



Parkway Pantai Limited and its subsidiaries
UEN : 201106772W

Annual Report
Year ended 31 December 2018

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS131 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

The Directors would like to draw your attention to note 39 of the financial statements. Given the ongoing regulatory investigations, any further adjustments or disclosures, if required, would be made in the financial statements of the Group as appropriate when the outcome is known.

- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Dr Tan See Leng	(Group CEO & Managing Director)
Low Soon Teck	(Appointed on 1 March 2018)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 ("the Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings in the name of the director, spouse or children		Other holdings in which the director is deemed to have an interest	
	At beginning of the year / date of appointment	At end of the year	At beginning of the year / date of appointment	At end of the year
The Company			Perpetual securities	
Dr Tan See Leng	US\$3,000,000	US\$3,000,000	—	—

Name of director and corporation in which interests are held	Holdings in the name of the director, spouse or children		Other holdings in which the director is deemed to have an interest	
	At beginning of the year / date of appointment	At end of the year	At beginning of the year / date of appointment	At end of the year
Ultimate holding company				
IHH Healthcare Berhad				
	Ordinary shares of RM1 each			
Dr Tan See Leng	10,453,800	8,201,800	—	—
Low Soon Teck	72,000	216,000	—	—
	IHH Long Term Incentive Plan¹			
2016 Grant				
Dr Tan See Leng	381,000	—	—	—
2017 Grant				
Dr Tan See Leng	852,000	426,000	—	—
Low Soon Teck	145,000	73,000	—	—
	IHH Enterprise Option Scheme²			
2015 Option Grant				
Dr Tan See Leng	3,998,000	3,998,000	—	—
2016 Option Grant A				
Dr Tan See Leng	6,105,000	6,105,000	—	—
2016 Option Grant B				
Dr Tan See Leng	4,126,000	4,126,000	—	—
Low Soon Teck	100,000	100,000	—	—
2018 Option Grant				
Dr Tan See Leng	—	6,432,000	—	—
Low Soon Teck	—	2,016,000	—	—

¹ The IHH Healthcare Berhad ("IHHHB") Long Term Incentive Plan ("IHH LTIP") was established on 25 March 2011. Under the IHH LTIP Bye Laws ("Bye Laws"), eligible employees may be granted LTIP units which will vest over a three-year period in equal proportions each year. Each unit of the LTIP is entitled to be converted to one ordinary share of IHHHB.

² The Options were granted under IHHHB's Enterprise Option Scheme as set out in the Directors' Statement of IHHHB for the year ended 31 December 2018. Subject to the terms of the Enterprise Option Scheme Bye Laws (as the same may from time to time be amended), the Options will vest in the participants over a three-year period in equal proportions (or substantially equal proportion) each year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or at date of appointment if later, or at the end of the financial year.

During the year, certain transactions were made between the Company and/or its subsidiaries and its directors, or the subsidiaries' directors or a firm in which one of the directors is a member or companies in which the directors of the Company or its subsidiaries have substantial financial interest in the ordinary course of business. However, these directors have neither received nor will they become entitled to receive any benefit from these transactions other than as suppliers, directors and members of these firms/companies.

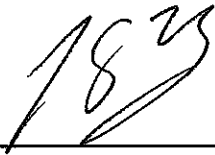
Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

Signed by the Board of Directors



Dr Tan See Leng
Director



Low Soon Teck
Director

1 April 2019



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Independent auditors' report

Member of the Company
Parkway Pantai Limited

Report on the audit of financial statements

Qualified opinion

We have audited the financial statements of Parkway Pantai Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS131.

In our opinion, except for the possible effects of the matters described in the '*Basis for qualified opinion*' section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis of qualified opinion

As disclosed in note 39 to the financial statements, the Group acquired Fortis Healthcare Limited ('Fortis') and its subsidiaries ('Fortis Group') on 13 November 2018. Prior to the acquisition, an investigation report by an independent external legal firm was submitted to the former Fortis board, relating to systematic lapses and override of internal controls. Significant findings, amongst others, highlighted the placement of inter-corporate deposits and existence of possible related parties connected with former controlling shareholders of Fortis which may require appropriate reassessment by Fortis Group on the claims from, or transactions with, such parties. The Fortis Group had also initiated enquiries of the management of the entities in the Fortis Group that were impacted in respect of the matters investigated by the external legal firm.

There are also ongoing investigations by the Securities and Exchange Board of India ('SEBI') and the Serious Frauds Investigation Office ('SFIO'), Ministry of Corporate Affairs of India. On 17 October 2018 and 21 December 2018, SEBI had issued interim orders which, amongst others, stating that certain transactions were structured by some identified entities, which were *prima facie* fictitious and fraudulent in nature, resulting in *inter-alia* diversion of funds by former controlling shareholders of Fortis.



As a result of the above ongoing investigations and various inquiries (including the need for any additional investigations by Fortis), we are unable to determine if there are any regulatory non-compliances and additional adjustments or disclosures which may be necessary as a result of further findings of the ongoing or future regulatory or internal investigations and the consequential impact, if any, on the financial statements of the Group. Any consequential adjustments may be recorded either as adjustments against the assets acquired or the liabilities assumed on acquisition of Fortis under the purchase price allocation exercise as disclosed on note 33 to the financial statements, or as post-acquisition adjustments to be recognised in the financial statements of the Group in the period the adjustments are known.

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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 current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.



Valuation of goodwill (\$1,021,354,000) (Refer to note 7 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
The determination of the recoverable value of goodwill requires judgement as it involves significant estimation uncertainties, which includes developing key assumptions such as revenue growth rates, EBITDA margins, discount rates, terminal growth rates and control premium percentage to be applied. These assumptions are key inputs used in the cash flow model or the fair value model prepared by the Group to assess the recoverable amount of goodwill and whether an impairment charge to the statement of comprehensive income is required. In view of the financial significance of the goodwill, the level of judgement required to develop the key assumptions and the business challenges facing certain entities within the Group, impairment assessment of goodwill is a key audit matter. During the year, the Group recognised goodwill impairment loss of S\$22.15 million in the statement of comprehensive income.	Our work focused on detailed analysis of these key assumptions developed by the Group which were used in determining the recoverable amount of goodwill. We challenged the assumptions used by the Group in conducting the impairment review. Our procedures for challenging the Group's key assumptions included: - developing independent expectations for the key assumptions driving the cash flow projections, in particular discount rates and EBITDA margins, and comparing the independent expectations to those used by the Group; - challenging key assumptions for revenue growth rates, terminal growth rates and the control premium percentage applied with reference to economic and industry benchmarks and forecasts; - performing sensitivity analysis of the key assumptions to assess the extent of the change that would be required for the assets including goodwill to be impaired; and - assessing the historical performance against budgets. We have also considered the disclosures in describing the inherent degree of estimation uncertainty and key assumptions applied.



Acquisition of Fortis Healthcare Limited (\$781,200,000) (Refer to note 33 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
During the year, the Group acquired 31.1% equity stake in Fortis Healthcare Limited for a consideration of INR 40 billion (approximately S\$781 million). Assessing whether the Group obtained control requires judgement and management assessed that with majority representation on the board of Fortis, the Group controls the board of Fortis and accordingly, the investment in Fortis was classified as a subsidiary on the date of acquisition.	We examined the terms and conditions of the share subscription agreement, constitutional agreements and other related documents in relation to the acquisition, and evaluated management's assessment of when the Group obtained control over Fortis.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' statement prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for qualified opinion* section above, we are unable to determine if there are any regulatory non-compliances and additional adjustments or disclosures which may be necessary as a result of further findings of the ongoing or future regulatory or internal investigations and the consequential impact, if any, on the financial statements of the Group. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 SSAs 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 SSAs, 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, 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 controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements 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 to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. 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 controls 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 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 current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Quek Shu Ping.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2019

Statements of financial position
As at 31 December 2018

		Group			Company		
	Note	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Assets							
Property, plant and equipment	4	3,697,316	3,109,729	3,044,621	4	7	—
Prepaid lease payments	5	334,758	339,082	368,086	—	—	—
Investment properties	6	1,088,800	1,017,276	976,357	—	—	—
Intangible assets	7	1,070,234	575,352	577,724	—	—	—
Interests in subsidiaries	8	—	—	—	7,170,319	6,143,375	5,681,195
Interests in associates	9	233,531	2,763	2,449	—	—	—
Interests in joint ventures	10	37,934	45,506	46,488	—	—	—
Other financial assets	11	6,140	4,923	4,662	—	—	—
Trade and other receivables	15	32,433	8,309	3,335	—	4,875	416,439
Financial derivatives	22	237	4,063	741	—	—	—
Deferred tax assets	12	108,469	26,197	39,719	—	—	—
Tax recoverables		94,021	12,283	9,779	—	—	—
Non-current assets		6,703,873	5,145,483	5,073,961	7,170,323	6,148,257	6,097,634
Development properties	13	26,552	24,541	9,331	—	—	—
Inventories	14	68,257	53,145	47,134	—	—	—
Other financial assets	11	33,962	10,374	16,263	—	—	—
Trade and other receivables	15	461,390	284,249	257,601	359,432	95,654	249,341
Financial derivatives	22	1,279	13	335	—	—	—
Tax recoverables		2,782	6,533	8,983	—	—	—
Cash and cash equivalents	16	2,099,852	1,439,952	680,490	33,717	718,353	59,675
		2,694,074	1,818,807	1,020,137	393,149	814,007	309,016
Asset held for sale	17	2,121	2,291	2,330	—	—	—
Current assets		2,696,195	1,821,098	1,022,467	393,149	814,007	309,016
Total assets		9,400,068	6,966,581	6,096,428	7,563,472	6,962,264	6,406,650

The accompanying notes form an integral part of these financial statements.

Statements of financial position (cont'd)
As at 31 December 2018

		Group			Company		
	Note	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Equity							
Share capital	18	5,120,860	5,120,860	5,120,860	5,120,860	5,120,860	5,120,860
Other reserves	19	(3,121,306)	(3,214,485)	(3,208,196)	(287)	—	—
Retained earnings		870,532	1,439,790	1,264,507	409,519	1,144,454	818,323
Equity attributable to owner of the Company		2,870,086	3,346,165	3,177,171	5,530,092	6,265,314	5,939,183
Perpetual securities	20	690,788	690,636	—	690,788	690,636	—
Non-controlling interests	37	1,217,027	404,632	352,131	—	—	—
Total equity		4,777,901	4,441,433	3,529,302	6,220,880	6,955,950	5,939,183
Liabilities							
Loans and borrowings	21	2,163,281	1,354,639	1,354,686	492,125	—	280,365
Financial derivatives	22	4,002	1,224	8,002	—	—	—
Employee benefits	23	26,948	12,116	9,743	—	—	—
Trade and other payables	24	143,761	197,725	227,952	—	—	—
Deferred tax liabilities	12	142,907	113,344	114,418	—	183	111
Non-current liabilities		2,480,899	1,679,048	1,714,801	492,125	183	280,476
Bank overdrafts	16	26,712	22	3,653	—	—	—
Loans and borrowings	21	122,221	24,412	240,613	18,000	—	134,320
Financial derivatives	22	1,951	7,520	6,172	—	—	—
Employee benefits	23	38,942	26,950	23,424	—	—	—
Trade and other payables	24	1,827,076	651,149	485,122	831,310	5,180	52,447
Current tax payable		124,366	136,047	93,341	1,157	951	224
Current liabilities		2,141,268	846,100	852,325	850,467	6,131	186,991
Total liabilities		4,622,167	2,525,148	2,567,126	1,342,592	6,314	467,467
Total equity and liabilities		9,400,068	6,966,581	6,096,428	7,563,472	6,962,264	6,406,650

The accompanying notes form an integral part of these financial statements.

Consolidated statement of comprehensive income
Year ended 31 December 2018

		Group	
	Note	2018	2017
		\$'000	\$'000
Revenue	25	2,539,559	2,254,507
Other operating income		107,960	63,029
Inventories and consumables		(480,316)	(419,805)
Purchased and contracted services		(252,225)	(232,953)
Depreciation and impairment of property, plant and equipment	4	(202,829)	(189,532)
Amortisation of prepaid lease payments and intangible assets	5,7	(10,997)	(10,249)
Staff costs	26	(899,790)	(802,107)
Operating lease expenses		(51,331)	(41,878)
Other operating expenses		(349,925)	(295,253)
Finance income	26	37,130	32,378
Finance costs	26	(54,007)	(85,192)
Share of profits of associates (net of tax)	9	3,855	494
Share of profits of joint ventures (net of tax)	10	635	185
Profit before tax	26	387,719	273,624
Tax expense	27	(98,744)	(107,812)
Profit for the year		288,975	165,812
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan remeasurements	23	(409)	375
Tax on other comprehensive income	12	140	—
		(269)	375
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences of foreign operations		(3,181)	(11,759)
Net (loss)/gain on hedge of net investments in foreign operations		(26,291)	20,757
Net movement for cash flow hedges		1,423	1,013
		(28,049)	10,011
Other comprehensive income for the year, net of tax		(28,318)	10,386
Total comprehensive income for the year		260,657	176,198

The accompanying notes form an integral part of these financial statements.

Consolidated statement of comprehensive income (cont'd)
Year ended 31 December 2018

	Group	
	2018	2017
	\$'000	\$'000
Profit attributable to:		
Owner of the Company	289,886	188,115
Non-controlling interests	(911)	(22,303)
Profit for the year	288,975	165,812
Total comprehensive income attributable to:		
Owner of the Company	280,930	193,041
Non-controlling interests	(20,273)	(16,843)
Total comprehensive income for the year	260,657	176,198

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity
Year ended 31 December 2018

	Note	Share capital \$'000	Capital and legal reserve \$'000	Exchange fluctuation reserve \$'000	Hedge reserve \$'000	Revaluation reserve \$'000	Retained earnings \$'000	Total attributable to owner of the Company \$'000	Perpetual securities \$'000	Non-controlling interests \$'000	Total equity \$'000
Group											
At 1 January 2017		5,120,860	(3,007,772)	(230,279)	(735)	30,590	1,264,507	3,177,171	—	352,131	3,529,302
Total comprehensive income for the year											
Profit for the year		—	—	—	—	—	188,115	188,115	—	(22,303)	165,812
Other comprehensive income											
Foreign currency translation differences of foreign operations		—	—	(3,121)	—	—	—	(3,121)	—	(8,638)	(11,759)
Net gain on hedge of net investments in foreign operations		—	—	7,400	—	—	—	7,400	—	13,357	20,757
Net movement for cash flow hedges		—	—	—	361	—	—	361	—	652	1,013
Defined benefit plan remeasurements	23	—	—	—	—	—	286	286	—	89	375
Total other comprehensive income		—	—	4,279	361	—	286	4,926	—	5,460	10,386
Total comprehensive income for the year		—	—	4,279	361	—	188,401	193,041	—	(16,843)	176,198

Consolidated statement of changes in equity (cont'd)
Year ended 31 December 2018

	Note	Share capital \$'000	Capital and legal reserve \$'000	Exchange fluctuation reserve \$'000	Hedge reserve \$'000	Revaluation reserve \$'000	Retained earnings \$'000	Total attributable to owner of the Company \$'000	Perpetual securities \$'000	Non-controlling interests \$'000	Total equity \$'000
Group											
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Issue of perpetual securities	20	—	—	—	—	—	—	—	678,260	—	678,260
Accrued perpetual securities distribution	20	—	—	—	—	—	(12,376)	(12,376)	12,376	—	—
Redemption of redeemable preference shares in a subsidiary by the ultimate holding company		—	(96,821)	14,167	—	—	—	(82,654)	—	—	(82,654)
Capital injection into non-wholly owned subsidiaries		—	—	—	—	—	—	—	—	24,290	24,290
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	(58,974)	(58,974)
Transfer per statutory requirements		—	742	—	—	—	(742)	—	—	—	—
Liabilities on put options granted to non-controlling interests	24	—	(7,183)	—	—	—	—	(7,183)	—	—	(7,183)
Change in fair value of liabilities on put options granted to non-controlling interests	24	—	(15,581)	—	—	—	—	(15,581)	—	—	(15,581)
Total contributions by and distributions to owners		—	(118,843)	14,167	—	—	(13,118)	(117,794)	690,636	(34,684)	538,158
Changes in ownership interests in subsidiaries											
Changes in ownership interests in subsidiaries with no change in control	32	—	94,105	(359)	1	—	—	93,747	—	100,404	194,151
Acquisition of subsidiaries	33	—	—	—	—	—	—	—	—	3,624	3,624
Total changes in ownership interests in subsidiaries		—	94,105	(359)	1	—	—	93,747	—	104,028	197,775
Total transactions with owners		—	(24,738)	13,808	1	—	(13,118)	(24,047)	690,636	69,344	735,933
At 31 December 2017		5,120,860	(3,032,510)	(212,192)	(373)	30,590	1,439,790	3,346,165	690,636	404,632	4,441,433

The accompanying notes form an integral part of these financial statements.

Parkway Pantai Limited and its subsidiaries
Financial statements
Year ended 31 December 2018

Consolidated statement of changes in equity (cont'd)
Year ended 31 December 2018

	Note	Share capital \$'000	Capital and legal reserve \$'000	Exchange fluctuation reserve \$'000	Hedge reserve \$'000	Revaluation reserve \$'000	Retained earnings \$'000	Total attributable to owner of the Company \$'000	Perpetual securities \$'000	Non-controlling interests \$'000	Total equity \$'000
Group											
At 1 January 2018		5,120,860	(3,032,510)	(212,192)	(373)	30,590	1,439,790	3,346,165	690,636	404,632	4,441,433
Total comprehensive income for the year											
Profit for the year		—	—	—	—	—	289,886	289,886	—	(911)	288,975
Other comprehensive income											
Foreign currency translation differences of foreign operations		—	—	(14)	—	—	—	(14)	—	(3,167)	(3,181)
Net loss on hedge of net investments in foreign operations		—	—	(9,368)	—	—	—	(9,368)	—	(16,923)	(26,291)
Net movement for cash flow hedges		—	—	—	507	—	—	507	—	916	1,423
Defined benefit plan remeasurements	23	—	—	—	—	—	(123)	(123)	—	(286)	(409)
Tax on other comprehensive income	12	—	—	—	—	—	42	42	—	98	140
Total other comprehensive income		—	—	(9,382)	507	—	(81)	(8,956)	—	(19,362)	(28,318)
Total comprehensive income for the year		—	—	(9,382)	507	—	289,805	280,930	—	(20,273)	260,657

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity (cont'd)
Year ended 31 December 2018

	Note	Share capital \$'000	Capital and legal reserve \$'000	Exchange fluctuation reserve \$'000	Hedge reserve \$'000	Revaluation reserve \$'000	Retained earnings \$'000	Total attributable to owner of the Company \$'000	Perpetual securities \$'000	Non-controlling interests \$'000	Total equity \$'000
Group											
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owner											
Payment of coupon on perpetual securities	20	—	(288)	—	—	—	—	(288)	(28,492)	—	(28,780)
Accrued perpetual securities distribution	20	—	—	—	—	—	(28,644)	(28,644)	28,644	—	—
Capital injection by non-controlling interests into a non-wholly owned subsidiary		—	—	—	—	—	—	—	—	2,420	2,420
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	(61,329)	(61,329)
Dividends declared to owner of the Company at 16.21 cents per share		—	—	—	—	—	(830,000)	(830,000)	—	—	(830,000)
Transfer per statutory requirements		—	419	—	—	—	(419)	—	—	—	—
Change in fair value of liabilities on put options granted to non-controlling interests	24	—	95,671	—	—	—	—	95,671	—	—	95,671
Share-based payment transactions		—	6	—	—	—	—	6	—	13	19
Share options exercised		—	(68)	—	—	—	—	(68)	—	809	741
Total contributions by and distributions to owners		—	95,740	—	—	—	(859,063)	(763,323)	152	(58,087)	(821,258)
Changes in ownership interests in subsidiaries											
Changes in ownership interests in subsidiaries with no change in control	32	—	6,315	—	(1)	—	—	6,314	—	21,091	27,405
Acquisition of subsidiaries	33	—	—	—	—	—	—	—	—	869,664	869,664
Total changes in ownership interests in subsidiaries		—	6,315	—	(1)	—	—	6,314	—	890,755	897,069
Total transactions with owners		—	102,055	—	(1)	—	(859,063)	(757,009)	152	832,668	75,811
At 31 December 2018		5,120,860	(2,930,455)	(221,574)	133	30,590	870,532	2,870,086	690,788	1,217,027	4,777,901

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows
Year ended 31 December 2018

	Group	
	2018	2017
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	387,719	273,624
Adjustments for:		
Change in fair value of investment properties	(24,836)	(7,342)
Inventories written off	340	1,645
Depreciation and impairment of property, plant and equipment	202,829	189,532
Amortisation of prepaid lease payments and intangible assets	10,997	10,249
Provision for retirement benefits	1,926	1,867
Share option expense	6,116	9,506
Provision for long term incentive plan	365	424
Loss/(gain) on disposal of property, plant and equipment	111	(145)
Property, plant and equipment written off	195	885
Intangible assets written off	—	24
Allowance for impairment loss made/(written back):		
- Goodwill	22,150	—
- Investment in a joint venture	11,165	—
- Amounts due from joint ventures	18	184
- Amounts due from associates	—	(289)
- Trade and other receivables	(13,505)	8,465
Bad debts written off	4,550	6,670
Financial guarantee	1,328	503
Finance income	(37,130)	(32,378)
Finance costs	54,007	85,192
Share of profits of associates	(3,855)	(494)
Share of profits of joint ventures	(635)	(185)
	623,855	547,937
Change in development properties	(1,909)	(14,747)
Change in inventories	(3,508)	(7,440)
Change in trade and other receivables	(33,070)	(53,929)
Change in trade and other payables	35,797	106,855
Change in employee benefits	2,785	2,792
Cash generated from operations	623,950	581,468
Taxes paid	(112,428)	(82,827)
Net cash from operating activities carried forward	511,522	498,641

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows (cont'd)
Year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
Net cash from operating activities brought forward		511,522	498,641
Cash flows from investing activities			
Acquisition of property, plant and equipment		(201,111)	(257,218)
Payment for prepaid lease		(1,364)	—
Acquisition of investment properties		(23,303)	(66,599)
Development and purchase of intangible assets		(503)	(397)
Acquisition of subsidiaries, net of cash acquired	33	(58,982)	379
Proceeds from disposal of property, plant and equipment		789	740
Proceeds from disposal of other financial assets		1,798	—
Net withdrawal of deposits with financial institutions		1,789	5,406
Dividends received from associates and joint ventures		5,042	629
Interest received		31,249	10,677
Deposits placed in escrow accounts		(663,637)	—
Net cash used in investing activities		<u>(908,233)</u>	<u>(306,383)</u>
Cash flows from financing activities			
Proceeds from share options exercised		741	—
Proceeds from issue of perpetual securities, net of transaction costs	20	—	678,260
Redemption of redeemable preference shares in a subsidiary held by the ultimate holding company		—	(82,654)
Capital injection by non-controlling interests		2,420	24,290
Acquisition of non-controlling interests	32	(5,666)	(1,904)
Proceeds from dilution of interests in subsidiaries, net of transaction costs	32	4,203	225,450
Deposit received for put option	32	—	2,032
Net repayment to ultimate holding company and related corporations		(7,945)	(7,086)
Proceeds from borrowings		937,809	505,953
Repayment of borrowings		(393,440)	(659,691)
Repayment of finance lease liabilities		(5,909)	(1,406)
Dividends paid to non-controlling interests		(61,329)	(58,974)
Perpetual securities distribution paid		(28,780)	—
Finance cost paid		(48,017)	(43,613)
Net cash from financing activities		<u>394,087</u>	<u>580,657</u>
Net (decrease)/increase in cash and cash equivalents		(2,624)	772,915
Cash and cash equivalents at 1 January		1,439,672	674,925
Effect of exchange rate fluctuations on cash held		(12,374)	(8,168)
Cash and cash equivalents at 31 December	16	<u>1,424,674</u>	<u>1,439,672</u>

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 1 April 2019.

1 Domicile and activities

Parkway Pantai Limited (“the Company”) is a company incorporated in Singapore. The address of the Company’s registered office is 111 Somerset Road, #15-01, TripleOne Somerset, Singapore 238164.

The principal activities of the Company are those relating to investment holding while those of the subsidiaries consist of the business of private hospital ownership, management and related healthcare services; management of medical clinics; ownership and management of radiology clinics; provision of comprehensive diagnostic laboratory services; provision of managed care and related services; provision of management and consultancy services; real estate investment trust and investment holding.

The financial statements of the Group as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as ‘the Group’ and individually as “Group entities”) and the Group’s interests in joint ventures and associates (together referred to as “equity-accounted investees”).

The immediate and ultimate holding companies, which are both incorporated in Malaysia, are as follows:

Immediate holding company	–	Integrated Healthcare Holdings Limited
Ultimate holding company	–	IHH Healthcare Berhad

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”). These are the Group’s first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (“FRS”). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* have affected the reported financial position, financial performance and cash flows is provided in note 42.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- Note 34 - basis of consolidation of an investee notwithstanding that the equity interest is not more than 50%.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 6 - determination of the fair value of investment properties
- Note 7 - determination of the recoverable amounts of cash-generating units
- Note 10 - determination of the recoverable amounts of joint ventures
- Note 23 - determination of the present value of defined benefit obligations
- Note 24 - determination of the fair value of liabilities on put options granted to non-controlling interests and compulsorily convertible preference shares ("CCPS") liabilities
- Note 29 - measurement of expected credit loss ("ECL") allowance for trade and other receivables: key assumptions in determining the weighted-average loss rate
- Note 33 - determination of the fair value of assets acquired and liabilities assumed, measured on a provisional basis.

Measurement of fair values

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 participations 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 assets, 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 values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 - investment properties;
- Note 29 - financial instruments;
- Note 33 - acquisition of subsidiaries

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Acquisitions from 1 January 2017

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
 - the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
 - if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,
- over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

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 and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control 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.

Acquisitions before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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. 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 accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. 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.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, 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 investee's operations or has made payments on behalf of the investee.

(vi) Joint operations

A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(viii) Subsidiaries, associates and joint ventures in the separate financial statements

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 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 reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that 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 Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. However, if the foreign 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 exchange fluctuation reserve 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 while retaining control, 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.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the exchange fluctuation reserve in equity.

(iii) Hedge of net investments in foreign operations

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 exchange fluctuation 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 exchange fluctuation reserve is transferred to profit or loss as part of the gain or loss on disposal.

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- Fair value through other comprehensive income ("FVOCI") - equity investment; or
- FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment — Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest — Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Non-derivative financial assets — Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into the following categories:

- loans and receivables; and
- available-for-sale financial assets.

Non-derivative financial assets: Subsequent measurement and gains and losses — Policy applicable before 1 January 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents and trade and other receivables, excluding prepayments.

Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were designated as available-for-sale or were not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses (see note 3.11) and foreign currency differences on available-for-sale monetary items (see note 3.2), were recognised in other comprehensive income and accumulated in the fair value reserve in equity. When these amounts were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Available-for-sale financial assets comprised equity securities.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method, except for liabilities on put options granted to non-controlling interests which are measured at fair value through equity. Other financial liabilities comprised bank overdrafts, loans and borrowings and trade and other payables, excluding advanced billings, contract liabilities and CCPS liabilities.

Put options in business combination

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

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.

Financial guarantees

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Group's statement of financial position as "trade and other payables".

Financial guarantees – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the consolidated statement of cash flows, pledged deposits and cash collaterals received are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting — Policy applicable from 1 January 2018

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedging relationships designated under *FRS 39 Financial Instruments: Recognition and Measurement* that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of *SFRS(I) 9*.

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Derivative financial instruments and hedge accounting — Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. For all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss.

(vii) Compound financial instruments

The component parts of compound financial instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the issuer's equity instruments is an equity instrument.

The liability component of a compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

(viii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(ix) Perpetual securities

The perpetual securities do not have a maturity date and the Company is able to elect to defer making a distribution, subject to the terms and conditions of the securities issue. Accordingly, the perpetual securities are presented within equity as the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual securities. Distributions are treated as dividends which will be directly debited from retained earnings. Incremental costs directly attributable to the issuance of perpetual securities are deducted against the proceeds from the issue.

3.4 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. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- borrowing costs capitalised in accordance with the Group's accounting policy on finance costs.

Cost may also 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.

When 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 (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised 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. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

Depreciation is recognised as an expense 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, leasehold land on perpetual lease and construction-in-progress are not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

• Leasehold land	remaining term of the lease
• Freehold buildings	50 years
• Leasehold buildings	50 years
• Renovation and improvements	3 to 25 years
• Hospital and medical equipment, and furniture, fittings and equipment	3 to 15 years
• Motor vehicles	5 years

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

3.5 Intangible assets and goodwill**(i) Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of 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 associates and joint ventures.

(ii) 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, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised 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.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets that have indefinite lives or that are not yet available for use are stated at cost less impairment losses.

(iv) 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, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is calculated based on the cost of the 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, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

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

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

3.6 Assets held for sale

Assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell.

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 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.

3.7 Investment properties

Investment properties are properties held either 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 at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

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.

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

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Reclassification to/from investment properties

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss. When the property is sold, the related amount in the revaluation reserve is transferred to retained earnings.

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.

3.8 Development properties

Development properties are stated at the lower of cost and net realisable value.

The cost of property under development comprises specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. 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.

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

3.9 Leased assets

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.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

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

3.10 Inventories

Inventories comprising mainly pharmacy, hospital and surgical supplies, are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Due allowance is made for all damaged, expired and slow moving items.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.11 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs; and
- financial guarantee contracts

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding for more than 1 to 3 years, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or remains outstanding for more than 1 to 3 years, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event had occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity securities) were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment.

Loans and receivables

The Group considered evidence of impairment for loans and receivables, at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the probability of default, timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale investment securities were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss reclassified from equity to profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss recognised previously in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Associates and joint venture

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, inventories and deferred tax assets, are reviewed at each reporting date 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 year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU 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 CGU. For the purpose of impairment testing, assets that cannot be tested individually 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 groups of assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs 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. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) 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 each reporting date 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. 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.

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

3.12 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group has non-funded defined benefit plans given to employees of certain subsidiaries within the Group.

The Group's net obligation in respect of defined benefits retirement plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss. 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.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

(iii) Short-term employee benefits

Short-term employee benefit obligations 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 or profit-sharing plans 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.

(iv) Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

3.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.14 Revenue recognition

(i) Services and goods sold

Revenue is measured based on the consideration specified in a contract with a customer in exchange for rendering of services or transferring goods to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it renders service or transfers control over a product to customer.

The Group renders service or transfers control of a good at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group performs;
- (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income receivable under operating leases is recognised as 'revenue' 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 accounting period in which they are earned.

(iii) Dividend income

Dividend income is recognised on the date that the shareholder's right to receive payment is established, which, in the case of quoted securities, is the ex-dividend date.

3.15 Government grants

Government grants related to assets are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

3.16 Lease payments

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 as an integral part of the total lease expense, over the term of the lease.

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.

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 consideration 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.

3.17 Finance income and finance costs

Finance income comprises interest income on deposits, net gains on financial derivatives that are recognised in profit or loss, fair value gains on CCPS liabilities and net exchange gains on foreign currency denominated loans and borrowings. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, finance lease liabilities and bonds, amortisation of borrowings transaction costs and discount on bonds, bank charges, fair value losses on CCPS liabilities net losses on financial derivatives that are recognised in profit or loss and net exchange losses from foreign currency denominated loans and borrowings.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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. Capitalisation of borrowing costs is discontinued when substantially all the activities necessary to prepare the asset for its intended use or sale are completed, which in the case of construction of property, upon receipt of Temporary Occupation Permit issued by the relevant authority.

3.18 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

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 at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on 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;
- temporary differences related to investments in subsidiaries, joint ventures and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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 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.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.19 Segment reporting

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. All operating segments' operating results are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.20 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 43.

4 Property, plant and equipment – Group

	Note	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Renovations, furniture, fittings and equipment \$'000	Motor vehicles \$'000	Construction- in-progress \$'000	Total \$'000
Cost								
At 1 January 2017		123,626	1,106,177	958,465	1,240,356	7,173	572,799	4,008,596
Acquisitions through business combinations	33	—	—	—	4,084	—	274	4,358
Additions		6,892	—	22,390	157,070	544	91,506	278,402
Disposals		—	—	—	(29,245)	(1,184)	—	(30,429)
Write off		—	—	—	(22,431)	—	(292)	(22,723)
Transfers		72	—	435,999	146,438	7	(582,516)	—
Reclassification from investment properties	6	—	7,074	1,654	1,072	—	—	9,800
Translation differences on consolidation		644	569	(8,917)	(1,042)	196	(21,352)	(29,902)
At 31 December 2017		131,234	1,113,820	1,409,591	1,496,302	6,736	60,419	4,218,102
At 1 January 2018		131,234	1,113,820	1,409,591	1,496,302	6,736	60,419	4,218,102
Acquisitions through business combinations	33	170,604	98,564	122,302	290,748	4,992	39,319	726,529
Additions		—	3,464	5,250	91,968	461	112,419	213,562
Disposals		—	—	—	(27,341)	(717)	(320)	(28,378)
Write off		—	—	—	(2,892)	(67)	—	(2,959)
Transfers		—	—	7,596	43,693	—	(51,289)	—
Reclassification to intangible assets	7	—	—	—	—	—	(321)	(321)
Translation differences on consolidation		(3,700)	(993)	(3,591)	(10,567)	(185)	(2,952)	(21,988)
At 31 December 2018		298,138	1,214,855	1,541,148	1,881,911	11,220	157,275	5,104,547

	Note	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Renovations, furniture, fittings and equipment \$'000	Motor vehicles \$'000	Construction- in-progress \$'000	Total \$'000
Accumulated depreciation and impairment losses								
At 1 January 2017		—	91,441	169,062	697,855	5,360	257	963,975
Acquisitions through business combinations	33	—	—	—	2,331	—	—	2,331
Depreciation charge for the year		—	12,142	29,087	147,256	578	—	189,063
Impairment loss/(reversed)		—	—	—	726	—	(257)	469
Disposals		—	—	—	(27,935)	(1,141)	—	(29,076)
Write off		—	—	—	(21,838)	—	—	(21,838)
Translation differences on consolidation		—	84	572	2,594	199	—	3,449
At 31 December 2017		—	103,667	198,721	800,989	4,996	—	1,108,373
At 1 January 2018		—	103,667	198,721	800,989	4,996	—	1,108,373
Acquisitions through business combinations	33	—	—	10,505	122,013	3,579	—	136,097
Depreciation charge for the year		—	12,376	28,876	159,595	737	—	201,584
Impairment loss		—	—	—	731	—	514	1,245
Disposals		—	—	—	(26,762)	(716)	—	(27,478)
Write off		—	—	—	(2,724)	(40)	—	(2,764)
Translation differences on consolidation		—	18	(3,047)	(6,658)	(133)	(6)	(9,826)
At 31 December 2018		—	116,061	235,055	1,047,184	8,423	508	1,407,231
Carrying amounts								
At 1 January 2017		123,626	1,014,736	789,403	542,501	1,813	572,542	3,044,621
At 31 December 2017		131,234	1,010,153	1,210,870	695,313	1,740	60,419	3,109,729
At 31 December 2018		298,138	1,098,794	1,306,093	834,727	2,797	156,767	3,697,316

Leasehold land under perpetual lease

At 31 December 2018, the carrying amount of leasehold land includes an amount of \$97,454,000 (2017: \$nil) which is not depreciated as the land is on a perpetual lease.

Securities

At 31 December 2018, property, plant and equipment with carrying amount of \$374,801,000 (2017: \$212,178,000) are pledged as securities to licensed financial institutions and other body corporates for credit facilities and term loans granted to certain subsidiaries (see note 21).

Leased property, plant and equipment

At 31 December 2018, the carrying amount of property, plant and equipment includes amounts totalling \$112,858,000 (2017: \$5,616,000) in respect of assets held under finance leases.

Property, plant and equipment under construction

During the year, borrowing costs of the Group amounting to \$nil (2017: \$2,876,000) at nil% (2017: 1.35% to 2.52%) per annum and amortisation charge for prepaid lease payment amounting to \$1,260,000 (2017: \$2,212,000) are capitalised in construction-in-progress.

5 Prepaid lease payments – Group

	2018	2017
	\$'000	\$'000
Cost		
At 1 January	369,625	393,146
Additions	1,364	–
Translation differences on consolidation	2,014	(23,521)
At 31 December	<u>373,003</u>	<u>369,625</u>
Accumulated amortisation		
At 1 January	30,543	25,060
Amortisation charge for the year	7,200	7,328
Translation differences on consolidation	502	(1,845)
At 31 December	<u>38,245</u>	<u>30,543</u>
Carrying amounts		
At 1 January	<u>339,082</u>	<u>368,086</u>
At 31 December	<u>334,758</u>	<u>339,082</u>

Prepaid lease payments relate to leasehold lands which are in substance operating leases. The prepaid lease payments are amortised on a straight-line basis over lease terms ranging from 50 to 99 years. The amortisation charge for the year ended 31 December 2018 of \$1,260,000 (2017: \$2,212,000) is capitalised in property, plant and equipment (see note 4).

6 Investment properties – Group

	Note	2018 \$'000	2017 \$'000
At 1 January		1,017,276	976,357
Additions		23,303	66,599
Reclassification to property, plant and equipment	4	–	(9,800)
Translation differences on consolidation		23,385	(23,222)
		<u>1,063,964</u>	<u>1,009,934</u>
Change in fair value		24,836	7,342
At 31 December		<u>1,088,800</u>	<u>1,017,276</u>

Investment properties include retail units and medical suites within hospitals, nursing homes and a pharmaceutical product distributing and manufacturing facility leased to external parties.

Changes in fair values are recognised as gains in profit or loss and included in 'other operating income' in the consolidated statement of comprehensive income. All gains are unrealised.

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

	2018 \$'000	2017 \$'000
Rental income	59,340	57,633
Direct operating expenses:		
- income generating investment properties	(6,838)	(6,630)
- non-income generating investment properties	(464)	(457)
	<u>52,038</u>	<u>50,546</u>

Measurement of fair value

(i) Fair value hierarchy

The fair values of investment properties were determined by external, independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued.

The fair value measurement for all investment properties of \$1,088,800,000 (2017: \$1,017,276,000) has been categorised as a Level 3 fair value based on inputs used in the valuation techniques describe in note 6(ii).

The table below analyses investments properties carried at fair value.

	Level 3	
	2018 \$'000	2017 \$'000
Land	307,106	272,694
Buildings	781,694	744,582
	<u>1,088,800</u>	<u>1,017,276</u>

(ii) Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<i>Direct comparison:</i> The method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties.	• Premium made for differences in type of development (including design, use and proximity to complementary businesses) range from 0% to 25% (2017: 0% to 25%)	The estimated fair value would increase/(decrease) if premium made for differences in type of development was higher/(lower).
<i>Direct capitalisation:</i> The method capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates.	• Capitalisation rates range from 4.7% to 6.8% (2017: 5.0% to 7.0%)	The estimated fair value would increase/(decrease) if the capitalisation rates were lower/ (higher).
<i>Discounted cash flow:</i> The method involves the estimation and the projection of an income stream over a period and discounting the income stream with an appropriate rate of return.	• Risk-adjusted discount rates range from 4.70% to 7.25% (2017: 5.00% to 7.50%)	The estimated fair value would increase/(decrease) if the risk-adjusted discount rates were lower/(higher).

7 Intangible assets – Group

		Goodwill on consolidation \$'000	Development costs \$'000	Customer relationships \$'000	Trademarks and brand use rights \$'000	Favourable leases \$'000	Total \$'000
Cost							
At 1 January 2017		535,585	4,617	22,558	8,912	21,496	593,168
Acquisitions through business combinations	33	4,870	—	—	—	—	4,870
Additions		—	397	—	—	—	397
Write off		—	(24)	—	—	—	(24)
Translation differences on consolidation		(1,790)	(267)	(298)	(151)	(365)	(2,871)
At 31 December 2017		538,665	4,723	22,260	8,761	21,131	595,540
At 1 January 2018		538,665	4,723	22,260	8,761	21,131	595,540
Acquisitions through business combinations	33	528,884	35,875	—	11,441	—	576,200
Additions		—	503	—	—	—	503
Reclassification from property, plant and equipment	4	—	321	—	—	—	321
Translation differences on consolidation		(24,045)	(346)	(631)	(780)	(1,570)	(27,372)
At 31 December 2018		1,043,504	41,076	21,629	19,422	19,561	1,145,192
Accumulated amortisation and impairment losses							
At 1 January 2017		—	2,868	9,923	1,931	722	15,444
Amortisation charge for the year		—	880	1,803	1,783	667	5,133
Translation differences on consolidation		—	(164)	(137)	(64)	(24)	(389)
At 31 December 2017		—	3,584	11,589	3,650	1,365	20,188
At 1 January 2018		—	3,584	11,589	3,650	1,365	20,188
Acquisitions through business combinations	33	—	22,680	—	5,930	—	28,610
Amortisation charge for the year		—	893	1,761	1,782	621	5,057
Impairment loss		22,150	—	—	—	—	22,150
Translation differences on consolidation		—	(207)	(345)	(380)	(115)	(1,047)
At 31 December 2018		22,150	26,950	13,005	10,982	1,871	74,958
Carrying amounts							
At 1 January 2017		535,585	1,749	12,635	6,981	20,774	577,724
At 31 December 2017		538,665	1,139	10,671	5,111	19,766	575,352
At 31 December 2018		1,021,354	14,126	8,624	8,440	17,690	1,070,234

Impairment test for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amount of goodwill allocated to each cash-generating unit ("CGU") identified according to business segments are as follows:

	2018	2017
	\$'000	\$'000
Singapore healthcare services		
- Medi-Rad Associates Ltd	13,310	13,310
- Parkway Laboratory Services Ltd	17,013	17,013
- Angsana Group ⁽¹⁾	4,871	4,871
- Others	1,037	1,037
	<u>36,231</u>	<u>36,231</u>
Malaysia healthcare services	225,319	202,161
China healthcare services	61,003	60,474
India healthcare services		
- Continental Hospitals Private Limited	—	23,928
- Global Group ⁽²⁾	199,831	215,871
- Fortis Group ⁽³⁾	498,970	—
	<u>698,801</u>	<u>239,799</u>
	<u>1,021,354</u>	<u>538,665</u>

⁽¹⁾ Angsana Holdings Pte. Ltd. and its subsidiaries

⁽²⁾ Ravindranath GE Medical Associates Private Limited and its subsidiaries

⁽³⁾ Fortis Healthcare Limited ("Fortis") and its subsidiaries

The recoverable amounts of the CGUs above, except for Fortis Group, were based on its value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU and was based on approved budgets for 2019 and business plans covering 5 to 10 years.

The key assumptions used in discounted cash flow projection calculations include the following:

- (i) Anticipated annual revenue growth rates:
- Singapore healthcare services: 5% - 9% (2017: 4% - 6%) per annum for the years 2019 to 2023.
 - Malaysia healthcare services: 8% - 9% (2017: 6% - 12%) per annum for the years 2019 to 2023.
 - China healthcare services: 8% - 23% (2017: 5 - 9%) per annum for the years 2019 to 2023.
 - India healthcare services: 10% - 22% (2017: 12% - 28%) per annum for the years 2019 to 2023.

- (ii) EBITDA margins:
- Singapore healthcare services: 36% - 47% (2017: 40% - 44%) per annum for the years 2019 to 2023.
 - Malaysia healthcare services: 23% - 27% (2017: 26% - 27%) per annum for the years 2019 to 2023.
 - China healthcare services: 13% - 27% (2017: 26% - 29%) per annum for the years 2019 to 2023.
 - India healthcare services: 4% - 22% (2017: 13% - 26%) per annum for the years 2019 to 2023.
- (iii) Discount rates based on pre-tax cost of capital plus an appropriate risk premium at the date of assessment of each CGU:
- Singapore healthcare services: 8.7% - 9.1% (2017: 8.9%)
 - Malaysia healthcare services: 11.2% (2017: 13.5%)
 - China healthcare services: 11.4% (2017: 14.8%)
 - India healthcare services: 17.0% - 18.7% (2017: 15.5% - 18.8%)
- (iv) Growth rates to perpetuity used for calculation of terminal values based on perpetuity growth model:
- Singapore healthcare services: 1% (2017: 2%)
 - Malaysia healthcare services: 3% (2017: 3%)
 - China healthcare services: 2.5% (2017: 2.5%)
 - India healthcare services: 5% (2017: 4% - 7%)

The values assigned to the key assumptions represent management's assessment of future trends in the healthcare industry and are based on both external sources and internal sources (historical data).

Management has identified that a reasonably possible change in discount rate and EBITDA margins for the years 2019 to 2023 could cause the carrying amount of the Global Group CGU to exceed the recoverable amount. An approximate 3% increase in discount rate or a 14% decrease in the EBITDA margins for the years 2019 to 2023 at the reporting date would have reduced the recoverable amount of Global Group to the carrying amount.

During the year, Continental Hospitals Private Limited continued to incur operating losses arising from the challenges faced in its business operations. The Group performed an assessment of the recoverable amount using the value in use approach and determined the recoverable amount to be lower than the carrying amount. Accordingly, an impairment loss of \$22,150,000 (2017: \$nil) was recognised in 'other operating expenses' in the consolidated statement of comprehensive income.

The recoverable amount of Fortis Group was based on fair value less cost of disposal determined using the quoted share price of Fortis at the reporting date, adjusted for control premium. The fair value measurement is classified as Level 3 of the fair value hierarchy. A 3% decrease in share price or 4% decrease in control premium at the reporting date would have reduced the recoverable amount to the carrying amount.

8 Interests in subsidiaries – Company

	2018 \$'000	2017 \$'000
Unquoted equity investments, at cost	7,266,124	5,815,998
Amounts due from subsidiaries (non-trade)	–	327,377
	7,266,124	6,143,375
Impairment loss	(95,805)	–
	7,170,319	6,143,375

The amounts due from subsidiaries were unsecured and interest-free. During the year, these amounts were fully repaid by issuing the ordinary shares of the subsidiaries to the Company.

During the financial year, Gleneagles Development Pte Ltd (“GDPL”) and its subsidiaries (“GDPL Group”) continued to incur operating losses. Accordingly, the Company performed an assessment of the recoverable amount of its investment in GDPL Group, estimated using the value in use approach for each of the subsidiaries within GDPL Group, and determined the recoverable amount to be lower than the carrying amount. The value in use was determined by discounting the future cash flows generated and was based on approved budget and 5 years business plan. An impairment loss of \$95,805,000 (2017: \$nil) was recognised in ‘other operating expenses’ in the statement of comprehensive income.

The key assumptions used in the discounted cash flow projection calculations for the subsidiaries within GDPL Group include the following:

- Anticipated annual revenue growth rate: 10% - 22% per annum for the years 2019 to 2023
- EBITDA margins: 4% - 22% per annum for the years 2019 to 2023
- Discount rates based on pre-tax cost of capital plus an appropriate risk premium of 17.0% - 18.7%
- Growth rates to perpetuity used for calculation of terminal values: 5%

Details of subsidiaries are set out in note 34.

9 Interests in associates – Group

	2018 \$'000	2017 \$'000
At cost		
Unquoted equity shares	735	735
Quoted equity shares	152,723	–
Share of post-acquisition reserves	(10,138)	2,028
	143,320	2,763
 Debt investments – at amortised cost		
- Non-convertible debentures	90,211	–
	233,531	2,763
 At market value		
Quoted equity shares	203,976	–

Details of associates are set out in note 35.

The Group does not have any material associates. Summarised financial information of the associates are presented in aggregate representing the Group's share, based on their respective financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies, if any:

	2018	2017
	\$'000	\$'000
Share of profit from continuing operations	3,855	494
Share of other comprehensive income	1,342	–
Share of total comprehensive income	<u>5,197</u>	<u>494</u>

Non-convertible debentures in associate ("NCDs")

The NCDs are issued by International Hospitals Limited, a wholly owned subsidiary of RHT Health Trust, an associate, to Fortis Hospotel Limited ("FHTL"). The NCDs carry an interest of 9% per annum and mature in 10 years from the date of issuance.

10 Interests in joint ventures – Group

	2018	2017
	\$'000	\$'000
Unquoted equity shares	85,844	83,741
Share of post-acquisition reserves	<u>(18,789)</u>	<u>(18,551)</u>
	67,055	65,190
Impairment losses	<u>(35,568)</u>	<u>(26,131)</u>
	<u>31,487</u>	<u>39,059</u>
Amounts due from a joint venture	6,447	6,447
	<u>37,934</u>	<u>45,506</u>

The amounts due from a joint venture are unsecured and interest-free. The repayment of the amounts is at the discretion of the lender and is not expected to be repaid within the next 12 months from 31 December 2018.

Details of joint ventures are set out in note 36.

The Group does not have any material joint ventures. Summarised financial information of the joint ventures are presented in aggregate representing the Group's share, based on their respective financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies, if any:

	2018	2017
	\$'000	\$'000
Share of profit from continuing operations, representing share of total comprehensive income	<u>635</u>	<u>185</u>

In 2016, the construction of Khubchandani Hospitals Private Limited (“KHPL”)’s greenfield hospital in Mumbai stalled as a result of failed negotiations over disagreements with the joint venture partner. The disagreement persisted in 2018, resulting in further delays in the construction of the hospital. Accordingly, the Group fully impaired its investment in KHPL with the recognition of an impairment loss of \$11,165,000 (2017: \$nil) during the year. The impairment loss is included in “other operating expenses” in the consolidated statement of comprehensive income. As at the reporting date, the accumulated impairment loss recognised for KHPL is \$34,581,000 (2017: \$25,121,000).

11 Other financial assets – Group

	2018 \$'000	2017 \$'000
Non-current		
Equity investments – at FVOCI		
- Unquoted equity securities	3,728	–
Debt investments – at amortised cost		
- Fixed deposits with tenor of more than 12 months	2,303	–
Equity investments – available for sale		
- Unquoted equity securities	–	3,724
Loans and receivables		
- Fixed deposits with tenor of more than 12 months	–	1,087
Others		
- Club memberships and other investments	109	112
	<u>6,140</u>	<u>4,923</u>
Current		
Debt investments – at amortised cost		
- Fixed deposits with tenor of more than 3 months	32,562	–
Other investments – at FVTPL		
- Mutual funds	1,400	–
Loans and receivables		
- Fixed deposits with tenor of more than 3 months	–	10,374
	<u>33,962</u>	<u>10,374</u>

Credit and market risks, and fair value measurement

Information about the Group’s exposure to credit and market risks, and impairment losses and fair value measurement, is disclosed in note 29.

12 Deferred tax assets/(liabilities)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Group				
Property, plant and equipment	21,091	23,004	(139,733)	(80,666)
Investment properties	—	—	(29,663)	(23,664)
Intangible assets	—	—	(36,764)	(11,487)
Other receivables	—	—	(1,348)	(2,606)
Investment tax allowance	2,833	2,026	—	—
Minimum alternate tax credits	1,887	—	—	—
Tax loss carry-forward	72,197	—	—	—
Other provisions	42,384	5,177	(336)	—
Compulsorily convertible debentures	28,183	—	—	—
Others	4,858	1,072	(27)	(3)
Deferred tax assets/(liabilities)	173,433	31,279	(207,871)	(118,426)
Set off of tax	(64,964)	(5,082)	64,964	5,082
Net deferred tax assets/(liabilities)	108,469	26,197	(142,907)	(113,344)
Company				
Other receivables	—	—	—	(183)

Movements in deferred tax balances

	At 1 January 2017 \$'000	Acquired through business combinations (note 33) \$'000	Recognised in profit or loss (note 27) \$'000	Translation differences on consolidation \$'000	At 31 December 2017 \$'000	Acquired through business combinations (note 33) \$'000	Recognised in profit or loss (note 27) \$'000	Recognised in other comprehensive income \$'000	Translation differences on consolidation \$'000	At 31 December 2018 \$'000
Group										
Property, plant and equipment	(61,040)	1	4,811	(1,434)	(57,662)	(61,942)	1,018	—	(56)	(118,642)
Investment properties	(20,654)	—	(4,003)	993	(23,664)	—	(4,894)	—	(1,105)	(29,663)
Intangible assets	(13,049)	—	1,370	192	(11,487)	(27,413)	1,116	—	1,020	(36,764)
Other receivables	(359)	—	(2,293)	46	(2,606)	—	1,235	—	23	(1,348)
Investment tax allowance	15,625	—	(13,564)	(35)	2,026	1,729	(940)	—	18	2,833
Minimum alternate tax credits	—	—	—	—	—	1,909	—	—	(22)	1,887
Tax loss carry- forward	—	—	—	—	—	73,919	(912)	—	(810)	72,197
Compulsorily convertible debentures	—	—	—	—	—	28,583	(80)	—	(320)	28,183
Other provisions	3,453	—	1,643	81	5,177	33,520	3,643	140	(432)	42,048
Others	1,325	—	(248)	(8)	1,069	3,568	251	—	(57)	4,831
	(74,699)	1	(12,284)	(165)	(87,147)	53,873	437	140	(1,741)	(34,438)
Company										
Other receivables	(111)	—	(72)	—	(183)	—	183	—	—	—

Unrecognised deferred tax liabilities

At 31 December 2018, deferred tax liabilities of \$2,985,000 (2017: \$3,144,000) have not been recognised by the Group for potential taxable temporary differences of \$59,702,000 (2017: \$62,884,000) related to investments in certain subsidiaries as the Group controls the dividend policy of its subsidiaries.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	Group	
	2018	2017
	\$'000	\$'000
Deductible temporary differences	110,530	105,880
Tax losses	480,621	247,530
	<u>591,151</u>	<u>353,410</u>

Tax losses of \$63,354,000 (2017: \$58,436,000) expire in 2019 – 2026 (2017: 2018 – 2025). The remaining tax losses and deductible temporary differences do not expire under current tax legislations. Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the countries in which the subsidiaries operate.

13 Development properties – Group

	2018	2017
	\$'000	\$'000
At 1 January	24,541	9,331
Additions	1,909	14,747
Translation differences on consolidation	102	463
At 31 December	<u>26,552</u>	<u>24,541</u>

14 Inventories – Group

	2018	2017
	\$'000	\$'000
Pharmaceuticals, surgical and medical supplies	<u>68,257</u>	<u>53,145</u>

At 31 December 2018, inventories with carrying amount of \$15,342,000 (2017: \$4,217,000) are pledged to licensed financial institutions as securities for credit facilities granted to certain subsidiaries (see note 21).

15 Trade and other receivables

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Non-current				
Other receivables	5,192	—	—	—
Interest receivables	12,789	—	—	—
Deposits	6,236	3,151	—	—
	24,217	3,151	—	—
Prepayments	8,216	5,158	—	4,875
	32,433	8,309	—	4,875
Current				
Trade receivables	386,758	234,578	—	—
Trade amounts due from:				
- Ultimate holding company	15	—	—	—
- Associates	2,698	9	—	—
- Joint ventures	6,734	4,589	—	—
- Related corporations	59	39	—	—
	396,264	239,215	—	—
Other receivables	17,967	14,483	—	—
Interest receivables	4,785	3,834	2	587
Non-trade amounts due from:				
- Ultimate holding company	503	246	—	—
- Subsidiaries	—	—	359,406	93,242
- Associates	4,783	4	—	—
- Joint ventures	444	400	—	—
- Related corporations	—	2	—	—
Deposits	16,173	9,008	7	3
	440,919	267,192	359,415	93,832
Prepayments	20,471	17,057	17	1,822
	461,390	284,249	359,432	95,654

Amounts due from related parties

Amounts due from subsidiaries are unsecured, repayable on demand and interest-free, except for a loan of \$18,000,000 with interest at Swap Offer Rate + 1.25% per annum at 31 December 2017. The loan was fully repaid in 2018.

Amounts due from other related parties are unsecured, interest-free and repayable on demand.

Credit and market risks, and impairment losses

The Group and the Company's exposures to credit and market risks, and impairment losses for trade and other receivables, excluding prepayments, are disclosed in note 29.

16 Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Fixed deposits with tenor of 3 months or less	1,152,468	278,720	—	—
Cash and bank balances	947,384	1,161,232	33,717	718,353
Cash and cash equivalents in the statements of financial position	2,099,852	1,439,952	33,717	718,353
Bank overdrafts (secured)	(26,712)	(22)		
Amounts held in escrow accounts	(648,196)	—		
Cash collateral received	(270)	(258)		
Cash and cash equivalents in the consolidated statement of cash flows	1,424,674	1,439,672		

Amounts held in escrow accounts are amounts deposited in accordance with the requirements of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations (“SEBI (SAST) Regulations”) relating to the Group’s Mandatory Open Offer (“Offer”) to acquire up to an additional 26% equity interest in both Fortis and Fortis Malar Hospitals Limited (see note 30 and note 33(iii)). These amounts can only be released in the manner prescribed in clause 17(10) of the SEBI (SAST) Regulations.

17 Asset held for sale - Group

Asset held for sale as at 31 December 2018 relates to a freehold land held by Ravindranath GE Medical Associates Private Limited (“RGE”) that is committed for sale at a consideration of INR109,825,000 (equivalent to \$2,121,000) (2017: INR109,825,000 (equivalent to \$2,291,000)).

18 Share capital

	Group and Company	
	2018	2017
	Number of shares	Number of shares
Fully-paid ordinary shares, with no par value:		
At 1 January and 31 December	5,120,860,521	5,120,860,521

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 meetings of the Company. All shares rank equally with regard to the Company’s residual assets.

Capital management

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to sustain future developments of the business. The Group monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The directors monitor and maintain an optimal debt-to-equity ratio. The Group's debt-to-equity ratio as at the reporting date was as follows:

	Note	2018 \$'000	2017 \$'000
Loans and borrowings	21	2,285,502	1,379,051
Bank overdrafts	16	26,712	22
Less: cash and cash equivalents	16	(2,099,852)	(1,439,952)
Net debt		<u>212,362</u>	<u>(60,879)</u>
Equity attributed to owner of the Company		2,870,086	3,346,165
Less: Intangible assets	7	(1,070,234)	(575,352)
Adjusted equity		<u>1,799,852</u>	<u>2,770,813</u>
Net debt to adjusted equity ratio		<u>0.12</u>	<u>-0.02</u>

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

The Group complied with all externally imposed capital requirements for the financial years ended 2018 and 2017.

19 Other reserves – Group

The nature and purpose of each category of reserves are as follows:

Capital reserve

The capital reserve comprises:

- (a) non-cash contribution from/distribution to holding companies for the acquisition/disposal of subsidiaries;
- (b) difference between the consideration paid/received and net assets acquired/disposed in equity transactions with non-controlling interests;
- (c) capital gain/loss arising from the payment of a non-controlling interest's subscriptions to the share capital of subsidiaries;
- (d) redeemable preference shares issued by subsidiaries to holding companies; and
- (e) financial liabilities arising from issue of put options to non-controlling interests for sale of interests in subsidiaries to the Group.

Legal reserve

The legal reserve comprises the 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.

Exchange fluctuation reserve

The exchange fluctuation reserve of the Group comprises:

- (a) 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;
- (b) 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
- (c) the effective portion of any foreign currency differences arising from hedges of the Group’s net investment in a foreign operation.

Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instrument relating to the hedged transactions that have not yet occurred.

Revaluation reserve

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

20 Perpetual securities

In July 2017, the Company established a US\$2.0 billion Multicurrency Term Note Programme (“MTN programme”).

In the same month, senior perpetual securities (“the Securities”) with an aggregate principal amount of US\$500.0 million (equivalent to \$681.7 million) were issued by the Company under the MTN programme. The Securities bear an initial semi-annual distribution rate of 4.25% per annum which will be reset in July 2022 and at every five years thereafter.

The salient features of the Securities are as follows:

- (i) The Securities are unrated and listed on the Singapore Stock Exchange.
- (ii) The Securities are direct, unconditional, unsubordinated and unsecured obligations of the Company.
- (iii) The Securities shall at all times rank pari passu and without any preference among perpetual securities issued and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Company, from time to time outstanding.

- (iv) There is no fixed redemption date but the Company has the option to redeem at the end of five years from date of issuance at the principal amounts and on each subsequent semi-annual periodic distribution payment date.
- (v) The Securities may also be redeemed at the option of the Company upon the occurrence of certain events as detailed in the terms and conditions of the offering circular and pricing supplement of the Securities.
- (vi) The expected periodic distribution amount may be deferred by the Company and are cumulative, subject to the terms and conditions in the offering circular of the Securities.

The Securities are classified as equity, net of transaction costs incurred amounting to \$3,440,000 in accordance with SFRS(I) 1-32 *Financial Instruments: Presentation* as the payment of cumulative distributions and redemption of the Securities are at the option of the Company.

During the financial year, distributions amounting to \$28,644,000 (2017: \$12,376,000) were accrued to perpetual security holders and distributions amounting to \$28,780,000 (2017: nil) were paid out to perpetual security holders.

As at 31 December 2018, perpetual securities of US\$3,000,000 (equivalent to \$4,110,000) (2017: US\$3,000,000 (equivalent to \$4,040,000)) is held by a director of the Company.

21 Loans and borrowings

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Non-current				
Secured				
- Bank loans	179,702	104,416	—	—
- Loans from body corporates	2,418	—	—	—
- Finance lease liabilities	17,361	3,989	—	—
	<u>199,481</u>	<u>108,405</u>	<u>—</u>	<u>—</u>
Unsecured				
- Bank loans	1,454,491	871,614	492,125	—
- Fixed rate notes	146,208	98,460	—	—
- Compulsorily convertible debentures	81,454	—	—	—
- Loans from body corporates	281,647	276,160	—	—
	<u>1,963,800</u>	<u>1,246,234</u>	<u>492,125</u>	<u>—</u>
	<u>2,163,281</u>	<u>1,354,639</u>	<u>492,125</u>	<u>—</u>
Current				
Secured				
- Bank loans	101,726	7,268	—	—
- Loans from body corporates	562	—	—	—
- Finance lease liabilities	1,720	1,244	—	—
	<u>104,008</u>	<u>8,512</u>	<u>—</u>	<u>—</u>
Unsecured				
- Bank loans	18,000	15,900	18,000	—
- Loans from body corporates	213	—	—	—
	<u>18,213</u>	<u>15,900</u>	<u>18,000</u>	<u>—</u>
	<u>122,221</u>	<u>24,412</u>	<u>18,000</u>	<u>—</u>

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

Group	Currency	Nominal interest rate %	Year of maturity	----- 2018 -----		----- 2017 -----	
				Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Secured bank loans	INR	MCLR ⁽¹⁾ + 0.4% to 2.45% Base Rate +	2019 - 2027	256,488	254,828	—	—
Secured bank loans	INR	0.75% to 1.75%	2018 - 2028	20,092	20,084	113,055	111,684
Secured bank loans	SGD	2.88%	2019	6,516	6,516	—	—
Unsecured bank loans	SGD	Swap Rate + 0.92%	2021	515,000	510,125	—	—
Unsecured bank loans	SGD	SOR ⁽²⁾ + 0.45% to 0.89%	2020 - 2021	196,188	195,756	125,188	124,780
Unsecured bank loans	SGD	SOR ⁽²⁾ + 0.73%	2019*	—	—	50,000	49,899
Unsecured bank loans	SGD	COF ⁽³⁾	2018	—	—	15,900	15,900
Unsecured bank loans	HKD	HIBOR ⁽⁴⁾ + 0.80%	2021	426,222	425,390	345,200	343,691
Unsecured bank loans	JPY	LIBOR ⁽⁵⁾ + 0.30% to 1.05%	2020 - 2024	342,214	341,220	276,572	275,586
Unsecured bank loans	JPY	LIBOR ⁽⁵⁾ + 0.98%	2019*	—	—	77,688	77,658
Unsecured fixed rate notes	JPY	0.57% to 0.65%	2022 - 2024	146,320	146,208	98,521	98,460
Unsecured compulsorily convertible debentures	INR	17.5%	2030	82,355	81,454	—	—
Secured loans from body corporates	INR	7.78% to 9.75%	2019 - 2024	2,980	2,980	—	—
Unsecured loans from body corporates	HKD	HIBOR ⁽⁴⁾ + 1.30% PBC Benchmark	2021	280,640	280,640	276,160	276,160
Unsecured loans from body corporates	RMB	Loan Interest Rate ⁽⁶⁾	2020 - 2025	801	801	—	—
Unsecured loans from body corporates	USD	Nil	2019	213	213	—	—
Unsecured loans from body corporates	AED	Nil	2021	206	206	—	—
Finance lease liabilities	INR	9% to 11%	2019 - 2041	47,699	15,004	148	132
Finance lease liabilities	INR	Base Rate + 2.15%	2018	—	—	2,357	1,761
Finance lease liabilities	SGD	1.05% to 2.20%	2018 - 2022	2,457	2,404	3,174	3,087
Finance lease liabilities	HKD	0.18% to 1.39%	2020 - 2023	1,667	1,589	185	149
Finance lease liabilities	RM	2.36%	2019 - 2022	91	84	115	104
				<u>2,328,149</u>	<u>2,285,502</u>	<u>1,384,263</u>	<u>1,379,051</u>

(1) Marginal Cost of Funds Based Lending Rate

(2) Swap Offer Rate

(3) Bank's Cost of Funds

(4) Hong Kong Interbank Offered Rate

(5) London Interbank Offered Rate

(6) People's Bank of China Benchmark Loan Interest Rate

* These loans were early repaid in 2018.

Company	Currency	Nominal interest rate %	Year of maturity	----- 2018 -----		----- 2017 -----	
				Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Unsecured bank loans	SGD	Swap Rate + 0.92%	2021	515,000	510,125	—	—

Market and liquidity risks

Information about the Group's and the Company's exposures to market and liquidity risks for loans and borrowings are included in note 29.

Security

Secured Indian Rupee ("INR") denominated bank loans with carrying amount of \$274,912,000 (2017: \$111,684,000) are secured over the assets and shares of certain subsidiaries and associate while the secured Singapore Dollar ("SGD") denominated bank loan with carrying amount of \$6,516,000 (2017: \$nil) is secured over units in an associate held by the Group.

Secured INR denominated loans from body corporates with carrying amount of \$2,980,000 (2017: \$nil) are secured over specific equipment of certain subsidiaries.

Breach of loan covenant

One of the subsidiaries breached the loan covenant requirements in respect of a bank loan amounting to \$31,400,000. Several non-financial covenants, including the requirement for the loan to be secured with a pledge of 51% shares in Continental Hospitals Private Limited, was not in place as at 31 December 2018. Consequently, the bank loan became repayable on demand and was classified in full as a current liability. The breach was not remedied when these financial statements were authorised for issue.

Unsecured Debt Issuance

PLife REIT has through its wholly owned subsidiary, Parkway Life MTN Pte Ltd ("PLife MTN"), put in place a \$500 million Multicurrency Debt Issuance Programme, to provide PLife REIT with the flexibility to tap various types of capital market products including issuance of perpetual securities when needed.

Under the Debt Issuance Programme, PLife MTN is able to issue notes while HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of PLife REIT) ("the PLife REIT Trustee") is able to issue perpetual securities.

All sums payable in respect of the notes issued by PLife MTN are unconditionally and irrevocably guaranteed by PLife REIT Trustee.

As at 31 December 2018, there are three series of outstanding fixed rate notes issued under the Multicurrency Debt Issuance Programme amounting to JPY11.8 billion (equivalent to \$146.3 million) with maturity dates between 2022 to 2024 (2017: JPY8.3 billion (equivalent to \$98.5 million) with maturity dates in 2022 and 2023).

Compulsorily convertible debentures

The compulsorily convertible debentures (“CCDs”) of Fortis Hospotel Limited (“FHTL”) are held by Fortis Global Healthcare Infrastructure Pte. Ltd. (“FGHIPL”), a wholly owned subsidiary of RHT Health Trust, an associate. The CCDs carry an interest of 17.5% per annum and are convertible into 131,026,000 shares of FHTL at a price of INR32.55 per share. Subject to receipt of all corporate, governmental and third party approvals and consents as may be required for conversion of the CCDs and issuance of the shares upon conversion of the CCDs, FGHIPL has the right to convert the CCDs, at any time on or prior to the maturity date in 2030. The CCDs are compulsorily convertible into shares on the maturity date.

Hedging

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 loans. Details are set out in note 22.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2018 \$'000	Interest 2018 \$'000	Present value of minimum lease payments 2018 \$'000	Future minimum lease payments 2017 \$'000	Interest 2017 \$'000	Present value of minimum lease payments 2017 \$'000
Group						
Within 1 year	2,936	1,216	1,720	1,487	243	1,244
Between 1 and 5 years	9,314	5,830	3,484	4,360	500	3,860
More than 5 years	39,664	25,787	13,877	132	3	129
	51,914	32,833	19,081	5,979	746	5,233

Under the terms of the lease agreements, no contingent rents are payable and accordingly, there are no contingent rents included in profit or loss during the year (2017: \$nil).

Intra-group financial guarantee

Intra-group financial guarantee comprises a proportionate guarantee given by the Company to a syndicate of banks in respect of banking facilities amounting to HK\$3.0 billion (equivalent to \$526.2 million) (2017: HK\$3.0 billion (equivalent to \$517.8 million)) granted to GHK Hospital Limited (“GHK”), a 60% owned subsidiary, based on the Group’s shareholding interest in GHK. The facilities expire in December 2021. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee.

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

	Bank overdrafts \$'000	Bank loans \$'000	Fixed rate notes \$'000	Compulsorily convertible debentures \$'000	Loans from body corporates \$'000	Finance lease liabilities \$'000	Interest payable \$'000	Total \$'000
Group								
At 1 January 2017	3,653	1,253,397	40,842	—	296,320	4,740	2,656	1,601,608
Changes from financing cash flows*	—	(213,253)	59,300	—	—	(1,406)	(43,398)	(198,757)
Other changes								
Acquisition of subsidiaries	—	950	—	—	—	1,068	—	2,018
Foreign exchange movement	1	(52,642)	(1,682)	—	(20,160)	(36)	(50)	(74,569)
Change in bank overdraft	(3,632)	—	—	—	—	—	—	(3,632)
New finance leases	—	—	—	—	—	548	—	548
Finance costs	—	4,071	—	—	—	319	49,157	53,547
Others	—	6,675	—	—	—	—	1,473	8,148
Total non-cash changes	(3,631)	(40,946)	(1,682)	—	(20,160)	1,899	50,580	(13,940)
At 31 December 2017	22	999,198	98,460	—	276,160	5,233	9,838	1,388,911
At 1 January 2017	22	999,198	98,460	—	276,160	5,233	9,838	1,388,911
Changes from financing cash flows*	—	499,741	43,190	—	822	(5,909)	(47,401)	490,443
Other changes								
Acquisition of subsidiaries	42,799	245,181	—	82,609	1,907	9,599	4,187	386,282
Foreign exchange movement	(112)	11,941	4,558	(1,155)	5,951	(376)	376	21,183
Change in bank overdraft	(15,997)	—	—	—	—	—	—	(15,997)
New finance leases	—	—	—	—	—	9,485	—	9,485
Finance costs	—	2,873	—	—	—	1,049	46,069	49,991
Others	—	(5,015)	—	—	—	—	—	(5,015)
Total non-cash changes	26,690	254,980	4,558	81,454	7,858	19,757	50,632	445,929
At 31 December 2017	26,712	1,753,919	146,208	81,454	284,840	19,081	13,069	2,325,283

* Comprises proceeds from borrowings, repayment of borrowings, repayment of finance lease liabilities and finance cost paid

22 Financial derivatives – Group

	2018 \$'000	2017 \$'000
Non-current assets		
Foreign exchange forward contracts	237	1,885
Cross currency interest rate swaps used for hedging	–	1,647
Put option	–	531
	<u>237</u>	<u>4,063</u>
Current assets		
Foreign exchange forward contracts	44	13
Put option	1,235	–
	<u>1,279</u>	<u>13</u>
Non-current liabilities		
Foreign exchange forward contracts	(314)	–
Interest rate swaps used for hedging	(665)	(1,224)
Cross currency interest rate swaps used for hedging	(3,023)	–
	<u>(4,002)</u>	<u>(1,224)</u>
Current liabilities		
Interest rate swaps used for hedging	(352)	(163)
Call option granted to non-controlling interests	(1,599)	(7,357)
	<u>(1,951)</u>	<u>(7,520)</u>

Foreign exchange forward contracts

The Group manages its exposure to foreign currency movements on its net income denominated in Japanese Yen from its investments in Japan by using foreign exchange forward contracts to provide a hedge to the distribution of income from its investments in Japan, net of Japanese Yen financing costs.

At the reporting date, the Group has outstanding foreign exchange forward contracts with aggregate notional amount equivalent to \$60,894,000 (2017: \$68,800,000). The change in fair value of \$1,931,000 loss (2017: \$2,215,000 gain) was charged to profit or loss.

Interest rate swaps

The Group manages its exposure to interest rate movements on certain floating rate loans and borrowings by entering into interest rate swaps, where appropriate. As at 31 December 2018, the Group has interest rate swaps with a total notional amount of \$342,214,000 (2017: \$334,853,000) to provide fixed rate funding up to 2024 (2017: up to 2020) at a weighted average effective interest rate of 0.25% (2017: 0.34%) per annum.

As at 31 December 2018, where the interest rate swaps are designated as the hedging instruments in qualifying cash flow hedges, the effective portion of the changes in fair value of the interest rate swaps amounting to \$134,000 (2017: \$1,136,000) gain was recognised in the hedge reserve.

During the year, the changes in fair value of interest rate swaps, where hedge accounting was discontinued or not practised, amounting to \$237,000 (2017: \$517,000) gain was credited to profit or loss. Accordingly, the changes in fair value of these interest rate swaps previously recognised in the hedge reserve amounting to \$562,000 (2017: \$778,000) loss were reclassified to profit or loss.

Cross currency interest rate swaps

As at 31 December 2018, the Group has cross currency interest rate swaps (“CCIRS”) with notional amount of \$125,188,000 (2017: \$125,188,000) to manage its foreign currency risk and interest rate risk arising from the financing of Japanese properties using Singapore dollar facilities. To maintain a natural hedge, the Group utilised a CCIRS to realign the Singapore dollar denominated loans back into effective Japanese Yen denominated loans to match its underlying Japanese Yen denominated assets.

The Group had in substance, bifurcated the CCIRS and applied hedge accounting for net investment hedge and cash flow hedge, where the changes in fair value of the CCIRS of \$5,397,000 loss (2017: \$6,986,000 gain) and \$727,000 gain (2017: \$901,000 loss) were recognised in the exchange fluctuation reserve and hedge reserve respectively during the year.

Put option

On disposal of the Group’s controlling stake in Shenton Insurance Pte. Ltd. (“SIPL”) on 14 April 2016, the Group entered into an agreement with the purchaser and is granted a put option to sell all of its remaining shares in 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. During the year, change in fair value of the put option of \$704,000 gain (2017: \$nil) was recognised in profit or loss.

Call option granted to non-controlling interests

Pursuant to an option agreement entered with the non-controlling interests of RGE, the Group granted a call option to the non-controlling interests to purchase the Group’s 3% equity interest in RGE on a fully diluted basis at a fixed price of INR500.0 million (equivalent to \$9.7million). The call option is classified as a financial derivative liability. During the year, change in fair value of the call option of \$5,758,000 gain (2017: \$1,521,000 loss) was recognised in profit or loss.

Market and liquidity risks, and fair value measurement

Information about the Group’s exposure to market and liquidity risks, and fair value measurement, is disclosed in note 29.

Offsetting financial assets and financial liabilities

The Group’s derivative transactions are entered into under International Swaps and Derivatives Association (“ISDA”) master netting agreements. In general, under such agreements, the amounts owed by each counterparty in respect of the same transactions outstanding in the same currency under the agreement are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all outstanding transactions.

The above agreements do not meet the criteria for offsetting in the statements of financial position as the right to set-off recognised amounts is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously in its normal course of business.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements:

	Gross amounts of recognised financial instruments \$'000	Gross amounts of recognised financial instruments offset in the statement of financial position \$'000	Net amounts of financial instruments included in the statement of financial position \$'000	Related financial instruments that are not offset \$'000	Net amounts \$'000
Group					
31 December 2018					
Financial assets					
Foreign exchange forward contracts	281	—	281	(281)	—
Financial liabilities					
Cross currency interest rate swaps used for hedging	(3,023)	—	(3,023)	—	(3,023)
Foreign exchange forward contracts	(314)	—	(314)	281	(33)
Interest rate swaps used for hedging	(1,017)	—	(1,017)	—	(1,017)
	<u>(4,354)</u>	<u>—</u>	<u>(4,354)</u>	<u>281</u>	<u>(4,073)</u>
31 December 2017					
Financial assets					
Cross currency interest rate swaps used for hedging	1,647	—	1,647	—	1,647
Foreign exchange forward contracts	1,898	—	1,898	—	1,898
	<u>3,545</u>	<u>—</u>	<u>3,545</u>	<u>—</u>	<u>3,545</u>
Financial liabilities					
Interest rate swaps used for hedging	(1,387)	—	(1,387)	—	(1,387)

23 Employee benefits – Group

	2018 \$'000	2017 \$'000
Non-current		
Retirement benefits	22,800	9,122
Provision for deferred bonus	3,376	2,241
Provision for unconsumed leave	772	753
	<u>26,948</u>	<u>12,116</u>

	2018	2017
	\$'000	\$'000
Current		
Retirement benefits	2,321	504
Provision for deferred bonus	4,709	3,297
Provision for long term incentive plan	368	421
Provision for unconsumed leave	19,713	11,031
Provision for defined contribution plan	11,831	11,697
	<u>38,942</u>	<u>26,950</u>

Retirement benefits

Certain subsidiaries of the Group have defined benefits plans that entitle employees to receive a lump sum payment upon retirement or exit.

Deferred bonus scheme

The Group established a deferred bonus scheme for eligible employees with the aim to make total employee remuneration sufficiently competitive to recruit, reward, retain and motivate outstanding employees. The deferred bonus is paid out in cash over three years if the eligible employees remain employed with the Group.

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 done as per projected unit credit method as at the reporting date.

Long term incentive plan

In 2009, the long term incentive ("LTI") plan of Parkway Trust Management Limited ("PTML"), a wholly owned subsidiary, was approved to award eligible employees with units in PLife REIT currently held by PTML when certain prescribed performance targets are met. The LTI plan is administered by the remuneration committee of PTML.

Movements in the present value of retirement benefits (defined benefits obligations)

	2018	2017
	\$'000	\$'000
At 1 January	9,626	8,513
Included in profit or loss		
Current services costs	1,510	1,621
Past service credit	11	—
Interest on obligation	405	246
	<u>1,926</u>	<u>1,867</u>

	2018 \$'000	2017 \$'000
Included in other comprehensive income		
Remeasurement (gain)/loss		
- Actuarial (gain)/loss arising from:		
- demographic assumptions	19	129
- financial assumptions	404	(507)
- experience adjustment	(14)	3
	<u>409</u>	<u>(375)</u>
Others		
Additions through business combinations	13,906	–
Benefits paid	(674)	(437)
Translation differences on consolidation	(72)	58
At 31 December	<u>25,121</u>	<u>9,626</u>

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2018 %	2017 %
Discount rate	5.0 – 8.4	5.4 – 7.2
Future salary growth	5.0 – 8.0	5.0 – 7.5
Future mortality	0.1 – 0.7	0.0 – 0.7

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Defined benefit obligation	
	Increase	Decrease
	\$'000	\$'000
2018		
Discount rate (1% movement)	(2,345)	2,785
Future salary growth (1% movement)	2,735	(2,339)
Future mortality (1% movement)	–	–
	<u> </u>	<u> </u>
2017		
Discount rate (1% movement)	(1,048)	1,269
Future salary growth (1% movement)	1,236	(1,037)
Future mortality (1% movement)	(1)	1
	<u> </u>	<u> </u>

Although the analysis does not take into account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

24 Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Non-current				
Accrued expenses	3,342	230	—	—
Other payables	7,971	4,633	—	—
CCPS liabilities	—	2,582	—	—
Liabilities on put options granted to non-controlling interests	112,916	172,135	—	—
Deposits	19,532	18,145	—	—
	<u>143,761</u>	<u>197,725</u>	<u>—</u>	<u>—</u>
Current				
Trade payables	349,894	195,106	—	—
Trade amounts due to associates	13,926	—	—	—
Accrued expenses	240,584	194,777	224	1,170
Other payables	94,742	135,510	54	3
CCPS liabilities	—	27,898	—	—
Liabilities on put options granted to non-controlling interests	232,411	52,592	—	—
Financial guarantee	13,070	11,538	—	—
Interest payable	13,069	9,838	1,032	—
Non-trade amounts due to:				
- Ultimate holding company	1,273	3,155	—	3
- Immediate holding company	830,000	—	830,000	—
- Subsidiaries	—	—	—	4,004
- Associates	385	279	—	—
- Joint ventures	305	131	—	—
- Related corporations	339	98	—	—
Deposits	29,897	13,470	—	—
	<u>1,819,895</u>	<u>644,392</u>	<u>831,310</u>	<u>5,180</u>
Advanced billings	6,470	6,269	—	—
Contract liabilities	711	488	—	—
	<u>1,827,076</u>	<u>651,149</u>	<u>831,310</u>	<u>5,180</u>

Non-current other payable includes amounts totalling \$5,890,000 (2017: \$4,633,000) relating to a leasehold land acquired. These amounts are unsecured, interest-free and repayable in 2021 and 2023.

Non-trade amounts due to related parties are unsecured, interest-free and repayable on demand.

Non-trade amounts due to immediate holding company relate to dividends payable which is settled via issuance of 83 million ordinary shares of the Company at \$10 per share to the immediate holding company on 30 January 2019 (see note 40).

Contract liabilities mainly relate to advance considerations received from students for education services.

Market and liquidity risks

The Group and the Company's exposures to market and liquidity risks related to trade and other payables are disclosed in note 29.

CCPS liabilities

CCPS are issued by RGE to its shareholders. The CCPS are currently convertible at the option of the holder to ordinary shares of RGE and would be compulsorily 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, as the conversion ratios for the remaining tranches of CCPS held by the non-controlling interests were fixed, all CCPS were reclassified from other payables to equity (see note 32(v)).

In 2017, the change in fair value amounting to \$4,405,000 loss was recognised in profit or loss.

Liabilities on put options granted to non-controlling interests

- (i) Pursuant to the acquisition of the RGE in 2015, the Group granted put options to non-controlling interests of RGE, comprising:
 - (a) An option to sell their 7.13% interest in RGE, on a fully diluted basis, to the Group at a fixed consideration of INR1,463.0 million (equivalent to \$28.3 million) less price adjustment of not more than INR110.0 million subject to the occurrence of a certain event in 2018 pursuant to an option agreement entered with the non-controlling interests. As at 31 December 2018, this put option does not have any value as the target was not met; and
 - (b) Another option to sell their remaining interest in RGE to the Group at the prevailing market price on the date the option are exercised. This put option can only be exercised from December 2020 onwards and does not have an expiry date.
- (ii) Pursuant to the acquisition of Continental Hospitals Private Limited ("CHPL") in 2015, the Group granted a put option to the non-controlling interests to sell their existing interests in CHPL to the Group at the prevailing market price on the date the option is exercised. The put option can be exercised from March 2018 onwards and does not have an expiry date.
- (iii) Pursuant to the acquisition of Angsana Holdings Pte. Ltd. ("Angsana") in 2017, the Group granted put options to the non-controlling interests to sell their existing interests in Angsana to the Group at the prevailing market price on the date the options are exercised. The put options can only be exercised from August 2020 onwards and do not have an expiry date.
- (iv) Pursuant to a shareholders' agreement and exit agreement entered into by SRL Limited ("SRL"), Fortis and the non-controlling interests of SRL, Fortis granted a cash put option to the non-controlling interests of SRL to sell their shares in SRL to Fortis upon the occurrence of certain trigger event (i.e. Cash Option Trigger Event) as stated by the exit agreement. The Cash Option Trigger Event occurred prior to the Group's acquisition of Fortis Group and the exercise period for the cash put option was extended several times, with the latest extension of the exercise period given till 31 August 2019.

During the year, change in fair value of liabilities on put options granted to non-controlling interests amounting to \$95,671,000 gain (2017: \$15,581,000 loss) was recognised in equity.

Financial guarantee

Financial guarantee comprises a proportionate guarantee given by Parkway Holdings Limited ("PHL"), a wholly-own subsidiary, to a bank in respect of a term loan facility granted to KHPL, a 50% owned joint venture. In 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 owed the bank.

25 Revenue – Group

Revenue of the Group, after eliminating inter-company transactions, is as follows:

	2018	2017
	\$'000	\$'000
Revenue from hospital and other healthcare services	2,453,302	2,170,382
Revenue from education services	3,785	3,922
Management fees	3,707	4,318
Revenue from contracts with customers	2,460,794	2,178,622
Rental income	78,765	75,885
	<u>2,539,559</u>	<u>2,254,507</u>

Disaggregation of revenue from contracts with customers:

In the following table, revenue from contracts with customers is disaggregated by reportable segments.

	Hospital and other healthcare services \$'000	Education services \$'000	Management fees \$'000	Total \$'000
2018				
Reportable segments				
Singapore	1,272,602	3,722	450	1,276,774
Malaysia	669,083	–	–	669,083
India	283,744	63	632	284,439
North Asia	166,871	–	116	166,987
Others	61,002	–	2,509	63,511
	<u>2,453,302</u>	<u>3,785</u>	<u>3,707</u>	<u>2,460,794</u>
2017				
Reportable segments				
Singapore	1,202,672	3,922	424	1,207,018
Malaysia	581,805	–	–	581,805
India	226,785	–	19	226,804
North Asia	106,309	–	116	106,425
Others	52,811	–	3,759	56,570
	<u>2,170,382</u>	<u>3,922</u>	<u>4,318</u>	<u>2,178,622</u>

Healthcare services income

Healthcare services revenue generally relates to contracts with patients in which performance obligations are to provide healthcare services. The performance obligations for inpatient services are generally satisfied over time and revenue is recorded when the healthcare services are performed. The performance obligations for outpatient and daycase services are generally satisfied at a point in time. The Group has a range of credit terms which are typically short term, in line with market practice, and without any financing component. There are no variable considerations, and no obligation for returns or refunds or warranties for healthcare-related services.

Education services income

Education services revenue primarily consist of tuition fees. Tuition fee for educational services not yet provided is recorded as contract liability and recognised as revenue over the period when the services is rendered.

Management fees

Management fee is recognised over time for management and consultancy services provided. The stage of completion is assessed by reference to surveys of work performed. The Group has a range of credit terms which are typically short term, in line with market practice, and without any financing component.

26 Profit before tax – Group

The following income/(expense) items have been included in arriving at profit before tax:

	Note	2018 \$'000	2017 \$'000
Government grants		7,036	4,822
Net exchange gain/(loss)		17,936	(1,670)
Change in fair value of investment properties	6	24,836	7,342
Inventories written off		(340)	(1,645)
(Loss)/Gain on disposal of property, plant and equipment		(111)	145
Property, plant and equipment written off	4	(195)	(885)
Intangible assets written off	7	—	(24)
Allowance for impairment loss (made)/written back (net)			
- Goodwill	7	(22,150)	—
- Investment in a joint venture	10	(11,165)	—
- Amounts due from joint ventures		(18)	(184)
- Amounts due from associates		—	289
- Trade and other receivables		13,505	(8,465)
Bad debts written off		(4,550)	(6,670)
Financial guarantee	24	(1,328)	(503)

	Note	2018 \$'000	2017 \$'000
Staff costs:			
Salaries, bonuses and other costs		(834,111)	(736,322)
Contributions to defined contribution plans		(56,444)	(51,909)
Expenses relating to defined benefit plans	23	(1,926)	(1,867)
Increase in liability for short-term accumulating compensated absences		(828)	(2,079)
Equity-settled share-based payment transactions		(6,116)	(9,506)
Provision for long term incentive plan		(365)	(424)
		<u>(899,790)</u>	<u>(802,107)</u>
Finance income:			
Interest income received and receivable from:			
- Banks and financial institutions		29,026	13,251
- Others		1,368	641
Fair value gain on financial derivatives	22	6,462	1,954
Exchange gain on loans and borrowings		37	16,532
Other finance income		237	—
		<u>37,130</u>	<u>32,378</u>
Finance costs:			
Interest paid and payable to:			
- Banks and financial institutions		(30,734)	(29,206)
- Others		(9,784)	(12,751)
Other finance costs		(10,954)	(10,211)
Fair value loss on financial derivatives	22	(2,256)	(1,521)
Fair value loss on CCPS liabilities	24	—	(4,405)
Exchange loss on loans and borrowings		(279)	(27,098)
		<u>(54,007)</u>	<u>(85,192)</u>

27 Tax expense – Group

	Note	2018 \$'000	2017 \$'000
Tax recognised in profit or loss			
Current tax expense			
Current year		118,459	90,436
(Over)/Under provided in prior years		(19,278)	5,092
		<u>99,181</u>	<u>95,528</u>
Deferred tax expense			
Origination and reversal of temporary differences		394	13,462
Over provided in prior years		(831)	(1,178)
	12	<u>(437)</u>	<u>12,284</u>
Tax expense		<u>98,744</u>	<u>107,812</u>

	Note	2018 \$'000	2017 \$'000
<i>Reconciliation of effective tax rate</i>			
Profit before tax		387,719	273,624
Less:			
Share of profits of associates (net of tax)		(3,855)	(494)
Share of profits of joint ventures (net of tax)		(635)	(185)
		<u>383,229</u>	<u>272,945</u>
Tax using the Singapore tax rate of 17% (2017: 17%)		65,149	46,401
Effect of tax rates in foreign jurisdictions		7,297	5,708
Tax incentives		–	(806)
Income not subject to tax		(18,162)	(18,124)
Expenses not deductible for tax purposes		18,926	40,935
Effect of unrecognised tax losses and other deductible temporary differences		39,501	23,584
(Over)/Under provided in prior years		(20,109)	3,914
Withholding tax		6,142	6,200
		<u>98,744</u>	<u>107,812</u>

28 Operating segments

Operating segments

The Group has five reportable segments, as described below, which are the Group's strategic business units. Except Plife REIT, the strategic business units offer hospital and healthcare 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:

- Singapore
- Malaysia
- India
- North Asia
- Plife REIT

Other segment includes the Group's hospital in Brunei, corporate office as well as other investment holding entities. None of these segments meet any of the quantitative thresholds for determining reportable segment in 2018 and 2017.

The Group's Board of Directors 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 earnings before interest, tax, depreciation, amortisation, exchange differences and other non-operational items ("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.

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	Singapore \$'000	Malaysia \$'000	India \$'000	North Asia \$'000	Plife REIT \$'000	Others \$'000	Eliminations \$'000	Total operations \$'000
2018								
Profit or loss								
External revenue	1,302,420	676,474	284,962	167,249	44,578	63,876	—	2,539,559
Inter-segment revenue	34,309	6	—	—	67,797	235,653	(337,765)	—
Total revenue	1,336,729	676,480	284,962	167,249	112,375	299,529	(337,765)	2,539,559
EBITDA	406,374	193,657	2,115	(69,805)	107,501	209,422	(233,325)	615,939
Depreciation and impairment of property, plant and equipment	(71,726)	(52,578)	(21,214)	(49,202)	(6,048)	(2,061)	—	(202,829)
Amortisation of prepaid lease payments and intangible assets	—	(237)	(3,495)	(7,265)	—	—	—	(10,997)
Finance income	202	7,019	16,422	4,018	6	13,620	(4,157)	37,130
Finance costs	(4,911)	(156)	(18,899)	(16,991)	(8,990)	(8,217)	4,157	(54,007)
Share of profits of associates (net of tax)	558	—	3,297	—	—	—	—	3,855
Share of profits of joint ventures (net of tax)	406	—	224	5	—	—	—	635
Exchange (loss)/gain (net)	(80)	23	13,749	(71)	992	3,323	—	17,936
Others	10,000	(2,032)	(28,890)	979	—	—	—	(19,943)
Profit before tax	340,823	145,696	(36,691)	(138,332)	93,461	216,087	(233,325)	387,719
Tax expense	(47,318)	(29,780)	(789)	(4,131)	(8,784)	(7,942)	—	(98,744)
Profit for the year	293,505	115,916	(37,480)	(142,463)	84,677	208,145	(233,325)	288,975
Assets and liabilities								
Cash and bank balances	66,694	205,642	1,427,136	230,784	22,102	147,494	—	2,099,852
Other assets	1,794,819	1,064,633	2,196,349	1,050,779	1,148,145	1,690,020	(1,644,529)	7,300,216
Total assets	1,861,513	1,270,275	3,623,485	1,281,563	1,170,247	1,837,514	(1,644,529)	9,400,068
Loans and borrowings	2,404	84	381,285	708,420	683,183	510,126	—	2,285,502
Other liabilities	1,367,081	167,011	1,081,385	107,080	74,470	1,180,057	(1,640,419)	2,366,665
Total liabilities	1,369,485	167,095	1,462,670	815,500	757,653	1,690,183	(1,640,419)	4,622,167

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	Singapore \$'000	Malaysia \$'000	India \$'000	North Asia \$'000	Plife REIT \$'000	Others \$'000	Eliminations \$'000	Total operations \$'000
2017								
Profit or loss								
External revenue	1,232,613	588,524	226,963	106,550	42,922	56,935	—	2,254,507
Inter-segment revenue	34,703	—	—	26	66,722	301,338	(402,789)	—
Total revenue	1,267,316	588,524	226,963	106,576	109,644	358,273	(402,789)	2,254,507
EBITDA	364,372	164,555	4,387	(80,745)	89,949	299,886	(319,739)	522,665
Depreciation and impairment of property, plant and equipment	(72,330)	(45,854)	(20,790)	(42,998)	(5,834)	(1,726)	—	(189,532)
Amortisation of prepaid lease payments and intangible assets	—	(227)	(3,228)	(6,794)	—	—	—	(10,249)
Finance income	194	4,460	1,302	3,480	1,955	31,556	(10,569)	32,378
Finance costs	(4,108)	(330)	(19,692)	(25,383)	(8,042)	(38,156)	10,519	(85,192)
Share of profits of associates (net of tax)	494	—	—	—	—	—	—	494
Share of profits of joint ventures (net of tax)	449	—	(303)	39	—	—	—	185
Exchange (loss)/gain (net)	(37)	34	(58)	(44)	1,583	(3,148)	—	(1,670)
Others	5,300	—	(503)	(252)	—	—	—	4,545
Profit before tax	294,334	122,638	(38,885)	(152,697)	79,611	288,412	(319,789)	273,624
Tax expense	(50,576)	(35,492)	2,140	(6,085)	(8,504)	(9,295)	—	(107,812)
Profit for the year	243,758	87,146	(36,745)	(158,782)	71,107	279,117	(319,789)	165,812
Assets and liabilities								
Cash and bank balances	55,526	165,275	31,305	345,812	25,719	816,315	—	1,439,952
Other assets	1,780,197	985,873	605,442	1,030,283	1,088,887	1,779,624	(1,743,677)	5,526,629
Total assets	1,835,723	1,151,148	636,747	1,376,095	1,114,606	2,595,939	(1,743,677)	6,966,581
Loans and borrowings	3,086	104	113,579	620,000	642,282	—	—	1,379,051
Other liabilities	1,521,962	162,482	723,496	136,536	63,519	290,601	(1,752,499)	1,146,097
Total liabilities	1,525,048	162,586	837,075	756,536	705,801	290,601	(1,752,499)	2,525,148

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of operations. Segment assets are based on the geographical location of the assets.

	Singapore \$'000	Malaysia \$'000	India \$'000	People's Republic of China \$'000	Hong Kong \$'000	Japan \$'000	Others ¹ \$'000	Group \$'000
2018								
External revenue	1,302,420	676,578	284,962	62,419	104,830	44,474	63,876	2,539,559
Non-current assets ²	2,054,138	918,630	1,499,391	183,847	826,559	692,751	15,792	6,191,108
2017								
External revenue	1,232,613	588,561	226,963	71,238	35,312	42,885	56,935	2,254,507
Non-current assets ²	2,061,054	843,909	480,462	144,623	857,507	635,556	18,328	5,041,439

¹ Includes balances relating to corporate offices which are unallocated.

² Comprises of property, plant and equipment, prepaid lease payments, investment properties and intangible assets.

29 Financial instruments

(i) Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Group has put in place a set of risk management policies and guidelines governing all investment and business risks. These policies and procedures set out the Group's overall business strategies, its tolerance for risk and general risk management philosophy. The Group also has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. In addition, management has established processes to monitor and control such risks in a timely and accurate manner and to ensure that an appropriate balance between risk and control is achieved. Where necessary, the Group may enter into transactions to hedge against these risks in order to keep them at an acceptable level. Finally, all investment and divestment decisions are required to be approved by the Board.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade receivables. The Company's exposure to credit risk arises principally from its amounts due from subsidiaries and proportionate financial guarantee provided to a syndicate of banks for credited facilities granted to a non-wholly owned subsidiary.

As the Group and the Company do not require any collateral in respect of their financial assets, the maximum exposures to credit risk are represented by the carrying amounts of financial assets in the statements of financial position, except as follows:

	Company	
	2018 \$'000	2017 \$'000
Proportionate financial guarantee provided to a syndicate of banks for credited facilities granted to a non-wholly owned subsidiary	255,733	207,120

Trade receivables

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on major customers requiring credit over a certain amount. For the hospital operations, the Group does not grant credit to self-pay customers. Instead, a self-pay 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

The exposure to credit risk for trade receivables at the reporting date by geographical region is as follows:

	2018	2017
	\$'000	\$'000
Group		
Singapore	147,795	121,481
Malaysia	89,214	82,435
India	200,143	24,448
North Asia	16,305	15,517
Middle East	9,946	20,821
South East Asia	35,032	28,284
Others	5,146	5,963
	<u>503,581</u>	<u>298,949</u>
Impairment loss	<u>(107,317)</u>	<u>(59,734)</u>
	<u>396,264</u>	<u>239,215</u>

At 31 December 2018, there are no outstanding trade receivables from significant customers (2017: two significant customers amounting to \$54,486,000 for which allowance for impairment of \$11,618,000 has been recognised).

Recognition and measurement of impairment loss

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics such as customer types, geographic region, and days past due. Customer types include self-pay customers, insurers, third party administrators, government bodies etc.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers, based on actual credit loss experience over the past four years. This is adjusted by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The scalar factors for self-pay customers are based on actual and forecast real income growth rate of respective countries. The scalar factors for corporate and government customers are based on default probability risk rates of such customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018.

	Gross carrying amount \$'000	Impairment loss \$'000	Net carrying amount \$'000
Group			
Not credit impaired			
Not past due	128,292	(115)	128,177
Past due 1 – 30 days	88,644	(1,031)	87,613
Past due 31 – 180 days	130,693	(5,994)	124,699
Past due 181 days – 1 year	36,870	(13,783)	23,087
Past due more than 1 year	74,233	(66,185)	8,048
	458,732	(87,108)	371,624
Credit impaired			
Individually impaired	44,849	(20,209)	24,640
	503,581	(107,317)	396,264

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	2018 Lifetime ECL \$'000
Group	
At 1 January 2018 per FRS 39 and per SFRS(I) 9	59,734
Additions through business combinations	64,854
Impairment loss reversed	(13,671)
Written off	(2,894)
Translation differences on consolidation	(706)
At 31 December 2018 per SFRS(I) 9	107,317

Comparative information under FRS 39

The aging of trade receivables as at 31 December 2017 was as follows:

	Gross carrying amount \$'000	Impairment loss \$'000	Net carrying amount \$'000
Group			
Not past due	104,243	(1,140)	103,103
Past due 1 – 30 days	65,549	(1,220)	64,329
Past due 31 – 180 days	72,722	(10,625)	62,097
Past due 181 days – 1 year	22,372	(15,148)	7,224
Past due more than 1 year	34,063	(31,601)	2,462
	298,949	(59,734)	239,215

The movements in the allowance for impairment in respect of trade receivables in 2017 are shown below.

	2017
	\$'000
Group	
At 1 January 2017 per FRS 39	53,415
Impairment loss recognised	8,398
Amounts written off	(2,101)
Translation differences on consolidation	22
At 31 December 2017 per FRS39	<u>59,734</u>

At 31 December 2017, the Group's trade receivables of \$46,484,000 were relating to customers who were in financial difficulties and/or debts that were in dispute and management assessed that a portion of such debts may be irrecoverable. Consequently, specific allowance for doubtful debts of \$24,397,000 was recognised as at 31 December 2017.

Financial guarantees

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 for GHK, a 60% owned subsidiary, and KHPL, a 50% owned joint venture, based on the 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.

The maximum exposure of the Group in respect of financial guarantees at the reporting date amounted to \$13,070,000 (2017: \$11,538,000) representing the Group's share of amounts drawn down by KHPL (see note 24). In 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 owed the bank.

The maximum exposure of the Company in respect of financial guarantees at the reporting date amounted to \$255,733,000 (2017: \$207,120,000) representing the Company's share of amounts drawn down by GHK. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the financial guarantee.

Fixed deposits, cash and cash equivalents and derivatives

Cash and fixed deposits are placed with financial institutions which are regulated and with good credit ratings. To minimise the Group's credit risk, the Group enters into derivative transactions only with creditworthy institutions. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures.

The Group considers its cash and cash equivalents to have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Amounts due from related parties

The Company held non-trade receivables from its subsidiaries of \$359,406,000 (2017: \$93,242,000). These balances are mainly advances to subsidiaries for maintenance of escrow accounts for potential investments. The Company uses a similar approach for assessment of ECLs to these receivables. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposure. The amount of allowance on these balances is insignificant.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management 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.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000	After 5 years \$'000
Group					
2018					
Non-derivative					
financial liabilities					
Secured bank loans	281,428	406,477	133,431	153,547	119,499
Unsecured bank loans	1,472,491	1,570,087	34,448	1,481,026	54,613
Unsecured fixed rate notes	146,208	150,162	885	105,833	43,444
Compulsorily convertible debentures	81,454	163,905	14,001	56,004	93,900
Loans from body corporates	284,840	314,175	11,114	302,825	236
Finance lease liabilities	19,081	51,914	2,936	9,314	39,664
Trade and other payables*	1,963,656	1,963,656	1,819,895	122,238	21,523
Bank overdrafts	26,712	26,712	26,712	—	—
	<u>4,275,870</u>	<u>4,647,088</u>	<u>2,043,422</u>	<u>2,230,787</u>	<u>372,879</u>
Derivative financial					
instruments					
Foreign exchange forward contracts (gross-settled)					
- inflow	(59,013)	(60,896)	(26,399)	(34,497)	—
- outflow	59,046	60,923	26,461	34,462	—
Interest rate swaps used for hedging (net-settled)	1,017	1,049	662	378	9
Cross currency interest rate swaps used for hedging (gross-settled)					
- inflow	(1,558)	(1,608)	(843)	(765)	—
- outflow	4,581	4,727	2,478	2,249	—
	<u>4,073</u>	<u>4,195</u>	<u>2,359</u>	<u>1,827</u>	<u>9</u>
	<u>4,279,943</u>	<u>4,651,283</u>	<u>2,045,781</u>	<u>2,232,614</u>	<u>372,888</u>

* Excludes advanced billings and contract liabilities

Group	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000	After 5 years \$'000
2017					
Non-derivative financial liabilities					
Secured bank loans	111,684	166,677	18,849	101,772	46,056
Unsecured bank loans	887,514	928,855	28,209	900,646	—
Unsecured fixed rate notes	98,460	101,372	573	41,300	59,499
Loans from body corporate	276,160	301,832	6,478	295,354	—
Finance lease liabilities	5,233	5,979	1,487	4,360	132
Trade and other payables*	811,637	811,637	616,494	177,279	17,864
Bank overdrafts	22	22	22	—	—
	<u>2,190,710</u>	<u>2,316,374</u>	<u>672,112</u>	<u>1,520,711</u>	<u>123,551</u>
Derivative financial instruments					
Foreign exchange forward contracts (gross-settled)					
- inflow	(66,654)	(68,793)	(25,534)	(43,259)	—
- outflow	64,756	66,833	24,806	42,027	—
Interest rate swaps used for hedging (net-settled)	1,387	1,432	957	475	—
Cross currency interest rate swaps used for hedging (gross-settled)					
- inflow	(4,303)	(4,441)	(1,513)	(2,928)	—
- outflow	2,656	2,741	934	1,807	—
	<u>(2,158)</u>	<u>(2,228)</u>	<u>(350)</u>	<u>(1,878)</u>	<u>—</u>
	<u>2,188,552</u>	<u>2,314,146</u>	<u>671,762</u>	<u>1,518,833</u>	<u>123,551</u>

* Excludes advanced billings, contract liabilities and CCPS liabilities

Company	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000	After 5 years \$'000
2018					
Non-derivative financial liabilities					
Unsecured bank loans	510,125	553,775	14,952	538,823	—
Trade and other payables	831,310	831,310	831,310	—	—
	<u>1,341,435</u>	<u>1,385,085</u>	<u>846,262</u>	<u>538,823</u>	<u>—</u>
2017					
Non-derivative financial liabilities					
Trade and other payables	5,180	5,180	5,180	—	—

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Group is exposed to foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, cash and cash equivalents, loans and borrowings, receivables and payables, including inter-company sales, purchases and inter-company balances, that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the Singapore Dollar, Indian Rupee, Chinese Renminbi, Japanese Yen, United States ("US") Dollar and Malaysian Ringgit.

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 investments in Japan, as disclosed in note 22. The Group also limits 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). In addition, cross currency interest rate swaps are used to realign borrowings to the same currency of the Group's foreign investments in order to achieve a natural hedge as disclosed in note 22.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to foreign currency risk

The Group's and Company's exposures to foreign currency risk are as follows:

	Singapore Dollar \$'000	Indian Rupee \$'000	Chinese Renminbi \$'000	Japanese Yen \$'000	US Dollar \$'000	Malaysian Ringgit \$'000	Others \$'000
Group							
31 December 2018							
Trade and other receivables	341	5,824	—	—	4,406	—	2,204
Intra-group receivables	6	1,295	137	—	41,552	431	(1)
Cash and cash equivalents	19,543	—	72,435	269	9,722	448	213
Loans and borrowings	(6,516)	—	—	—	(213)	—	(206)
Trade and other payables	(46,334)	(119,380)	(9,078)	(577)	(27,375)	(105)	(317)
Intra-group payables	(338,526)	—	(445)	—	(41,420)	(1,072)	(37)
Call option granted to non-controlling interests	—	(1,599)	—	—	—	—	—
Foreign exchange forward contracts	—	—	—	(59,222)	—	—	—
	(371,486)	(113,860)	63,049	(59,530)	(13,328)	(298)	1,856

	Singapore Dollar \$'000	Indian Rupee \$'000	Chinese Renminbi \$'000	Japanese Yen \$'000	US Dollar \$'000	Malaysian Ringgit \$'000	Others \$'000
Group							
31 December 2017							
Trade and other receivables	—	4,605	—	—	1,095	—	—
Intra-group receivables	1	3,518	—	—	539	108	—
Cash and cash equivalents	606	—	72,920	4,809	556,840	456	12
Trade and other payables	(4,438)	(217,503)	(9,263)	(581)	(19,920)	(29)	(51)
Intra-group payables	(16,228)	—	(419)	—	(313)	(631)	—
Call option granted to non-controlling interests	—	(7,357)	—	—	—	—	—
Foreign exchange forward contracts	—	—	—	(65,071)	—	—	—
	<u>(20,059)</u>	<u>(216,737)</u>	<u>63,238</u>	<u>(60,843)</u>	<u>538,241</u>	<u>(96)</u>	<u>(39)</u>

The foreign exchange forward contracts of \$59,222,000 (2017: \$65,071,000) are used for hedging future net income from Japan.

	US Dollar \$'000	Malaysian Ringgit \$'000
Company		
31 December 2018		
Cash and cash equivalents	452	155
Intra-group receivables	39,015	—
	<u>39,467</u>	<u>155</u>
31 December 2017		
Other receivables	587	—
Cash and cash equivalents	550,886	161
Intra-group payables	—	(3)
	<u>551,473</u>	<u>158</u>

Sensitivity analysis

A 10% strengthening of the following currencies against the respective functional currencies of the Group entities at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Group		Company	
	Equity \$'000	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000
31 December 2018				
Singapore Dollar	—	(37,149)	—	—
US Dollar	—	(1,333)	—	3,947
Indian Rupee	(11,938)	552	—	—
Chinese Renminbi	—	6,305	—	—
Japanese Yen	—	(5,953)	—	—
Malaysian Ringgit	—	(30)	—	16
Others	—	186	—	—
	<u>(11,938)</u>	<u>(37,422)</u>	<u>—</u>	<u>3,963</u>

	Group		Company	
	Equity	Profit	Equity	Profit
	\$'000	or loss	\$'000	or loss
		\$'000		\$'000
31 December 2017				
Singapore Dollar	—	(2,006)	—	—
US Dollar	—	53,824	—	55,147
Indian Rupee	(21,750)	76	—	—
Chinese Renminbi	—	6,324	—	—
Japanese Yen	—	(6,084)	—	—
Malaysian Ringgit	—	(10)	—	16
Others	—	(3)	—	—
	<u>(21,750)</u>	<u>52,121</u>	<u>—</u>	<u>55,163</u>

On the outstanding foreign exchange forward contracts as at 31 December 2018, a 10% strengthening of Japanese Yen against Singapore Dollar would have a loss of \$5,922,000 (2017: \$6,507,000 loss) charged to profit or loss. However, this would have no significant impact to the Group as the Group would have a corresponding gain in its future net income from Japan as a result of the weakening of Singapore Dollar.

Interest rate risk

This relates to changes in interest rates which affect mainly the Group's fixed deposits and its loans and borrowings. The Group's fixed-rate financial assets and borrowings are exposed to a risk of change in their fair values due to changes in interest rates while the variable-rate financial assets and borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

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.

The Group manages its exposure to interest rate movements on certain floating rate loans and borrowings by entering into interest rate swaps and cross currency interest rate swaps as disclosed in note 22.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments is as follows:

	Group		Company	
	Nominal amount		Nominal amount	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments				
Non-convertible debentures	90,211	—	—	—
Fixed deposits	1,187,333	290,181	—	—
Bank loans	(6,516)	—	—	—
Fixed rate notes	(146,320)	(98,521)	—	—
Compulsorily convertible debentures	(82,355)	—	—	—
Loans from body corporates	(2,980)	—	—	—
Finance lease liabilities	(51,914)	(3,622)	—	—
	<u>987,459</u>	<u>188,038</u>	<u>—</u>	<u>—</u>
Variable rate instruments				
Cash and bank balances	—	703,322	—	703,322
Amounts due from subsidiaries	—	—	—	18,000
Bank loans	(1,756,204)	(1,003,603)	(515,000)	—
Loans from body corporates	(281,441)	(276,160)	—	—
Finances lease liabilities	—	(2,357)	—	—
Bank overdrafts	(26,712)	(22)	—	—
Financial guarantee	(10,276)	(10,100)	—	—
	<u>(2,074,633)</u>	<u>(588,920)</u>	<u>(515,000)</u>	<u>721,322</u>
Interest rate swaps	342,214	334,853	—	—
Cross currency interest rate swaps	125,188	125,188	—	—
	<u>(1,607,231)</u>	<u>(128,879)</u>	<u>(515,000)</u>	<u>721,322</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased/(decreased) assets, equity and profit or loss by amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Group	Equity		Profit or loss	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
31 December 2018				
Variable rate instruments	—	—	(20,746)	20,746
Interest rate swaps	5,036	(2,792)	3,422	(3,422)
Cross currency interest rate swaps	2,583	(2,645)	1,252	(1,252)
	<u>7,619</u>	<u>(5,437)</u>	<u>(16,072)</u>	<u>16,072</u>
31 December 2017				
Variable rate instruments	—	—	(5,889)	5,889
Interest rate swaps	4,089	(5,092)	3,349	(3,349)
Cross currency interest rate swaps	3,637	(3,717)	1,252	(1,252)
	<u>7,726</u>	<u>(8,809)</u>	<u>(1,288)</u>	<u>1,288</u>

Company	Profit or loss	
	100 bp increase \$'000	100 bp decrease \$'000
31 December 2018		
Variable rate instruments	<u>(5,150)</u>	<u>5,150</u>
31 December 2017		
Variable rate instruments	<u>7,213</u>	<u>(7,213)</u>

(v) **Hedge accounting**

Cash flow hedges

At 31 December 2018, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

Interest rate risk	Maturity	
	Within 1 year	More than 1 year
Cross currency interest rate swaps		
Net exposure (\$'000)	—	125,188
Average fixed interest rate	—	0.75%
Interest rate swaps		
Net exposure (\$'000)	145,452	196,762
Average fixed interest rate	<u>0.31%</u>	<u>0.2%</u>

The amounts at the reporting date relating to items designated as hedged items were as follows:

	2018		
	Change in value used for calculating hedge ineffectiveness \$'000	Hedge reserve \$'000	Balances remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied \$'000
Interest rate risk			
Variable-rate instruments	7,589	133	(134)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items resulting from cash flow hedge accounting.

	2018 Hedge reserve \$'000
Cash flow hedges	
At 1 January	(373)
Changes in fair value:	
Interest rate risk	861
Amounts reclassified to profit or loss:	
Interest rate risk	562
	1,423
OCI attributed to NCI	(916)
Changes in ownership interest in subsidiaries with no change in control	(1)
At 31 December	133

The amounts relating to items designated as hedging instruments were as follows:

2018									
	Nominal amount \$'000	Carrying amount		Line item in the statement of financial position where the hedging instrument is included		the hedged item is included	Changes in the value of the hedging instrument recognised in OCI \$'000	Hedge ineffectiveness recognised in profit or loss \$'000	Line item in profit or loss that includes hedge ineffectiveness
		Assets \$'000	Liabilities \$'000						
Interest rate risk									
Cross currency interest rate swaps	125,188	—	(3,023)	Financial derivatives	Loans and borrowings		727	—	Finance cost
Interest rate swaps	342,214	—	(1,017)	Financial derivatives	Loans and borrowings		134	562	Finance cost

Net investment hedges

The amounts related to items designated as hedging instruments were as follows:

2018							
	Nominal amount \$'000	Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI \$'000	Hedge ineffectiveness recognised in profit or loss \$'000	Line item in profit or loss that includes hedge ineffectiveness
		Assets \$'000	Liabilities \$'000				
Foreign exchange denominated loans and borrowings	613,722	—	(612,341)	Loans and borrowings	(26,291)	—	N.A.

The amounts related to items designated as hedged items were as follows:

2018			
	Change in value used for calculating hedge ineffectiveness \$'000	Exchange fluctuation reserve \$'000	Balances remaining in the exchange fluctuation reserve from hedging relationships for which hedge accounting is no longer applied \$'000
JPY net investment	15,537	(28,627)	—

(vi) Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount					Fair value				
Group	Note	Mandatorily Fair value – at FVTPL – others \$'000	hedging instruments \$'000	Amortised cost \$'000	FVOCI – equity instruments \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2018											
Financial assets measured at fair value											
Foreign exchange forward contracts	22	281	–	–	–	–	281	–	281	–	281
Put option	22	1,235	–	–	–	–	1,235	–	–	1,235	1,235
Unquoted equity securities	11	–	–	–	3,728	–	3,728	–	–	3,728	3,728
Mutual funds	11	1,400	–	–	–	–	1,400	–	1,400	–	1,400
		<u>2,916</u>	<u>–</u>	<u>–</u>	<u>3,728</u>	<u>–</u>	<u>6,644</u>				
Financial assets not measured at fair value											
Non-convertible debentures	9	–	–	90,211	–	–	90,211				
Amounts due from joint ventures	10	–	–	6,447	–	–	6,447				
Fixed deposits	11	–	–	34,865	–	–	34,865				
Trade and other receivables#	15	–	–	465,136	–	–	465,136				
Cash and cash equivalents	16	–	–	2,099,852	–	–	2,099,852				
		<u>–</u>	<u>–</u>	<u>2,696,511</u>	<u>–</u>	<u>–</u>	<u>2,696,511</u>				
Financial liabilities measured at fair value											
Foreign exchange forward contracts	22	(314)	–	–	–	–	(314)	–	(314)	–	(314)
Interest rate swaps used for hedging	22	–	(1,017)	–	–	–	(1,017)	–	(1,017)	–	(1,017)
Cross currency interest rate swaps used for hedging	22	–	(3,023)	–	–	–	(3,023)	–	(3,023)	–	(3,023)
Call option granted to non-controlling interests	22	(1,599)	–	–	–	–	(1,599)	–	–	(1,599)	(1,599)
Liabilities on put options granted to non-controlling interests	24	–	–	–	–	(345,327)	(345,327)	–	–	(345,327)	(345,327)
		<u>(1,913)</u>	<u>(4,040)</u>	<u>–</u>	<u>–</u>	<u>(345,327)</u>	<u>(351,280)</u>				
Financial liabilities not measured at fair value											
Bank overdrafts	16	–	–	–	–	(26,712)	(26,712)				
Loans and borrowings											
- Unsecured fixed rate notes	21	–	–	–	–	(146,208)	(146,208)	–	(146,687)	–	(146,687)
- Others	21	–	–	–	–	(2,139,294)	(2,139,294)				
Trade and other payables^	24	–	–	–	–	(1,618,329)	(1,618,329)				
		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,930,543)</u>	<u>(3,930,543)</u>				

Excludes prepayments

^ Excludes advanced billings, contract liabilities and liabilities on put options granted to non-controlling interests

Parkway Pantai Limited and its subsidiaries
Financial statements
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Group	Note	Carrying amount					Fair value				
		At fair value \$'000	Fair value – hedging instruments \$'000	Loans and receivables \$'000	Available- for-sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2017											
Financial assets measured at fair value											
Foreign exchange forward contracts	22	1,898	—	—	—	—	1,898	—	1,898	—	1,898
Cross currency interest rate swaps used for hedging	22	—	1,647	—	—	—	1,647	—	1,647	—	1,647
Put option	22	531	—	—	—	—	531	—	—	531	531
		<u>2,429</u>	<u>1,647</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,076</u>				
Financial assets not measured at fair value											
Fixed deposits	11	—	—	11,461	—	—	11,461				
Available-for-sale unquoted equity securities	11	—	—	—	3,724	—	3,724				
Trade and other receivables#	15	—	—	270,343	—	—	270,343				
Cash and cash equivalents	16	—	—	1,439,952	—	—	1,439,952				
		<u>—</u>	<u>—</u>	<u>1,721,756</u>	<u>3,724</u>	<u>—</u>	<u>1,725,480</u>				
Financial liabilities measured at fair value											
Interest rate swaps used for hedging	22	—	(1,387)	—	—	—	(1,387)	—	(1,387)	—	(1,387)
Call option granted to non-controlling interests	22	(7,357)	—	—	—	—	(7,357)	—	—	(7,357)	(7,357)
CCPS liabilities	24	(30,480)	—	—	—	—	(30,480)	—	—	(30,480)	(30,480)
Liabilities on put options granted to non-controlling interests	24	—	—	—	—	(224,727)	(224,727)	—	—	(224,727)	(224,727)
		<u>(37,837)</u>	<u>(1,387)</u>	<u>—</u>	<u>—</u>	<u>(224,727)</u>	<u>(263,951)</u>				
Financial liabilities not measured at fair value											
Bank overdrafts	16	—	—	—	—	(22)	(22)				
Loans and borrowings											
- Unsecured fixed rate notes	21	—	—	—	—	(98,460)	(98,460)	—	(98,542)	—	(98,542)
- Others	21	—	—	—	—	(1,280,591)	(1,280,591)				
Trade and other payables^	24	—	—	—	—	(586,910)	(586,910)				
		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,965,983)</u>	<u>(1,965,983)</u>				

Excludes prepayments

^ Excludes advanced billings, contract liabilities, CCPS liabilities and liabilities on put options granted to non-controlling interests

	Note	Amortised cost \$'000	Other financial liabilities \$'000	Total carrying amount \$'000
Company				
31 December 2018				
Financial assets not measured at fair value				
Trade and other receivables#	15	359,415	—	359,415
Cash and cash equivalents	16	33,717	—	33,717
		<u>393,132</u>	<u>—</u>	<u>393,132</u>
Financial liabilities not measured at fair value				
Loans and borrowings	21	—	(510,125)	(510,125)
Trade and other payables	24	—	(831,310)	(831,310)
		<u>—</u>	<u>(1,341,435)</u>	<u>(1,341,435)</u>
31 December 2017				
Financial assets not measured at fair value				
Trade and other receivables#	15	93,832	—	93,832
Cash and cash equivalents	16	718,353	—	718,353
		<u>812,185</u>	<u>—</u>	<u>812,185</u>
Financial liabilities not measured at fair value				
Trade and other payables	24	—	(5,180)	(5,180)

Excludes prepayments

(vii) Measurement of fair values

The carrying amounts of financial assets and financial liabilities with a maturity of less than one year (including trade and other receivables, other financial assets, cash and cash equivalents, bank overdrafts and trade and other payables) approximate their fair values due to their short-term nature and the effect of discounting is immaterial.

(a) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type Group	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Foreign exchange forward contracts, interest rate swaps, and cross currency interest rate swaps	<i>Market comparison technique:</i> The fair values are based on valuations provided by the financial institutions that are the counterparties to the transactions. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.	Not applicable	Not applicable
Call option granted to non-controlling interests	<i>Black Scholes model</i>	• Risk-adjusted discount rate at 7.0% (2017: 6.4%) • Dividend yield at nil% (2017: nil%) • Volatility at 31.2% (2017: 33.2%)	The estimated fair value would increase/(decrease) if the risk-adjusted discount rates were lower/(higher). The estimated fair value would increase/(decrease) if the dividend yield were lower/(higher). The estimated fair value would increase/(decrease) if volatility were higher/(lower).
CCPS liabilities and liabilities on put options granted to non-controlling interests	<i>Discounted cash flows:</i> The fair values are based on the subsidiary's equity value computed mainly using the discounted cash flow method based on present value of projected free cash flows of the subsidiary discounted using a risk-adjusted discount rate. For liabilities on put options granted to non-controlling interests, the expected payment is then discounted using a risk-adjusted discount rate.	Risk-adjusted discount rates at 13.0% to 15.3% (2017: 13.3% to 15.0%)	The estimated fair value would increase/(decrease) if the risk-adjusted discount rates were lower/(higher).

Financial instruments not measured at fair value

Type	Valuation technique
Group	
Unsecured fixed rate notes	<i>Market comparison:</i> The fair value is estimated considering recent quoted prices in markets that are not active.

(b) Transfer between Level 1 and 2 fair values

There are no transfers between Level 1 and 2 during the financial year.

(c) Level 3 fair value

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Group				
	Unquoted equity securities*	Put option	Call option granted to non-controlling interests	CCPS liabilities	Liabilities on put options granted to non-controlling interests
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2017	—	531	(5,836)	(26,603)	(201,963)
Arising from business combination	—	—	—	—	(7,183)
Translation differences on consolidation	—	—	—	528	—
	—	531	(5,836)	(26,075)	(209,146)
Change in fair value	—	—	(1,521)	(4,405)	(15,581)
At 31 December 2017	—	531	(7,357)	(30,480)	(224,727)
At 1 January 2018	—	531	(7,357)	(30,480)	(224,727)
Reclassification on application of SFRS(I) 9	3,724	—	—	—	—
Arising from business combination	—	—	—	—	(218,735)
Reclassified to equity	—	—	—	28,450	—
Translation differences on consolidation	4	—	—	2,030	2,464
	3,728	531	(7,357)	—	(440,998)
Change in fair value	—	704	5,758	—	95,671
At 31 December 2018	3,728	1,235	(1,599)	—	(345,327)

* The unquoted equity securities are measured at cost as the fair values of unquoted equity securities cannot be reliably measured in view that they do not have a quoted market price in an active market.

30 Commitments – Group

	2018 \$'000	2017 \$'000
(a) Capital commitments not provided for in the financial statements:		
- Amounts authorised and contracted for	291,077	208,858
- Amounts authorised but not contracted for	349,598	487,385
	<u>640,675</u>	<u>696,243</u>
(b) Non-cancellable operating leases payable:		
- Within 1 year	39,814	25,986
- After 1 year but within 5 years	94,741	48,017
- After 5 years	74,271	5,885
	<u>208,826</u>	<u>79,888</u>
(c) Non-cancellable operating leases receivable:		
- Within 1 year	68,662	63,994
- After 1 year but within 5 years	211,449	198,342
- After 5 years	230,399	253,391
	<u>510,510</u>	<u>515,727</u>
(d) Joint ventures:		
- Share of capital commitment of joint ventures	<u>42,193</u>	<u>44,908</u>

Pursuant to the acquisition of 31.1% equity interest in Fortis, Northern TK Venture Pte Ltd (“NTK”), a wholly owned subsidiary, is required to carry out the following subsequent to year ended 31 December 2018:

- (i) Mandatory Open Offer for acquisition of up to 26% of paid up equity shares of Fortis at INR170 per share (“Fortis Open Offer”).
- (ii) Mandatory Open Offer for acquisition of up to 26% paid up equity shares of Fortis Malar Hospitals Limited (“Malar Open Offer”)

The maximum number of Fortis shares that NTK will be acquiring will only be determined at a later date nearer to the start of the Fortis Open Offer. The maximum number of Fortis Malar Hospitals Limited shares and the acquisition price per share of the Malar Open Offer will only be determined at a later date nearer to the start of the Malar Open Offer.

On 14 December 2018, the Honorable Supreme Court of India had passed an order (“Order”) directing “status quo with regard to the sale of controlling stake in Fortis to Malaysian IHH Healthcare Berhad to be maintained”. In light of the Order, the Group is not able to proceed with the Fortis Open Offer for the time being until further order(s)/clarification(s)/direction(s) are issued by the Supreme Court of India and/or the Securities and Exchange Board of India. NTK is also not able to proceed with the Malar Open Offer as the Malar Open Offer is conditional upon the completion of the Fortis Open Offer.

31 Related parties – Group

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, the Heads of the Singapore, Malaysia, India, North Asia and Southeast Asia divisions and key management officers of the corporate office to be key management personnel in accordance with SFRS(I) 1-24 *Related Party Disclosures*.

Key management personnel compensation comprised:

	2018 \$'000	2017 \$'000
Short-term employee benefits	7,794	8,293
Share-based payments	4,886	4,853
	<u>12,680</u>	<u>13,146</u>

Other transactions with key management personnel

	2018 \$'000	2017 \$'000
Director of the Company		
Sales and provision of services	—	2
A firm in which a director is a member		
Professional fees paid	<u>(4)</u>	<u>—</u>

Other related party transactions

Other than as disclosed elsewhere in the financial statements, transactions carried out on terms agreed with related parties are as follows:

	2018 \$'000	2017 \$'000
Ultimate holding company		
Sales and provision of services	12	7
Rental income	<u>699</u>	<u>685</u>
Associates and joint ventures		
Sales and provision of services	3,578	3,032
Rental income	530	543
Purchases and consumption of services	<u>(5,332)</u>	<u>(4,900)</u>
Related corporations		
Consultancy services rendered	265	109
Purchases and consumption of services	<u>(1,158)</u>	<u>(1,125)</u>

	2018 \$'000	2017 \$'000
Major shareholders of ultimate holding company and their subsidiaries		
Sales and provision of services	993	1,404
Director of a subsidiary		
Consultancy fees paid	(47)	(87)

Significant related party balances related to the above transactions are disclosed in notes 15 and 24. As at 31 December, balances due from major shareholders of the ultimate holding company and their subsidiaries and associates are as follows:

	2018 \$'000	2017 \$'000
Trade and other receivables	23	18

32 Changes in ownership interests in subsidiaries

Changes in ownership interests in subsidiaries in 2018

- (i) In January and February 2018, Parkway Healthcare Mauritius Ltd acquired a total of 1.70% equity interest in Ravindranath GE Medical Associates Private Limited ("RGE") for INR 272,109,000 (equivalent to \$5,666,000) in cash, increasing the Group's effective ownership from 76.25% to 77.96%.

The Group recognised a decrease in non-controlling interests of \$446,000 and a decrease in capital reserve of \$5,220,000.

- (ii) In February 2018, Parkway Holdings Limited divested 26% equity interest in Gleneagles JPMC Sdn Bhd ("GJPMC") for \$4,203,000 in cash, reducing the Group's effective ownership in GJPMC from 75% to 49%.

The carrying amount of GJPMC's net assets in the Group's financial statements on the date of divestment was \$24,469,000. The Group recognised an increase in non-controlling interests of \$6,362,000 and a decrease in capital reserve of \$2,159,000.

- (iii) In April 2018, PTML transferred units in PLife REIT of \$418,000 held in its own capacity, to its employees pursuant to its LTI Plan (see note 23). This resulted in a 0.02% decrease in the Group's effective ownership in PLife REIT from 35.65% to 35.63%.

The carrying amount of PLife REIT's net assets in the Group's financial statements on the date of transfer was \$401,346,000. The Group recognised an increase in non-controlling interests of \$81,000, an increase in capital reserve of \$338,000, and a decrease in hedge reserve of \$1,000.

- (iv) In May 2018, Gleneagles Development Pte Ltd (“GDPL”) acquired additional 9.10% equity interest in Continental Hospitals Pte Ltd (“CHPL”) for INR 1,400,000,000 (equivalent to \$27,804,000) in cash through subscription of new shares issued, increasing the Group’s effective ownership from 53.13% to 62.23%.

The carrying amount of CHPL’s net assets in the Group’s financial statements on the date of acquisition was \$39,633,000. The Group recognised an increase in non-controlling interests of \$6,895,000 and a decrease in capital reserve of \$6,895,000.

- (v) In August 2018, the Group’s effective interest in RGE was diluted from 77.96% to 73.87% as the conversion ratios for the remaining tranches of CCPS held by the non-controlling interests were fixed and these CCPS were reclassified from other payables to equity.

The carrying amount of RGE’s net assets in the Group’s financial statements on the date of dilution was \$18,718,000. The Group recognised an increase in non-controlling interests of \$8,199,000 and an increase in capital reserve of \$20,251,000.

Changes in ownership interests in subsidiaries in 2017

- (i) In April and June 2017, GDPL acquired a total of 2.13% additional equity interest in CHPL for INR 250,000,000 (equivalent to \$5,419,000) in cash through subscription of new shares issued, increasing the Group’s effective ownership from 51.0% to 53.13%.

The Group recognised an increase in non-controlling interests of \$1,450,000 and a decrease in capital reserve of \$1,450,000.

- (ii) In April 2017, PTML transferred units in PLife REIT of \$371,000 held in its own capacity, to its employees pursuant to its LTI Plan (see note 23). This resulted in a 0.03% decrease in the Group’s effective ownership in PLife REIT from 35.68% to 35.65%.

The carrying amount of PLife REIT’s net assets in the Group’s financial statements on the date of transfer was \$410,508,000. The Group recognised an increase in non-controlling interests of \$83,000, an increase in capital reserve of \$288,000, a decrease in exchange fluctuation reserve of \$1,000 and an increase in hedge reserve of \$1,000.

- (iii) In April 2017, Parkway Group Healthcare Pte. Ltd. (“PGH”) divested 29.9% equity interest in PCH Holding Pte. Ltd. (“PCH”) through a combination of secondary sale and allotment of new shares by PCH for cash considerations of RMB 307,455,000 (equivalent to \$62,475,000) and RMB 807,113,000 (equivalent to \$164,005,000) and respectively. The Group’s effective ownership in PCH and its subsidiaries (“PCH Group”) was reduced from 100.0% to 70.1%.

The carrying amount of PCH Group’s net assets in the Group’s financial statements on the date of divestment was \$169,799,000. The Group recognised an increase in non-controlling interests of \$99,808,000, an increase in capital reserve of \$96,234,000 and a decrease in exchange fluctuation reserve of \$358,000.

Pursuant to the divestment, PGH received a deposit of RMB10,000,000 (equivalent to \$2,038,000) from the non-controlling interest for granting PGH a put option to require the non-controlling interest to purchase another 10.1% shares in PCH from PGH when the regulations allow the non-controlling interest to increase its stake in PCH. The put option is valid till July 2018 and the deposit is non-refundable if the put option is not exercised.

- (iv) In May 2017, Gleneagles (Malaysia) Sdn. Bhd. acquired an additional 1.10% equity interest in Pulau Pinang Clinic Sdn. Bhd. ("PPCSB") for RM 5,928,000 (equivalent to \$1,904,000) in cash, increasing the Group's effective ownership from 70.77% to 71.87%.

The carrying amount of PPCSB's net assets in the Group's financial statements on the date of acquisition was \$84,672,000. The Group recognised a decrease in non-controlling interests of \$937,000 and a decrease in capital reserve of \$967,000.

33 Acquisition of subsidiaries

(i) Chengdu Shenton Health Clinic Co., Ltd ("Chengdu Shenton")

On 16 March 2018, Medical Resources International Pte Ltd acquired 60% of the ordinary shares and voting interests in Chengdu Shenton for a total cash consideration of RMB 12 million (equivalent to \$2,492,000).

Chengdu Shenton manages and operates medical and health related facilities and services. The acquisition will establish the Group's presence in Chengdu.

For the nine and half months ended 31 December 2018, Chengdu Shenton contributed revenue of \$106,000 and loss of \$1,418,000 to the Groups' results. If the acquisition had occurred on 1 January 2018, management estimates that consolidated profit for the year would have been \$287,594,000.

(ii) Amanjaya Specialist Centre Sdn Bhd ("Amanjaya")

On 1 October 2018, Pantai Hospitals Sdn Bhd acquired 100% of the ordinary shares and voting interests in Amanjaya for a total cash consideration of RM104,762,000 (equivalent to \$34,624,000).

Amanjaya owns and operates a 98-bed capacity multi-discipline specialist hospital known as Amanjaya Specialist Centre (Pusat Pakar Amanjaya) located in Sungai Petani, Kedah, Malaysia. The acquisition will help meet the growing demand for healthcare at the Group's wholly-owned 118-bed Pantai Hospital Sungai Petani and to better serve the local community.

For the three months ended 31 December 2018, Amanjaya contributed revenue of \$2,940,000 and profit of \$731,000 to the Groups' results. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue would have been \$2,546,555,000 and consolidated profit for the year would have been \$285,857,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

(iii) Fortis

On 13 November 2018, NTK subscribed to 235,294,117 new ordinary shares of Fortis, representing 31.1% equity interest and obtained majority control of the Board in Fortis Group for a total cash consideration of INR 40.0 billion (equivalent to \$781.2 million). The acquisition also triggered a Mandatory Open Offer and NTK is obliged to purchase ordinary shares in Fortis, representing additional 26 % interest in Fortis group (see note 30).

The acquisition represents an opportunity for the Group to expand its growth footprint in India, given India's tremendous growth potential with the rising demand for quality private healthcare.

For the one and half months ended 31 December 2018, Fortis Group contributed revenue of \$72,678,000 and profit of \$3,595,000 to the Groups' results. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue would have been \$3,331,145,000 and consolidated profit for the year would have been \$30,501,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

(iv) Angsana Holdings Pte Ltd ("Angsana")

On 31 July 2017, the Company subscribed to new ordinary shares issued by Angsana, representing 55% equity interest and majority voting rights in Angsana and its subsidiaries ("Angsana Group") for a total cash consideration of \$9,300,000. Angsana Group owns and operates The College of American Pathologists ("CAP") accredited molecular diagnostic laboratories in Singapore and Hong Kong, providing test services, including biochemistry, chemistry, haematology and molecular blood analysis and testing. The acquisition is expected to provide synergies with the Group's existing laboratory business, including complementary product offerings and cost savings.

For the five months ended 31 December 2017, Angsana Group contributed revenue of \$953,000 and loss of \$2,229,000 to the Group's results. If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue would have been \$2,256,233,000 and consolidated profit for the year would have been \$163,564,000.

(a) Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

		2018			2017	
	Note	Chengdu Shenton \$'000	Amanjaya \$'000	Fortis Group ⁽¹⁾ \$'000	Total \$'000	Angsana Group ⁽²⁾ \$'000
Property, plant and equipment	4	1,697	17,850	570,885	590,432	2,027
Intangible assets	7	—	—	18,706	18,706	—
Interests in associates		—	—	234,045	234,045	—
Interest in joint ventures		—	—	6,187	6,187	—
Trade and other receivables		55	1,639	169,670	171,364	1,224
Deferred tax assets	12	—	—	84,292	84,292	1
Tax recoverables		—	—	80,477	80,477	—
Inventories		—	239	12,006	12,245	130
Other financial assets		—	—	29,449	29,449	—
Cash and cash equivalents		224	3,056	798,853	802,133	9,679
Bank overdraft		—	—	(42,799)	(42,799)	—
Loans and borrowings		—	(7,285)	(332,011)	(339,296)	(2,018)
Employee benefits		—	—	(21,779)	(21,779)	—
Trade and other payables		(1,114)	(1,160)	(431,947)	(434,221)	(2,989)
Deferred tax liabilities	12	—	(1,969)	(28,450)	(30,419)	—
Current tax payable		—	—	(1,720)	(1,720)	—
Total identifiable net assets		862	12,370	1,145,864	1,159,096	8,054

- (1) The fair value of identifiable assets acquired, liabilities assumed, non-controlling interests in the acquisition are provisional in view that the acquisition was completed close to the reporting date and the purchase price allocation exercise cannot be completed by then. As permitted by SFRS(I) 3 Business Combinations, provisional fair values can be used for a period of 12 months from the acquisition date to reflect the initial accounting for business combinations.
- (2) Following the completion of the final purchase price allocation during the year, no adjustments were made to the provisional fair values originally recorded in the prior year in respect of Angsana Group.

(b) Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired Valuation technique

Property, plant and equipment	<i>Market comparison technique and cost technique:</i> The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
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(c) Net cash outflow arising from acquisition of subsidiaries

	2018			2017	
	Chengdu Shenton \$'000	Amanjaya \$'000	Fortis Group \$'000	Total \$'000	Angsana Group \$'000
Purchase consideration in cash and cash equivalents	2,492	34,624	781,200	818,316	9,300
Less: cash and cash equivalents (net of bank overdraft) acquired	(224)	(3,056)	(756,054)	(759,334)	(9,679)
	2,268	31,568	25,146	58,982	(379)

(d) Goodwill

		2018			2017	
	Note	Chengdu Shenton \$'000	Amanjaya \$'000	Fortis Group \$'000	Total \$'000	Angsana Group \$'000
Total consideration		2,492	34,624	781,200	818,316	9,300
Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree		345	—	869,319	869,664	3,624
Fair value of identifiable net assets		(862)	(12,370)	(1,145,864)	(1,159,096)	(8,054)
Goodwill	7	1,975	22,254	504,655	528,884	4,870

Goodwill comprises of expected synergies from integrating the operations of the Group and the acquiree, and expected upside potential from leveraging the Group's international private healthcare experience to operate the acquiree. Goodwill also includes value for assets that are not separately identifiable.

(e) Acquisition-related costs

The Group incurred acquisition-related costs of \$12,548,000 (2017: \$7,244,000) during the year on external legal fees, due diligence costs and other expenses. These costs had been included in other operating expenses in profit or loss.

34 Subsidiaries

Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest	
				2018 %	2017 %
<u>Direct subsidiaries</u>					
Parkway Holdings Limited	Investment holding	Singapore		100	100
Angsana Holdings Pte. Ltd.	Investment holding	Singapore	33	55	55
Pantai Holdings Sdn. Bhd.	Investment holding	Malaysia		100	100
Gleneagles Development Pte Ltd ⁽¹⁾	Investment holding	Singapore		100	100
Northern TK Venture Pte. Ltd.	Investment holding	Singapore		100	100
Parkway Group Healthcare Pte Ltd ⁽²⁾	Investment holding and provision of management and consultancy services	Singapore		100	100
Parkway HK Holdings Limited ⁽³⁾	Investment holding	Hong Kong		100	100
Parkway Healthcare Indo-China Pte. Ltd.	Investment holding	Singapore		100	100
Pantai Diagnostics Indonesia Sdn. Bhd.	Dormant	Malaysia		100	100
<u>Indirect subsidiaries</u>					
Held through Parkway Holdings Limited:					
Parkway Hospitals Singapore Pte. Ltd.	Private hospitals ownership and management	Singapore		100	100
Parkway Novena Pte. Ltd.	Development, ownership and management of private hospital premises	Singapore		100	100
Parkway Irrawaddy Pte. Ltd.	Development, ownership and management of a medical centre	Singapore		100	100

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest 2018 %	2017 %
<u>Indirect subsidiaries</u>					
Held through Parkway Holdings Limited (cont'd):					
Parkway Shenton Pte Ltd	Investment holding and operation of a network of clinics and provision of comprehensive medical and surgical advisory services	Singapore		100	100
Medi-Rad Associates Ltd	Operation of radiology clinics	Singapore		100	100
Parkway Laboratory Services Ltd.	Provision of comprehensive diagnostic laboratory services	Singapore		100	100
Gleneagles Medical Holdings Limited	Investment holding	Singapore		100	100
Parkway College of Nursing and Allied Health Pte. Ltd.	Provision of courses in nursing and allied health	Singapore		100	100
iXchange Pte. Ltd.	Agent and administrator for managed care and related services	Singapore		100	100
Parkway Trust Management Limited	Provision of management services to PLife REIT	Singapore		100	100
Parkway Investments Pte. Ltd.	Investment holding	Singapore		100	100
Gleneagles JPMC Sdn Bhd ⁽⁴⁾	Management and operation of a cardiac and cardiothoracic care centre	Brunei Darussalam	32	49	75
Gleneagles Management Services Pte Ltd	Provision of advisory, administrative, management and consultancy services to healthcare facilities	Singapore		100	100
Held through Parkway Hospitals Singapore Pte. Ltd.:					
Parkway Promotions Pte Ltd	Dormant	Singapore		100	100
MENA Services Pte Ltd	Struck off	Singapore		—	100

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest	
				2018 %	2017 %
<u>Indirect subsidiaries</u>					
Held through Parkway Shenton Pte Ltd:					
Nippon Medical Care Pte Ltd	Operation of clinic	Singapore		70	70
Parkway Shenton International Holdings Pte. Ltd.	Investment holding	Singapore		100	100
Shenton Family Medical Clinics Pte Ltd	To provide, establish and carry on the business of clinics	Singapore		100	100
Held through Parkway Shenton International Holdings Pte. Ltd.:					
Parkway Shenton Vietnam Limited	Dormant	Vietnam		100	100
Held through Medi-Rad Associates Ltd:					
Radiology Consultants Pte Ltd	Provision of radiology consultancy and interpretative services	Singapore		100	100
Held through Parkway Investments Pte. Ltd.:					
Gleneagles Technologies Services Pte Ltd	Dormant	Singapore		100	100
Gleneagles Medical Centre Ltd.	Dormant	Singapore		100	100
Gleneagles Pharmacy Pte Ltd	Dormant	Singapore		100	100
Mount Elizabeth Medical Holdings Ltd.	Investment holding	Singapore		100	100
Parkway Life Real Estate Investment Trust ⁽⁵⁾	Real estate investment trust	Singapore	32	35.63	35.65
Held through Parkway Life Real Estate Investment Trust:					
Matsudo Investment Pte. Ltd.	Investment holding	Singapore		35.63	35.65
Parkway Life Japan2 Pte. Ltd.	Investment holding	Singapore		35.63	35.65
Parkway Life Japan3 Pte. Ltd.	Investment holding	Singapore		35.63	35.65
Parkway Life Japan4 Pte. Ltd.	Investment holding	Singapore		35.63	35.65

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest 2018 %	2017 %
<u>Indirect subsidiaries</u>					
Held through Parkway Life Real Estate Investment Trust (cont'd):					
Parkway Life Malaysia Pte. Ltd.	Investment holding	Singapore		35.63	35.65
Parkway Life MTN Pte. Ltd.	Provision of financial and treasury services	Singapore		35.63	35.65
Held through Matsudo Investment Pte. Ltd.:					
Godo Kaisha Phoebe**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Held through Parkway Life Japan2 Pte. Ltd.:					
Godo Kaisha Del Monte**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Tenshi 1**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Tenshi 2**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
G.K. Nest**	Special purpose entity - Investment in real estate	Japan		35.63	—
Held through Parkway Life Japan3 Pte. Ltd.:					
Godo Kaisha Healthcare 1**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Healthcare 2**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Healthcare 3**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Healthcare 4**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Healthcare 5**	Special purpose entity - Investment in real estate	Japan		35.63	35.65

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest	
				2018 %	2017 %
<u>Indirect subsidiaries</u>					
Held through Parkway Life Japan4 Pte. Ltd.:					
Godo Kaisha Samurai**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Samurai 2**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Samurai 3**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Samurai 4**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Samurai 5**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Samurai 6**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Samurai 7**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Samurai 8**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Samurai 9**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Samurai 10**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Samurai 11**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Godo Kaisha Samurai 12**	Special purpose entity - Investment in real estate	Japan		35.63	35.65
Held through Parkway Life Malaysia Pte. Ltd.:					
Parkway Life Malaysia Sdn. Bhd.	Special purpose entity - Investment in real estate	Malaysia		35.63	35.65

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest 2018 %	Effective equity interest 2017 %
<u>Indirect subsidiaries</u>					
Held through Angsana Holdings Pte. Ltd.:					
Angsana Molecular & Diagnostics Laboratory Pte. Ltd.	Provision of molecular diagnostic laboratory services	Singapore		55	55
Angsana Molecular & Diagnostics Laboratory (HK) Limited	Provision of molecular diagnostic laboratory services	Hong Kong		55	55
Angsana Molecular & Diagnostics Laboratory Sdn Bhd	Conduct research laboratories and related business including taking blood samples for testing	Malaysia		55	55
Held through Angsana Molecular & Diagnostics Laboratory Pte. Ltd.:					
Allergy Laboratory Pte Ltd	Dormant	Singapore		55	55
Held through Pantai Holdings Sdn. Bhd.:					
Pantai Group Resources Sdn. Bhd.	Investment holding	Malaysia		100	100
Pantai Hospitals Sdn. Bhd.	Investment holding and provision of management and consultation services to hospitals and medical centres	Malaysia		100	100
Pantai Management Resources Sdn. Bhd.	Dormant	Malaysia		100	100
Gleneagles (Malaysia) Sdn. Bhd.	Investment holding	Malaysia		100	100
Held through Pantai Group Resources Sdn. Bhd.:					
P.T. Pantai Healthcare Consulting ⁽⁶⁾	Provision of healthcare consulting services in Indonesia	Indonesia		100	100
Pantai Premier Pathology Sdn. Bhd.	Provision of medical laboratory services	Malaysia		100	100
Pantai Integrated Rehab Services Sdn. Bhd.	Provision of rehabilitation services	Malaysia		100	100

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest 2018 %	2017 %
<u>Indirect subsidiaries</u>					
Held through Pantai Group Resources Sdn. Bhd. (cont'd):					
Pantai Wellness Sdn. Bhd.	Provision of health and wellness services	Malaysia		100	100
Twin Towers Healthcare Sdn. Bhd.	In liquidation	Malaysia		100	100
Twin Towers Medical Centre KLCC Sdn. Bhd.	Operation of outpatient and daycare medical centre	Malaysia		100	100
POEM Corporate Health Services Sdn. Bhd.	Provision of occupational and environmental health services and other industry specific medical services to corporate clients	Malaysia		100	100
Held through Pantai Premier Pathology Sdn. Bhd.:					
Orifolio Options Sdn. Bhd.	Letting of property	Malaysia		100	100
Held through Pantai Hospitals Sdn. Bhd.:					
Pantai Medical Centre Sdn. Bhd.	Provision of medical, surgical and hospital services	Malaysia		100	100
Cheras Medical Centre Sdn. Bhd.	Dormant	Malaysia		100	100
Pantai Klang Specialist Medical Centre Sdn. Bhd.	Dormant	Malaysia		100	100
Syarikat Tunas Pantai Sdn. Bhd.	Provision of medical, surgical and hospital services	Malaysia		100	100
Paloh Medical Centre Sdn. Bhd.	Provision of medical, surgical and hospital services	Malaysia		95.6	95.6
Hospital Pantai Ayer Keroh Sdn. Bhd.	Dormant	Malaysia		100	100
Hospital Pantai Indah Sdn. Bhd.	Provision of medical, surgical and hospital services	Malaysia		100	100

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest 2018 %	Effective equity interest 2017 %
<u>Indirect subsidiaries</u>					
Held through Pantai Hospitals Sdn. Bhd. (cont'd):					
Pantai Hospital Sungai Petani Sdn. Bhd.	Dormant	Malaysia		100	100
Pantai Screening Services Sdn. Bhd.	Dormant	Malaysia		100	100
Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd. ⁽⁷⁾	Dormant	Malaysia		100	100
Pantai Hospital Manjung Sdn. Bhd.	Dormant	Malaysia		100	100
Pantai Hospital Johor Sdn. Bhd.	Development, construction and leasing of medical facility buildings	Malaysia		100	100
Kuala Lumpur Medical Centre (Asia Pacific) Sdn. Bhd.	Struck off	Malaysia		—	51
Amanjaya Specialist Centre Sdn. Bhd	Specialist hospital	Malaysia	33	100	—
Held through Pantai Medical Centre Sdn. Bhd.:					
Pantai-ARC Dialysis Services Sdn. Bhd.	Provision of haemodialysis services	Malaysia		51	51
Oncology Centre (KL) Sdn. Bhd.	Provision of comprehensive professional oncological services	Malaysia		100	100
HPAK Cancer Centre Sdn. Bhd.	Liquidated	Malaysia		—	100
Held through Gleneagles (Malaysia) Sdn. Bhd.:					
Pulau Pinang Clinic Sdn. Bhd.	Rendering of hospital services	Malaysia		71.87	71.87
GEH Management Services (M) Sdn. Bhd.	Dormant	Malaysia		100	100

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest	
				2018 %	2017 %
<u>Indirect subsidiaries</u>					
Held through Gleneagles Development Pte. Ltd.:					
Parkway Healthcare India Private Limited	Provision of management and consultancy services	India		100	100
Ravindranath GE Medical Associates Private Limited ⁽⁸⁾	Private hospital ownership and management, specialty tertiary care including multi organ transplant healthcare facility	India	32	73.87	76.25
Continental Hospitals Private Limited	Private hospital ownership and management	India	32	62.23	53.13
Held through Ravindranath GE Medical Associates Private Limited:					
Global Clinical Research Services Private Limited	Provision clinical research services	India		73.63	76.02
Centre for Digestive and Kidney Diseases (India) Private Limited	Private hospital ownership and management, specialty tertiary care including multi organ transplant healthcare facility	India		48	49.55
Held through Continental Hospitals Private Limited:					
C3 Health Community Corporation Private Limited	Operation of clinics	India		60.99	52.07
Continental Community Clinics Private Limited	Dormant	India		60.99	52.07
Held through Northern TK Venture Pte. Ltd.:					
Fortis Healthcare Limited ⁽⁹⁾	Investment holding	India	33	31.1	—
Held through Fortis Healthcare Limited:					
Fortis Hospitals Limited	Operation of a network of multi-specialty hospitals	India		31.1	—
Escorts Heart Institute & Research Centre Limited	Operation of a multi-specialty hospital	India		31.1	—

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest	
				2018	2017
				%	%
<u>Indirect subsidiaries</u>					
Held through Fortis Healthcare Limited (cont'd):					
Fortis Hospotel Limited*	Operation of clinical establishment	India		15.86	—
Hiranandani Healthcare Private Limited	Operation of a multi-specialty hospital	India		31.1	—
SRL Limited	Operation of a network of diagnostics centres	India		17.66	—
Fortis La Femme Limited	Investment holding	India		31.1	—
Fortis CSR Foundation*	Corporate Social Responsibilities foundation	India		31.1	—
Fortis Healthcare International Limited*	Investment holding	Mauritius		31.1	—
Held through Fortis Hospitals Limited:					
Fortis Emergency Services Limited*	Operation of ambulance services	India		31.1	—
Fortis Cancer Care Limited	Investment holding	India		31.1	—
Fortis Malar Hospitals Limited	Operation of a multi-specialty hospital	India		19.58	—
Fortis Health Management (East) Limited	Operation of a hospital	India		31.1	—
Birdie & Birdie Realtors Private Limited*	Rental of immovable property	India		31.1	—
Stellant Capital Advisory Services Private Limited*	Merchant banker	India		31.1	—
Fortis Global Healthcare (Mauritius) Limited*	Investment holding	Mauritius		31.1	—
Held through Fortis Malar Hospitals Limited:					
Malar Stars Medicare Limited	Investment holding	India		19.58	—

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest 2018 %	Effective equity interest 2017 %
<u>Indirect subsidiaries</u>					
Held through Stellant Capital Advisory Services Private Limited:					
RHT Health Trust Manager Pte Ltd*	Trustee-manager of a Business Trust	Singapore		31.1	—
Held through Escorts Heart Institute & Research Centre Limited:					
Fortis Asia Healthcare Pte Limited*	Investment holding	Singapore		31.1	—
Fortis Health Staff Limited*	Operation of a network of heart command centres	India		31.1	—
Held through Fortis Asia Healthcare Pte Limited:					
Fortis Healthcare International Pte Limited*	Investment holding	Singapore		31.1	—
Held through Fortis Healthcare International Pte Limited:					
MENA Healthcare Investment Company Limited*	Investment holding	British Virgin Islands		25.67	—
Held through MENA Healthcare Investment Company Limited:					
Medical Management Company Limited*	Investment holding	British Virgin Islands		25.67	—
Held through SRL Limited:					
SRL Diagnostics Private Limited	Operation of a network of diagnostics centres	India		17.66	—
SRL Diagnostics FZ-LLC*	Operation of a network of diagnostics centres	United Arab Emirates		17.66	—
SRL Reach Limited	Operation of a network of diagnostics centres	India		17.66	—
Held through SRL Diagnostics FZ-LLC:					
SRL Diagnostics Middle East LLC*	Investment holding	United Arab Emirates		8.65	—

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest 2018 %	Effective equity interest 2017 %
<u>Indirect subsidiaries</u>					
Held through Parkway Group Healthcare Pte Ltd:					
Parkway-Healthcare (Mauritius) Ltd*	Investment holding	Mauritius		100	100
Gleneagles International Pte. Ltd.	Investment holding	Singapore		100	100
Shanghai Gleneagles International Medical and Surgical Centre	Liquidated	People’s Republic of China		—	70
PCH Holding Pte. Ltd.	Investment holding	Singapore	32	70.1	70.1
Shanghai Gleneagles Hospital Management Co., Ltd	Provision of management and consultancy services to healthcare facilities	People’s Republic of China		100	100
Held through PCH Holding Pte. Ltd.:					
M & P Investments Pte Ltd	Investment holding	Singapore		70.1	70.1
Medical Resources International Pte Ltd	Investment holding	Singapore		70.1	70.1
Parkway (Shanghai) Hospital Management Ltd.	Provision of management and consultancy services to healthcare facilities	People’s Republic of China		70.1	70.1
Held through M & P Investments Pte Ltd:					
ParkwayHealth Shanghai Hospital Company Limited <i>(formerly known as ParkwayHealth Shanghai International Hospital Company Limited)</i>	Provision of medical and health related facilities and services	People’s Republic of China		49.07	49.07
Gleneagles Chengdu Hospital Co., Ltd	Provision of specialised care and services	People’s Republic of China		49.07	49.07
ParkwayHealth Zifeng Nanjing OBGYN Hospital Company Limited	Provision of medical and health related facilities and services	People’s Republic of China		42.06	42.06

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest 2018 %	Effective equity interest 2017 %
<u>Indirect subsidiaries</u>					
Held through Medical Resources International Pte Ltd:					
Shanghai Rui Xin Healthcare Co., Ltd. ⁽¹⁰⁾	Provision of medical and healthcare outpatient services	People’s Republic of China		70.1	70.1
Shanghai Rui Hong Clinic Co., Ltd. ⁽¹¹⁾	Provision of medical and healthcare outpatient services	People’s Republic of China		70.1	70.1
Shanghai Xin Rui Healthcare Co., Ltd. ⁽¹²⁾	Provision of medical and healthcare outpatient services	People’s Republic of China		70.1	70.1
Chengdu Shenton Health Clinic Co., Ltd	Management and operation of medical and health related facilities and services	People’s Republic of China	33	42.06	–
Held through Parkway (Shanghai) Hospital Management Ltd.:					
Shanghai Shu Kang Hospital Investment Management Co., Ltd.	Investment holding	People’s Republic of China		70.1	70.1
Suzhou Industrial Park Yuan Hui Clinic Co., Ltd.	Provision of medical and healthcare outpatient services	People’s Republic of China		70.1	70.1
Held through Shanghai Shu Kang Hospital Investment Management Co., Ltd.:					
Shanghai Mai Kang Hospital Investment Management Co., Ltd.	Investment holding	People’s Republic of China		70.1	70.1
Held through Shanghai Mai Kang Hospital Investment Management Co., Ltd.:					
Chengdu Rui Rong Clinic Co., Ltd.	Provision of medical and healthcare outpatient services	People’s Republic of China		70.1	70.1
Shanghai Rui Pu Clinic Co., Ltd.	Provision of medical and healthcare outpatient services	People’s Republic of China		70.1	70.1
Shanghai Rui Xiang Clinic Co., Ltd.	Provision of medical and healthcare outpatient services	People’s Republic of China		70.1	70.1
Shanghai Rui Ying Clinic Co., Ltd.	Provision of medical and healthcare outpatient services	People’s Republic of China		70.1	70.1

Name of subsidiary	Principal activities	Place of incorporation and business	Note	Effective equity interest	
				2018	2017
				%	%

Indirect subsidiaries

Held through Parkway HK Holdings Limited:

Parkway Healthcare (Hong Kong) Limited	Provision of medical and healthcare outpatient services	Hong Kong		100	100
GHK Hospital Limited	Private hospital ownership, development and management	Hong Kong		60	60

Held through Parkway Healthcare Indo-China Pte. Ltd.:

Andaman Alliance Healthcare Limited*	Provision of medical and health related facilities and services	Myanmar		52	52
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- (1) The Company holds more than 99.99% share in Gleneagles Development Pte Ltd. The rest is held by Gleneagles International Pte. Ltd.
- (2) The Company holds 78.52% share in Parkway Group Healthcare Pte Ltd. The other 21.48% is held by Parkway Holdings Limited.
- (3) The Company holds 99.99% share in Parkway HK Holdings Limited. The other 0.01% is held by Parkway Holdings Limited.
- (4) Notwithstanding that the equity interest is not more than 50%, the Group has accounted for Gleneagles JPMC Pte Ltd as a subsidiary in accordance with SFRS(I) 10 *Consolidated Financial Statements* as the Group controls the Board of the entity.
- (5) Parkway Investments Pte. Ltd. holds 35.25% (2017: 35.25%) units in PLife REIT. The other 0.38% (2017: 0.40%) is held by Parkway Trust Management Limited. Notwithstanding that the equity interest is not more than 50%, the Group has accounted for PLife REIT as a subsidiary in accordance with SFRS(I) 10 *Consolidated Financial Statements* as 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.
- (6) Pantai Group Resources Sdn. Bhd. holds 50% share in P.T. Pantai Healthcare Consulting. The other 50% is held by Pantai Hospitals Sdn. Bhd.
- (7) Pantai Hospitals Sdn. Bhd. holds 70% share in Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd. The other 30% is held by Gleneagles (Malaysia) Sdn. Bhd.
- (8) Gleneagles Development Pte Ltd holds 72.26% (2017: 76.25%) share in Ravindranath GE Medical Associates Pte Ltd ("RGE"). The other 1.61% is held by Parkway-Healthcare (Mauritius) Ltd. The Group consolidated 73.87% (2017: 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 73.87% (2017: 72.26%) on a fully diluted basis.
- (9) Notwithstanding that the equity interest is not more than 50%, the Group has accounted for Fortis Healthcare Limited as a subsidiary in accordance with SFRS(I) 10 *Consolidated Financial Statements* as the Group controls the Board of the entity.

- (10) Medical Resources International Pte Ltd holds 70% share in Shanghai Rui Xin Healthcare Co., Ltd. The other 30% is held by Shanghai Mai Kang Hospital Investment Management Co., Ltd.
- (11) Medical Resources International Pte Ltd holds 70% share in Shanghai Rui Hong Clinic Co., Ltd. The other 30% is held by Shanghai Mai Kang Hospital Investment Management Co., Ltd.
- (12) Medical Resources International Pte Ltd holds 70% share in Shanghai Xin Rui Healthcare Co., Ltd. The other 30% is held by Shanghai Mai Kang Hospital Investment Management Co., Ltd.
- * Audited by firms other than member firms of KPMG International
- ** Not required to be audited under the laws of country of incorporation.

Notwithstanding that the Group does not have any direct or indirect shareholdings in the special purpose entities ("SPEs") listed above, the Group has accounted for the SPEs as subsidiaries in accordance with SFRS(I) 10 *Consolidated Financial Statements* as the Group receives substantially all of the returns related to the SPEs' operation and net assets and has the current ability to direct these SPEs' activities that most significantly affect their returns based on the terms of agreements under which these SPEs were established.

Significant restrictions

PLife REIT

The Group does not have significant restrictions on its ability to access or use the assets and settle the liabilities of PLife REIT other than those resulting from the regulatory framework within which the subsidiary operates. PLife REIT is regulated by the Monetary Authority of Singapore ("MAS") and is supervised by the Singapore Exchange Securities Trading Limited ("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 2018, the carrying amounts of PLife REIT's assets and liabilities are \$1,499,814,000 and \$749,045,000 respectively (2017: \$1,444,350,000 and \$697,370,000 respectively).

35 Associates

Details of associates are as follows:

Name of associate	Principal activities	Place of incorporation and business	Effective equity interest held	
			2018	2017
			%	%
<u>Indirect associates</u>				
Held through Medi-Rad Associates Ltd:				
Positron Tracers Pte. Ltd.	Ownership and operation of a cyclotron	Singapore	33	33

Name of associate	Principal activities	Place of incorporation and business	Effective equity interest held	
			2018 %	2017 %
<u>Indirect associates</u>				
Held through Gleneagles Medical Holdings Limited:				
PT Tritunggal Sentra Utama Surabaya*	Provision of medical diagnostic services	Indonesia	30	30
Asia Renal Care Mount Elizabeth Pte Ltd*	Provision of dialysis services and medical consultancy services	Singapore	20	20
Asia Renal Care (Katong) Pte Ltd*	Provision of dialysis services and medical consultancy services	Singapore	20	20
Held through Gleneagles (Malaysia) Sdn. Bhd.:				
Gleneagles Medical Centre (Kuala Lumpur) Sdn. Bhd.	Liquidated	Malaysia	—	30
Held through Fortis Healthcare Limited:				
Sunrise Medicare Private Limited* In liquidation		India	9.72	—
Held through Fortis Healthcare International Pte Limited:				
Lanka Hospital Corporation PLC	Operation of a multi-specialty hospital	Sri Lanka	8.91	—
Held through Fortis Healthcare International Limited:				
Medical and Surgical Centre Limited*	Operation of a multi-specialty hospital	Mauritius	8.98	—
RHT Health Trust*(1)	Business Trust	Singapore	8.65	—
(1) Fortis Healthcare International Limited holds 25.14% share in RHT Health Trust. The other 2.68% is held by RHT Health Trust Manager Pte Limited.				
* Audited by firms other than member firms of KPMG International				

36 Joint ventures

Details of joint ventures are as follows:

Name of joint venture	Principal activities	Place of incorporation and business	Effective equity interest held	
			2018 %	2017 %
<u>Indirect joint ventures</u>				
Held through Parkway Shenton Pte Ltd:				
Hale Medical Clinic (Concourse) Pte. Ltd.	In liquidation	Singapore	50	50
Held through Shenton Family Medical Clinic Pte Ltd:				
Shenton Family Medical Clinic (Ang Mo Kio)	Operation of medical clinic	Singapore	60	—
Shenton Family Medical Clinic (Bedok Reservoir)	Operation of medical clinic	Singapore	50	50
Shenton Family Medical Clinic (Bukit Gombak)	Deregistered	Singapore	—	50
Shenton Family Medical Clinic (Duxton)	Operation of medical clinic	Singapore	50	50
Shenton Family Medical Clinic (Jurong East)	Operation of medical clinic	Singapore	50	50
Shenton Family Medical Clinic (Serangoon)	Deregistered	Singapore	—	50
Shenton Family Medical Clinic (Tampines)	Operation of medical clinic	Singapore	50	50
Shenton Family Medical Clinic (Towner)	Operation of medical clinic	Singapore	50	50
Shenton Family Medical Clinic (Yishun)	Operation of medical clinic	Singapore	50	50
Held through Gleneagles Development Pte Ltd:				
Apollo Gleneagles Hospital Ltd	Private hospital ownership and management	India	50	50
Held through Fortis Hospitals Limited:				
Fortis C-Doc Healthcare Limited*	Operation of a hospital	India	18.66	—

Name of joint venture	Principal activities	Place of incorporation and business	Effective equity interest held	
			2018 %	2017 %
<u>Indirect joint ventures</u>				
Held through SRL Limited:				
SRL Diagnostics (Nepal) Private Limited*	Operation of a network of diagnostics centres	Nepal	8.83	—
Held through SRL Diagnostics Private Limited:				
DDRC SRL Diagnostics Private Limited*	Operation of a network of diagnostics centres	India	8.83	—
Held through Fortis Cancer Care Limited:				
Fortis Cauvery (Partnership Firm)*	Under members voluntary liquidation	India	15.86	—
Held through Parkway Group Healthcare Pte Ltd:				
Khubchandani Hospitals Private Limited	Dormant	India	50	50
Held through Parkway-Healthcare (Mauritius) Ltd:				
Apollo Gleneagles PET-CT Limited	Operation of PET-CT radio imaging centre	India	50	50
Held through Shanghai Mai Kang Hospital Investment Management Co., Ltd.:				
Shanghai Hui Xing Hospital Investment Management Co., Ltd. ⁽¹⁾	Investment holding	People’s Republic of China	42.06	42.06
Held through Shanghai Hui Xing Hospital Investment Management Co., Ltd.:				
Shanghai Hui Xing Jinpu Clinic Co., Ltd. ⁽¹⁾	Provision of medical and healthcare outpatient services	People’s Republic of China	42.06	42.06

⁽¹⁾ The Group has accounted for the entity as a joint venture in accordance with SFRS(I), on the basis that the entity's operating decisions are jointly made with the joint venture partner .

* Audited by firms other than member firms of KPMG International

37 Non-controlling interests

The following subsidiaries have non-controlling interests ("NCI") that are material to the Group:

Name	Country of incorporation	Ownership interests held by NCI	
		2018	2017
Fortis Group	India	68.90%	—
PLife REIT	Singapore	64.37%	64.35%
PCH Group ⁽¹⁾	Singapore	29.90%	29.90%
GHK Hospital Limited ⁽²⁾	Hong Kong	40%	40%

⁽¹⁾ Not considered material in 2018

⁽²⁾ Not considered material in 2017

The following summarised financial information for the above subsidiaries are prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies, if any.

	Fortis Group \$'000	PLife REIT \$'000	GHK \$'000	Other individually immaterial subsidiaries \$'000	Intra-group elimination \$'000	Total \$'000
As at 31 December 2018						
Non-current assets	1,382,741	1,475,065	833,870			
Current assets	899,246	24,749	30,034			
Non-current liabilities	(257,344)	(735,500)	(1,128,293)			
Current liabilities	(516,189)	(13,545)	(69,051)			
Net assets	1,508,454⁽¹⁾	750,769	(333,440)			
Net assets attributable to NCI	608,412	483,270	(133,376)	476,407	(217,686)	1,217,027

Year ended 31 December 2018

Revenue	72,678	112,375	97,135			
Profit for the year	3,595	84,867	(140,818)			
Other comprehensive income	(13,828)	(2,424)	(5,888)			
Total comprehensive income	(10,233)⁽²⁾	82,443	(146,706)			
Attributable to NCI:						
- Profit	1,839	54,510	(56,327)	(933)	—	(911)
- Other comprehensive income	(6,618)	(1,573)	(2,355)	(8,816)	—	(19,362)
- Total comprehensive income	(4,779)	52,937	(58,682)	(9,749)	—	(20,273)

Cash flows from/(used in) operating activities	4,205	88,350	(59,198)			
Cash flows from/(used in) investing activities	11,509	(27,776)	(7,648)			
Cash flows (used in)/from financing activities	(58,404)	(64,709)	46,208			
Net decrease in cash and cash equivalents	(42,690)	(4,135)	(20,638)			
Dividends paid to NCI	—	50,509	—			

- ⁽¹⁾ Includes net assets of \$254,656,000 attributable to NCIs within Fortis Group which are individually immaterial.
⁽²⁾ Includes total comprehensive income of \$1,996,000 loss attributable to NCIs within Fortis Group which are individually immaterial.

	PLife REIT \$'000	PCH Group \$'000	Other individually immaterial subsidiaries \$'000	Intra-group elimination \$'000	Total \$'000
As at 31 December 2017					
Non-current assets	1,416,154	146,866			
Current assets	28,196	309,964			
Non-current liabilities	(669,347)	(2,265)			
Current liabilities	(28,023)	(61,423)			
Net assets	746,980	393,142⁽¹⁾			
Net assets attributable to NCI	480,682	101,966	39,592	(217,608)	404,632
Year ended 31 December 2017					
Revenue	109,644	71,264			
Profit for the year	71,702	5,602			
Other comprehensive income	5,027	(1,441)			
Total comprehensive income	76,729	4,161⁽²⁾			
Attributable to NCI:					
- Profit	45,754	1,869	(69,926)	—	(22,303)
- Other comprehensive income	3,244	(939)	3,155	—	5,460
- Total comprehensive income	48,998	930	(66,771)	—	(16,843)
Cash flows from operating activities	80,746	56,386			
Cash flows used in investing activities	(71,170)	(9,807)			
Cash flows (used in)/from financing activities	(52,876)	189,121			
Net (decrease)/increase in cash and cash equivalents	(43,300)	235,700			
Dividends paid to NCI	50,722	—			

- ⁽¹⁾ Includes net assets of \$44,680,000 attributable to NCIs within PCH Group which are individually immaterial.
⁽²⁾ Includes total comprehensive income of \$1,915,000 loss attributable to NCIs within PCH Group which are individually immaterial.

38 Contingent liabilities

The following material litigations and investigations of Fortis occurred prior to the Group's acquisition of its 31.1% interest in Fortis on 13 November 2018.

- (i) In respect of Escorts Heart Institute and Research Centre Limited (“EHIRCL”), a subsidiary of Fortis:

The Delhi Development Authority (“DDA”) had terminated the lease deeds and allotment letters relating to land parcels on which the Fortis Escorts Hospital exists due to certain alleged non-compliances of such documents. Consequent to the termination, the DDA issued show cause notices and initiated eviction proceedings against EHIRCL. These terminations, show cause notices and eviction proceedings have been challenged by EHIRCL before the Hon’ble High Court of Delhi, Hon’ble Supreme Court and Estate Officer, respectively which are currently pending. Based on the external legal counsel opinions, EHIRCL is of the view that it will be able to suitably defend the termination orders, show cause notices and eviction proceedings.

Further EHIRCL also has open tax demands of INR893.4 million (equivalent to \$17.3 million) for various assessment years before the Indian Income-tax authorities. While the Commissioner of Income Tax (Appeals) decided the case in favour of EHIRCL in the past, the Income Tax Department has filed an appeal before Income Tax Appellate Tribunal (“ITAT”) and the matter is currently pending at the ITAT. Based on management assessment, EHIRCL believes that it has a good chance of success in these cases. Nevertheless, EHIRCL has a right to appeal to the High Court and the Supreme Court of India, thereafter.

In relation to the judgement of the Hon’ble High Court of Delhi relating to provision of free treatment/beds to the economically weaker sections of society pursuant to such obligations set forth under certain land grant orders/allotment letters (“EWS Obligations”), the Directorate of Health Services (“DoHS”), Government of NCT of Delhi, appointed a firm to calculate “unwarranted profits” arising to EHIRCL due to alleged non-compliance of such EWS Obligations. Following various hearings and appeals between 2014 and 2018, in a hearing before the DoHS in May 2018, an order was passed imposing a penalty of INR5.03 billion (equivalent to \$97.1 million) which was challenged by EHIRCL before the Delhi High Court. Through an order dated 1 June 2018, the Delhi High Court has issued notice and directed that no coercive steps may be taken subject to EHIRCL depositing a sum of INR50 million (equivalent to \$1.0 million) before the DoHS. In compliance of the above direction, EHIRCL had deposited the stipulated amount on 20 June 2018. A hearing on this matter was held on 12 March 2019 and adjourned for next hearing on 25 April 2019. Based on its internal assessment and advice from its counsels on the basis of the documents available, EHIRCL believes it is in compliance of the EWS Obligations and expects the demand to be set aside.

- (ii) In respect of Hiranandani Healthcare Private Limited (“HHPL”), a subsidiary of Fortis:

Through an order dated January 8, 2017, the Navi Mumbai Municipal Corporation (“NMMC”) has terminated the lease agreements with HHPL (“Termination Order”) for certain alleged contravention of such hospital lease agreement. HHPL has filed a writ petition before the Hon’ble Supreme Court of India towards challenging the Termination Order. The writ petition has been tagged with special leave petition which has also been filed by HHPL for *inter-alia* challenging the actions of State Government, City Industrial Development Corporation and the NMMC which led to the passing of the Termination Order. The Hon’ble Supreme Court of India in the hearing held on 30 January 2017 ordered that *status quo* be maintained with regard to the operation of the hospital. Further, the special leave petition has been admitted by the Hon’ble Supreme Court on 22 January 2018 and *status quo* has been continuing ever since. Based on external legal counsel’s opinion, HHPL is confident that it is in compliance of conditions of the hospital lease agreements and accordingly considers that no provisions were required.

- (iii) A civil suit has been filed by a third party ("Claimant") against Fortis and certain subsidiaries (together 'Defendants') before the District Court, Delhi alleging, *inter-alia*, implied ownership of the 'Fortis', 'SRL' and 'La-Femme' brands in addition to certain other financial claims and seeking a decree that consequent to a term sheet with a certain party, Fortis is liable for claims due to the Claimant from that certain party. In connection with this, the District Court passed an *ex-parte* order directing that any transaction undertaken by the defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed by the District Court in the said civil suit. Additionally, the said certain party with whom the term sheet had been allegedly signed has also claimed that Fortis has not abided by the aforementioned term sheet and has therefore claimed alleged ownership over the brands apart from the alleged claim to have a right to invest in Fortis.

Fortis has filed written statements denying all allegations made against it and sought for dismissal of the said civil suit. Allegations made by the said certain party have been duly responded by Fortis denying (i) execution of any binding agreement with certain party, and (ii) liability of any kind whatsoever.

In addition to the above, Fortis has also received four notices from the Claimant claiming (i) INR180 million (equivalent to \$3.5 million) as per notices dated 30 May 2018, and 1 June 2018, (ii) INR2,158 million (equivalent to \$41.7 million) as per notice dated 4 June 2018, and (iii) INR196 million (equivalent to \$3.8 million) as per notice dated 4 June 2018. All these notices have been responded by Fortis denying any liability whatsoever.

Based on opinions from external legal counsel, Fortis believes that the claims are without legal basis and are not tenable and accordingly, no provisions were required.

- (iv) Fortis, having considered all necessary facts and taking into account external legal advice, had decided to treat as non-est the Letter of Appointment dated 27 September 2016, as amended, ("LOA") issued to Malvinder Mohan Singh, the erstwhile Executive Chairman in relation to his appointment as "Lead: Strategic Initiatives" in the Strategy Functions. The external legal counsel has also advised that the payments made to him under this LOA would be considered to be covered under the limits of Section 197 of the Indian Companies Act, 2013. In view of the above, Fortis has taken requisite action to recover the amounts paid to the erstwhile Executive Chairman during his tenure under the aforesaid LOA and certain additional amounts reimbursed in relation to expenses incurred (in excess of amounts approved by the Central Government under Section 197 of the Indian Companies Act 2013 for remuneration & other reimbursement), aggregating to INR200.2 million (equivalent to \$3.9 million).

The erstwhile Executive Chairman has claimed an amount of INR461.0 million (equivalent to \$8.9 million) from Fortis towards his terms of employment. Fortis has responded denying any liability whatsoever in this regards.

Fortis has also filed a complaint against the erstwhile Executive Chairman before the Economic Offence Wing, New Delhi in the above matter.

39 Matters arising from investigations

The Group completed its acquisition of Fortis Healthcare Limited ("Fortis") and its subsidiaries ("Fortis Group") in November 2018. Prior to this acquisition, an investigation report by an independent external legal firm was submitted to the former Fortis board and there are ongoing investigations on Fortis by the Securities and Exchange Board of India ("SEBI") and the Serious Fraud Investigation Office ("SFIO"), Ministry of Corporate Affairs of India, both further explained below.

(a) *Independent investigation by external legal firm (prior to the acquisition of Fortis by IHH Group)*

The external legal firm's significant findings revealed that the Fortis Group had made investment placements in the nature of inter-corporate deposits ("ICDs") with three companies ("borrowing companies") totalling INR4,450 million (equivalent to \$85.9 million) which were impaired in full in the financial statements for the year ended 31 March 2018 of Fortis Group. The Fortis Group is in the process of evaluating the legal alternatives available to recover the aforesaid balances and interest thereon. The report suggested that the ICDs were utilised by the borrowing companies (possible related parties of Fortis Group in substance) for granting/repayment of loans to certain entities whose former directors of Fortis are connected with the former controlling shareholders of Fortis.

Additionally, the placement of ICDs, their subsequent assignment and the cancellation of such assignment were done without following the normal treasury operations and treasury mandate of Fortis Group; and without specific authorisation by the former board of Fortis.

As disclosed in note 38, a third party (to whom the ICDs were previously assigned) filed a civil suit in February 2018 against various entities including Fortis and have, *inter-alia*, claimed implied ownership of brands "Fortis", "SRL" and "La Femme". In the suit, it claimed that consequent to a term sheet, Fortis is liable for claims due to the third party from a certain party, in addition to total claims of INR2,534 million (equivalent to \$48.9 million) and other claims by the said certain party. Based on advice from external legal counsel, Fortis believes that these claims are without legal basis and are not tenable and accordingly, no provisions were required. Whilst this legal matter was included as part of the terms of reference of the investigation, the merits of the case cannot be reported since the matter was *sub-judice*.

Fortis Group acquired 71% equity interest in Fortis Healthstaff Limited ("Fortis Healthcare") at consideration of INR346,000 (equivalent to \$6,700), and 51% equity interest in Fortis Emergency Services Limited ("Fortis Emergency Services") at consideration of INR25,000 (equivalent to \$483). Loans of INR79.45 million (equivalent to \$1.5 million) and INR20.8 million (equivalent to \$402,000), were advanced to these newly-acquired subsidiaries to repay the outstanding unsecured loan amounts due to companies related to the former controlling shareholders of Fortis. The report suggested that the loan repayment and some other payments to companies connected to the former controlling shareholders of Fortis may have been ultimately routed through various intermediary companies and used for repayment of the ICDs/vendor advance to Fortis Group.

(b) *Regulatory investigations (prior to the acquisition of Fortis by IHH Group)*

On 17 October 2018 and 21 December 2018, SEBI issued interim orders, indicating, amongst others, certain transactions were structured by some identified entities, which were prima facie fictitious and fraudulent in nature, resulting in *inter-alia* diversion of funds from the Fortis Group for the ultimate benefit of former controlling shareholders of Fortis (and certain entities controlled by them) and misrepresentation in financial statements for the year ended 31 March 2018 of Fortis Group. Further, it issued certain interim directions, *inter-alia*, directing Fortis shall take all necessary steps to recover INR4,030 million (equivalent to \$77.8 million), along with due interest, from former controlling shareholders of Fortis and various other entities identified in the orders.

The matter before SEBI is *sub-judice* and its investigation has not yet concluded.

Similarly, the investigation by the SFIO is ongoing. Fortis Group has been submitting all the information required by the various investigating agencies and is fully cooperating in the investigations/ inquiries.

(c) Actions taken by Fortis Group

With respect to the above findings by the external legal firm, the Fortis Board has implemented specific improvement projects to strengthen the process and control environment. These include review and revision of operational and financial authority levels, greater oversight by Fortis Board, review and improve financial reporting processes, more robust secretarial documentation in regards to compliance to regulatory requirements and improving systems design and control enhancement. Accordingly, steps have been taken in relation to enhanced authority levels for payments/transfer of funds within Fortis Group, and review of borrowings above certain levels by the Fortis Board. Fortis Group had also disengaged itself from the former controlling shareholders. Fortis Board continues to evaluate other areas to strengthen processes and build a robust governance framework. The Fortis Board has initiated an enquiry of the management of the certain entities in the Fortis Group that were impacted in respect of the matters investigated by the external legal firm. To this end, Fortis Board will also initiate a forensic audit to ascertain the extent of diversion of funds from Fortis Group.

As per the directions from SEBI, Fortis Group has taken steps to recover dues from the former controlling shareholders of Fortis and various other entities. These include initiating civil actions against these entities demanding recovery of the outstanding amounts together with interest and to secure repayment of the outstanding amounts on the assets of these entities.

Based on the findings of investigations to-date, all identified/required adjustments/disclosures have been recorded in the financial statements of Fortis Group prior to the Group's acquisition in November 2018. Any further adjustments/disclosures, if required, would be made in the financial statements of Fortis Group pursuant to the above actions to be taken by the internal/regulatory investigations, as and when the outcome of the above is known. Any consequential adjustments may be recorded either as adjustments to the assets acquired and liabilities assumed in the acquisition which will have an impact to the provisional goodwill recognised by the Group on acquisition of Fortis under the purchase price allocation exercise, or as post-acquisition adjustments to be recognised in the financial statements of the Group in the period the adjustments are known.

40 Subsequent events

- (i) On 15 January 2019, Fortis had completed the acquisition of the equity and other securities of the following entities from Fortis Global Healthcare Infrastructure Pte Ltd, a wholly-owned subsidiary of RHT Health Trust, for a total cash consideration of INR46,663million (equivalent to \$901.1million). Post completion of the acquisition, the following entities have become direct/indirect wholly-owned subsidiaries of Fortis and thus also become indirect subsidiaries of the Company:
- International Hospital Limited;
 - Fortis Health Management Limited;
 - Escorts Heart and Super Speciality Hospital Limited;
 - Hospitalia Eastern Private Limited; and
 - Fortis Hospotel Limited.
- (ii) On 30 January 2019, the Company issued 83 million ordinary shares at \$10 per share to the immediate holding company via set off against the dividend payable of \$830 million as at 31 December 2018.

41 Comparative information – Group

During the year, the Group reclassified certain balances from interest in associates and interest in joint ventures upon adoption of SFRS(I) 9 *Financial Instruments*. Other balances were also reclassified to more appropriately reflect the nature of the balances. Comparative amounts in the statements of financial position were restated for consistency. The reclassifications did not have any effect on the statements of comprehensive income and cash flows.

The effects of the reclassification are set out below:

	As previously reported \$'000	Reclassification \$'000	Restated \$'000
<u>Statement of financial position</u>			
31 December 2017			
Non-current assets			
Interests in associates	2,497	266	2,763
Interests in joint ventures	50,364	(4,858)	45,506
Current assets			
Trade and other receivables	279,247	5,002	284,249
Non-current liabilities			
Loans and borrowings	1,078,479	276,160	1,354,639
Employee benefits	9,875	2,241	12,116
Trade and other payables	473,885	(276,160)	197,725
Current liabilities			
Employee benefits	23,653	3,297	26,950
Trade and other payables	656,277	(5,128)	651,149
1 January 2017			
Non-current assets			
Interests in associates	2,465	(16)	2,449
Interests in joint ventures	49,300	(2,812)	46,488
Current assets			
Trade and other receivables	254,629	2,972	257,601
Non-current liabilities			
Loans and borrowings	1,132,446	222,240	1,354,686
Employee benefits	8,629	1,114	9,743
Trade and other payables	450,192	(222,240)	227,952
Current liabilities			
Loans and borrowings	166,533	74,080	240,613
Employee benefits	20,523	2,901	23,424
Trade and other payables	563,073	(77,951)	485,122

42 Transition to SFRS(I) and adoption of new standards

In December 2017, the Accounting Standards Council (“ASC”) issued the Singapore Financial Reporting Standards (International) (“SFRS(I)”). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group’s date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In preparing the opening SFRS(I) statement of financial position, no adjustments have been made to amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers*.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group’s financial position, financial performance and cash flows is described below.

SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below. The information presented for 2017 has not been restated.

The Group has applied the following practical expedients:

- Completed contracts that began and ended in the same annual reporting period in 2017 and contracts completed at 1 January 2017 are not restated.
- The Group did not disclose for the periods presented before the initial application date, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue.

There is no significant financial impact upon the adoption of SFRS(I) 15.

SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

(i) Transition

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
 - The determination of the business model within which a financial asset is held;
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
 - The designation of an equity investment that is not held-for-trading as at fair value through other comprehensive income (“FVOCI”); and
 - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss (“FVTPL”).
- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 at 31 December 2017 met the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 and therefore were regarded as continuing hedging relationships.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

(ii) Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI - equity instrument, or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see note 3.3(ii).

The adoption of SFRS(I) 9 has not had a significant effect on the Group’s accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

Group	Note	Original classification under FRS39	New classification under SFRS(I) 9	1 January 2018	
				Original carrying amount under FRS 39 \$'000	New carrying amount under SFRS(I) 9 \$'000
Financial assets					
Foreign exchange forward contracts	22	At fair value	Mandatorily at FVTPL	1,898	1,898
Cross currency interest rate swaps used for hedging	22	Fair value – hedging instrument	Fair value – hedging instrument	1,647	1,647
Put option	22	At fair value	Mandatorily at FVTPL	531	531
Fixed deposits	11	Loans and receivables	Amortised cost	11,461	11,461
Unquoted equity securities ⁽¹⁾	11	Available-for-sale	FVOCI – equity instrument	3,724	3,724
Trade and other receivables ⁽²⁾	15	Loans and receivables	Amortised cost	270,343	270,343
Cash and cash equivalents	16	Loans and receivables	Amortised cost	1,439,952	1,439,952
Amounts due from joint ventures	10	Cost less accumulated impairment losses	Amortised cost	6,447	6,447
Total financial assets				1,736,003	1,736,003

Company	Note	Original classification under FRS39	New classification under SFRS(I) 9	1 January 2018	
				Original carrying amount under FRS 39 \$'000	New carrying amount under SFRS(I) 9 \$'000
Financial assets					
Trade and other receivables ⁽²⁾	15	Loans and receivables	Amortised cost	93,832	93,832
Cash and cash equivalents	16	Loans and receivables	Amortised cost	718,353	718,353
Total financial assets				812,185	812,185

⁽¹⁾ Unquoted equity securities represent investments that the Group intend to hold for the long term for strategic purposes. The Group have designated these investments at 1 January 2018 as measured at FVOCI. Unlike FRS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

⁽²⁾ Trade and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. The change in the allowance for impairment on transition to SFRS(I) 9 is immaterial to Group. Hence, no adjustment is made to the opening retained earnings of the Group at 1 January 2018.

(iii) Impairment of financial assets

SFRS(I) 9 replaces the ‘incurred loss’ model in FRS 39 with an “expected credit loss” (“ECL”) model. The new impairment model applies to financial assets measured at amortised cost, but not to equity instruments. The change in the allowance for impairment on transition to SFRS(I) 9 is immaterial to Group. Hence, no adjustment is made to the opening retained earnings of the Group at 1 January 2018.

Additional information about how the Group and the Company measure the allowance for impairment is described in note 29.

Hedging accounting

The Group adopted the new general hedge accounting model in SFRS(I) 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

43 New standards and interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2018.

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases - Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group plans to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach with no restatement of comparative information. The ROU assets for operating leases at 1 January 2019 will be measured at an amount equal to lease liabilities (subject to certain adjustments). Therefore, there is no adjustment to the opening balance of retained earnings at 1 January 2019. The Group also plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT4.

i. The Group as lessee

The Group expects to measure lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. Furthermore, the Group is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities, adjusted by the amounts of prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. For lease contracts that contain the option to renew, the Group is expected to use hindsight in determining the lease term.

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

At 1 January 2019, the Group expects to recognise lease liabilities of \$334,977,000 and corresponding right-of-use assets of \$334,977,000 pertaining to operating leases. In addition, leasehold lands and assets under finance lease arrangements (currently classified as property, plant and equipment) and prepaid lease payments will be reclassified to right-of-use assets as at 1 January 2019.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases.

ii. The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

No significant impact is expected for other leases in which the Group is a lessor.