority Independent Directors where the Chairman is not an Independent Director as recommended in the MCCG, the Independent Directors are able to exercise strong independent judgement and provide independent views and advice to all Board deliberations. During the financial year, the Independent Directors have also challenged certain proposals and assumptions tabled during meetings and provided their independent viewpoints for the benefit of the Company. Their presence provides a check and balance in the discharge of the Board function. Independent Directors' views carry significant weight in all Board deliberations and decision-making. This represents a satisfactory alternative to the requirement of the recommended best practices of having the majority Board members to be Independent Directors where the Chairman of the Board is non-independent. All Independent Directors act independently of Management and are not personally involved in any business dealings of the Company. Neither are they involved in any other relationship with the Group that may impair their independent judgement and decision-making. None of the Independent Directors has exceeded a cumulative term of nine years.

The Company does not fix the term limits for Independent Directors as the Board believes that there are significant advantages to be gained from long-serving Independent Directors who not only possess tremendous insight but also in-depth knowledge of the Group's businesses and affairs. The Board opines that the long tenure may not impair the independence enforced by the annual assessment conducted on the Independent Directors. Furthermore, the sourcing for suitable candidates to assume the role as Independent Directors could be challenging taking into consideration, among others, the availability of talents, to meet the required mix of skills of the Board, etc. The Board however takes cognisance and would comply with the recommendations of the Code which state that the tenure of an independent director should not exceed a cumulative term of nine years, after which the said director may continue to serve on the board subject to the director's re-designation as a non-independent director or seek shareholders' approval in the event such director is to be retained as an independent director, with justification.

Tan Sri Dato' Dr Abu Bakar bin Suleiman ("Tan Sri Dato' Dr Abu Bakar"), our Non-Independent Executive Chairman, is positioned as an Executive Chairman of IHH given that he is the Executive Chairman of IMU Health Sdn Bhd, a direct wholly-owned subsidiary of IHH, which is a medical education arm of IHH Group overseeing the established higher learning institutions of International Medical College and International Medical University in Malaysia. Tan Sri Dato' Dr Abu Bakar has extensive experience in the medical and healthcare sectors which are tied to his qualifications and past experiences as the Director-General of Health and Director of Medical Services under the Ministry of Health in Malaysia. Tan Sri Dato' Dr Abu Bakar provides valuable input and insight for the improvement of the Group's operations in the areas including, but not limited to, medical and healthcare education, hospitals' smooth operations, healthcare IT, clinical risks, healthcare investment, healthcare talent and manpower resource planning. The Group could continue to leverage on the experience, qualification, background and know-how of Tan Sri Dato' Dr Abu Bakar to further enhance the Group's capabilities in the healthcare and medical education sectors.

The Board believes that its current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to govern the Group effectively. It also represents the ownership structure of the Company fairly, with appropriate representations of minority interests through the Independent Directors. Notwithstanding that, the Board will continuously identify suitable candidates to be appointed as Independent Directors of the Company as and when required, to enhance the independence of the Board.

## Division of Roles and Responsibilities between the Chairman and the MD & CEO

IHH recognises the importance of separating the roles of the Chairman and the MD & CEO. This is reflected in the division of their responsibilities which are clearly set out in the Board Charter. The distinct and separate roles of the Chairman and the MD & CEO, with a clear division of responsibilities, ensures a balance of power and authority, such that no one individual has unfettered powers of decision-making. The Board views that the division of duties and responsibilities between the Chairman and MD & CEO represents the practical alternative of compliance with the recommended practice by MCCG requiring the Chairman of the Board to be a NED.

The Chairman leads the Board with a keen focus on governance and compliance. In turn, the Board monitors the functions of the Board Committees in accordance with their respective TOR to ensure its own effectiveness, while the MD & CEO manages the business and operations of the Company and implements the Board's decisions. By virtue of the MD & CEO's position as a Board member, he also acts as the intermediary between the Board and Senior Management.

## Senior Independent Non-Executive Director

The Chairman of the NRC is also the Senior Independent Non-Executive Director, to whom concerns from the other Directors, public or investors may be conveyed. Inquiries or complaints about decisions or actions taken by the Group should be addressed to the Senior Independent Non-Executive Director via email at sid@ihhhealthcare.com.

# FOSTER COMMITMENT

## Directors' Time Commitment

The Board meetings for each financial year are scheduled before the end of the preceding financial year. This enables the Directors to plan ahead and fit the year's meetings into their own schedules.

The Board meets on a scheduled basis every quarter of the year. When the need arises, additional or Special Board meetings will be convened when warranted by situations such as to deliberate urgent corporate proposals or matters that require the expeditious direction of the Board. In the intervals between Board meetings, for exceptional matters requiring urgent Board decision, Board's approvals are sought via circular resolutions, which are supported with sufficient information required to make an informed decision.

The Board currently endeavours to hold at least one of its quarterly meetings in each financial year at one of the Group's operating entities, to accord the Board members with better understanding as well as first-hand experience of the Group's operational facilities. In August 2016, the Board, the ARMC and the NRC had held their respective meetings at Gleneagles Medini, a newly opened facility in Johor Darul Takzim, Malaysia.

# STATEMENT ON CORPORATE GOVERNANCE

The Board has not determined the expectations on time commitment for its members. However, the Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of IHH. Besides assuming the roles as Directors of IHH, most of the IHH Directors are also holding directorships and committee memberships in IHH's subsidiaries, which also hold their quarterly committee and board meetings to discuss matters concerning their respective operations. The summary of the directorships held by the IHH Directors in IHH major OpCos is tabulated below:

| Directors | Entities | | |
|---|---|---|---|
| | Parkway Pantai Limited and Group | Acibadem Saglik Yatirimlari Holding A.S. and Group | IMU Health Sdn Bhd and Group |
| Tan Sri Dato' Dr Abu Bakar bin Suleiman | | | √ |
| Dato' Mohammed Azlan bin Hashim | √ | √ | |
| Dr Tan See Leng | √ | √ | √ |
| Mehmet Ali Aydinlar | √ | √ | |
| Bhagat Chintamani Aniruddha | √ | √ | |
| Chang See Hiang | √ | | |
| Rossana Annizah binti Ahmad Rashid | √ | √ | |
| Shirish Moreshwar Apte | √ | √ | |
| Koichiro Sato | √ | √ | |
| Quek Pei Lynn | √ | | √ |

During the financial year under review, the Board met seven times. The details of the attendance of the Board members are as follows:

| Directors | Designation | Total Meetings Attended |
|---|---|---|
| Tan Sri Dato' Dr Abu Bakar bin Suleiman | Chairman, Non-Independent Executive Director | 7/7 |
| Dato' Mohammed Azlan bin Hashim | Deputy Chairman, Non-Independent Non-Executive Director | 7/7 |
| Dr Tan See Leng | Managing Director and Chief Executive Officer, Non-Independent Executive Director | 7/7 |
| Mehmet Ali Aydinlar | Non-Independent Executive Director | 5/7 |
| Satoshi Tanaka | Non-Independent Non-Executive Director | 7/7 |
| YM Tengku Dato' Sri Azmil Zahruddin bin Raja Abdul Aziz *(Resigned on 23 September 2016)* | Non-Independent Non-Executive Director | 3/4 |
| Bhagat Chintamani Aniruddha *(Appointed on 23 September 2016)* | Non-Independent Non-Executive Director | 3/3 |
| Chang See Hiang | Senior Independent Non-Executive Director | 7/7 |
| Rossana Annizah binti Ahmad Rashid | Independent Non-Executive Director | 7/7 |

| Directors | Designation | Total Meetings Attended |
|---|---|---|
| Kuok Khoon Ean | Independent Non-Executive Director | 7/7 |
| Shirish Moreshwar Apte | Independent Non-Executive Director | 7/7 |
| Takeshi Saito<br>*(Alternate Director to Satoshi Tanaka)*<br>*(Resigned on 1 April 2016)* | Non-Independent Non-Executive Director | 2/2 |
| Koichiro Sato<br>*(Alternate Director to Satoshi Tanaka)*<br>*(Appointed on 1 April 2016)* | Non-Independent Non-Executive Director | 5/5 |
| Quek Pei Lynn<br>*(Alternate Director to Bhagat Chintamani Aniruddha)*<br>*(Appointed on 23 September 2016)*<br>*(Alternate Director to YM Tengku Dato' Sri Azmil Zahruddin bin Raja Abdul Aziz)*<br>*(Resigned on 23 September 2016)* | Non-Independent Non-Executive Director | 6/7 |

The directorships of Directors of IHH in other public listed companies do not exceed the prescribed limits under the MMLR. This ensures that their commitment, resources and time are more focused and enables them to discharge their duties effectively. They should notify the Board within fourteen days upon accepting any new directorship.

## Directors' Training

The Board is constantly encouraged to attend programmes and seminars to keep abreast with the latest developments in the industry and marketplace.

During the financial year under review, the Directors participated in various programmes and forums, which they had individually or collectively considered as relevant and useful in contributing to the effective discharge of their duties as Directors.

The Company Secretary facilitates the organisation of internal and external programmes and Directors' attendance at such programmes and maintains details of the training attended by the Directors.

Koichiro Sato who was appointed as an Alternate Director to Satoshi Tanaka in the Company on 1 April 2016 and Bhagat Chintamani Aniruddha who was appointed as Non-Independent Non-Executive Director on 23 September 2016 had attended the Mandatory Accreditation Programme (MAP) on 1 - 2 June 2016 and 7 - 8 November 2016 respectively.

The Company had organised a tour for its Directors and Senior Management to Gleneagles Medini to coincide with the second quarterly meetings of the Company which were held in Johor Darul Takzim, Malaysia.

# STATEMENT ON CORPORATE GOVERNANCE

The training programmes attended by the Directors during the financial year ended 31 December 2016 included areas of corporate governance, risk management, sustainability, healthcare related matters, leadership and business transformation management, information technology, economics as well as regulatory compliance, the details of which are as follows:

| Directors | List of Training, Conferences, Seminars, Workshops Attended | |
|---|---|---|
| **Tan Sri Dato' Dr Abu Bakar bin Suleiman** | i. | Bengkel untuk Membangunkan Pelan Tindakan Industry Kesihatan Swasta |
| | ii. | Sustainability Reporting |
| | iii. | Corporate Governance Breakfast Series: Improving Board Risk Oversight Effectiveness |
| | iv. | Corporate Governance Breakfast Series: The Strategy, the Leadership, the Stakeholders and the Board |
| | v. | Forum on Reforms in Post Graduate Training |
| | vi. | Disruption: The New Norm |
| | vii. | Roundtable discussion on "Proposed draft of the Malaysian Code on Corporate Governance 2016" |
| | viii. | A roundtable meeting discussion on 30% women on Board of Top 100 Public Listed Companies by end 2016 |
| | ix. | Clinical Research Malaysia Phase 1 Educational Trial Workshop |
| | x. | Corporate Directors Onboarding Programme - Updates on Companies Bill 2015 and its Implications to Directors |
| | xi. | Medini Operations Tour |
| | xii. | Qualified Risk Director Programme 2016 – Series 5 (Evolving Expectations for Boards in ERM) |
| | xiii. | CG Breakfast Series with Directors: The Cybersecurity Threat and How Board Should Mitigate the Risks |
| | xiv. | Role of the Board in Healthcare Quality and Service |
| **Dato' Mohammed Azlan bin Hashim** | i. | Industry Trends Nano Technology Transport Solutions |
| | ii. | Briefing on Trans-Pacific Partnership Agreement: Benefits/Issue |
| | iii. | Sustainability Reporting |
| | iv. | Leadership Series: Sustainability Reporting |
| | v. | Medini Operations Tour |
| | vi. | Directors' Training - Companies Bill 2016 |
| | vii. | Fung Healthcare Leadership Summit 2016 |
| | viii. | Khazanah Megatrends Forum 2016 - Geography as Destiny |
| | ix. | Thought Leadership Lecture |
| | x. | Parkway Pantai Quality Summit 2016 |
| | xi. | Strategic Corporate Governance Training |
| | xii. | Role of the Board in Healthcare Quality and Service |

| Directors | | List of Training, Conferences, Seminars, Workshops Attended |
|---|---|---|
| **Dr Tan See Leng** | i. | Sustainability Reporting |
| | ii. | Gleneagles Hospital 18th Annual Seminar - GP & Specialist Forum |
| | iii. | CFE Thematic Discussion on City, Markets, Innovation, Jobs & Skills |
| | iv. | JP Morgan Asia Pacific CEO-CFO Conference |
| | v. | Fung Healthcare Leadership Summit 2016 |
| | vi. | Parkway Pantai Quality Summit 2016 |
| | vii. | Role of the Board in Healthcare Quality and Service |
| **Mehmet Ali Aydinlar** | i. | Sustainability Reporting |
| | ii. | The Future of Medicines in Health Systems: Implications for Policy and Research |
| | iii. | Medini Operations Tour |
| | iv. | Role of the Board in Healthcare Quality and Service |
| | v. | Big Data - Healthcare Sector |
| **Satoshi Tanaka** | i. | Sustainability Reporting |
| | ii. | The sustainability roundtable with Philippe Joubert |
| | iii. | ASEAN & Asia Forum |
| | iv. | Medini Operations Tour |
| | v. | Role of the Board in Healthcare Quality and Service |
| **Bhagat Chintamani Aniruddha** | i. | Mandatory Accreditation Programme |
| | ii. | Medini Operations Tour |
| | iii. | Role of the Board in Healthcare Quality and Service |
| **Chang See Hiang** | i. | Sustainability Reporting |
| | ii. | Medini Operations Tour |
| | iii. | Role of the Board in Healthcare Quality and Service |
| **Rossana Annizah binti Ahmad Rashid** | i. | Sustainability Reporting |
| | ii. | APHM International Healthcare Conference 2016 - Safe and Efficient Hospitals - Healthy Outcomes for both Patients and Shareholders |
| | iii. | Medini Operations Tour |
| | iv. | Role of the Board in Healthcare Quality and Service |
| | v. | TowerXchange Meetup Asia 2016 |
| **Kuok Khoon Ean** | i. | Sustainability Reporting |
| | ii. | Medini Operations Tour |
| | iii. | Role of the Board in Healthcare Quality and Service |
| **Shirish Moreshwar Apte** | i. | Sustainability Reporting |
| | ii. | Medini Operations Tour |
| | iii. | Role of the Board in Healthcare Quality and Service |

# STATEMENT ON CORPORATE GOVERNANCE

| Directors | List of Training, Conferences, Seminars, Workshops Attended | |
|---|---|---|
| **Koichiro Sato** *(Alternate Director to Satoshi Tanaka)* | i. | Mandatory Accreditation Programme |
| | ii. | Medini Operations Tour |
| | iii. | Role of the Board in Healthcare Quality and Service |
| | iv. | Lecture on "Future Hospital" |
| **Quek Pei Lynn** *(Alternate Director to Bhagat Chintamani Aniruddha)* | i. | Sustainability Reporting |
| | ii. | Medini Operations Tour |
| | iii. | Role of the Board in Healthcare Quality and Service |
| | iv. | Khazanah Megatrends Forum 2016 - Geography as Destiny |
| | v. | 12th Khazanah Global Lecture |

The Board, through the NRC had 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 as well as the Board Skills Matrix evaluation conducted on each individual Director. The Board was satisfied that the training attended by the Directors in year 2016 was 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.

## UPHOLD INTEGRITY IN FINANCIAL REPORTING

### Compliance with Applicable Financial Reporting Standards

The Directors continually strive to present a clear, balanced and understandable assessment of the Group's financial position, performance and prospects primarily through the audited financial statements, annual report and quarterly announcement of results to shareholders.

The Directors are responsible for ensuring that the financial statements prepared are drawn up in accordance with the provisions of the Companies Act 1965 and the applicable approved accounting standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Board assisted by the ARMC, oversees the financial reporting processes and the quality of the financial reporting by the Group. The quarterly financial results and audited financial statements were reviewed by the ARMC and approved by the Board before being released to Bursa Securities and Singapore Exchange Securities Trading Limited ("SGX").

The Directors' Responsibility Statement for the audited financial statements of the Company and the Group is set out in page 162 of this Annual Report. The details of the Company and the Group financial statements for financial year ended 31 December 2016 are presented from pages 164 to 336 of this Annual Report.

### Independence of External Auditors

Previously, IHH had an internal policy to perform a major review of external auditors by conducting a Request for Proposal ("RFP") every three years. The experience, capabilities, audit approach and independence of the audit firms are assessed by Management and recommended to the ARMC for appointment or re-appointment. Management had performed a formal RFP to select and appoint the Group external auditors, KPMG PLT, for a term of three years from the previous financial year ended 31 December 2014. Based on the ARMC's recommendation, the Board had agreed to extend the duration for the major review of the external auditors to every five years moving forward in line with market practice. The re-appointment of KPMG PLT as external auditors of the Group is still subject to satisfactory delivery of audit services and re-appointment on a yearly basis at each AGM.

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 re-appointment to the ARMC. All major non-audit services proposed by the auditors are presented to the ARMC to determine if auditors' independence will be compromised.

Additionally, the MD & CEO, the GCFO and the internal auditors would also assess the performance of the external auditors annually via the External Auditor Performance and Independence Checklist covering areas such as objectivity and independence, technical competence and ability, understanding of IHH Group's businesses and industry, resources assigned, capability of the engagement partner and engagement team as well as the ability to provide constructive observations, implications and recommendations in areas needing improvement, particularly with respect to the organisation's internal control system over financial reporting.

The duly completed External Auditor Performance and Independence Checklist would then be submitted to the ARMC for their reference. The ARMC would conduct an annual review and assessment in relation to the appointment and re-appointment of external auditors for statutory audit, recurring audit-related and non-audit related services. The objective of the review is to ensure that the independence and objectivity of the external auditors is not compromised. This annual review and assessment is carried out via an evaluation form covering areas such as calibre of the external audit firm, independence and objectivity, quality of the processes/performance, audit team, audit scope and planning, audit fees, audit communications and resources supported by the assessment conducted by relevant management members.

The external auditors, KPMG PLT, had provided a written confirmation to the ARMC that their firm, its engagement partner, engagement quality control reviewer and members of the audit engagement team are independent for the purpose of the audit of the consolidated financial statements of the Company for the financial year ended 31 December 2016, in accordance with the terms of relevant professional and regulatory requirements.

The Board and the ARMC maintain a formal and professional relationship with the external auditors. For the financial year under review, the ARMC had two meetings with the external auditors without the presence of Management, which encouraged a greater exchange of independent and frank views and opinions as well as dialogue between both parties. The external auditors were also invited to attend the meetings of the ARMC as well as the AGM of the Company to answer the queries that the shareholders may have on the conduct of the statutory audit and the contents of the audited consolidated financial statements of the Company.

# RECOGNISE AND MANAGE RISKS

## Risk Management

IHH recognises that risk is an integral and unavoidable consideration of doing its business. As business and operational risks cannot be wholly eliminated, IHH will continuously foster a high level of risk awareness and compliance culture across the Group.

The ARMC evaluates the risk management policies formulated by Management as well as the effectiveness of the mechanisms set in place to identify and mitigate risk. It then makes the necessary risk-related recommendations to the Board for approval. The ARMC is also responsible for ensuring that the appropriate systems are in place to identify and highlight areas of potential business or operational risk to the Group.

## Internal Audit

The Group has an independent internal audit function, reporting directly to the ARMC. The Group Internal Audit is guided by international standards and professional best practices of Internal Audit to enhance internal audit activities. 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 ARMC annually.

The Statement on Risk Management and Internal Control which provides an overview of the risk management framework and state of internal controls within the Company and the Group is set out on pages 142 to 147 of this Annual Report.

# ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

## Corporate Disclosure Policies and Procedure

As a publicly listed company, IHH's Management has the responsibility and is committed to disclose in a timely manner any and relevant information that may have an impact on the Group's share price so that investors can make informed investment decisions. All communications should take into account the recommendations contained in the MCCG and Singapore Code of Corporate Governance 2012, as well as disclosure obligations contained in the MMLR and Mainboard Rules of SGX, where applicable. Being primarily listed on Bursa Securities, the Group will comply with its disclosure obligations expressed in the MMLR and secondary listing obligations as imposed by SGX.

Management will make every effort to provide information that accurately and fairly represents the Group, its management, operations, and financial performance, as well as its future prospects to its shareholders, stakeholders and the general public. This commitment is underpinned by a proactive and interactive IR Programme that centres on effective and open two-way communication between the Group and all its stakeholders through various means, including the Group's corporate website, investor conferences and non-deal road shows across the globe, investor presentations, AGM and conference calls.

The Group will ensure that it reports IHH's financial results, operational performance and other material developments to the Stock Exchanges (Bursa Securities and SGX), analysts, investors, shareholders and other stakeholders in a timely, open and comprehensive manner.

All communications will be:

**Transparent**
Information will be released in a balanced and fair manner;

**Accurate**
Information should be complete and accurate when released; and

**Consistent and Timely**
All stakeholders will receive the same information through broad public dissemination, which is made as and when possible.

## Group Corporate Website

IHH's corporate website at www.ihhhealthcare.com provides comprehensive and quick access to latest information about the Group. The information on the website includes IHH's corporate profile, individual profiles of Directors and Senior Management, share information both in Bursa Securities and SGX, media releases, quarterly and annual financial statements, investor presentations, dividend policy, annual reports, Constitution, Board Charter, TOR of the Board Committees, corporate governance related policies, corporate news and IHH's global operations and major subsidiaries.

Visitors could also receive the latest IHH updates via email or RSS feed through the corporate website. In addition, stakeholders could obtain regulatory announcements made by IHH to Bursa Securities and SGX by clicking on the relevant link available in the corporate website.

Shareholders and investors can make inquiries about IR matters via a dedicated email address at ir@ihhhealthcare.com. The email address is made available on the IHH's corporate website.

## STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Transparency and accountability to all stakeholders are the key elements of good corporate governance. The fundamental objectives of transparency and accountability are clear communication, as well as relevant and comprehensive information that is timely and accessible by all stakeholders. In this respect, the Company is committed to providing a high standard of dissemination of relevant and material information on the development of the Group. The provision of timely and relevant information is principally important to the shareholders and investors for informed decision making particularly in periods of financial turbulence and extreme volatility in the market place.

### Annual General Meeting

The Company regards the AGM as the principal platform for direct two-way dialogue between private and institutional shareholders with the Board and Management of the Group. The Group aims to ensure that the AGM provides an important opportunity for effective communication with and obtain constructive feedback from the Company's shareholders. Before proceeding with the agenda of the AGM, the MD & CEO would present to the shareholders the operational and financial performance of the Group during the year under review to accord shareholders with better understanding on their investment.

Shareholders are encouraged to participate in the proceedings and ask questions on the operations of the Group and on any resolutions being proposed. The Chairman as well as the MD & CEO will provide sufficient time for shareholders' questions on matters pertaining to the Group's performance and seek to explain concerns raised by the shareholders.

Additionally, the queries by the Minority Shareholder Watchdog Group (MSWG) on IHH's business or other pertinent governance issues raised prior to the meetings as well as IHH's feedback is shared with all shareholders during the AGM. The results of the voting of each resolution are also immediately announced to the shareholders in the AGM after the voting process.

The Notice and agenda of AGM together with the Form of Proxy are given to shareholders at least twenty-one days before the AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to 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 issues involved.

### Poll Voting

The shareholders present in person or by proxy have the right to demand for poll voting before or upon the declaration of the results of a show of hands at the general meetings pursuant to Article 93(1) of the Company's Constitution.

Article 93(1) provides that a resolution put to vote at any general meeting of the Company shall be determined by a show of hands of the members present in person or by proxy, unless a poll is demanded (before or upon the declaration of the result of a show of hands):

a. by the Chairman of the meeting;
b. by at least two members present in person or by proxy;
c. by any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
d. by a member or members holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The Chairman has during the AGM highlighted to shareholders their right to demand for a poll vote. At the Sixth AGM of the Company held on 27 May 2016, no substantive resolutions were put forth for shareholders' approval. As such, the resolutions put forth for shareholders' approval at the Sixth AGM were voted on by a show of hands, in view that no shareholders present had demanded for a poll vote.

Moving forward, all the resolutions intended to be moved at the Company's general meeting would be voted by poll in line with Paragraph 8.29A of the MMLR. The Company would appoint at least one independent scrutineer to validate the votes cast at the general meeting. The results of the poll vote would be announced during the general meeting by the Chairman of the meeting to determine whether the resolutions tabled were carried or vice versa. The Company intends and will endeavour, wherever possible, to conduct electronic poll voting for all resolutions at its general meetings.

### Communication with Shareholders and Stakeholders

The Company has a dedicated IR and Corporate Communications Department which maintains active dialogue with key institutional investors and analysts, as well as answers queries from shareholders. The Board has endorsed the IR policy which aims to enforce IHH's commitment to maintain effective and fair communications to the shareholders and stakeholders by updating them of material developments and providing a guideline of processes and procedures upon which IHH can successfully implement its IR program.

The IR program is conducted throughout the year to ensure that a series of planned activities are implemented to communicate IHH's strategy, operational performance, financial results and other material developments to the Stock Exchanges (Bursa Securities and SGX), analysts, investors, shareholders and other stakeholders in a timely, open and comprehensive manner.

The Group's Investor Relations Policy is available on the Company's website at www.ihhhealthcare.com.

## COMPLIANCE STATEMENT

While sound corporate governance practices and strong internal controls are already in place within IHH, we believe there is always room for improvement and are continuously exploring new measures and opportunities to enhance our system of governance and meet stakeholder expectations. By ensuring we understand and fulfil the evolving needs of our stakeholders, we are committed to continuous strengthening of IHH's position and reputation as a key healthcare provider and to bolstering the Group's efforts to compete effectively in the global arena.

The Board has reviewed, deliberated upon, and approved this Statement on Corporate Governance in line with the principles and recommendations of the MCCG. This Statement is made in accordance with the resolution of the Board dated 27 March 2017.

# INVESTOR RELATIONS REPORT

## OUR COMMITMENT TO EFFECTIVE SHAREHOLDER ENGAGEMENT

### IHH ACKNOWLEDGES THE IMPORTANCE OF ACTIVELY ENGAGING WITH ITS SHAREHOLDERS. THE GROUP BELIEVES THAT STRONG, CLEAR AND CREDIBLE COMMUNICATION WILL FOSTER CONFIDENCE AND A BETTER UNDERSTANDING OF OUR BUSINESS TO MAXIMISE SHAREHOLDER VALUE.

The Company has dedicated Investor Relations and Corporate Communications Departments, which enable IHH to proactively engage and maintain its ongoing engagement with shareholders and the wider financial and investment community. We achieve this through active dialogue and by leveraging on strategic communication platforms to provide comprehensive insights into the Group's strategic developments, financial performance and material business updates.

We engage with shareholders in a timely and consistent manner across multiple platforms: through our annual reports and Annual General Meeting, as well as disclosures and material announcements on Bursa Malaysia Securities Berhad ("Bursa Malaysia") and Singapore Exchange Limited ("SGX"). The Group's Investor Relations function provides a direct channel to further build on relationships between the Group and its shareholders in Malaysia and the international arena.

Members of our Senior Management are directly involved in the Group's investor relations activities, through periodic investor roadshows and briefings both locally and abroad with financial analysts, institutional shareholders as well as fund managers. With the active involvement of Senior Management, the investment community is assured of views and information pertaining to the Group that is relevant, accurate and timely. Separate media and analysts briefings are also conducted when the Group's quarterly results are released.

The Board has endorsed the Investor Relations Policy, which aims to enforce IHH's commitment towards maintaining effective communications to our shareholders and stakeholders. The Policy mandates that the Group update its 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 provides shareholders access to key information about the Group. Up-to-date information relating to IHH's corporate profile, Senior Management profiles, share information on both Bursa Securities and SGX, financial results, dividend policy, annual reports, press releases, investor presentations, Annual General Meeting and corporate governance-related policies are made available on the corporate website. Our Investor Relations team ensures that the investor relations section of the website remains up-to-date with the latest Group disclosures. Any queries or concerns regarding the Group can be directed to the Investor Relations Department at ir@ihhhealthcare.com.

## Analyst Briefings for Quarterly Results Announcement

In 2016, IHH's Senior Management organised four analyst briefings and one media briefing to discuss and communicate the Group's quarterly financial results with stakeholders. This was on top of our timely announcements to Bursa Malaysia and SGX. Recordings of these conference calls and all material relating to the results announcements were uploaded to the Group's corporate website. The material included:

- A press release with key operational and financial highlights for the quarter;
- A set of presentation slides with further operational and financial information; and
- A recording of the briefing for on-demand playback.

# INVESTOR RELATIONS REPORT

## Table of Key Events

| Key Events | 2016 | 2015 | 2014 |
|---|---|---|---|
| Quarterly Results Announcement: Teleconference & Webcast | 4 | 4 | 4 |
| Investor Conferences & Non-deal Roadshows | 12 | 18 | 17 |
| Number of Analysts/fund managers met (in-house, conference calls and road shows) | 443 | 591 | 436 |

## Conferences and Roadshows

In 2016, IHH participated in 12 investor conferences and roadshows, where our Senior Management and Investor Relations team met with shareholders and investors to provide updates on the Group's strategy, latest quarterly operational and financial performance, as well as business outlook. Our Senior Management also used these meetings with investors and analysts to solicit their perceptions of the Group to help shape the Group's engagement plans.

| Dates (2016) | Conference Names | Location | Organisers |
|---|---|---|---|
| 3 Mar | CIMB Post-Results Luncheon | Singapore | CIMB Securities Ltd |
| 7-9 Mar | Credit Suisse London/ Edinburg NDR | London, Edinburg | Credit Suisse |
| 14-18 Mar | Morgan Stanley US NDR | New York, Boston, San Francisco | Morgan Stanley |
| 24 Mar | CIMB Post-Results Luncheon | Kuala Lumpur | CIMB Securities Ltd |
| 5-6 Apr | Credit Suisse Asia Investment Conference | Hong Kong | Credit Suisse |
| 13 Apr | MayBank Invest Malaysia 2016 | Kuala Lumpur | Maybank Kim Eng Securities |
| 7-8 June | Nomura Investment Asia Forum | Singapore | Nomura Securities |
| 7-8 Sept | JPM Asia CEO-CFO Conference | New York | JP Morgan Securities (Malaysia) Sdn Bhd |
| 20-21 Sept | CLSA Investor Forum | Hong Kong | CLSA Singapore Pte Ltd |
| 23-Sept | SGX/DBS Vickers Corporate Day | Singapore | DBS Vickers Securities |
| 26-27 Sept | Daiwa Malaysia Corporate Day | Tokyo | Daiwa House Malaysia Sdn Bhd |
| 6 Oct | UBS ASEAN Healthcare Day | Singapore | UBS Securities Malaysia Sdn Bhd |

## Analyst Coverage

27 analysts provided sell-side coverage in 2016.

| Analyst Coverage | |
|---|---|
| 1 Affin Securities Sdn Bhd | 15 K&N Kenanga Holdings Bhd |
| 2 AmInvestment Bank Berhad | 16 M & A Securities Sdn Bhd |
| 3 Bank of America Merrill Lynch Global Research | 17 Macquarie Securities Ltd |
| 4 BIMB Securities Sdn Bhd | 18 MIDF Amanah Investment Bank Bhd |
| 5 CIMB Securities Pte Ltd | 19 Nomura Securities Co Ltd/Tokyo |
| 6 CLSA Singapore Pte Ltd | 20 Maybank Kim Eng Securities |
| 7 Citigroup Global Markets Asia | 21 Morgan Stanley |
| 8 Credit Suisse Holdings USA Inc | 22 Public Investment Bank |
| 9 DBS Vickers Securities | 23 RHB Research Institute Sdn Bhd |
| 10 Deutsche Bank AG/Hong Kong | 24 Sanford C. Bernstein |
| 11 Goldman Sachs India Sec Pte Ltd | 25 TA Securities Holdings Bhd |
| 12 Hong Leong Investment Bank Bhd | 26 UBS Securities Malaysia Sdn |
| 13 J.P. Morgan Securities (Malaysia) Sdn Bhd | 27 UOB Kay Hian Pte Ltd |
| 14 KAF Seagroatt & Campbell Sec Sdn Bhd | |



# 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 for reviewing 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 and Risk Management Committee ("ARMC"), which consists of three Independent Non-Executive members of the Board. The Board, through the ARMC, maintains risk oversight within the Group to ensure that the implementation of the approved policies and procedures on risks and controls are 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.

Each major operating subsidiary has its own ARMC, functioning in the equivalent manner, which directly reports to the Group's ARMC or the Board.

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 Company's assets; and

(iv) Effective and efficient utilisation of Company's resources.

For the year ended 2016, The Board is of the view that the present system of internal control is adequate and has been adhered to the best of its ability. The opinion is based on the following key internal controls practiced:

### 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.

## Budgets and Performance Monitoring

Annual Budgets are prepared by the major operating subsidiaries and approved by their respective Boards and 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 are 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 as well as provides leverage on 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 and 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 Occupational Safety and Health Act. Quality audits are also conducted by the Quality Assurance function within the hospital and by the Group Accreditation, Standards, 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 occurring.

# CLINICAL GOVERNANCE

In its quest to maintain an exemplary level of clinical quality amongst IHH Group member hospitals, the Board of Directors has established an independent high level committee to drive this objective. The International Clinical Governance Advisory Council ("the Council"), was set up as an advisory board which acts as the key driver for the clinical quality and continuous quality improvement initiatives of the IHH Group. It provides thought leadership and serves as the advisory body for each major operating subsidiary's patient safety, clinical quality training, education and related activities, all of which serve to enhance IHH's position as a premier healthcare institution for the long-term.

The Council held its inaugural council meeting in Singapore in February. The Council sought to lay some foundations for four main areas of clinical governance, namely clinical risk management advisory, quality assurance and quality improvement, professional development and management, as well as a culture of improvement and patient safety. The Council also initiated several projects which included improvements to Emergency Department triage protocols, studies on Root Cause Analysis and Adverse Events, and a review of informed consent protocols across selected Operating entities. The progress of these activities was highlighted at the Council's second meeting in August.

The Council comprises the following members:

1. Dr Joseph Sheares, Cardiothoracic Surgeon, Mt Elizabeth Hospital, Singapore.

2. Dr Ross Wilson, CEO, Health and Hospitals Corporation, and Senior Vice President and Chief Medical Officer at the New York City Health and Hospitals Corporation of New York, USA.

3. Tan Sri Datuk Dr K. Ampikaipakan, Consultant Respiratory Physician at Pantai Hospital, Kuala Lumpur.

4. Dr Erdal H Akalin, Independent Academic Consultant, Istanbul, Turkey.

The Council has developed a work plan for the current three-year time period to guide the targeted activities.

## CONTROL ENVIRONMENT

The operating structure includes defined delegation of responsibilities to 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 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 the assumption of certain business and operational risks is an integral and unavoidable component of its business. The Group works on fostering a risk awareness and ownership culture across the operating companies. Through skilled application of high quality, integrated risk analysis and management, the Group continues to work on strengthening our core service offerings, minimising unfavourable business conditions and sustaining its competitive advantage. The Group is committed to an effective system of enterprise risk governance which provides for sound and prudent management of the organisation in meeting the business goals and objectives within an acceptable level of risk. 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 such goals and objectives are minimised.

The Board ERM governance structure is in place at each major subsidiary. Each major subsidiary's ARMC, supported by the Risk Management function, receives updates on its ERM framework including material risks, emerging risks, key risk exposures and risk mitigation plans. These updates are consolidated and analysed for monitoring and reporting to the Group's ARMC on a quarterly basis.

Our Risk Management Framework encompasses practices relating to the identification, assessment and measurement, response and action, as well as monitoring and reporting of the strategic, external and operational control risks pertinent to achieving our key business objectives.


### Establish the context

- Understand business strategy & objectives
- Review business environment
- Understand the risk acceptance criteria
- Identify critical business processes

### Evaluate-Response-Monitor ("E-R-M") process

For the year ended 31 December 2016, the major risk management activities undertaken during the year were as follows:

- Reviewed the adequacy and effectiveness of the risk control processes and risk reporting systems;
- Conducted an Annual Risk Review across the operating entities of the Group, to refresh and review the top and emerging risks facing the Group;

- Organised risk forums for the Singapore and Malaysia operating subsidiaries to create greater awareness of current risk trends and emerging pandemic risks, including current developments in medical malpractice legal development;

- Assisted the Malaysian operating subsidiary to set up the Malaysian Clinical Advisory Council ("MCAC") and establishing terms of reference emphasising an increase in the standards of clinical governance oversight relating to clinical quality activities in Malaysia;

- Commenced a system of reporting medical malpractice cases, particularly those which are reported to insurers and/or litigated; to enhance oversight by the ARMC;

- Assisted the Special Security Steering Committee of a major operating subsidiary, to provide strategic direction and security vigilance oversight across our operations (done through quarterly meetings to assess security risks and develop action plans at the country-level to enhance security measures across all facilities);

- Participated in the cybersecurity workgroup led by the Group Chief Information Officer to strengthen the Group's Cyber & IT Security Framework, adopting a Zero Trust model, Defence-in-Depth protection and Cyber Resilience strategy to ensure uncompromised confidentiality, integrity and availability of our mission-critical information assets;

- Conducted a group-wide scan of the fire risk management protocols and control environment for a major operating subsidiary to assess the state of preparedness of fire perils and adequacy of internal controls; and

- Carried out ad-hoc assignments requested by Senior Management.

## 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 reporting directly to the ARMC. 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 reporting line to their respective Board's ARMC. 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. Group IA will also perform ad-hoc audits and investigations requested by the ARMC 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 ARMC annually.

Group IA highlights significant gaps identified in governance, risk management and control, makes recommendations for improvements and tables management action plans to the ARMC through audit reports and during its quarterly ARMC meetings. 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 ARMC meetings.

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.

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:

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

For the year ended 31 December 2016, 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, accounts receivable), procurement and inventory, capital and operating expenditure of hospitals, clinics and ancillary departments within the Group;
- Conducted Information Technology ("IT") audits, risk assessment, 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 major units comply with the requirements and any non-compliances were highlighted to Management for remediation;
- Witnessed the tendering process for procurement of services or assets of the Group 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 ARMC 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.

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, 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 policy 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 through various board committees established at operating subsidiaries i.e. ARMC, Nomination & Remuneration Committee and other committees, each with clear Terms of Reference and appropriate limits of authority.

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 operational divisions are to submit to the Group CEO updates pertaining to clinical/medico-legal cases, IT and hospital development projects and business matters, HR matters, financial performance and analysis, group target savings as well as the outlook for the business and strategic projects. This 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. The development of any potential medico-legal cases are tracked and reported to Senior Management and the Board on a monthly basis and to the ARMC on a quarterly basis. Any significant risk exposures or trends in terms of incident type or case categorisation are highlighted to the Board/ ARMC quarterly;

7. Country-specific insurance policies relating to workforce compensation, property damage and equipment breakdown, third party liability, professional indemnity and medical malpractice liability, are procured to meet the local regulatory requirements and business requirements of the operational divisions;

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, compliance controls to the ARMC or the Board. In addition, on an annual basis, the external auditors perform statutory audit and report financial controls relevant to the statutory audit to the ARMC; 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 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.

The Group's system of risk management and internal controls does not cover associates and joint ventures.

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. No material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's system of internal control that would require separate disclosure in the Group's Annual Report. 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.

## 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 Recommended Practice Guide ("RPG") 5 (Revised 2015), 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 2016, and reported to the Board that nothing has come to their attention that cause 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.

RPG 5 (Revised 2015) 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.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

**The Audit and Risk Management Committee ("ARMC") was established on 18 April 2012 in line with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").**

## ROLES OF THE ARMC

The ARMC is primarily to assist the Board in fulfilling its 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 risk management processes, and in maintaining oversight of both external and internal audit functions for the Group on behalf of the Board.

The ARMC is a Board delegated committee and 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 2012, the MMLR 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 ARMC. The TOR was last reviewed and approved for adoption by the Board in May 2016 and the necessary amendments had been incorporated therein. The TOR of the ARMC is accessible for reference on the Company's website at www.ihhhealthcare.com.

In carrying out its duties and responsibilities, the ARMC has the following authorities:

- 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 ARMC;

- Have direct communication channels with the external auditors and internal auditors, and also to engage with the Senior Management on a continuous basis, such as the Chairman, the Managing Director and the Chief Financial Officer ("CFO") of the Group and its operating subsidiaries 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 ARMC; and

- Authorise the ARMC Chairman for the time being to carry out the ARMC's responsibilities as required under the Whistleblower Policy and Procedures for the Group.

## COMPOSITION AND MEETINGS

The ARMC is comprised exclusively of Independent Non-Executive Directors and no Alternate Director is being appointed as a member of the ARMC. The ARMC members come from diverse backgrounds with extensive experience in banking, finance, legal practice and corporate governance issues. The composition of the ARMC is in compliance with Paragraph 15.09(1) of the MMLR.

The composition of the ARMC during the year under review remains the same as in the previous year. The Board believes that the existing ARMC composition provides the appropriate balance in terms of skills, experience, gender and knowledge to ensure the effective functioning of the ARMC. Based on the analysis/findings of the performance evaluation of the ARMC and its individual ARMC members by the Nomination and Remuneration Committee, the Board is satisfied that the ARMC has consistently performed well during the financial year and discharged their duties and responsibilities satisfactorily in upholding the integrity of financial reporting and managing risks in accordance with its TOR. The ARMC members have sound judgement, objectivity, independent attitude, professionalism, integrity, knowledge of the industry and are financially literate.

During the financial year under review, the ARMC held six meetings in total, out of which four were quarterly meetings, one meeting to review the audited consolidated financial statements of the Company and Group for the financial year ended 31 December 2015, while the remaining one meeting was held to deliberate urgent ad-hoc matters. The composition of the ARMC 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 | 6/6 |
| Chang See Hiang (Member) | Senior Independent Non-Executive Director | 6/6 |
| Shirish Moreshwar Apte (Member) | Independent Non-Executive Director | 6/6 |

The ARMC meetings were attended by the Managing Director & Chief Executive Officer ("MD & CEO"), Group Chief Financial Officer ("GCFO"), Group Head, Internal Audit, Group Head, Risk Governance together with other members of the Senior Management and the external auditors, upon invitation, to brief the ARMC on pertinent issues. Senior Management are also invited to brief and provide clarification to the ARMC on their areas of responsibility for specific agenda items to support detailed discussions during the ARMC meetings.

The external auditors also attended and briefed the ARMC on matters relating to external audit at five ARMC meetings held during the financial year and provided a high level review of the financial position of the Group at the meetings.

Minutes of the ARMC meetings would be circulated to all members for comments and extracts of the decisions made by the ARMC would be escalated to the relevant process owners for action. At the Board meetings, the Chairman of the ARMC would provide a report, highlighting significant points of the decisions and recommendations made by the ARMC to the Board and matters reserved for the Board's approval.

## SUMMARY OF ACTIVITIES

During the financial year, the ARMC had carried out the following key activities:

### Financial Reporting

(a) 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. The reviews serve to ensure that IHH's financial reporting and disclosures present a true and fair view of the Company's financial position and performance and is in compliance with the MMLR and applicable accounting standards in Malaysia;

(b) Reviewed the results, reported issues arising from the annual statutory audit by the external auditors, 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 2015;

(c) Reviewed and made recommendations to the Board for approval, the annual consolidated audited financial statements of the Company and the Group for the financial year ended 31 December 2015 to ensure that it presented a true and fair view of the Company's financial position and performance for the year and compliance with regulatory requirements;

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

(d) Reviewed with the external auditors, their audit plan and strategy for the financial year ended 31 December 2016, outlining among others, the audit scope, methodology and timing of audit, audit materiality, audit focus areas, other audit findings and fraud risk assessment;

(e) Reviewed the revaluation of investment properties of the Group which was undertaken by Management to ensure that the current market value of the investment properties was in compliance with MFRS140: Investment Property;

(f) Advised Management on the improvements to be made to the evaluation and reporting processes with regard to all merger and acquisition transactions and any accounting treatments;

## External Auditors

(g) Evaluated the performance of the external auditors for the financial year ended 31 December 2015 covering areas such as 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 supported by the assessment conducted by relevant management members on the experience and opinions of the firm, independence and objectivity, quality of the processes/performance. The ARMC 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 2016;

(h) Reviewed 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 2016;

(i) Met with the external auditors at least 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 system of internal controls and assistance given by the Group's employees to facilitate their audit work;

## Internal Audit

(j) Reviewed and approved the 2016 internal audit plan to ensure that there is adequate scope and comprehensive coverage over the activities of IHH Group and 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;

(k) Reviewed the internal audit reports issued by the internal audit function of the major operating companies ("Major OpCos") during the year and presented at quarterly ARMC meetings;

(l) Monitored the implementation of 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;

(m) Met with the Group Head, Internal Audit twice without the presence of the Executive Directors and Management during the year under review to obtain feedback on the audit activities, audit findings, recommendations and management action plan;

(n) 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;

(o) Assessed and interviewed the potential candidates to be appointed as the Head of Internal Audit of India Operations Division to oversee the Group's fourth home market, i.e. India, following the acquisition of Ravindranath GE Medical Associates Private Limited and Continental Hospitals Private Limited by the Group in 2015;

## Enterprise Risk Management

(p) Reviewed the Group's consolidated Enterprise Risk Management ("ERM") reports including the Major OpCos ERM reports which covered the Group's ERM governance reporting status, risk profile, key highlights and key actions tracker 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;

(q) Reviewed the reports pertaining to cyber security prepared by the Group Risk Management team in joint collaboration with the information technology ("IT") team which covered, among others, identification of "hot spots", cyber security tender coverage, implementation of cyber security threat countermeasure components and technical risk assessment resolution aiming to identify and mitigate any potential cyber threat which may impact the Group's IT system;

(r) Reviewed the compliance update pertaining to the integration of sustainability into the Group's ERM broad framework in adherence to the Sustainability Reporting Guide issued by Bursa Securities. This process is aimed at assisting to identify, review and prioritise material economic, environmental and social risks and opportunities based on its significance and importance to the Group's stakeholders and businesses;

## Regulatory and Clinical Compliance

(s) Reviewed the Regulatory and Clinical Compliance reports which encompassed the following activities:

 (i) an enterprise-wide scan on all feedback related policies and procedures aiming to assess the overall integrity of the feedback channels of Malaysia Operations Division ("MOD") and Singapore Operations Division ("SOD");

 (ii) reporting on clinical incidents of MOD, SOD and Acibadem Saglik Yatirimlari Holding A.S. Group to facilitate the assessment of the reputational and financial risks as well as the overall impact to the Group, pandemic or infectious diseases and monitoring the outcomes of unusual clinical incidents;

 (iii) International Clinical Governance Advisory Council's interim reports on matters related to clinical governance across the Group including but not limited to the establishment of the Clinical Dashboard to accord the Board with better understanding of the performance of the hospitals with regard to patient safety and quality improvement as well as the progress report on the activities undertaken within the four workstreams identified;

## Related Party Transactions and Recurrent Related Party Transactions

(t) Reviewed and recommended to the Board for approval, the related party transaction proposal submitted by Management to ensure that the transaction is undertaken in the best interest of the Company, fair, reasonable and on normal commercial terms as well as not being detrimental to the interest of the minority shareholders;

(u) Monitored the thresholds of the related party transactions and recurrent related party transactions to ensure compliance with the MMLR;

## Verification of the Allocation of Long Term Incentive Plan ("LTIP") units, Equity Participation Plan ("EPP") options and Enterprise Option Scheme ("EOS") options

(v) Verified the allocation and movement of LTIP units, EPP options and EOS options respectively for the year 2015 to ensure that it had been carried out consistently according to the approved criteria and matrix stipulated in the respective Bye Laws of LTIP, EPP and EOS;

## Other Activities

(w) Reviewed and recommended to the Board for approval, the ARMC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2015;

(x) Monitored the progress of the implementation of the new IT system and platform throughout the Group and assessed the post implementation review report prepared by an independent party engaged to ensure smooth and successful implementation of the new system and platform;

(y) Reviewed the IT roadmap of a Major OpCo which outlined the high level IT strategy initiatives from 2015 – 2020 to move the hospitals' IT system into the upper quadrant in terms of degree of business processes harmonisation and adoption of digital health IT with the objective of enhancing the technology as well as the capability of the organisation;

(z) Assessed and made recommendation on the Group procurement process to ensure that fair and equitable processes had been followed and maximum synergies to be extracted therefrom in terms of financials, administration, etc.;

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

(aa) Reviewed the Group debt and cash position on a quarterly basis (including the treasury and foreign exchange management) for IHH and its subsidiaries to assess the various financial ratios, debt headroom of each of the Major OpCos, projected capital expenditure and funding status 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;

(bb) Reviewed and recommended to the Board for approval, the proposed revision to the Limits of Authority of a Major OpCo which were intended to improve the overall culture of quality, responsibility and consistency within that particular Major OpCo, to enhance the internal governance as well as to facilitate and expedite the decision making process especially when dealing with urgent issues and transactions;

(cc) Reviewed, approved and/or recommended to the Board for approval, amendments and revisions to the existing policies of the Company and Group within the purview of the ARMC to ensure that the policies adopted are in parallel with market practice, developments of the rules, regulations, guidelines, best practices issued and recommended by the relevant regulatory authorities and to ensure operational efficiency;

(dd) Reviewed the summary report of 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;

(ee) Undertaken an annual assessment on the ARMC's composition, performance, quality, skills, competencies and effectiveness as well as their accountability and responsibilities; and

(ff) Evaluated the performance of the GCFO of the Company to ensure that the CFO has the character, experience, integrity, competence and time to effectively discharge his role as the CFO of the Company.

Subsequent to the financial year ended 31 December 2016, the ARMC carried out the following duties:

(a) Reviewed the internal audit and risk governance work plans for the financial year ending 31 December 2017;

(b) Reviewed the results as well as reported issues 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 2016;

(c) Reviewed the Annual Consolidated Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2016 and made recommendations to the Board for approval;

(d) Reviewed the areas of focus highlighted by the external auditors in relation to the statutory audit for the financial year ended 31 December 2016;

(e) Evaluated the GCFO and internal auditors in connection with their performance for the financial year ended 31 December 2016;

(f) Considered the re-appointment of external auditors for the ensuing year upon reviewing the suitability and independence of the external auditors. The ARMC had 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 2016;

(g) Confirmed and verified the allocation and movement of LTIP units and EOS options respectively for the year 2016 to ensure that it had been carried out according to the criteria and matrix stipulated in the LTIP and EOS Bye Laws;

(h) Reviewed the ARMC Report as well as Statement on Risk Management and Internal Control for inclusion in the Annual Report 2016;

(i) Had its first independent session of the year 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 2016 including but not limited to the system of internal controls and assistance given by the Group's employees to facilitate their audit work; and

(j) Had its first independent session of the year 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 the audit activities and audit findings.

## 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 ARMC. The internal audit reporting structure within the Group has been organised in such a way where the internal audit function of the Major OpCos report to the ARMC of the respective Major OpCos with a dotted reporting line to Group IA. The 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 and 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 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 each Audit Committee of the Major OpCos 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 142 to 147 of this Annual Report on the summary of the work of the internal audit function undertaken during the year ended 31 December 2016.

The total costs incurred by Group IA in 2016, inclusive of all the Major OpCos, was RM6,278,689.

# NOMINATION AND REMUNERATION COMMITTEE REPORT

**The Nomination and Remuneration Committee ("NRC") was established on 18 April 2012 in line with the Malaysian Code on Corporate Governance 2012 ("MCCG"). Bursa Malaysia Securities Berhad ("Bursa Securities") had subsequently amended the Main Market Listing Requirements ("MMLR") mandating the establishment of a nominating committee by all the listed issuers with effect from 1 June 2013.**

## ROLES OF THE NRC

The NRC is primarily 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 the remuneration framework of Board members and Senior Management, review of Board and Senior Management succession plans, assessment of Board performance as well as evaluation of the training and development needs of the Board members.

The NRC is governed by a clearly defined and documented Terms of Reference ("TOR"). The NRC'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 various changes in regulations. The TOR was last reviewed and approved for adoption by the Board in May 2016 and the necessary amendments had been incorporated therein. The TOR of the NRC is accessible for reference on the Company's website at www.ihhhealthcare.com.

In carrying out its duties and responsibilities, the NRC 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 advisers that the NRC may require to carry out its duties;
- Have full and unrestricted access to information, records, properties and employees of the Group; and
- Seek input from the concerned individuals on remuneration policies, but no individual should be directly involved in deciding their own remuneration.

## COMPOSITION AND MEETINGS

The NRC is comprised exclusively of Non-Executive Directors, a majority of whom are independent with Chang See Hiang, the Senior Independent Non-Executive Director as the Chairman.

The NRC is composed of members with the appropriate balance and diversity of skills, experience, gender and knowledge. The composition of the NRC during the year under review remains the same as in the previous year. Based on the analysis/findings of the performance evaluation of the NRC, the Board is satisfied that the NRC has consistently performed well and discharged its duties and responsibilities satisfactorily in accordance with its TOR.

The NRC has met six times during the year under review. The composition of the NRC and the attendance record of its members for the year under review are as follows:

| Director | Designation | Total Meetings Attended |
|---|---|---|
| Chang See Hiang (Chairman) | Senior Independent Non-Executive Director | 5/6 |
| Dato' Mohammed Azlan bin Hashim (Member) | Deputy Chairman, Non-Independent Non-Executive Director | 5/6 |
| Rossana Annizah binti Ahmad Rashid (Member) | Independent Non-Executive Director | 6/6 |
| Shirish Moreshwar Apte (Member) | Independent Non-Executive Director | 5/6 |

The NRC meetings were attended by the Managing Director & Chief Executive Officer ("MD & CEO") and Group Head, Human Capital Management together with other professional experts engaged on particular subject matters, upon invitation, to brief the NRC on pertinent issues.

Minutes of the NRC meetings would be circulated to all members for comments and extracts of the decisions made by the NRC would be escalated to relevant process owners for action. The Chairman of the NRC would provide a report, highlighting significant points of the decisions and recommendations made by the NRC to the Board and significant matters reserved for the Board's approval would be tabled at the Board meetings. The NRC 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 NRC's decision may also be sought via circular resolutions together with the proposals containing relevant information for their consideration. During the year, five NRC Circular Resolutions were circulated and approved.

## SUMMARY OF ACTIVITIES

During the financial year, the NRC had carried out the following key activities:

a) Reviewed the analysis/findings of the performance evaluation of the Board as a whole, Board Committees, individual Directors and Independent Directors for the year 2015, in accordance with the performance evaluation criteria set out in the Corporate Governance Guide – 2nd Edition: Towards Boardroom Excellence by Bursa Securities;

b) Assessed the NRC's composition, performance, quality, skills, competencies and effectiveness as well as their accountability and responsibilities for the year 2015;

c) Assessed and evaluated the training needs of its Directors to ensure the Directors kept abreast of regulatory changes, other developments and broad business trends;

d) Reviewed and recommended to the Board for approval and further recommendation to the shareholders for approval at the Sixth Annual General Meeting ("AGM"), director fees of Non-Executive Directors;

e) Recommended the re-election of Directors at the Sixth AGM to the Board for consideration after taking into account the composition of the board, the required mix of skills as well as the experience and contributions of the individual Directors based on the assessment conducted during the year then under review;

f) Assessed the performance measurement and achievement of the key performance indicators of the Group for 2015 against the balanced scorecard which had been approved by the Board in early 2015;

g) Deliberated and recommended to the Board for approval, the balanced scorecard framework for the year 2016 and any revision to be made thereto to better suit the actual circumstances of the Group;

h) Deliberated and recommended to the Board for approval, the revision to the general broad framework of the balanced scorecard to be implemented with effect from the financial year 2017 onwards;

i) Discussed and recommended to the Board for approval, bonus and salary increment for Executive Directors, Management and employees upon assessing the performance of the Company and employees in 2015;

j) Discussed and recommended to the Board for approval, the 2016 Long Term Incentive Plan ("LTIP") and Enterprise Option Scheme ("EOS") grants for Executive Directors, Management and employees (where applicable) upon assessing the performance of the Company, the respective operating companies and employees;

k) Reviewed and recommended to the Board for approval, the enhancement to the administration of the LTIP scheme;

l) Reviewed the NRC Report for inclusion in the Annual Report 2015;

m) Reviewed and recommended to the Board for approval, the nomination for the appointment of Directors on the Board, having considered the candidates' skills, character, knowledge, expertise and experience, professionalism, integrity and commitment;

# NOMINATION AND REMUNERATION COMMITTEE REPORT

n) Reviewed and recommended to the Board for approval, the nomination of directorship on the board of key subsidiaries, having considered the candidate's skills, character, knowledge, expertise and experience, professionalism, integrity and commitment;

o) Deliberated and recommended to the Board for approval, the compensation package and renewal of employment contract of Executive Director and Senior Management upon reviewing their experience, professionalism, performance and competence;

p) Reviewed, deliberated and recommended to the Board for approval, the roles and functions of the Board and Board Committees of the main operating companies within the Group aiming to simplify and streamline the overall governance as well as to improve the efficiency of the various Board and Board Committee meetings; and

q) Reviewed the report prepared by an independent consultant engaged by the Company on the market comparison of the existing IHH Non-Executive Directors fees with its peer groups comprising Malaysia-based large capitalisation ("cap") companies, Singapore-based large cap companies and regional healthcare large cap companies.

Subsequent to the financial year ended 31 December 2016, the NRC carried out the following activities:

a) Reviewed the analysis/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 – 2nd Edition: Towards Boardroom Excellence by Bursa Securities, for the year 2016;

b) Assessed the NRC's composition, performance, quality, skills, competencies and effectiveness as well as their accountability and responsibilities for the year 2016;

c) Undertaken an assessment to review the term of office and evaluate the Audit and Risk Management Committee's ("ARMC") 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) Recommended the re-election of Directors at the Seventh AGM to the Board for consideration after taking into account the composition of the board, the required mix of skills as well as the experience and contributions of the individual Directors based on the assessment conducted for the year 2016;

f) Assessed the performance measurement and achievement of the key performance indicators of the Group for 2016 against the balanced scorecard which had been approved by the Board in early 2016;

g) Deliberated and recommended to the Board for approval, the balanced scorecard framework for the year 2017;

h) Discussed and recommended to the Board for approval, bonus and salary increment for Executive Directors, Management and employees upon assessing the performance of the Company and employees in 2016;

i) Discussed and recommended to the Board for approval, the 2017 LTIP and EOS grants (where applicable) for Executive Directors, Management and employees upon assessing the performance of the Company, the respective operating companies and employees; and

j) Reviewed the NRC Report for inclusion in the Annual Report 2016.

## SELECTION AND ASSESSMENT OF DIRECTORS

The Group has adopted the Policy on Nomination and Assessment Process of Board Members ("Policy") that sets out the process and requirements to be undertaken by the NRC 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 NRC.

The process for the appointment of new director is summarised in the diagram below:

**Step**

**1**

**Candidate identified**

It can be identified on the recommendation of the existing Directors, Senior Management staff, shareholders or third party referrals.

**2**

**Assessment and evaluation to be conducted by the NRC**

The assessment should be conducted based on the following criteria:

| | | |
|---|---|---|
| Integrity and Judgement | Knowledge | Diversity |
| Commitment | Independent judgement | Performance and Contribution |
| Board interaction | | Any other criteria deemed fit |
| Experience and Accomplishments | | |

For an Independent Director position, additional assessment on independence would need to be carried out.

The NRC would also need to consider the size and composition of the Board to be in compliance with MMLR and MCCG and to facilitate the making of informed and critical decisions.

**3**

**Recommendation to be made by NRC to the Board**

**4**

**Discussion and decision to be made by the Board on the proposed new appointment**

**5**

**If the proposed appointment is approved:**

Invitation or offer to be made to the proposed/ potential candidate to join the Board.

**If the proposed appointment is rejected:**

The whole process to be re-commenced.

During the year under review, the Board approved the appointments of the following Non-Executive Directors on the Board of IHH upon the recommendation of the NRC:

- Koichiro Sato as Alternate Director of Satoshi Tanaka on 1 April 2016 in place of Takeshi Saito, who resigned on 1 April 2016;
- Bhagat Chintamani Aniruddha as Non-Independent Non-Executive Director on 23 September 2016 in place of YM Tengku Dato' Sri Azmil Zahruddin bin Raja Abdul Aziz who resigned on 23 September 2016; and
- Quek Pei Lynn as Alternate Director of Bhagat Chintamani Aniruddha upon ceasing to be the Alternate Director of YM Tengku Dato' Sri Azmil Zahruddin bin Raja Abdul Aziz.

## RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS

The NRC ensures that the Directors retire and are re-elected or re-appointed, as the case may be, in accordance with the relevant laws and regulations and the Constitution of the Company.

Pursuant to Article 113(1) of the Constitution of the Company, at least one-third of the Directors (excluding Directors seeking re-election pursuant to Article 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 Article 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.

Section 129(2) of the Companies Act 1965 ("CA 1965") states that the office of a director of a public company or of a subsidiary of a public company shall become vacant at the conclusion of the AGM commencing next after he attains the age of seventy years and such Director could be re-appointed as a Director to hold office until the next AGM pursuant to Section 129(6) of the CA 1965. The new Companies Act 2016 has come into operation on 31 January 2017, repealing the CA 1965 and such requirement under CA 1965 with respect to the retirement of the Director of or over the age of seventy had been abolished. The Company may by Ordinary Resolution re-appoint the Director of or over the age of seventy at the forthcoming Seventh AGM.

Upon reviewing the analysis/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 or re-appointment at the Seventh AGM, have the character, experience, integrity, competence and time to effectively discharge their role as Directors. They also brought independent and objective judgement in Board deliberations and decisions. In this respect, the Board recommended the shareholders to vote in favour of their re-election or re-appointment at the Seventh AGM:

(a) Re-election pursuant to Article 113(1) of the Constitution of the Company:

   (i) Mehmet Ali Aydinlar

   (ii) Dr Tan See Leng

   (iii) Chang See Hiang

(b) Re-election pursuant to Article 120 of the Constitution of the Company:

   (i) Bhagat Chintamani Aniruddha

(c) Re-appointment by way of Ordinary Resolution:

   (i) Tan Sri Dato' Dr Abu Bakar bin Suleiman

Any new Directors appointed prior to the convening of the Seventh AGM of the Company will also be subject to re-election at the forthcoming Seventh AGM pursuant to Article 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 to a boardroom that is dominated by one gender.

The Board also takes cognisance of the Malaysian Government's target of 30% women participation on corporate boards by 2016. The Company does not set any specific target for female Directors on the Board but will work towards having more female Directors on the Board.

Presently, there are two female Directors on the Board which represent approximately 16.7% of the Board composition. The female Directors are Rossana Annizah binti Ahmad Rashid, an Independent Non-Executive Director, who is also the Chairman of the ARMC and a member of the NRC and Quek Pei Lynn, Alternate Director to Bhagat Chintamani Aniruddha.

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 in the Board.

The Company does not fix an age limit 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 forty to over seventy 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.

*Ethnic Diversity*

The Board recognises that as today's world becomes increasingly global in its outlook and as the marketplace becomes increasingly global in nature, ethnic 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 to enhance the Group's global presence as well as sharing of viewpoints by Directors from different ethnic backgrounds as 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 ethnic diversity in the boardroom but will work towards having appropriate ethnic diversity in the Board.

The Board is composed of Directors from different ethnic groups 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 to a Board with predominantly the same culture. Having Board members from different ethnic backgrounds widens the Board's perspectives especially when making a decision that touches on issues that are peculiar to a particular ethnic 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 ethnicity to enhance its effectiveness and governance performance.

The NRC is responsible in 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.

# 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 Appendix 9C thereto.

## 1. Utilisation of Proceeds

There were no proceeds raised by the Company from corporate proposals during the financial year ended 31 December 2016.

## 2. Employee Share Schemes

Our Group had established the following employee share schemes:

(i) Long Term Incentive Plans ("LTIP") of our Company ("IHH LTIP") for a duration of ten years from 25 March 2011 and expiring on 24 March 2021;

(ii) LTIP of Parkway Holdings Limited ("Parkway LTIP") for a duration of ten years from 21 April 2011 and expiring on 24 March 2021;

(iii) LTIP of Pantai Holdings Berhad ("Pantai LTIP") for a duration of ten years from 24 May 2011 and expiring on 24 March 2021;

(iv) LTIP of IMU Health Sdn Bhd ("IMU LTIP") for a duration of ten years from 25 August 2011 and expiring on 24 March 2021;

(v) Equity Participation Plan ("EPP") of our Company for a duration of five years from 25 March 2011 which had since expired on 24 March 2016; and

(vi) Enterprise Option Scheme ("EOS") of our Company for a duration of ten 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 / EPP options / EOS options granted, vested and outstanding since the commencement of the LTIPs, EPP and EOS until financial year 2016 ("FY 2016") are as follows:

| | LTIPs | EPP | EOS |
|---|---|---|---|
| Total number of LTIP units / EPP options / EOS options granted | 54,025,732 | 149,000,000 | 23,683,000 |
| Total number of LTIP units / EPP options / EOS options surrendered / exercised | 40,090,645 | 139,750,000 | 214,000 |
| Total number of LTIP units / EPP options / EOS options lapsed / cancelled / opted out | 6,658,687 | 9,250,000 | 1,163,000 |
| Total number of LTIP units / EPP options / EOS options outstanding | 7,276,400 | – | 22,306,000 |

**Granted to Directors and Chief Executive**

| | LTIPs | EPP | EOS |
|---|---|---|---|
| Aggregate number of LTIP units / EPP options / EOS options granted | 12,401,000 | 41,500,000 | 14,479,000 |
| Aggregate number of LTIP units / EPP options / EOS options surrendered / exercised | 9,826,000 | 41,500,000 | – |
| Aggregate number of LTIP units / EPP options / EOS options outstanding | 2,575,000 | – | 14,479,000 |

In accordance with the Bye Laws for the LTIPs, EPP and EOS respectively, the total number of shares which may be issued under the LTIPs, EPP and EOS to the eligible participants, including Executive Directors and Senior Management of the Company, shall not exceed the aggregate of 2%, 5% and 2% respectively, of our Company's total number of issued shares. Additionally, the total number of shares which may be issued under LTIP units, EPP options and EOS options granted to a participant, who either singly or collectively with persons connected with him 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, EPP 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 FY 2016, the actual percentage of LTIP units and EOS options granted to Executive Directors and Senior Management of the Company was 33% and 71% of the total number of LTIP units and EOS options granted in 2016 respectively. There were no EPP options granted during the FY 2016.

Since the commencement of the LTIPs, EPP and EOS, the actual percentage of LTIP units, EPP options and EOS options granted in aggregate to Executive Directors and Senior Management of the Company are 24%, 28% and 63% of the total number of LTIP units, EPP options and EOS options granted respectively.

There were no LTIP units, EPP options and EOS options granted to the Non-Executive Directors since the commencement dates of the LTIPs, EPP and EOS.

Details of the LTIP units, EPP options and EOS options exercised during the financial year are disclosed in Note 21 of the financial statements.

## 3. 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 the financial year ended 31 December 2016 are as follows:

| | Audit fees | | Non-Audit fees | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| - KPMG Malaysia | 1,024 | 373 | 353 | 353 |
| - Affiliates of KPMG Malaysia | 4,762 | 432 | 5,059* | – |
| **Total** | 5,786 | 805 | 5,412 | 353 |

*Included in the non-audit fees paid or payable to affiliates of KPMG Malaysia is fees relating to due diligence and tax restructuring of an acquisition target of RM4.1 million undertaken by a subsidiary of IHH.

Services rendered by KPMG PLT are not prohibited by regulatory and other professional requirements, and are based on globally practiced guidelines on auditors' independence.

## 4. 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 2016 or entered into since the end of the previous financial year:

(i) A shareholders' agreement dated 23 December 2011 was entered into amongst 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 the rights and obligations of the parties regarding the governance of Acibadem Saglik Yatirimlari Holding A.S. ("Acibadem Holding") and any company under the control of Acibadem Holding.

## 5. Recurrent Related Party Transactions

The recurrent related party transactions of revenue nature incurred by the Group for the financial year ended 31 December 2016 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 1965 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 judgement 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.

# FINANCIAL STATEMENTS




# DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016.

## 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 | 612,353 | 10,772 |
| Non-controlling interests | (4,361) | – |
| | 607,992 | 10,772 |

## RESERVES AND PROVISIONS

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

## DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single tier cash dividend of 3 sen per ordinary share amounting to RM246,944,000 for the financial year ended 31 December 2015 on 18 July 2016.

The Directors have proposed a first and final single tier cash dividend of 3 sen per ordinary share for the financial year ended 31 December 2016, which is subject to shareholders' approval at the forthcoming Annual General Meeting.

## DIRECTORS OF THE COMPANY

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

| | |
|---|---|
| Tan Sri Dato' Dr. Abu Bakar Bin Suleiman | |
| Dato' Mohammed Azlan Bin Hashim | |
| Dr. Tan See Leng | |
| Mehmet Ali Aydinlar | |
| Satoshi Tanaka | |
| Chang See Hiang | |
| Rossana Annizah Binti Ahmad Rashid | |
| Kuok Khoon Ean | |
| Shirish Moreshwar Apte | |
| Bhagat Chintamani Aniruddha | Appointed on 23 September 2016 |
| Quek Pei Lynn* (Alternate Director to Bhagat Chintamani Aniruddha) | |
| Koichiro Sato (Alternate Director to Satoshi Tanaka) | Appointed on 1 April 2016 |
| Takeshi Saito (Alternate Director to Satoshi Tanaka) | Resigned on 1 April 2016 |
| YM Tengku Dato' Sri Azmil Zahruddin Bin Raja Abdul Aziz | Resigned on 23 September 2016 |

* Quek Pei Lynn ceased to be alternate director to YM Tengku Dato' Sri Azmil Zahruddin Bin Raja Abdul Aziz on 23 September 2016 and was appointed as alternate director to Bhagat Chintamani Aniruddha on 23 September 2016.

## DIRECTORS' INTERESTS

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

| | Number of ordinary shares | | | | |
|---|---|---|---|---|---|
| | At 1 January 2016 | Options exercised | Bought | Sold | At 31 December 2016 |
| **Interests in the Company** | | | | | |
| Tan Sri Dato' Dr. Abu Bakar Bin Suleiman | | | | | |
| - Direct | 2,848,000 | 75,000 | – | – | 2,923,000 |
| Dr. Tan See Leng | | | | | |
| - Direct | 18,117,800 | 1,646,000 | – | (7,000,000) | 12,763,800 |
| Mehmet Ali Aydinlar | | | | | |
| - Direct | 174,428,000 | 893,000 | – | – | 175,321,000 |
| - Deemed | 88,910,861 | – | – | – | 88,910,861 |
| Chang See Hiang | | | | | |
| - Direct | 100,000 | – | – | – | 100,000 |
| Kuok Khoon Ean | | | | | |
| - Direct | 250,000 | – | – | – | 250,000 |

## DIRECTORS' INTERESTS (CONTINUED)

| | Number of ordinary shares of TL1.00 each | | | | |
|---|---|---|---|---|---|
| | At 1 January 2016 | Options exercised | Bought | Sold | At 31 December 2016 |
| **Interests in subsidiaries** | | | | | |
| **Acıbadem Sağlık Yatirimlari Holding A.Ş. ("ASYH")** | | | | | |
| Mehmet Ali Aydinlar | | | | | |
| - Direct | 354,533,087 | – | – | – | 354,533,087 |
| - Deemed | 27,466,913 | – | – | – | 27,466,913 |
| **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 |

| | Number of ordinary shares of TL2.00 each | | | | |
|---|---|---|---|---|---|
| | At 1 January 2016 | Options exercised | Bought | Sold | At 31 December 2016 |
| **Interests in a subsidiary** | | | | | |
| **International Hospital Istanbul A.Ş.** | | | | | |
| Mehmet Ali Aydinlar | | | | | |
| - Direct | 1 | – | – | – | 1 |
| - Deemed | 1 | – | – | – | 1 |

## DIRECTORS' INTERESTS (CONTINUED)

| | At 1 January 2016 | Options exercised | Bought | Sold | At 31 December 2016 |
|---|---|---|---|---|---|
| | Number of units | | | | |
| **Interests in a subsidiary** | | | | | |
| **Parkway Life Real Estate Investment Trust ("PLife REIT")** | | | | | |
| Chang See Hiang | | | | | |
| - Direct | 300,000 | – | – | – | 300,000 |
| Shirish Moreshwar Apte | | | | | |
| - Direct | 150,000 | – | – | – | 150,000 |

| | At 1 January 2016 | Granted | Exercised | Lapsed/ cancelled | At 31 December 2016 |
|---|---|---|---|---|---|
| | Number of units convertible into ordinary shares | | | | |
| **Interests in the Company** | | | | | |
| **Long Term Incentive Plan ("LTIP")** | | | | | |
| Tan Sri Dato' Dr. Abu Bakar Bin Suleiman | 111,000 | 33,000 | (75,000) | – | 69,000 |
| Dr. Tan See Leng | 2,150,000 | 1,141,000 | (1,646,000) | – | 1,645,000 |
| Mehmet Ali Aydinlar | 1,137,000 | 617,000 | (893,000) | – | 861,000 |

| | At 1 January 2016 | Granted | Exercised | Lapsed/ cancelled | At 31 December 2016 |
|---|---|---|---|---|---|
| | Number of options over ordinary shares | | | | |
| **Interests in the Company** | | | | | |
| **Enterprise Option Scheme ("EOS")** | | | | | |
| Tan Sri Dato' Dr. Abu Bakar Bin Suleiman | 123,000 | 127,000 | – | – | 250,000 |
| Dr. Tan See Leng | 3,998,000 | 10,231,000 | – | – | 14,229,000 |

Except as disclosed above, none of the other Directors holding office at 31 December 2016 had any interest in the ordinary shares, options over ordinary shares, units convertible into ordinary shares and other units of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 40 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 21.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued:

(i) 250,000 new ordinary shares of RM1.00 each pursuant to the exercise of vested Equity Participation Plan ("EPP") options;

(ii) 7,890,205 new ordinary shares of RM1.00 each pursuant to the surrender of vested LTIP units; and

(iii) 214,000 new ordinary shares of RM1.00 each pursuant to the exercise of vested EOS options.

Upon completion of the above, the issued and fully paid ordinary shares of the Company as at 31 December 2016 amounted to RM8,231,700,239.

There were no other changes in the authorised, issued and paid-up capital of the Company and no debenture was 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.

## OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

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

(i) Eligible employees are executive directors and selected senior management employed by the Group who has been selected by the Board at its direction, if as at the offer date, the employee:
- has attained the age of 18 years;
- is in the full time employment and payroll of the Group including contract employees or in the case of a director, is on the board of directors of the Group; and
- falls within such other categories and criteria that the Board may from time to time at its absolute discretion determine.

(ii) The aggregate number of shares to be issued under the EOS shall not exceed 2% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company.

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

(iv) The EOS options granted in each year will vest in the participants over a three year period, in equal proportion (or substantially equal proportion) each year.

(v) The exercise price for the EOS option granted shall be determined by the Board which shall be based on the higher of the following:
- 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); or
- the par value of the Shares.

(vi) Each EOS option gives a conditional right to the participant to receive 1 Share, upon exercise of the option and subject to the payment of the exercise price.

(vii) The EOS options are granted if objective performance targets or such other objective conditions of exercise that the Board may determine from time to time on a yearly basis and which are met.

(viii) The total number of EOS options which may be allocated to a participant who either singly or collectively with persons connected with him owns 20% or more of the issued and paid-up capital of the Company shall not exceed in aggregate 10% of the total number of Shares to be issued under the EOS.

(ix) Options granted but not yet vested and any unexercised options shall lapse with immediate effect and cease to be exercisable if the participant is no longer in employment with the Group, by way of termination, disqualification or resignation or in the case of a director, cease or disqualified to be a Director of the Group or the participant becomes a bankrupt, unless the Board determines otherwise.

## OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

***LTIP***

The Board approved the LTIP scheme during a Board of Directors meeting held on 25 March 2011 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.

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

The options granted during the financial year is disclosed in Note 21 to the financial statements.

## INSURANCE COSTS

During the financial year, the total insurance costs effected for the Group's Directors and officers liability insurance policy is RM713,700.

## OTHER STATUTORY INFORMATION

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

(i) all known bad debts have been written off and adequate provision made for doubtful debts, and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected to realise.

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

(i) that would render the amount written off for bad debts, or the amount of provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## SIGNIFICANT EVENTS

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

## SUBSEQUENT EVENTS

The events subsequent to the end of the reporting period are as disclosed in Note 48 to the financial statements.

# DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

## AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 29 to the financial statements.

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

........................................................................
**Tan Sri Dato' Dr. Abu Bakar Bin Suleiman**
Director

........................................................................
**Dr. Tan See Leng**
Director

Date: 27 March 2017

# 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 180 to 335 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 31 December 2016 and of their financial performances and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 49 on page 336 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

..........................................................................

**Tan Sri Dato' Dr. Abu Bakar Bin Suleiman**
Director

..........................................................................

**Dr. Tan See Leng**
Director

Date: 27 March 2017

# 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 180 to 336 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Low Soon Teck, Passport No.: E4721422H at Kuala Lumpur in the Federal Territory on 27 March 2017.

..........................................................................

**Low Soon Teck**

Before me:

Commissioner for Oaths
Kuala Lumpur, Malaysia

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IHH HEALTHCARE BERHAD (COMPANY NO. 901914-V)
(INCORPORATED IN MALAYSIA)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of IHH Healthcare Berhad, which comprise the statements of financial positions as at 31 December 2016 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 180 to 335.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, 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, 1965 in Malaysia.

### Basis for Opinion

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

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

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

## Key Audit Matters (continued)

### a. Impairment of the goodwill and intangible assets (RM13.6 billion)

Refer to Note 2(f) and 2(g) - Significant accounting policies: “Goodwill on consolidation” and “Intangible assets” and Note 6 - Goodwill on consolidation and intangible assets

**The key audit matter**

As at 31 December 2016, the Group’s goodwill and intangible assets represents 36% of the Group’s total assets.

In view of the size of the balance, the inherent uncertainties and the level of judgement required by us in evaluating the Group’s assumptions included within the cash flow model and given the uncertainties in economic environment faced at the Group’s markets, including geopolitical situation in Turkey region, impairment of goodwill and intangible assets is a key audit matter.

The Group conducted an impairment assessment on all its cash-generating units (“CGUs”) to identify if the recoverable amount is less than the carrying amount, indicating that the goodwill and intangible assets may be impaired. The Group determined the recoverable amount of CGUs using value in use model involving five-year projections with a terminal value. Key assumptions within this model include revenue growth, EBITDA margin, long-term growth rates and discount rates.

**How the matter was addressed in our audit**

We performed the following audit procedures, among others:

- We assessed the appropriateness of using value in use (“VIU”) as the basis for determining the CGUs’ recoverable amount and checked the mathematical accuracy of the cash flow model used to estimate VIU.

- We evaluated the Group’s future cash flow model by performing retrospective assessment of the accuracy of the projections, disaggregating and understanding the underlying business units’ cash flows projections, including comparing the inputs to the business’ own forecast, including revenue growth and EBITDA margin, to the latest internal board approved budget and plan, external market data and our understanding of the future prospects of the business or investment.

- We worked with our own valuation specialists to challenge the discount rates and long-term growth rates, and comparing these assumptions to external market data.

- We performed our own sensitivity of the impairment calculation to changes in the key assumptions used by the Group.

- We also assessed the adequacy of key assumptions disclosure in the Group’s financial statements.

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF IHH HEALTHCARE BERHAD (COMPANY NO. 901914-V) (INCORPORATED IN MALAYSIA)

**Key Audit Matters (continued)**

**b. Acquisitions of Tokushukai-Sofia EOOD and its subsidiaries ("Tokuda Group"), and City Hospitals and Clinics AD and its subsidiaries ("City Clinic Group")**

Refer to Note 2(a)(i) - Significant accounting policies: "Business combinations" and Note 42 - Acquisitions of subsidiaries

**The key audit matter**

During the year, the Group acquired 100% equity interest in Tokuda Group and City Clinic Group. Acquisition accounting is considered a significant risk as a results of the following factors:

a. The Group is required to make a number of judgement which includes identification of intangible assets acquired and recognition of a bargain purchase gain.

b. In determining the fair value of the acquired intangible assets, cash flow projections have been prepared by the Group. The uncertainty involved in forecasting future cash flows with judgement involved in the key assumptions used in the cash flow projections including revenue growth and EBITDA margin, and the selection of the appropriate discount rate makes this a key audit matter.

**How the matter was addressed in our audit**

We performed the following audit procedures, among others:

- We worked with our own valuation specialists to evaluate the Group's judgements in allocating the purchase consideration to the different assets and liabilities acquired in the business combinations during the year.

- We compared the methodologies and key assumptions used in deriving the allocated values to generally accepted market practices and market data.

- We also considered the adequacy of disclosure for significant business combination.

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.

**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, 1965 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 intends 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.

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF IHH HEALTHCARE BERHAD (COMPANY NO. 901914-V) (INCORPORATED IN MALAYSIA)

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 45 to the financial statements, being accounts that have been included in the consolidated accounts.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

The supplementary information set out in Note 49 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**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

Date: 27 March 2017

Petaling Jaya, Malaysia

**Chong Dee Shiang**
Approval Number: 02782/09/2018 J
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2016

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 3 | 13,140,531 | 11,435,898 | 2,144 | 2,405 |
| Prepaid lease payments | 4 | 1,143,479 | 902,133 | – | – |
| Investment properties | 5 | 3,033,107 | 2,869,113 | – | – |
| Goodwill on consolidation | 6 | 11,076,000 | 11,009,274 | – | – |
| Intangible assets | 6 | 2,489,642 | 2,600,426 | – | – |
| Investment in subsidiaries | 7 | – | – | 16,401,113 | 16,401,113 |
| Interests in associates | 8 | 7,657 | 6,583 | – | – |
| Interests in joint ventures | 9 | 153,154 | 220,006 | – | – |
| Other financial assets | 10 | 1,198,230 | 1,449,318 | – | – |
| Trade and other receivables | 14 | 104,392 | 113,234 | 24,852 | – |
| Derivative assets | 25 | 2,303 | 8,097 | – | – |
| Deferred tax assets | 11 | 240,596 | 233,211 | – | – |
| **Total non-current assets** | | 32,589,091 | 30,847,293 | 16,428,109 | 16,403,518 |
| Development properties | 12 | 28,987 | 7,144 | – | – |
| Inventories | 13 | 252,589 | 218,768 | – | – |
| Trade and other receivables | 14 | 1,441,683 | 1,234,323 | 7,398 | 3,068 |
| Amounts due from subsidiaries | 15 | – | – | 13,089 | 12,837 |
| Tax recoverable | | 72,471 | 85,962 | – | – |
| Other financial assets | 10 | 351,674 | 1,119,305 | 70,574 | 481,234 |
| Derivative assets | 25 | 1,040 | – | – | – |
| Cash and cash equivalents | 16 | 2,443,181 | 1,977,939 | 225,839 | 22,259 |
| | | 4,591,625 | 4,643,441 | 316,900 | 519,398 |
| Assets classified as held for sale | 17 | 7,240 | 7,156 | – | – |
| **Total current assets** | | 4,598,865 | 4,650,597 | 316,900 | 519,398 |
| **Total assets** | | 37,187,956 | 35,497,890 | 16,745,009 | 16,922,916 |

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| Share capital | 18 | 8,231,700 | 8,223,346 | 8,231,700 | 8,223,346 |
| Share premium | 19 | 8,185,160 | 8,151,010 | 8,185,160 | 8,151,010 |
| Other reserves | 19 | 2,292,652 | 2,857,513 | 46,520 | 32,973 |
| Retained earnings | | 3,276,228 | 2,923,869 | 266,200 | 502,372 |
| **Total equity attributable to owners of the Company** | | 21,985,740 | 22,155,738 | 16,729,580 | 16,909,701 |
| Non-controlling interests | | 1,907,417 | 2,080,968 | – | – |
| **Total equity** | | 23,893,157 | 24,236,706 | 16,729,580 | 16,909,701 |
| **Liabilities** | | | | | |
| Loans and borrowings | 20 | 6,852,782 | 6,322,527 | – | – |
| Employee benefits | 21 | 41,398 | 32,067 | 41 | 116 |
| Trade and other payables | 24 | 1,666,595 | 556,098 | – | – |
| Derivative liabilities | 25 | 24,860 | 12,521 | – | – |
| Deferred tax liabilities | 11 | 1,067,265 | 1,101,491 | – | – |
| **Total non-current liabilities** | | 9,652,900 | 8,024,704 | 41 | 116 |
| Bank overdrafts | 16 | 11,348 | 6,003 | – | – |
| Loans and borrowings | 20 | 622,968 | 367,920 | – | – |
| Employee benefits | 21 | 71,910 | 59,981 | 394 | 767 |
| Trade and other payables | 24 | 2,612,446 | 2,555,494 | 12,403 | 8,378 |
| Derivative liabilities | 25 | 19,173 | – | – | – |
| Amounts due to subsidiaries | 15 | – | – | 2,320 | 1,597 |
| Tax payable | | 304,054 | 247,082 | 271 | 2,357 |
| **Total current liabilities** | | 3,641,899 | 3,236,480 | 15,388 | 13,099 |
| **Total liabilities** | | 13,294,799 | 11,261,184 | 15,429 | 13,215 |
| **Total equity and liabilities** | | 37,187,956 | 35,497,890 | 16,745,009 | 16,922,916 |

The notes on pages 193 to 335 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **Revenue** | 26 | 10,021,885 | 8,455,468 | 44,365 | 109,617 |
| Other operating income | | 359,036 | 329,333 | 3,499 | 1,626 |
| Inventories and consumables | | (1,802,458) | (1,422,812) | – | – |
| Purchases and contracted services | | (879,353) | (760,424) | – | – |
| Staff costs | 27 | (3,883,024) | (3,255,551) | (24,382) | (28,630) |
| Depreciation and impairment of property, plant and equipment | 3 | (744,753) | (629,030) | (770) | (698) |
| Amortisation and impairment of intangible assets | 6 | (55,129) | (60,371) | – | – |
| Operating lease expenses | | (301,679) | (223,670) | (2,094) | (1,980) |
| Other operating expenses | | (1,325,487) | (904,572) | (17,337) | (14,669) |
| Finance income | 28 | 129,194 | 93,655 | 10,847 | 16,646 |
| Finance costs | 28 | (657,284) | (418,770) | (5) | (6) |
| Share of profits of associates (net of tax) | | 1,747 | 1,601 | – | – |
| Share of profits of joint ventures (net of tax) | | 14,922 | 12,682 | – | – |
| **Profit before tax** | 29 | 877,617 | 1,217,539 | 14,123 | 81,906 |
| Income tax expense | 32 | (269,625) | (165,444) | (3,351) | (6,583) |
| **Profit for the year** | | 607,992 | 1,052,095 | 10,772 | 75,323 |
| **Other comprehensive income, net of tax** | | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Foreign currency translation differences from foreign operations | | 77,396 | 2,328,418 | 6 | 294 |
| Hedge of net investments in foreign operations | | (81,492) | (178,681) | – | – |
| Net change in fair value of available-for-sale financial instruments | | (313,191) | 283,747 | (70) | 537 |
| Cash flow hedge | | (6,597) | 3,394 | – | – |
| | 30 | (323,884) | 2,436,878 | (64) | 831 |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | |
| Remeasurement of defined benefit liabilities | | (11,706) | (8,530) | – | – |
| Revaluation of property, plant and equipment upon reclassification to investment properties | | 50,019 | – | – | – |
| | 30 | 38,313 | (8,530) | – | – |
| **Total comprehensive income for the year** | | 322,421 | 3,480,443 | 10,708 | 76,154 |

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **Profit attributable to:** | | | | | |
| Owners of the Company | | 612,353 | 933,903 | 10,772 | 75,323 |
| Non-controlling interests | | (4,361) | 118,192 | – | – |
| **Profit for the year** | | 607,992 | 1,052,095 | 10,772 | 75,323 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | 433,906 | 3,251,063 | 10,708 | 76,154 |
| Non-controlling interests | | (111,485) | 229,380 | – | – |
| **Total comprehensive income for the year** | | 322,421 | 3,480,443 | 10,708 | 76,154 |
| **Earnings per ordinary share (sen):** | | | | | |
| Basic | 33 | 7.44 | 11.38 | | |
| Diluted | 33 | 7.44 | 11.36 | | |

The notes on pages 193 to 335 are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2016

| | | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | | | | | | Distributable | | | | |
| Group | Note | Share capital RM'000 | Share premium RM'000 | Share option reserve RM'000 | Fair value reserve RM'000 | Revaluation reserve RM'000 | Hedge reserve RM'000 | Capital reserve RM'000 | Legal reserve RM'000 | Foreign currency translation reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| **At 1 January 2015** | | 8,178,570 | 8,059,158 | 33,114 | 348,628 | 35,871 | 15,266 | (309,306) | 28,266 | 812,046 | 2,250,132 | 19,451,745 | 1,861,651 | 21,313,396 |
| Foreign currency translation differences from foreign operations | | - | - | - | - | - | - | - | - | 2,099,341 | - | 2,099,341 | 229,077 | 2,328,418 |
| Hedge of net investments in foreign operations | | - | - | - | - | - | - | - | - | (63,843) | - | (63,843) | (114,838) | (178,681) |
| Net change in fair value of available-for-sale financial instruments | | - | - | - | 285,629 | - | - | - | - | - | - | 285,629 | (1,882) | 283,747 |
| Cash flow hedge | | - | - | - | - | - | 1,151 | - | - | - | - | 1,151 | 2,243 | 3,394 |
| Remeasurement of defined benefit liabilities | | - | - | - | - | - | - | - | - | - | (5,118) | (5,118) | (3,412) | (8,530) |
| Total other comprehensive income for the year | 30 | - | - | - | 285,629 | - | 1,151 | - | - | 2,035,498 | (5,118) | 2,317,160 | 111,188 | 2,428,348 |
| Profit for the year | | - | - | - | - | - | - | - | - | - | 933,903 | 933,903 | 118,192 | 1,052,095 |
| **Total comprehensive income for the year** | | - | - | - | 285,629 | - | 1,151 | - | - | 2,035,498 | 928,785 | 3,251,063 | 229,380 | 3,480,443 |

| Group | Note | Share capital RM'000 | Share premium RM'000 | Share option reserve RM'000 | Fair value reserve RM'000 | Revaluation reserve RM'000 | Hedge reserve RM'000 | Capital reserve RM'000 | Legal reserve RM'000 | Foreign currency translation reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | | | | | | | |
| | | Non-distributable | | | | | | | | | Distributable | | | |
| *Contributions by and distributions to owners of the Company* | | | | | | | | | | | | | | |
| - Share options exercised | 18 | 33,250 | 55,195 | - | - | - | - | - | - | - | - | 88,445 | - | 88,445 |
| - Share-based payment | 21 | - | - | 47,664 | - | - | - | - | - | - | - | 47,664 | - | 47,664 |
| - Dividends to owners of the Company | 34 | - | - | - | - | - | - | - | - | - | (246,645) | (246,645) | - | (246,645) |
| | | 33,250 | 55,195 | 47,664 | - | - | - | - | - | - | (246,645) | (110,536) | - | (110,536) |
| Transfer to share capital and share premium on share options exercised | 18 | 11,526 | 36,657 | (48,183) | - | - | - | - | - | - | - | - | - | - |
| Acquisition of subsidiaries | 42 | - | - | - | - | - | - | - | - | - | - | - | 154,937 | 154,937 |
| Changes in ownership interests in subsidiaries | 44 | - | - | - | - | - | 1 | (30,132) | - | (5) | - | (30,136) | (5,447) | (35,583) |
| Liquidation of subsidiaries | | - | - | - | - | - | - | - | - | (1,030) | - | (1,030) | 144 | (886) |
| Capital injection into non-wholly owned subsidiary | | - | - | - | - | - | - | (119) | - | - | - | (119) | 13,792 | 13,673 |
| Transfer per statutory requirements | | - | - | - | - | - | - | - | 8,403 | - | (8,403) | - | - | - |
| Recognition of put options granted to non-controlling interests | 36 | - | - | - | - | - | - | (405,249) | - | - | - | (405,249) | - | (405,249) |
| Dividends paid to non-controlling interests | | - | - | - | - | - | - | - | - | - | - | - | (173,489) | (173,489) |
| **Total transactions with owners of the Company** | | 44,776 | 91,852 | (519) | - | - | 1 | (435,500) | 8,403 | (1,035) | (255,048) | (547,070) | (10,063) | (557,133) |
| **At 31 December 2015** | | 8,223,346 | 8,151,010 | 32,595 | 634,257 | 35,871 | 16,418 | (744,806) | 36,669 | 2,846,509 | 2,923,869 | 22,155,738 | 2,080,968 | 24,236,706 |

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2016

| Group | Note | Share capital RM'000 | Share premium RM'000 | Share option reserve RM'000 | Fair value reserve RM'000 | Revaluation reserve RM'000 | Hedge reserve RM'000 | Capital reserve RM'000 | Legal reserve RM'000 | Foreign currency translation reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | I---Attributable to owners of the Company---I | | | | | | | | | | | | |
| | | I--- Non-distributable --- | | | | | | | | I Distributable | | | | |
| **At 1 January 2016** | | 8,223,346 | 8,151,010 | 32,595 | 634,257 | 35,871 | 16,418 | (744,806) | 36,669 | 2,846,509 | 2,923,869 | 22,155,738 | 2,080,968 | 24,236,706 |
| Foreign currency translation differences from foreign operations | | - | - | - | - | - | - | - | - | 124,853 | - | 124,853 | (47,457) | 77,396 |
| Hedge of net investments in foreign operations | | - | - | - | - | - | - | - | - | (29,745) | - | (29,745) | (51,747) | (81,492) |
| Net change in fair value of available-for-sale financial instruments | | - | - | - | (314,103) | - | - | - | - | - | - | (314,103) | 912 | (313,191) |
| Cash flow hedge | | - | - | - | - | - | (2,353) | - | - | - | - | (2,353) | (4,244) | (6,597) |
| Remeasurement of defined benefit liabilities | | - | - | - | - | - | - | - | - | - | (7,118) | (7,118) | (4,588) | (11,706) |
| Revaluation of property, plant and equipment upon reclassification of properties to investment properties | | - | - | - | - | 50,019 | - | - | - | - | - | 50,019 | - | 50,019 |
| Total other comprehensive income for the year | 30 | - | - | - | (314,103) | 50,019 | (2,353) | - | - | 95,108 | (7,118) | (178,447) | (107,124) | (285,571) |
| Profit for the year | | - | - | - | - | - | - | - | - | - | 612,353 | 612,353 | (4,361) | 607,992 |
| **Total comprehensive income for the year** | | - | - | - | (314,103) | 50,019 | (2,353) | - | - | 95,108 | 605,235 | 433,906 | (111,485) | 322,421 |

| Group | Note | Share capital RM'000 | Share premium RM'000 | Share option reserve RM'000 | Fair value reserve RM'000 | Revaluation reserve RM'000 | Hedge reserve RM'000 | Capital reserve RM'000 | Legal reserve RM'000 | Foreign currency translation reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | I-----Attributable to owners of the Company | | | | | | | | | | -----I | | |
| | | I----- Non-distributable | | | | | | | | -----I | Distributable | | | |
| *Contributions by and distributions to owners of the Company* | | | | | | | | | | | | | | |
| - Share options exercised | 18 | 464 | 1,483 | - | - | - | - | - | - | - | - | 1,947 | - | 1,947 |
| - Share-based payment | 21 | - | - | 54,168 | - | - | - | - | - | - | - | 54,168 | - | 54,168 |
| - Dividends to owners of the Company | 34 | - | - | - | - | - | - | - | - | - | (246,944) | (246,944) | - | (246,944) |
| | | 464 | 1,483 | 54,168 | - | - | - | - | - | - | (246,944) | (190,829) | - | (190,829) |
| Transfer to share capital and share premium on share options exercised | 18 | 7,890 | 32,667 | (40,557) | - | - | - | - | - | - | - | - | - | - |
| Acquisition of subsidiaries | 42 | - | - | - | - | - | - | - | - | - | - | - | (1,077) | (1,077) |
| Changes in ownership interests in subsidiaries | 44 | - | - | - | - | - | 6 | (51,132) | - | (5) | - | (51,131) | 114,941 | 63,810 |
| Issue of shares by subsidiaries to non-controlling interest | | - | - | - | - | - | - | 118 | - | - | - | 118 | 96,685 | 96,803 |
| Recognition of put options granted to non-controlling interests | 36 | - | - | - | - | - | - | (106,129) | - | - | - | (106,129) | (70,753) | (176,882) |
| Changes in fair value of put options granted to non-controlling interests | 36 | - | - | - | - | - | - | (255,933) | - | - | - | (255,933) | (31,800) | (287,733) |
| Transfer per statutory requirements | | - | - | - | - | - | - | - | 5,932 | - | (5,932) | - | - | - |
| Finalisation of purchase price allocation | 42 | - | - | - | - | - | - | - | - | - | - | - | 3,218 | 3,218 |
| Dividends paid to non-controlling interests | | - | - | - | - | - | - | - | - | - | - | - | (173,280) | (173,280) |
| **Total transactions with owners of the Company** | | 8,354 | 34,150 | 13,611 | - | - | 6 | (413,076) | 5,932 | (5) | (252,876) | (603,904) | (62,066) | (665,970) |
| **At 31 December 2016** | | 8,231,700 | 8,185,160 | 46,206 | 320,154 | 85,890 | 14,071 | (1,157,882) | 42,601 | 2,941,612 | 3,276,228 | 21,985,740 | 1,907,417 | 23,893,157 |

The notes on pages 193 to 335 are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2016

| Company | Note | Share capital RM'000 | Share premium RM'000 | Share option reserve RM'000 | Foreign currency translation reserve RM'000 | Fair value reserve RM'000 | Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | |
| | | Non-distributable | | | | | Distributable | |
| **At 1 January 2015** | | 8,178,570 | 8,059,158 | 33,114 | (453) | – | 673,694 | 16,944,083 |
| Foreign currency translation differences from foreign operations | | – | – | – | 294 | – | – | 294 |
| Net change in fair value of available-for-sale financial instruments | | – | – | – | – | 537 | – | 537 |
| Total other comprehensive income for the year | | – | – | – | 294 | 537 | – | 831 |
| Profit for the year | | – | – | – | – | – | 75,323 | 75,323 |
| **Total comprehensive income for the year** | | – | – | – | 294 | 537 | 75,323 | 76,154 |
| *Contributions by and distributions to owners of the Company* | | | | | | | | |
| - Share options exercised | 18 | 33,250 | 55,195 | – | – | – | – | 88,445 |
| - Share-based payment | | – | – | 47,664 | – | – | – | 47,664 |
| - Dividends to owners of the Company | 34 | – | – | – | – | – | (246,645) | (246,645) |
| | | 33,250 | 55,195 | 47,664 | – | – | (246,645) | (110,536) |
| Transfer to share capital and share premium on share options exercised | 18 | 11,526 | 36,657 | (48,183) | – | – | – | – |
| **Total transactions with owners of the Company** | | 44,776 | 91,852 | (519) | – | – | (246,645) | (110,536) |
| **At 31 December 2015** | | 8,223,346 | 8,151,010 | 32,595 | (159) | 537 | 502,372 | 16,909,701 |

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

The notes on pages 193 to 335 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | 877,617 | 1,217,539 | 14,123 | 81,906 |
| *Adjustment for:* | | | | | |
| Dividend income | 26 | (8,019) | (7,868) | (44,365) | (109,617) |
| Finance income | 28 | (129,194) | (93,655) | (10,847) | (16,646) |
| Finance costs | 28 | 657,284 | 418,770 | 5 | 6 |
| Depreciation and impairment of property, plant and equipment | 3 | 744,753 | 629,030 | 770 | 698 |
| Amortisation and impairment of intangible assets | 6 | 55,129 | 60,371 | – | – |
| Impairment loss made/(written back): | | | | | |
| - Investment in joint venture | 29 | 97,344 | – | – | – |
| - Trade and other receivables | 29 | 63,827 | 44,593 | – | – |
| - Inventories | 29 | 1,773 | – | – | – |
| - Amounts due from associates | 29 | (593) | (1,119) | – | – |
| - Amounts due from joint ventures | 29 | (15,278) | 228 | – | – |
| Write-off: | | | | | |
| - Property, plant and equipment | 29 | 1,162 | 3,643 | – | 234 |
| - Intangible assets | 29 | 5,670 | – | – | – |
| - Inventories | 29 | 737 | 1,429 | – | – |
| - Trade and other receivables | 29 | 11,944 | 14,253 | – | – |
| - Other financial assets | 29 | 329 | 73 | – | 73 |
| Gain/(Loss) on disposal of property, plant and equipment | 29 | (12,072) | (1,366) | – | 4 |
| Gain on disposal of a subsidiary | 29 | (54,801) | – | – | – |
| Gain on liquidation of subsidiaries | 29 | – | (4,095) | – | – |
| Gain on divestment of investment properties | 29 | (13,141) | – | – | – |
| Gain on disposal of unquoted available-for-sale financial instruments | 29 | (9,173) | (171) | – | (171) |
| Change in fair value of investment properties | 29 | (30,193) | (120,904) | – | – |
| Provision for financial guarantee given to a joint venture's loan | 29 | 35,361 | – | – | – |
| Share of profits of associates (net of tax) | | (1,747) | (1,601) | – | – |
| Share of profits of joint ventures (net of tax) | | (14,922) | (12,682) | – | – |
| Negative goodwill | 42 | (20,518) | – | – | – |
| Equity-settled share-based payment | 21 | 54,168 | 47,664 | 10,790 | 14,705 |
| Net unrealised foreign exchange differences | | (13,274) | (11,566) | (1,720) | (757) |
| **Operating profit/(loss) before changes in working capital** | | 2,284,173 | 2,182,566 | (31,244) | (29,565) |
| Changes in working capital | | | | | |
| Development properties | | (17,124) | (2,004) | – | – |
| Inventories | | (11,915) | (14,282) | – | – |
| Trade and other receivables | | (294,285) | (73,904) | (31,124) | 518 |
| Trade and other payables | | 176,793 | 207,946 | 3,546 | 1,356 |
| **Cash generated from/(used in) operations** | | 2,137,642 | 2,300,322 | (58,822) | (27,691) |
| Income tax paid | | (203,861) | (314,580) | (5,430) | (5,238) |
| **Net cash from/(used in) operating activities** | | 1,933,781 | 1,985,742 | (64,252) | (32,929) |

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from investing activities** | | | | | |
| Interest received | | 70,125 | 62,253 | 12,789 | 15,434 |
| Acquisition of subsidiaries, net of cash and cash equivalents acquired | 42 | (295,099) | (705,094) | – | – |
| Acquisition of business, net of cash and cash equivalents acquired | 41 | (12,380) | – | – | – |
| Subscription of redeemable preference shares in a subsidiary | 7 | – | – | – | (260,000) |
| Development and purchase of intangible assets | 6 | (4,649) | (11,440) | – | – |
| Purchase of property, plant and equipment | | (2,083,908) | (1,361,390) | (502) | (1,160) |
| Acquisition of land use rights | | (199,470) | – | – | – |
| Purchase of investment properties | 5 | (51,026) | (317,905) | – | – |
| Purchase of unquoted available-for-sale financial instruments | | – | (480,082) | – | (170,000) |
| Net withdrawal/(placement) of fixed deposits with tenor of more than 3 months | | 469,098 | (704,889) | 410,590 | (410,590) |
| Proceeds from disposal of subsidiary, net of cash and cash equivalents disposed | 43 | 9,554 | – | – | – |
| Proceeds from disposal of property, plant and equipment | | 29,906 | 22,341 | – | 2 |
| Proceeds from divestment of investment properties | | 145,951 | – | – | – |
| Proceeds from disposal of intangible assets | | 1,912 | 206 | – | – |
| Proceeds from disposal of unquoted available-for-sale financial instruments | | 214,984 | 100,064 | – | 100,064 |
| Other financial assets matured | | 14,984 | – | – | – |
| Net repayment from associates | | 624 | 1,103 | – | – |
| Net repayment from joint ventures | | 7,085 | 6,523 | – | – |
| Dividends received from available-for-sale financial instruments | 26 | 8,019 | 7,868 | 2,394 | 2,817 |
| Dividends received from subsidiaries | 26 | – | – | 41,971 | 106,800 |
| Dividends received from joint ventures | | 2,118 | 2,387 | – | – |
| Dividends received from associates | | 779 | – | – | – |
| Repayment from subsidiaries | | – | – | 41,490 | 32,699 |
| **Net cash (used in)/from investing activities** | | (1,671,393) | (3,378,055) | 508,732 | (583,934) |
| **Cash flows from financing activities** | | | | | |
| Interest paid | | (284,370) | (194,280) | – | – |
| Proceeds from exercise of share options | | 1,947 | 88,445 | 1,947 | 88,445 |
| Proceeds from loans and borrowings | | 4,226,989 | 4,900,139 | – | – |
| Issue of fixed rate medium term notes | | 118,930 | – | – | – |
| Repayment of loans and borrowings | | (3,805,760) | (3,707,485) | – | – |
| Loan from non-controlling interest of a subsidiary | | 477,343 | 158,890 | – | – |
| Repayment of loan from non-controlling interest of subsidiary | | (212,862) | – | – | – |
| Dividends paid to non-controlling interests | | (173,280) | (173,489) | – | – |
| Dividends paid to owners of the Company | | (246,944) | (246,645) | (246,944) | (246,645) |
| Acquisition of non-controlling interests | | (42,421) | (39,008) | – | – |
| Issue of shares by subsidiaries to non-controlling interest | | 96,803 | – | – | – |
| Capital injection into a subsidiary by non-controlling interests | | – | 13,673 | – | – |
| Changes in pledged deposits | | (2,623) | 1,764 | – | – |
| **Net cash from/(used in) financing activities** | | 153,752 | 802,004 | (244,997) | (158,200) |

# STATEMENTS OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2016

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Net increase/(decrease) in cash and cash equivalents | 416,140 | (590,309) | 199,483 | (775,063) |
| Effect of exchange rate fluctuations on cash held | 41,134 | 96,182 | 4,097 | 246 |
| Cash and cash equivalents at 1 January | 1,966,001 | 2,460,128 | 22,259 | 797,076 |
| **Cash and cash equivalents at 31 December** | 2,423,275 | 1,966,001 | 225,839 | 22,259 |

***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 | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Cash and bank balances | | 1,639,233 | 950,233 | 57,035 | 22,259 |
| Fixed deposits with tenor of 3 months or less | | 803,948 | 1,027,706 | 168,804 | – |
| | | 2,443,181 | 1,977,939 | 225,839 | 22,259 |
| Less: | | | | | |
| - Bank overdrafts | | (11,348) | (6,003) | – | – |
| - Deposits pledged | | (2,617) | (382) | – | – |
| - Cash collateral received | | (5,941) | (5,553) | – | – |
| **Cash and cash equivalents** | 16 | 2,423,275 | 1,966,001 | 225,839 | 22,259 |

The notes on pages 193 to 335 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 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2016 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 27 March 2017.

## 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, 1965 in Malaysia.

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

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017***

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

## 1. BASIS OF PREPARATION (CONTINUED)

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

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018 (continued)***

- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

- MFRS 16, *Leases*

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

**MFRS 15, *Revenue from Contracts with Customers***

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

**MFRS 9, *Financial Instruments***

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

**MFRS 16, *Leases***

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

MASB has also issued the following new and revised MFRSs, interpretations and amendments which are not yet effective, but for which is not relevant to the operations of the Group and of the Company and hence, no further disclosure is warranted.

# 1. BASIS OF PREPARATION (CONTINUED)

## (a) Statement of compliance (continued)

**MFRSs, *Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

## (b) Basis of measurement

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

## (c) Functional and presentation currency

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

## (d) Use of estimates and judgements

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

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

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

- Note 5 - measurement of the fair value of investment properties
- Note 6 - measurement of the recoverable amounts of cash-generating units
- Note 9 - measurement of the recoverable value of a joint venture
- Note 21 - measurement of share-based payment
- Note 22 & 23 - measurement of retirement benefits and employment termination benefits
- Note 24 - measurement of fair value of compulsory convertible preference shares liabilities and put options granted to non-controlling interests
- Note 42 - business combinations

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of consolidation

#### (i) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and liabilities assumed.

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

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

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

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

#### (ii) Subsidiaries

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### (iii) Associates

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

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

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

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

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

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

#### (iv) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statements of financial position at cost less any impairment losses and includes transaction costs.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### (v) Non-controlling interests

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

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

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

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

#### (vii) Acquisitions from entities under common control

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

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

#### (viii) Loss of control

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### (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 are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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

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

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

#### (ii) Foreign operations

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Foreign currency (continued)

#### (ii) Foreign operations (continued)

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

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

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

### (c) Financial instruments

#### (i) Initial recognition and measurement

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

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

The Group categorises financial instruments as follows:

***Financial assets***

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

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

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

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

***(b) Held-to-maturity investments***

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group has the positive intention and ability to hold them to maturity.

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

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

***Financial assets (continued)***

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

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

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

***Financial liabilities***

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

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

***Financial liabilities (continued)***

***Compulsory convertible preference shares ("CCPS")***

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

#### (iii) Financial guarantee contracts

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

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

#### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

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

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

#### (v) Hedge accounting

***Cash flow hedge***

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

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

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

***Hedge of a net investment***

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

#### (vi) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Property, plant and equipment

#### (i) Recognition and measurement

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

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

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

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

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

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

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

#### (ii) Subsequent costs

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### (iii) Depreciation

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

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

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

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

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

### (e) Leased assets

#### (i) Finance lease

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Leased assets (continued)

#### (ii) Operating lease

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

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

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

***Determining whether an arrangement contains a lease***

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

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

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

### (f) Goodwill on consolidation

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Intangible assets

#### (i) Research and development

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

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

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

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

#### (ii) Other intangible assets

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

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

#### (iii) Subsequent expenditure

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

#### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Intangible assets (continued)

#### (iv) Amortisation (continued)

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

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

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

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

### (h) Investment properties

#### (i) Recognition and measurement

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Investment properties (continued)

#### (ii) Reclassification to/from investment property

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

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

### (i) Development property

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

Development property is stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less cost to be incurred in selling the property.

### (j) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Due allowance is made for all damaged, expired and slow moving items.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Cash and cash equivalents

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

### (l) Assets classified as held for sale

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

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

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

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

### (m) Impairment

#### (i) Financial assets

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Impairment (continued)

#### (i) Financial assets (continued)

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

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

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

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

#### (ii) Other assets

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Impairment (continued)

#### (ii) Other assets (continued)

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

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

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

### (n) Equity instruments

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

#### (i) Issue expenses

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

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

#### (ii) Defined benefits plans

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Employee benefits (continued)

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

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

The fair value of the employee share options is measured using binomial lattice model, and market value approach on a minority, non-marketable basis for EPP and LTIP granted before 25 July 2012, and trinomial option pricing model for LTIP and EOS granted after 25 July 2012. 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.

### (p) Provision

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

### (q) Revenue and other income

#### (i) Services rendered

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

#### (ii) Goods sold

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Revenue and other income (continued)

#### (iii) Rental income

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

#### (iv) Dividend income

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

#### (v) Sale of development property

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

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

#### (vi) Finance income

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

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

### (r) Finance costs

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Finance costs (continued)

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.

### (s) Income tax

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Income tax (continued)

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.

### (t) Earnings per share

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

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

### (u) Operating segments

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

### (v) Contingencies

#### (i) Contingent liabilities

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

#### (ii) Contingent assets

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (w) Fair value measurements

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

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

## 3. PROPERTY, PLANT AND EQUIPMENT

| Group | Note | Freehold land RM'000 | Leasehold land RM'000 | Buildings RM'000 | Hospital and medical equipment, renovations, furniture and 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 2015** | | 480,279 | 3,445,001 | 2,998,164 | 4,965,478 | 51,760 | 31,110 | 602,226 | 12,574,018 |
| Acquisitions through business combinations | 42 | 86,463 | – | 370,556 | 347,812 | – | 5,726 | 8,302 | 818,859 |
| Additions | | 567 | – | 6,177 | 582,171 | 4,658 | 5,421 | 922,680 | 1,521,674 |
| Disposals | | – | – | (1,188) | (254,510) | – | (3,936) | (1,688) | (261,322) |
| Write off | | – | – | (202) | (21,480) | (1,108) | – | – | (22,790) |
| Reclassification | | – | – | 374,138 | 216,966 | – | – | (591,104) | – |
| Transfer to development properties | 12 | – | – | – | – | – | – | (5,141) | (5,141) |
| Translation differences | | 16,955 | 402,996 | 194,399 | 291,058 | – | 1,560 | 92,096 | 999,064 |
| **At 31 December 2015/1 January 2016** | | 584,264 | 3,847,997 | 3,942,044 | 6,127,495 | 55,310 | 39,881 | 1,027,371 | 15,624,362 |
| Acquisitions through business combinations | 42 | – | – | 264,613 | 244,545 | – | 401 | 4,249 | 513,808 |
| Disposal of a subsidiary | 43 | – | – | – | (1,480) | – | – | – | (1,480) |
| Additions | | – | 30,216 | 32,468 | 348,304 | 5,868 | 4,836 | 1,823,678 | 2,245,370 |
| Disposals | | – | – | – | (63,833) | – | (2,142) | – | (65,975) |
| Write off | | – | – | – | (8,697) | (979) | – | – | (9,676) |
| Reclassification | | – | – | 35,936 | 138,348 | – | – | (174,284) | – |
| Transfer to intangible assets | 6 | – | – | – | (11,553) | – | – | – | (11,553) |
| Transfer to development properties | | | | | | | | | |
| - Offset of accumulated depreciation against cost | | – | (258) | – | – | – | – | – | (258) |
| - Transfer of carrying amount | 12 | – | (4,719) | – | – | – | – | – | (4,719) |
| Transfer to investment properties | | | | | | | | | |
| - Offset of accumulated depreciation against cost | | – | (36) | (9) | (27) | – | – | – | (72) |
| - Revaluation | | – | 50,019 | – | – | – | – | – | 50,019 |
| - Transfer of carrying amount | 5 | – | (83,590) | (785) | (489) | – | – | – | (84,864) |
| Finalisation of purchase price allocation | 42 | (318) | – | 11,016 | (9,937) | – | (126) | – | 635 |
| Translation differences | | (15,979) | 50,812 | 7,648 | (284,272) | – | (1,746) | 3,557 | (239,980) |
| **At 31 December 2016** | | 567,967 | 3,890,441 | 4,292,931 | 6,478,404 | 60,199 | 41,104 | 2,684,571 | 18,015,617 |

## 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 2015** | | – | 214,370 | 493,608 | 2,674,915 | 25,775 | 16,867 | – | 3,425,535 |
| Acquisitions through business combinations | 42 | – | – | 26,153 | 151,927 | – | 3,688 | – | 181,768 |
| Depreciation charge for the year | | – | 41,824 | 64,556 | 512,344 | 5,722 | 4,683 | – | 629,129 |
| Impairment loss reversed | | – | – | – | (99) | – | – | – | (99) |
| Disposals | | – | – | (277) | (236,838) | – | (3,232) | – | (240,347) |
| Write off | | – | – | (37) | (18,115) | (995) | – | – | (19,147) |
| Translation differences | | – | 26,747 | 34,914 | 148,999 | – | 965 | – | 211,625 |
| **At 31 December 2015/1 January 2016** | | – | 282,941 | 618,917 | 3,233,133 | 30,502 | 22,971 | – | 4,188,464 |
| Acquisitions through business combinations | 42 | – | – | 42,558 | 122,662 | – | (47) | – | 165,173 |
| Disposal of a subsidiary | 43 | – | – | – | (1,332) | – | – | – | (1,332) |
| Depreciation charge for the year | | – | 43,940 | 83,014 | 605,277 | 6,102 | 5,674 | – | 744,007 |
| Impairment loss | | – | – | – | – | – | – | 746 | 746 |
| Disposals | | – | – | – | (46,742) | – | (1,399) | – | (48,141) |
| Write off | | – | – | – | (7,605) | (909) | – | – | (8,514) |
| Transfer to development properties - Offset of accumulated depreciation against cost | | – | (258) | – | – | – | – | – | (258) |
| Transfer to investment properties - Offset of accumulated depreciation against cost | | – | (36) | (9) | (27) | – | – | – | (72) |
| Translation differences | | – | 4,849 | (1,268) | (167,971) | – | (649) | 52 | (164,987) |
| **At 31 December 2016** | | – | 331,436 | 743,212 | 3,737,395 | 35,695 | 26,550 | 798 | 4,875,086 |
| **Net carrying amount** | | | | | | | | | |
| At 1 January 2015 | | 480,279 | 3,230,631 | 2,504,556 | 2,290,563 | 25,985 | 14,243 | 602,226 | 9,148,483 |
| At 31 December 2015/1 January 2016 | | 584,264 | 3,565,056 | 3,323,127 | 2,894,362 | 24,808 | 16,910 | 1,027,371 | 11,435,898 |
| At 31 December 2016 | | 567,967 | 3,559,005 | 3,549,719 | 2,741,009 | 24,504 | 14,554 | 2,683,773 | 13,140,531 |

## 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 2015** | 472 | 2,170 | 2,642 |
| Additions | 1,160 | – | 1,160 |
| Disposals | (9) | – | (9) |
| Write off | (332) | – | (332) |
| Translation differences | – | 213 | 213 |
| **At 31 December 2015/1 January 2016** | 1,291 | 2,383 | 3,674 |
| Additions | 149 | 353 | 502 |
| Translation differences | – | 27 | 27 |
| **At 31 December 2016** | 1,440 | 2,763 | 4,203 |
| **Accumulated depreciation** | | | |
| **At 1 January 2015** | 166 | 451 | 617 |
| Depreciation charge for the year | 248 | 450 | 698 |
| Disposals | (3) | – | (3) |
| Write off | (98) | – | (98) |
| Translation differences | – | 55 | 55 |
| **At 31 December 2015/1 January 2016** | 313 | 956 | 1,269 |
| Depreciation charge for the year | 269 | 501 | 770 |
| Translation differences | – | 20 | 20 |
| **At 31 December 2016** | 582 | 1,477 | 2,059 |
| **Net carrying amount** | | | |
| At 1 January 2015 | 306 | 1,719 | 2,025 |
| At 31 December 2015/1 January 2016 | 978 | 1,427 | 2,405 |
| At 31 December 2016 | 858 | 1,286 | 2,144 |

***Leasehold land***

Included in the net carrying amount of leasehold land of the Group is RM3,559,005,000 (2015: RM3,565,056,000) pertaining to leasehold land with unexpired lease period of more than 50 years.

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

***Securities***

As at 31 December 2016, property, plant and equipment of the Group with carrying amounts of RM866,912,000 (2015: RM821,849,000) are charged to licensed financial institutions for credit facilities and term loans granted to the Group.

***Assets under finance lease arrangements***

Included in the net carrying amount of property, plant and equipment of the Group are motor vehicles and equipment with net carrying amounts of RM109,540,000 (2015: RM154,079,000) that are held under finance lease arrangements.

***Borrowing costs***

Included in additions of the Group during the year are capitalised borrowing costs amounting to RM102,809,000 (2015: RM37,730,000).

***Prepaid lease payments amortisation capitalised***

Included in additions of construction-in-progress of the Group are the amortisation of prepaid lease payments amounting to RM20,075,000 (2015: RM17,138,000) (See Note 4).

## 4. PREPAID LEASE PAYMENTS

| | | Group | |
|---|---|---|---|
| | Note | 2016 RM'000 | 2015 RM'000 |
| **Cost** | | | |
| **At 1 January** | | 956,325 | 774,458 |
| Additions | | 225,319 | – |
| Finalisation of purchase price allocation | 42 | 3,899 | – |
| Translation differences | | 35,785 | 181,867 |
| **At 31 December** | | 1,221,328 | 956,325 |
| **Accumulated amortisation** | | | |
| **At 1 January** | | 54,192 | 28,397 |
| Amortisation charge for the year | | 20,120 | 17,138 |
| Finalisation of purchase price allocation | 42 | 321 | – |
| Translation differences | | 3,216 | 8,657 |
| **At 31 December** | | 77,849 | 54,192 |
| **Net carrying amount** | | | |
| At 1 January | | 902,133 | 746,061 |
| At 31 December | | 1,143,479 | 902,133 |

Prepaid lease payments relate to leasehold lands which are in substance operating leases. The prepaid lease payments are amortised on a straight-line basis over lease term of 50 to 99 years. The amortisation charge for the year ended 31 December 2016 of RM20,075,000 (2015: RM17,138,000) is capitalised in property, plant and equipment which relates to the construction of a hospital.

## 5. INVESTMENT PROPERTIES

| | Note | Group 2016 RM'000 | Group 2015 RM'000 |
|---|---|---|---|
| **At 1 January** | | 2,869,113 | 2,028,438 |
| Additions | | 51,026 | 317,905 |
| Transfer from property, plant and equipment | 3 | 84,864 | – |
| Disposals | | (127,624) | – |
| Change in fair value recognised in profit or loss | 29 | 30,193 | 120,904 |
| Translation differences | | 125,535 | 401,866 |
| **At 31 December** | | 3,033,107 | 2,869,113 |

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

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

| | Group 2016 RM'000 | Group 2015 RM'000 |
|---|---|---|
| Rental income | 175,406 | 146,932 |
| Direct operating expenses: | | |
| - income generating investment properties | (21,088) | (17,780) |
| - non-income generating investment properties | (1,501) | (1,669) |
| | 152,817 | 127,483 |

***Determination of fair value***

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

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

## 5. INVESTMENT PROPERTIES (CONTINUED)

***Determination of fair value (continued)***

The valuers have considered valuation techniques including the direct comparison method, the capitalisation approach, the discounted cash flow approach and the cost 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 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 approximate rate of return. The cost approach involves the estimation of the replacement cost of improvements and the market value of the land.

***Fair value hierarchy***

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

| Group | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2016** | | | | |
| Land | – | – | 796,365 | 796,365 |
| Buildings | – | – | 2,236,742 | 2,236,742 |
| | – | – | 3,033,107 | 3,033,107 |
| **2015** | | | | |
| Land | – | – | 653,646 | 653,646 |
| Buildings | – | – | 2,215,467 | 2,215,467 |
| | – | – | 2,869,113 | 2,869,113 |

*Policy on transfer between levels*

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

*Transfer between Level 1 and 2 fair values*

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

## 5. INVESTMENT PROPERTIES (CONTINUED)

***Determination of fair value (continued)***

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

| Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|
| Discounted cash flow and capitalisation approach | • Risk-adjusted discount rates range from 5.0% to 7.5% (2015: 5.1% to 7.8%)<br>• Capitalisation rates range from 4.0% to 7.1% (2015: 4.5% to 7.4%) | The estimated fair value would increase/(decrease) if:<br>• the risk-adjusted discount rates were lower/(higher); or<br>• the capitalisation rates were lower/(higher) |
| Sales comparison approach | • Premium made for differences in type of development (including design, use and proximity to complementary businesses) range from 0% to 10% (2015: 0% to 2%) | The estimated fair value would increase/(decrease) if premium made for differences in type of development was higher/(lower) |

***Significant unobservable inputs***

Significant unobservable inputs correspond to:

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

## 6. GOODWILL ON CONSOLIDATION AND INTANGIBLE ASSETS

| Group | Note | Brand names RM'000 | Hospital licences RM'000 | Customer relationships RM'000 | Other intangibles * RM'000 | Total intangible assets RM'000 | Goodwill on consolidation RM'000 | Total intangible assets and goodwill RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **At 1 January 2015** | | 1,968,618 | 276,245 | 359,847 | 186,700 | 2,791,410 | 9,154,565 | 11,945,975 |
| Acquisitions through business combinations | 42 | – | – | 14,003 | 95,600 | 109,603 | 708,036 | 817,639 |
| Additions | | – | – | – | 11,440 | 11,440 | – | 11,440 |
| Disposals | | – | – | – | (344) | (344) | – | (344) |
| Reclassification | | – | – | 55,277 | (55,277) | – | – | – |
| Translation differences | | (4,057) | (1,583) | 3,930 | 8,422 | 6,712 | 1,146,673 | 1,153,385 |
| **At 31 December 2015/ 1 January 2016** | | 1,964,561 | 274,662 | 433,057 | 246,541 | 2,918,821 | 11,009,274 | 13,928,095 |
| Acquisitions through business combinations | 41,42 | 19,241 | 74,181 | – | 9,250 | 102,672 | 122,838 | 225,510 |
| Disposal of a subsidiary | 43 | – | – | – | (2,077) | (2,077) | – | (2,077) |
| Additions | | – | – | – | 4,649 | 4,649 | – | 4,649 |
| Write off | | – | – | – | (5,670) | (5,670) | – | (5,670) |
| Disposals | | – | – | – | (2,594) | (2,594) | – | (2,594) |
| Transfer from property, plant and equipment | 3 | – | – | – | 11,553 | 11,553 | – | 11,553 |
| Finalisation of purchase price allocation | 42 | – | – | (2,546) | (4,393) | (6,939) | 5,718 | (1,221) |
| Translation differences | | (96,565) | (43,230) | (31,139) | (3,098) | (174,032) | (61,830) | (235,862) |
| **At 31 December 2016** | | 1,887,237 | 305,613 | 399,372 | 254,161 | 2,846,383 | 11,076,000 | 13,922,383 |

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

## 6. GOODWILL ON CONSOLIDATION AND INTANGIBLE ASSETS (CONTINUED)

| Group | Note | Brand names RM'000 | Hospital licences RM'000 | Customer relationships RM'000 | Other intangibles * RM'000 | Total intangible assets RM'000 | Goodwill on consolidation RM'000 | Total intangible assets and goodwill RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses** | | | | | | | | |
| **At 1 January 2015** | | – | – | 172,058 | 81,550 | 253,608 | – | 253,608 |
| Amortisation charge for the year | | – | – | 41,725 | 18,646 | 60,371 | – | 60,371 |
| Disposals | | – | – | – | (138) | (138) | – | (138) |
| Reclassification | | – | – | 20,568 | (20,568) | – | – | – |
| Translation differences | | – | – | 2,347 | 2,207 | 4,554 | – | 4,554 |
| **At 31 December 2015/ 1 January 2016** | | – | – | 236,698 | 81,697 | 318,395 | – | 318,395 |
| Acquisitions through business combinations | 42 | – | – | – | 6,330 | 6,330 | – | 6,330 |
| Disposal of a subsidiary | 43 | – | – | – | (2,077) | (2,077) | – | (2,077) |
| Amortisation charge for the year | | – | – | 27,234 | 27,895 | 55,129 | – | 55,129 |
| Disposals | | – | – | – | (682) | (682) | – | (682) |
| Translation differences | | – | – | (13,682) | (6,672) | (20,354) | – | (20,354) |
| **At 31 December 2016** | | – | – | 250,250 | 106,491 | 356,741 | – | 356,741 |
| **Net carrying amount** | | | | | | | | |
| At 1 January 2015 | | 1,968,618 | 276,245 | 187,789 | 105,150 | 2,537,802 | 9,154,565 | 11,692,367 |
| At 31 December 2015/ 1 January 2016 | | 1,964,561 | 274,662 | 196,359 | 164,844 | 2,600,426 | 11,009,274 | 13,609,700 |
| At 31 December 2016 | | 1,887,237 | 305,613 | 149,122 | 147,670 | 2,489,642 | 11,076,000 | 13,565,642 |

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

## 6. GOODWILL ON CONSOLIDATION AND INTANGIBLE ASSETS (CONTINUED)

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

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

| | Goodwill | | Brand names | | Hospital licences | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Group** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Singapore healthcare services | 5,949,874 | 5,839,746 | 1,145,173 | 1,145,173 | – | – |
| Malaysia healthcare services | 2,051,150 | 2,024,439 | 116,000 | 116,000 | – | – |
| China healthcare services | 191,000 | 198,155 | – | – | – | – |
| India healthcare services | 757,805 | 730,095 | – | – | – | – |
| Turkey healthcare services | 1,745,296 | 1,838,811 | 626,064 | 703,388 | 305,613 | 274,662 |
| PLife REIT | 155,899 | 153,052 | – | – | – | – |
| Education | 224,976 | 224,976 | – | – | – | – |
| | 11,076,000 | 11,009,274 | 1,887,237 | 1,964,561 | 305,613 | 274,662 |

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

***(a) Healthcare services and Education CGUs***

***Key assumptions used in determining the recoverable amount***

For the purpose of impairment testing, the carrying amounts are allocated to the Group's operating divisions which are the cash-generating units ("CGU"). Recoverable amount of each CGU is estimated based on its value in use. The value in use calculations apply a discounted cash flow model using cash flow projections based on past experience, actual operating results, approved financial budgets for 2017 and 5 to 10 year business plan.

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

(i) Revenue growth assumptions in the 10-year cash flow projections:
- Healthcare services CGUs: 4% to 58% (2015: 2% to 91%) per annum in the first 3 years with declining revenue trend in subsequent years from 2% to 25% (2015: 2% to 32%) per annum; and
- Education CGU: -7% to 0% (2015: 3% to 7%) per annum for the first 3 years with -9% to 0% (2015: 3%) revenue growth for subsequent years

## 6. GOODWILL ON CONSOLIDATION AND INTANGIBLE ASSETS (CONTINUED)

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

***(a) Healthcare services and Education CGUs (continued)***

***Key assumptions used in determining the recoverable amount (continued)***

(ii) EBITDA margins assumptions:
- Healthcare services CGUs: 7% to 31% (2015: 8% to 31%); and
- Education CGU: 30% to 33% (2015: 32% to 33%)

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

(iii) Terminal value was estimated using the perpetuity growth model:
- Healthcare services CGUs: 2% to 4% (2015: 2% to 7%) per annum; and
- Education CGU: 0% (2015: 2%) per annum

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

(iv) Discount rates of approximately 7% to 16% (2015: 8% to 19%) which were based on the cost of capital plus an appropriate risk premium at the date of assessment of the respective CGUs.

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

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

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

***(b) PLife REIT CGU***

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

**Sensitivity to change in key assumption**

Based on the Group's sensitivity analysis of increasing the discount rate used by 1 percentage point, the carrying value of each of the Group's CGUs will not exceed their value in use with the exception of its Education CGU, which will result in an impairment loss of RM7,000,000.

## 7. INVESTMENT IN SUBSIDIARIES

| | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|
| At cost: | | |
| Unquoted shares in Malaysia | 15,912,137 | 15,912,137 |
| Unquoted shares outside Malaysia | 489,976 | 489,976 |
| | 16,402,113 | 16,402,113 |
| Allowance for impairment loss | (1,000) | (1,000) |
| | 16,401,113 | 16,401,113 |

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

| | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|
| At 1 January | 16,402,113 | 16,142,113 |
| Subscription of redeemable preference shares in a subsidiary | – | 260,000 |
| At 31 December | 16,402,113 | 16,402,113 |

***Acquisition of/additional interest in subsidiaries***

In 2015, the Company increased its investments in a non-direct wholly-owned subsidiary, Pantai Medical Centre Sdn. Bhd., through a subscription of 260,000,000 redeemable preference shares for a total cash consideration of RM260,000,000.

Details of the investment in subsidiaries are as disclosed in Note 45.

Although the Group owns less than half of the ownership interest in, and less than half of the voting power of PLife REIT, the Group has determined that it controls PLife REIT. The Group has *de facto* control over PLife REIT, on the basis that the remaining voting rights in PLife REIT are widely dispersed and that there is no indication that all other shareholders exercise their votes collectively.

The Group via PLife REIT, does not hold any ownership interest in the special purpose entities ("SPEs") listed in Note 45. The SPEs were established under terms that impose strict limitations on the decision-making powers of the SPEs' management, resulting in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets. Consequently, the SPEs are regarded as subsidiaries of the Group.

# 7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

**Non-controlling interests in subsidiaries**

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

| | I----------Material NCI ---------I | | Other individually immaterial subsidiaries RM'000 | Total RM'000 |
|---|---|---|---|---|
| | PLife REIT RM'000 | ASYH RM'000 | | |
| **2016** | | | | |
| **NCI percentage of ownership interest and voting interest** | 64.29% | 40.00% | | |
| Carrying amount of NCI | 1,321,493 | 17,278 | 568,646 | 1,907,417 |
| Profit/(Loss) allocated to NCI | 128,496 | (89,614) | (43,243) | (4,361) |
| **Summarised financial information before intra-group elimination** | | | | |
| **As at 31 December** | | | | |
| Non-current assets | 4,295,694 | 5,246,473 | | |
| Current assets | 226,787 | 954,653 | | |
| Non-current liabilities | (2,205,982) | (3,238,320) | | |
| Current liabilities | (105,120) | (873,378) | | |
| Net assets | 2,211,379 | 2,089,428 | | |
| **Year ended 31 December** | | | | |
| Revenue | 327,844 | 3,480,192 | | |
| Profit/(Loss) for the year | 200,845 | (219,323) | | |
| Total comprehensive income/(expenses) | 194,308 | (162,032) | | |
| Cash flows from operating activities | 262,263 | 578,881 | | |
| Cash flows from/(used in) investing activities | 81,972 | (924,853) | | |
| Cash flows (used in)/from financing activities | (197,603) | 40,032 | | |
| Net increase/(decrease) in cash and cash equivalents | 146,632 | (305,940) | | |
| Dividends paid to NCI | 144,872 | 12,477 | | |

## 7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

| | I----------Material NCI ---------I | | Other individually immaterial subsidiaries | |
|---|---|---|---|---|
| | PLife REIT RM'000 | ASYH RM'000 | subsidiaries RM'000 | Total RM'000 |
| **2015** | | | | |
| **NCI percentage of ownership interest and voting interest** | 64.26% | 40.00% | | |
| Carrying amount of NCI | 1,328,892 | 347,554 | 404,522 | 2,080,968 |
| Profit/(Loss) allocated to NCI | 136,766 | (30,667) | 12,093 | 118,192 |
| **Summarised financial information before intra-group elimination** | | | | |
| **As at 31 December** | | | | |
| Non-current assets | 4,267,923 | 4,757,393 | | |
| Current assets | 79,601 | 1,436,874 | | |
| Non-current liabilities | (2,083,638) | (2,744,004) | | |
| Current liabilities | (42,348) | (700,326) | | |
| Net assets | 2,221,538 | 2,749,937 | | |
| **Year ended 31 December** | | | | |
| Revenue | 288,311 | 2,952,859 | | |
| Profit/(Loss) for the year | 215,177 | (73,466) | | |
| Total comprehensive income/(expenses) | 211,470 | (78,433) | | |
| Cash flows from operating activities | 231,675 | 491,430 | | |
| Cash flows used in investing activities | (296,610) | (808,673) | | |
| Cash flows (used in)/from financing activities | (310,037) | 517,041 | | |
| Net (decrease)/increase in cash and cash equivalents | (374,972) | 199,798 | | |
| Dividends paid to NCI | 140,799 | 10,227 | | |

## 7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

***Significant restrictions***

Parkway Life Real Estate Investment Trust ("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 (the "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 2016, the carrying amounts of PLife REIT's assets and liabilities are RM4,522,481,000 (2015: RM4,347,524,000) and RM2,311,102,000 (2015: RM2,125,986,000) respectively.

## 8. INTERESTS IN ASSOCIATES

| | Group | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| At cost: | | |
| Unquoted shares in Malaysia | 3 | 3 |
| Unquoted shares outside Malaysia | 2,280 | 2,245 |
| | 2,283 | 2,248 |
| Share of post-acquisition reserves | 5,324 | 4,255 |
| | 7,607 | 6,503 |
| Amounts due from associates | 966 | 1,588 |
| Allowance for impairment loss | (916) | (1,508) |
| | 50 | 80 |
| | 7,657 | 6,583 |

Details of the associates are disclosed in Note 46.

## 8. INTERESTS IN ASSOCIATES (CONTINUED)

***Amounts due from associates***

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

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

| | Individually immaterial associates | |
|---|---|---|
| | **2016** | **2015** |
| | **RM'000** | **RM'000** |
| **Summarised financial information** | | |
| **As at 31 December** | | |
| Non-current assets | 8,322 | 8,437 |
| Current assets | 27,742 | 24,705 |
| Non-current liabilities | (2,908) | (4,699) |
| Current liabilities | (5,837) | (4,699) |
| Net assets | 27,319 | 23,744 |
| **Year ended 31 December** | | |
| Revenue | 25,049 | 23,593 |
| Profit for the year, representing total comprehensive income for the year | 6,448 | 5,765 |
| The Group's share of profit or loss from continuing operations, representing share of total comprehensive income for the year | 1,747 | 1,601 |

## 9. INTERESTS IN JOINT VENTURES

| | Group 2016 RM'000 | Group 2015 RM'000 |
|---|---|---|
| At cost: | | |
| Unquoted shares outside Malaysia | 281,262 | 277,702 |
| Share of post-acquisition reserves | (53,534) | (65,384) |
| Allowance for impairment loss | (103,337) | (3,309) |
| | 124,391 | 209,009 |
| Amounts due from joint ventures | 34,504 | 32,400 |
| Allowance for impairment loss | (5,294) | (20,761) |
| | 29,210 | 11,639 |
| Amounts due to joint ventures | (447) | (642) |
| | 28,763 | 10,997 |
| | 153,154 | 220,006 |

Details of the joint ventures are disclosed in Note 47.

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

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

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

## 9. INTERESTS IN JOINT VENTURES (CONTINUED)

| | Individually immaterial joint ventures 2016 RM'000 | 2015 RM'000 |
|---|---|---|
| **Summarised financial information** | | |
| **As at 31 December** | | |
| Non-current assets | 501,646 | 538,532 |
| Current assets | 164,588 | 134,989 |
| Non-current liabilities | (147,797) | (185,846) |
| Current liabilities | (129,562) | (129,327) |
| Net assets | 388,875 | 358,348 |
| **Year ended 31 December** | | |
| Revenue | 278,684 | 246,291 |
| Profit for the year, representing total comprehensive income for the year | 29,385 | 25,017 |
| The Group's share of profit or loss from continuing operations, representing share of total comprehensive income for the year | 14,922 | 12,682 |

During the year, the construction of Khubchandani Hospitals Private Limited ("KHPL")'s greenfield hospital in Mumbai stalled as a result of failed negotiations over disagreements with the joint venture partner. As a result, the Group recorded an impairment loss of RM97,344,000 on its investment in KHPL up to its estimated recoverable amount. The impairment loss of RM97,344,000 have been included in the Group's other operating expenses.

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

The recoverable amount is determined based on the fair value of KHPL's net assets. The valuation technique used to measure the fair value of the material assets/liabilities, as well as the significant unobservable inputs were as follow:

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs |
|---|---|---|---|
| Property under development and intangible asset | Market Sales Comparable method: This valuation model considers the value of land per square metre of nearby comparable properties reserved for hospital usage, taking into account the tenor and saleability of the property under development and intangible asset | - Discount applied on the developmental rights on KHPL's land parcel: 10%; and<br>- Discount applied to take into account the saleability: 50% | The estimated fair value would increase/(decrease) if:<br>• The discount applied to the leasehold land were lower/(higher); and<br>• The discount applied, taking into account the saleability were lower/(higher) |

## 10. OTHER FINANCIAL ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| **Non-current** | | | | |
| ***Available-for-sale financial instruments*** | | | | |
| At market value: | | | | |
| Quoted shares outside Malaysia | 1,176,638 | 1,446,623 | – | – |
| At cost: | | | | |
| Unquoted shares in Malaysia | 11,566 | 80 | – | – |
| | 1,188,204 | 1,446,703 | – | – |
| ***Others*** | | | | |
| Fixed deposits with tenor of more than 3 months | 9,612 | 1,935 | – | – |
| Club membership and other investments | 414 | 680 | – | – |
| | 10,026 | 2,615 | – | – |
| | 1,198,230 | 1,449,318 | – | – |
| **Current** | | | | |
| ***Available-for-sale financial instruments*** | | | | |
| At market value: | | | | |
| - Money market funds, unquoted in Malaysia | 70,574 | 70,644 | 70,574 | 70,644 |
| - Eurobonds, unquoted outside Malaysia | 81,468 | 311,638 | – | – |
| | 152,042 | 382,282 | 70,574 | 70,644 |
| ***Held-to-maturity investments*** | | | | |
| Singapore government debt securities, at amortised cost | – | 34,069 | – | – |
| ***Others*** | | | | |
| Fixed deposits with tenor of more than 3 months | 199,632 | 702,954 | – | 410,590 |
| | 351,674 | 1,119,305 | 70,574 | 481,234 |

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

Included in non-current fixed deposits with tenor of more than 3 months is an amount of RM7,110,000 (2015: Nil) representing monies placed in an escrow account pursuant to the acquisition of Tokuda Group.

## 11. DEFERRED TAX ASSETS AND LIABILITIES

| Group | Note | Unutilised tax losses and unabsorbed capital allowance RM'000 | Investment tax allowances RM'000 | Receivables/ provisions RM'000 | Property, plant and equipment RM'000 | Investment properties RM'000 | Intangible assets RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2015** | | 28,408 | 13,426 | 29,943 | (435,143) | (31,356) | (476,175) | 1,179 | (869,718) |
| Acquired through business combinations | 42 | – | – | – | 13,497 | – | (33,832) | – | (20,335) |
| Recognised in profit or loss | 32 | (10,835) | 61,206 | (7,205) | 5,503 | (21,026) | 14,448 | (333) | 41,758 |
| Recognised in other comprehensive income | 30 | – | – | 2,133 | – | – | – | – | 2,133 |
| Translation differences | | (320) | 2 | (333) | (9,527) | (7,768) | (4,503) | 331 | (22,118) |
| **At 31 December 2015/ 1 January 2016** | | 17,253 | 74,634 | 24,538 | (425,670) | (60,150) | (500,062) | 1,177 | (868,280) |
| Acquired through business combinations | 42 | 3,867 | – | 26 | (8,612) | – | (1,825) | 2,589 | (3,955) |
| Disposal of a subsidiary | 43 | – | – | (115) | 26 | – | – | – | (89) |
| Recognised in profit or loss | 32 | 2,008 | (26,094) | 37,543 | 393 | 405 | 11,234 | (3,142) | 22,347 |
| Recognised in other comprehensive income | 30 | – | – | 2,781 | – | – | – | – | 2,781 |
| Finalisation of purchase price allocation | 42 | – | – | – | 1,020 | – | 2,419 | – | 3,439 |
| Translation differences | | (2,079) | – | (4,084) | (2,333) | (4,418) | 29,561 | 441 | 17,088 |
| **At 31 December 2016** | | 21,049 | 48,540 | 60,689 | (435,176) | (64,163) | (458,673) | 1,065 | (826,669) |

## 11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Group** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Unutilised tax losses and unabsorbed capital allowance | 21,049 | 17,253 | – | – | 21,049 | 17,253 |
| Investment tax allowances | 48,540 | 74,634 | – | – | 48,540 | 74,634 |
| Receivables/provisions | 77,725 | 51,607 | (17,036) | (27,069) | 60,689 | 24,538 |
| Property, plant and equipment | 94,244 | 98,264 | (529,420) | (523,934) | (435,176) | (425,670) |
| Investment properties | – | – | (64,163) | (60,150) | (64,163) | (60,150) |
| Intangible assets | 5,267 | 5,314 | (463,940) | (505,376) | (458,673) | (500,062) |
| Others | 5,764 | 5,094 | (4,699) | (3,917) | 1,065 | 1,177 |
| | 252,589 | 252,166 | (1,079,258) | (1,120,446) | (826,669) | (868,280) |
| Set off | (11,993) | (18,955) | 11,993 | 18,955 | – | – |
| | 240,596 | 233,211 | (1,067,265) | (1,101,491) | (826,669) | (868,280) |

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

***Unrecognised deferred tax assets***

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

| | Group | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| Deductible temporary difference | 724 | 1,019 |
| Unutilised tax losses | 15,769 | 39,049 |
| | 16,493 | 40,068 |

The unutilised tax losses carried forward do not expire under current tax legislations, except for amount of RM11,824,000 (2015: RM36,359,000) which can be carried forward to offset against future taxable income for five years only. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the respective subsidiaries can utilise the benefits there from.

## 12. DEVELOPMENT PROPERTIES

| | Note | Group 2016 RM'000 | Group 2015 RM'000 |
|---|---|---|---|
| At 1 January | | 7,144 | – |
| Additions | | 17,124 | 2,003 |
| Transfer from property, plant and equipment | 3 | 4,719 | 5,141 |
| As at 31 December | | 28,987 | 7,144 |

## 13. INVENTORIES

| | Group 2016 RM'000 | Group 2015 RM'000 |
|---|---|---|
| Pharmaceuticals, surgical and medical supplies | 252,589 | 218,768 |

As at 31 December 2016, inventories with carrying amount of RM10,245,000 (2015: RM10,150,000) are pledged to licensed financial institutions as securities for credit facilities granted to subsidiaries.

## 14. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **Non-current** | | | | |
| Trade receivables | 30,378 | 67,737 | – | – |
| Other receivables | 1,910 | 2,028 | – | – |
| | 32,288 | 69,765 | – | – |
| Prepayments | 46,762 | 23,626 | 24,852 | – |
| Deposits | 25,342 | 19,843 | – | – |
| | 104,392 | 113,234 | 24,852 | – |
| **Current** | | | | |
| Trade receivables | 1,116,595 | 1,056,438 | – | – |
| Other receivables | 96,834 | 72,627 | 183 | – |
| Interest receivables | 2,227 | 5,027 | 268 | 2,211 |
| | 1,215,656 | 1,134,092 | 451 | 2,211 |
| Prepayments | 173,290 | 60,755 | 6,943 | 852 |
| Deposits | 52,737 | 39,476 | 4 | 5 |
| | 1,441,683 | 1,234,323 | 7,398 | 3,068 |

## 14. TRADE AND OTHER RECEIVABLES (CONTINUED)

***Offsetting of financial assets and financial liabilities***

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

| Group | Note | Gross amount RM'000 | Balances that are set off RM'000 | Net carrying amount in the statements of financial position RM'000 |
|---|---|---|---|---|
| **2016** | | | | |
| Trade receivables | | 1,222,373 | (75,400) | 1,146,973 |
| Trade payables | 24 | (1,083,536) | 75,400 | (1,008,136) |
| **2015** | | | | |
| Trade receivables | | 1,161,452 | (37,277) | 1,124,175 |
| Trade payables | 24 | (862,611) | 37,277 | (825,334) |

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

## 15. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

## 16. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Cash and bank balances | 1,639,233 | 950,233 | 57,035 | 22,259 |
| Fixed deposits with tenor of 3 months or less | 803,948 | 1,027,706 | 168,804 | – |
| | 2,443,181 | 1,977,939 | 225,839 | 22,259 |
| Secured bank overdrafts | (11,348) | (6,003) | – | – |
| Deposits pledged | (2,617) | (382) | – | – |
| Cash collateral received | (5,941) | (5,553) | – | – |
| Cash and cash equivalents in statements of cash flows | 2,423,275 | 1,966,001 | 225,839 | 22,259 |

## 16. CASH AND CASH EQUIVALENTS (CONTINUED)

Included in fixed deposits with licenced banks is an amount of RM2,617,000 (2015: RM382,000) pledged to banks and finance companies for credit facilities granted to certain subsidiaries (See Note 20).

Secured bank overdrafts are interest-bearing at bank's base rate + 1.25% (2015: bank's base rate + 1.25% to 3.80%).

In respect of the Japan properties acquired by PLife REIT in July 2010, the vendor has provided a rental income guarantee ("the Rental Income Guarantee"), in which it agreed to indemnify PLife REIT in the event that the actual revenue in respect of any of the properties in any month is less than the initial revenue at acquisition, for a maximum duration of seven years and subject to a maximum aggregate claim of 5% of the purchase price (which is equivalent to approximately JPY154,400,000 (RM5,941,000)).

To further support the Rental Income Guarantee, a cash deposit of JPY154,400,000 (2015: JPY154,400,000), approximately RM5,941,000 (2015: RM5,553,000), was placed with PLife REIT, for withdrawal in respect of valid claims under the Rental Income Guarantee. Any balance left in the account upon termination of the Rental Income Guarantee will be returned to the vendor.

## 17. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale as at 31 December 2016 relates to a piece of freehold land in India that is committed for sale. As at the reporting date, the subsidiary is still in the midst of finalising the agreement for the sale of the land.

## 18. SHARE CAPITAL

| | Amount 2016 RM'000 | Number of shares 2016 '000 | Amount 2015 RM'000 | Number of shares 2015 '000 |
|---|---|---|---|---|
| **Group and Company** | | | | |
| Authorised: | | | | |
| Ordinary shares of RM1.00 each | | | | |
| At 1 January and 31 December | 18,000,000 | 18,000,000 | 18,000,000 | 18,000,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of RM1.00 each | | | | |
| At 1 January | 8,223,346 | 8,223,346 | 8,178,570 | 8,178,570 |
| Issued during the year | 8,354 | 8,354 | 44,776 | 44,776 |
| At 31 December | 8,231,700 | 8,231,700 | 8,223,346 | 8,223,346 |

## 18. SHARE CAPITAL (CONTINUED)

***Issue of shares***

During the financial year, the Company issued:

(i) 250,000 new ordinary shares of RM1.00 each pursuant to the exercise of vested EPP options;

(ii) 7,890,205 new ordinary shares of RM1.00 each pursuant to the surrender of vested LTIP units; and

(iii) 214,000 new ordinary shares of RM1.00 each pursuant to the exercise of vested EOS options.

Upon completion of the above, the issued and fully paid ordinary shares of the Company as at 31 December 2016 amounted to RM8,231,700,239.

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

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

## 19. OTHER RESERVES

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

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

**(a) Share premium**

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

**(b) Share option reserve**

Share option reserve comprises the cumulative value of employee services received for the issue of share options and conditional award of performance shares. When the options are exercised, 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 21.

**(c) Fair value reserve**

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

## 19. OTHER RESERVES (CONTINUED)

### (d) Revaluation reserve

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

### (e) Hedge reserve

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

### (f) Capital reserve

The capital reserve comprises:

(i) non-cash contribution from, or distribution to, holding companies within the Group for the common control transfer of subsidiaries;

(ii) difference between the consideration paid and net assets acquired in acquisition of non-controlling interests;

(iii) difference between consideration received and net assets disposed when the Group disposed its interest in subsidiaries without losing control of the subsidiaries;

(iv) capital gain or loss arising from the payment of a non-controlling interest's subscription to the share capital of a subsidiary;

(v) capital gain or loss arising from the Group's subscription to additional shares of non-wholly owned subsidiaries; and

(vi) financial liabilities arising from initial issue of put options to non-controlling interests in relation to the Group's business combinations, and its subsequent remeasurement changes.

### (g) Legal reserve

The legal reserve comprises:

(i) first and second legal reserves. The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the Group's Turkish-based subsidiaries' statutory accounts until it reaches 20 percent of the issued and paid-up share capital of these subsidiaries. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distribution, in excess of 5 percent of paid-up share capitals are to be appropriated to increase second legal reserve.

(ii) statutory reserve fund ("SRF") for the Group's subsidiaries in the People's Republic of China ("PRC") who are required by the Foreign Enterprise Law to allocate 10% of the statutory profits after tax as determined in accordance with the applicable PRC accounting standards and regulations to the SRF annually. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

## 19. OTHER RESERVES (CONTINUED)

### (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.

## 20. LOANS AND BORROWINGS

| | Group | |
|---|---|---|
| | 2016 RM'000 | 2015 RM'000 |
| **Non-current** | | |
| Secured | | |
| Bank borrowings | 430,224 | 303,915 |
| Finance lease liabilities | 90,356 | 135,913 |
| Unsecured | | |
| Bank borrowings | 6,205,323 | 5,882,699 |
| Fixed rate medium term notes | 126,879 | – |
| | 6,852,782 | 6,322,527 |
| **Current** | | |
| Secured | | |
| Bank borrowings | 65,909 | 239,424 |
| Finance lease liabilities | 59,556 | 75,808 |
| Unsecured | | |
| Bank borrowings | 497,503 | 52,688 |
| | 622,968 | 367,920 |
| | 7,475,750 | 6,690,447 |

## 20. 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 |
|---|---|---|---|---|
| **2016** | | | | |
| Secured bank loans | EUR | 4.50% to 5.25% | 2017 - 2020 | 15,436 |
| Secured bank loans | EUR | Euribor[1] + 3.60% | 2017 - 2020 | 88,391 |
| Secured bank loans | INR | Base rate + 1.25% to 1.70% | 2017 - 2028 | 344,895 |
| Secured bank loans | RM | 5.04% | 2017 | 40,088 |
| Secured bank loans | USD | LIBOR[5] + 1.75% to 3.6% | 2017 - 2019 | 7,323 |
| Unsecured bank loans | EUR | Euribor + 0.38% to 2.95% | 2017- 2026 | 1,899,011 |
| Unsecured bank loans | EUR | 2.10% to 5.00% | 2017 - 2021 | 57,260 |
| Unsecured bank loans | HKD | HIBOR[4] + 0.8% | 2021 | 394,048 |
| Unsecured bank loans | JPY | LIBOR + 0.3% to 1.10% | 2018 - 2020 | 1,233,970 |
| Unsecured bank loans | JPY | COF[3] | 2017 | 143 |
| Unsecured bank loans | MKD | 5.25% | 2017 | 6 |
| Unsecured bank loans | SGD | SOR[6] + 0.73% to 1.0% | 2019 - 2021 | 1,219,326 |
| Unsecured bank loans | SGD | COF | 2017 | 50,326 |
| Unsecured bank loans | TL | 10.50% to 11.1% | 2017 - 2018 | 3,634 |
| Unsecured bank loans | USD | LIBOR + 2.95% | 2017 - 2020 | 556,860 |
| Multi-currency loan facility | | | | |
| Unsecured bank loans | HKD | HIBOR + 1.10% | 2017 - 2021 | 1,299,037 |
| Unsecured bank loans | SGD | SWAP rate + 0.92% | 2017 | 15,533 |
| Unamortised transaction costs | SGD | | | (26,328) |
| | | | | 1,288,242 |
| Unsecured fixed rate medium term notes | JPY | 0.58% | 2022 | 126,879 |
| | | | | 7,325,838 |

(1) Euro Interbank Offer Rate
(2) Benchmark Prime Lending Rate
(3) Bank's cost of funds
(4) Hong Kong Interbank Offered Rate
(5) London Interbank Offered Rate
(6) Singapore Swap Offer Rate

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

## 20. LOANS AND BORROWINGS (CONTINUED)

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

| Group | Currency | Nominal interest rate % | Year of maturity | Carrying amount RM'000 |
|---|---|---|---|---|
| **2015** | | | | |
| Secured bank loans | EUR | Euribor + 0.65% to 0.7% | 2016 - 2023 | 200,943 |
| Secured bank loans | INR | Base rate + 1.25% to 5.0% | 2016 - 2023 | 274,487 |
| Secured bank loans | INR | BPLR(2) + 1.00% | 2016 | 5,136 |
| Secured bank loans | MKD | 4.5% | 2017 - 2020 | 2,685 |
| Secured bank loans | RM | 5.04% | 2016 - 2018 | 60,088 |
| Unsecured bank loans | EUR | 5% and Euribor + 2.95% | 2016 - 2020 | 1,570,558 |
| Unsecured bank loans | HKD | HIBOR + 1.30% | 2018 | 492,652 |
| Unsecured bank loans | INR | 7.5% | 2016 | 23,457 |
| Unsecured bank loans | JPY | LIBOR + 0.8% to 1.10% | 2017 - 2020 | 1,260,017 |
| Unsecured bank loans | MKD | 5.75% | 2016 | 6,527 |
| Unsecured bank loans | SGD | SOR + 0.73% to 1.05% | 2017 - 2021 | 2,022,754 |
| Unsecured bank loans | SGD | COF | 2016 | 3,058 |
| Unsecured bank loans | TL | 0% - 16.2% | 2016 | 17,263 |
| Unsecured bank loans | USD | LIBOR + 1.75% to 2.95% | 2016 - 2020 | 539,101 |
| | | | | 6,478,726 |

(1) Euro Interbank Offer Rate
(2) Benchmark Prime Lending Rate
(3) Bank's cost of funds
(4) Hong Kong Interbank Offered Rate
(5) London Interbank Offered Rate
(6) Singapore Swap Offer Rate

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

## 20. LOANS AND BORROWINGS (CONTINUED)

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

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

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

In 2008, PLife REIT, through its wholly owned subsidiary, Parkway Life MTN Pte Ltd (the "MTN Issuer"), established a SGD500 million Multicurrency Medium Term Note Programme (the "MTN Programme"). Under the MTN Programme, the MTN Issuer may, subject to the compliance with all relevant laws, regulations and directives, from time to time issue notes in series or in tranches in Singapore dollars, United States dollars or any other currency (the "Notes").

Each series or tranche of notes may be issued in varying amounts and tenors, and may bear fixed, floating or variable rates of interest. Hybrid notes or zero coupon notes may also be issued under the MTN Programme.

The Notes shall constitute direct, unconditional, unsecured and unsubordinated obligations of the MTN Issuer ranking *pari passu*, without any preference or priority among themselves, and pari passu with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the MTN Issuer. All sums payable in respect of the Notes will be unconditionally and irrevocably guaranteed by PLife REIT.

As at 31 December 2016, the outstanding notes issued under the MTN Programme is JPY3.3 billion (approximately RM126.9 million) maturing in 2022.

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

The Group entered into interest rate swaps and cross currency interest rate swaps with various counterparties to provide fixed rate funding for certain unsecured bank borrowings. Details are set out in Note 25.

***Breach of loan covenant***

As at 31 December 2015, one of the subsidiaries breached the loan covenant in respect of a bank loan with a carrying amount of RM142,423,000. The covenant requires the loan to be secured with a pledge of 51% shares of Continental Hospitals Private Limited ("CHL") which was not in place as at 31 December 2015 and consequently, the bank loan became repayable on demand and was classified in full as a current liability. On 8 November 2016, the pledge was completed and the loan was reclassified as a non-current liability.

## 20. LOANS AND BORROWINGS (CONTINUED)

***Finance lease liabilities***

| Group | Payments 2016 RM'000 | Interest 2016 RM'000 | Principal 2016 RM'000 | Payments 2015 RM'000 | Interest 2015 RM'000 | Principal 2015 RM'000 |
|---|---|---|---|---|---|---|
| Less than 1 year | 66,099 | (6,543) | 59,556 | 84,479 | (8,671) | 75,808 |
| Between 1 and 5 years | 91,236 | (7,507) | 83,729 | 135,391 | (12,380) | 123,011 |
| More than 5 years | 6,929 | (302) | 6,627 | 13,346 | (444) | 12,902 |
| | 164,264 | (14,352) | 149,912 | 233,216 | (21,495) | 211,721 |

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

## 21. EMPLOYEE BENEFITS

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **Non-current** | | | | | |
| Cash-settled LTIP | | 41 | 116 | 41 | 116 |
| Retirement benefits | 22 | 24,639 | 20,688 | – | – |
| Employment termination benefits | 23 | 14,548 | 10,921 | – | – |
| Provision for unconsumed leave | | 2,170 | 342 | – | – |
| | | 41,398 | 32,067 | 41 | 116 |
| **Current** | | | | | |
| Cash-settled LTIP | | 225 | 277 | 225 | 277 |
| Retirement benefits | 22 | 1,807 | 912 | – | – |
| PTM long term incentive plan (cash-settled) | | 1,143 | 1,009 | – | – |
| Defined contribution plan | | 32,864 | 28,793 | 40 | 53 |
| Provision for unconsumed leave | | 35,871 | 28,990 | 129 | 437 |
| | | 71,910 | 59,981 | 394 | 767 |

## 21. EMPLOYEE BENEFITS (CONTINUED)

***Cash-settled LTIP***

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

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

During the year, 49,000 (2015: 70,000) cash-settled LTIP units were granted to eligible staff.

***PTM long term incentive scheme (cash-settled)***

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

***Provision for unconsumed leave***

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

***Share-based payment scheme***

(a) LTIP

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

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

## 21. EMPLOYEE BENEFITS (CONTINUED)

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

(b) EPP

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

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

(c) EOS

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

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

The exercise price for the EOS option granted shall be determined by the Board which shall be based on the higher of the following:

- 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); or

- the par value of the Shares.

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

During the year, a total of 6,064,000 equity-settled LTIP units (2015: 6,313,000) and 14,861,000 (2015: 8,822,000) EOS units were granted to eligible staff. The movement in the number of options outstanding under the respective schemes as at 31 December 2016 and the details of the schemes are as follows:

## 21. EMPLOYEE BENEFITS (CONTINUED)

***LTIP***

| Date of grant | Number of units outstanding at 1.1.2015 | Conversion from cash-settled LTIP to equity-settled LTIP * | Number of units granted | Number of units lapsed/ cancelled | Number of units exercised | Number of units outstanding at 31.12.2015 | Number of holders at 31.12.2015 |
|---|---|---|---|---|---|---|---|
| ***Key Management Personnel*** | | | | | | | |
| 2 April 2012 | 706,000 | – | – | – | (706,000) | – | – |
| 2 July 2013 | 1,286,000 | – | – | – | (642,000) | 644,000 | 3 |
| 2 July 2014 | 2,114,000 | – | – | – | (704,000) | 1,410,000 | 3 |
| 2 July 2015 | – | – | 2,014,000 | – | (670,000) | 1,344,000 | 3 |
| | 4,106,000 | – | 2,014,000 | – | (2,722,000) | 3,398,000 | 9 |
| ***Other eligible employees*** | | | | | | | |
| 2 April 2012 | 2,492,749 | 13,000 | – | (81,000) | (2,424,749) | – | – |
| 29 April 2013 | 2,427,599 | 15,000 | – | (165,000) | (1,166,294) | 1,111,305 | 63 |
| 2 July 2013 | 1,121,000 | – | – | – | (986,000) | 135,000 | 1 |
| 4 September 2013 | 68,000 | – | – | – | (33,000) | 35,000 | 3 |
| 29 April 2014 | 4,911,000 | 19,000 | – | (264,100) | (2,381,000) | 2,284,900 | 83 |
| 2 July 2014 | 337,000 | – | – | – | (112,000) | 225,000 | 1 |
| 18 March 2015 | – | – | 466,000 | – | (466,000) | – | – |
| 29 April 2015 | – | – | 3,833,000 | (160,000) | (1,235,100) | 2,437,900 | 101 |
| | 11,357,348 | 47,000 | 4,299,000 | (670,100) | (8,804,143) | 6,229,105 | 252 |
| ***Total*** | 15,463,348 | 47,000 | 6,313,000 | (670,100) | (11,526,143) | 9,627,105 | 261 |

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

## 21. EMPLOYEE BENEFITS (CONTINUED)

*LTIP (continued)*

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

As at 31 December 2016, no (2015: Nil) outstanding LTIP units are vested and exercisable.

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

## 21. EMPLOYEE BENEFITS (CONTINUED)

*EPP*

| Date of grant | Number of options outstanding at 1.1.2015 | Reclassifi-cation | Number of options granted | Number of options lapsed/ cancelled | Number of options exercised | Number of options outstanding at 31.12.2015 | Number of holders at 31.1.2015 |
|---|---|---|---|---|---|---|---|
| ***Key Management Personnel*** | | | | | | | |
| 31 March 2011 | 9,375,000 | – | – | – | (9,375,000) | – | – |
| 27 July 2011 | 1,000,000 | – | – | – | (1,000,000) | – | – |
| | 10,375,000 | – | – | – | (10,375,000) | – | – |
| ***Other eligible employees*** | | | | | | | |
| 31 March 2011 | 9,375,000 | – | – | – | (9,375,000) | – | – |
| 1 June 2011 | 11,750,000 | – | – | – | (11,750,000) | – | – |
| 27 July 2011 | 1,500,002 | – | – | – | (1,500,002) | – | – |
| 1 December 2011 | 500,000 | – | – | – | (250,000) | 250,000 | 1 |
| | 23,125,002 | – | – | – | (22,875,002) | 250,000 | 1 |
| ***Total*** | 33,500,002 | – | – | – | (33,250,002) | 250,000 | 1 |

| Date of grant | Number of options outstanding at 1.1.2016 | Reclassifi-cation | Number of options granted | Number of options lapsed/ cancelled | Number of options exercised | Number of options outstanding at 31.12.2016 | Number of holders at 31.12.2016 |
|---|---|---|---|---|---|---|---|
| ***Other eligible employees*** | | | | | | | |
| 1 December 2011 | 250,000 | – | – | – | (250,000) | – | – |

As at 31 December 2016, no (2015: 250,000) outstanding EPP options are vested and exercisable.

## 21. EMPLOYEE BENEFITS (CONTINUED)

*EOS*

| Date of grant | Exercise price | Number of options outstanding at 1.1.2015 | Number of options granted | Number of options lapsed/ cancelled | Number of options exercised | Number of options outstanding at 31.12.2015 | Number of holders at 31.12.2015 |
|---|---|---|---|---|---|---|---|
| ***Key Management Personnel*** | | | | | | | |
| 1 July 2015 | RM5.67 | – | 4,121,000 | – | – | 4,121,000 | 2 |
| ***Other eligible employees*** | | | | | | | |
| 1 July 2015 | RM5.67 | – | 4,701,000 | (80,000) | – | 4,621,000 | 47 |
| ***Total*** | | – | 8,822,000 | (80,000) | – | 8,742,000 | 49 |

| Date of grant | Exercise price | Number of options outstanding at 1.1.2016 | Number of options granted | Number of options lapsed/ cancelled | Number of options exercised | Number of options outstanding at 31.12.2016 | Number of holders at 31.12.2016 |
|---|---|---|---|---|---|---|---|
| ***Key Management Personnel*** | | | | | | | |
| 1 July 2015 | RM5.67 | 4,121,000 | – | – | – | 4,121,000 | 2 |
| 3 June 2016 | RM6.44 | – | 6,105,000 | – | – | 6,105,000 | 1 |
| 1 July 2016 | RM6.55 | – | 4,253,000 | – | – | 4,253,000 | 2 |
| | | 4,121,000 | 10,358,000 | – | – | 14,479,000 | 5 |
| ***Other eligible employees*** | | | | | | | |
| 1 July 2015 | RM5.67 | 4,621,000 | – | (1,043,000) | (214,000) | 3,364,000 | 42 |
| 1 July 2016 | RM6.55 | – | 4,503,000 | (40,000) | – | 4,463,000 | 46 |
| | | 4,621,000 | 4,503,000 | (1,083,000) | (214,000) | 7,827,000 | 88 |
| ***Total*** | | 8,742,000 | 14,861,000 | (1,083,000) | (214,000) | 22,306,000 | 93 |

As at 31 December 2016, 2,381,000 (2015: Nil) outstanding EOS options are vested and exercisable.

## 21. EMPLOYEE BENEFITS (CONTINUED)

The fair value of services received in return for the share options granted is determined based on:

(i) Granted before 25 July 2012
- LTIP: Market value approach on a minority, non-marketable basis, and
- EPP: Binomial lattice model.

(ii) Granted after 25 July 2012
- LTIP and EOS: Trinomial option pricing model.

taking into account the terms and conditions under which the units/options were granted. The inputs to the models used for the units/options granted are as follows:

**Fair value of share options and assumptions**

| | **LTIP granted in 2016** | **LTIP granted in 2015** | **LTIP granted in 2014** | **LTIP granted in 2013** | **LTIP granted in 2012** | **EPP granted in 2011** | **EOS granted in 2016** | **EOS granted in 2015** |
|---|---|---|---|---|---|---|---|---|
| Fair value at grant date | RM6.35 – RM6.55 | RM5.83 – RM6.00 | RM3.89 – RM4.39 | RM3.69 – RM3.98 | RM2.34 | RM0.0791 – RM0.1110 | RM2.02 – RM2.06 | RM2.06 |
| Enterprise value to EBITDA multiple | | | | | | | | |
| - Singapore healthcare services | n/a | n/a | n/a | n/a | 14.4x - 15.2x | n/a | n/a | n/a |
| - Malaysia healthcare services | n/a | n/a | n/a | n/a | 8.8x - 9.6x | n/a | n/a | n/a |
| - Turkey healthcare services | n/a | n/a | n/a | n/a | 17.0x - 18.0x | n/a | n/a | n/a |
| - Education services | n/a | n/a | n/a | n/a | 7.2x - 8.0x | n/a | n/a | n/a |
| Weighted average cost of capital | n/a | n/a | n/a | n/a | 7.0% - 15.0% | n/a | n/a | n/a |
| Share price at grant date | RM6.41 - RM6.55 | RM5.89 - RM6.00 | RM3.95 - RM4.39 | RM3.75 - RM4.00 | n/a | n/a | RM6.41 - RM6.61 | RM5.85 |
| Expected volatility (average volatility) | 16.18% | 16.6% - 16.7% | 16.6% | 17.3% - 18.7% | n/a | 20.0% - 25.0% | 16.1% | 16.5% |
| Option life (expected average life) | 4.75 - 4.92 years | 5.5 - 5.92 years | 6.5 - 6.92 years | 7.5 - 7.92 years | n/a | 5 years | 9 years | 10 years |
| Expected dividends yield | 0.46% | 0.50% - 0.51% | 0.51% | 0.50% - 0.53% | n/a | 3.0% | 0.45% - 0.47% | 0.51% |
| Risk free rate | 3.55% - 3.81% | 3.57% - 4.45% | 3.39% - 3.74% | 3.19% - 3.58% | n/a | 3.50% - 3.65% | 3.68% - 3.88% | 3.96% |
| Exercise price | n/a | n/a | n/a | n/a | n/a | n/a | RM6.44 - RM6.55 | RM5.67 |

n/a - not applicable

## 21. EMPLOYEE BENEFITS (CONTINUED)

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Share-based payment expenses included in staff costs | 27 | 54,168 | 47,664 | 10,790 | 14,705 |

## 22. 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 | 2016 RM'000 | 2015 RM'000 |
| Present value of unfunded obligations | | 26,446 | 21,600 |
| **Movements in the liability for defined benefits obligations** | | | |
| At 1 January | | 21,600 | 13,818 |
| Included in profit or loss | | | |
| Current service costs | | 4,076 | 2,534 |
| Past service credit | | – | 1,616 |
| Interest on obligation | | 593 | 234 |
| | | 4,669 | 4,384 |
| Included in other comprehensive income | | | |
| Remeasurement loss | | | |
| - Actuarial gain/(loss) arising from: | | | |
| - financial assumptions | | 818 | – |
| - experience adjustments | | (237) | – |
| | 30 | 581 | – |
| Others | | | |
| Acquisitions through business combinations | | – | 4,424 |
| Benefits paid | | (863) | (647) |
| Translation differences | | 459 | (379) |
| At 31 December | | 26,446 | 21,600 |

## 22. RETIREMENT BENEFITS (CONTINUED)

**Actuarial assumptions**

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

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **%** | **%** |
| Discount rate | 5.0 - 6.6 | 5.0 - 8.0 |
| Future salary growth | 5.0 - 10.0 | 5.0 - 6.0 |
| Future mortality | 0.0 - 25.0 | 0.0 - 25.0 |

**Sensitivity analysis**

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

| | Group | |
|---|---|---|
| | **Increase** | **Decrease** |
| | **RM'000** | **RM'000** |
| **2016** | | |
| Discount rate (1% movement) | (2,687) | 3,237 |
| Future salary growth (1% movement) | 3,243 | (2,728) |
| Future mortality (1% movement) | (34) | 84 |
| **2015** | | |
| Discount rate (1% movement) | (2,518) | 3,059 |
| Future salary growth (1% movement) | 3,325 | (2,771) |
| Future mortality (1% movement) | (58) | 43 |

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.

## 23. EMPLOYMENT TERMINATION BENEFITS

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

The termination benefits is calculated as one month gross salary for every employment year and as at 31 December 2016, the ceiling amount has been limited to TL4,297 (2015: TL3,828), approximately RM5,481 (2015: RM5,644). 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.

| | | Group | |
|---|---|---|---|
| | | **2016** | **2015** |
| | | **RM'000** | **RM'000** |
| Present value of unfunded obligations | | 14,548 | 10,921 |
| **Movements in the liability for defined benefits obligations** | | | |
| At 1 January | | 10,921 | 9,313 |
| Included in profit or loss | | | |
| Current service costs | | 1,656 | 1,132 |
| Interest on obligation | | 1,127 | 822 |
| | | 2,783 | 1,954 |
| Included in other comprehensive income | | | |
| Remeasurement loss | | | |
| - Actuarial loss arising from financial assumptions | 30 | 13,906 | 10,663 |
| Others | | | |
| Acquisitions through business combinations | 42 | 1,835 | – |
| Benefits paid | | (13,263) | (11,002) |
| Translation differences | | (1,634) | (7) |
| At 31 December | | 14,548 | 10,921 |

## 23. EMPLOYMENT TERMINATION BENEFITS (CONTINUED)

**Actuarial assumptions**

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

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| Annual inflation rate | 6.0% | 6.0% |
| Discount rate | 11.0% | 11.0% |
| Retirement pay ceiling amount | TL4,297 | TL3,828 |

**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.

## 24. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| **Non-current** | | | | |
| Trade payables | 7,747 | 1,912 | – | – |
| Other payables | 31,133 | 34,534 | – | – |
| CCPS liabilities | 10,504 | 58,433 | – | – |
| Put options granted to non-controlling interests | 864,608 | 405,249 | – | – |
| Loans from a non-controlling interest | 690,401 | – | – | – |
| | 1,604,393 | 500,128 | – | – |
| Deposits | 62,202 | 55,970 | – | – |
| | 1,666,595 | 556,098 | – | – |

## 24. TRADE AND OTHER PAYABLES (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **Current** | | | | |
| Trade payables | 1,000,389 | 823,422 | – | – |
| Accruals | 646,339 | 615,658 | 11,836 | 8,063 |
| Other payables | 476,485 | 303,606 | 567 | 315 |
| Interest payables | 11,379 | 10,070 | – | – |
| CCPS liabilities | 72,141 | – | – | – |
| Financial guarantee provision | 36,657 | – | – | – |
| Loans from a non-controlling interest | 230,134 | 640,036 | – | – |
| Dividends payable to a non-controlling interest | – | 3,059 | – | – |
| | 2,473,524 | 2,395,851 | 12,403 | 8,378 |
| Deposits and advance billings | 138,922 | 159,643 | – | – |
| | 2,612,446 | 2,555,494 | 12,403 | 8,378 |

***Loans from a non-controlling interest***

The loans from a non-controlling interest are unsecured, bear interests at HIBOR + 1.30% (2015: HIBOR + 1.30%) per annum with lump sum repayment of current portion in 2017 and non-current portion in 2021. The loans are in relation to the non-controlling interest's share of the financing granted to a subsidiary, GHK Hospital Limited ("GHK"), for the purchase of land and construction of a hospital in Hong Kong.

***CCPS liabilities***

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

During the year, change in fair value amounting to RM21,947,000 loss (2015: RM882,000 gain) was recognised in profit or loss.

## 24. TRADE AND OTHER PAYABLES (CONTINUED)

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

As at 31 December 2016, put options granted to non-controlling interests consist of:

1) Pursuant to the acquisition of RGE, the Group granted the following put options to a non-controlling interest of RGE.

   a. An option for the non-controlling interest to sell its 7.13% interest in RGE, on a fully diluted basis, to the Group at a fixed consideration of INR1,463.0 million equivalent to RM96.3 million (2015: RM95.3 million) less price adjustment of not more than INR110.0 million, upon achievement of a certain financial target in 2017 pursuant to an option agreement entered with the non-controlling interest; and

   b. Another option for the non-controlling interest to sell its remaining interest in RGE to the Group at the prevailing market price on the date the option is exercised. This put option can only be exercised from December 2020 onwards and does not have an expiry date.

2) Pursuant to the acquisition of Continental Hospitals Private Limited ("CHL"), the Group granted a put option to a non-controlling interest to sell its existing interest in CHL to the Group at the prevailing market price on the date the option is exercised. The put option can only be exercised from March 2018 onwards and does not have an expiry date.

3) Pursuant to the acquisition of City Hospitals and Clinics AD ("City Clinic"), the Group granted put options to non-controlling interest of Acibadem City Clinic B.V. ("Acibadem City"), who were formerly shareholders of City Clinic, to sell their shares in Acibadem City, to the Group at the higher of the prevailing market price or an amount determined by the formula stated in the agreement. The put options can only be exercised from June 2019 to May 2022.

During the year, the Group recognised RM176,882,000 fair value of put options granted to non-controlling interests relating to the acquisition of City Clinic (2015: RM405,249,000 from acquisition of CHL and RGE).

During the year, change in fair values of put options granted to non-controlling interests amounting to RM287,733,000 loss (2015: Nil) was recognised in equity.

***Financial guarantee provision***

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

## 25. DERIVATIVE ASSETS AND LIABILITIES

| | Group | |
|---|---|---|
| | 2016 RM'000 | 2015 RM'000 |
| **Non-current assets** | | |
| Foreign exchange forward contracts | 651 | 8,079 |
| Cross currency interest rate swaps | – | 18 |
| Put option | 1,652 | – |
| | 2,303 | 8,097 |
| **Current assets** | | |
| Foreign exchange forward contracts | 1,040 | – |
| **Non-current liabilities** | | |
| Foreign exchange forward contracts | (2,677) | (1,260) |
| Interest rate swaps | (8,400) | (9,313) |
| Cross currency interest rate swaps | (13,783) | – |
| Call option granted to non-controlling interests | – | (1,948) |
| | (24,860) | (12,521) |
| **Current liabilities** | | |
| Interest rate swaps | (1,045) | – |
| Call option granted to non-controlling interests | (18,128) | – |
| | (19,173) | – |

| | Nominal value | | Fair value | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Derivatives held at fair value through profit or loss | | | | |
| - Foreign exchange forward contracts | 230,814 | 127,945 | (986) | 6,819 |
| - Call option granted to non-controlling interests | 32,961 | 32,579 | (18,128) | (1,948) |
| Derivatives held at cost | | | | |
| - Put option | 16,551 | – | 1,652 | – |
| Derivatives used for hedging | | | | |
| - Interest rate swaps | 1,573,519 | 1,486,222 | (9,445) | (9,313) |
| - Cross currency interest rate swaps | 233,574 | 230,003 | (13,783) | 18 |
| | 2,087,419 | 1,876,749 | (40,690) | (4,424) |

The Group enters into interest rate swaps, cross currency interest rate swaps and foreign exchange forward contracts to manage interest rate fluctuations and exchange rate fluctuations on certain loans, as set out in Note 36(v) and (vi).

## 25. DERIVATIVE ASSETS AND LIABILITIES (CONTINUED)

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

The Group granted a call option to non-controlling interests of RGE to purchase the Group's 3% interest in RGE on a fully diluted basis, at a fixed price of INR500.0 million (equivalent to RM33.0 million) in 2017, 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 RM15,580,000 (2015: Nil) loss was charged to profit or loss.

***Put option***

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

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

***Offsetting financial assets and financial liabilities***

The Group's derivative transactions are entered into under International Swaps and Derivatives Association Master Agreements ("ISDA Master Agreements") or long-form confirmation with various bank counterparties. The derivative financial instruments presented above are not offset in the statements of financial position as the right of set off of recognised amounts is not enforceable as set out in such ISDA Master Agreements or confirmation. 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 a normal course of business.

## 26. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| Healthcare services income | 9,526,941 | 7,993,929 | – | – |
| Education services income | 247,543 | 233,730 | – | – |
| Rental income | 227,998 | 206,063 | – | – |
| Management fees | 11,384 | 13,878 | – | – |
| Dividend income | | | | |
| - from subsidiaries | – | – | 41,971 | 106,800 |
| - from quoted shares outside Malaysia | 5,625 | 5,051 | – | – |
| - from unquoted money market funds | 2,394 | 2,817 | 2,394 | 2,817 |
| | 10,021,885 | 8,455,468 | 44,365 | 109,617 |

## 27. STAFF COSTS

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Wages, salaries and others | | 3,681,370 | 3,080,660 | 13,032 | 13,516 |
| Contribution to defined contribution plans | | 147,486 | 127,227 | 560 | 409 |
| Equity-settled share-based payments | 21 | 54,168 | 47,664 | 10,790 | 14,705 |
| | | 3,883,024 | 3,255,551 | 24,382 | 28,630 |

## 28. FINANCE INCOME AND COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| ***Finance income*** | | | | |
| Interest income | | | | |
| - Banks and financial institutions | 65,504 | 64,071 | 10,847 | 16,646 |
| - Others | 1,821 | 457 | – | – |
| Exchange gain on loans | 61,869 | 28,245 | – | – |
| Fair value gain on CCPS liabilities | – | 882 | – | – |
| | 129,194 | 93,655 | 10,847 | 16,646 |
| ***Finance costs*** | | | | |
| Interest expense on loans and borrowings | (194,606) | (158,310) | – | – |
| Exchange loss on loans | (393,212) | (234,194) | – | – |
| Fair value loss on financial derivatives | (21,308) | (11,538) | – | – |
| Fair value loss on CCPS liabilities | (21,947) | – | – | – |
| Other finance costs | (26,211) | (14,728) | (5) | (6) |
| | (657,284) | (418,770) | (5) | (6) |

## 29. PROFIT BEFORE TAX

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Audit fees | | | | |
| Current year | | | | |
| - KPMG Malaysia | (1,024) | (1,212) | (373) | (378) |
| - Affiliates of KPMG Malaysia | (4,762) | (3,867) | (432) | (403) |
| - Other auditors | (793) | (722) | – | – |
| (Under)/Over provision for prior years | | | | |
| - KPMG Malaysia | 9 | 12 | – | – |
| - Affiliates of KPMG Malaysia | (456) | – | – | – |
| Non-audit fees paid to | | | | |
| - KPMG Malaysia | (353) | (147) | (353) | (147) |
| - Affiliates of KPMG Malaysia | (5,059) | (1,100) | – | – |

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Exchange gains - net | | 113 | 22,934 | 3,388 | 854 |
| Impairment losses (made)/written back on: | | | | | |
| - Investment in a joint venture | 9 | (97,344) | – | – | – |
| - Trade and other receivables | | (63,827) | (44,593) | – | – |
| - Inventories | | (1,773) | – | – | – |
| - Amounts due from associates | | 593 | 1,119 | – | – |
| - Amounts due from joint ventures | | 15,278 | (228) | – | – |
| Write-off: | | | | | |
| - Property, plant and equipment | 3 | (1,162) | (3,643) | – | (234) |
| - Intangible assets | 6 | (5,670) | – | – | – |
| - Inventories | | (737) | (1,429) | – | – |
| - Trade and other receivables | | (11,944) | (14,253) | – | – |
| - Other financial assets | | (329) | (73) | – | (73) |
| Rental of premises | | (275,755) | (201,948) | (2,070) | (1,951) |
| Rental of machinery and equipment | | (25,924) | (21,722) | (24) | (28) |
| Gain/(Loss) on disposal of property, plant and equipment | | 12,072 | 1,366 | – | (4) |
| Gain on disposal of a subsidiary | 43 | 54,801 | – | – | – |
| Gain on liquidation of subsidiaries | | – | 4,095 | – | – |
| Gain on disposal of investment properties | | 13,141 | – | – | – |
| Gain on disposal of unquoted available-for-sale financial instruments | | 9,173 | 171 | – | 171 |
| Change in fair value of investment properties | 5 | 30,193 | 120,904 | – | – |
| Provision for financial guarantee given on a joint venture's loan facility | | (35,361) | – | – | – |
| Negative goodwill from business combination | 42 | 20,518 | – | – | – |
| Prior years' value-added tax ("VAT") claims and tax investigations settlement* | | (53,634) | – | – | – |

* Includes RM17.9 million relating to the final settlement of prior years' VAT that was disclosed as contingent liabilities in 2015 financial statements.

## 30. OTHER COMPREHENSIVE INCOME

| Group | 2016 Before tax RM'000 | 2016 Tax benefit RM'000 (Note 11) | 2016 Net of tax RM'000 | 2015 Before tax RM'000 | 2015 Tax benefit RM'000 (Note 11) | 2015 Net of tax RM'000 |
|---|---|---|---|---|---|---|
| **Items that may be reclassified subsequently to profit or loss** | | | | | | |
| Foreign currency translation differences from foreign operations | 77,396 | – | 77,396 | 2,328,418 | – | 2,328,418 |
| Hedge of net investments in foreign operations | (81,492) | – | (81,492) | (178,681) | – | (178,681) |
| Available-for-sale financial instruments: | | | | | | |
| - Changes in fair value | (304,018) | – | (304,018) | 283,918 | – | 283,918 |
| - Reclassification adjustments for gain on disposal included in profit or loss | (9,173) | – | (9,173) | (171) | – | (171) |
| | (313,191) | – | (313,191) | 283,747 | – | 283,747 |
| Cash flow hedge: | | | | | | |
| - Changes in fair value | (7,850) | – | (7,850) | 3,394 | – | 3,394 |
| - Reclassification adjustments for losses included in profit or loss | 1,253 | – | 1,253 | – | – | – |
| | (6,597) | – | (6,597) | 3,394 | – | 3,394 |
| | (323,884) | – | (323,884) | 2,436,878 | – | 2,436,878 |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | | |
| Remeasurement of defined benefit liabilities (Note 22 and 23) | (14,487) | 2,781 | (11,706) | (10,663) | 2,133 | (8,530) |
| Revaluation of property, plant and equipment upon transfer to investment properties (Note 3) | 50,019 | – | 50,019 | – | – | – |
| | 35,532 | 2,781 | 38,313 | (10,663) | 2,133 | (8,530) |
| | (288,352) | 2,781 | (285,571) | 2,426,215 | 2,133 | 2,428,348 |

## 31. 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 | |
|---|---|---|---|---|
| | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| Non-executive Directors: | | | | |
| - Fees | 4,677 | 4,043 | 2,140 | 2,186 |
| - Remuneration and other benefits | 7 | – | 7 | – |
| | 4,684 | 4,043 | 2,147 | 2,186 |
| Executive Directors: | | | | |
| - Fees | 1,487 | 2,183 | – | – |
| - Remuneration and other benefits | 9,360 | 9,014 | 3,837 | 3,614 |
| - Share-based payment | 22,851 | 15,338 | 9,030 | 4,864 |
| | 33,698 | 26,535 | 12,867 | 8,478 |
| | 38,382 | 30,578 | 15,014 | 10,664 |

The estimated monetary value of Directors' benefit-in-kind is RM250,525 (2015: RM250,000).

## 32. INCOME TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2016<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 |
| **Current tax expense** | | | | |
| Current year | 293,368 | 220,356 | 3,146 | 6,311 |
| (Over)/Under provided in prior years | (1,396) | (13,154) | 205 | 272 |
| | 291,972 | 207,202 | 3,351 | 6,583 |
| **Deferred tax (income)/expense** | | | | |
| Reversal and origination of temporary differences | (46,329) | (39,376) | – | – |
| Under/(Over) provided in prior years | 23,982 | (2,382) | – | – |
| | (22,347) | (41,758) | – | – |
| | 269,625 | 165,444 | 3,351 | 6,583 |

## 32. INCOME TAX EXPENSE (CONTINUED)

| *Reconciliation of tax expense* | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Profit before tax | 877,617 | 1,217,539 | 14,123 | 81,906 |
| Less: | | | | |
| Share of profits of associates (net of tax) | (1,747) | (1,601) | – | – |
| Share of profits of joint ventures (net of tax) | (14,922) | (12,682) | – | – |
| | 860,948 | 1,203,256 | 14,123 | 81,906 |
| Income tax calculated using Malaysian tax rate of 24% (2015: 25%) | 206,628 | 300,814 | 3,390 | 20,477 |
| Effect of tax rates in foreign jurisdictions | (21,299) | (48,437) | – | (132) |
| Tax exempt income | (89,736) | (83,738) | (11,431) | (27,534) |
| Tax incentive | (25,571) | (93,071) | – | – |
| Non-deductible expenses | 175,976 | 103,594 | 11,187 | 13,500 |
| Recognition of previously unrecognised deferred tax assets | (1,430) | (882) | – | – |
| Deferred tax assets not recognised | 2,471 | 2,700 | – | – |
| Under/(Over) provided in prior years | 22,586 | (15,536) | 205 | 272 |
| | 269,625 | 165,444 | 3,351 | 6,583 |

## 33. EARNINGS PER SHARE

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| Basic and diluted earnings per share is based on: | | |
| Net profit attributable to ordinary shareholders (RM'000) | 612,353 | 933,903 |
| ***Basic earnings per share*** | | |
| Weighted average number of shares ('000) | 8,228,688 | 8,210,002 |
| Basic earnings per share (sen) | 7.44 | 11.38 |

## 33. 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 | |
|---|---|---|
| | **2016** | **2015** |
| Weighted average number of ordinary shares used in calculation of basic earnings per share ('000) | 8,228,688 | 8,210,002 |
| Weighted average number of unissued ordinary shares from units under LTIP ('000) | 5,803 | 8,067 |
| Weighted average number of unissued ordinary shares from share options under EPP ('000) | 2 | 5,433 |
| Weighted average number of ordinary shares used in calculation of diluted earnings per share ('000) | 8,234,493 | 8,223,502 |
| Diluted earnings per share (sen) | 7.44 | 11.36 |

At 31 December 2016, 22,306,000 outstanding EOS options (2015: 8,742,000) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

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

## 34. DIVIDENDS

Dividends recognised by the Company:

| | Per ordinary share Sen | Total amount RM'000 | Date of payment |
|---|---|---|---|
| **2016** | | | |
| First and final single tier cash dividend for financial year ended 31 December 2015 | 3.0 | 246,944 | 18 July 2016 |
| **2015** | | | |
| First and final single tier cash dividend for financial year ended 31 December 2014 | 3.0 | 246,645 | 22 July 2015 |

## 34. DIVIDENDS (CONTINUED)

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

| | Per ordinary share Sen | Total amount RM'000 |
|---|---|---|
| First and final single tier cash dividend for financial year ended 31 December 2016 | 3.0 | 246,951 * |

* Based on 8,231,700,239 shares as at 31 December 2016.

## 35. SEGMENT REPORTING

***Operating segments***

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different services in different locations, and are managed separately. 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:

- *Parkway Pantai* : Hospital operator and healthcare service provider in Asia
- *Acibadem Holdings* : Hospital operator and healthcare service provider in Central and Eastern Europe, Middle East and North Africa ("CEEMENA") and investment holding companies owning ASYH
- *IMU Health* : Education service provider in Malaysia
- *PLife REIT* : Real estate investment trust
- *Others* : Includes the corporate office

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.

## 35. SEGMENT REPORTING (CONTINUED)

| 2016 | Parkway Pantai RM'000 | Acibadem Holdings RM'000 | IMU Health RM'000 | PLife REIT RM'000 | Others RM'000 | Eliminations RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| ***Revenue and expenses*** | | | | | | | |
| Revenue from external customers | 6,165,019 | 3,480,192 | 237,071 | 131,584 | 8,019 | – | 10,021,885 |
| Inter-segment revenue | 100,057 | – | 3,648 | 196,260 | 32,569 | (332,534) | – |
| Total segment revenue | 6,265,076 | 3,480,192 | 240,719 | 327,844 | 40,588 | (332,534) | 10,021,885 |
| EBITDA | 1,471,915 | 538,065 | 85,504 | 286,907 | 1,127 | (100,365) | 2,283,153 |
| Depreciation and impairment of property, plant and equipment | (420,295) | (276,621) | (12,977) | (34,090) | (770) | – | (744,753) |
| Amortisation and impairment of intangible assets | (20,987) | (33,631) | (511) | – | – | – | (55,129) |
| Foreign exchange differences | (6,973) | 38 | (39) | 3,699 | 3,388 | – | 113 |
| Finance income | 88,858 | 23,939 | 5,539 | 11 | 10,847 | – | 129,194 |
| Finance costs | (163,954) | (457,350) | (280) | (35,687) | (13) | – | (657,284) |
| Share of profits of associates (net of tax) | 1,747 | – | – | – | – | – | 1,747 |
| Share of profits of joint ventures (net of tax) | 14,922 | – | – | – | – | – | 14,922 |
| Others | (56,179) | (33,115) | – | – | (5,052) | – | (94,346) |
| Profit/(Loss) before tax | 909,054 | (238,675) | 77,236 | 220,840 | 9,527 | (100,365) | 877,617 |
| Income tax expense | (230,889) | 5,081 | (20,471) | (19,995) | (3,351) | – | (269,625) |
| Profit/(Loss) for the year | 678,165 | (233,594) | 56,765 | 200,845 | 6,176 | (100,365) | 607,992 |
| ***Assets and liabilities*** | | | | | | | |
| Cash and bank balances | 1,893,118 | 97,199 | 5,186 | 220,863 | 226,815 | – | 2,443,181 |
| Other assets | 22,242,823 | 6,390,179 | 530,771 | 4,301,618 | 1,281,639 | (2,255) | 34,744,775 |
| Segment assets as at 31 December 2016 | 24,135,941 | 6,487,378 | 535,957 | 4,522,481 | 1,508,454 | (2,255) | 37,187,956 |
| Loans and borrowings | 2,081,994 | 3,440,029 | 372 | 1,953,355 | – | – | 7,475,750 |
| Other liabilities | 3,984,896 | 1,348,519 | 127,618 | 357,747 | 2,524 | (2,255) | 5,819,049 |
| Segment liabilities as at 31 December 2016 | 6,066,890 | 4,788,548 | 127,990 | 2,311,102 | 2,524 | (2,255) | 13,294,799 |

## 35. SEGMENT REPORTING (CONTINUED)

| 2015 | Parkway Pantai RM'000 | Acibadem Holdings RM'000 | IMU Health RM'000 | PLife REIT RM'000 | Others RM'000 | Eliminations RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| ***Revenue and expenses*** | | | | | | | |
| Revenue from external customers | 5,159,759 | 2,952,859 | 229,348 | 105,634 | 7,868 | – | 8,455,468 |
| Inter-segment revenue | 106,365 | – | 3,249 | 182,677 | 106,866 | (399,157) | – |
| Total segment revenue | 5,266,124 | 2,952,859 | 232,597 | 288,311 | 114,734 | (399,157) | 8,455,468 |
| EBITDA | 1,349,288 | 521,031 | 80,591 | 306,226 | 69,464 | (185,094) | 2,141,506 |
| Depreciation and impairment of property, plant and equipment | (335,934) | (247,378) | (12,654) | (32,366) | (698) | – | (629,030) |
| Amortisation and impairment of intangible assets | (26,127) | (33,791) | (453) | – | – | – | (60,371) |
| Foreign exchange gains | 8,682 | 2,821 | 1,843 | 8,735 | 853 | – | 22,934 |
| Finance income | 54,083 | 17,003 | 5,891 | 32 | 16,646 | – | 93,655 |
| Finance costs | (29,566) | (352,341) | (281) | (36,567) | (15) | – | (418,770) |
| Share of profits of associates (net of tax) | 1,601 | – | – | – | – | – | 1,601 |
| Share of profits of joint ventures (net of tax) | 12,682 | – | – | – | – | – | 12,682 |
| Others | 53,332 | – | – | – | – | – | 53,332 |
| Profit/(Loss) before tax | 1,088,041 | (92,655) | 74,937 | 246,060 | 86,250 | (185,094) | 1,217,539 |
| Income tax expense | (114,921) | 7,590 | (20,647) | (30,883) | (6,583) | – | (165,444) |
| Profit/(Loss) for the year | 973,120 | (85,065) | 54,290 | 215,177 | 79,667 | (185,094) | 1,052,095 |
| ***Assets and liabilities*** | | | | | | | |
| Cash and bank balances | 1,365,193 | 448,352 | 74,113 | 62,277 | 28,004 | – | 1,977,939 |
| Other assets | 20,831,562 | 6,042,898 | 441,162 | 4,285,247 | 1,944,602 | (25,520) | 33,519,951 |
| Segment assets as at 31 December 2015 | 22,196,755 | 6,491,250 | 515,275 | 4,347,524 | 1,972,606 | (25,520) | 35,497,890 |
| Loans and borrowings | 1,676,163 | 3,217,467 | 584 | 1,796,233 | – | – | 6,690,447 |
| Other liabilities | 3,218,475 | 905,292 | 130,988 | 329,753 | 11,749 | (25,520) | 4,570,737 |
| Segment liabilities as at 31 December 2015 | 4,894,638 | 4,122,759 | 131,572 | 2,125,986 | 11,749 | (25,520) | 11,261,184 |

## 35. SEGMENT REPORTING (CONTINUED)

### Geographical segment

| | Singapore RM'000 | Malaysia RM'000 | China and Hong Kong RM'000 | India RM'000 | Japan RM'000 | CEEMENA RM'000 | Other regions RM'000 | Others[1] RM'000 | Eliminations RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | | | | |
| Revenue from external customers | 3,562,358 | 1,857,802 | 259,229 | 560,082 | 131,432 | 3,480,192 | 167,299 | 3,491 | – | 10,021,885 |
| Inter-segment revenue | – | – | – | – | – | – | – | 42,040 | (42,040) | – |
| Total segment revenue | 3,562,358 | 1,857,802 | 259,229 | 560,082 | 131,432 | 3,480,192 | 167,299 | 45,531 | (42,040) | 10,021,885 |
| Non-current assets[2] | 14,576,988 | 4,430,373 | 3,057,011 | 1,546,932 | 1,845,375 | 5,363,639 | 60,063 | 2,378 | – | 30,882,759 |
| **2015** | | | | | | | | | | |
| Revenue from external customers | 3,238,756 | 1,673,106 | 252,870 | 73,999 | 105,407 | 2,952,859 | 154,667 | 3,804 | – | 8,455,468 |
| Inter-segment revenue | – | – | – | – | – | – | – | 106,866 | (106,866) | – |
| Total segment revenue | 3,238,756 | 1,673,106 | 252,870 | 73,999 | 105,407 | 2,952,859 | 154,667 | 110,670 | (106,866) | 8,455,468 |
| Non-current assets[2] | 14,484,707 | 4,292,168 | 1,838,243 | 1,498,670 | 1,806,306 | 4,872,779 | 20,068 | 3,903 | – | 28,816,844 |

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

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

## 36. FINANCIAL INSTRUMENTS

### (i) Categories of financial instruments

Financial instruments are categorised as follows:

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

| Group | Carrying amount RM'000 | L&R/FL RM'000 | AFS RM'000 | HTM RM'000 | FVTPL RM'000 | FVHI RM'000 |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| **Financial assets** | | | | | | |
| Other financial assets | 1,549,904 | 209,658 | 1,340,246 | – | – | – |
| Trade and other receivables[1] | 1,247,944 | 1,247,944 | – | – | – | – |
| Derivative assets | 3,343 | 1,652 | – | – | 1,691 | – |
| Cash and cash equivalents | 2,443,181 | 2,443,181 | – | – | – | – |
| | 5,244,372 | 3,902,435 | 1,340,246 | – | 1,691 | – |
| **Financial liabilities** | | | | | | |
| Trade and other payables[2] | (4,077,917) | (3,995,272) | – | – | (82,645) | – |
| Loans and borrowings | (7,475,750) | (7,475,750) | – | – | – | – |
| Bank overdrafts | (11,348) | (11,348) | – | – | – | – |
| Derivative liabilities | (44,033) | – | – | – | (20,805) | (23,228) |
| | (11,609,048) | (11,482,370) | – | – | (103,450) | (23,228) |

(1) Excludes prepayments and deposits
(2) Excludes deposits and advance billings

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

| Group | Carrying amount RM'000 | L&R/FL RM'000 | AFS RM'000 | HTM RM'000 | FVTPL RM'000 | FVHI RM'000 |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| **Financial assets** | | | | | | |
| Other financial assets | 2,568,623 | 705,569 | 1,828,985 | 34,069 | – | – |
| Trade and other receivables[1] | 1,203,857 | 1,203,857 | – | – | – | – |
| Derivative assets | 8,097 | – | – | – | 8,079 | 18 |
| Cash and cash equivalents | 1,977,939 | 1,977,939 | – | – | – | – |
| | 5,758,516 | 3,887,365 | 1,828,985 | 34,069 | 8,079 | 18 |
| **Financial liabilities** | | | | | | |
| Trade and other payables[2] | (2,895,979) | (2,837,546) | – | – | (58,433) | – |
| Loans and borrowings | (6,690,447) | (6,690,447) | – | – | – | – |
| Bank overdrafts | (6,003) | (6,003) | – | – | – | – |
| Derivative liabilities | (12,521) | – | – | – | (3,208) | (9,313) |
| | (9,604,950) | (9,533,996) | – | – | (61,641) | (9,313) |

[1] Excludes prepayments and deposits

[2] Excludes deposits and advance billings

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

| Company | Carrying amount RM'000 | L&R/FL RM'000 | AFS RM'000 |
|---|---|---|---|
| **2016** | | | |
| **Financial assets** | | | |
| Other financial assets | 70,574 | – | 70,574 |
| Trade and other receivables[1] | 451 | 451 | – |
| Amounts due from subsidiaries | 13,089 | 13,089 | – |
| Cash and cash equivalents | 225,839 | 225,839 | – |
| | 309,953 | 239,379 | 70,574 |
| **Financial liabilities** | | | |
| Trade and other payables[2] | (12,403) | (12,403) | – |
| Amounts due to subsidiaries | (2,320) | (2,320) | – |
| | (14,723) | (14,723) | – |
| **2015** | | | |
| **Financial assets** | | | |
| Other financial assets | 481,234 | 410,590 | 70,644 |
| Trade and other receivables[1] | 2,211 | 2,211 | – |
| Amounts due from subsidiaries | 12,837 | 12,837 | – |
| Cash and cash equivalents | 22,259 | 22,259 | – |
| | 518,541 | 447,897 | 70,644 |
| **Financial liabilities** | | | |
| Trade and other payables[2] | (8,378) | (8,378) | – |
| Amounts due to subsidiaries | (1,597) | (1,597) | – |
| | (9,975) | (9,975) | – |

[1] Excludes prepayments and deposits
[2] Excludes deposits and advance billings

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

**Net gains/(losses) arising from financial instruments**

| | Group | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| AFS financial instruments | | |
| - recognised in other comprehensive income | (313,191) | 283,747 |
| - dividend income | 8,019 | 7,868 |
| - gain on disposal | 9,173 | 171 |
| HTM investments | – | 147 |
| Loans and receivables | | |
| - recognised in other comprehensive income | (72,888) | (159,865) |
| - recognised in profit or loss | (30,393) | 5,535 |
| Financial liabilities measured at amortised cost | (220,817) | (173,038) |
| Derivative liabilities | | |
| - recognised in other comprehensive income | (15,201) | (15,422) |
| - recognised in profit or loss | (21,308) | (11,538) |
| | (656,606) | (62,395) |

| | Company | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| Loans and receivables | 10,847 | 16,646 |

**(ii) Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### (iii) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's primary exposure to credit risk, arises through its trade receivables. Concentration of the credit risk relating to these receivables are limited and the Group's historical experience of collection of these receivables falls within the allowances recognised. Due to these factors, the Group believes that no additional credit risks beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The Company does not have any significant exposure to credit risk.

**Receivables**

***Risk management objectives, policies and processes for managing the risk***

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

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

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

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

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

At the end of the financial year, the Group has outstanding trade receivables from one significant customer amounting to RM77,461,000 (2015: two significant customers with a total balance of RM176,330,000), which is individually 5% or more of the Group's gross trade receivables. Allowance for impairment of RM11,429,000 (2015: RM25,312,000) has been recognised.

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

**Receivables (continued)**

***Credit risk concentration profile***

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

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

| | | Group | |
|---|---|---|---|
| | | **2016** | **2015** |
| | **Note** | **RM'000** | **RM'000** |
| Malaysia | | 216,318 | 208,644 |
| Singapore | | 322,575 | 236,758 |
| North Asia | | 39,913 | 23,016 |
| South Asia and Middle East | | 145,163 | 179,186 |
| South East Asia | | 70,559 | 105,616 |
| CEEMENA | | 610,982 | 570,092 |
| Others | | 5,029 | 4,395 |
| | | 1,410,539 | 1,327,707 |
| Impairment losses | | (263,566) | (203,532) |
| | 14 | 1,146,973 | 1,124,175 |

***Impairment losses***

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

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

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

**Receivables (continued)**

***Impairment losses (continued)***

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

| Group | Gross 2016 RM'000 | Individual and collective impairment 2016 RM'000 | Net 2016 RM'000 | Gross 2015 RM'000 | Individual and collective impairment 2015 RM'000 | Net 2015 RM'000 |
|---|---|---|---|---|---|---|
| Not past due | 711,043 | (2,057) | 708,986 | 723,821 | (15,828) | 707,993 |
| Past due 0 - 30 days | 194,643 | (4,371) | 190,272 | 144,857 | (9,144) | 135,713 |
| Past due 31 - 180 days | 241,300 | (40,071) | 201,229 | 248,973 | (41,253) | 207,720 |
| Past due 181 days - 1 year | 70,677 | (45,440) | 25,237 | 73,506 | (27,281) | 46,225 |
| Past due more than 1 year | 192,876 | (171,627) | 21,249 | 136,550 | (110,026) | 26,524 |
| | 1,410,539 | (263,566) | 1,146,973 | 1,327,707 | (203,532) | 1,124,175 |

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

| | Group 2016 RM'000 | Group 2015 RM'000 |
|---|---|---|
| At 1 January | 203,532 | 132,056 |
| Acquisition through business combinations | 8,916 | 13,285 |
| Impairment loss recognised | 63,287 | 44,593 |
| Impairment loss written off | (3,994) | (2,905) |
| Translation differences | (8,175) | 16,503 |
| At 31 December | 263,566 | 203,532 |

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

**Receivables (continued)**

***Impairment losses (continued)***

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

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

| Group | Individually assessed balance RM'000 | Specific allowances made RM'000 | Net RM'000 |
|---|---|---|---|
| **2016** | | | |
| Trade receivables | 270,822 | (178,581) | 92,241 |
| **2015** | | | |
| Trade receivables | 273,124 | (125,359) | 147,765 |

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

**Amount due from subsidiaries**

***Risk management objectives, policies and processes for managing the risk***

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

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

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

***Impairment losses***

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

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

**Financial guarantees**

***Risk management objectives, policies and processes for managing the risk***

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

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

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

**Group**

The maximum exposure of the Group in respect of financial guarantee (Note 24) at the reporting date amounts to RM36,657,000 representing the Group's share of amount drawn down by KHPL.

On 5 January 2017, the bank served a notice to KHPL that an Event of Default has occurred. In view that KHPL is unlikely to be able to repay the loan, PHL had made a provision for its 50% share of the amounts that KHPL owes the bank. (Note 24)

**Company**

The maximum exposure of the Company in respect of financial guarantee at the reporting date amounts to RM680,173,000 (2015: RM680,476,000) representing the outstanding bank loans of IHTYL.

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

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

**(iv) Liquidity risk**

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

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

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### (iv) Liquidity risk (continued)

***Maturity analysis***

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

| Group | Carrying amount RM'000 | Interest rate | Contractual cash flows RM'000 | Within 1 year RM'000 | After 1 year but within 5 years RM'000 | After 5 years RM'000 |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Loans and borrowings | 7,475,750 | 0.38% to 14.25% | 8,208,120 | 794,951 | 6,200,298 | 1,212,871 |
| Bank overdrafts | 11,348 | – | 11,348 | 11,348 | – | – |
| Trade and other payables* | 3,995,272 | 2.18% to 2.33% | 4,099,694 | 2,446,286 | 1,653,408 | – |
| | 11,482,370 | | 12,319,162 | 3,252,585 | 7,853,706 | 1,212,871 |
| **Derivative financial instruments** | | | | | | |
| Foreign exchange forward contracts (gross settled) | | | | | | |
| - outflows | – | – | (88,851) | (33,672) | (55,179) | – |
| - inflows | 986 | – | 89,923 | 33,287 | 56,636 | – |
| Cross currency interest rate swaps (gross settled) | | | | | | |
| - inflows | 13,783 | – | 14,306 | 3,849 | 10,457 | – |
| Interest rate swaps (net settled) | 9,445 | – | 9,798 | 4,675 | 5,123 | – |
| | 24,214 | | 25,176 | 8,139 | 17,037 | – |
| | 11,506,584 | | 12,344,338 | 3,260,724 | 7,870,743 | 1,212,871 |

* Excludes deposits, advance billings and CCPS liabilities

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### (iv) Liquidity risk (continued)

***Maturity analysis (continued)***

| Group | Carrying amount RM'000 | Interest rate | Contractual cash flows RM'000 | Within 1 year RM'000 | After 1 year but within 5 years RM'000 | After 5 years RM'000 |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Loans and borrowings | 6,690,447 | 0.00% to 16.50% | 7,210,322 | 494,778 | 6,477,187 | 238,357 |
| Bank overdrafts | 6,003 | – | 6,003 | 6,003 | – | – |
| Trade and other payables* | 2,837,546 | 0.00% to 2.00% | 2,869,617 | 2,410,920 | 458,697 | – |
| | 9,533,996 | | 10,085,942 | 2,911,701 | 6,935,884 | 238,357 |
| **Derivative financial instruments** | | | | | | |
| Foreign exchange forward contracts (gross settled) | | | | | | |
| - outflows | – | – | (127,945) | (40,456) | (87,489) | – |
| - inflows | (6,819) | – | 121,028 | 35,470 | 85,558 | – |
| Cross currency interest rate swaps (gross settled) | | | | | | |
| - outflows | – | – | (9,483) | (2,004) | (7,479) | – |
| - inflows | (18) | – | 9,465 | 2,001 | 7,464 | – |
| Interest rate swaps (net settled) | 9,313 | – | 9,673 | 3,188 | 6,485 | – |
| | 2,476 | | 2,738 | (1,801) | 4,539 | – |
| | 9,536,472 | | 10,088,680 | 2,909,900 | 6,940,423 | 238,357 |

* Excludes deposits, advance billings and CCPS liabilities

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### (iv) Liquidity risk (continued)

***Maturity analysis (continued)***

| Company | Carrying amount RM'000 | Interest rate | Contractual cash flows RM'000 | Within 1 year RM'000 | After 1 year but within 5 years RM'000 | After 5 years RM'000 |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Amounts due to subsidiaries | 2,320 | – | 2,320 | 2,320 | – | – |
| Trade and other payables* | 12,403 | – | 12,403 | 12,403 | – | – |
| | 14,723 | | 14,723 | 14,723 | – | – |
| **2015** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Amounts due to subsidiaries | 1,597 | – | 1,597 | 1,597 | – | – |
| Trade and other payables* | 8,378 | – | 8,378 | 8,378 | – | – |
| | 9,975 | | 9,975 | 9,975 | – | – |

* Excludes deposits and advance billings

### (v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other 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, Hong Kong Dollar and India Rupee.

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### (v) Market risk (continued)

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

***Risk management objectives, policies and processes for managing the risk***

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

The Group actively monitors its foreign currency risk and minimises such risk by borrowing in the functional currency of the borrowing entity or by borrowing in the same currency as the foreign investment (i.e. natural hedge of net investments). The Group also enters in cross currency interest rate swaps to realign borrowings to the same currency of the Group's foreign investments to achieve a natural hedge (See Note 36(vi)).

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

See Note 25 for the nominal value and fair value of the foreign exchange forward contracts and cross currency interest rate swaps.

***Exposure to foreign currency risk***

The Group's exposure to foreign currency (a currency which is other than the functional currencies of the Group entities) risk, based on carrying amounts as at the end of the financial year are as follows:

| Group | Singapore Dollar RM'000 | United States Dollar RM'000 | Euro RM'000 | Japanese Yen RM'000 | India Rupee RM'000 | Hong Kong Dollar RM'000 | Others* RM'000 |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| Other financial assets | – | 84,579 | – | – | – | – | – |
| Trade and other receivables | – | 10,647 | 20,338 | – | – | – | 266 |
| Intra-group receivables | 28,980 | 5,782 | – | – | – | 1,304,894 | 12,629 |
| Cash and cash equivalents | 2,798 | 47,334 | 2,204 | 37 | – | 2 | 104,377 |
| Loans and borrowings | – | (572,390) | (2,160,786) | – | – | (1,299,038) | (23,651) |
| Trade and other payables | (370) | (79,849) | (16,058) | (2,484) | – | (1,444) | (1,896) |
| Intra-group payables | (436,134) | (2,336) | – | – | – | – | (22,713) |
| Put options granted to non-controlling interests | – | – | – | – | (627,411) | – | – |
| Foreign exchange forward contracts | – | – | – | (986) | – | – | – |
| Call option granted to non-controlling interests | – | – | – | – | (18,128) | – | – |
| | (404,726) | (506,233) | (2,154,302) | (3,433) | (645,539) | 4,414 | 69,012 |

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### (v) Market risk (continued)

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

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

| Group | Singapore Dollar RM'000 | United States Dollar RM'000 | Euro RM'000 | Japanese Yen RM'000 | India Rupee RM'000 | Hong Kong Dollar RM'000 | Others* RM'000 |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| Other financial assets | – | 297,315 | 14,323 | – | – | – | – |
| Trade and other receivables | – | 5,537 | 1,753 | – | 75 | – | 28 |
| Intra-group receivables | 17,641 | 3,411 | – | – | – | – | (736) |
| Cash and cash equivalents | 2,861 | 51,155 | 380,135 | 64 | – | – | 4,550 |
| Loans and borrowings | (275,314) | (558,122) | (1,903,550) | – | – | – | (45,549) |
| Trade and other payables | (328) | (19,506) | (12,270) | (2,403) | (58) | – | (741) |
| Intra-group payables | (229,996) | (6,366) | (27,105) | – | – | (421) | (13,748) |
| Put options granted to non-controlling interests | – | – | – | – | (405,249) | – | – |
| Foreign exchange forward contracts | – | – | – | 6,819 | – | – | – |
| Call option granted to non-controlling interests | – | – | – | – | (1,948) | – | – |
| | (485,136) | (226,576) | (1,546,714) | 4,480 | (407,180) | (421) | (56,196) |

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

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### (v) Market risk (continued)

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

| Company | Singapore Dollar RM'000 | Malaysia Ringgit RM'000 | United States Dollar RM'000 | Hong Kong Dollar RM'000 |
|---|---|---|---|---|
| **2016** | | | | |
| Trade and other receivables | – | 179 | – | – |
| Cash and cash equivalents | 285 | – | 17,969 | – |
| Amounts due from/(to) subsidiaries | 28,424 | (6,543) | – | – |
| Trade and other payables | (335) | – | (5,129) | (10) |
| | 28,374 | (6,364) | 12,840 | (10) |
| **2015** | | | | |
| Cash and cash equivalents | 7 | – | 3,280 | – |
| Amounts due from/(to) subsidiaries | 10,819 | (7,287) | – | – |
| | 10,826 | (7,287) | 3,280 | – |

***Sensitivity analysis***

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

| Group | 2016 Equity RM'000 | 2016 Profit or loss RM'000 | 2015 Equity RM'000 | 2015 Profit or loss RM'000 |
|---|---|---|---|---|
| Singapore Dollar | – | (40,473) | (6,886) | (41,627) |
| United States Dollar | (18) | (50,605) | (450) | (22,207) |
| Euro | – | (215,430) | (20) | (154,671) |
| Japanese Yen | | | | |
| - foreign exchange forward contracts | – | (8,714) | – | (11,566) |
| - non-derivative financial assets and liabilities | – | (245) | – | (234) |
| India Rupee | (62,741) | (1,813) | (40,525) | (193) |
| Hong Kong Dollar | – | 441 | – | (42) |
| Others* | – | 6,902 | – | (5,620) |
| | (62,759) | (309,937) | (47,881) | (236,160) |

* Others include mainly British Pound, Chinese Renminbi, Malaysia Ringgit, Swiss Franc, Australian Dollar, and Bangladeshi Taka

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### (v) Market risk (continued)

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

***Sensitivity analysis (continued)***

| Company | 2016 Equity RM'000 | 2016 Profit or loss RM'000 | 2015 Equity RM'000 | 2015 Profit or loss RM'000 |
|---|---|---|---|---|
| Singapore Dollar | – | 2,837 | – | 1,083 |
| Malaysia Ringgit | – | (636) | – | (729) |
| United States Dollar | – | 1,284 | – | 328 |
| Hong Kong Dollar | – | (1) | – | – |
| | – | 3,484 | – | 682 |

The foreign currency risk associated with the Japanese denominated outstanding forward foreign exchange contracts as at 31 December 2016 would have no significant impact to the Group as the Group would have a corresponding gain in its net future income from Japan as a result of the weakening of Malaysia Ringgit.

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

#### (b) Interest rate risk

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

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

***Risk management objectives, policies and processes for managing the risk***

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

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

See Note 25 for the nominal value and fair value of the interest rate swaps.

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### (v) Market risk (continued)

#### (b) Interest rate risk (continued)

***Exposure to interest rate risk***

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

| | 2016<br>RM'000 | 2015<br>RM'000 |
|---|---|---|
| **Group** | | |
| **Fixed rate instruments** | | |
| Singapore government debt securities | – | 34,069 |
| Eurobonds | 81,468 | 311,638 |
| Fixed deposits | 1,013,192 | 1,732,595 |
| Bank borrowings | (116,423) | (119,800) |
| Fixed rate medium term notes | (126,879) | – |
| Finance lease liabilities | (143,624) | (211,721) |
| **Variable rate instruments** | | |
| Bank borrowings | (7,082,536) | (6,358,926) |
| Bank overdrafts | (11,438) | (6,003) |
| Finance lease liabilities | (6,288) | – |
| Loans from a non-controlling interest | (920,535) | (640,036) |
| Financial guarantee provision | (36,657) | – |
| Interest rate swaps | (9,445) | (9,313) |
| Cross currency interest rate swaps | (13,783) | 18 |
| **Company** | | |
| **Fixed rate instruments** | | |
| Fixed deposits | 168,804 | 410,590 |

***Sensitivity analysis***

*Fair value sensitivity analysis for fixed rate instruments*

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

A change of 100 basis points in interest rate would have increase or decrease equity by RM1,821,000 (2015: RM10,138,000) arising from the AFS Eurobonds.

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### (v) Market risk (continued)

#### (b) Interest rate risk (continued)

***Sensitivity analysis (continued)***

*Cash flow sensitivity analysis for variable rate instruments*

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

| | Assets* | | Equity | | Profit or loss | |
|---|---|---|---|---|---|---|
| **Group** | **100bp increase RM'000** | **100bp decrease RM'000** | **100bp increase RM'000** | **100bp decrease RM'000** | **100bp increase RM'000** | **100bp decrease RM'000** |
| **2016** | | | | | | |
| Interest rate swaps | – | – | 23,510 | (30,357) | 15,735 | (15,735) |
| Cross currency interest rate swaps | – | – | 9,037 | (9,469) | 2,336 | (2,336) |
| Other variable rate instruments | 23,013 | (23,013) | – | – | (51,227) | 51,227 |
| | 23,013 | (23,013) | 32,547 | (39,826) | (33,156) | 33,156 |
| **2015** | | | | | | |
| Interest rate swaps | – | – | 31,520 | (47,966) | 14,861 | (14,861) |
| Cross currency interest rate swaps | – | – | 11,199 | (11,848) | 2,300 | (2,300) |
| Other variable rate instruments | 14,916 | (14,916) | – | – | (48,248) | 48,248 |
| | 14,916 | (14,916) | 42,719 | (59,814) | (31,087) | 31,087 |

* Relates to interest capitalised in construction-in-progress

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### (v) Market risk (continued)

#### (c) Equity price risk

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

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

As at 31 December 2016, it is estimated that an increase/(decrease) of 10% in the market price of the quoted securities, with all other variables held constant, would have increased/(decreased) the Group's equity by RM117,664,000 (2015: RM144,662,000).

### (vi) Hedging activities

***Cash flow hedge***

The Group has entered into interest rate swaps to hedge the cash flow risk in relation to the floating interest rate of some bank loans. As at 31 December 2016, the Group had interest rate swaps and cross currency interest rate swaps with nominal value of RM1,573,519,000 and RM233,574,000 respectively (2015: RM1,486,222,000 and RM230,003,000). Details of the cash flow of the interest rate swaps are shown in Note 36(iv).

As at 31 December 2016, where the interest rate swaps and cross currency interest rate swaps were designated as hedging instruments in qualifying cash flow hedges, the effective portion of the changes in fair value of the swaps amounting to RM7,850,000 loss (2015: RM3,394,000 gain) was recognised in other comprehensive income (see Note 30).

During the year, the changes in fair value of interest rate swaps where hedge accounting was discontinued, not practised or ineffective, amounting to RM1,900,000 gain (2015: RM240,000 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 RM1,253,000 loss (2015: Nil), were reclassified to profit or loss.

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

The Group's Japanese Yen denominated unsecured bank loans has been designated as a natural hedge of the Group's net investments in Japan. In 2014, the Group refinanced a Japanese Yen denominated loan with a Singapore Dollar denominated loan which was overlaid with a cross currency interest rate swaps to realign this SGD borrowing into an effective Japanese Yen loan to maintain as a natural hedge for its foreign investment in Japan. The carrying amount of these Japanese denominated loan and Japanese medium term notes as at end of financial year was RM1,360,992,000 (2015: RM1,260,017,000).

Foreign exchange loss of RM81,492,000 (2015: RM178,681,000 loss) was recognised in other comprehensive income with respect to the effective portion of the hedge.

### (vii) Fair value information

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

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

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

| | | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Total fair value | Carrying amount |
| **Group** | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **2016** | | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | | |
| Non-current trade and other receivables[1] | 14 | – | – | – | – | – | – | 20,554 | 20,554 | 20,554 | 32,288 |
| Other financial assets[2] | | | | | | | | | | | |
| - AFS quoted equity shares | 10 | 1,176,638 | – | – | 1,176,638 | – | – | – | – | 1,176,638 | 1,176,638 |
| - AFS Eurobonds and money market fund | 10 | – | 152,042 | – | 152,042 | – | – | – | – | 152,042 | 152,042 |
| - Fixed deposits with tenor of more than 3 months | 10 | – | – | – | – | – | – | 209,244 | 209,244 | 209,244 | 209,244 |
| Financial derivatives[4] | | | | | | | | | | | |
| - Foreign exchange forward contracts | 25 | – | 1,691 | – | 1,691 | – | – | – | – | 1,691 | 1,691 |
| | | 1,176,638 | 153,733 | – | 1,330,371 | – | – | 229,798 | 229,798 | 1,560,169 | 1,571,903 |

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

| | | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Total fair value | Carrying amount |
| **Group** | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **2016** | | | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | | | |
| Non-current trade and other payables[3] | 24 | – | – | – | – | – | – | (38,880) | (38,880) | (38,880) | (38,880) |
| CCPS liabilities | 24 | – | – | (82,645) | (82,645) | – | – | – | – | (82,645) | (82,645) |
| Put options granted to non-controlling interests | 24 | – | – | (864,608) | (864,608) | – | – | – | – | (864,608) | (864,608) |
| Loans and borrowings | 20 | – | – | – | – | (127,355) | – | (7,348,871) | (7,476,226) | (7,476,226) | (7,475,750) |
| Bank overdrafts | 16 | – | – | – | – | – | – | (11,348) | (11,348) | (11,348) | (11,348) |
| Financial derivatives | | | | | | | | | | | |
| - Interest rate swaps | 25 | – | (9,445) | – | (9,445) | – | – | – | – | (9,445) | (9,445) |
| - Foreign exchange forward contracts | 25 | – | (2,677) | – | (2,677) | – | – | – | – | (2,677) | (2,677) |
| - Cross currency interest rate swaps | 25 | – | (13,783) | – | (13,783) | – | – | – | – | (13,783) | (13,783) |
| - Call option granted to non-controlling interests | 25 | – | – | (18,128) | (18,128) | – | – | – | – | (18,128) | (18,128) |
| | | – | (25,905) | (965,381) | (991,286) | (127,355) | – | (7,399,099) | (7,526,454) | (8,517,740) | (8,517,264) |

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

| | | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Total fair value | Carrying amount |
| **Group** | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **2015** | | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | | |
| Non-current trade and other receivables[1] | 14 | – | – | – | – | – | – | 60,046 | 60,046 | 60,046 | 69,765 |
| Other financial assets[2] | | | | | | | | | | | |
| - AFS quoted equity shares | 10 | 1,446,623 | – | – | 1,446,623 | – | – | – | – | 1,446,623 | 1,446,623 |
| - AFS Eurobonds and money market fund | 10 | – | 382,282 | – | 382,282 | – | – | – | – | 382,282 | 382,282 |
| - HTM government debt securities | 10 | – | – | – | – | 34,002 | – | – | 34,002 | 34,002 | 34,069 |
| - Fixed deposits with tenor of more than 3 months | 10 | – | – | – | – | – | – | 704,889 | 704,889 | 704,889 | 704,889 |
| Financial derivatives | | | | | | | | | | | |
| - Foreign exchange forward contracts | 25 | – | 8,079 | – | 8,079 | – | – | – | – | 8,079 | 8,079 |
| - Cross currency interest rate swaps | 25 | – | 18 | – | 18 | – | – | – | – | 18 | 18 |
| | | 1,446,623 | 390,379 | – | 1,837,002 | 34,002 | – | 764,935 | 798,937 | 2,635,939 | 2,645,725 |

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

| | | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Total fair value | Carrying amount |
| **Group** | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **2015** | | | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | | | |
| Non-current trade and other payables[3] | 24 | – | – | – | – | – | – | (35,114) | (35,114) | (35,114) | (36,446) |
| CCPS liabilities | 24 | – | – | (58,433) | (58,433) | – | – | – | – | (58,433) | (58,433) |
| Put options granted to non-controlling interests | 24 | – | – | (405,249) | (405,249) | – | – | – | – | (405,249) | (405,249) |
| Loans and borrowings | 20 | – | – | – | – | – | – | (6,688,015) | (6,688,015) | (6,688,015) | (6,690,447) |
| Bank overdrafts | 16 | – | – | – | – | – | – | (6,003) | (6,003) | (6,003) | (6,003) |
| Financial derivatives | | | | | | | | | | | |
| - Interest rate swaps | 25 | – | (9,313) | – | (9,313) | – | – | – | – | (9,313) | (9,313) |
| - Foreign exchange forward contracts | 25 | – | (1,260) | – | (1,260) | – | – | – | – | (1,260) | (1,260) |
| - Call option granted to non-controlling interests | 25 | – | – | (1,948) | (1,948) | – | – | – | – | (1,948) | (1,948) |
| | | – | (10,573) | (465,630) | (476,203) | – | – | (6,729,132) | (6,729,132) | (7,205,335) | (7,209,099) |

(1) Exclude prepayments and deposits
(2) Exclude available-for-sale unquoted equity shares, club membership and other investments
(3) Exclude deposits, advance billings, CCPS liabilities and put options granted to non-controlling interests
(4) Exclude put option

(vii) Fair value information (continued)

| | Note | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| **Company** | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **2016** | | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | | |
| Other financial assets | | | | | | | | | | | |
| - AFS money market fund | 10 | – | 70,574 | – | 70,574 | – | – | – | – | 70,574 | 70,574 |
| **2015** | | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | | |
| Other financial assets | | | | | | | | | | | |
| - AFS money market fund | 10 | – | 70,644 | – | 70,644 | – | – | – | – | 70,644 | 70,644 |
| - Fixed deposits with tenor of more than 3 months | 10 | – | 410,590 | – | 410,590 | – | – | – | – | 410,590 | 410,590 |
| | | – | 481,234 | – | 481,234 | – | – | – | – | 481,234 | 481,234 |

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

***Policy on transfer between levels***

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

***Level 1 fair value***

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

*Quoted investments*

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

*Government debt securities*

The fair values of government debt securities are determined by reference to their quoted closing bid price at the end of the financial year.

*Fixed rate medium term notes*

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

***Level 2 fair value***

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

*Derivative, eurobonds and money market funds*

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

***Transfer between Level 1 and Level 2 fair values***

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2015: no transfer in either direction).

***Level 3 fair value***

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

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

*Derivatives*

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

*Non-derivative financial assets and liabilities*

CCPS liabilities are stated at fair value based on the subsidiary's equity value computed mainly using the discounted cash flow method based on present value of projected free cash flows of the subsidiary discounted using a risk-adjusted discount rate.

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

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

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

| | Call option granted to non-controlling interests RM'000 | CCPS liabilities RM'000 | Put options granted to non-controlling interests RM'000 |
|---|---|---|---|
| **2016** | | | |
| At 1 January | 1,948 | 58,433 | 405,249 |
| Arising from business combination | – | – | 176,882 |
| Change in fair value | 15,580 | 21,947 | 287,733 |
| Translation differences | 600 | 2,265 | (5,256) |
| At 31 December | 18,128 | 82,645 | 864,608 |
| **2015** | | | |
| At 1 January | – | – | – |
| Arising from business combination | 1,907 | 60,468 | 405,249 |
| Reclassification to equity | – | (2,508) | – |
| Change in fair value | – | (882) | – |
| Translation differences | 41 | 1,355 | – |
| At 31 December | 1,948 | 58,433 | 405,249 |

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

| Valuation technique | Type | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Black Scholes model | • Call option granted to non-controlling interests | • Risk-adjusted discount rate at 6.5% (2015: 7%) | The estimated fair value would increase/(decrease) if the risk-adjusted discount rates were lower/(higher). |
| | | • Dividend yield at 0% (2015: 0%) | The estimated fair value would increase/(decrease) if the dividend yield were lower/(higher). |
| | | • Volatility at 46.6% (2015: 42.0%) | The estimated fair value would increase/(decrease) if volatility were higher/(lower). |
| Discounted cash flow approach | • CCPS liabilities<br>• Put options granted to non-controlling interests | Risk-adjusted discount rates at 11.9% to 15% (2015: 17%) | The estimated fair value would increase/(decrease) if the risk-adjusted discount rates were lower/(higher). |

*Key unobservable inputs*

Key unobservable inputs correspond to:

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

## 37. 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.

## 37. CAPITAL MANAGEMENT (CONTINUED)

| | Note | Group 2016 RM'000 | Group 2015 RM'000 |
|---|---|---|---|
| Loans and borrowings | 20 | 7,475,750 | 6,690,447 |
| Bank overdrafts | | 11,348 | 6,003 |
| Less: Cash and cash equivalents | 16 | (2,443,181) | (1,977,939) |
| Net debt | | 5,043,917 | 4,718,511 |
| Total equity | | 23,893,157 | 24,236,706 |
| Debt-to-equity ratio | | 0.21 | 0.19 |

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

Except as disclosed in Note 20, the Group is in compliance with all externally imposed capital requirements for the financial years ended 2016 and 2015.

## 38. OPERATING LEASES

**(i) Leases as lessee**

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Non-cancellable operating lease payable: | | | | |
| - Within 1 year | 271,685 | 234,103 | 18 | – |
| - After 1 year but within 5 years | 812,224 | 665,251 | 60 | – |
| - After 5 years | 2,372,889 | 2,003,212 | – | – |
| | 3,456,798 | 2,902,566 | 78 | – |

## 38. OPERATING LEASES (CONTINUED)

### (i) Leases as lessee (continued)

***Land lease premium***

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

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

The Group has accrued annual lease premium of RM350,000 for 2014 to 2016, based on the 2013 lease premium.

The Group is unable to ascertain the amount of the lease premium from 2017 to 2028 as the lease amount payable is yet to be determined as at date of these financial statements.

### (ii) Leases as lessor

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

| | Group | |
|---|---|---|
| | 2016 RM'000 | 2015 RM'000 |
| Non-cancellable operating lease receivable: | | |
| - Within 1 year | 175,322 | 177,281 |
| - After 1 year but within 5 years | 526,816 | 508,755 |
| - After 5 years | 811,901 | 880,223 |
| | 1,514,039 | 1,566,259 |

## 39. CAPITAL AND OTHER COMMITMENTS

| | | Group | |
|---|---|---|---|
| | | **2016** | **2015** |
| | | **RM'000** | **RM'000** |
| (a) | Capital expenditure commitments | | |
| | *Property, plant and equipment and investment properties* | | |
| | - Authorised and contracted for | 1,147,134 | 2,159,183 |
| | - Authorised but not contracted for | 2,349,600 | 1,407,287 |
| | | 3,496,734 | 3,566,470 |
| (b) | Joint venture | | |
| | Share of capital commitment of joint venture | 145,648 | 150,404 |
| (c) | Banker guarantees | | |
| | Amount of banker guarantees obtained | 28,767 | 27,914 |

## 40. RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subjected to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined in Note 31.

***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 | |
|---|---|---|
| | **2016** | **2015** |
| | **RM'000** | **RM'000** |
| *With substantial shareholders and their related parties* | | |
| Sales and provision of services | 343,672 | 257,547 |
| Purchases and consumption of services | (45,840) | (45,880) |
| *With key management personnel and their related parties* | | |
| Sales and provision of services | 17,594 | 27,250 |
| Purchases and consumption of services | (74,243) | (63,382) |
| *With associates* | | |
| Rental income | 405 | 282 |
| *With director of a subsidiary* | | |
| Consultancy fees paid | (294) | (254) |

## 40. RELATED PARTIES (CONTINUED)

***Related party transactions (continued)***

| | Company | |
|---|---|---|
| | **2016** | **2015** |
| | **RM'000** | **RM'000** |
| *With subsidiaries* | | |
| Dividend income | 41,971 | 106,800 |
| Share-based payment transactions | 43,378 | 32,959 |

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

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **RM'000** | **RM'000** |
| **Trade and other receivables** | | |
| Substantial shareholders and their related parties | 50,109 | 36,606 |
| Key management personnel and their related parties | 8,276 | 5,958 |
| | 58,385 | 42,564 |
| **Trade and other payables** | | |
| Substantial shareholders and their related parties | (4,108) | (3,599) |
| Key management personnel and their related parties | (15,918) | (6,696) |
| | (20,026) | (10,295) |

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.

## 41. ACQUISITION OF BUSINESS

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

**Fair value of consideration transferred**

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

| | **Total RM'000** |
|---|---|
| Cash and cash equivalents | 12,380 |

**Identifiable assets acquired and liabilities assumed**

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

| | **Total RM'000** |
|---|---|
| Inventories | 94 |
| Trade and other receivables | 69 |
| Trade and other payables | (163) |
| Fair value of net identifiable assets acquired | – |

| | **Total RM'000** |
|---|---|
| Purchase consideration settled in cash and cash equivalents | 12,380 |
| Less: Cash and cash equivalents (net of bank overdrafts) acquired | – |
| | 12,380 |

**Goodwill**

| | **Note** | **Total RM'000** |
|---|---|---|
| Fair value of consideration transferred | | 12,380 |
| Fair value of net identified assets acquired | | – |
| Goodwill | 6 | 12,380 |

## 42. ACQUISITIONS OF SUBSIDIARIES

***Acquisitions of subsidiaries in 2016***

***(a) Acquisition of indirect subsidiary – Tokushukai-Sofia EOOD ("Tokuda")***

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

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

On 8 June 2016, Acibadem City, an indirect subsidiary of the Company acquired 100% of City Clinic and its subsidiaries, for a fair value consideration of TL110,026,000 (equivalent to RM153,749,000). The purchase consideration is partially satisfied by cash payment of TL35,150,000 (equivalent to RM49,118,000), and issuance of the Acibadem City's shares of a total value of approximately TL74,876,000 (equivalent to RM104,631,000).

Pursuant to the acquisition of City Clinic, the Group granted put options to non-controlling interest of Acibadem City, who were formerly shareholders of City Clinic, to sell their shares in Acibadem City, to the Group at the higher of the prevailing market price or an amount determined by the formula stated in the agreement. The put options can only be exercised from June 2019 to May 2022.

The put options granted to non-controlling interests are classified as a financial liability under trade and other payables (Note 24).

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

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

**Fair value of consideration transferred**

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

| | Tokuda RM'000 | City Clinic RM'000 | APSH RM'000 | Total RM'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 284,329 | 49,118 | 8,961 | 342,408 |
| Equity instruments | – | 104,631 | – | 104,631 |
| | 284,329 | 153,749 | 8,961 | 447,039 |

## 42. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

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

**Identifiable assets acquired and liabilities assumed**

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

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

**Net cash outflow arising from acquisition of subsidiaries**

| | Tokuda RM'000 | City Clinic RM'000 | APSH RM'000 | Total RM'000 |
|---|---|---|---|---|
| Purchase consideration settled in cash and cash equivalents | 284,329 | 49,118 | 8,961 | 342,408 |
| Less: Cash and cash equivalents (net of bank overdrafts) acquired | (45,756) | (1,553) | – | (47,309) |
| | 238,573 | 47,565 | 8,961 | 295,099 |

**Goodwill**

| | Note | Tokuda RM'000 | City Clinic RM'000 | APSH RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| Fair value of consideration transferred | | 284,329 | 153,749 | 8,961 | 447,039 |
| Fair value of net identified assets acquired | | (304,921) | (42,140) | (8,961) | (356,022) |
| Non-controlling interests, based on their proportionate interest in the fair value of net identifiable assets acquired | | 74 | (1,151) | – | (1,077) |
| Goodwill on consolidation recognised in balance sheet | 6 | – | 110,458 | – | 110,458 |
| Negative goodwill recognised in profit or loss | 29 | (20,518) | – | – | (20,518) |

## 42. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

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

**Post acquisition contributions to the Group**

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

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

**Acquisition-related costs**

The Group incurred acquisition-related costs of approximately RM3,494,000 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in other operating expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

***Acquisitions of subsidiaries in 2015***

***(a) Acquisition of indirect subsidiary - CHL***

In March 2015, Gleneagles Development Pte Ltd ("GDPL"), an indirect wholly-owned subsidiary of the Company acquired and subscribed to 71,085,224 ordinary shares representing 51% equity interest in CHL, for a total cash consideration of INR2,818,830,000 (equivalent to RM166,731,000). The principal activity of CHL is provision of medical, surgical and hospital services.

Pursuant to the acquisition of CHL, the Group granted a put option to a non-controlling interest to sell its existing interest in CHL to the Group at the prevailing market price on the date the option is exercised. The put option can only be exercised from March 2018 onwards and does not have an expiry date. The put option granted to non-controlling interests is classified as a financial liability under trade and other payables (Note 24).

***(b) Acquisition of indirect subsidiary - Pantai Wellness Sdn. Bhd. (formerly known as Summit Sensation Sdn. Bhd.)("PWSB")***

In May 2015, Pantai Group Resources Sdn. Bhd., an indirect wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital comprising of 2 ordinary shares of RM1.00 each in PWSB for a total consideration of RM2.00.

The intended principal activity of PWSB is the provision of health and wellness services. In the seven months to 31 December 2015, PWSB contributed nil revenue and net loss of RM1,955,000.

As PWSB is a dormant company at the time of acquisition, the purchase consideration, the net assets contributed and the effect on net profit are not material in relation to the consolidated net profit and net assets of the Group for the year.

## 42. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

***Acquisitions of subsidiaries in 2015 (continued)***

***(c) Acquisition of indirect subsidiary – RGE***

In December 2015, GDPL acquired and subscribed to 48,379,123 ordinary shares and 4,071,424 CCPS representing 77.78% equity interest, on a fully diluted basis, in RGE for a total consideration of INR12,619,192,000 (equivalent to RM803,195,000). The principal activities of RGE and its subsidiaries are private hospital ownership and management and provision of clinical research services.

Pursuant to the acquisition of RGE, the Group granted put options and a call option to a non-controlling interest of RGE.

The put options comprise:

a. An option for the non-controlling interest to sell its 7.13% interest in RGE, on a fully diluted basis, to the Group at a fixed consideration of INR1,463.0 million (equivalent to RM95.3 million) less price adjustment of not more than INR110.0 million, upon the achievement of a certain financial target in 2017 pursuant to an option agreement entered with the non-controlling interest; and

b. Another option for the non-controlling interest to sell its remaining interest in RGE to the Group at the prevailing market price on the date the option is exercised. This put option can only be exercised from December 2020 onwards and does not have an expiry date.

The put options granted to non-controlling interests is classified as a financial liability under trade and other payables (Note 24).

The option agreement mentioned above also includes a call option granted to the non-controlling interest 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 RM32.6 million), upon the non-achievement of a certain financial target in 2017. The call option granted to non-controlling interests is classified as a financial derivative liability (Note 25).

**Fair value of consideration transferred**

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

| | CHL RM'000 | RGE (provisional) RM'000 | RGE adjustments during Window Period RM'000 | Fair values recognised on acquisition (final) RM'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 166,731 | 801,288 | – | 968,019 |
| Call option granted to non-controlling interests | – | 1,907 | – | 1,907 |
| | 166,731 | 803,195 | – | 969,926 |

## 42. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

***Acquisitions of subsidiaries in 2015 (continued)***

**Final purchase price allocation in 2016**

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

(i) final purchase price adjustments, which are non-cash in nature, made during the 12 months period from acquisition date (the "Window Period") have not been applied retrospectively as these adjustments, which relate mainly to balance sheet effects and certain consequential income statement effects, are immaterial to the Group.

(ii) adjustments were made to the provisional fair values of RGE originally recorded in 2015. The effect of the adjustments made during the Window Period are as per set out below.

**Identifiable assets acquired and liabilities assumed**

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

| | Note | CHL RM'000 | RGE (provisional) RM'000 | RGE adjustments during Window Period RM'000 | Fair values recognised on acquisition (final) RM'000 |
|---|---|---|---|---|---|
| Property, plant and equipment | 3 | 324,272 | 312,819 | 635 | 637,726 |
| Prepaid lease payments | | – | – | 3,578 | 3,578 |
| Intangible assets | 6 | – | 109,603 | (6,939) | 102,664 |
| Deferred tax assets | 11 | 17,336 | 61,739 | 1,274 | 80,349 |
| Other financial assets | | 735 | 4,236 | – | 4,971 |
| Assets classified as held for sale | 17 | – | 6,990 | – | 6,990 |
| Inventories | | 2,178 | 7,980 | – | 10,158 |
| Trade and other receivables | | 5,192 | 66,083 | (3,579) | 67,696 |
| Cash and cash equivalents | | 111,878 | 163,158 | – | 275,036 |
| Trade and other payables | | (54,908) | (236,835) | 366 | (291,377) |
| Employee benefits | | (875) | (4,280) | – | (5,155) |
| Bank overdrafts | | (8,329) | (7,856) | – | (16,185) |
| Loans and borrowings | | (166,493) | (198,386) | – | (364,879) |
| Deferred tax liabilities | 11 | (37,098) | (62,312) | 2,165 | (97,245) |
| Fair value of net identifiable assets acquired | | 193,888 | 222,939 | (2,500) | 414,327 |

## 42. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

***Acquisitions of subsidiaries in 2015 (continued)***

**Net cash outflow arising from acquisition of subsidiaries**

| | CHL RM'000 | RGE (provisional) RM'000 | RGE adjustments during Window Period RM'000 | Fair values recognised on acquisition (final) RM'000 |
|---|---|---|---|---|
| Purchase consideration to be settled in cash and cash equivalents | 166,731 | 801,288 | – | 968,019 |
| Less: Purchase consideration unpaid | – | (4,074) | – | (4,074) |
| Less: Cash and cash equivalents acquired | (103,549) | (155,302) | – | (258,851) |
| | 63,182 | 641,912 | – | 705,094 |

**Goodwill**

| | Note | CHL RM'000 | RGE (provisional) RM'000 | RGE adjustments during Window Period RM'000 | Fair values recognised on acquisition (final) RM'000 |
|---|---|---|---|---|---|
| Fair value of consideration transferred | | 166,731 | 803,195 | – | 969,926 |
| Fair value of net identified assets acquired | | (193,888) | (222,939) | 2,500 | (414,327) |
| Non-controlling interests, based on their proportionate interest in the net identifiable assets acquired | | 95,004 | 59,933 | 3,218 | 158,155 |
| Goodwill | 6 | 67,847 | 640,189 | 5,718 | 713,754 |

**Post acquisition contributions to the Group**

| | CHL RM'000 | RGE RM'000 | Total RM'000 |
|---|---|---|---|
| Revenue | 45,642 | 28,321 | 73,963 |
| Net loss | (21,929) | (12,479) | (34,408) |

If the above acquisition had occurred in 1 January 2015, management estimates that consolidated Group revenue would have been RM8,870,458,000 and consolidated Group profit for the financial year would have been RM968,368,000.

## 42. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

***Acquisitions of subsidiaries in 2015 (continued)***

**Acquisition-related costs**

The Group incurred acquisition-related costs of approximately RM6,787,000 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. DISPOSAL OF A SUBSIDIARY

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

The effects of the disposal are as follows:

| | Note | 2016<br>RM'000 |
|---|---|---|
| Property, plant and equipment | 3 | 148 |
| Deferred tax assets | 11 | 115 |
| Other financial assets | | 32,853 |
| Trade and other receivables | | 100,394 |
| Cash and cash equivalents | | 90,514 |
| Trade and other payables | | (165,090) |
| Employee benefits | | (370) |
| Tax payable | | (702) |
| Deferred tax liabilities | 11 | (26) |
| Net identifiable assets | | 57,836 |
| Gain on disposal of a subsidiary recognised in profit or loss | 29 | 54,801 |
| Less: Put option recognised at fair value | | (1,580) |
| Less: Remaining interest in SIPL remeasured at fair value* | | (10,989) |
| Cash consideration | | 100,068 |
| Less: Cash and cash equivalents disposed | | (90,514) |
| Cash flow on disposal, net of cash disposed | | 9,554 |

* The remeasurement to fair value of the Group's remaining 10% interest in SIPL resulted in a gain of RM6,407,000 which is included in gain on disposal of a subsidiary (see Note 29) recognised in the Group's consolidated statement of profit or loss and other comprehensive income.

On disposal of the Group's controlling stake in SIPL the Group entered into an agreement with the purchaser and is granted a put option to sell all of its remaining shares in SIPL only after 14 April 2019 and at the higher of the prevailing market price or consideration determined pursuant to the agreement. This put option is classified as a financial derivative asset (Note 25).

## 44. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

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

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

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

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

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

(c) On 4 May 2016, Parkway Trust Management Limited ("PTM") transferred 145,900 PLife REIT units that it owned to its eligible employees in accordance to PTM's Long Term Incentive Plan. Consequential thereto, IHH Group's effective interest in PLife REIT was diluted from 35.74% to 35.71%.

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

(d) On 8 June 2016, following the partial settlement of the purchase consideration of City Clinic Group through the issue of new shares in Acibadem City and an internal restructuring, the shareholdings of Acibadem City was reconstituted as follows:

i) 23.5% held by minority shareholders;
ii) 15% held by Clinical Hospital Acibadem Sistina Skopje (a 50.3% owned subsidiary of Acıbadem Sağlık Hizmetleri ve Ticaret A.Ş. ("ASH")); and
iii) 61.5% held by ASH.

Consequential thereto, IHH Group's effective interest in Acibadem City has been diluted from 59.63% to 41.16%.

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

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

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

## 44. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (CONTINUED)

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

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

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

***Changes in ownership interests in subsidiaries in 2015***

(a) On 10 April 2015, PTM transferred 145,000 PLife REIT units that it owned to its eligible employees in accordance to PTM's Long Term Incentive Plan. Consequential thereto, the Group's effective interest in PLife REIT was diluted from 35.76% to 35.74%.

The transaction resulted in an increase in capital reserve, non-controlling interests and hedge reserve of RM584,000, RM337,000 and RM1,000 respectively, and a decrease in foreign currency translation reserve of RM5,000.

(b) On 1 December 2015, Pantai Hospitals Sdn. Bhd. acquired 2,778,750 ordinary shares of RM1.00 each, representing approximately 11.58% of the total issued and paid-up share capital of Syarikat Tunas Pantai Sdn. Bhd. ("STPSB") from Geh Sim Wah Sdn. Bhd. for a total consideration of RM38,787,000. Consequential thereto, the Group's effective interest in STPSB has increased from 80.70% to 92.28%.

The transaction resulted in a decrease in capital reserve and non-controlling interests of RM29,379,000 and RM9,629,000 respectively.

(c) On 8 December 2015, the Group's consolidated 76.25% of RGE, from 77.78% previously, following the fixing of the conversion ratio of a certain tranche of CCPS in RGE. The Group's equity interest in RGE was correspondingly reduced to 72.26% from 73.46% on a fully diluted basis.

The transaction resulted in a decrease in the capital reserve of RM1,337,000 and an increase in the non-controlling interests of RM3,845,000 in 2015. Upon finalisation of purchase price allocation (see Note 42) in 2016, the carrying amount of RGE's net assets in the Group's financial statements was revised from RM416,827,000 to RM414,327,000 and accordingly, an increase capital reserves of RM112,000 and a decrease in non-controlling interests of RM112,000 were recognised in 2016.

## 45. SUBSIDIARIES

Details of subsidiaries are as follows:

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | Effective equity interest held 2015 % |
|---|---|---|---|---|
| **Direct subsidiaries** | | | | |
| IMU Health Sdn. Bhd. | Malaysia | Investment holding and provision of management services | 100 | 100 |
| Integrated Healthcare Holdings Limited # | Federal Territory of Labuan Malaysia | Investment holding | 100 | 100 |
| Integrated Healthcare Holdings (Bharat) Limited # | Mauritius | Investment holding | 100 | 100 |
| Integrated Healthcare Turkey Yatirimlari Limited | Federal Territory of Labuan Malaysia | Investment holding | 100 | 100 |
| Integrated Healthcare Capital Sdn. Bhd. + | Malaysia | In process of Member's Voluntary Winding-Up | 100 | 100 |
| **Indirect subsidiaries** | | | | |
| **Held through IMU Health Sdn. Bhd.:** | | | | |
| IMU Education Sdn. Bhd. | Malaysia | Management of educational institutions and other centres of learning | 100 | 100 |
| IMU Healthcare Sdn. Bhd. | Malaysia | Investment holding and provision of management 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 | Investment holding | 100 | 100 |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | Effective equity interest held 2015 % |
|---|---|---|---|---|
| **Held through IMU Healthcare Sdn. Bhd.:** | | | | |
| IMU Dialysis Sdn. Bhd. | Malaysia | Establishing, operating and managing dialysis centre(s) for the provision of haemodialysis and its related 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 | Investment holding | 100 | 100 |
| Pantai Holdings Berhad | Malaysia | Investment holding | 100 | 100 |
| Parkway Group Healthcare Pte Ltd (7)# | Singapore | Investment holding and provision of management and consultancy services | 100 | 100 |
| Gleneagles Development Pte Ltd (5)# | Singapore | Investment holding | 100 | 100 |
| Parkway Healthcare Indo-China Pte. Ltd. # | Singapore | Investment holding | 100 | 100 |
| **Held through Integrated Healthcare Hastaneler Turkey Sdn. Bhd.:** | | | | |
| Acıbadem Sağlık Yatırımları Holding A.Ş. # | Turkey | Investment holding | 60 | 60 |
| **Held through Acıbadem Sağlık Yatırımları Holding A.Ş.:** | | | | |
| APlus Hastane Otelcilik Hizmetleri A.Ş. # | Turkey | Provision of catering, laundry and cleaning services for hospitals | 60 | 60 |
| Acıbadem Proje Yönetimi A.Ş. # | Turkey | Supervise and manage the construction of healthcare facilities | 60 | 60 |
| Acıbadem Sağlık Hizmetleri ve Ticaret A.Ş. # | Turkey | Provision of medical, surgical and hospital services | 59.6 | 59.6 |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | Effective equity interest held 2015 % |
|---|---|---|---|---|
| **Held through Acıbadem Sağlık Hizmetleri ve Ticaret A.Ş.:** | | | | |
| Acıbadem Poliklinikleri A.Ş. # | Turkey | Provision of outpatient and surgical (in certain clinics only) services | 59.6 | 59.6 |
| Acıbadem Labmed Sağlık Hizmetleri A.Ş. # | Turkey | Provision of laboratory services | 59.6 | 59.6 |
| International Hospital İstanbul A.Ş. # | Turkey | Provision of medical, surgical and hospital services | 53.6 | 53.6 |
| Acıbadem Mobil Sağlık Hizmetleri A.Ş. # | Turkey | Provision of emergency, home and ambulatory care services | 59.6 | 59.6 |
| Clinical Hospital Acıbadem Sistina Skopje # | Macedonia | Provision of medical, surgical and hospital services | 30.0 | 30.0 |
| Acıbadem Sistina Medikal Kompani Doo Skopje # | Macedonia | Provision of medical equipment and import and wholesale of drug and medical materials | 29.8 | 29.8 |
| Acıbadem Ortadogu Saglik Yatirimlari A.Ş. (6)# | Turkey | Construction and planning of healthcare facilities, provision of operation and management services to healthcare institutions and secondary logistic services such as catering cleaning, laundry services | 59.6 | 59.6 |
| Acibadem International Medical Center B.V. # | Netherlands | Provision of outpatient services | 59.6 | 59.6 |
| Acıbadem Teknoloji A.Ş. # | Turkey | Conduct research, develop and commercially market healthcare related software, operating and information systems, web-based applications and other technology solutions | 59.6 | 59.6 |
| APlus Saglik Hizmetleri A.S. # | Turkey | Provision of medical, surgical and hospital services | 59.6 | – |
| Acibadem City Clinic B.V. (12) # | Netherlands | Investment holding | 41.2 | – |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | Effective equity interest held 2015 % |
|---|---|---|---|---|
| **Held through Acıbadem Poliklinikleri A.Ş.:** | | | | |
| Gemtip Özel Sağlık Hizmetleri Sanayi ve Ticaret A.S. # | Turkey | Provision of medical, surgical and hospital services | 40.5 | 40.5 |
| Medlife Clinic Ambulance ve Özel Sağlık Hizmetleri İthalat ve İhracat A.Ş. # | Turkey | Provision of outpatient services | 35.7 | 35.7 |
| Bodrum Medikal Özel Sağlık Hizmetleri Turizm Gıda İnşaat Pazarlama İthalat İhracat Sanayi ve Ticaret A.Ş. # | Turkey | Provision of outpatient services | 35.7 | 35.7 |
| Özel Turgutreis Poliklinik Hizmetleri Ticaret A.Ş. # | Turkey | Provision of outpatient services | 35.7 | 35.7 |
| Sesu Özel Sağlık Hizmetleri Tıbbi Malzemeler Sanayi ve Ticaret A.Ş. # | Turkey | Provision of outpatient services | 35.7 | 35.7 |
| **Held through Acibadem City Clinic B.V.:** | | | | |
| Tokushukai-Sofia EOOD # | Bulgaria | Investment holding | 41.2 | – |
| City Hospitals and Clinics AD # | Bulgaria | Investment holding | 41.2 | – |
| **Held through Tokushukai-Sofia EOOD:** | | | | |
| Tokuda Clinical Research Center AD # | Bulgaria | Site management organisation | 35.0 | – |
| Tokuda Hospice EOOD # | Bulgaria | Hospice care centre | 41.2 | – |
| Tokuda Pharmacy EOOD # | Bulgaria | Pharmacy | 41.2 | – |
| Tokuda Medical Center EAD # | Bulgaria | Outpatient diagnostic and consultative centre | 41.2 | – |
| Tokuda Hospital Sofia EAD # | Bulgaria | Multi-profile hospital for acute care | 41.2 | – |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | 2015 % |
|---|---|---|---|---|
| **Held through City Hospitals and Clinics AD:** | | | | |
| City Clinic University Multi-Profile Hospital for Acute Care EOOD # | Bulgaria | Multi-profile hospital for acute care | 41.2 | – |
| Specialized Hospital for Acute Care of Cardiac Surgery City Clinic Burgas OOD # | Bulgaria | Specialised hospital for acute care of cardiac surgery | 28.8 | – |
| City Clinic Diagnostic and Consultative Centre EOOD # | Bulgaria | Outpatient diagnostic and consultative centre | 41.2 | – |
| City Clinic Medical Center Bregalnitsa EOOD # | Bulgaria | Outpatient medical centre | 41.2 | – |
| City Clinic Medical Center Burgas EOOD # | Bulgaria | Outpatient medical centre | 41.2 | – |
| City Clinic Services EOOD # | Bulgaria | Trading company dealing in medical devices, drugs and consumables | 41.2 | – |
| City Clinic Pharmacies EOOD # | Bulgaria | Pharmacy | 41.2 | – |
| Healthcare Consulting OOD # | Bulgaria | Site management organisation | 20.8 | – |
| United Medical Center Varna EOOD # | Bulgaria | In the process of liquidation | 41.2 | – |
| **Held through Pantai Holdings Berhad:** | | | | |
| Pantai Group Resources Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| Pantai Hospitals Sdn. Bhd. | Malaysia | Investment holding and provision of management and consultation services to hospitals and medical centres | 100 | 100 |
| Pantai Management Resources Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| Gleneagles (Malaysia) Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| **Held through Pantai Group Resources Sdn. Bhd.:** | | | | |
| P.T. Pantai Healthcare Consulting (3)# | Indonesia | Provision of healthcare consulting services in Indonesia | 100 | 100 |
| Pantai Premier Pathology Sdn. Bhd. | Malaysia | Provision of medical laboratory services | 100 | 100 |
| Pantai Integrated Rehab Services Sdn. Bhd. | Malaysia | Provision of rehabilitation services | 100 | 85 |
| Mount Elizabeth Health Care Services Sdn. Bhd. | Malaysia | Struck off in 2016 | – | 100 |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | Effective equity interest held 2015 % |
|---|---|---|---|---|
| **Held through Pantai Group Resources Sdn. Bhd.: (continued)** | | | | |
| Twin Towers Healthcare Sdn. Bhd. | Malaysia | Investment holding and provision of management services | 100 | 100 |
| Pantai Wellness Sdn. Bhd. | Malaysia | Provision of health and wellness services | 100 | 100 |
| POEM Corporate Health Services Sdn. Bhd. *(formerly known as HPAK Lithotripsy Services Sdn. Bhd.)* | Malaysia | Dormant | 100(14) | – |
| **Held through Twin Towers Healthcare Sdn. Bhd.:** | | | | |
| Twin Towers Medical Centre KLCC Sdn. Bhd. | Malaysia | Operation of an outpatient and day care medical centre | 100 | 100 |
| **Held through Pantai Hospitals Sdn. Bhd.:** | | | | |
| Pantai Medical Centre Sdn. Bhd. | Malaysia | Provision of medical, surgical and hospital 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 | 92.28 |
| 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. (4) | Malaysia | Dormant | 100 | 100 |
| Pantai Hospital Manjung Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | 2015 % |
|---|---|---|---|---|
| **Held through Pantai Hospitals Sdn. Bhd.: (continued)** | | | | |
| Pantai Hospital Johor Sdn. Bhd. | Malaysia | Development, construction and leasing of medical facility buildings | 100 | 100 |
| Kuala Lumpur Medical Centre (Asia Pacific) Sdn. Bhd. | Malaysia | Dormant | 51 | 51 |
| **Held through Pantai Medical Centre Sdn. Bhd.:** | | | | |
| Angiography Sdn. Bhd. | Malaysia | Dissolved in 2016 | – | 100 |
| Magnetom Imaging Sdn. Bhd. | Malaysia | Under Members' Voluntary Liquidation | 100 | 100 |
| PMC Radio-Surgery Sdn. Bhd. | Malaysia | Dissolved in 2016 | – | 100 |
| Pantai-ARC Dialysis Services Sdn. Bhd. | Malaysia | Provision of haemodialysis services | 51 | 51 |
| POEM Corporate Health Services Sdn. Bhd. *(formerly known as HPAK Lithotripsy Services Sdn. Bhd.)* | Malaysia | Dormant | – (14) | 100 |
| HPAK Cancer Centre Sdn. Bhd. | Malaysia | Liquidation in process | 100 | 100 |
| Oncology Centre (KL) Sdn. Bhd. | Malaysia | Provision of comprehensive professional oncological services, inclusive of diagnostic, radiotherapy and chemotherapy treatment | 100 | 100 |
| **Held through Pantai Premier Pathology Sdn. Bhd.:** | | | | |
| Orifolio Options Sdn. Bhd. | Malaysia | Letting of property | 100 | 100 |
| **Held through Gleneagles (Malaysia) Sdn. Bhd.:** | | | | |
| Pulau Pinang Clinic Sdn. Bhd. | Malaysia | Provision of medical, surgical and hospital services | 70.77 | 70.05 |
| GEH Management Services (M) Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | Effective equity interest held 2015 % |
|---|---|---|---|---|
| **Held through Parkway Healthcare Indo-China Pte Ltd:** | | | | |
| Andaman Alliance Healthcare Limited # | Myanmar | Provision of medical and health related facilities and services | 52 | – |
| **Held through Parkway HK Holdings Limited:** | | | | |
| Parkway Healthcare (Hong Kong) Limited # | Hong Kong | Provision of medical and healthcare outpatient services | 100 | 85 |
| 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 |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 | Effective equity interest held 2015 |
|---|---|---|---|---|
| | | | % | % |
| **Held through Parkway Holdings Limited: (continued)** | | | | |
| 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 |
| FWD Singapore Pte Ltd *(formerly known as Shenton Insurance Pte. Ltd.)* # | Singapore | Underwrite accident and healthcare insurance policies | – (11) | 100 |
| Gleneagles JPMC Sdn Bhd # | Brunei Darussalam | Management and operation of a cardiac and cardiothoracic care centre | 75 | 75 |
| Gleneagles Management Services Pte Ltd # | Singapore | Provision of advisory, administrative, management and consultancy services to healthcare facilities | 100 | 100 |
| **Held through Parkway Hospitals Singapore Pte. Ltd.:** | | | | |
| Parkway Promotions Pte Ltd # | Singapore | Promoters and organisers of healthcare events | 100 | 100 |
| MENA Services Pte Ltd # | Singapore | Nursing agency | 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 |
| Shanghai Gleneagles International Medical and Surgical Center # | People's Republic of China | Liquidation in process | 70 | 70 |
| Parkway (Shanghai) Hospital Management Ltd. # | People's Republic of China | Provision of management and consultancy services to healthcare facilities | – (14) | 100 |
| PCH Holding Pte. Ltd. *(formerly known as Parkway China Holding Co. Pte. Ltd.)* # | Singapore | Investment holding | 100 | 100 |
| Shanghai Gleneagles Hospital Management Co., Ltd. # | People's Republic of China | Provision of management and consultancy services to healthcare facilities | 100 (14) | – |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | Effective equity interest held 2015 % |
|---|---|---|---|---|
| **Held through PCH Holding Pte. Ltd.** ***(formerly known as Parkway China Holding Co. Pte. Ltd.):*** | | | | |
| Medical Resources International Pte Ltd # | Singapore | Investment holding | 100 | 100 |
| M & P Investments Pte Ltd # | Singapore | Investment holding | 100 | 100 |
| Shanghai Gleneagles Hospital Management Co., Ltd. # | People's Republic of China | Provision of management and consultancy services to healthcare facilities | – (14) | 100 |
| Parkway (Shanghai) Hospital Management Ltd. # | People's Republic of China | Provision of management and consultancy services to healthcare facilities | 100 (14) | – |
| **Held through M & P Investments Pte Ltd:** | | | | |
| ParkwayHealth Shanghai International Hospital Company Limited # | People's Republic of China | Provision of medical and health related facilities and services | 70 | 70 |
| ParkwayHealth Chengdu Hospital Company Limited | People's Republic of China | Provision of specialised care and services | 70 | – |
| **Held through Medi-Rad Associates Ltd:** | | | | |
| Radiology Consultants Pte Ltd # | Singapore | Radiology consultancy and interpretative services | 100 | 100 |
| **Held through Gleneagles Development Pte Ltd:** | | | | |
| Continental Hospitals Private Limited # | India | Private hospital ownership and management | 51 | 51 |
| Ravindranath GE Medical Associates Private Limited (13)# | India | Private hospital ownership and management, specialty tertiary care including multi organ transplant healthcare facility | 76.25 | 76.25 |
| Parkway Healthcare India Private Limited # | India | Provision of management and consultancy services | 100 | 100 |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | Effective equity interest held 2015 % |
|---|---|---|---|---|
| **Held through Continental Hospitals Private Limited:** | | | | |
| C3 Health Community Corporation Private Limited ## | India | Operation of clinics | 49.98 | 49.98 |
| Continental Community Clinics Private Limited ## | India | Dormant | 49.98 | 49.98 |
| **Held through Ravindranath GE Medical Associates Private Limited:** | | | | |
| Centre for Digestive and Kidney Diseases (India) Private Limited # | India | Private hospital ownership and management, specialty tertiary care including multi organ transplant healthcare facility | 49.6 | 49.6 |
| Global Clinical Research Services Private Limited # | India | Provision of clinical research services | 76.02 | 76.02 |
| **Held through Parkway Shenton Pte Ltd:** | | | | |
| Nippon Medical Care Pte Ltd # | Singapore | Operation of clinics | 70 | 70 |
| Parkway Shenton International Holdings Pte. Ltd. # | Singapore | Investment holding | 100 | 100 |
| Shenton Family Medical Clinics Pte Ltd # | Singapore | To provide, establish and carry on the business of clinics | 100 | 100 |
| **Held through Parkway Shenton International Holdings Pte. Ltd.:** | | | | |
| Parkway Shenton Vietnam Limited + | Vietnam | Dormant | 100 | 100 |
| **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 | 100 | 100 |
| Shanghai Rui Hong Clinic Co., Ltd. (10)# | People's Republic of China | Provision of medical and healthcare outpatient services | 100 | 100 |
| Shanghai Xin Rui Healthcare Co., Ltd. (9)# | People's Republic of China | Provision of medical and healthcare outpatient services | 100 | 100 |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | Effective equity interest held 2015 % |
|---|---|---|---|---|
| **Held through Parkway (Shanghai) Hospital Management Ltd.:** | | | | |
| Shanghai Shu Kang Hospital Investment Management Co., Ltd. # | People's Republic of China | Investment holding | 100 | 100 |
| Suzhou Industrial Park Yuan Hui Clinic Co., Ltd. # | People's Republic of China | Provision of medical and healthcare outpatient services | 100 | 100 |
| Suzhou Xin Hui Clinic Co., Ltd. # | People's Republic of China | Dissolved in 2016 | – | 100 |
| **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 | 100 | 100 |
| **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 | 100 | 100 |
| Shanghai Rui Pu Clinic Co., Ltd. # | People's Republic of China | Provision of medical and healthcare outpatient services | 100 | 100 |
| Shanghai Rui Xiang Clinic Co., Ltd. # | People's Republic of China | Provision of medical and healthcare outpatient services | 100 | 100 |
| Shanghai Rui Ying Clinic Co., Ltd. # | People's Republic of China | Provision of medical and healthcare outpatient services | 100 | – |
| **Held through Parkway Investments Pte. Ltd.:** | | | | |
| Gleneagles Technologies Services Pte Ltd # | Singapore | Dormant | 100 | 100 |
| Gleneagles Medical Centre Ltd. # | Singapore | Dormant | 100 | 100 |
| Gleneagles Pharmacy Pte Ltd # | Singapore | Dormant | 100 | 100 |
| Mount Elizabeth Medical Holdings Ltd. # | Singapore | Investment holding | 100 | 100 |
| Parkway Life Real Estate Investment Trust (2)# | Singapore | Real estate investment trust | 35.71 | 35.74 |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | 2015 % |
|---|---|---|---|---|
| **Held through Parkway Life Real Estate Investment Trust:** | | | | |
| Matsudo Investment Pte. Ltd. # | Singapore | Investment holding | 35.71 | 35.74 |
| Parkway Life Japan2 Pte. Ltd. # | Singapore | Investment holding | 35.71 | 35.74 |
| Parkway Life Japan3 Pte. Ltd. # | Singapore | Investment holding | 35.71 | 35.74 |
| Parkway Life Japan4 Pte. Ltd. # | Singapore | Investment holding | 35.71 | 35.74 |
| Parkway Life MTN Pte. Ltd. # | Singapore | Provision of financial and treasury services | 35.71 | 35.74 |
| Parkway Life Malaysia Pte. Ltd. # | Singapore | Investment holding | 35.71 | 35.74 |
| **Held through Matsudo Investment Pte. Ltd.:** | | | | |
| Godo Kaisha Phoebe (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| **Held through Parkway Life Japan2 Pte. Ltd.:** | | | | |
| Godo Kaisha Urbino (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Del Monte (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Tenshi 1 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Tenshi 2 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| **Held through Parkway Life Japan3 Pte. Ltd.:** | | | | |
| Godo Kaisha Healthcare 1 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Healthcare 2 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Healthcare 3 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | Effective equity interest held 2015 % |
|---|---|---|---|---|
| **Held through Parkway Life Japan3 Pte. Ltd.: (continued)** | | | | |
| Godo Kaisha Healthcare 4 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Healthcare 5 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| **Held through Parkway Life Japan4 Pte. Ltd.:** | | | | |
| Godo Kaisha Samurai (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Samurai 2 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Samurai 3 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Samurai 4 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Samurai 5 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Samurai 6 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Samurai 7 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Samurai 8 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Samurai 9 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Samurai 10 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | 35.74 |
| Godo Kaisha Samurai 11 (15) | Japan | Special purpose entity - Investment in real estate | 35.71 | – |

## 45. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | 2015 % |
|---|---|---|---|---|
| **Held through Parkway Life Malaysia Pte. Ltd.:** | | | | |
| Parkway Life Malaysia Sdn. Bhd. ## | Malaysia | Special purpose entity<br>- Investment in real estate | 35.71 | 35.74 |

1 Parkway Pantai Limited holds 99.99% shares in Parkway HK Holdings Limited. The other 0.01% shares are held by PHL.

2 Parkway Investment Pte. Ltd., PTM and Integrated Healthcare Holdings Limited hold 35.25% (2015: 35.25%), 0.43% (2015: 0.45%) and 0.04% (2015: 0.04%) of the units in PLife REIT respectively.

3 Pantai Group Resources Sdn. Bhd. holds 50% shares in P.T. Pantai Healthcare Consulting. The other 50% is held by Pantai Hospitals Sdn. Bhd. ("PHSB").

4 PHSB holds 70% shares in Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd.. The other 30% is held by Gleneagles (Malaysia) Sdn. Bhd..

5 Parkway Pantai Limited holds 98% shares in Gleneagles Development Pte Ltd. The remaining 2% are held by Gleneagles International Pte Ltd.

6 Acıbadem Ortadogu Saglik Yatirimlari A.Ş.'s shares are owned by ASH (75%), Acıbadem Mobil (5%), Acibadem Poliklinikleri (10%), APlus Hastane ve Otelcilik Hizmetleri A.Ş. (4.998%) and Acıbadem Proje Yonetimi A.Ş. (5%).

7 Parkway Pantai Limited holds 78.5% (2015: 70.0%) shares in Parkway Group Healthcare Pte Ltd ("PGH"). The other 21.5% (2015: 30.0%) shares are held by PHL.

8 Medical Resources International Pte Ltd ("MRI") holds 70% shares in Shanghai Rui Xin Healthcare Co., Ltd.. The other 30% is held by Shanghai Mai Kang Hospital Investment Management Co., Ltd. ("Shanghai Mai Kang").

9 MRI holds 70% shares in Shanghai Xin Rui Healthcare Co., Ltd.. The other 30% is held by Shanghai Mai Kang.

10 MRI holds 70% shares in Shanghai Rui Hong Clinic Co., Ltd.. The other 30% is held by Shanghai Mai Kang.

11 During the year, the Group has disposed its 90% shareholdings in FWD Singapore Pte Ltd *(formerly known as Shenton Insurance Pte. Ltd.)*. The Group has accounted for its remaining investment in FWD Singapore Pte Ltd as an other financial asset.

12 ASH and Clinical Hospital Acıbadem Sistina Skopje hold 61.5% and 15.0% shares in Acibadem City respectively.

13 The Group consolidated 76.25% of RGE on the basis of shareholding interests that give rise to present access to the rights and rewards of ownership in RGE. The Group's equity interest in RGE is 72.26% on a fully diluted basis.

14 Shares were transferred within the Group pursuant to an internal restructuring during the year.

15 Not required to be audited under the laws of country of incorporation. These special purpose entities have been consolidated in the financial statements in accordance with MFRS 10, as the Group primarily bears the risks and enjoys the benefits of the investments held by these special purpose entities.

# Audited by other member firms of KPMG International.

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

+ Audit is not required.

## 46. ASSOCIATES

Details of associates are as follows:

| Name of associate | Place of incorporation and business | Principal activities | Effective equity interest held 2016 | 2015 |
|---|---|---|---|---|
| | | | % | % |
| **Indirect associates** | | | | |
| **Held through Gleneagles (Malaysia) Sdn. Bhd.:** | | | | |
| Gleneagles Medical Centre (Kuala Lumpur) Sdn. Bhd. ## | Malaysia | In liquidation | 30 | 30 |
| **Held through Gleneagles Medical Holdings Limited:** | | | | |
| PT Tritunggal Sentra Utama Surabaya ## | Indonesia | Provision of medical diagnostic services | 30 | 30 |
| Asia Renal Care Mount Elizabeth Pte Ltd ## | Singapore | Provision of dialysis services and medical consultancy services | 20 | 20 |
| Asia Renal Care (Katong) Pte Ltd ## | Singapore | Provision of dialysis services and medical consultancy services | 20 | 20 |
| **Held through Medi-Rad Associates Ltd:** | | | | |
| Positron Tracers Pte. Ltd. # | Singapore | Ownership and operation of a cyclotron | 33 | 33 |

# 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 equity interest held 2016 | 2015 |
|---|---|---|---|---|
| | | | % | % |
| **Indirect joint ventures** | | | | |
| **Held through Gleneagles Development Pte Ltd:** | | | | |
| Apollo Gleneagles Hospital Ltd ## | India | Private hospital ownership and management | 50 | 50 |

## 47. JOINT VENTURES (CONTINUED)

| Name of joint venture | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | Effective equity interest held 2015 % |
|---|---|---|---|---|
| **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 | 50 | 50 |
| Shenton Family Medical Clinic (Bedok Reservoir) + | Singapore | Operation of medical clinic | 50 | 50 |
| Shenton Family Medical Clinic (Bukit Gombak) + | Singapore | Operation of medical clinic | 50 | 50 |
| Shenton Family Medical Clinic (Clementi) + | 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 (Serangoon) + | 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 |

## 47. JOINT VENTURES (CONTINUED)

| Name of joint venture | Place of incorporation and business | Principal activities | Effective equity interest held 2016 % | 2015 % |
|---|---|---|---|---|
| **Held through Parkway Shenton Pte Ltd:** | | | | |
| Hale Medical Clinic (Concourse) Pte Ltd ## | Singapore | Operation of medical clinic | 50 | 50 |
| **Held through Parkway Group Healthcare Pte Ltd:** | | | | |
| Khubchandani Hospitals Private Limited ## | India | Dormant | 50 | 50 |
| **Held through Shanghai Mai Kang Hospital Investment Management Co., Ltd.:** | | | | |
| Shanghai Hui Xing Hospital Investment Management Co., Ltd. (1)# | People's Republic of China | Investment holding | 60 | 60 |
| **Held through Shanghai Hui Xing Hospital Investment Management Co., Ltd.:** | | | | |
| Shanghai Hui Xing Jinpu Clinic Co., Ltd. (1)# | People's Republic of China | Provision of medical and healthcare outpatient services | 60 | 60 |

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

# Audited by other member firms of KPMG International.

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

+ Audit is not required.

## 48. SUBSEQUENT EVENTS

i) On 26 January 2017, the Group through its wholly-owned subsidiary, Pantai Medical Centre Sdn. Bhd. ("PMCSB") entered into a Sale and Purchase Agreement for the acquisition of a parcel of freehold land together with a five-storey private hospital with 384 surface car parks erected thereon, located at Manjung, Perak ("Property") at a purchase consideration of RM63.0 million. PMCSB currently operates a private hospital, known as Pantai Hospital Manjung at the Property under a long term lease with the owners of the Property. The acquisition of the Property is expected to be completed in the 2nd quarter of the financial year ending 31 December 2017.

ii) On 17 February 2017, the Group, through its wholly-owned subsidiary, Parkway Life Japan4 Pte. Ltd., executed an agreement to participate as an investor in relation to the acquisition of four nursing homes and one group home located in Japan for a total cash consideration of JPY4.759 billion (approximately RM187.3 million). The acquisition of the properties was made through a special purpose vehicle, Godo Kaisha Samurai 12.

iii) On 3 March 2017, the Group, through its wholly-owned subsidiary, Integrated (Mauritius) Healthcare Holdings Limited, disposed its shareholding of 8,439,148 ordinary shares of INR5.00 each ("Apollo Shares"), representing 6.07% of the issued and paid-up share capital of Apollo Hospitals Enterprise Limited ("Apollo"), via a book-building process for a total cash consideration of INR10.7 billion (RM710.9 million) net of transaction costs, brokerage, taxes and stamp duty. The Apollo Shares are accounted in the Group as available-for-sale equity quoted financial instruments.

## 49. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS AND LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| Total retained earnings of the Company and its subsidiaries | | | | |
| - realised | 3,729,177 | 3,049,893 | 152,240 | 390,132 |
| - unrealised | 129,553 | 474,610 | 113,960 | 112,240 |
| | 3,858,730 | 3,524,503 | 266,200 | 502,372 |
| Total share of retained earnings of associates | | | | |
| - realised | 651 | (316) | – | – |
| - unrealised | – | – | – | – |
| | 651 | (316) | – | – |
| Total share of retained earnings of joint ventures | | | | |
| - realised | 61,969 | 49,165 | – | – |
| - unrealised | – | – | – | – |
| | 61,969 | 49,165 | – | – |
| Consolidation adjustments | (645,122) | (649,483) | – | – |
| Total retained earnings | 3,276,228 | 2,923,869 | 266,200 | 502,372 |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

# ANALYSIS OF SHAREHOLDINGS
## AS AT 31 MARCH 2017

Class of securities : Ordinary shares
Issued share capital : 8,231,733,239 ordinary shares
Voting right : One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Holders | % | No. of Holdings | % |
|---|---|---|---|---|
| Less than 100 | 135 | 1.75 | 1,509 | 0.00 |
| 100 - 1,000 | 2,130 | 27.65 | 1,749,483 | 0.02 |
| 1,001 - 10,000 | 3,811 | 49.47 | 16,819,319 | 0.20 |
| 10,001 - 100,000 | 1,016 | 13.19 | 31,120,893 | 0.38 |
| 100,001 - 411,586,660 * | 608 | 7.89 | 2,177,068,612 | 26.45 |
| 411,586,661 and above ** | 4 | 0.05 | 6,004,973,423 | 72.95 |
| Total | 7,704 | 100.00 | 8,231,733,239 | 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 | 6,063 | 78.70 | 35,049,188 | 0.43 |
| Banks/Finance Companies | 81 | 1.05 | 623,474,700 | 7.57 |
| Investments Trusts/Foundations/Charities | 2 | 0.03 | 101,000 | 0.00 |
| Other Types of Companies | 98 | 1.27 | 4,874,569,472 | 59.22 |
| Government Agencies/Institutions | 0 | 0.00 | 0 | 0.00 |
| Nominees | 1,460 | 18.95 | 2,698,538,879 | 32.78 |
| Others | 0 | 0.00 | 0 | 0.00 |
| Total | 7,704 | 100.00 | 8,231,733,239 | 100.00 |

# ANALYSIS OF SHAREHOLDINGS
## AS AT 31 MARCH 2017

## SUBSTANTIAL SHAREHOLDERS
**(As per Register of Substantial Shareholders)**

| | | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|---|
| **No.** | **Name** | **No. of Shares Held** | **% of Issued Shares** | **No. of Shares Held** | **% of Issued Shares** |
| 1. | Pulau Memutik Ventures Sdn Bhd | 3,384,650,670 | 41.12 | - | - |
| 2. | Khazanah Nasional Berhad | - | - | 3,384,650,670[i] | 41.12 |
| 3. | MBK Healthcare Partners Limited | 1,485,400,000 | 18.04 | - | - |
| 4. | Mitsui & Co., Ltd | - | - | 1,485,400,000[ii] | 18.04 |
| 5. | Employees Provident Fund Board | 834,967,777 | 10.14[iii] | - | - |

**Notes:**

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

[ii] Deemed interest by virtue of its shareholding in MBK Healthcare Partners Limited pursuant to Section 8 of the Companies Act 2016.

[iii] The shares are held through various nominees companies.

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

| | | Number of ordinary shares | | | |
|---|---|---|---|---|---|
| | | Direct Interest | | Indirect Interest | |
| | **Interest in the Company** | **No. of Shares Held** | **% of Issued Shares** | **No. of Shares Held** | **% of Issued Shares** |
| 1. | Tan Sri Dato' Dr Abu Bakar bin Suleiman | 2,923,000 | 0.04 | - | - |
| 2. | Dr Tan See Leng | 8,763,800 | 0.11 | - | - |
| 3. | Mehmet Ali Aydinlar | 175,321,000 | 2.13 | 88,910,861[i] | 1.08 |
| 4. | Kuok Khoon Ean | 250,000 | 0.00 | - | - |
| 5. | Chang See Hiang | 100,000 | 0.00 | - | - |

**Notes:**

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

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

**(As per Register of Directors' Shareholdings)**

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

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

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

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

| | Number of units | | | |
|---|---|---|---|---|
| | Direct Interest | | Indirect Interest | |
| **Interest in subsidiaries** | **No. of Units Held** | **% of Issued Units** | **No. of Units Held** | **% of Issued Units** |
| Parkway Life Real Estate Investment Trust | 300,000 | 0.05 | - | - |

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

| | Number of units | | | |
|---|---|---|---|---|
| | Direct Interest | | Indirect Interest | |
| **Interest in subsidiaries** | **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 31 MARCH 2017

## LONG TERM INCENTIVE PLAN

| | Interest in the Company<br>Long Term Incentive Plan | Number of units convertible into ordinary shares<br>Direct Interest<br>No. of<br>Units Held |
|---|---|---|
| 1. | Tan Sri Dato' Dr Abu Bakar bin Suleiman | 69,000 |
| 2. | Dr Tan See Leng | 1,645,000 |
| 3. | Mehmet Ali Aydinlar | 861,000 |

## ENTERPRISE OPTION SCHEME

| | Interest in the Company<br>Enterprise Option Scheme | Number of options convertible into ordinary shares<br>Direct Interest<br>No. of<br>Options Held |
|---|---|---|
| 1. | Tan Sri Dato' Dr Abu Bakar bin Suleiman | 250,000 |
| 2. | Dr Tan See Leng | 14,229,000 |

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

# LIST OF TOP 30 LARGEST SHAREHOLDERS
## AS AT 31 MARCH 2017

| No. | Name | No. of Shares Held | % of Issued Shares |
|---|---|---|---|
| 1. | Pulau Memutik Ventures Sdn Bhd | 3,384,650,670 | 41.12 |
| 2. | MBK Healthcare Partners Limited | 1,485,400,000 | 18.04 |
| 3. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Employees Provident Fund Board | 713,539,027 | 8.67 |
| 4. | Citigroup Nominees (Asing) Sdn Bhd<br>Exempt AN for The Central Depository (Pte) Limited | 421,383,726 | 5.12 |
| 5. | Citigroup Nominees (Asing) Sdn Bhd<br>CBLDN for Kuwait Investment Authority | 141,722,530 | 1.72 |
| 6. | Cartaban Nominees (Asing) Sdn Bhd<br>Exempt AN for State Street Bank & Trust Company (West CLT OD67) | 125,560,242 | 1.53 |
| 7. | Cartaban Nominees (Asing) Sdn Bhd<br>GIC Private Limited for Government of Singapore (C) | 116,969,400 | 1.42 |
| 8. | Amanahraya Trustees Berhad<br>Amanah Saham Wawasan 2020 | 88,000,000 | 1.07 |
| 9. | Amanahraya Trustees Berhad<br>Amanah Saham Bumiputera | 85,252,100 | 1.04 |
| 10. | Kumpulan Wang Persaraan (Diperbadankan) | 82,138,000 | 1.00 |
| 11. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.) | 51,587,914 | 0.63 |
| 12. | HSBC Nominees (Asing) Sdn Bhd<br>BBH and Co Boston for Matthews Pacific Tiger Fund | 47,676,300 | 0.58 |
| 13. | HSBC Nominees (Asing) Sdn Bhd<br>BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund | 45,981,976 | 0.56 |
| 14. | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad for Public Ittikal Fund (N14011970240) | 45,000,000 | 0.55 |
| 15. | DB (Malaysia) Nominee (Asing) Sdn Bhd<br>Deutsche Bank AG London | 43,776,491 | 0.53 |
| 16. | Amanahraya Trustees Berhad<br>Public Islamic Dividend Fund | 39,997,100 | 0.49 |
| 17. | Citigroup Nominees (Asing) Sdn Bhd<br>Exempt AN for UBS AG Singapore (Foreign) | 38,933,599 | 0.47 |
| 18. | Amanahraya Trustees Berhad<br>Amanah Saham Bumiputera 2 | 35,000,000 | 0.43 |

# LIST OF TOP 30 LARGEST SHAREHOLDERS
## AS AT 31 MARCH 2017

| No. | Name | No. of Shares Held | % of Issued Shares |
|---|---|---|---|
| 19. | Cartaban Nominees (Tempatan) Sdn Bhd<br>PAMB for Prulink Equity Fund | 34,900,000 | 0.42 |
| 20. | Cartaban Nominees (Asing) Sdn Bhd<br>GIC Private Limited for Monetary Authority of Singapore (H) | 33,625,100 | 0.41 |
| 21. | Amanahraya Trustees Berhad<br>Amanah Saham Malaysia | 32,300,000 | 0.39 |
| 22. | Permodalan Nasional Berhad | 30,366,800 | 0.37 |
| 23. | Malaysia Nominees (Tempatan) Sendirian Berhad<br>Great Eastern Life Assurance (Malaysia) Berhad (PAR 1) | 29,747,000 | 0.36 |
| 24. | Amanahraya Trustees Berhad<br>Amanah Saham Didik | 27,714,000 | 0.34 |
| 25. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for International Finance Corporation | 25,000,000 | 0.30 |
| 26. | Amanahraya Trustees Berhad<br>Public Islamic Select Enterprises Fund | 24,462,500 | 0.30 |
| 27. | Amsec Nominees (Tempatan) Sdn Bhd<br>MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI) | 24,110,600 | 0.29 |
| 28. | Amanahraya Trustees Berhad<br>Public Islamic Equity Fund | 22,297,400 | 0.27 |
| 29. | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100) | 21,705,000 | 0.26 |
| 30. | Amanahraya Trustees Berhad<br>As 1Malaysia | 21,562,300 | 0.26 |
| | Total | 7,320,359,775 | 88.93 |

# LIST OF TOP 10 PROPERTIES
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| No. | Address | Freehold/ Leasehold Land and/or Buildings | Year of Expiry of Lease | Land Area | Built-up/ Strata Area | Existing Use | Approximate Age of Buildings | Net Book Value |
|---|---|---|---|---|---|---|---|---|
| | | | | Sq m | Sq m | | | 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 and medical office building | 3 years | 4,087,300 [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 | 37 years | 1,477,134 [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 | 26 years | 712,416 [a,b] |
| | **MALAYSIA** | | | | | | | |
| 4 | **Pantai Hospital Kuala Lumpur** 8 Jalan Bukit Pantai 59100 Kuala Lumpur | Leasehold land and building | 2111 | 22,533 | Built-up area: 132,710 | Hospital building | 13 years for original block; 3 years and 2 years for extension blocks | 324,319 [b] |
| 5 | **Gleneagles Medini Hospital** Plot A25 under HSD478967, PT 170682 Medini Iskandar Malaysia, Johor | Leasehold land and building | 2107 | 59,997 | Built-up area: 55,313 | Hospital building | 2 years | 267,748 |
| 6 | **Gleneagles Medical Centre Penang** 1 Jalan Pangkor 10050 Penang | Freehold land and building | - | 12,411 | Built-up area: 71,743 | Hospital building | 19 years and 4 years for extension block" | 183,809 [b] |
| 7 | **Gleneagles Kuala Lumpur** 286 Jalan Ampang 50450 Kuala Lumpur | Freehold land and building | - | 13,552 | Built-up area: 29,947 | Hospital building | 18 years | 151,364 [b] |

# LIST OF TOP 10 PROPERTIES
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| No. | Address | Freehold/ Leasehold Land and/or Buildings | Year of Expiry of Lease | Land Area | Built-up/ Strata Area | Existing Use | Approximate Age of Buildings | Net Book Value |
|---|---|---|---|---|---|---|---|---|
| | | | | Sq m | Sq m | | | RM'000 |
| | **INDIA** | | | | | | | |
| 8 | **Continental Hospitals**<br>Plot No.3, Road No.2<br>IT & Financial District<br>Nanakramguda, Gachibowli<br>Hyderabad, 500 032, India | Freehold land and building | - | 11,938 | Built-up area: 120,242 | Hospital building and medical centre | 4 years | 296,626 [c] |
| | **BULGARIA** | | | | | | | |
| 9 | **Bulgaria Tokuda Hosital**<br>bul. "Nikola Y. Vaptsarov" 51Б<br>1407 Sofia, Bulgaria | Freehold land and building | - | 27,000 | Built-up area: 51,138 | Hospital building and medical centre | 10 years for original block and 8 years for extension blocks | 262,368 |
| | **JAPAN** | | | | | | | |
| 10 | **Habitation Hakata I, II and III**<br>23-10 Kanenokuma 3-chome<br>Hakata-ku, Fukuoka City<br>Fukuoka Prefecture, Japan | Freehold land and building | - | 15,336 | Built-up area: 21,415 | Nursing home | 33 years for original block; 14 years and 22 years for extension blocks | 147,802 [d] |

Notes:

a Carrying value includes fair value of investment properties, which were revalued in 2016 in accordance with the Group's accounting policies

b Properties were revalued in 2010 pursuant to a purchase price allocation performed upon acquisition of Parkway Group

c Properties were revalued in 2015 pursuant to a purchase price allocation performed upon acquisition of Continental Hospitals

d Property is classified as investment property and was revalued in 2016 in accordance with the Group's accounting policies

# NOTICE OF SEVENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Seventh Annual General Meeting of **IHH HEALTHCARE BERHAD** ("IHH" or "the Company") will be held at Nexus 2 Ballroom, Level 3A, Connexion@ Nexus, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia on Monday, 22 May 2017 at 10.00 a.m. for the following purposes:

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of a first and final single tier cash dividend of 3 sen per ordinary share for the financial year ended 31 December 2016. **Ordinary Resolution 1**

3. To re-elect the following Directors who retire pursuant to Article 113(1) of the Constitution of the Company:

   (i) Mehmet Ali Aydinlar **Ordinary Resolution 2**

   (ii) Dr Tan See Leng **Ordinary Resolution 3**

   (iii) Chang See Hiang **Ordinary Resolution 4**

4. To re-elect the following Directors who retire pursuant to Article 120 of the Constitution of the Company:

   (i) Bhagat Chintamani Aniruddha **Ordinary Resolution 5**

   (ii) Koji Nagatomi **Ordinary Resolution 6**

5. To approve the payment of the following fees and other benefits payable to the Directors of the Company by the Company: **Ordinary Resolution 7**

   (i) Directors' fees to the Non-Executive Directors in respect of their directorship and committee membership in the Company with effect from 1 June 2017 until 30 June 2018 as per the table below:

| Structure | Chairman (RM per annum) | Member (RM per annum) |
|---|---:|---:|
| Board of Directors | - | 285,000 |
| Audit & Risk Management Committee | 150,000 | 100,000 |
| Nomination & Remuneration Committee | 90,000 | 60,000 |
| Steering Committee | 90,000 | 60,000 |

   (ii) Any other benefits provided to the Directors of the Company by the Company with effect from 31 January 2017 until 30 June 2018, subject to a maximum amount equivalent to RM1,000,000.

# NOTICE OF SEVENTH ANNUAL GENERAL MEETING

6. To approve the payment of the following fees and other benefits payable to the Directors of the Company by the Company's subsidiaries: **Ordinary Resolution 8**

   (i) Directors' fees (or its equivalent amount in Ringgit Malaysia as converted using the middle rate of Bank Negara Malaysia foreign exchange on the payment dates, where applicable) to the Directors of the Company who are holding directorship and committee membership in the subsidiaries of IHH for the period with effect from 31 January 2017 to 30 June 2018 as per below:

Parkway Pantai Limited *(payable to Non-Executive Directors only)*

| Structure | Chairman (SGD per annum) | Member (SGD per annum) |
|---|---|---|
| Board of Directors | 97,200 | 57,200 |
| Executive Committee | 85,000 | 70,000 |
| Audit & Risk Management Committee | 70,000 | 30,000 |
| Nomination & Remuneration Committee | 30,000 | 15,000 |
| Board Tender Committee | 20,000 | 10,000 |

Parkway Trust Management Limited

| Structure | Chairman (SGD per annum) | Member (SGD per annum) |
|---|---|---|
| Board of Directors | 94,500 | 47,250 |
| Audit Committee | 26,250 | - |
| Nomination & Remuneration Committee | 26,250 | - |

IMU Education Sdn Bhd *(payable to Independent Directors only)*

| Structure | Chairman (RM per annum) | Member (RM per annum) |
|---|---|---|
| Board of Directors | 34,000 | 32,000 |
| Audit & Risk Management Committee | 21,000 | 18,500 |
| Nomination & Remuneration Committee | 4,800 | 2,600 |

Acibadem Saglik Yatirimlari Holding A.S. Group

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

   (ii) Any other benefits provided to the Directors of the Company by the subsidiaries with effect from 31 January 2017 until 30 June 2018, subject to a maximum amount equivalent to RM300,000.

7. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 9**

**AS SPECIAL BUSINESS**

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

8. **RE-APPOINTMENT OF DIRECTOR** **Ordinary Resolution 10**

   To re-appoint Tan Sri Dato' Dr Abu Bakar bin Suleiman as a Director of the Company.

9. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT 2016** **Ordinary Resolution 11**

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

10. **PROPOSED ALLOCATION OF UNITS UNDER THE LONG TERM INCENTIVE PLAN OF THE IHH GROUP AND ISSUANCE OF NEW ORDINARY SHARES IN IHH ("IHH SHARES") TO TAN SRI DATO' DR ABU BAKAR BIN SULEIMAN** **Ordinary Resolution 12**

    "THAT approval be and is hereby given for the Directors of the Company at any time and from time to time, commencing from the date of the shareholders' approval ("Approval Date") and expiring at the conclusion of the annual general meeting of the Company commencing next after the Approval Date or the expiration of the period within which the next annual general meeting of the Company is required to be held, to allocate, grant and subsequently vest such number of units as the same may be allocated, granted and vested to Tan Sri Dato' Dr Abu Bakar bin Suleiman, the Executive Chairman of the Company, under any of the Long Term Incentive Plans of the IHH Group, and to allot and issue a corresponding number of new shares in the Company ("IHH Shares") upon the surrender of such units to the Company, as part of the compensation package for his services to the Company and/or its group of companies, PROVIDED THAT the total allocation will be based on the aggregate value of Ringgit Malaysia 370,000 ("Base Allocation"), equivalent to the total number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued within that Base Allocation ("Base Number") at the issue price per unit/IHH Share to be determined based on the five (5)-day weighted average market price of IHH Shares as traded on Bursa Malaysia Securities Berhad prior to the issue date ("Issue Price"), PROVIDED FURTHER THAT if the Base Number contains a fractional part of a thousand, the actual number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued ("Actual Number") will be rounded-up to the nearest thousand notwithstanding that the total value of the Actual Number may exceed the Base Allocation based on the Issue Price, AND PROVIDED ALWAYS THAT the Proposed Allocation shall be subject to the terms and conditions and/or adjustments which may be made in accordance with the provisions of the respective Bye Laws for the Long Term Incentive Plan."

# NOTICE OF SEVENTH ANNUAL GENERAL MEETING

11. **PROPOSED ALLOCATION OF UNITS UNDER THE LONG TERM INCENTIVE PLAN OF THE IHH GROUP AND ISSUANCE OF NEW ORDINARY SHARES IN IHH ("IHH SHARES") TO DR TAN SEE LENG** **Ordinary Resolution 13**

"THAT approval be and is hereby given for the Directors of the Company at any time and from time to time, commencing from the date of the shareholders' approval ("Approval Date") and expiring at the conclusion of the annual general meeting of the Company commencing next after the Approval Date or the expiration of the period within which the next annual general meeting of the Company is required to be held, to allocate, grant and subsequently vest such number of units as the same may be allocated, granted and vested to Dr Tan See Leng, the Managing Director and Chief Executive Officer of the Company, under any of the Long Term Incentive Plans of the IHH Group, and to allot and issue a corresponding number of new IHH Shares to him upon the surrender of such units to the Company, as part of the compensation package for his services to the Company and/or its group of companies, PROVIDED THAT the total allocation will be based on the aggregate value of Singapore Dollar 2,359,947 or its equivalent amount in Ringgit Malaysia as converted using the middle rate of Bank Negara Malaysia foreign exchange on the issue date ("Base Allocation"), equivalent to the total number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued within that Base Allocation ("Base Number") at the issue price per unit/IHH Share to be determined based on the five (5)-day weighted average market price of IHH Shares as traded on Bursa Malaysia Securities Berhad prior to the issue date ("Issue Price"), PROVIDED FURTHER THAT if the Base Number contains a fractional part of a thousand, the actual number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued ("Actual Number") will be rounded-up to the nearest thousand notwithstanding that the total value of the Actual Number may exceed the Base Allocation based on the Issue Price, AND PROVIDED ALWAYS THAT the Proposed Allocation shall be subject to the terms and conditions and/or adjustments which may be made in accordance with the provisions of the respective Bye Laws for the Long Term Incentive Plan."

12. **PROPOSED ALLOCATION OF UNITS UNDER THE LONG TERM INCENTIVE PLAN OF THE IHH GROUP AND ISSUANCE OF NEW ORDINARY SHARES IN IHH ("IHH SHARES") TO MEHMET ALI AYDINLAR** **Ordinary Resolution 14**

"THAT approval be and is hereby given for the Directors of the Company at any time and from time to time, commencing from the date of the shareholders' approval ("Approval Date") and expiring at the conclusion of the annual general meeting of the Company commencing next after the Approval Date or the expiration of the period within which the next annual general meeting of the Company is required to be held, to allocate, grant and subsequently vest such number of units as the same may be allocated, granted and vested to Mehmet Ali Aydinlar, an Executive Director of the Company, under any of the Long Term Incentive Plans of the IHH Group, and to allot and issue a corresponding number of new IHH Shares to him upon the surrender of such units to the Company, as part of the compensation package for his services to the Company and/or its group of companies, PROVIDED THAT the total allocation will be based on the aggregate value of United States Dollar 906,000 or its equivalent amount in Ringgit Malaysia as converted using the middle rate of Bank Negara Malaysia foreign exchange on the issue date ("Base Allocation"), equivalent to the total number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued within that Base Allocation ("Base Number") at the issue price per unit/IHH Share to be determined based on the five (5)-day weighted average market price of IHH Shares as traded on Bursa Malaysia Securities Berhad prior to the issue date ("Issue Price"), PROVIDED FURTHER THAT if the Base Number contains a fractional part of a thousand, the actual number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued ("Actual Number") will be rounded-up to the nearest thousand notwithstanding that the total value of the Actual Number may exceed the Base Allocation based on the Issue Price, AND PROVIDED ALWAYS THAT the Proposed Allocation shall be subject to the terms and conditions and/or adjustments which may be made in accordance with the provisions of the respective Bye Laws for the Long Term Incentive Plan."

13. **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 15**

"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 SEVENTH 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."

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

**NOTICE ON DIVIDEND ENTITLEMENT AND PAYMENT**

NOTICE IS ALSO HEREBY GIVEN THAT a first and final single tier cash dividend of 3 sen per ordinary share for the financial year ended 31 December 2016 ("Dividend"), if approved by the shareholders at the forthcoming Seventh Annual General Meeting, will be paid on 18 July 2017 to depositors whose names appear in the Record of Depositors on 30 June 2017.

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

(a) shares transferred into the Depositor's securities account before 4.00 p.m. on 30 June 2017 in respect of transfers; and

(b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**MICHELE KYTHE LIM BENG SZE** (LS 0009763)
**SEOW CHING VOON** (MAICSA 7045152)
Company Secretaries

Kuala Lumpur
28 April 2017

## NOTES:

### PROXY AND/OR AUTHORISED REPRESENTATIVES

1. A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to attend, participate, speak and vote in his/her stead.

2. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. A member other than an exempt authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. Notwithstanding the foregoing, any member other than an exempt authorised nominee who is also a substantial shareholder (within the meaning of the Companies Act 2016) shall be entitled to appoint up to (but not more than) five (5) proxies. Where such member appoints more than one (1) proxy, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.

4. The instrument appointing a proxy shall:

   (i) in the case of an individual, be signed by the appointer or by his/her attorney.

   (ii) in the case of corporation, be either under its common seal or signed by its attorney or an officer on behalf of the corporation.

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

5. A corporation which is a member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with the Company's Constitution.

6. The instrument appointing the proxy together with the Authorisation Document or the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than twenty-four (24) hours before the time appointed for the taking of the poll or at any adjournment thereof.

7. **Personal data privacy**

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

8. **Members entitled to attend**

   Only Members whose names appear in the General Meeting Record of Depositors on 15 May 2017 shall be entitled to attend, speak and vote at this Seventh Annual General Meeting of the Company or appoint a proxy(ies) on his/her behalf.

### EXPLANATORY NOTES ON ORDINARY BUSINESS:

1. Directors' fees and any other benefits

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

   In light of the above, the Board has recommended to the shareholders for approval at the forthcoming Seventh Annual General Meeting ("AGM") of the Company, the proposed Ordinary Resolutions 7 – 8 pertaining to the payment of Directors' fees and any other benefits to the Directors of the Company by the Company and its subsidiaries respectively.

# NOTICE OF SEVENTH ANNUAL GENERAL MEETING

Directors' fees payable by the Company

During the financial year under review, the Company has engaged an independent consultant to conduct a market comparison of the existing IHH Non-Executive Directors' ("NED") fees with its peer groups comprising Malaysia-based large capitalisation ("cap") companies, Singapore-based large cap companies and regional healthcare large cap companies.

The Nomination and Remuneration Committee ("NRC") has reviewed the report prepared by the independent consultant and deferred the deliberation and decision-making with regard to the NEDs fees to the Board in view that the NRC is composed wholly of NEDs.

Upon reviewing the report prepared by the independent consultant and at the recommendation of the Senior Management, the Board (save for the NEDs) has agreed to recommend for the shareholders to vote in favour of the Ordinary Resolution 7 to effect the proposed increment in the NEDs fees.

Please refer to the Statement on Corporate Governance as laid out on pages 117 to 138 of this Annual Report for further explanation in relation to the proposed increment of the NEDs fees.

The payment of the NEDs fees will only be made if and after the proposed Ordinary Resolution 7 has been passed at the Seventh AGM of the Company.

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

Any other benefits provided to the Directors of the Company by the Company and its subsidiaries are mainly comprised of medical benefits. Such benefits will be provided to the Directors of the Company if and after the proposed Ordinary Resolutions 7 and 8 have been passed at the Seventh AGM of the Company.

**EXPLANATORY NOTES ON SPECIAL BUSINESS:**

1. Resolution pursuant to Re-appointment of Director

   The proposed Ordinary Resolution 10 is pertaining to the re-appointment of Tan Sri Dato' Dr Abu Bakar bin Suleiman as a Director of the Company. With the Companies Act 2016 coming into force on 31 January 2017 repealing the Companies Act 1965, a Director of a public listed company of or over the age of seventy (70) is no longer subject to retirement at the Annual General Meeting ("AGM"). Taking into account that Tan Sri Dato' Dr Abu Bakar bin Suleiman was re-appointed as a Director of the Company pursuant to Section 129(6) of the Companies Act 1965 at the Company's Sixth AGM held on 27 May 2016, he will thus continue to hold office until the conclusion of the forthcoming Seventh AGM of the Company. Tan Sri Dato' Dr Abu Bakar bin Suleiman will be re-appointed as a Director of the Company upon this resolution being passed by a simple majority.

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

   The proposed Ordinary Resolution 11 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 Sixth Annual General Meeting held on 27 May 2016, obtained its shareholders' approval for the General Mandate. No share was issued pursuant to the General Mandate as at the date of this Notice.

3. Resolutions pursuant to the proposed allocation of units under the Long Term Incentive Plan ("LTIP") of the IHH Group and issuance of new ordinary shares in IHH ("IHH Shares") to the Executive Directors of the Company i.e. Tan Sri Dato' Dr Abu Bakar bin Suleiman, Dr Tan See Leng and Mehmet Ali Aydinlar ("Proposed Allocation")

   The proposed Ordinary Resolutions 12 - 14 are for the purpose of approving the allocation of LTIP units and the corresponding number of new IHH Shares to the Executive Directors of the Company i.e. Tan Sri Dato' Dr Abu Bakar bin Suleiman, Dr Tan See Leng and Mehmet Ali Aydinlar under the LTIP as established by our Company, Pantai Holdings Sdn Bhd, Parkway Holdings Limited and/or IMU Health Sdn Bhd ("IMU Health").

   Rationale of the Proposed Allocation
   The purpose of the LTIP is to promote ownership of IHH Shares by eligible employees of our Group including the Executive Directors, thereby motivating eligible employees including the Executive Directors to work towards achieving our business goals and objectives and to enable us to attract, retain and reward eligible employees of our Group by permitting them to participate in our Company's growth. The LTIP units are granted to eligible employees including Executive Directors in lieu of a cash bonus as part of the annual compensation package and upon the meeting of performance targets based on the annual financial results of our Group. The Proposed Allocation is part of the compensation package to the Executive Directors.

Maximum Number and Basis of Allocation
The actual number of LTIP units to be granted to the Executive Directors of the Company will be determined at the sole and absolute discretion of the Board after taking into account their performance in the Company or its group of companies or such other matters which the Board may in their sole discretion deem fit. In respect of the Proposed Allocation, upon considering the actual performance of Parkway Pantai Limited, IMU Health and Acibadem Saglik Yatirimlari Holding A.S. and their respective group of companies for the financial year ended 2016, the Board recommends the total allocation to the Executive Directors based on the aggregate value in the currency applicable in the jurisdiction each Executive Director is based in to be converted using the middle rate of Bank Negara Malaysia foreign exchange on the issue date ("Base Allocation") which will be equivalent to the total number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued within that Base Allocation ("Base Number") based on issue price per unit/IHH Share to be determined based on the five (5)-day weighted average market price of IHH Shares as traded on Bursa Malaysia Securities Berhad prior to the issue date ("Issue Price"), provided that if the Base Number contains a fractional part of a thousand, the actual number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued ("Actual Number") will be rounded-up to the nearest thousand notwithstanding that the total value of the Actual Number may exceed the Base Allocation based on the Issue Price.

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

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

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

Directors' and Major Shareholders' Interests
Each of Tan Sri Dato' Dr Abu Bakar bin Suleiman, Dr Tan See Leng and Mehmet Ali Aydinlar is deemed interested in the Proposed Allocation to him individually.

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

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

4. 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 15, 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 28 April 2017, which is despatched together with the Company's Annual Report 2016.

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# FORM OF PROXY

Seventh Annual General Meeting

IHH Healthcare Berhad

*I/*We ______________________________________________

*(Full name and NRIC/Passport/Company no. in capital letters)*

of ______________________________________________

*(Full address in capital letters and telephone no.)*

______________________________________________

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

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

*and/*or

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

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

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

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

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

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

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

or failing *him/*her/*them, the CHAIRMAN OF THE MEETING as *my/*our *proxy/*proxies to vote for *me/*us on *my/*our behalf at the Seventh Annual General Meeting of the Company to be held at Nexus 2 Ballroom, Level 3A, Connexion@Nexus, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia on Monday, 22 May 2017 at 10.00 a.m. and at any adjournment thereof. *I/*We indicate with an "✓" or "✗" in the spaces below how *I/*we wish *my/*our vote to be cast:

| No. | Resolutions | For | Against |
|---|---|---|---|
| **Ordinary Resolutions** | | | |
| 1 | Payment of a first and final single tier cash dividend of 3 sen per ordinary share | | |
| 2 | Re-election of Mehmet Ali Aydinlar | | |
| 3 | Re-election of Dr Tan See Leng | | |
| 4 | Re-election of Chang See Hiang | | |
| 5 | Re-election of Bhagat Chintamani Aniruddha | | |
| 6 | Re-election of Koji Nagatomi | | |
| 7 | Approval of payment of Directors' fees and other benefits to the Directors of the Company by the Company | | |
| 8 | Approval of payment of Directors' fees and other benefits to the Directors of the Company by the Company's subsidiaries | | |
| 9 | Re-appointment of KPMG PLT as Auditors of the Company and authority to the Directors to fix their remuneration | | |
| 10 | Re-appointment of Tan Sri Dato' Dr Abu Bakar bin Suleiman | | |
| 11 | Authority to allot shares pursuant to Section 75 of the Companies Act 2016 | | |
| 12 | Allocation of units under the Long Term Incentive Plan of the IHH Group and issuance of new ordinary shares in IHH to Tan Sri Dato' Dr Abu Bakar bin Suleiman | | |
| 13 | Allocation of units under the Long Term Incentive Plan of the IHH Group and issuance of new ordinary shares in IHH to Dr Tan See Leng | | |
| 14 | Allocation of units under the Long Term Incentive Plan of the IHH Group and issuance of new ordinary shares in IHH to Mehmet Ali Aydinlar | | |
| 15 | Proposed renewal of authority for IHH to purchase its own shares of up to ten percent (10%) of the prevailing total number of issued shares of IHH | | |

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

Dated this ________ day of ____________________ 2017.

| Total no. of Shares held | |
|---|---|
| Securities Account No. | |

______________________________________________

Signature of member/Common Seal of member

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**IMPORTANT: PLEASE READ THE NOTES BELOW**

**Notes:**

* Delete whichever is not applicable.

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

   A copy of the Authorisation Document or the duly registered Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and exercised, should be enclosed with the proxy form.
5. A corporation which is a member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with the Company's Constitution.
6. The instrument appointing the proxy together with the Authorisation Document or the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than twenty-four (24) hours before the time appointed for the taking of the poll or at any adjournment thereof.
7. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the above Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the above Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the above Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.
8. Only Members whose names appear in the General Meeting Record of Depositors on 15 May 2017 shall be entitled to attend, speak and vote at this Seventh Annual General Meeting of the Company or appoint a proxy(ies) on his/her behalf.

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**IHH HEALTHCARE BERHAD** (901914-V)
c/o Symphony Share Registrars Sdn Bhd
Level 6 Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia

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www.ihhhealthcare.com

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59100 Kuala Lumpur, Malaysia
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