KPJ HEALTHCARE BERHAD
(247079-M)

CARE FOR LIFE

ANNUAL REPORT 2012

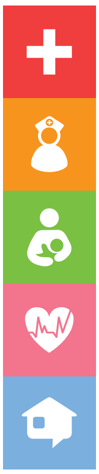
VISION & MISSION

KPJ Healthcare Berhad (KPJ or the Group) has come a long way from its beginnings as a single hospital in Johor Bahru 31 years ago. Leveraging on dynamic partnerships, a shared ambition to build healthier communities and a steadfast commitment to "Care for Life", the Group has grown from strength to strength and today operates Malaysia's largest network of 22 private specialist hospitals with a presence in almost every state. Together with our investments in Indonesia, Australia and Thailand, KPJ remains a solid, well-rounded proposition for shareholders.

In line with our Vision to become **THE PREFERRED HEALTHCARE PROVIDER**, we offer a continuum of highly sought after, specialised medical solutions that transcends borders and cultures while covering the entire patient lifecycle from pre-natal to geriatric care, as we aspire to be the lifelong companion to our patients throughout their healthcare journey.

In tandem with our Mission of **DELIVERING QUALITY HEALTHCARE SERVICES**, we are committed to delivering world-class patient care with professionalism and an undivided compassion to the many communities that we serve. The provision of quality healthcare services through continuous improvements in patient care and outcomes too remains a priority. In all that we do, we are supported by a dedicated team of some 9,000 employees who have wholeheartedly embraced the Group's culture of excellence and have been empowered with the skills to enhance patient care throughout our network.

CORE VALUES



ENSURING SAFETY

DELIVERING SERVICE WITH COURTESY

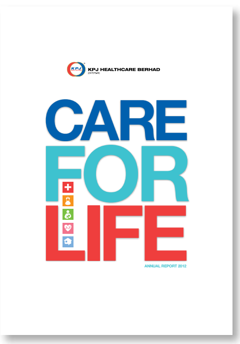
PERFORMING DUTIES WITH INTEGRITY

EXERCISING PROFESSIONALISM AT ALL TIMES

STRIVING FOR CONTINUOUS IMPROVEMENT

As our team undertakes its roles and responsibilities with a spirit of excellence and a passion that exceeds stakeholder expectations all the time, every time, they are guided by the Group's Core Values of Ensuring **Safety**, Delivering Service with **Courtesy**, Performing Duties with **Integrity**, Exercising **Professionalism** at All Times, and Striving for **Continuous Improvement**; all of which underscore our commitment to "**Care for Life**"throughout every aspect of our operations.

As the KPJ team works cohesively together, staying close to our Core Values and bringing to the fore our priorities of patient safety and quality medical care, we are confident of gaining patient confidence, reinforcing our reputation as a serious contender in the healthcare sector, and creating sustainable value for all shareholders.



Cover Rationale

Our 2012 Annual Report cover portrays KPJ's "Care for Life" philosophy in our bold red and blue corporate colours. This philosophy reflects the Group's commitment to caring for life through providing world-class patient care with professionalism and an undivided compassion to the many communities that we serve. At the same time, it serves to show that even as KPJ makes good strides forward on the financial and operational fronts, we remain committed to undertaking responsible social and environmental practices that underscore our commitment to "Care for Life".

Within the words "Care for Life" are five icons which reflect the Group's five Core Values. These values which call for us to ensure safety, deliver service with courtesy, perform our duties with integrity, exercise professionalism at all times and strive for continuous improvement, guide us in all that we do and uphold our commitment to "Care for Life".

CONTENTS

CORPORATE DIRECTORY

CENTRAL
KPJ Ampang Puteri Specialist Hospital
KPJ Damansara Specialist Hospital
KPJ Selangor Specialist Hospital
KPJ Tawakkal Specialist Hospital
KPJ Kajang Specialist Hospital
Sentosa Medical Centre
KPJ Klang Specialist Hospital

NORTHERN
KPJ Ipoh Specialist Hospital
KPJ Penang Specialist Hospital
Taiping Medical Centre
Kedah Medical Centre
Sri Manjung Specialist Centre

EAST COAST
KPJ Perdana Specialist Hospital
Kuantan Specialist Hospital

SOUTHERN
KPJ Johor Specialist Hospital
KPJ Puteri Specialist Hospital
KPJ Seremban Specialist Hospital
Kluang Utama Specialist Hospital
KPJ Pasir Gudang Specialist Hospital

EAST MALAYSIA
Kuching Specialist Hospital
Damai Specialist Hospital
KPJ Sabah Specialist Hospital
Sibu Specialist Medical Centre

INTERNATIONAL – INDONESIA
RS Medika Permata Hijau (Jakarta)
RS Medika Bumi Serpong Damai (Jakarta)

AUSTRALIA
Jeta Gardens (Brisbane)

ENSURING SAFETY

Patient safety and customer care are of paramount importance at KPJ. To this end, we continue to develop a robust framework for clinical governance, employ industry best practices and implement a rigorous risk management mechanism throughout our organisation.

CORPORATE INFORMATION

REGISTERED OFFICE

KPJ Healthcare Berhad
Suite 12B, Level 12,
Menara Ansar,
65 Jalan Trus,
80000 Johor Bahru,
Johor, Malaysia.
T (607) 226 7692
F (607) 222 3044

CORPORATE OFFICE

KPJ Healthcare Berhad
Level 12, Menara 238,
238 Jalan Tun Razak,
50400 Kuala Lumpur, Malaysia.
T (603) 2681 6222
F (603) 2681 6888
E kpj@kpjhealth.com.my

COMPANY SECRETARIES

Salmah Abd Wahab
(LS 0002140)

Hana Ab Rahim @ Ali
(MAICSA 7064336)

REGISTRAR

Pro Corporate Management Services Sdn Bhd
Suite 12B, Level 12,
Menara Ansar,
65 Jalan Trus,
80000 Johor Bahru,
Johor, Malaysia.
T (607) 226 7692
F (607) 222 3044

AUDITOR

Ernst & Young
Level 23A, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
50490 Kuala Lumpur,
Wilayah Persekutuan, Malaysia.

PRINCIPAL BANKERS

Malayan Banking Berhad
343, Jalan Pahang,
Setapak,
53300 Kuala Lumpur,
Wilayah Persekutuan, Malaysia.

CIMB Bank Berhad
Ground Floor, No 338,
Bangunan AMAL,
Jalan Tuanku Abdul Rahman,
50100 Kuala Lumpur,
Wilayah Persekutuan, Malaysia.

HSBC Bank Malaysia Berhad
No. 2, Lebuh Ampang,
P.O. Box 10244,
50912 Kuala Lumpur,
Wilayah Persekutuan, Malaysia.

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market
(Since 29 November 1994)

CORPORATE PROFILE

KPJ Healthcare Berhad (KPJ) is the leading healthcare service provider in Malaysia

Operating the country's largest private healthcare network with 22 private specialist hospitals, KPJ also has a presence in Indonesia with two hospitals in Jakarta, one hospital in Thailand and a retirement and aged care resort in Brisbane, Australia.

As the healthcare arm of Johor Corporation, the Johor state-owned development corporation, KPJ has now served the community for more than three decades since the opening of its first hospital in Johor Bahru in 1981.

Today, KPJ has about 2,600 operating beds in its network of hospitals throughout the country and serves more than 2.5 million patients annually. In 2012 alone, KPJ hospitals treated about 2.4 million outpatients and over 250,000 inpatients.

KPJ's staff strength stands at almost 9,000 employees who support the medical services provided by more than 900 medical consultants specialising in various disciplines including Cardiology, Oncology, Orthopaedic, Plastic & Reconstructive Surgery and Weight Management among others.

Driven by innovation, KPJ continues to invest in the latest equipment with state-of-the-art medical technology in its effort to provide positive patient experiences as well as enhance medical and surgical outcomes such as Cold Laser Therapy for Pain Management at KPJ Ampang Puteri Specialist Hospital and 3D Digital Breast Tomosynthesis for Mammograms at KPJ Selangor Specialist Hospital.

Its commitment to quality and compassionate care has attracted many local and foreign patients from all over the globe, further aided by aggressive business strategies to enhance its position as a major healthcare service provider.

Customers' trust in KPJ has also steered the Group to greater success in both financial and operational performance as well as quality initiatives.

KPJ earned its first annual billion-ringgit turnover in fiscal 2007, with revenue totalling RM1.11 billion that year, and continued to achieve new records in subsequent years, rising to RM1.27 billion, RM1.46 billion, RM1.65 billion and RM1.91 billion in 2008, 2009, 2010 and 2011 respectively.

KPJ achieved a new record high in 2012, surpassing the RM2.0 billion mark for the first time ever with total revenue of RM2.10 billion and profit before zakat and tax of RM196.9 million.

Investors' confidence propelled KPJ into the ranks of the Top 100 Companies on Bursa Malaysia by market capitalisation when its share price soared to RM6.51 at end-2009, and KPJ scored the 91st spot with market capitalisation of RM1.37 billion.

KPJ then rose several notches, taking the 85th spot in the subsequent year and 75th placing at end-2011, with its market capitalisation doubling over these two years to RM2.74 billion. As of December 2012, KPJ was ranked 66th, with a market capitalisation of more than RM3.67 billion.

2,600
operating beds

2.4mil
outpatients

250,000
inpatients

This accomplishment also won KPJ recognition from Frost & Sullivan as the Healthcare Service Provider of the Year at the 2012 Frost & Sullivan Excellence Awards, while it was also awarded the Reader's Digest Trusted Brand Award 2012, an award that was given following a survey to find out which brand appeals most to affluent Asian consumers. Furthermore, KPJ was also awarded the CSR Leadership Award 2012 by the Young Entrepreneur Organisation Malaysia in November 2012.

Meanwhile, quality initiatives continue to remain a focus with an emphasis on patient safety, where more KPJ hospitals underwent the accreditation survey by the Malaysian Society for Quality in Health (MSQH) in 2012, as well as certification by other international bodies such as TUV Rheinland for Integrated Management System (IMS) that integrates and emphasises the Quality Management (MS ISO 9001:2000), Environment (MS ISO 14001:2004) and Occupational Safety and Health (OSHAS 18001:1999) Systems.

To date, 12 KPJ hospitals have been accredited by MSQH, with KPJ Puteri Specialist Hospital being the latest recipient of the first cycle of the MSQH Accreditation for a three-year period beginning 3 November 2012. The latest achievement received by KPJ's hospitals is the Joint Commission International (JCI) Accreditation for the KPJ Ampang Puteri Specialist and KPJ Seremban Specialist.

As a responsible corporate citizen, KPJ also reaches out to the community through public health screening, health talks and other events.

It has touched the lives of many others through the Klinik Wakaf An-Nur (KWAN) initiative, where it has served more than 900,000 patients since the inception of the first of 18 charity clinics throughout Malaysia. KPJ also operates Hospital Waqaf Pasir Gudang in Johor.

CORPORATE STRUCTURE

KPJ HEALTHCARE BERHAD
(247079-M)

- 100% Johor Specialist Hospital Sdn Bhd (KPJ Johor Specialist Hospital)
  - 100% Bandar Dato' Onn Specialist Hospital Sdn Bhd (Formerly known as RenalCare Perubatan (M) Sdn Bhd)
- 100% Kumpulan Perubatan (Johor) Sdn Bhd
  - 100% Ampang Puteri Specialist Hospital Sdn Bhd (KPJ Ampang Puteri Specialist Hospital)
  - 100% Damansara Specialist Hospital Sdn Bhd (KPJ Damansara Specialist Hospital)
  - 100% Seremban Specialist Hospital Sdn Bhd (KPJ Seremban Specialist Hospital)
  - 100% Kajang Specialist Hospital Sdn Bhd (KPJ Kajang Specialist Hospital)
  - 100% Penang Specialist Hospital Sdn Bhd (KPJ Penang Specialist Hospital)
  - 100% Sentosa Medical Centre Sdn Bhd (Sentosa Medical Centre)
  - 100% Pusat Pakar Kluang Utama Sdn Bhd (Kluang Utama Specialist Hospital)
  - 100% Taiping Medical Centre Sdn Bhd (Taiping Medical Centre)
  - 100% Bandar Baru Klang Specialist Hospital Sdn Bhd (KPJ Klang Specialist Hospital)
  - 100% Sibu Medical Centre Corporation Sdn Bhd (Sibu Specialist Medical Centre)
  - 100% Sibu Geriatric Health & Nursing Centre Sdn Bhd (Love Care Centre)
  - 97% Kota Kinabalu Specialist Hospital Sdn Bhd (Damai Specialist Hospital)
  - 77% Kuantan Specialist Hospital Sdn Bhd (Kuantan Specialist Hospital)
  - 70% Kuching Specialist Hospital Sdn Bhd (Kuching Specialist Hospital)
  - 61% Perdana Specialist Hospital Sdn Bhd (KPJ Perdana Specialist Hospital)
  - 60% Selangor Specialist Hospital Sdn Bhd (KPJ Selangor Specialist Hospital)
    - 51% Hospital Pusrawi SMC Sdn Bhd
  - 100% SMC Healthcare Sdn Bhd (KPJ Sabah Specialist Hospital)
    - 100% Amity Development Sdn Bhd
  - 46% Kedah Medical Centre Sdn Bhd (Kedah Medical Centre)
  - 30% Hospital Penawar Sdn Bhd (Hospital Penawar)
  - 75% PT Khasanah Putera Jakarta Medica (RS Medika Bumi Serpong Damai, Jakarta)
  - 51% Jeta Gardens Waterford Trust (Jeta Gardens Retirement Village and Aged Care, Brisbane, Australia)
- 100% Puteri Specialist Hospital (Johor) Sdn Bhd (KPJ Puteri Specialist Hospital)

CORPORATE STRUCTURE

- 100% Tawakal Holdings Sdn Bhd
  - 100% Pusat Pakar Tawakal Sdn Bhd (KPJ Tawakkal Specialist Hospital and Tawakkal Health Centre)
- 98% Ipoh Specialist Hospital Sdn Bhd (KPJ Ipoh Specialist Hospital)
- 100% Point Zone (M) Sdn Bhd
- 49% Al-'Aqar Healthcare REIT (Formerly known as Al-'Aqar KPJ REIT)

- Pasir Gudang Specialist Hospital Sdn Bhd (KPJ Pasir Gudang Specialist Hospital) 100%
- Pahang Specialist Hospital Sdn Bhd (KPJ Pahang Specialist Hospital) 100%
- Maharani Specialist Hospital Sdn Bhd (KPJ Muar Specialist Hospital) 100%
- Perlis Specialist Hospital Sdn Bhd (KPJ Perlis Specialist Hospital) 100%
- Bima Galaksi Sdn Bhd (KPJ Miri International Specialist Hospital) 70%
- Bukit Mertajam Specialist Hospital Sdn Bhd 100%
- Renal-Link Sentosa Sdn Bhd 100%
- KPJ Medik TV Sdn Bhd 100%
- PharmaCARE Surgical Technologies (M) Sdn Bhd 99%
- Freewell Sdn Bhd 80%
- Bayan Baru Specialist Hospital Sdn Bhd 55%

- 100% Puteri Nursing College Sdn Bhd (KPJ Healthcare University College)
- 100% Lablink (M) Sdn Bhd
- 100% Pharmaserv Alliances Sdn Bhd
  - 100% FP Marketing (S) Pte Ltd
  - 75% Medical Supplies (Sarawak) Sdn Bhd
  - 75% Malaysian Institute of Healthcare Management Sdn Bhd
- 100% PharmaCARE Sdn Bhd
  - 100% Open Access Sdn Bhd
- 94% Diaper Technology Industries Sdn Bhd
- 100% Sri Kota Refractive and Eye Centre Sdn Bhd
- 65% Sterile Services Sdn Bhd
- 30% Healthcare Technical Services Sdn Bhd

- 100% FABRICARE Laundry Sdn Bhd
- 89% Skop Yakin (M) Sdn Bhd
- 87% Healthcare IT Solutions Sdn Bhd
- 75% Teraju Farma Sdn Bhd
- 100% Advance Healthcare Solutions Sdn Bhd
- 100% Energy Excellent Sdn Bhd

NETWORK OF KPJ HOSPITALS AND COMPANIES

Hospitals Accredited by Malaysian Society For Quality In Health (MSQH)

KPJ JOHOR SPECIALIST HOSPITAL
Tel : (607) 225 3000
Fax : (607) 224 8213
Email : jsh@jsh.kpjhealth.com.my
Website : www.kpjjohor.com

KPJ IPOH SPECIALIST HOSPITAL
Tel : (605) 240 8777
Fax : (605) 254 1388
Email : ish@ish.kpjhealth.com.my
Website : www.ish.kpjhealth.com.my

KPJ DAMANSARA SPECIALIST HOSPITAL
Tel : (603) 7722 2692
Fax : (603) 7722 2617
Email : dsh@dsh.kpjhealth.com.my
Website : www.kpjdamansara.com

KPJ SELANGOR SPECIALIST HOSPITAL
Tel : (603) 5543 1111
Fax : (603) 5543 1722
Email : kpjselangor@kpjselangor.kpjhealth.com.my
Website : www.kpjselangor.com

KPJ PERDANA SPECIALIST HOSPITAL
Tel : (609) 745 8000
Fax : (609) 747 2877
Email : perdana@perdana.kpjhealth.com.my
Website : www.perdana.kpjhealth.com.my

KPJ KAJANG SPECIALIST HOSPITAL
Tel : (603) 8769 2999
Fax : (603) 8729 2808
Email : kpjkajang@kpjkajang.kpjhealth.com.my
Website : www.kpjkajang.com

KPJ PENANG SPECIALIST HOSPITAL
Tel : (604) 548 6688
Fax : (604) 548 6700
Email : inquiry@kpjpenang.kpjhealth.com.my
Website : www.kpjpenang.com

KEDAH MEDICAL CENTRE
Tel : (604) 730 8878
Fax : (604) 733 2869
Email : kmc@kedahmedical.com.my
Website : www.kmc.kpjhealth.com.my

KPJ TAWAKKAL SPECIALIST HOSPITAL
Tel : (603) 4026 7777
Fax : (603) 4023 8063
Email : tawakal@tawakal.kpjhealth.com.my
Website : www.tawakal.kpjhealth.com.my

KPJ PUTERI SPECIALIST HOSPITAL
Tel : (607) 225 3222
Fax : (607) 223 8833
Email : psh@psh.kpjhealth.com.my
Website : www.kpjputeri.com

Hospitals Accredited by Malaysian Society For Quality In Health (MSQH) and The Joint Commission International (JCI)

KPJ AMPANG PUTERI SPECIALIST HOSPITAL
Tel : (603) 4270 2500
Fax : (603) 4270 2443
Email : apsh@apsh.kpjhealth.com.my
Website : www.apsh.kpjhealth.com.my

KPJ SEREMBAN SPECIALIST HOSPITAL
Tel : (606) 767 7800
Fax : (606) 767 5900
Email : ssh@shh.kpjhealth.com.my
Website : www.ssh.kpjhealth.com.my

NETWORK OF KPJ HOSPITALS AND COMPANIES

Moving Towards Accreditation

KUANTAN SPECIALIST HOSPITAL
Tel : (609) 567 8588
Fax : (609) 567 8098
Email : ksh@ksh.kpjhealth.com.my
Website : www.ksh.kpjhealth.com.my

TAIPING MEDICAL CENTRE
Tel : (605) 807 1049
Fax : (605) 806 3713
Email : tmc@tmc.kpjhealth.com.my
Website : www.tmc.kpjhealth.com.my

DAMAI SPECIALIST HOSPITAL
Tel : (6088) 222 922
Fax : (6088) 243 540
Email : customercare@dsc.kpjhealth.com
Website : www.dsc.kpjhealth.com.my

KUCHING SPECIALIST HOSPITAL
Tel : (6082) 365 777
Fax : (6082) 364 666
Email : kcsh@kcsh.kpjhealth.com.my
Website : www.kcsh.kpjhealth.com.my

SENTOSA MEDICAL CENTRE
Tel : (603) 4043 7166
Fax : (603) 4043 7761
Email : sentosa@sentosa.kpjhealth.com.my
Website : www.sentosa.kpjhealth.com.my

KLUANG UTAMA SPECIALIST HOSPITAL
Tel : (607) 771 8999
Fax : (607) 772 8999
Email : kush@kush.kpjhealth.com.my
Website : www.kpjkluang.com.my

KPJ SABAH SPECIALIST HOSPITAL
Tel : (6088) 322 000
Fax : (6088) 272 622
Email : prsmckk@smckk.kpjhealth.com.my
Website : www.sabahmedicalcentre.com.my

SIBU SPECIALIST MEDICAL CENTRE
Tel : (6084) 329 900
Fax : (6084) 327 700
Email : enquiry@kpjsibu.com
Website : www.kpjsibu.com

KPJ KLANG SPECIALIST HOSPITAL
Tel : (603) 3377 7888
Fax : (603) 3377 7800
Email : info@kpjklang.com
Website : www.kpjklang.com

Indonesia

RS MEDIKA PERMATA HIJAU, JAKARTA
Tel : (6221) 534 7411
Fax : (6221) 530 5291
Email : mph-mkt@rad.net.id
Website : www.rsmph.co.id

RS MEDIKA BUMI SERPONG DAMAI, JAKARTA
Tel : (6221) 537 2296
Fax : (6221) 538 2296
Email : betrysia@rs-medikabsd.co.id
Website : www.rs-medikabsd.co.id

HEALTH CARE RELATED COMPANIES

KPJ HEALTHCARE UNIVERSITY COLLEGE (KPJUC)

Main Campus (Nilai, Negeri Sembilan)
Tel : (606) 794 2629
Fax : (606) 794 2662
Branch Campus (Johor Bahru, Johor)
Tel : (607) 335 2692
Fax : (607) 333 6392
Branch Campus (Penang)
Tel : (604) 538 2692
Fax : (604) 530 8695
Email : info@kpjiuc.edu.my
Website : www.kpjuc.edu.my

PHARMASERV ALLIANCES SDN BHD
Tel : (603) 7876 2692
Fax : (603) 7874 4151
Website : www.pasb.kpjhealth.com.my

LABLINK (M) SDN BHD
Tel : (603) 4023 4588
Fax : (603) 4023 4298
Website : www.lablink.com.my

PUSAT PAKAR MATA CENTRE FOR SIGHT
Tel : (603) 7804 4051
Fax : (603) 7804 6052
Email : info@centreforsight.com.my
Website : www.kpjcfs.com

STERILE SERVICES SDN BHD
Tel : (603) 6092 2692
Fax : (603) 6091 6200
Email : sssb2010@streamyx.com

HEALTHCARE TECHNICAL SERVICES SDN BHD
Tel : (603) 4021 2331
Fax : (603) 4021 2337
Email : hts@hts.kpjhealth.com.my
Website : www.hts.kpjhealth.com.my

INTRAPRENEUR COMPANIES

TERAJU FARMA SDN BHD
Tel : (603) 7874 4212
Fax : (603) 7874 4126

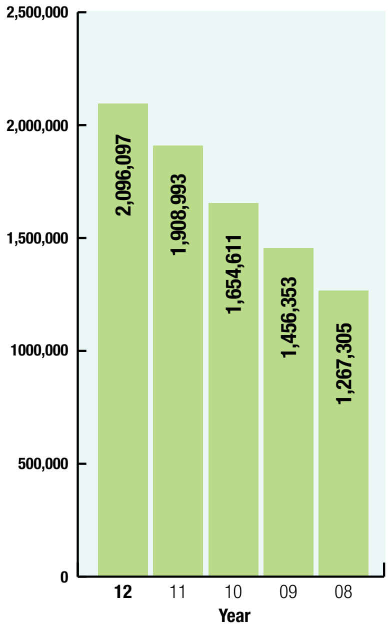
FABRICARE LAUNDRY SDN BHD
Tel : (607) 232 7231/3
Fax : (607) 232 723

SKOP YAKIN (M) SDN BHD
Tel : (609) 773 2692
Fax : (609) 774 2692

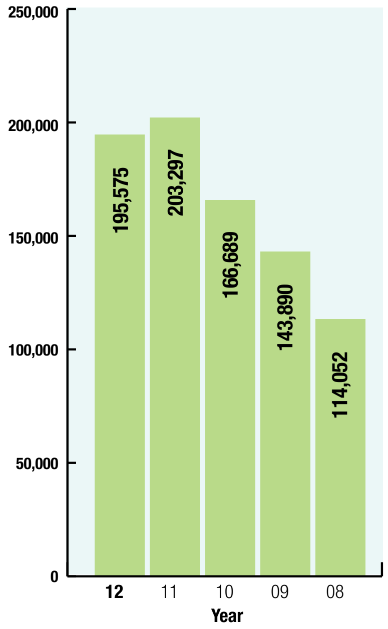
HEALTHCARE IT SOLUTIONS SDN BHD
Tel : (603) 4024 1111
Fax : (603) 4023 5555
Email : hits@hitsb.com
Website : www.hitssb.com

FINANCIAL AND OPERATIONAL HIGHLIGHTS

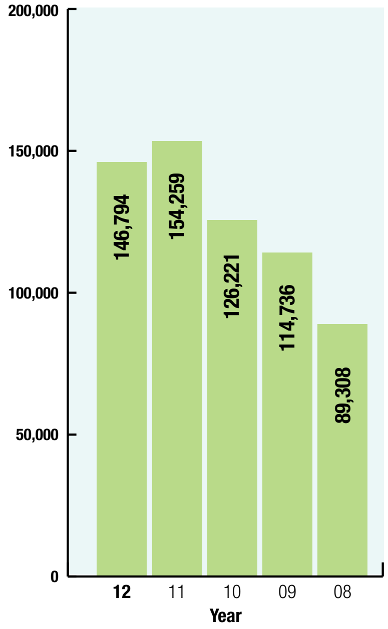
TURNOVER
(RM'000)



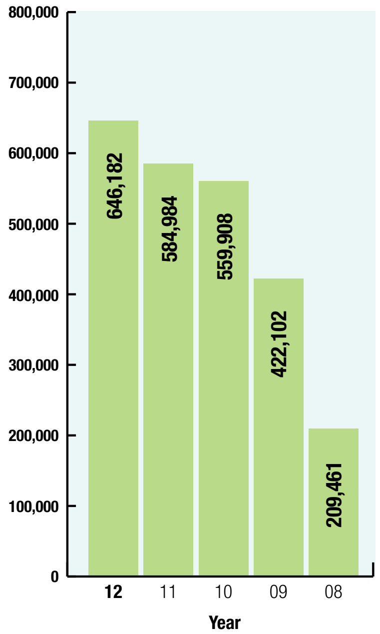
PROFIT BEFORE TAXATION
(RM'000)



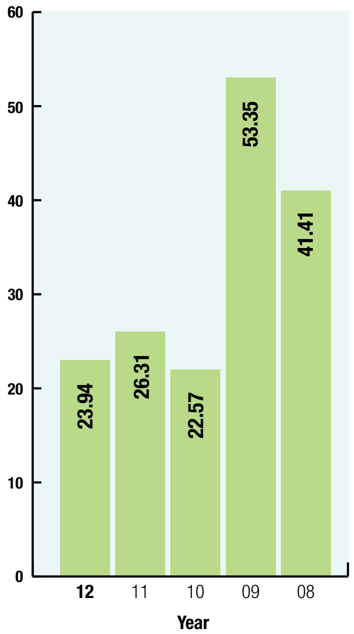
PROFIT AFTER TAXATION
(RM'000)



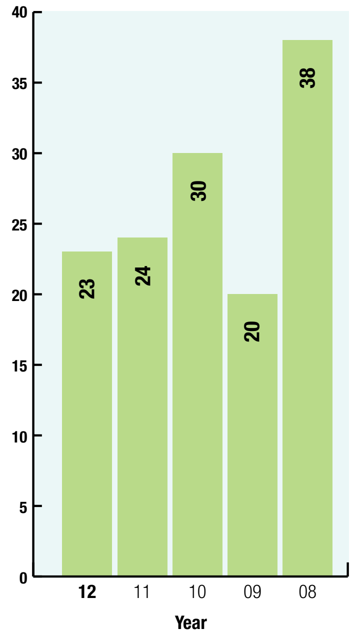
SHARE CAPITAL
(UNITS)



EARNINGS PER SHARE
(SEN)

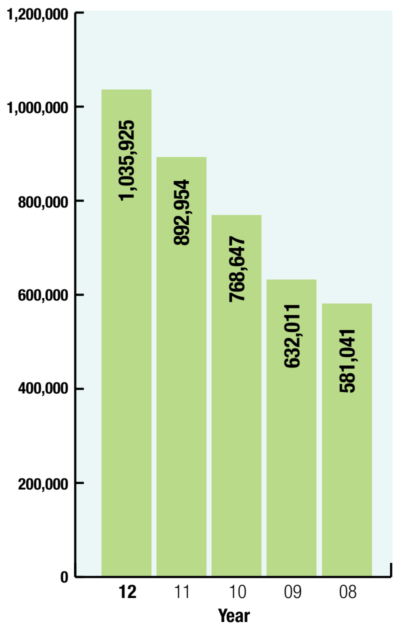


DIVIDEND RATE
(%)

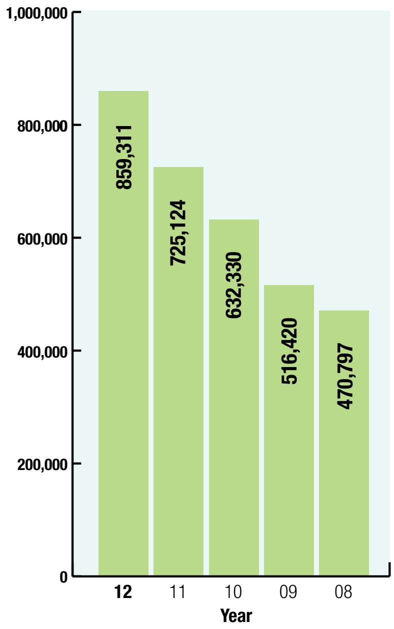


FINANCIAL AND OPERATIONAL HIGHLIGHTS

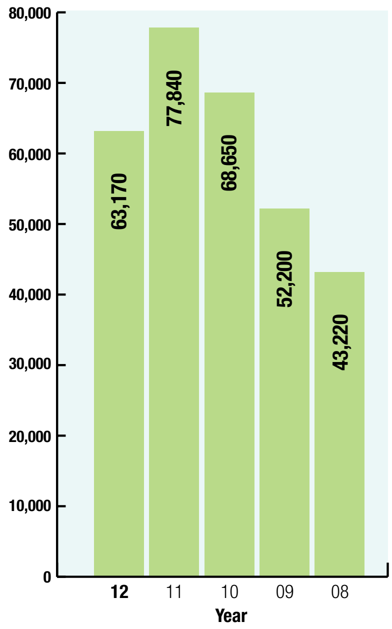
SHAREHOLDERS' FUNDS
(RM'000)



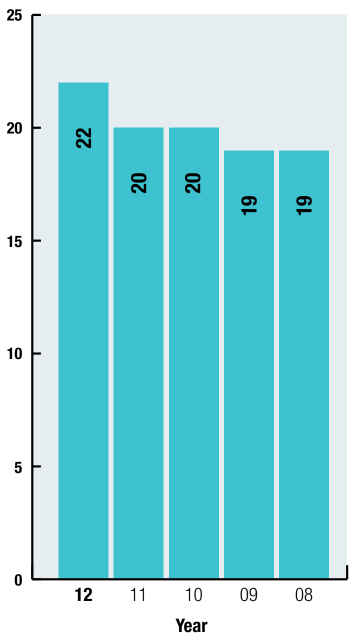
NET TANGIBLE ASSETS
(RM'000)



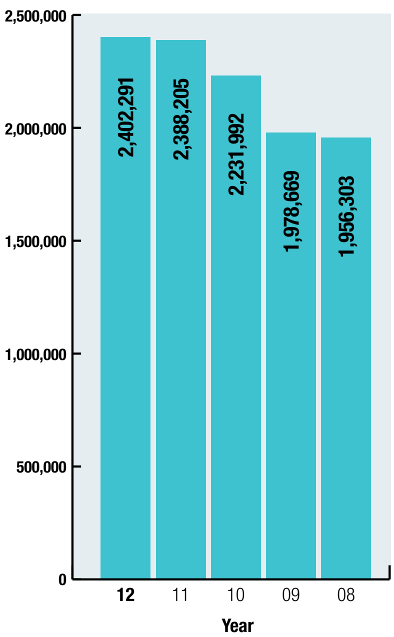
ECONOMIC VALUE ADDED
(RM'000)



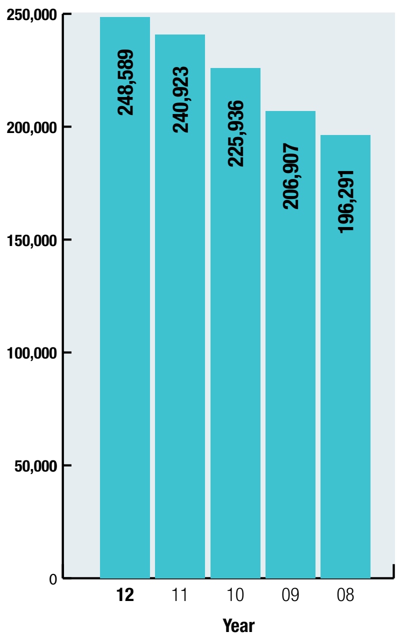
NO. OF HOSPITALS IN MALAYSIA



OUTPATIENTS



INPATIENTS



SUMMARY OF FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2008 - 2012

YEAR	2012	2011	2010	2009	2008
GROUP (RM,000)					
Revenue	**2,096,097**	1,908,993	1,654,611	1,456,353	1,267,305
Gross Profit	**656,434**	601,857	503,895	419,089	368,355
Profit from operations	**170,566**	159,165	144,019	140,467	114,218
Finance income	**12,535**	10,295	7,157	2,651	6,122
Finance costs	**(23,603)**	(19,688)	(13,597)	(16,721)	(18,533)
Share of results from associates	**37,397**	54,825	23,919	18,888	18,705
Others	**-**	-	6,460	-	(6,460)
Profit before zakat and tax	**196,895**	204,597	167,958	145,285	114,052
Zakat	**(1,320)**	(1,300)	(1,269)	(1,395)	-
Profit before taxation	**195,575**	203,297	166,689	143,890	114,052
Taxation	**(48,781)**	(49,038)	(40,468)	(29,154)	(24,744)
Net profit for year	**146,794**	154,259	126,221	114,736	89,308
Profit attributable to:					
Equity holders of company	**140,046**	143,670	118,894	110,880	85,644
Minority interest	**6,748**	10,589	7,327	3,856	3,664
	146,794	154,259	126,221	114,736	89,308

SUMMARY OF FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at 31 December 2008 - 2012

YEAR	2012	2011	2010	2009	2008
GROUP (RM,000)					
Non-current assets	**1,652,685**	1,252,530	1,024,563	842,246	689,499
Current assets	**595,080**	612,443	549,502	426,111	342,475
Non-current assets held for sale	**2,013**	94,291	105,974	103,765	246,478
Current liablities	**(494,848)**	(456,743)	(362,242)	(290,332)	(251,506)
Non-current liabilities	**(59,381)**	(62,198)	(54,986)	(35,556)	(29,930)
Borrowings	**(592,096)**	(443,471)	(399,423)	(368,796)	(368,443)
Total	**1,103,453**	996,852	863,388	677,438	628,573
Share capital	**323,091**	292,492	279,954	211,051	209,461
Reserve	**712,857**	600,485	488,716	420,960	373,466
Less: Treasury shares	**(23)**	(23)	(23)	-	(1,886)
Shareholders' funds	**1,035,925**	892,954	768,647	632,011	581,041
Minority interest	**67,528**	103,898	94,741	45,427	47,532
Total	**1,103,453**	996,852	863,388	677,438	628,573

DELIVERING SERVICE WITH COURTESY

The KPJ team is fully committed to demonstrating a deep respect for all patients under our care. As such, our employees are trained to have a “listening heart” and to show compassion and courtesy in all their dealings so as to build enduring relationships.

CORPORATE HISTORY

1979

20 Feb
The construction of the first private hospital in Johor, KPJ Johor Specialist Hospital.

1981

10 May
Official opening of KPJ Johor Specialist Hospital.

1989

Apr
Acquisition of KPJ Ipoh Specialist Hospital by KPJ Healthcare.

1990

27 Jul
YAB Tan Sri Muhyiddin Yassin, then Menteri Besar of Johor, launched KPJ Johor Specialist Hospital's Lithotripsy Centre.

1991

Sep
Set up the first Nursing College to offer Diploma in Nursing.

1992

09 Jan
YB Tan Sri Lee Kim Sai, then Minister of Health, officially opened Puteri Nursing College.

2004

26 Jun
Duli Yang Maha Mulia Tuanku Alhaj Abdul Halim Mu'adzam Shah Ibni Almarhum Sultan Badlishah, Sultan of Kedah, launched Kedah Medical Centre's new 10-storey building.

2005

26 Nov
Duli Yang Maha Mulia Almarhum Tuanku Ja'afar ibni Almarhum Tuanku Abdul Rahman, Yang Di-Pertuan Besar Negeri Sembilan, officially launched KPJ Seremban Specialist Hospital.

KPJ Healthcare acquired KPJ Selangor Specialist Hospital, KPJ Kajang Specialist Hospital and Damai Specialist Centre.

2006

21 Apr
Duli Yang Maha Mulia Sultan Ibrahim Ibni Almarhum Sultan Iskandar, Sultan of Johor, opened the Hospital Waqaf An-Nur in Pasir Gudang, Johor, when His Highness was the Crown Prince of Johor.

19 Jun
Celebrated KPJ's 25th anniversary with then Menteri Besar of Johor YAB Dato' Abdul Ghani Othman.

24 Jul
YB Tan Sri Nor Mohamed Yakcop, then Minister of Finance II, launched the prospectus of Al-`Aqar Healthcare REIT (formely known as Al-`Aqar KPJ REIT), the first Islamic healthcare REIT in the region.

17 Nov
Duli Yang Maha Mulia Raja Zarith Sofiah binti Almarhum Sultan Idris Shah, the consort of Duli Yang Maha Mulia Sultan Ibrahim Ibni Almarhum Sultan Iskandar (now Sultan of Johor), officiated the 2006 National Healthcare Conference.

2008

07 Oct
Duli Yang Maha Mulia Paduka Seri Sultan Azlan Muhibbuddin Shah ibni Almarhum Sultan Yussuf Izzuddin Shah Ghafarullahu-lah, Sultan of Perak, officially opened KPJ Ipoh Specialist Hospital's new 5-storey building.

27 Nov
KPJ Damansara Specialist Hospital successfully conducted its first 'live' bariatric surgery.

CORPORATE HISTORY

1994

30 Aug
Listing of KPJ Healthcare Berhad on Main Board of Kuala Lumpur Stock Exchange.

1995

18 Mar
Duli Yang Maha Mulia Paduka Seri Sultan Azlan Muhibbuddin Shah ibni Almarhum Sultan Yussuf Izzuddin Shah Ghafarullahu-Lah, Sultan of Perak, officially launched KPJ Ipoh Specialist Hospital's MRI Centre.

2000

13 May
KPJ Ampang Puteri Specialist Hospital, the first private hospital in Malaysia to receive a full 3-year accreditation from the Malaysian Society for Quality in Health (MSQH) and accepted the certificate from YB Dato' Chua Jui Meng, then Minister of Health.

2001

20 Jan
KPJ Healthcare Berhad held its first Medical Conference.

28 Dec
YAB Dato' Abdul Ghani Othman, then Menteri Besar of Johor, officially opened KPJ Johor Specialist Hospital's new Physician Consulting Block.

2003

28 Jul
Duli Yang Maha Mulia Tuanku Ismail Petra ibni Sultan Yahya Petra, Sultan of Kelantan, officially opened KPJ Perdana Specialist Hospital.

2009

11 Mar
YAB Pehin Seri Abdul Taib Mahmud, Chief Minister of Sarawak, opened KPJ Kuching Specialist Hospital.

2011

30 Jun
YAB Dato' Sri Diraja Adnan Yaakob, Menteri Besar of Pahang, officiated the ground breaking ceremony of KPJ Pahang Specialist Hospital.

25 Jul
YB Datuk Seri Mohamed Khaled Nordin, Minister of Higher Education, awarded University College status to KPJ Healthcare University College.

10 Nov
YAB Dato' Sri Mohd Najib Tun Abdul Razak, Prime Minister of Malaysia, announced the Economic Transformation Programme (ETP) projects, including five of KPJ Healthcare Berhad's new hospitals.

20 Nov
YAB Dato' Seri Dr Md Isa Sabu, Menteri Besar of Perlis, officiated KPJ Perlis Specialist Hospital's ground-breaking ceremony.

2012

30 May
Soft launch of KPJ Klang Specialist Hospital, officiated by the Chairman of KPJ Healthcare, Dato' Kamaruzzaman Abu Kassim.

6 Oct
11th KPJ Healthcare Conference and Exhibition 2012, themed "Transforming Healthcare: Public Private Collaboration" was organised. During the conference, KPJ also launched its latest product - KPJ General Practitioner (GP) Portal.

8 & 15 Sep
KPJ Ampang Puteri and KPJ Seremban Specialist Hospital among the first KPJ hospital to received the Joint Commission International (JCI) Accreditation.

3 Nov
KPJ Puteri Specialist Hospital was accredited by the Malaysia Society for Quality in Health (MSQH) for three years, recognizing the hospital's compliance with the Malaysian Hospital Accreditation Standards.

12 Dec
KPJ Healthcare opened its New Corporate Office at Menara 238, Kuala Lumpur.

AWARDS AND ACHIEVEMENTS

1


2

3

4

5


6

1. Frost & Sullivan Malaysia Excellence Award - Healthcare Service Provider of the Year for KPJ Healthcare Berhad
2. Reader's Digest Most Trusted Brand Award - Gold Winner for Private Healthcare Hospital for KPJ Healthcare Berhad
3. Malaysia Institute of Human Resource Management (MIHRM) - Employer of Choice Award 2012 (Silver) for KPJ Healthcare Berhad
4. Malaysia Institute of Human Resource Management (MIHRM) - HR Leader of the Year Award (Silver) for KPJ Healthcare Berhad
5. Young Entrepreneur Organization Malaysia (GMB) - CSR Leadership Award 2012 for KPJ Healthcare Berhad
6. Malaysia Food Processing Packaging Entrepreneur Association - 1Malaysia Enterprise Award for KPJ Johor Specialist Hospital
7. BIZZ World Business Leader - BIZZ Award Business Excellence 2012 for KPJ Ampang Puteri Specialist Hospital
8. Malaysia Institute of Human Resource Management (MIHRM) - Malaysia HR Award 2012 for KPJ Johor Specialist Hospital

AWARDS AND ACHIEVEMENTS


7

11


12

13

14

15

9. Accredited by the Joint Commission International - KPJ Ampang Puteri Specialist Hospital

10. Mark Plus Incorporation - Service to Care Award for KPJ Ampang Puteri Specialist Hospital

11. Business Initiative Direction (BID) - Arch of Europe for KPJ Ampang Puteri Specialist Hospital

12. Accredited by the Joint Commission International - KPJ Seremban Specialist Hospital

13. Hospital Management Asia - AHMA (Winner for CSR Category) for KPJ Selangor Specialist Hospital

14. Malaysia Productivity Corporation (MPC) - Gold Award in National ICC Convention (FIREANTS) for KPJ Selangor Specialist Hospital

15. Accredited by Baby Friendly Hospital Initiative - KPJ Puteri Specialist Hospital

16. Malaysian Occupational Safety and Health Professionals (MOSPHA) - MOSHPA OSH National Award for KPJ Selangor Specialist Hospital

MEDIA SPOTLIGHT

Meanwhile, the group's Malaysian operation registered a 5.4 per cent y-o-y growth in PAT to RM118.3 million on the back of 11.1 per cent y-o-y increase in revenue.

MIDF Research

STRONGER RESULTS AHEAD: File photo shows KPJ Kuching Specialist, one of the hospitals under the KPJ Group. RHB Research expects KPJ to deliver a stronger set of results in the calendar year 2013 with the additional beds arising from these new hospital additions.

Better outlook ahead for KPJ with new hospitals

KUCHING: With two new hospitals under way, KPJ Healthcare Bhd (KPJ) is set to see a strong year ahead despite experiencing losses for the financial year 2012 (FY12) in its overseas operations.

According to the research team at MIDF Amanah Investment Bank Bhd (MIDF Research) in a research report yesterday, even though the group's revenue grew by 10.6 per cent year on year (y-o-y) to RM1.91 billion, its earnings contracted due to the losses in its Indonesian and Australian operations.

"Meanwhile, the group's Malaysian operation registered a 5.4 per cent y-o-y growth in profit after tax (PAT) to RM118.3 million on the back of 11.1 per cent y-o-y increase in revenue," highlighted MIDF Research.

"However, the PAT margin at its Malaysian hospitals slipped 0.36 percentage points to 6.5 per cent.

"We believe the lower profitability was mainly due to the losses incurred at its newly opened Bandar Baru Klang Specialist Hospital, which is still going through its gestation period."

MIDF Research went on to note that its Indonesian operations were still 'bleeding', but its outlook remained promising.

"KPJ's Indonesian operation registered a loss of RM30.1 million in FY12, but nonetheless a 2.3 per cent y-o-y improvement from the same period last year.

On a positive note, revenue surged 91.8 per cent to RM22.1 million, mainly due to the growth in the number of patients during the period," it outlined.

"Including the contribution to be recognised from the expected completion of PT KPJ Medika in FY13, we believe the Indonesian operation will continue to show improvement in the upcoming years."

Meanwhile, the acquisition of Jeta Gardens in Australia has started to bear fruit, MIDF Research added, with the business contributing RM30.8 million in revenue for FY12, although at a loss of RM5 million.

"Nonetheless, over the long term, we are positive on the group's venture into this aged care facility services, as there is a huge potential for the business model to be replicated in other countries in this region."

Looking ahead, RHB Research Institute Sdn Bhd (RHB Research) noted that KPJ was targeting to open two new hospitals in Pasir Gudang and Muar in 2013, further enhancing the group's bed capacity to 155 units.

"We understand that operations of the Pasir Gudang hospital (Phase 1) is set to commence this month (March 2013), while construction of the Muar hospital (Phase 1) is targeted for completion by the final quarter of 2013 (4Q13)," it said.

"Separately, the construction of Sabah Medical Centre's new hospital building has been completed last month (February 2013) and the hospital is expected to begin operations with 80 beds (Phase 1) by second quarter 2013.

"Upon completion, the above expansion plans would raise KPJ's capacity to 2,871 beds (from 2,716 currently) and thus, help bring down its occupancy rate to a more healthy level of 70 per cent (from 80 per cent currently)."

Moving forward, RHB Research expected KPJ to deliver a stronger set of results in the calendar year 2013 with the additional beds arising from these new hospital additions.

KPJ reaffirms strategy to grow organically

KPJ Healthcare Bhd
(Oct 23, RM5)

Maintain buy at RM6 with a target price of RM6.44: While other players are embarking on a more aggressive mergers and acquisitions (M&A) approach, KPJ has reaffirmed its strategy to grow organically over the next few years to drive sustainable growth in capacity and market share. The group has identified several new development projects for the next five years which will require a capital expenditure (capex) of up to RM1 billion for the development of new hospitals.

Beyond 2015, the group is looking to expand its presence further into Sabah and Sarawak. The group has already secured the land and zoning allocation to construct new hospitals in Miri and Kuching in Sarawak, as well as in Bandar Botanic in Klang, Selangor.

Going forward, the group will continue to diversify regionally to expand its knowledge and technical know-how. While it is looking to strengthen its position in Jakarta, KPJ is looking to venture into Thailand to gain knowledge on the country's health and medical tourism speciality. With a presence in every state and its ongoing expansion, KPJ is poised to benefit from the continued growth in medical travellers.

KPJ managing director Datin Paduka Siti Sa'adiah's contract will end in December and we gather that no decision on renewal has been made yet. Nonetheless, we are not concerned as we are assured that the group is well prepared and has internally trained and prepared a succession plan.

Despite an annual capex of RM200 million to RM250 million for its expansion programme, we expect KPJ to continue generating positive free cash flow of about RM50 million to RM100 million a year. For exposure to the domestic defensive and growing healthcare sector, we continue to like KPJ for its sound fundamentals, prudent and organic expansion plans and undemanding valuation in comparison to its peer IHH Healthcare Bhd.

Our target price is unchanged at RM6.44 based on 20 times CY13 PER. The stock also offers a decent yield of 2%. Re-rating catalysts include (1) continuous growth in private healthcare demand in tandem with a growing middle-income population, (2) growth in medical tourism and (3) the group's continuous expansion programmes. *— Affin IB Research, Oct 23*

KPJ eyes regional expansion

KPJ HEALTHCARE Bhd is ready to open expand its presence regionally through acquisition of hospitals, managing director Datin Paduka Siti Sa'diah Sheikh Bakir said yesterday.

"We have received a lot of invitations, however, it is a matter of evaluating the location and look into the challenges in the country. I do not mind if there are possibilities for acquisitions in Cambodia, Vietnam or even Thailand."

Siti Sa'diah said the group hoped to at least conclude one sale and purchase agreement by year-end. However, she said the group is not in a hurry for regional expansion, as its plate is currently full with the upcoming RM1 billion plan to set up new hospitals in nine locations throughout the country by 2016.

"Six of the projects, which are listed under the Economic Transformation Programme, involved initial investments of some RM810 million."

The six projects are KPJ Klang Specialist Hospital, Sabah Medical Centre, KPJ Pasir Gudang Specialist Hospital, KPJ Pahang Specialist Hospital, KPJ Specialist Hospital Bandar Datuk Onn and KPJ Perlis Specialist Hospital.

Siti Sa'diah also said the group has allocated between RM100 million and RM150 million to upgrade two to three of its existing hospitals on a yearly basis.

Additionally, the group will spend RM70 million to upgrade the computer systems of the hospitals within the group by year-end. — Bernama

Medical tourism taking root

Majority of 550,000 Indonesians who visited the state last year came for medical treatment

By Lee Yu Yan

KUCHING: About 550,000 Indonesian tourists visited the state last year, many of them seeking medical treatment at private hospitals in Kuching and Sibu.

Minister of Tourism Datuk Amar Abang Johari Tun Abang Openg, who said this yesterday, expected to see a rise in the number of foreign tourists, particularly Indonesians, among those seeking medical treatment in the state.

"The number will increase with quality medical service at reasonable prices.

"I have seen the growth of this new approach in medical tourism in countries like the Maldives which offers great packages to patients from India, Middle East and even Russia," he told a press conference at his office in Menara ...

He said the state's medical tourism industry had a promising future if private hospitals and hotels could collaborate to introduce post-treatment packages to patients and their family members.

The post-treatment package, he said, was a new trend that should ...

THAT'S OUR SERVICE: Abang Johari (second left) and ... (second right) display the booklet on KPJ's service. ... is at right. — Photo by ...

KPJ Healthcare aims for 10 pct growth in foreign patients by 2017

KUALA LUMPUR: Seeing an aggressive growth in the medical tourism in Malaysia, KPJ Healthcare Bhd (KPJ Healthcare) is now aiming to increase up to ten per cent in the number of its foreign patients in five years time.

Citing a recent report from Malaysia Healthcare Travel Council, KPJ's Chief operating officer, Amiruddin Abdul Satar, said there has been a continual growth in the industry in terms of revenue from foreign patients.

"The growth signifies the continuing efforts by the government and related agencies which have been very supportive and aggressive in promoting Malaysia as the preferred medical tourism destination," he told Bernama.

KPJ has not been excluded in the enjoyment of the benefits from these endeavours, he added.

Nevertheless, there are improvements companies would have to undertake to enhance their quality especially in terms of customer services, he said, adding that KPJ's foreign patients segment contribute less than five per cent to their revenue.

There are many areas to improve in providing these special services such as having employees who can talk in foreign languages like Arabic, and also customising treatments and services in accordance with their cultures, he said.

On the company's operation overseas, Amiruddin said the company has been performing well in two hospitals in Indonesia and one retirement and age care resort in Australia. There are still a lot of opportunities to expand the business, especially in Indonesia with its huge market and where the company hopes to build more hospitals, he said.

"There are also few proposals in our hands to penetrate other markets especially in Asia but we are still evaluating them to decide whether the investments can create profit for us," he added.

KPJ, the healthcare arm of Johor Corporation, operates Malaysia's largest network of 22 private specialist hospitals. — Bernama

BIGGER AIMS: Photo shows several KPJ Healthcare outlets in Peninsular Malaysia. Seeing an aggressive growth in the medical tourism in Malaysia, KPJ Healthcare is now aiming to increase up to ten per cent in the number of its foreign patients in five years time.

Kuching Specialist Hospital to expand

KUCHING: Kuching Specialist Hospital will continue with its expansion programme in the state in order to expand its medicare services.

Its general manager Nasser Arafat Ishak revealed these to reporters when met at their community services outreach programme at Telok Melano recently.

"Since we are a corporate entity, we would reveal the expansion plan later. For now, we have a branch in Sibu and would open one more in Miri," he said.

Nasser said that their management, KPJ Healthcare Berhad, was also planning to increase the number of beds for the hospital to cater for Indonesian patients who came for their medical services.

"The management suggested that the international wings will have up to 200 beds to cater for the current demand," he further disclosed.

On the income generated from Indonesian patients, Nasser disclosed that in 2009 they had generated RM3 million, 2010 they earned RM6 million and in 2011 they had made about RM9 million.

"Kuching Specialist Hospital receives more than 1,000 Indonesian patients coming for medical treatment and surgery in 2011," he said.

Nasser predicted that there would be more patients coming to get the treatment here in Kuching and the hospital was planning to expand and was looking for a strategic location.

MEDIA SPOTLIGHT

KPJ Healthcare likely to post stronger results for FY2013

PETALING JAYA: RHB Research expects KPJ Healthcare Bhd to deliver a stronger set of results for its year ended Dec 31, 2013 due to additional beds arising from the scheduled opening of two new hospitals as well as the new Sabah Medical Centre.

It reiterates its "buy" call on the stock with an unchanged fair value of RM6.45, based on a price-earnings ratio of 23.5 times for 2013.

RHB Research is forecasting total turnover and recurring net profit of RM2.47bil and RM178.3mil, respectively, for 2013. For 2014, it is forecasting revenue and net profit to increase to RM2.8bil and RM193.4mil, respectively.

The brokerage said that in the face of rising competition, the lucrative medical tourism industry could be key to sustainable long-term growth. KPJ is focused on transforming three existing hospitals into reference centres for oncology while extracting value from its 23.85 stake in Vejthani Hospital in Thailand.

"Efforts to replicate Vejthani's successful medical tourism strategy in Malaysia could pay off over the longer term," said RHB Research.

It added that management reaffirmed that KPJ would continue with its expansion plans of opening at least two new hospitals per annum, which had thus far helped the company maintain its dominance in the local healthcare sector.

"In order to grow the medical tourism business further, KPJ intends to focus its efforts on transforming three of its existing hospitals into reference centres for oncology treatment.

"These hospitals would be upgraded to include new facilities in oncology and radiotherapy treatment, while an additional nuclear medicine facility would be introduced at the KPJ Johor Specialist hospital by the first quarter of 2013," said RHB Research.

It said the construction of a flagship 300-bed hospital in Bandar Dato Onn was slated to begin in early 2014, in order to meet the targeted opening by end-2014. Upon completion, the hospital will house six Centres of Excellence in the field of oncology, women and child, cosmetics and reconstruction, orthopedic, cardiology and geriatrics.

Services would be priced competitively in order to tap into the more price-sensitive foreign community from Singapore.

A file picture shows KPJ Healthcare's specialist hospital in Ipoh. The group intends to focus its efforts on transforming three of its existing hospitals into reference centres for oncology treatment.

KPJ to buy more hospitals in Asean region

KUALA LUMPUR: KPJ Healthcare Bhd wants to acquire at least one hospital in the Asean region, such as in Cambodia, Vietnam and Thailand, by the year-end, said managing director Datin Paduka Siti Sa'diah Sheikh Bakir.

She said KPJ's expansion in the Asean region will be through acquisitions rather than newfields, as starting a new hospital from scratch will take much longer.

"There are already owners who want to divest or harvest," she told a press conference at Invest Malaysia 2012 yesterday. "There is always this opportunity for mergers, acquisitions and takeovers."

She said KPJ has received many "invitations" to acquire hospitals in the Asean region and it is a matter of evaluating the locations and looking into the challenges in these countries.

Sa'diah said KPJ is not in a hurry to expand regionally, as its "plate is currently full" with its RM1 billion investment plan to set up new hospitals in nine locations throughout the country by 2015/16.

With these new developments coming on stream, she said KPJ's network of hospitals will increase to 30 from 22 currently in the next five years. This include KPJ's two hospitals in Indonesia.

This year, she said, KPJ has allocated about RM100 million to RM150 million for capital expenditure (capex), which will be used for setting up new hospitals and expanding the capacity at its existing hospitals.

KPJ is also looking at investing RM70 million this year to upgrade the information systems at some of its hospitals which will lead to a paperless environment and increase the efficiency at these hospitals.

Sa'diah said KPJ has short-term borrowing facilities of about RM250 million that could be used for acquisitions.

She said KPJ hopes to see at least a 10% growth in revenue this year, as the company has been growing by over 10% annually over the last five years. "We look to continue that trend," she said.

In 2011, KPJ's net profit grew 10.8% to RM131.7 million while its revenue increased 14.5% to RM1.89 billion. — *by Chui Loh*

KPJ beli tanah bina hospital

KPJ Healthcare Bhd menerusi anak syarikatnya, Kumpulan Perubatan (Johor) Sdn Bhd membeli sebidang tanah komersial di Tebrau, Johor berharga RM45 juta.

Dalam kenyataan kepada Bursa Malaysia semalam, KPJ berkata, ia bagi pembinaan sebuah hospital pakar swasta di tapak seluas 5.4 hektar itu, tidak lama lagi.

Menurut KPJ, ia akan meningkatkan lagi jumlah pelanggannya, justeru memberikan sumbangan positif kepada prestasi kewangan syarikat.

Syarikat itu berkata, hospital itu akan menjadi hospital pakar swasta tunggal di kawasan Taman Bukit Mutiara dan Bandar Dato.

Ia berkata, hospital baru itu akan menyediakan perkhidmatan tempatan dan antarabangsa, dilengkapi kemudahan pusat kecemerlangan pesakit luar dan praktis pakar jantung, geriatrik, kanser, ortopedik dan kosmetik. – BERNAMA

KPJ Healthcare posts higher Q1 profit

KPJ Healthcare Bhd recorded a higher pre-tax profit of RM49.303 million for the first quarter ended March 31, 2012 from RM41.553 million in the same quarter last year. Its revenue rose to RM525.621 million compared with RM437.748 million previously.

The company has declared a single tier interim dividend of 2.5 sen a share, payable on July 13, 2012.

In a filing to Bursa Malaysia Thursday, KPJ Healthcare said the increase was in line with the higher revenue generated by its hospitals. The company has forecast that the healthcare market will enjoy steady growth in the current year due to the increase of the world's ageing population and rapid growth of the middle-income group.

"The group will further strengthen its presence in Malaysia and Asia by continuously enlarging its capacity through the expansion of existing hospitals as well as the building of new hospitals," it added.

Based on the positive economic prospects and financial achievements in the current quarter, the group was confident that its performance would continue to improve.

Professional courses for nurses at KPJUC

KPJ Healthcare University College (KPJUC), the education arm of KPJ Healthcare Bhd has produced quality healthcare practitioners for the past 20 years through its programmes.

With a vast demand for professional and certified healthcare practitioners, KPJUC knew the importance of expanding its programme by offering Professional Certificate in Critical Care Nursing, thus creating a pathway for nurses who are interested in furthering their studies.

The Professional Certificate in Critical Care Nursing programme under School of Nursing assists to develop comprehensive knowledge, technical skills and the ability to competently care for patients with life-threatening problems or the potential to develop such problems.

The programme also prepares graduates to practice within the dynamic and complex nursing and healthcare systems as well as avail themselves to opportunities for career flexibility and advancement.

Students will achieve a variety of clinical competence and confidence to care for patients who are critically ill and also develop leadership skills in critical care settings.

This will enable them to reflect on their development as a critical care nurse.

Concurrent with KPJUC's philosophy towards a healthy and informed society through integration of health education research and comprehensive healthcare, this programme is open to registered nurses, with one year working experience or with three months experience in the related field.

Throughout the duration of six months, the curriculum will provide hands on learning via students' centred lectures, practical sessions, as well as presentation of case studies.

The full time programme's fee is RM12,000 and accommodation will be provided. The intake is only once a year.

For details, call 1-300 88 5758 or visit www.kpjuc.edu.my

KPJ on the lookout to acquire more hospitals

KUALA LUMPUR: KPJ Healthcare Bhd, which is actively on the lookout to acquire hospitals in the Asean region, hopes to conclude at least one deal by end of this year.

Managing director Datin Paduka Siti Sa'diah Sheikh Bakir said apart from Indonesia where it currently has two hospitals, the company sees prospects in Cambodia, Vietnam and Thailand.

"We are not in any rush but in our business, we are always presented with a lot of opportunities and if these are good, affordable assets, we will consider them," she said adding that the company is allocating RM215 million to acquire existing hospitals in the region.

In Indonesia, KPJ's presence is through two hospitals including RS Medika Bumi Tawakal Specialist Hospital that was opened in 2010.

Siti Sa'diah said the company will be spending about A$20 million (RM62.2 million) to upgrade its aged care facility and retirement village in Brisbane.

"We want to add 72 beds to the existing 108 beds at the aged care for about A$16 million and building 28 more living villas at the retirement village for A$4 million," she said.

*KPJ MD **Datin Paduka Siti Sa'diah Sheikh Bakir** says the company sees prospects **in Cambodia, Vietnam and Thailand.***

She added that with the additional facilities, better profits can be expected from this foreign venture.

KPJ Healthcare wants to replicate the success of the Australian retirement village in Malaysia, said Siti Sa'diah, adding that sucha plan requires time because it has to be done in phases.

She said this at a press conference on the sidelines of the 8th Invest Malaysia 2012, officiated by Prime Minister Datuk Seri Najib Razak here yesterday.

Siti Sa'diah also announced that KPJ Healthcare has identified four new locations in the country for the set up of new hospitals, adding to the five it had identified and announced last November, listed under the healthcare sector of the Economic Transformation Programme.

The four new locations will see an investment of more than RM300 million, making the total investment for all nine projects to be more than RM1 billion.

"These nine confirmed projects as well as others to come will serve to strengthen our position in the market as a leading healthcare player in Malaysia," she said.

She added that by 2015, KPJ will have 30 hospitals in the country.

Siti Sa'diah added that KPJ allocates between RM100 million and RM250 million annually to upgrade and expand its hospitals, and such an amount usually covers up to two hospitals a year.

KPJ, listed on the Main Market, is Malaysia's largest private specialist hospital operator and as at Monday's trading, its market capitalisation stood at RM3.6 billion.

PERFORMING DUTIES WITH INTEGRITY

We endeavour to uphold integrity in everything that we do. From conducting our operations and managing patients in a responsible manner to implementing open and accountable governance practices, we remain committed to performing our duties in a transparent manner and with integrity.

STATEMENT TO SHAREHOLDERS

KPJ continues to grow from strength to strength, delivering world-class patient care with professionalism and an undivided compassion

Dear Shareholders,

KPJ Healthcare Berhad (KPJ or the Group) has come a long way from its beginnings as a single hospital in Johor Bahru 31 years ago. Leveraging on dynamic partnerships, a shared vision to build healthier communities and a steadfast commitment to "Care for Life", KPJ has grown from strength to strength and today operates Malaysia's largest network of 22 private specialist hospitals with a presence in almost every state. Together with our investments in Indonesia, Australia and Thailand, KPJ remains a solid, well-rounded proposition for shareholders.

STATEMENT TO SHAREHOLDERS

COMMITTED TO CARE FOR LIFE

KPJ's continuum of highly specialised medical solutions continues to transcend borders and cultures while covering the entire patient lifecycle from pre-natal to geriatric care. Our commitment to "Care for Life" is underscored by the delivery of world-class patient care with professionalism and an undivided compassion to the many communities that we serve. The provision of quality healthcare services through continuous improvements in patient care and outcomes too remains a priority.

In all that we do, we are continuously guided by our Core Values of Safety, Courtesy, Integrity, Professionalism and Continuous Improvement. Moreover, we are supported by a dedicated team of some 9,000 employees who have wholeheartedly embraced the Group's culture of excellence and have been empowered with the skills to enhance patient care throughout our network.

Even as the Group sets its sights on diversifying regionally to expand its reach and expertise, we continue to enhance our operational efficiencies, empower our people, as well as embrace new skills, processes and technologies. At the same time, we are maintaining a keen focus on quality certifications that reflect higher clinical standards and enhanced patient safety.

To ensure the Group's sustainable growth, we continue to leverage on all market opportunities. The uptrend in private healthcare demand in tandem with a growing middle-income population in key markets, the burgeoning growth in medical tourism, and the Group's continuous expansion programmes, will ensure KPJ's long term profitability.

On behalf of the Board of Directors, we are pleased to share with you the key financial and operational highlights of KPJ Healthcare Berhad for the financial year ended 31 December 2012, as well as our plans going forward.

REVENUE SURPASSES RM2.0 BILLION MARK FOR FIRST TIME EVER

REVENUE GROWS 10% TO RM2.10 BILLION

KPJ'S SIX HOSPITALS UNDER ETP WILL CREATE MORE THAN 3,000 NEW JOBS

89% OF REVENUE FROM MALAYSIAN HOSPITAL OPERATIONS

9% GROWTH IN DOMESTIC OPERATIONS DUE TO POSITIVE EARNINGS GROWTH FROM MALAYSIAN HOSPITALS

A MIXED OPERATING ENVIRONMENT

The year 2012 was a mixed one for the Malaysian healthcare sector. The year saw competition ramp up as new healthcare players emerged to capitalise on the many opportunities in the burgeoning healthcare space. The tight labour market, a scarcity of sub-speciality doctors and higher operating costs affected the performance of healthcare players to some extent. Healthcare providers were preoccupied with balancing out their revenues and costs while ensuring the delivery of quality services.

At the same time, the domestic healthcare sector began to benefit from steady growth in line with the catalyst activities being implemented under the Malaysian Government's Economic Transformation Programme (ETP). As one of 12 National Key Economic Areas (NKEAs) under the ETP, the healthcare sector is expected to leverage on private-sector growth to generate between RM35 billion and RM50 billion in incremental gross national income (GNI) by 2020.

Six of KPJ's new hospitals have been identified for development under the healthcare NKEA and this bodes well for our performance going forward, particularly on the medical tourism front. When completed, our six hospitals will generate GNI of approximately RM1.3 billion and create more than 3,000 new jobs, while according us the capacity to serve more international patients.

GOOD FINANCIAL PERFORMANCE

Group Financial Highlights

Against this backdrop, KPJ delivered a commendable financial performance in 2012. We are pleased to report that the Group's revenue surpassed the RM2.0 billion mark for the first time ever with revenue rising by 10% to RM2.10 billion in 2012 from RM1.91 billion in 2011. This record revenue was attributable to organic growth as well as income from newly completed projects and acquisitions.

The Group, however, registered marginally lower profit before zakat and tax (PBZT) with PBZT decreasing by 4% to RM196.9 million compared to RM204.6 million in 2011. The slight decline in PBZT was due to the recognition of accumulated fair value adjustments in relation to investment properties of associate, Al'Aqar Healthcare REIT, amounting to RM25.9 million for 2011 (in comparison to RM5.4 million in 2012).

For 2012, the Group registered a marginal 5% reduction in net profit to RM146.8 million in comparison to RM154.3 million in the preceding year. The Group's hospital operations registered a 7% increase in profits in 2012 to RM191.5 million compared to RM178.7 million in 2011.

STATEMENT TO SHAREHOLDERS

Prime Minister, YAB Dato' Sri Najib Tun Razak announcing the development of Economic Transformation Programme (ETP).

Segmental Financial Highlights

The bulk of the Group's revenue in 2012 was derived from the Malaysian operations which contributed 89% of total revenue. Revenue from domestic operations rose 9% year-on-year (YoY) to RM1.87 billion from RM1.72 billion previously on the back of positive earnings growth from KPJ hospitals in Malaysia even as they implemented capacity expansion and introduced new services. Revenue from the Group's newer Malaysian hospitals also contributed to our higher revenue in 2012.

KPJ hospitals in Indonesia made strong strides forward, turning in a 92% hike in revenue to RM22.1 million in 2012 from the RM11.5 million recorded in 2011. This increase in revenue was attributable to the increase in the number of patients during the financial year.

The Aged Care Facility Services segment recorded a revenue of RM30.8 million in 2012, a 367% increase in comparison to the revenue of RM6.6 million in 2011. In the previous year, however, Jeta Gardens had only reported one month's revenue as it was acquired on 30 November 2011.

Revenue from the Ancillary Services segment improved by 8% to RM689.6 million in 2012 from RM636.0 million previously. The higher revenue came on the back of an increase in activities relating to the marketing and distribution of pharmaceutical, medical and surgical products, as well as from increased demand for pathology and laboratory services. These activities grew in tandem with the increase in revenue from hospitals within the Group.

While our more established operations in Malaysia are faring well, it is still early days for our hospitals in Indonesia and Aged Care Facility Services segments in Australia which are new to the Group. While it will take some time for these two business segments to get up to speed, we will do the necessary to optimise their operations so that they contribute to the Group in a more significant manner further down the road.

While KPJ continued to create positive Economic Value Added (EVA) of 63.17 million in 2012, this was a 19% or RM14.67 million decrease over the RM77.84 million created in 2011. The lower EVA, however is justified given the investments made into new developments, expansion projects and acquisition during 2012, all of which augur well for the Group's long-term growth.

ROBUST SHAREHOLDER VALUE CREATION

Dividend Payments

While the Group does not have a formal dividend policy, for the past three years, we have been declaring a quarterly dividend of between 45% and 50% of our net profit.

In respect of the financial year ended 31 December 2012, the Group declared and paid the following interim payments:

- On 31 May 2012, the Directors declared a first interim single tier dividend of 2.50 sen per share on 624,774,912 ordinary shares amounting to RM15,619,374. This dividend was fully paid on 13 July 2012.

- On 16 August 2012, the Directors declared a second interim single tier dividend of 2.50 sen per share on 637,871,224 ordinary shares amounting to RM15,946,780. This dividend was fully paid on 5 October 2012.

- On 28 November 2012, the Directors declared a third interim single tier dividend of 2.50 sen per share on 646,171,586 ordinary shares amounting to RM16,154,289. This dividend was fully paid on 15 January 2013.

- In concluding fiscal 2012, the Directors are pleased to be able to declare a fourth interim dividend of 4.0 sen per share on 650,349,000 ordinary shares amounting to RM26,013,960. This dividend was fully paid on 18 April 2013.

All in all, in respect of financial year 2012, KPJ will have paid out a total dividend of 11.5 sen per share amounting to RM73.7 million in dividends (in comparison to a total dividend payment of 12.2 sen per share amounting to RM70 million in 2011).

Share Price Performance, Market Capitalisation and Gearing

In 2012, KPJ delivered a robust performance in the securities market. Our shares opened at RM4.63 on 2 January 2012 and continued to climb over the subsequent months to hit a high of RM6.36 on 17 July 2012 translating into significant returns to shareholders. By the close of the market on 31 December 2012, our stock price stood at RM5.74 which gave shareholders who held our stock at the start of 2012, a 22% capital appreciation.

As at 31 December 2012, the Group's market capitalisation had increased by 33% to RM3.67 billion compared to RM2.75 billion in 2011. On the basis of this market capitalisation, KPJ was ranked 66th among the top 100 companies by market capitalisation on Bursa Securities as at end-2012, up from 75th place as at end-2011.

While our gearing ratio increased slightly to 0.6 times in 2012 compared to 0.5 times in 2011 due to our new projects as well as expansion and acquisition exercises, we believe that it is at a level which is still attractive to investors.

Stakeholder Engagement

KPJ is committed to undertaking timely and transparent corporate disclosure activities to build investor confidence and strengthen ties with the investing community. This has helped us make strong inroads among investors and enabled us to be covered by more research houses.

Over the course of 2012, KPJ's management and investor relations team met with analysts and fund managers from investment and stockbroking companies to provide updates on the developments undertaken by KPJ. Meetings were held with more than 79 investors while we participated in 7 conference calls and some 17 conferences held by investment banks and analysts. These platforms provided the Group the opportunity for open communication as well as enabled us to establish ties with new fund managers and other parties interested in the Group.

We continue to communicate our ideas and hold healthy discussions with our shareholders during our Annual General Meeting as well as in dialogues with shareholders and other parties such as the Minority Shareholders Watchdog Group on other occasions. To ensure timely and equitable dissemination of information to all stakeholders, the Group makes public announcements on KPJ's website in accordance with good disclosure practices.

YB Dato' Mustapha Mohamed, Minister of International Trade and Industry presenting an award to Amiruddin Abdul Satar for Gold Winner in the Private Hospital category under the Reader's Digest Most Trusted Brand Awards.

Awards and Accolades

KPJ continues to bring home a host of awards and accolades that bear testament to our strong stakeholder relationships and the dedication of our team in pursuing quality healthcare and operational excellence. The year saw us once again being accorded the title "Healthcare Service Provider of the Year" by Frost & Sullivan, while we were also the Gold Winner in the Private Hospital category under the Reader's Digest Most Trusted Brand Awards. These awards underscore the fact that we are on track with our vision to be the Preferred Healthcare Provider in Malaysia.

This was followed by KPJ receiving the Employer of Choice Award 2012 (Silver Award) and HR Leader of the Year Award (Silver Award) from the Malaysian Institute of Human Resource Management. These awards attest to the good inroads we are making in the way of nurturing our workforce and implementing effective human capital development activities.

In November 2012, the Young Entrepreneurs Organisation Malaysia awarded us their CSR Leadership Award 2012 in recognition of our commitment as a responsible corporate citizen. These and other awards are doing much to reinforce KPJ's leading position as Malaysia's foremost private healthcare provider from a holistic perspective. Our stakeholders can rest assured that we will continue to maintain the good momentum achieved thus far and set our sights on new heights of success.

KEY INITIATIVES

KPJ continues to grow from strength to strength on the back of strategies that see us undertaking expansion, optimising existing resources, empowering our people, embracing new skills, processes and technologies, as well as ensuring a rigorous adherence to regulatory concerns and industry standards. All these ultimately aim to ensure we render not just high quality services to all our customers but that we serve them with compassion and an undivided attention to patient safety so that our philosophy "Care for Life" is reflected in every aspect of our operations.

In 2012, we continued to embark on initiatives to reinforce the Group's leading position in the marketplace.

Hospital Developments in Malaysia

Given the strong demand for quality healthcare services in Malaysia today, all KPJ's existing 22 hospitals are running at almost full capacity. These hospitals are at various stages of development. To cater to the rising demand for quality hospitals and to ensure a sustainable pathway for the Group in a highly competitive healthcare sector, KPJ continues to set its sights on growing its network and expanding its existing capacity.

In KPJ's last Annual Report, we highlighted that we would take on seven new development projects over eight years and expand our existing hospitals. Since then, another two new hospital projects have been identified and we anticipate that the plan will continue to evolve in tandem with market demand. Our plan is to roll out a minimum of two new hospitals per annum to meet high market demand.

STATEMENT TO SHAREHOLDERS

KPJ Klang Specialist Hospital was opened in May 2012.

KPJ participating in the Arab Medical Expo 2012 in Jeddah, Saudi Arabia.

In May 2012, the KPJ Klang Specialist Hospital in Selangor commenced operations. By the second quarter of 2013, the KPJ Pasir Gudang Specialist Hospital in Johor would have opened its doors to the public, while the KPJ Sabah Specialist Hospital in Kota Kinabalu is set to commence operations in the third quarter of 2013, and the KPJ Muar Specialist Hospital, by the end of 2013. The completion of the first phase of development for the latter three hospitals will see another 200 beds in total being added to our current capacity. By the end of 2013, KPJ's capacity will rise to 2,766 beds from 2,566 currently.

Come 2014, the KPJ Pahang Specialist Hospital as well as the KPJ Bandar Dato' Onn Specialist Hospital will be opened. This will be followed by the KPJ Perlis Specialist Hospital and KPJ Klang Bayu Emas Specialist Hospital in 2015. Thereafter, the KPJ Miri International Specialist Hospital is targeted to commence operations in 2016. All these eight developments will add another 1,450 beds to our total number of operating beds by 2016.

Developments Abroad

In 2012, KPJ undertook several initiatives to strengthen its international footprint. These included the acquisition of an 80% equity stake in PT Khidmat Perawatan Jasa Medika which owns Rumah Sakit Medika Permata Hijau in Indonesia; and a 23.4% equity stake in the 263-bed Vejthani Public Company Limited which own the Vejthani Hospital in Thailand. The Indonesian acquisition will serve to strengthen our position in that nation as well as improve our operational efficiencies, while our strategic stake in the Thai operation bodes well for our medical tourism agenda going forward. Over the longer term, KPJ will also leverage on Vejthani's proven medical tourism strategy in Malaysia.

Medical Tourism Activities

Revenue from the medical tourism segment accounts for 3% of KPJ's revenue today and we intent on growing this to 25% by 2020. To capitalise on the wealth of opportunities presented by the medical tourism market, 2012 saw KPJ continuing to undertake a host of aggressive marketing and promotional activities in existing and new target markets throughout Asia, the Middle East and Australia. Our participation in local and international exhibitions, trade expositions, road shows and health talks over 2012 did much to raise awareness on Malaysia as an excellent and cost-effective destination for medical care and helped entrench the KPJ brand among target audiences.

In 2012, our efforts resulted in a 6% increase in the number of international patients with the bulk of these coming from Indonesia as well as other countries such as Australia, New Zealand, Somalia, Libya, Singapore, India, Iran, China and the Middle East. This segment generated approximately RM57.0 million in revenue in 2012 and we anticipate medical tourist numbers to increase on the back of aggressive marketing and promotional activities targeted at potential patients from China and the Middle East, among other countries.

Aged Care Facility Services

Via our 51% equity stake in Jeta Gardens Waterford Trust (JGWT), Brisbane, we are involved in Australia's first retirement and aged care resort incorporating Eastern values. Serving as our gateway to the retirement world, JGWT enables KPJ to gain greater insights into providing retirement care to the elderly which we will optimise to create a new lifestyle for the Golden Boomers in Malaysia. As our patients move into their golden years, we will be in a position to meet their needs through geriatric health and nursing activities. By delivering value to the elderly, we are ensuring the Group's long-term sustainability.

The year saw the Jeta Gardens venture beginning to bear fruit even as another 10 of Jeta Gardens' independent living villas were completed in late 2012 bringing the total to 33. Currently four of these new villas have been contracted for sale. Beginning June 2013, an additional 70 aged care places (already approved by the Australian Government) will be developed and operated bringing the number of aged care beds at Jeta Gardens to 180 beds. The Group remains confident about its venture into aged care facility services as there is much potential for the business model to be replicated in other countries in the region.

Education Business

Through KPJ Healthcare University College or KPJUC (formerly known as KPJ International University College of Nursing and Health Sciences) we are fulfilling individuals' academic ambitions and meeting the

STATEMENT TO SHAREHOLDERS

Minister of Higher Education, YB Datuk Seri Mohamed Khaled Nordin launching KPJ Healthcare University College's new name at Putrajaya International Convention Centre. Receiving the certificate is Prof Dato' Dr Lokman Saim, the President and Dean of the Medical School, KPJ Healthcare University College.

healthcare industry's requirements for skilled nurses and allied healthcare professionals.

As a progressive institution, KPJUC offers a diverse range of academic programmes including certificate, diploma, bachelor and post-graduate courses. To date, KPJUC offers 27 programmes ranging from foundation to postgraduates level, among which are three new home-grown programmes including a Masters in Otorhinolaryngology, Masters in Pharmaceutical Technology, and a Foundation in Science course. We are the first private college in Malaysia to offer the Masters in Otorhinolaryngology - head and neck surgery programme. In 2013, another seven new home-grown Masters and PhD programmes will be added to KPJUC's academic offering. With these new academic programmes and more to come, KPJUC aims to increase its student population from 1,700 to 5,000 students by 2015. To cater to the expected increase in student numbers, the Nilai campus has been undergoing expansion works since 2012 and these are targeted for completion by mid-2013. In 2013, KPJUC's new campus has commenced its operation in Bukit Mertajam, Penang. This development will help strengthen KPJ's footprint in the northern part of Malaysia.

Moving forward, KPJUC will continue to forge alliances with universities abroad, leveraging on a dynamic academic team and offer valuable hands-on training to ensure KPJUC's graduates are recognised for their clinical distinction and their service to patients.

Capital Expenditure and Strategic Investments

In 2012, we continued to make several strategic investments to reinforce our position as the nation's foremost healthcare provider. The year saw us investing some RM363 million in renovating and expanding existing hospitals, constructing new hospitals and acquiring subsidiaries and associates (which included investments into SMC Healthcare Kota Kinabalu in Sabah and the Vejthani Hospital in Bangkok). Our investments also extended to the construction of 10 new villas at the Jeta Gardens' facility bringing the total number of villas to 33 units. For 2013, the Group expects to spend between RM200 million and RM250 million on capital expenditure.

Widespread Use of Information Technology

In the year under review, the Group intensified its use of information technology (IT) to deliver more efficient operations. The widespread and accelerated use of IT at our hospitals is going a long way to enhance patient safety even as the opportunity for making errors is dramatically reduced and coordination and efficiency improved.

As we head towards a paperless environment throughout our organisation, we are leveraging on the capabilities of the existing Hospital Information Technology System (HITS) which has been integrated with newer systems such as our Enterprise Information System (EIS), Picture Archiving Communication System (PACS), and KPJ Clinical Information System (KCIS). All these technologies are delivering better health outcomes, lower risk of errors, improvements in patient engagement as well as shorter patient waiting time. Moreover, they are helping us preserve the environment by reducing waste and the use of chemicals.

Following the adoption of the KPJ Clinical Information System (KCIS) some four years ago, the much improved KCIS has gained wide acceptance among our medical consultants and administrative staff. Today, there are many more doctors and medical staff tapping the integrated environment that KCIS offers for their day-to-day operations. By the end of 2012, KCIS had been deployed at eight hospitals with four more scheduled to migrate on to the KCIS in 2013. The KPJ Klang Specialist Hospital in particular was utilising 100% of the KCIS for its operations in 2012. Enhancements are in the pipeline to enable KCIS to be utilised on mobile devices and for cloud computing.

In 2012, the HITS (which had already been rolled out to all existing hospitals), was successfully implemented at the new KPJ Klang Specialist Hospital. A newly introduced Integrated Digital Multimedia System encompassing IPIV, a digital queue management system, indoor digital media and information kiosk functionality was also deployed for patient convenience and comfort. The year saw the indoor digital media and IPTV elements rolled out to the KPJ Ampang Puteri and KPJ Klang Specialist Hospitals, while the queue management system was deployed at the KPJ Ampang Puteri Specialist Hospital.

Going forward, KPJ will rigorously pursue a strategy of widespread IT adoption to safeguard our operations and patients, raise customer service levels as well as strengthen our reputation of being a forward-looking healthcare player.

Patient Care and the Customer Experience

As KPJ's fast developing network of hospitals expands its range of facilities and services, there is a need to ensure that the customer experience and patient safety remains a top priority. KPJ's goal is to provide excellent service to all our customers, at all times. We are genuinely committed to achieving this by adopting core procedures and processes throughout our hospitals and delivering a high level of professional and compassionate care.

STATEMENT TO SHAREHOLDERS

At KPJ Healthcare, achieving customer service excellence is a mission undertaken by all levels from staff to consultants.

Our hospitality and service are reflections of who we are as a Group and to ensure consistency and high standards across all our hospitals we continue to implement a service excellence initiative that advocates the development of a strong service excellence culture within KPJ.

The Service Excellence - The KPJ Way (SE - KPJ Way) initiative involves the implementation of core customer-centric procedures and processes throughout our hospitals and the delivery of a high level of professional and compassionate care. It reflects the Group's sincere commitment to deliver high-quality customer experience by consistently touching our patients' hearts across all touch-points, from entry to exit.

The SE - KPJ Way initiative has its roots in a cultural transformation that began at KPJ in 2006 and is built upon the Service Excellence – KPJ Way Standard People Practice (SPP) and Service Excellence – Group Alignment and Re-Engineering (SEGAR) initiatives. The SPP involves taking employee behaviour up to new levels of excellence, while SEGAR involves taking our processes and support up several notches.

To date, 10 hospitals within the Group are participating fully in the SE - KPJ Way with others to follow suit in due course. In 2012, all of these 10 hospitals recorded a commendable upward trend in their customer satisfaction index - an indication that customers are very pleased with the services rendered by caregivers at the various touch points within our hospitals. Going forward, the staff at these 10 participating hospitals will continue to be coached, trained and retrained to instil within them a passion to serve. At the same time the SE - KPJ Way initiative will continue to be rolled out to other hospitals within the Group.

Quality of Services

KPJ's ultimate goal is to provide our customers with safe care and excellent services. This commitment to providing safe care is reflected in the recognition our hospitals have received from accreditation bodies such as the Malaysian Society for Quality in Health (MSQH) and Joint Commission International (JCI). On top of this, our hospitals continue to obtain certifications such as the Integrated Management System or IMS certification (which also includes Occupational Safety and Health and Environmental Management System elements), as well as ISO, and SIRIM certifications. All these attest to our commitment to adopting best-in-class quality systems and processes.

To date, 12 KPJ hospitals have been accredited by the MSQH with several slated to undergo their latest accreditation cycles in 2013. We also made good progress in the way of JCI accreditation with the KPJ Ampang Puteri Specialist Hospital and KPJ Seremban Specialist Hospital both receiving their full three-year JCI accreditation in 2012. Two other hospitals, namely KPJ Johor and KPJ Penang, are slated to undergo the JCI accreditation process in 2013.

To further ensure strict compliance with all regulations as well as adherence to international best practices, clinical conduct at all KPJ's hospitals is governed by the Group's clinical policies and procedures, while the Medical Advisory Committee and other clinical committees at both the Group and hospital levels monitor the processes. KPJ also abides by the policies and practices outlined in the Private Healthcare Facilities and Services Act 1998 and other regulations laid out by the Ministry of Health. Moreover, via exposure to continuous learning at KPJUC, we are able to maintain high quality standards among our staff.

Human Capital Development

Our workforce is our greatest asset and the fundamental driving force behind our success. In 2012, we continued to place an emphasis on human capital development to create a sustainable workplace and to strengthen the workforce in tandem with our rapid expansion programme.

To date, more than 9,000 highly-trained individuals support KPJ's operations. They include over 6,000 highly trained clinical staff who have been trained by KPJUC; 400 internally-trained managers with some 30 plus years of experience in managing hospitals; as well as over 900 medical consultants who specialise in various medical disciplines. Our medical consultants are continuously keeping abreast with the latest medical developments by participating in conferences and seminars, as well as sharing their knowledge with others via various speaking platforms, both locally and internationally.

The KPJ team is committed to pursuing the Groups mandate of caring for life through providing world-class patient care with professionalism and an undivided compassion. As they undertake their roles and responsibilities with a spirit of excellence and a passion that exceeds stakeholder expectations all the time, every time, our team is guided by the Group's Core Values of Safety, Courtesy, Integrity, Professionalism and Continuous Improvement. By ensuring a seamless coordination and cooperation among our team of caregivers, we are ensuring that patient safety and customer care are given the highest priority.

STATEMENT TO SHAREHOLDERS

At KPJ, unity, teamwork, employee engagement as well as opportunities for learning and improvement, are among the key pillars that are helping to create a sustainable workplace. On top of this, we place an emphasis on the development of employees through transformational leadership, motivation, and training. To this end, as much as RM7.0 million is spent annually to finance employees' further education, on-the-job training and other skill enhancement programmes, as well as to equip them with the necessary knowledge and skills for any emergency.

KPJ is committed to empower our people with the confidence and skills to lead and guide others. We are keen to transform ordinary individuals into extraordinary high performers through transformational leadership. To ensure the continuity of the Group's management standards, capable individuals with high potential are identified for management positions within the Group under our Talent Management programme which also forms part of KPJ's Succession Development Plan.

As an Equal Opportunity Employer, we accord our workforce various opportunities to better themselves and vie for positions of higher responsibility based on their ability and performance. By tapping on measurable processes and achievements such as the Staff Performance Appraisal Review (SPAR), the Group is able to identify and promote competent employees while enhancing the capability of others through more targeted training programmes. All of these initiatives are helping us to grow the KPJ talent pool.

For our ability to attract and retain quality employees, enrich our talent pool through continuous training and up-skilling programmes, as well as undertake high employee engagement, KPJ once again won the Employer of Choice Award 2012 from the Malaysian Institute of Human Resource Management.

KPJ Healthcare Berhad Chairman, Dato' Kamaruzzaman Abu Kassim launching the KPJ new corporate office at Menara 238, Jalan Tun Razak, Kuala Lumpur.

RESPONSIBLE CORPORATE PRACTICES

Corporate Governance

Well aware of our responsibilities to our stakeholders and the public, KPJ's Board of Directors is committed to upholding the tenets of integrity, transparency and accountability and to implementing the highest standards of corporate governance and risk management practices throughout our organisation. To this end, we are ensuring strict compliance with Bursa Malaysia's listing and disclosure requirements under the Malaysian Code of Corporate Governance 2012 as well as undertaking several other measures.

These measures include close monitoring of the relevant operational processes by the Audit Committee, Building Committee, Medical Advisory Committee, Nomination and Remuneration Committee, Clinical Governance Committee and Procurement/Tender Committee. On top of this, the Group Medical Advisory Committee (MAC) ensures the best clinical governance activities are being undertaken by the Group by developing and monitoring clinical governance activities and guidelines. At the individual hospital level, the Hospital MAC under the chairmanship of a medical director facilitates the implementation and oversees compliance with clinical governance through various clinical sub - committees.

The changes made in 2011 to strengthen the Board have brought a renewed vigour and new dynamism to our operations and augur well for the good governance of the Group. We are confident that these measures among others will help our businesses grow in a sustainable manner and strengthen shareholder value. More details of our governance measures and practices can be found in the relevant sections of this Annual Report.

Corporate Responsibility

As we make good progress forward on the financial and operational fronts, we are committed to undertaking responsible practices that underscore KPJ's commitment to Care for Life. This is reflected through our focus on community care and the wellbeing of individuals. We are dedicated to helping the communities in which we operate in big or small ways and continue to extol the spirit of giving through several initiatives. These include the provision of free basic health screening; assistance in cash or kind to orphanages, homes for the aged and those living in poverty or hardship; as well as zakat contributions and donations.

Our flagship CR initiative to help communities, particularly the impoverished and underprivileged, is through the chain of charity clinics under Klinik Waqaf An-Nur (KWAN) initiative. These charitable clinics offer basic medical care to patients for a nominal fee of only RM5 for normal outpatient care and around RM90 for dialysis services to enable them to lead healthier lives.

STATEMENT TO SHAREHOLDERS

Demonstration of the baby hatch process by Dato' Dr. Hj. Fadzli Cheah Abdullah, Medical Director of KPJ Ipoh Specialist Hospital together with Deputy Minister of Ministry of Women, Family and Community Development, YB Datuk Heng Seai Kie.

We began this initiative in 1998 together with parent company Johor Corporation starting off with one small clinic in Johor Bahru. Today, the KWAN initiative spans a network of 18 clinics throughout Malaysia and one hospital in Johor. 2012 marked a year of expansion and development for the KWAN initiative with a number of clinics being developed or refurbished in several states across the nation. On top of the established Waqaf An-Nur Hospital, 18 clinics (including four KWAN cabins and eight dialysis centres), 2012 saw the addition of three new KWAN clinics and the launch of a mobile clinic to enhance KWAN's reach. Currently another four new clinics are under construction.

Under KWAN, KPJ has had the opportunity to be of service to more than 850,000 patients. The Group continues to provide clinical resources as well as medication to patients via KWAN as well as contributes more than RM2 million annually to support KWAN activities.

We are also supporting the Ministry of Women, Family and Community Development in their efforts to rescue unwanted new born babies by building baby hatches at our hospitals. As at 31 December 2012, 10 baby hatches have been built at our hospitals in various locations. It is hoped that this facility which allows mothers to leave their babies anonymously would protect new born babies.

PROSPECTS AND STRATEGIES GOING FORWARD

The Malaysian economy is expected to remain on a steady growth path in 2013 and register GDP growth of between 5% and 6%. Economic activity will be anchored by the continued resilience of domestic demand, and supported by gradual improvements in the external sector.

The outlook for the Malaysian domestic private healthcare industry too is expected to be positive on the back of various industry dynamics. The private healthcare sector is expected to register healthy demand growth of between 8% and 10% per annum on the back of growing awareness of healthcare standards and an overloaded public healthcare system. Favourable demographic changes in Malaysia such as an ageing population and strong population growth, too bode well for private healthcare. Moreover, the proliferation of medical insurance, is expected to drive patients to hospitals that target the mid to high income population. All these developments augur well for KPJ and we will focus our efforts on puffing the necessary building blocks in place to deliver sustainable growth.

To ensure our long term-growth, the Group is bringing into play a mixture of greenfield and brownfield projects as well as acquisitions. Our Malaysian operations will remain the mainstay of our business going forward and we will continue to make the necessary investments to strengthen this segment. This is evidenced by the eight hospital projects and the expansion programmes we have committed to for the next five years. The opening of new hospitals will help us grow our revenue once their initial gestation period is over. Our plan to roll out two new hospitals per annum too augurs well for us and will ensure a steady stream of revenue as well as strengthen our market leadership position.

The Group will also focus its efforts on growing our international footprint within the region in a slow but sure manner, mainly by leveraging on strategic alliances with third parties. We will also ramp up our efforts on the medical tourism front in line with our efforts to grow the revenue contributions from this business segment to 25% by 2020.

In 2012, the Group provided medical services to more than 2.7 million patients and in line with our capacity building and service expansion initiatives we expect patient numbers from both the domestic and international markets to rise in the years ahead.

While there will be challenges going forward, we are confident that we can overcome these challenges with the support of our dedicated management team, employees and medical consultants. We commit to providing our people the necessary tools as well as to developing a harmonious workplace so that our employees can give their undivided attention to the needs of their patients and get down to the business of Caring for Life. By working cohesively as a team, staying close to our Core Values and bringing to the fore our priorities of patient safety and quality medical care, we are confident of gaining patient confidence and reinforcing our reputation as a serious contender in the healthcare sector.

Given the Group's position of strength and our plans going forward, we are confident that KPJ will continue to deliver a good performance in the year ahead while creating good value for our shareholders.

ACKNOWLEDGEMENTS

KPJ made strong inroads in several areas in 2012 and we have many parties to thank for this.

We wish to convey our deep gratitude to you, our Shareholders, for your unrelenting trust and confidence in us. Rest assured we will continue to do our best to maintain the momentum of our efforts and ensure sustainable shareholder value creation going forward.

Our sincere appreciation goes to all our customers for their worthy support and continued trust in KPJ. We also owe a debt of gratitude to the many communities we operate in who have unstintingly supported the Group's initiatives and encouraged us to continue championing our corporate responsibility activities so that our commitment to "Care for Life" becomes truly meaningful.

Our heartfelt appreciation goes to the Government and authorities for their worthy cooperation and guidance, and to KPJ's business partners for their continued support.

Our sincere appreciation goes to all Medical Consultants within the KPJ Group who have worked tirelessly to deliver the highest quality of care to our patients. Our sincere gratitude also goes to the management team and staff of KPJ, for their steadfast commitment to professionalism and excellence in every aspect of their service and care for customers.

Our heartfelt thanks to our colleagues on the Board as well as the Executive, Audit and Clinical committees, who have worked alongside us to propel KPJ forward on the pathway to greater success. We thank them for their wise counsel and insights as well as their strong support in the implementation of various projects for the good of the Group.

At this time we wish to pay tribute to the worthy contributions of our former Managing Director, Datin Paduka Siti Sa'diah Sheikh Bakir, who has been now appointed as a Non-Executive Director and Corporate Advisor to the Group. Datin Paduka Siti Sa'diah has been directly involved with KPJ since our listing in 1994 and we have all greatly benefited from her visionary leadership, foresight, and far-reaching contributions. Many of us have learnt much from her through her own efforts to Care for Life and we have become better people because of the many positive values she has imparted.

While it will be hard to follow in her footsteps, we remain committed to upholding the many positive influences Datin Paduka Siti Sa'diah has imbued within the Group, including a dedication to the highest standards of operational excellence and a steadfast commitment to world-class patient care with professionalism and an undivided compassion. We, however, look forward to Datin Paduka Siti Sa'diah's continued insights and advice in her new role as Corporate Advisor to the Group.

As we renew our commitment towards Care for Life and pursue our vision of becoming the Preferred Healthcare Provider, we call upon all our stakeholders to lend us their continuing support. Thank you.

Dato' Kamaruzzaman Abu Kassim
Chairman

Amiruddin Abdul Satar
President/Managing Director

EXERCISING PROFESSIONALISM AT ALL TIMES

The KPJ team is committed to exercising professionalism at all times. As we go about our business of caring for life, we undertake all that we set our hands to with an excellence, passion and professionalism that serves to delight stakeholders and exceed their expectations.

BOARD OF DIRECTORS

Standing from Left to Right

1. Dr Yoong Fook Ngian
Independent/Non-Executive Director

2. Abd Razak Haron
Non-Independent/Non-Executive Director

3. Dr Kok Chin Leong
Independent/Non-Executive Director

4. Ahamad Mohamad
Non-Independent/Non-Executive Director

5. Zainah Mustafa
Independent/Non-Executive Director

6. Datuk Azzat Kamaludin
Independent/Non-Executive Director

BOARD OF DIRECTORS

7. Rozan Mohd Sa'at
Non-Independent/Non-Executive Director

8. Datuk Dr Hussein Awang
Independent/Non-Executive Director

Sitting from Left to Right

Amiruddin Abdul Satar
President/Managing Director

Dato' Kamaruzzaman Abu Kassim
Chairman

Datin Paduka Siti Sa'diah Sheikh Bakir
Corporate Advisor/Non-Executive Director

DIRECTORS' PROFILE

Dato' Kamaruzzaman Abu Kassim
Chairman

Dato' Kamaruzzaman Abu Kassim, Malaysian, aged 49, was appointed as a Non-Independent Non-Executive Director of KPJ Healthcare Berhad (KPJ) on 3 January 2011 and subsequently as Chairman of KPJ on 12 January 2011.

He graduated with a Bachelor of Commerce majoring in Accountancy from the University of Wollongong, New South Wales, Australia in 1987.

Dato' Kamaruzzaman began his career as an Audit Assistant with Messrs K.E Chen & Associates in May 1988 and later joined Coopers & Lybrand (currently known as PricewaterhouseCoopers) in Johor Bahru. In December 1992, he left the firm to join Perbadanan Kemajuan Ekonomi Negeri Johor (currently known as Johor Corporation or JCorp) as a Deputy Manager in the Corporate Finance Department and was later promoted to General Manager in 1999.

Dato' Kamaruzzaman became the President and Chief Executive of JCorp with effect from 1 December 2010. Prior to that, he served as the Chief Operating Officer of JCorp (beginning 1 August 2006) and was later appointed as the Senior Vice President, Corporate Services & Finance of JCorp (beginning 1 January 2009).

Dato' Kamaruzzaman sits as the Chairman of Damansara REIT Managers Sdn Bhd, the managers for the Al-'Aqar Healthcare REIT, a position he assumed on 12 January 2011. He is also the Chairman of Kulim (Malaysia) Berhad and Damansara Realty Berhad, companies under the JCorp Group which are listed on the Main Market of Bursa Malaysia Securities Berhad. He is also the Chairman of Johor Land Berhad and a Director of Waqaf An-Nur Corporation Berhad, an Islamic endowment institution which spearheads JCorp's CSR programmes. In addition, he also sits as Chairman and Director of several other companies within the JCorp Group.

DIRECTORS' PROFILE

Amiruddin Abdul Satar
President/Managing Director

Amiruddin Abdul Satar, Malaysian, aged 48, is the President/Managing Director of KPJ, a position which he assumed on 1 January 2013.

An accountant by training, Amiruddin is a member of the Association of Chartered Certified Accountants (ACCA) and holds a Masters in Business Administration (MBA) from Henley Business School, University of Reading, United Kingdom.

He gained significant experience in the fields of finance and management in his capacity as the Accountant and Finance Manager of several large and reputable organisations in the country before joining KPJ in 1993.

His overall contributions to KPJ, spanning 20 years, have been immeasurable, particularly in the areas of hospital operations, finance and various senior management functions such as strategic planning and investment decisions.

He also sits on the Board of several KPJ Hospitals as Chairman as well as Director of several other companies within the JCorp Group.

With two decades of experience in the Healthcare industry, Amiruddin also contributes actively to the development of the Malaysian Healthcare sector through his active involvement in the Association of Private Hospitals of Malaysia (APHM), where he sits as a Board member, a position he has held since 1996.

DIRECTORS' PROFILE

Datin Paduka Siti Sa'diah Sheikh Bakir
Corporate Advisor/Non-Executive Director

Datin Paduka Siti Sa'diah Sheikh Bakir, Malaysian, aged 60, served as the Managing Director of KPJ from 1 March 1993 until her retirement on 31 December 2012. She was appointed as a Non-Executive Director and Corporate Advisor for KPJ on 1 January 2013.

She graduated with a Bachelor of Economics from University of Malaya and holds an MBA from Henley Management College, University of Reading, London, United Kingdom.

Datin Paduka's career with JCorp commenced in 1974 and she has been directly involved with JCorp's Healthcare Division since 1978. She was appointed as the Chief Executive of Kumpulan Perubatan (Johor) Sdn Bhd (KPJSB) from 1989 until the listing of KPJ in November 1994.

Datin Paduka currently sits as a Director of Kulim (Malaysia) Bhd and Damansara REIT Managers Sdn Bhd, the manager for the Al-'Aqar Healthcare REIT. Committed to promoting excellence in healthcare, Datin Paduka is the President of the Malaysian Society for Quality in Health (MSQH), elected since its inception in 1997 to date.

She is also a member of the Malaysia Productivity Council (MPC) Consultative Panel on Healthcare since 2001, a member of the National Patient Safety Council, Ministry of Health since 2003, and a member of the Malaysian Healthcare Travel Council (MHTC), Ministry of Health since 2009. In 2012, she was appointed as a member of the Malaysian Standards and Accreditation Council (MSAC) under the Ministry of Science, Technology and Innovation (MOSTI).

Datin Paduka was a Board member of MATRADE from 1999 to 2010 and was an Independent Non-Executive Director of Bursa Malaysia from 2004 to April 2012. She was also a Board member of KFC Holdings (Malaysia) Bhd and QSR Brands Bhd from 2010 until February 2013 when KFC and QSR were delisted from Bursa Malaysia.

In 2010, Datin Paduka was named the "CEO of the Year 2009" by The New Straits Times Press and the American Express. In 2011 and 2012, Datin Paduka also received many more awards and accolades due to her contributions to the healthcare industry in Malaysia.

DIRECTORS' PROFILE

Zainah Mustafa
Independent Non-Executive Director

Zainah Mustafa, Malaysian, aged 58, has served as a Director of KPJ since 21 February 1994 and is also the Chairman of the KPJ Audit Committee.

She has been an Independent Non-Executive Director since 1 December 2004. She also sits on the board of other companies in the JCorp Group of Companies namely Damansara Realty Berhad, Damansara REIT Managers Sdn Bhd and Al-'Aqar Capital Sdn Bhd. She started her career as an Assistant Senior Auditor in Perbadanan Nasional Berhad in 1977 after graduating from Institut Teknologi MARA (presently UiTM).

She became a member of the Association of Chartered Certified Accountants (ACCA) United Kingdom in 1976. She is now a Fellow of the Association of Certified Chartered Accountants (FCCA). She joined JCorp in October 1978 and rose through the ranks to become the Group Chief Financial Officer before retiring on 31 October 2002.

DIRECTORS' PROFILE

Dr Yoong Fook Ngian
Independent Non-Executive Director

He is an Independent Non-Executive Director of KPJ and the Chairman of the Medical Advisory Committee and Chairman of the KPJ Building Committee. He received his Bachelor of Medicine and Bachelor of Surgery (MBBS) from the University of Sydney in 1966. He obtained his post-graduate qualification in Otolaryngology in 1972 and was became a Fellow of the Royal College of Surgeons of Edinburgh.

He is also a Fellow of the College of Surgeons of Malaysia and a member of the Academy of Medicine of Malaysia. He was employed by the Ministry of Health from 1966 to 1975. In 1972, he established the ENT Department in Hospital Ipoh. His last posting with the Ministry of Health was as Head of ENT Surgery in General Hospital Kuala Lumpur before he ventured into private practice in 1975.

In private practice, he was ENT Consultant at Our Lady's Hospital in Ipoh from 1975 to 1982. He has been Resident ENT Consultant in Ipoh Specialist Hospital since 1983 and is one of its founding doctors. He has been the Medical Director of Ipoh Specialist Hospital since 1994 until December 2006. He is a Life Member of the Malaysian Medical Association and a Past-Chairman of the Perak branch. He is also a Past-President of the Perak Medical Practitioners' Society.

Dr Yoong Fook Ngian, Malaysian, aged 71, is a Director of KPJ and was appointed to the Board of KPJ on 7 July 2005.

Ahamad Mohamad
Non-Independent Non-Executive Director

Ahamad Mohamad, Malaysian, aged 59, was appointed to the Board of KPJ on 1 January 2005.

He is currently a Non-Independent and Non- Executive Director of KPJ. He graduated with a Bachelor of Economics (Honours) degree in 1976 from the University of Malaya. He joined JCorp in 1976 as a Company Secretary for various companies within the JCorp Group.

He has been involved in many of JCorp's projects among them, the early development of the Johor Specialist Hospital, a prefabricated housing project and the Kotaraya Complex in Johor Bahru. At present, he is the Chief Executive of the Palm Oil Division of JCorp.

He is currently the Managing Director of Kulim (Malaysia) Berhad and a director of New Britain Palm Oil Limited (Papua New Guinea) as well as several other companies within the JCorp Group.

DIRECTORS' PROFILE

Dr Kok Chin Leong
Independent Non-Executive Director

Dr Kok Chin Leong, Malaysian, aged 55, is a Director of KPJ and was appointed to the Board of KPJ on 7 July 2005. An Independent Non-Executive Director of KPJ, he has been a member of the KPJ Clinical Governance Policy Committee since 2001 and became its Chairman in 2005. He is also the Advisor for KPJ's Clinical Information System, a position he assumed in January 2003.

He is also the Executive Board Member for MSQH and the Asian Society for Quality in Healthcare (ASQua). He has been sitting on the Executive Committee of the Malaysian Paediatric Association (MPA) since 2009, and is the President Elect 2013-2015 of the MPA.

He received his Bachelor of Medicine and Bachelor of Surgery (MBBS) in 1982 from University of Malaya and completed his postgraduate studies in Paediatrics (Master of Medicine Paediatrics) in 1990 from Universiti Kebangsaan Malaysia.

He was conferred the title of Fellow of the Royal College of Physicians of United Kingdom in 1990 and registered as a full medical practitioner with the Malaysian Medical Council in 1983.

His medical career began in 1986 at the Kuala Lumpur General Hospital in Clinical Paediatrics and he also worked as Senior House Officer/ Registrar at Derby Children's Hospital, United Kingdom in 1990.

Dr Kok served as the Clinical Specialist in Paediatrics at Hospital Sultanah Aminah, Johor Bahru from 1991 to 1992; was the Head of Department of Paediatrics at Batu Pahat Hospital from 1991 to 1993; and Senior Consultant Paediatrician at Hospital Sultanah Aminah, Johor Bahru from 1993 until 1994.

He was also the Project Coordinator/ Chairman for the Batu Pahat Rotary Club Haemodialysis Centre from 1992 to 1993; the Southern Representative for the Malaysian Paediatric Association from 2000 to 2004; and the Southern Coordinator for Infant Touch Therapy.

He was a Board Member in Association of Private Hospitals Malaysia (APHM) from 2008 to 2010. He has been the Resident Consultant Paediatrician at KPJ Puteri Specialist Hospital since 1994 and was appointed as the Medical Director in February 2000 until June 2006. His main interests are in Health Informatics, Patient Safety in Healthcare Delivery, Clinical Governance, and Clinician Performance & Appraisal Assessment.

DIRECTORS' PROFILE

Datuk Azzat Kamaludin
Independent Non-Executive Director

Datuk Azzat Kamaludin, Malaysian, aged 67, was appointed to the Board of Directors of KPJ on 1 September 1994.

He is currently an Independent Non-Executive Director and is also a member of the Audit Committee of KPJ. A lawyer by training, he was admitted as an advocate and solicitor of the High Court in 1979 and has been in practice since then as partner of Azzat and Izzat, a law firm.

Prior to that, from 1970 to 1979, he served as an administrative and diplomatic officer with the Ministry of Foreign Affairs. He currently serves as Director of several public-listed companies, namely, Visdynamics Holdings Berhad, Pulai Springs Berhad, Boustead Holdings Berhad, BHIC Berhad and Axiata Group Berhad.

DIRECTORS' PROFILE

Rozan Mohd Sa'at
Non-Independent Non-Executive Director

Rozan Mohd Sa'at, Malaysian, aged 54, is a Director of KPJ and was appointed to the Board of KPJ on 1 January 2009.

He is a Non-Independent Non-Executive Director of KPJ as well as the Chief Executive Officer of Hospitality Division of JCorp.

He holds a Bachelor of Economics (Honours) majoring in Statistics from Universiti Kebangsaan Malaysia. He began his career in 1983 as an Administrative Officer in Planning & Research Department of JCorp before being seconded as Operations Manager in Sergam Berhad, a subsidiary of JCorp in 1986.

From 1987 to 1988, he served in the Corporate Communications Department, JCorp as an Administrative Officer. From 1988 to 1993, he was the Executive Director of several subsidiaries in the JCorp Group.

In 1994, he was appointed as the General Manager of JCorp's Tourism Division before assuming the post of Chief Executive of the same Division on 15 June 1996, a post which he held until his appointment as the General Manager, Business Development, JCorp beginning January 1999.

Prior to his appointment as the Managing Director of Sindora Berhad, he served as the Senior General Manager, Business Development of JCorp from 2000 until August 2002. He is also a Director of Kulim (Malaysia) Berhad and Waqaf An- Nur Corporation Berhad.

DIRECTORS' PROFILE

Datuk Dr Hussein Awang
Independent Non-Executive Director

Datuk Dr Hussein Awang, Malaysian, aged 72, was appointed to the Board of KPJ on 21 February 1994 and subsequently as a member of the Audit Committee on 12 December 2005.

He received his Bachelor of Medicine and Bachelor of Surgery (MBBS) in 1964 from University of Melbourne, Australia. He was made a Fellow of the Australasian College of Surgeons in 1972.

He was the Senior Consultant Urological Surgeon and Head of the Department of Urology, General Hospital, Kuala Lumpur from 1976 to May 1984. He was also the Honorary Professor of Surgery (Urology) Department of Surgery, Universiti Kebangsaan Malaysia, Selangor, from 1978 to May 1984.

Datuk Dr Hussein is a Foundation Fellow of the Academy of Sciences Malaysia. He is presently the Consultant Urological Surgeon at Hospital Tawakkal, a position he has held since May 1984.

DIRECTORS' PROFILE

Abd Razak Haron
Non-Independent Non-Executive Director

He joined the Group in 1994 as the Group Internal Audit Manager in one of the listed subsidiaries of the Group and became the Group Chief Auditor in 1997. He graduated with an Honours in Accounting and Finance from University of East London in 1986. He is a Certified Internal Auditor (CIA) (1998) and a Fellow Chartered Member of the Institute of Internal Auditors Malaysia (CFIIA). He also holds an Executive Certificate in Management from Henley Management College, UK (2006).

At the national level, he was a member of the Board of Governors of the Institute of Internal Auditors Malaysia from 1996 to 2011 and was its Past President from 2002 until 2004. He sat on the International Academic Relations Committee of the IIA Inc (1997/2000) and participated in the setting up of the Asian Confederation of the Institute of Internal Auditors (IIA) ACIIA through forums in Hong Kong, Bangkok, Singapore and Philippines and also sat on the Professional Issues Committee of IIA Global from 2008 to 2010.

Abd Razak has more than 20 years internal auditing experience in various industries including energy, secondary mortgage market, property, timber, stock broking, unit trusts management, plantation and healthcare services. He was a member of the Taskforce on Guidelines on Internal Audit Function of Bursa Malaysia. He has delivered various presentations/seminars in Internal Auditing, Risk Management and Corporate Governance including the Capital Market Workshop of the Securities Commission, Mandatory Accreditation Programmes of the Bursa Malaysia and Directors Programmes of the Companies Commission of Malaysia (CCM).

Abd Razak Haron, Malaysian, aged 50, was appointed as the Non-Independent Non- Executive Director of KPJ on 1 July 2011.

He is currently the Executive Vice President (Compliance) overseeing JCorp's Group Internal Audit and Enterprise Risk Management Unit.

Note:
Other than as disclosed, all directors do not have any family relationships with any director and/or major shareholder of the Company. All directors have no personal interest in any business arrangements involving KPJ. All directors have not been convicted for any offence and have attended all or the majority of the Board of Directors' Meetings of the Company as stipulated by the Listing Requirements for the financial year ended 31 December 2012.

EXECUTIVE COMMITTEE

Committee Chairman
Amiruddin Abdul Satar
President/Managing Director

Jasimah Hassan
Vice President I
Business Operations, Education & Clinical Services

Mohd Sahir Rahmat
Vice President I
Corporate & Financial Services

Abdul Malek Talib
Vice President I
Project Management & Biomedical Services

Abdol Wahab Baba
Vice President II
Business Development Services

Yusof Ismail
Vice President II
Education Services

Datin Sabariah Fauziah Jamaluddin
Senior General Manager
Group Talent Management Services

EXECUTIVE COMMITTEE

Norhaizam Mohammad
Senior General Manager
Group Finance & Investor Relations Services

Ahmad Nasirruddin Harun
Senior General Manager
Group Strategic Transformation & Project Implementation Services

Mohd Johar Ismail
Senior General Manager
Group Hospital Operation Services

Rafeah Ariffin
Senior General Manager
Group Marketing & Corporate Communication Services

Mah Lai Heng
Senior General Manager
Group Clinical & Quality Services

Mohd Nasir Mohamed
Senior General Manager
Group Hospital Operation Services

Dr Mubbashir Iftikhar
Chief Information Officer
Information Technology Services

HOSPITAL MEDICAL DIRECTORS

Amiruddin Abdul Satar
President/Managing Director

Committee Chairman
Datuk Dr Hussein Awang
KPJ Tawakkal Health Centre

Dr Mohd Hafetz Ahmad
KPJ Johor Specialist Hospital

Dato' Dr Hj Fadzli Cheah Abdullah
KPJ Ipoh Specialist Hospital

Dato' Dr Abdul Wahab Abdul Ghani
KPJ Ampang Puteri Specialist Hospital

Prof Dato' Dr Azizi Hj Omar
KPJ Damansara Specialist Hospital

Dato' Dr Shahrudin Mohd Dun
KPJ Selangor Specialist Hospital

Prof (C) Dr Wan Hazmy Che Hon
KPJ Seremban Specialist Hospital

HOSPITAL MEDICAL DIRECTORS

Dr Mahayidin Muhamad
KPJ Perdana Specialist Hospital

Dr Balakrishnan Subramaniam
KPJ Kajang Specialist Hospital

Dr R Padmanathan
KPJ Penang Specialist Hospital

Dato' Dr Ismail Yaacob
Kedah Medical Centre

Dr G Ruslan Nazaruddin Simanjuntak
KPJ Tawakkal Specialist Hospital

Dr Saharudin Abdul Jalal Ajma'in
KPJ Puteri Specialist Hospital

Dr Khaled Mat Hassan
Kuantan Specialist Hospital

Dr David Ling Sheng Tee
Kuching Specialist Hospital

HOSPITAL MEDICAL DIRECTORS

Dr Mohd Harris Lu
Sentosa Medical Centre

Dr Lim Keok Tang
Damai Specialist Hospital

Dr Ahmad Farid Daud
Kluang Utama Specialist Hospital

Dr Ong Boon Teik @ Taik
Taiping Medical Centre

Datuk Dr Ajaz Ahmad Nabijan
KPJ Sabah Specialist Hospital

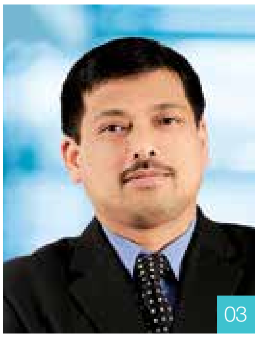
Dr Wong Chya Wei
Sibu Specialist Medical Centre

Dato' Dr N. Sivamohan
KPJ Klang Specialist Hospital

Dr Choong Yean Yaw
Pusat Pakar Mata
Centre for Sight

Dr Ab Razak Samsudin
KPJ Pasir Gudang Specialist Hospital

HOSPITAL MANAGEMENT COMMITTEE



1. **Committee Chairman**
   Amiruddin Abdul Satar
   President/Managing Director

2. **Jasimah Hassan**
   Vice President I
   Business Operations, Education & Clinical Services

3. **Mohd Sahir Rahmat**
   Vice President I
   Corporate & Financial Services

4. **Abdul Malek Talib**
   Vice President I
   Project Management & Biomedical Services

5. **Abdol Wahab Baba**
   Vice President II
   Business Development Services

6. **Yusof Ismail**
   Vice President II
   Education Services

7. **Datin Sabariah Fauziah Jamaluddin**
   Senior General Manager
   Group Talent Management Services
   Executive Director
   KPJ Perdana Specialist Hospital
   Kedah Medical Centre
   Pusat Pakar Mata Centre for Sight

8. **Norhaizam Mohammad**
   Senior General Manager
   Group Finance & Investor Relations Services

9. **Ahmad Nasirruddin Harun**
   Senior General Manager
   Group Strategic Transformation & Project Implementation Services
   Executive Director
   KPJ Perlis Specialist Hospital
   Kuantan Specialist Hospital

10. **Mohd Johar Ismail**
    Senior General Manager
    Group Hospital Operation Services

11. **Rafeah Ariffin**
    Senior General Manager
    Group Marketing & Corporate Communication Services

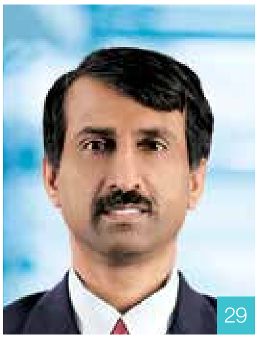
12. **Mah Lai Heng**
    Senior General Manager
    Group Clinical & Quality Services
    Executive Director
    Damai Specialist Hospital
    Kuching Specialist Hospital
    Sibu Specialist Medical Centre

13. **Mohd Nasir Mohamed**
    Senior General Manager
    Group Hospital Operation Services
    Executive Director
    KPJ Ipoh Specialist Hospital
    KPJ Penang Specialist Hospital
    Taiping Medical Centre

14. **Dr Mubbashir Iftikhar**
    Chief Information Officer
    Information Technology Services

15. **Norita Ahmad**
    Executive Director
    KPJ Johor Specialist Hospital
    KPJ Pasir Gudang Specialist Hospital
    Kluang Utama Specialist Hospital

HOSPITAL MANAGEMENT COMMITTEE



16. **Mohd Taufik Ismail**
Executive Director
KPJ Damansara Specialist Hospital
Sentosa Medical Centre
KPJ Tawakkal Specialist Hospital
KPJ Klang Specialist Hospital
Tawakkal Health Centre

17. **Roslan Ahmad**
Executive Director
KPJ Selangor Specialist Hospital
KPJ Ampang Puteri Specialist Hospital
KPJ Seremban Specialist Hospital
KPJ Kajang Specialist Hospital

18. **Khairun Ahmad**
Executive Director
KPJ Puteri Specialist Hospital

19. **Abd Aziz Abd Rahman**
Chief Executive Officer
KPJ Seremban Specialist Hospital

20. **Dr Munirah Khudri**
Chief Executive Officer
KPJ Tawakkal Specialist Hospital

21. **Maria Khong Poh Fong**
Chief Executive Officer
KPJ Penang Specialist Hospital

22. **Asmadi Mohd Bakri**
Chief Executive Officer
KPJ Ipoh Specialist Hospital

23. **Maisarah Omar**
Chief Executive Officer
KPJ Kajang Specialist Hospital

24. **Zabidi Abdul Razak**
Chief Executive Officer
Kedah Medical Centre

25. **Gunavathy Kalee**
Chief Executive Officer
KPJ Damansara Specialist Hospital

26. **Yasser Arafat Ishak**
Chief Executive Officer
KPJ Perdana Specialist Hospital

27. **Mohd Azhar Abdullah**
Chief Executive Officer
KPJ Sabah Specialist Hospital

28. **Farid Salim**
Managing Director
Jeta Gardens

29. **Muhammad Gunasingam**
General Manager
Tawakkal Health Centre

30. **Alice Liu Ghee Voon**
General Manager
Sentosa Medical Centre

HOSPITAL MANAGEMENT COMMITTEE


31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31. Mahazan Kamis
General Manager
Kuching Specialist Hospital

32. Mohamad Sofian Ismail
General Manager
Taiping Medical Centre

33. Zaiton Sulaiman
General Manager
Kluang Utama Specialist Hospital

34. Mohamad Hafiz Zaini
General Manager
Sibu Specialist Medical Centre

35. Zaharah Osman
General Manager
KPJ Klang Specialist Hospital

36. Noor Haslina Harun
General Manager
KPJ Ampang Puteri Specialist Hospital

37. Hazarul Azly Hamzah
General Manager
RS Medika Permata Hijau

38. Muhammad Badri Hussin
General Manager
Kuantan Specialist Hospital

39. Haliza Khalid
General Manager
KPJ Pasir Gudang Specialist Hospital

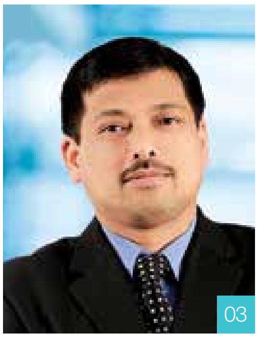
40. Yusmah Salleh
General Manager
RS Medika Bumi Serpong Damai

41. Rafidah Ahmad
General Manager
KPJ Muar Specialist Hospital

42. Rosnani Ismail
General Manager
KPJ Selangor Specialist Hospital

43. Nor Azlina Jemain
General Manager
Damai Specialist Hospital

DIVISIONAL COMMITTEE



1. **Committee Chairman**
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   President/Managing Director

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8. **Norhaizam Mohammad**
   Senior General Manager
   Group Finance & Investor Relations
   Services

9. **Ahmad Nasirruddin Harun**
   Senior General Manager
   Group Strategic Transformation &
   Project Implementation Services

10. **Mohd Johar Ismail**
    Senior General Manager
    Group Hospital Operation Services

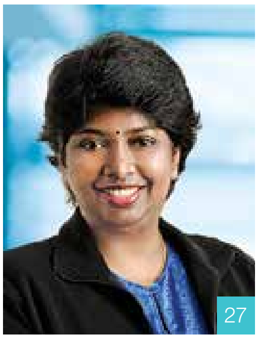
11. **Rafeah Ariffin**
    Senior General Manager
    Group Marketing & Corporate
    Communication Services

12. **Mah Lai Heng**
    Senior General Manager
    Group Clinical & Quality Services

13. **Mohd Nasir Mohamed**
    Senior General Manager
    Group Hospital Operation Services

14. **Dr Mubbashir Iftikhar**
    Chief Information Officer
    Information Technology Services

DIVISIONAL COMMITTEE



15. **Khairol Badariah Basiron**
General Manager
Internal Audit Services

16. **Othman Abdullah**
General Manager
Credit Control & Operations Services

17. **Yusri Ali**
General Manager
Information Technology HITS

18. **Eric Sim Kam Seng**
General Manager
Information Technology KCIS

19. **Iskandar Baharuddin**
General Manager
Group Project Development &
Commissioning Services

20. **Noreen Abdul Rashid**
General Manager
Legal & Secretarial Services

21. **Dr Aliza Jamaluddin**
Senior Corporate Manager
Group Clinical & Quality Services

22. **Elman Mustafa El-Bakri**
Senior Corporate Manager
Bio-medical Engineering Services

23. **Dr KV Anitha**
Senior Corporate Manager
Group Clinical & Quality Services

24. **Andrew William Burr**
Senior Corporate Manager
Service Quality Management

25. **Maygala Arumugam**
Group Chief Nursing Officer
Group Clinical & Quality Services

26. **Hanida Mohd Hassan**
Deputy Manager
Service Quality Management

27. **Renuga Muniandy**
Group Chief Pharmacist
Group Clinical & Quality Services

STATEMENT ON CORPORATE GOVERNANCE

(Pursuant to Section 15.26 of the Bursa Malaysia Listing Requirements)

UPHOLDING THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE

The Board of Directors of KPJ Healthcare Berhad subscribes to and supports the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") as a minimum basis for practices on corporate governance. The Board of KPJ Healthcare Berhad (KPJ) is pleased to report to the shareholders in particular and other stakeholders that highest standards of corporate governance have been upheld in accordance with 8 Principles stated in MCCG 2012.

STATEMENT ON CORPORATE GOVERNANCE

(Pursuant to Section 15.26 of the Bursa Malaysia Listing Requirements)

The Board believes that good corporate governance adds value to the main business of the KPJ Group and will ensure that this practice continues.

The Board recognises the importance of Corporate Governance and conscientiously attains highest business ethics and governance in conducting the day-to-day business and affairs of the Group. Thus, at all times the practice of good corporate governance is the main priority in safeguarding and enhancing the shareholders' value and protecting the interests of all stakeholders.

The Board believes that good corporate governance adds value to the main business of the KPJ Group and will ensure that this practice continues.

The Board of Directors believes in playing an active role in directing management through its review and approval of the Group's direction and strategy and acknowledged that their primary role is to lead and control, via its monitoring of professional standards and business performance, its review of the adequacy and integrity of the Group's internal control systems, including the identification of principal risks and ensuring the implementation of appropriate systems to manage those risks, are part of its underlying duty to ensure that the Group meets its responsibilities to its shareholders.

In line with this commitment, the Board has taken and is continuously reviewing, where appropriate, the necessary steps to comply with the requirements on standard of corporate responsibility, integrity and accountability and provide greater disclosure and transparency and will undertake appropriate action in embedding the 8 principles and 26 recommendations of the MCCG 2012 in its existing framework.

The corporate governance adopted by the Group during the financial year 2012 is as follows:

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

BOARD OF DIRECTORS

Separation of Power between the Board and Management

The Group has a clear policy for identifying and separating the functions of the Board and Management, and the Chairman and Executive Directors in ensuring the smooth running of the Group's business and operations.

The roles of 9 Non-Executive Directors, Chairman, Dato' Kamaruzzaman Abu Kassim and President/Managing Director, Amiruddin Abdul Satar are kept separate with clear division of responsibilities, in line with best practices and to ensure appropriate supervision of the Management.

The responsibility between the Chairman and President/Managing Director are clearly divided to ensure that there is a balance of power and authority.

Dato' Kamaruzzaman Abu Kassim, the current Chairman continued to provide an oversight role on governance and compliance. In turn, the Board monitors the functions of Board Committees in accordance with their respective term of references to ensure its own effectiveness.

The current Chairman has never held the position of Managing Director of the Company.

On 1 January 2013, Amiruddin Abdul Satar was appointed as President/Managing Director of the Company to succeed the former Managing Director, Datin Paduka Siti Sa'diah Sheikh Bakir whose contract expired on 31 December 2012.

Prior to his appointment as the President/Managing Director of the Company, he was the Chief Operations Officer of the Company and has been directly involved in monitoring the Group's performance and steering the operations to greater heights.

His overall contribution to KPJ, spanning more than 15 years, has been immeasurable particularly in the areas of hospital operations, finance and senior management functions such as strategic planning and investment decisions.

The Board has also developed and approved the corporate objectives for 2013, for which the President/Managing Director and Executive Director are responsible to achieve.

Board Structure, Composition and Balance

During the financial year, there have been no changes in the composition of the Board of Directors of KPJ from the previous year. However, on 1 January 2013, Amiruddin Abdul Satar, Executive Director of the Company was appointed as the President/Managing Director in place of Datin Paduka Siti Sa'diah Sheikh Bakir who has retired and now assumed the post as Corporate Advisor and Non-Executive Director of the Company.

The composition of the Board of Directors is as follows:

1. 1 Non-Executive Chairman
2. 4 Non-Executive Directors
3. 5 Independent Non-Executive Directors
4. 1 Managing Director

The present size and composition remains well balanced and is made up of professionals with a wide range of knowledge and experience in business, operations and finance relevant to the direction of a large expanding Group. The profiles, inclusive of caliber, credibility, skill and experience, of each Board Member are disclosed on pages 40 to 50 of this Annual Report.

The Company's Chairman is not an Independent Director and there are five (5) Independent Directors out of eleven (11) Board members. The Board believes that the interests of shareholders are best served

STATEMENT ON CORPORATE GOVERNANCE
(Pursuant to Section 15.26 of the Bursa Malaysia Listing Requirements)

by a Chairman who is sanctioned by the shareholders and who will act in the best interests of the shareholders as a whole. He exercises independent and broad judgment as well as provides independent opinions and constructive views on proposals from the Management. As the Chairman is representing JCorp which has substantial interest in the Company, he is well placed to act on behalf of shareholders and in their best interests.

The Independent Non-Executive Directors do not engage in any business dealings or other relationships and the day-to-day management of the Company. Hence, they are capable of exercising independent judgment and act in the best interests of the Company and its shareholders. All Independent Non-Executive Directors are qualified professionals in their respective fields and carry with them vast industry experience along with subject matter expertise in medical, legal, accounting and business management.

The current Board composition complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Main LR), as five (5) out of eleven (11) are Independent Directors, and fulfills the criteria of independence as defined under paragraph 1.01 of the Main LR. The high number of of Independent Non-Executive Directors further provides for effective checks and balances in the functioning of the Board.

Although all the Directors have equal responsibilities for the Group's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that all business strategies proposed by the executive management are fully and independently discussed and assessed, and take into account the long term interest, not only of shareholders, but also employees, customers, suppliers, and the many communities in which the Group operate.

Board Duties and Responsibilities

In discharging their duties and responsibilities, the Board ensures that all decisions made are in the best interests of the Company and stakeholders. As prescribed by the MCCG 2012, the Board assumes the principals stewardship responsibilities as the following:

- **Review and adopt the business strategic plans for the Group**
  The strategic and business plan for the period 2013 – 2017 was tabled, discussed and approved by the Board at its meeting on 29 November 2012. Additionally, on an ongoing basis as need arises, the Board will assess whether projects, purchases and sale of equity as well as other strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans.

- **Oversee the conduct of the company's business to evaluate whether the business is being properly manage**
  The Board is responsible to oversee and review the Group's annual budget, operational and financial performance on a periodic basis against the budget. At Board meetings, all operational matters will be discussed and appropriate consultation will be sought if necessary. Where and when available, the performance of the Group will be benchmarked and compared against the performance of its competitors.

- **Identify and manage principal risks and ensure the implementation of appropriate systems to manage these risks**
  Various committees in relation to clinical and professional risk were set up under the Medical Advisory Committee and the functions of each committee are disclosed in pages 83 to 91. Building Committee was formed to oversee the risks involving projects and development of new hospitals.

- **Succession planning, including appointing, training and fixing the compensation of, and where appropriate, replacing senior management**
  The Board will deliberate on the latest plans and actions taken in respect of the succession planning as provided by the Group Talent Management Services. More importantly, after several years of continuous efforts in emphasizing and communicating the importance of succession planning, the subject has now become an ongoing agenda being reviewed and discussed at various high-level management and operational meetings of the Group. An overview of the Group Talent Management Services and its importance to the Group are mentioned on page 130 to 131 of this Annual Report.

- **Develop and implement investors' relations programme or shareholder communications policy for the Group**
  The Group has introduced many activities with regards to engagement and communication with investors to ensure that they are well informed about the Group affairs and developments. Details of investors' activities are disclosed on page 74 of this Annual Report.

- **Review the adequacy and integrity of the internal controls of the Group and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines**
  The Board's function as regard to fulfilling these responsibilities effectively are supported and reinforced through the various Committees established at both the Board and Management's level. Aided by an Independent function of the Group Internal Audit division, the active functioning of these Committees through their regular meetings and discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Group's internal controls. Details of these functions are discussed in the Internal Control Statement in pages 75 to 78 and Audit Committee Report in pages 79 to 82 in this Annual Report.

The Board is also responsible to ensure smooth functioning of core processes, board governance, business value and ethical oversight, whilst the Non-Executive Independent Directors will further provide an independent and objective view with effective check and balance in deliberating the above mentioned.

Formalised Ethical Standards through Code of Ethics

Terms of reference have been developed for both the Board and Management, defining their respective authorities, duties and responsibilities, and this is covered by the Group's Code of Conduct and Business Ethics. While the Chairman encourages full discussion and deliberation of issues affecting the Group by all Board Members, the Board has appointed Zainah Mustafa, the Senior Independent Non-Executive Director, to whom concerns pertaining to the Group maybe conveyed by shareholders and other stakeholders.

STATEMENT ON CORPORATE GOVERNANCE
(Pursuant to Section 15.26 of the Bursa Malaysia Listing Requirements)

Strategies Promoting Sustainability
The Board believes that developing sustainable business practices is not only critical to the future of the Group, but also for the benefit of future generations. For the Group, sustainability means operating a competitive and ethical business through good process, policies and by competent employees.

The rewards given to the employees are not only through compensation and benefits but also professional development and career progression. The Group practices a system of rewards based on the pay for performance. Employees are rewarded based on their contributions and productivity towards the Group objectives.

Access to Information and Advice
Prior to each board meeting, the Board Report will be circulated to all Directors so that each Director has ample time to peruse and review it for further deliberation at the Board meeting. The Board Report includes among others, the following details:

- Minutes of meeting of all Committees of the Board
- Any matters arising from previous meetings
- Business strategies and corporate proposals
- Review of operational matters and financial report of the Group
- Review of clinical and professional services report
- Approval sought for capital expenditure and expansion project reports
- Progress report on risk management and Audit Committee report
- Report of the Registrar

There is also a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and budgets, acquisition and disposal of assets that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

The Board is fully aware of its duties and responsibilities with regards to the above and decisions and deliberation at the Board meetings are recorded and minuted by the Company Secretary. All minutes will be confirmed prior to the meetings.

The Directors, whether as a full Board or in the individual capacities, have access to all information within the Company and could where necessary take independent advice at the Group's expense, in the furtherance of their duties.

Qualified and Competent Company Secretaries
The Company Secretaries appointed by the Board and attend Board and Board Committee Meetings and are responsible for providing Directors with advice on compliance and corporate governance issues.

The Board has unrestricted access to the advice and services of Company Secretaries. In between meetings, the Managing and/or Executive Director meet regularly with the Chairman and other Board Member to keep them abreast of current developments of the Group. The Company Secretaries safeguard all statutory books and records of the Group are maintained in the statutory register of the Group. Company Secretaries also ensure all board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded. The Company Secretaries also have to ensure that any change in the Group's statutory information should be duly completed in the relevant prescribed forms and lodged with the registrar of Companies within the required period of time.

2. STRENGTHENED COMPOSITION

Establishment of a Nomination and Remuneration Committee
The Board is of the view that the composition of the NRC meets the objectives and principles of the corporate governance.

The terms of reference of the NRC are as follows:

1. Purpose
The NRC is established primarily for the following purposes:
a) Nomination
- Identify and recommend candidates for Board directorship;
- Recommend directors to fill the seats on Board Committee, with diversity in consideration;
- Evaluate the effectiveness of the Board and Board Committee (including the size and composition) and contributions of each individual director;
- Ensure an appropriate framework and plan for Board succession; and
- Assess the quality of performance and training needs are addressed.

b) Remuneration
- Provide assistance to the Board in determining the remuneration of Executive Directors, Managing Director and Senior Management. In fulfilling these responsibilities, the NRC is to ensure that executive directors and applicable senior management of the Company:
  - o Are fairly rewarded for their individual contribution to overall performance;
  - o Are compensated reasonably in light of the Company's objectives; and
  - o Are compensated similar to other companies.
- Establish the Managing Director's goals and objectives; and
- Review the Managing Director's performance against the goals and objectives set.

2. Membership
The NRC shall consist of the following members:
a) Dato' Kamaruzzaman Abu Kassim – Chairman
b) Zainah Mustafa - Independent Non-Executive Director

c) Datin Paduka Siti Sa'diah Sheikh Bakir – Non-Executive Director/Corporate Advisor

The appointment of an NRC member terminates when the member ceases to be a director of the Company.

The NRC shall have no executive powers.

In the event of equality of votes, the Chairperson of the NRC shall have a casting vote. In the absence of the Chairperson of the NRC, the members present shall elect one of their members to chair the meeting.

3. Meetings

The NRC shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the NRC or Chairperson. The NRC may establish procedures from time to time to govern its meeting, keeping of minutes and its administration.

The NRC shall have access to such information and advice, both from within the Group and externally, as it deems necessary or appropriate in accordance with the procedures determined by the Company. The NRC may request other directors, members of management, counsels and consultants as applicable to participate in NRC meetings, as necessary, to carry out the NRC's responsibilities. Non-NRC directors and members of management in attendance may be required by the Chairperson to leave the meeting of the NRC when so requested.

The Secretary of the NRC shall be the Company Secretary. NRC meeting agendas shall be the responsibility of the NRC Chairperson with input from the NRC members. The Chairperson may also request management to participate in this process. The agenda of each meeting including supporting information shall be circulated to the NRC members and all those who are required to attend the meeting prior to each meeting.

The NRC shall cause the minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meeting of the NRC. Such minutes shall be signed by the Chairperson of the meeting at which the proceedings were held or by the Chairperson of the next succeeding meeting, and if so signed, shall be the conclusive evidence without any further proof of the facts thereon stated.

The NRC, through its Chairperson, shall report to the Board at the next Board of Directors' meeting after each NRC meeting. When presenting any recommendation to the Board, the NRC shall provide such background and supporting information as may be necessary for the Board to make an informed decision. The NRC shall provide such information to the Board as necessary to assist the Board in making a disclosure in the Annual Report of the Company in accordance with the Best Practices of the Code Part 2 AAIX.

The Chairperson of the NRC shall be available to answer questions about the NRC's work at the Annual General Meeting of the Company.

4. Scope of Activities

The duties of the NRC shall include the following:

a) Nomination
- To determine the criteria for Board membership, including qualities, experience, skills, education and other factors that will best qualify a nominee to serve on the Board;
- To review annually and recommend to the Board with regards to the structure, size, balance and composition of the Board and Committees including the required mix of skills and experience, core competencies which non-executive directors should bring to the Board and other qualities to function effectively and efficiently;
- To consider, evaluate and propose to the Board any new board appointments, whether of executive or non-executive position. In making a recommendation to the Board on the candidate for directorship, the NRC shall have regard to:
  - o Size, composition, mix of skills, experience, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board; and
  - o Best Practices of the Code Part 2 AAIII which stipulate that non-executive directors should be persons of calibre, credibility and have the necessary skill and experience to bring an independent judgement to bear on issues considered by the Board and that independent non-executive directors should make up at least one-third of the membership of the Board.
- To propose to the Board the responsibilities of non-executive directors, including membership and Chairpersonship of Board Committees.
- To evaluate and recommend the appointment of senior executive positions, including that of the Managing Director and their duties and the continuation (or not) of their service.
- To establish and implement processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and for assessing the contribution of each director.
- To evaluate on an annual basis:
  - o The effectiveness of each director's ability to contribute to the effectiveness of the Board and the relevant Board Committees and to provide the necessary feedback to the directors in respect of their performance;
  - o The effectiveness of the Committees of the Board; and
  - o The effectiveness of the Board as a whole.
- To recommend to the Board:
  - o Whether directors who are retiring by rotation should be put forward for re-election; and
  - o Termination of membership of individual director in accordance with policy, for cause of other appropriate reasons.
- To establish appropriate plans for succession at Board level, and if appropriate, at senior management level.

STATEMENT ON CORPORATE GOVERNANCE
(Pursuant to Section 15.26 of the Bursa Malaysia Listing Requirements)

- To provide for adequate training and orientation of new directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regard to their contribution to the Board and Company.
- To consider other matters as referred to the NRC by the Board.

b) Remuneration
- To establish and recommend the remuneration structure and policy for directors and key executives, if applicable, and to review for changes to the policy as necessary.
- To ensure that a strong link is maintained between the level of remuneration and individual performance against agreed targets, the performance-related elements of remuneration setting forming a significant proportion of the total remuneration package of executive directors.
- To review and recommend the entire individual remuneration packages for each of the executive director and, as appropriate, other senior executives, including: the terms of employment or contract of employment/service; any benefit, pension or incentive scheme entitlement; any other bonuses, fees and expenses; and any compensation payable on the termination of the service contract.
- To review with the Managing Director/Chief Executive Officer, his/her goals and objectives and to assess his/her performance against these objectives as well as contribution to the corporate strategy.
- To review the performance standards for key executives to be used in implementing the Group's compensation programs where appropriate.
- To consider and approve compensation commitments/severance payments for executive directors and key executives, where appropriate, in the event of early termination of the employment/ service contract.
- To consider other matters as referred to the NRC by the Board.

During the year, the NRC had one meeting on 29 November 2012 with full attendance by all members.

Remuneration policies and procedures

The Board believes that the levels of remuneration offered by the Group are sufficient to attract Directors of calibre and with sufficient experience and talents to contribute to the performance of the Group. The remuneration framework for Executive Director has an underlying objective of attracting and retaining director needed to run the Company successfully. Remuneration packages of Executive Director are structured to commensurate with corporate and individual's performance. The Non-Executive Directors are remunerated based on fixed annual fees approved by the shareholders of the Company.

The details on the remuneration of the directors are as follows:

	Salary and others	Allowances and Fees	Fees from Subsidiary	Benefit in Kind	Total
Non Executive Director					
Dato' Kamaruzzaman Abu Kassim (a)		112,500			112,500
Ahamad Mohamad (a)		56,000			56,000
Rozan Mohd Sa'at (a)		59,100			59,100
Abd Razak Haron (a)		57,500			57,500
Non Executive Director/Corporate Advisor					
Datin Paduka Siti Sa'diah Sheikh Bakir	1,023,300	84,100	90,000	70,600	1,268,000
Independent Non-Executive Directors					
Zainah Mustafa		65,000			65,000
Datuk Azzat Kamaludin (b)		80,000	15,000		95,000
Datuk Dr Hussein Awang (c)		112,500	15,000		127,500
Dr Kok Chin Leong (d)		152,500	15,000		167,500
Dr Yoong Fook Ngian (e)		253,900	5,000		258,900
Executive/Managing Director					
Amiruddin Abdul Satar	708,725	57,500	36,000	21,250	823,475
Total	**1,732,025**	**1,090,600**	**176,000**	**91,850**	**3,090,475**

(a) Representatives of majority shareholders
(b) Received allowances for appointment as Independent Director of subsidiary hospitals
(c) Received allowances for professional advisory services as Medical Director of subsidiary company
(d) Received allowances for professional advisory services on implementation of KPJ Clinical Information System (K-CIS)
(e) Received allowances for professional advisory services as Medical Advisory Chairman

STATEMENT ON CORPORATE GOVERNANCE
(Pursuant to Section 15.26 of the Bursa Malaysia Listing Requirements)

Recruitment Process and Annual Assessment

The Board is responsible to the shareholders. All Directors appointed during the financial year retire at the Annual General Meeting ("AGM") of the Company in the period of appointment and are eligible for re-election. In compliance with Paragraph 7.26(2) of the Listing Requirements, all directors shall retire once at least in every 3 years.

Other than the new requirements, the Company maintains a formal and transparent procedure on the appointment of new Directors. All nominees to the Board are first considered by the NRC, taking into account the mix of skills, competencies, experience and other qualities required to manage a highly regulated healthcare business, before they are recommended to the Board.

While the Board is responsible for the appointment of new Directors, the NRC is delegated the role of screening and conducting an initial selection, which includes an external search, before making a recommendation to the Board. The NRC evaluates the nominees' ability to discharge their duties and responsibilities before recommending their appointment as Directors to the Board for approval.

3. REINFORCE INDEPENDENCE

Assessment of Independence Annually

The independence of all Directors, including the Non Independent Directors is reviewed annually via the NRC which undertakes the independence assessment by taking into account their skills, experience and contributions as well as their background, economic and family relationships, and there after determines whether the Directors can continue to bring independent and objective judgment to the Board. The NRC shall also determine whether there are relationships or circumstances which could affect, or appear to affect, the Independent Directors' judgment.

Tenure is not part of the independence assessment criteria as the Board is of the view that the fiduciary duties as promulgated in the Act are paramount for all Directors, irrespective of their status. The ability of a Director to serve effectively is very much dependent on his calibre, qualifications, experience and personal qualities, particularly his integrity and objectivity. The Directors' Peer Evaluation would also indicate the Independent Directors' ability or inability to act independently. Furthermore, the Board agrees that there are significant advantages to be gained from long-serving Directors who not only possess tremendous insight but also in-depth knowledge of the Company's business and affairs. The Directors are enthusiastic and passionate about spearheading the Company to the next level.

Tenure of Independent Directors

The Board shall also seek the shareholders' approval for the retention of the independent status of two (2) existing Directors who had served in that capacity for more than nine (9) years. Datuk Dr Hussein Awang (appointed on 21.02.1994) and Datuk Azzat Kamaludin (appointed on 1.09.1994) had served the Company for more than nine (9) years.

Shareholders' Approval for the re-appointment of Independent Directors

The Board recommends that the tenure of Datuk Dr Hussein Awang and Datuk Azzat Kamaludin as Independent Board Members be retained subject to the shareholders' approval at the forthcoming Annual General Meeting (AGM) due to their wide experience in the industry.

Separate Positions of the Chairman and CEO

The Group have the position of the Chairman and CEO (the position of which assumed by the President/Managing Director) held by two separate individuals. This complies with the requirement of MCCG 2012.

Composition of the Board

As mentioned in Board Structure, Composition and Balance section, the Board believed the present size and composition remains well balanced and still be able to provide the necessary check and balance to the decision making process of the Board.

4. FOSTER COMMITMENT

Commitment of Board Members and Protocols for Accepting New Directorship

The Board meets on a quarterly basis with additional meetings convened for specific matters when necessary. Meetings are scheduled ahead to facilitate Directors' attendance and for the financial year 2012 the meetings were fixed in December 2011.

STATEMENT ON CORPORATE GOVERNANCE
(Pursuant to Section 15.26 of the Bursa Malaysia Listing Requirements)

During the year ended 31 December 2012, the Board convened five meetings on the following dates and venues:

Date of Meeting	Description	Venue	Attendance
23 Feb 2012	66th Board Of Directors Meeting	JCorp KL	10/11
30 May 2012	67th Board Of Directors Meeting	KPJ Klang Specialist Hospital	11/11
25 June 2012	Special Board of Directors Meeting	Persada Johor	11/11
7 Sept 2012	68th Board Of Directors Meeting	JCorp KL	10/11
29 Nov 2012	69th Board Of Directors Meeting	Persada Johor	11/11

The Board Members remain committed and dedicated in fulfilling their duties and responsibilities and this is reflected via their attendance at each Board meeting as listed below:

No	Name	BOD	Attendance
1	Dato' Kamaruzzaman Abu Kassim	Chairman	5/5
2	Amiruddin Abdul Satar	Members	5/5
3	Datin Paduka Siti Sa'diah Sheikh Bakir	Members	5/5
4	Datuk Dr Hussein Awang	Members	5/5
5	Datuk Azzat Kamaludin	Members	4/5
6	Zainah Mustafa	Members	5/5
7	Ahamad Mohamad	Members	4/5
8	Dr Kok Chin Leong	Members	5/5
9	Dr Yoong Fook Ngian	Members	5/5
10	Abd Razak Haron	Members	5/5
11	Rozan Mohd Sa'at	Members	5/5

All Directors have complied with the minimum of 50% attendance as required by Paragraph 15.05 of the Bursa Malaysia Securities Berhad's Listing Requirements.

Continuing Education Programmes

As an integral element of the process of appointing new Directors, the Board ensures that there is an orientation and education program for new Board Members. Directors also receive further training from time to time through Continuous Education Programs (CEP), particularly on relevant laws and regulations and changing commercial risks as required by Bursa Malaysia Securities Berhad. The Group complies with the requirements set out in the Listing Requirements in that it regularly assesses the training needs of its Directors to ensure that they are updated with the latest requirements. The Company Secretary will assist to schedule dates for training of Directors whether in a group or on an ad-hoc basis.

During the year, the Board Members have attended the following training organized by external parties:

No	Name of Workshop	Date	Venue	Name of Organizer	Name of Directors
1	APHM Conference	8 January 2012	Kuala Lumpur	International Healthcare Conference & Exhibition	Dr Kok Chin Leong
2	Women in Leadership Forum Asia (WIL) - Leveraging on Individual and Organisational competitiveness	16 February 2012	Kuala Lumpur	WIL Forum Asia	Datin Paduka Siti Sa'diah Sheikh Bakir

STATEMENT ON CORPORATE GOVERNANCE
(Pursuant to Section 15.26 of the Bursa Malaysia Listing Requirements)

No	Name of Workshop	Date	Venue	Name of Organizer	Name of Directors
3	Forbes Asia's - Power Business Women	1 March 2012	Singapore	Forbes Asia	Datin Paduka Siti Sa'diah Sheikh Bakir
4	Malaysian Alliance of Corporate Director (MACD) Seminar - "Professional in Directorship Programme"	6 - 7 June 2012	Kuala Lumpur	Malaysian Alliance of Corporate Directors (MACD)	Dr Yoong Fook Ngian
5	MSWG: Corporate Governance - The Competitive Advantage	16 April 2012	Kuala Lumpur	Minority Shareholder Watchdog Group	Abd Razak Haron
6	International Forum on Quality and Safety in Healthcare Solutions for Tough Times	17 - 21 April 2012	Paris, France	Institute for Improvement (IHI) & BMJ Publishing Group	Dr Kok Chin Leong Datin Paduka Siti Sa'diah Sheikh Bakir Dr Yoong Fook Ngian
7	JP Morgan's The Asean Rising Dragons Investor Forum	7 -8 May 2012	Singapore	JP Morgan	Amiruddin Abdul Satar
8	ASLI International Directors Summit - Awakening the Corporate Entrapreneurship for High Income Economy	21 May 2012	Kuala Lumpur	Malaysian Directors Academy & Asian Strategic Leadership Institute	Datin Paduka Siti Sa'diah Sheikh Bakir
9	Invest Malaysia 2012 Forum	29 May 2012	Kuala Lumpur	Bursa Malaysia	Datin Paduka Siti Sa'diah Sheikh Bakir Amiruddin Abdul Satar
10	NIEW - Women on Boards	5 June 2012	Johor Bahru	Ministry of Woman Family & Community Development and NAM Institute for the Empowerment of Women NIEW	Datin Paduka Siti Sa' diah Sheikh Bakir
11	As Presenter for MARA Program - Program Pengukuhan Nilai Keusahawanan - Sesi IV: Menghayati Personaliti Organisasi Keusahawanan Islam : JCorp as a Case Study	21 June 2012	Johor Bahru	Akademi Jcorp Sdn Bhd	Rozan Mohd Sa'at
12	Paediatric Nutrition Conference	29 - 30 June 2012	Bangkok, Thailand	Congres - Medical	Dr Kok Chin Leong
13	4th Palm Oil Summit @ Bali	9 - 10 July 2012	Bali, Indonesia	Centre for Management Technology	Ahamad Mohamad
14	APHM International Healthcare Conference & Exhibition 2012	17 - 19 July 2012	Kuala Lumpur	The Association of Private Hospitals of Malaysia (APHM)	Dr Yoong Fook Ngian

STATEMENT ON CORPORATE GOVERNANCE
(Pursuant to Section 15.26 of the Bursa Malaysia Listing Requirements)

No	Name of Workshop	Date	Venue	Name of Organizer	Name of Directors
15	Transformational Leadership Seminar: Changing Minds Through Inspiration & Persuasion	3 September 2012	Johor Bahru	Johor Corporation	Rozan Mohd Sa'at
16	14th Asia Pacific of Pediatrics & 4th Asia Pacific Congress of Paediatrics Nursing	8 - 11 September 2012	Kuching	Asia Pacific Pediatric Association & Paediatric Association	Dr Kok Chin Leong
17	Malaysian Society in Quality Healthcare (MSQH) Conference	18 - 19 September 2012	Shah Alam	MSQH & Health Services Division Malaysian Armed Forces	Dr Kok Chin Leong Datin Paduka Siti Sa'diah Sheikh Bakir Dr Yoong Fook Ngian
18	International Malaysia Law Conference	26 - 28 September 2012	Kuala Lumpur	Malaysian BAR	Datuk Azzat Kamaludin
19	Khazanah Megatrends Forum	1 - 2 October 2012	Kuala Lumpur	Khazanah Nasional Berhad	Datuk Azzat Kamaludin
20	KPJ Healthcare Conference & Exhibition 2012 - "Transforming Healthcare - Private Public Collaboration"	6 - 7 October 2012	Petaling Jaya	KPJ Healthcare Berhad	Dr Kok Chin Leong Dr Yoong Fook Ngian
21	Directors Forum 2012	7 - 9 October 2012	Chiang Mai, Thailand	Malaysian Directors Academy (MINDA)	Datuk Azzat Kamaludin
22	Seminar by Medical Protection Society	14 October 2012	Ipoh	Medical Protection Society	Dr Yoong Fook Ngian
23	MPC Productivity Conference - From Ideas to Reality	15 October 2012	Kuala Lumpur	Malaysia Productivity Corporation	Datin Paduka Siti Sa'diah Sheikh Bakir
24	ISQUA International Conference - Advancing Quality and Safety for all; Now and in the Future	21 - 24 October 2012	Geneva, Switzerland	The International Society for Quality in Healthcare	Datin Paduka Siti Sa'diah Sheikh Bakir Dr Yoong Fook Ngian
25	Asian Society for Quality in Healthcare (ASQUA) Conference	23 October 2012	Geneva, Switzerland	Asian Society for Quality in Healthcare (ASQUA)	Datin Paduka Siti Sa'diah Sheikh Bakir
26	2012 National Conference on Internal Auditing - Rising Potential Chairman of General Session 2	22 - 23 October 2012	Kuala Lumpur	The Institute of Internal Auditors Malaysia	Abd Razak Haron
27	Invest Malaysia Hong Kong 2012	8 November 2012	Hong Kong	Bursa Malaysia	Amiruddin Abdul Satar

STATEMENT ON CORPORATE GOVERNANCE
(Pursuant to Section 15.26 of the Bursa Malaysia Listing Requirements)

No	Name of Workshop	Date	Venue	Name of Organizer	Name of Directors
28	Seminar on Regulatory Updates, Governance and Current Issues for Directors of PLCs and Body Corporate 2012	27 November 2012	Kuala Lumpur	Malaysian Institute of Corporate Governance	Zainah Mustafa
29	The Malaysian Code on Corporate Governance 2012 (MCCG 2012)	27 November 2012	Kuala Lumpur	Malaysian Alliance of Corporate Directors	Abd Razak Haron
30	Forum on Industry Driven Innovation Initiative	28 November 2012	Kuala Lumpur	Agensi Inovasi Malaysia	Amiruddin Abdul Satar
31	Bursa Malaysia Half Day Governance Programme	3 December 2012	Kuala Lumpur	Bursa Malaysia	Datuk Dr Hussein Awang
					Datuk Azzat Kamaludin
32	8th World Islamic Economic Forum	4 - 6 December 2012	Johor Bahru	World Islamic Economic Forum Foundation and Kerajaan Negeri Johor	Dato' Kamaruzzaman Abu Kassim
					Datin Paduka Siti Sa'diah Sheikh Bakir
					Amiruddin Abdul Satar
					Ahamad Mohamad
33	Audit Committee Institute Breakfast Roundtable titled The Audit Committee's Oversight Role on Financial Reporting	12 December 2012	Kuala Lumpur	KPMG	Zainah Mustafa

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

In presenting the annual financial statements and quarterly announcements to shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators. Timely release of announcements reflects the Board's commitment to provide transparent information on the Group's performances and activities.

In preparation of the financial statements, the Directors have taken the necessary steps to ensure that the Group had complied with all applicable Financial Reporting Standards, provisions of the Companies Act 1965 and relevant provision of laws and regulations in Malaysia and the respective countries in which the subsidiaries operate, consistently and that the policies are supported by reasonable and prudent judgment and estimates.

The Audit Committee assists the Board in ensuring both annual financial statements and quarterly announcements are accurate and the preparation is consistent with the accounting policies adopted by the Group. The quarterly reports, prior to tabling to the Board for approval, will be reviewed and approved by the Audit Committee.

The Directors are required by Companies Act 1965 to prepare financial statements for each financial year which have been made in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have adopted suitable accounting policies and applied them consistently, made judgment and estimates that are reasonable and prudent and prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group and

STATEMENT ON CORPORATE GOVERNANCE
(Pursuant to Section 15.26 of the Bursa Malaysia Listing Requirements)

Company have resources to continue in operational existence for the foreseeable future.

The Directors have overall responsibilities for taking such steps necessary to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Statement by Directors pursuant to Section 169 of the Companies Act 1965 is set out in the financial statements.

Assessment of Suitability and Independence of External Auditors

The Board through the Audit Committee has maintained an appropriate relationship with the External Auditors and there is a formal and transparent arrangement in the review of the External Auditor's audit plan, report, internal control issues and procedures.

The Committee meets with the External Auditor without the presence of the Executive Board Members and Senior Management twice during the year. The External Auditor has attended two out of five Audit Committee Meetings which were held on these dates 13 February 2012, 25 April 2012, 21 May 2012, 13 August 2012 and 19 November 2012 and they also attended the 19th Annual General Meeting held on 25 June 2012 and Extraordinary General Meeting held on 29 November 2012.

The External Auditor is independent and re-appointed annually at the Annual General Meeting.

6. RECOGNISE AND MANAGE RISKS

Framework to Manage Risk

The Board as part of its leadership role coordinates and delegates specific responsibilities to several committees to facilitate the operations of the Group at Board and Management level. Each committee has written terms of reference defining their scope, powers and responsibilities. These Committees have the authority to examine particular issues and report back to the Board with their recommendations.

The ultimate responsibility for the final decisions and recommendations on all matters emanating from these Committees, however, lies with the entire Board.

The committees are divided into Board and Management Committees.

The Board Committees comprises of 4 main committees:
- Audit Committee
- Building Committee
- Medical Advisory Committee
- Nomination and Remuneration Committee

The Management Committees comprises of one main committee:
- Executive Committee

Board Committees

Audit Committee (AC)

The Audit Committee is chaired by Zainah Mustafa and comprises of 2 other members, Datuk Azzat Kamaludin and Datuk Dr Hussein Awang of whom all are Independent Non-Executive Directors. The Committee meets on a scheduled basis at least 4 times a year. The profiles, inclusive of calibre, credibility, skill and experience, of each Board Member are disclosed on pages 40 to 50 of this Annual Report.

Pursuant to paragraph 15.15 of the Listing Requirements of Bursa Securities, the Audit Committee Report for the financial year, which sets out the composition, terms of reference and a summary of activities of the Audit Committee, is contained on pages 79 to 82 of this Annual Report.

Building Committee (BC)

In line with the extensive development of new and existing hospital buildings, the Board had on 31 May 2010 resolved to establish the BC. The main purpose of the committee is to oversee the timeline and costing of each project undertaken by the Group and to address any issues relating to these projects.

The committee is chaired by Dr Yoong Fook Ngian and comprises 2 other members, Datin Paduka Siti Sa'diah Sheikh Bakir and Rozan Mohd Sa'at. The Committee meets on a scheduled basis at least 4 times a year and all reports and minutes of the meeting will be escalated to the Board.

Medical Advisory Committee (MAC)

The Committee's role is to ensure that the best clinical governance activities and guidelines are being practiced by the Group. The Committee meets on a scheduled basis at least 4 times a year and was chaired by the Chairman of MAC, Dr Yoong Fook Ngian.

The functions and activities carried out by the Committee are set out under the Medical Advisory Committee Report on pages 83 to 91 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE
(Pursuant to Section 15.26 of the Bursa Malaysia Listing Requirements)

Management Committees

Executive Committee (EXCO)

The terms of reference and objectives of the EXCO are as follows:

1. Purpose

The main objective and purpose of the EXCO are:

- Manages the Group in all aspects of business
- Implements strategic business plans and policies as approved by the Board of Directors
- Identifies, formulates and prioritizes strategic issues and charts strategic directions for action by the management and staff

2. Members

- Managing Director
- Vice President (I) – Corporate & Finance Services
- Vice President (I) – Business Operations & Clinical Services
- Vice President (I) – Project Management & Biomedical Services
- Vice President (II) – Business Development
- Vice President (II) – Education
- Senior General Manager – Group Talent Management
- Senior General Manager – Group Strategic Transformation & Project Implementation
- Senior General Manager – Group Operation
- Senior General Manager – Group Finance & Investor Relations Services
- Senior General Manager – Group Marketing & Corporate Communication
- Senior General Manager – Group Clinical & Quality Services

3. Meeting

Meetings are held on every Tuesday on a weekly basis or/as and when it deems necessary.

Internal Audit Function

The Board acknowledges its primary responsibility for the Group's system of internal controls covering not only financial controls but also operational, compliance controls and risk management, and for reviewing the adequacy and integrity of those systems. The effectiveness of the system of internal controls of the Group is reviewed by the Audit Committee during its quarterly meetings.

Details of the recognition and risk management and the Internal Audit Functions are set out in the Statement of Internal Control and Audit Committee Report of this Annual Report, respectively.

7. RECOGNISE AND MANAGE RISKS

Corporate Disclosure Policy

The Company has in place procedures for compliance with the Listing Requirements of Bursa Securities and ensures that all material information must be announced immediately to Bursa Securities.

Leverage on Information Technology

A website: http://www.kpjhealth.com.my is maintained to create greater awareness of the Group activities, performance and other relevant information among the stakeholders and general public.

The Group has a specific website for investor relations where all information with reference to material information of quarterly and annual result announcements, changes to shareholding and press releases are published concurrently with Bursa Malaysia website. This website also sends out alerts to our investors for any announcement made in relation to the Company.

8. STRENGTHEN RELATIONSHIP WITH THE SHAREHOLDERS

Shareholder Participation at General Meeting

At each Annual General Meeting, the Chairman presents the progress and performance of the business and encourages shareholders to participate in the question-and-answer session. The President/Managing Director, the Chairman of the Audit Committee and other Board Members are available to respond to shareholders' questions during the meeting. Where appropriate, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered at the meeting. Other than the Board Chairman and Managing Director, the shareholders or any stakeholders may convey any concerns that they may have to Zainah Mustafa, Senior Independent Non-Executive Director and Chairman of the Audit Committee.

Each item of special business included in the notice of the meeting will be accompanied by detailed explanations. Separate resolutions are proposed for substantially different issues at the meeting and the Chairman declares the number of proxy votes received both for and against each resolution. The Company provides shareholders with a summary of the discussions at the Annual General Meeting.

STATEMENT ON CORPORATE GOVERNANCE
(Pursuant to Section 15.26 of the Bursa Malaysia Listing Requirements)

The Board encourages poll voting for Related Party Transactions which requires specific shareholders approval.

The recurrent related party transactions for the financial year ended 31 December 2012 are set out in the notes to the financial statements on pages 205 to 207 of the Annual Report.

At the 19th Annual General Meeting held on 25 June 2012, the Company obtained the shareholders' mandate to allow the Group to enter into recurrent related party transactions as set out in the Notes of the Compliance Information on page 221. As set out in the Bursa Malaysia Listing Requirements and Company's Articles of Association, a Director who has an interest in a transaction shall abstain from deliberation and voting on the relevant resolution in respect of such transaction at the Board and general meeting convened to consider the matter.

Effective Communication and Proactive Engagements with Shareholders

The Group understands that one of its major responsibilities is to provide sufficient and timely information as and when necessary to its shareholders and investors as this reflects good corporate governance practice. It is imperative to maintain transparency and to build trust and understanding in the relationship through active dialogue and communication with shareholders and investors.

As part of Group's commitment to a high level communication and transparency with the investment community, experienced and senior level management personnel are directly involved in the Group's investor relations function.

The Chairman, President/Managing Director and senior management personnel hold discussions with analysts and shareholders from time to time on the Group's results submitted to Bursa Malaysia. Presentations are made, where appropriate, to explain the Group's strategies, performance and major developments. However, any information that may be regarded as undisclosed material information about the Group will be safeguarded.

In addition, the Group has established a website at www.kpjhealth.com.my, which shareholders can access. The Group's quarterly and annual results announcements, changes to shareholdings and press releases are also posted in the Investor Relations page on the Group's website immediately after announcements are made on the Bursa Malaysia's website.

Other than the website, the Group continues to produce and enhance its Annual Report, Corporate Brochures and Fact Sheets to provide sufficient details to the shareholders and stakeholders. Other than that, the Group also makes regular announcements on Bursa Malaysia to provide stakeholders with important information which affects their decision making, thus enhancing the level of transparency.

As part of the Group's annual activities the Group conducted meetings, teleconferencing and briefings either upon request by the shareholders and investors or via events organized by corporate analysts in Malaysia and abroad i.e. Singapore, Hong Kong, Thailand, France, United Kingdom and United States. In the year 2012, the following activities were conducted with the investors:

Types of Meeting	No of meetings
Investors meetings	79
Foreign road shows	17
Conference Calls	7

Senior management personnel involved in Investor Relations activities are:

Amiruddin Abdul Satar
President/Managing Director

Mohd Sahir Rahmat
Vice President (I) - Corporate & Financial Services

Norhaizam Mohammad
Senior General Manager - Group Finance & Investor Relations

Raja Syahiran Raja Ahmad Supian
Deputy Manager - Investor Relations & Compliance

Other than that, the Board believes that the Company's Annual Report also serves as an important communication tool to the shareholders, investors and all stakeholders in general. As such, each year, the Company strives to produce a value-added and transparent reporting to its readers.

COMPLIANCE STATEMENT

Pursuant to Paragraph 15.25 of the Main LR, the Board is pleased to report that this Statement of Corporate Governance provides the corporate governance practices of the Company with reference to the MCCG 2012. The Board, however, has reserved several of the Recommendations and their Commentaries and has rationalized and provided justifications for the deviations in this Statement. Nevertheless, KPJ will continue to strengthen its governance practices to safeguard the best interests of its shareholders and other stakeholders.

Signed on behalf of the Board of Directors in accordance with its resolution dated 4 March 2013.

Dato' Kamaruzzaman Abu Kassim
Chairman

Amiruddin Abdul Satar
President/Managing Director

STATEMENT ON INTERNAL CONTROL

(Pursuant to Paragraph 15.27(b) of the Bursa Malaysia Listing Requirements)

SAFEGUARDING OUR OPERATIONS

The Board of Directors of KPJ Healthcare Berhad (KPJ) is pleased to provide the following statement on the state of internal controls of the Group for the financial year ended 31st December 2012, which has been prepared in accordance with Paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia and the Statement on Internal Control – Guidance for Directors of Public Listed Companies. The system of internal controls is designed to manage the likelihood and consequences of risks to an acceptable level within the context of the business environment throughout the Group.

STATEMENT ON INTERNAL CONTROL
(Pursuant to Paragraph 15.27(b) of the Bursa Malaysia Listing Requirements)

5 interrelated components which is

BOARD RESPONSIBILITIES

The primary responsibility of the Board is to ensure the adequacy and integrity of the Group's system of internal controls which cover financial, operational and compliance controls and risk management. The principal objective of the internal controls system is to manage business risks effectively, enhance the value of shareholder's investments and safeguards all assets. The role of Managing Director and Management are to assist in the design and implementation of the Board's policies on internal control system, identifying and evaluating the risks faced by the Group and formulating related policies and procedures to manage these risks.

As the internal controls system are designed to manage and reduce risks rather than eliminating them, the system can provide only reasonable assurance to the Management and the Board of Directors regarding the achievement of company objectives through:-

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations

The likelihood of achievement of the Group's objectives is affected by limitations inherent in any internal control systems. The Management therefore needs to consider the cost of implementation of internal controls against the expected benefit derived.

The Board still relies on the COSO Internal Control Framework to ensure an appropriate and sound system of internal controls, which encompasses five interrelated components i.e. the Control Environment, Risk Assessment Framework, Control Activities, Information and Communication and Continuous Monitoring process.

CONTROL ENVIRONMENT

Integrity And Ethical Values

The Management is committed to enforce ethical behaviour in employees and medical consultants. At the annual staff assembly or "Pedoman" (Perhimpunan, Dialog dan Anugerah Tahunan Anggota Pekerja), all employees and medical consultants are reminded of the five Core Values adopted by the Group, which are Safety, Courtesy, Integrity, Professionalism and Continuous Improvement. Employees are reminded to be more transparent in their conduct to promote high ethical values. All employees are encouraged to report directly to the Managing Director of any misconduct or unethical behaviour committed by any staff of the Group through the Borang Peradaban declaration.

The Group has signed the "Corporate Integrity Pledge", introduced by the Malaysian Institute of Integrity (MII) in support of the Government efforts to combat corruption and unethical practices.

COMMITMENT TO COMPETENCE

The Group is committed to improve the skills and competencies of its management, medical consultants and employees through various training programmes, seminars, workshops and quality initiatives. Currently, 12 hospitals in the Group received their accreditation certification from the Malaysian Society for Quality in Health (MSQH) for the first, second, third, fourth and fifth cycles. Two of the Accredited Hospitals namely KPJ Seremban Specialist Hospital and KPJ Ampang Puteri Specialist Hospital have been certified by the "Joint-Commision International" with the JCI Accreditation for three (3) years.

To improve staff competency in delivering services, the Group allocated 1% of the remuneration as training cost and each employee is mandatory to undergo at least 30 hours of training per year on work related areas such as customer services, fire safety and corporate culture, done either internally or through external moderators.

To promote continuous learning and upgrading of knowledge, the Group had sponsored eligible executives to further their studies in Master in Business Administration (Healthcare Management). In 2012, 7 of these executives have graduated and obtained their MBAs from the University of East London and University Technology Malaysia respectively. Nurses are also encouraged to further their studies either for the Degree in Nursing or Masters in Science (Nursing) through collaboration with foreign universities or to take up post basic courses in operation theatre, ICU, CICU, renal and midwifery to enhance their knowledge and skills. The Group also organizes the KPJ Medical Conference, Medical Workshop and Nursing Convention yearly for the medical consultants, nurses and allied health staff to deliberate and discuss medical and clinical issues related to their practices to promote patient safety and standardization of practices.

ORGANISATION STRUCTURE

The Group is changing the organization structure, both at the Corporate level as well as at the Operational level. Due to the retirement of Datin Paduka Siti Sa'diah Sh. Bakir as the Managing Director in December 2012, Tn. Hj. Amiruddin Abdul Satar has been appointed as the new President and Managing Director of the Group. Datin Paduka Siti Sa'diah Sh. Bakir has been appointed as the Corporate Advisor of the Group for two (2) years.

The Managing Director is assisted by three (3) Vice Presidents (1) for the following functions:

- Business Operations and Clinical Services
- Corporate and Finance Services
- Project Management and Biomedical Services.

The whole hospitals within the Group have been clustered into five (5) zoning, whereby one hospital at each cluster will acts as the holding company of the other hospitals within the cluster.

STATEMENT ON INTERNAL CONTROL
(Pursuant to Paragraph 15.27(b) of the Bursa Malaysia Listing Requirements)

The Executive Directors and the Chief Executive Officer (CEO) or the General Managers are assisted by the Medical Directors in relation to clinical issues in the hospitals. At the Corporate level, the Group is assisted by the Medical Advisory Committee and Clinical Governance Committee on matters pertaining to clinical matters.

ASSIGNMENT OF AUTHORITY AND RESPONSIBILITY

The Board assigns authority and responsibility mainly to the Executive Committee (EXCO) to manage operation as well as strategic issues pertaining to the delivery of services and future direction of the Group. Major purchases are discussed and deliberated by the EXCO before they are tabled at the respective hospital's Board meetings. The objective is to ensure Group synergy, standardization and bulk discounts.

Various committees were formed to identify, evaluate, monitor and manage the significant risks affecting the achievement of business objectives. These committees are:

1. Medical Advisory Committee

Responsible for monitoring the ethical and good medical practice of medical consultants.

2. Clinical Governance Committee

a. Responsible for the establishment of framework for all the clinicians with the Group to:
   i. Continuously improve service quality
   ii. Ensure high standard of care
   iii. Create an environment that promotes excellence in clinical care

b. There are various sub-committees under the Clinical Governance Committee; namely Clinical Governance Policy Committee, Clinical Governance Action Committee and Clinical Risk Management Committee.

3. Procurement/Tender Committee

a. Ensure that purchases of equipment and tender of projects are made in accordance with the standard operating procedures as well as leveraging on bulk discounts.

b. Coordinates the standardization of equipment and medical supplies purchased.

RISK ASSESSMENT FRAMEWORK AND PROCESS

Company-Wide Objectives

The Board has established an organizational structure with clearly defined lines of accountability and responsibility to support control environment. Audit Committee responsibility has been expanded to include the assessment of internal control.

As a healthcare provider, the Board has entrusted the Clinical Risk Management Committee to review and oversee the effectiveness of the clinical risk management framework for patient safety. Enterprise-Wide Risk Management has been implemented across the Group through Risk Coordinators, appointed at each hospital to co-ordinate and monitors the implementation of risk management activities. All hospitals and companies are encouraged to identify and mitigate relevant risks that may affect the achievement of the Group's objectives and report to their respective Board.

The Group focused its Risk Management activities on identifying and assessing business risks, incident reporting, root cause analysis, implementing the Seven Patient Safety Goals of the World Health Organization and monitoring activities that depart from best practices. This is to ensure that every incident is investigated and root cause identified to prevent future recurrence and ensure patient safety is given top priority.

CONTROL ACTIVITIES

Policies and Procedures

Policies and procedures are documented comprehensively, which are updated regularly to ensure relevance and compliance with the current and applicable laws and regulations. These policies and procedures help to ensure management directives are carried out and necessary actions are taken to address and minimize risks and to ensure the continuity of business functions in the event of crisis.

Regular fire drills at our hospitals and companies ranging from basic fire safety to mass evacuation drills are conducted with the assistance from the Fire Department. The objective is to ensure all employees are well prepared and familiar with our emergency response and crisis management plans.

SEGREGATION OF DUTIES

The delegation of responsibilities to the Board, the Management and Operating Units are clearly defined and authority limits are strictly enforced and reviewed regularly. Different authority limits are set for different categories of managers for the procurement of capital expenditure, awarding tenders, donations and approving of general and operational expenses.. Similarly, cheque signatories and authority limits are clearly defined and enforced. As a measure to curb and reduce the incident of fraud and error, duties and tasks are segregated between different members of staff especially those in finance and purchasing services.

STATEMENT ON INTERNAL CONTROL
(Pursuant to Paragraph 15.27(b) of the Bursa Malaysia Listing Requirements)

Chief Secretary to the Government, YBhg Dato' Sri Dr Ali Hamsa (third from left) at the opening of KPJ Healthcare Conference and Exhibition 2012.

INFORMATION AND COMMUNICATION PROCESS

The Group recognizes the importance of securing the information assets against potential threats to ensure their Confidentiality, Integrity and Availability. Other than complying with information security laws, regulations and international standards, the Group has developed its own Policies and Standard Operating Manual.

KPJ Clinical Information System (KCIS) which is currently deployed at 8 hospitals and planned to be operational in another 5 hospitals in 2013, is well secured through the system of audit trail and centralized patch management for new updates to mitigate the issues and risks of incorrect information and securing the highly confidential data as per user role and responsibility.

The Group is also developing a KPJ Cloud System, a dedicated private cloud for providing KCIS, HITS, Data Security Services Analytical etc on cloud model. The Group is also centralizing its server farms to a Data Centre with the objectives of providing ease of running the IT operations and cost saving.

CONTINUOUS MONITORING PROCESS

Ongoing Monitoring

Ongoing monitoring of internal control effectiveness is appropriately and sufficiently done through not only normal daily supervision by immediate supervisors, but also by the Internal and External Auditors, who make both scheduled and surprised audit visits to ensure compliance. Any discrepancy and irregularity will be reported to the Management for correction and improvement. The Management also monitors the performance of the hospitals and companies through regular meetings and reports.

Separate Evaluations

All hospitals certified with the MSQH and JCI accreditation have to undergo stringent surveillance audit by the respective surveyors and audit teams to ensure compliance for every three (3) years before the certificates can be renewed.

As mentioned above, the Group also monitors the effectiveness of internal controls through Borang Peradaban, the declaration form used by employees to report any deficiency or dishonest act directly to the Managing Director of the Group.

ASSURANCE

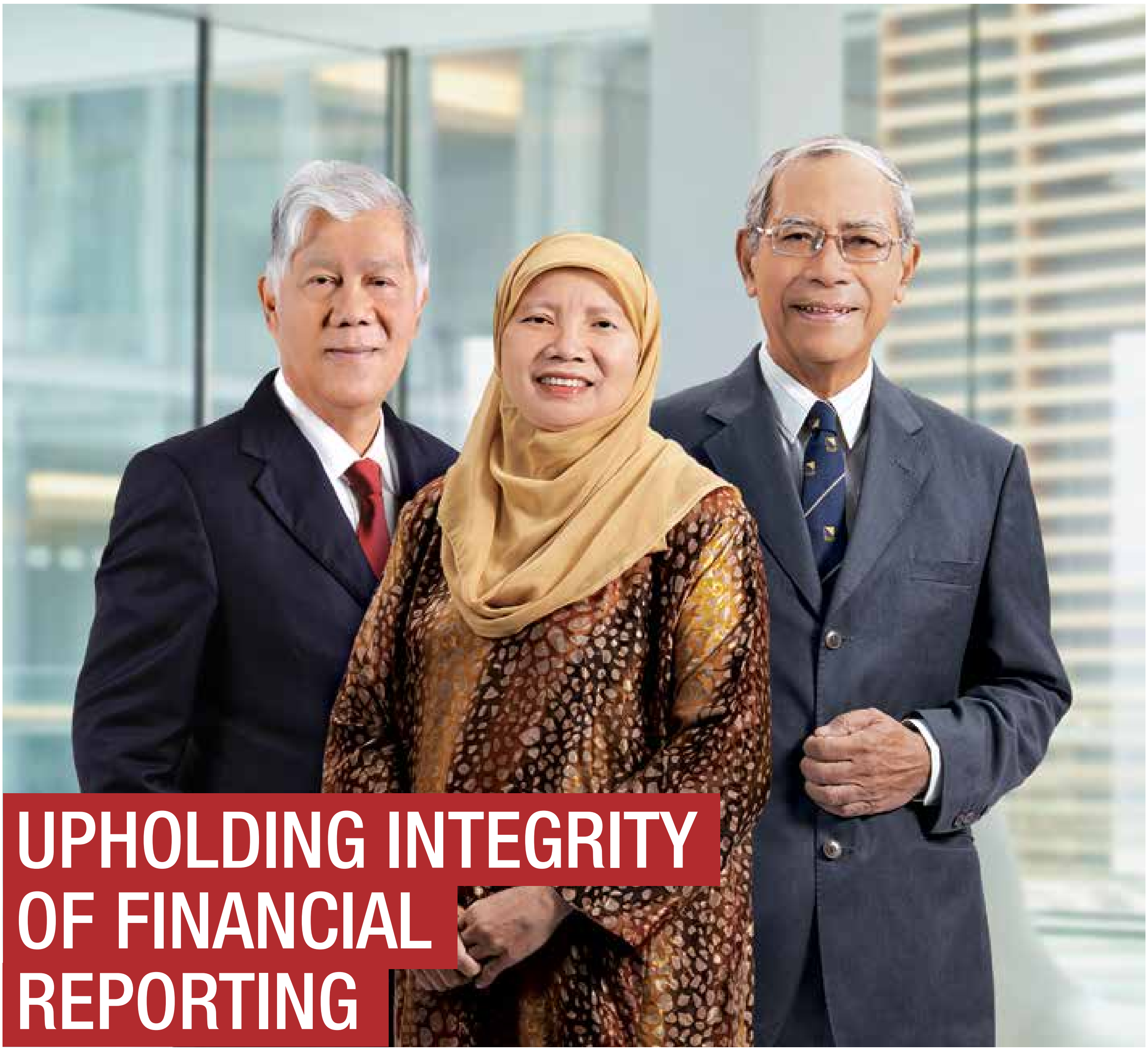
The Board is of the view that the system of internal controls instituted throughout the Group is sound and effective and provides a level of confidence on which the Board relies for assurance. In the year under review, there was no significant control failure or weakness that would result in any material losses, contingencies or uncertainties that would require separate disclosure in the Annual Report. The Board ensures that the internal controls system and the risk management practices of the Group are reviewed regularly to meet the changing and challenging operating environment.

The Board is therefore pleased to disclose that the state of internal controls of the Group is sufficient, appropriate and effective and in line with the Malaysian Code of Corporate Governance and the Statement of Internal Control – Guidance.

Dato' Kamaruzzaman Abu Kassim
Chairman

Amiruddin Abdul Satar
President/Managing Director

AUDIT COMMITTEE REPORT



The Committee assists the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

AUDIT COMMITTEE REPORT

1. COMPOSITION AND ATTENDANCE

For the financial year ended 31 December 2012, the Audit Committee comprised of three Directors, all of whom are also members of the Board of KPJ Healthcare Berhad.

The composition of the Audit Committee and the record of their attendance are as follows:

Members/Status of directorship	No of meetings attended	(%)
Zainah Mustafa Chairman/Independent Non-Executive Director	4 out of 4	100
Datuk Azzat Kamaludin Member/Independent Non-Executive Director	4 out of 4	100
Datuk Dr Hussein Awang Member/Independent Non-Executive Director	4 out of 4	100

2. TERMS OF REFERENCE

Purpose

a) To ensure transparency, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders;

b) To provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;

c) To improve the Group's business efficiency, the quality of the accounting and audit function and strengthen public confidence in the Group's reported financial results; and

d) To maintain open lines of communication between the Board and the External and Internal Auditors.

Membership

a) The members of the Committee shall be appointed by the Board, amongst its Directors which fulfils the following requirements:
   i) the Committee must be comprised not less than three (3) members;
   ii) all members must be Non-Executive Directors, with a majority of them being independent directors; and
   iii) all members should be financially literate and at least one (1) must be a member of the Malaysian Institute of Accountants (MIA) or have the relevant qualifications and experience as specified in the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements.

b) The Chairman of the Committee, elected from amongst the Audit Committee members, shall be approved by the Board and shall be an Independent Director.

c) No alternate Director of the Board shall be appointed as a member of the Committee.

d) The term of office and performance of the Committee members are reviewed by the Board yearly and may be re-nominated and appointed by the Board.

Reporting Responsibilities

The Committee will report to the Board on the nature and extent of the functions performed by it and may take such recommendations to the Board on any audit and financial reporting matters as it may think fit.

Meetings

A minimum of four (4) meetings a year shall be planned, although additional meetings may be called at any time at the Chairman's discretion.

A total of five (5) meetings were held on 13 February 2012, 25 April 2012, 21 May 2012, 13 August 2012 and 19 November 2012 respectively.

All the Audit Committee members are Independent Non-Executive Directors. The Chairman of the Audit Committee, Zainah Mustafa is a member of the Malaysian Institute of Accountants (MIA). This meets the requirement of Section 15.09 (1) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements which stipulates at least one qualified accountant as a member of the Committee.

Subsequent to each meeting, the Audit Committee Chairman submits a report on matters deliberated to the Board of Directors for their information and attention. The Management would implement the decisions made and corrective actions required.

The Committee shall meet a minimum of twice a year with the External Auditors in separate sessions without the presence of executive Board members or management of the Company. In year 2012, the External Auditors attended two out of five meetings which were held on 13 February 2012 and 19 November 2012. Separate sessions were also conducted on 13 February 2012 and 14 February 2013.

The Managing Director, Chief Operating Officer, Chief Financial Officer, senior management team, Executive Directors of the hospitals as well as the Head of Internal Audit and representatives of the External Auditors shall normally attend the meetings. Other directors and employees of the Company and/ or Group may attend any particular meeting upon invitation where appropriate. The Company Secretary shall be the secretary of the meeting.

Authority

The Committee is empowered by the Board to:-

a) investigate any matter within its terms of reference or as directed by the Board;

b) determine and obtain the resources which are required to perform its duties;

c) have full and unrestricted access to any information pertaining to the Group;

d) have direct communication channels with the External and Internal Auditors; and

e) obtain external legal and other independent professional advice.

3. DUTIES AND RESPONSIBILITIES

The Committee shall carry out the following functions:-

a) Financial Reporting Review

Review the quarterly and year-end financial statements of the Company, focusing particularly on:-

i) any changes in accounting policies and practices;
ii) significant adjustments arising from the audit;
iii) the going concern assumption;
iv) compliance with accounting standards; and
v) compliance with Listing Requirements of Bursa Malaysia and other legal and statutory requirements.

b) Risk Management

i) Review the adequacy and provide independent assurance to the Board on the effectiveness of risk management functions in the Group and whether principles and requirements of managing risk are consistently adopted throughout the Group; and
ii) Review the risk profile of the Group and major initiatives having significant impact on the business.

c) Internal Audit

i) Approve the Audit Charter and ensure the internal audit functions are adequately resourced;
ii) Review the adequacy of Internal Audit Plan, the scope of audits and that the internal audit function has the necessary authority, competency and resources to carry out its work;
iii) Review the results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
iv) Approve any appointment or dismissal of the Head of Internal Audit;
v) Review appraisal or assessment of members of the internal audit function; and
vi) Direct any special investigation to be carried out by the internal audit.

d) External Audit

i) Review the External Auditor's audit plan, scope of the audit and audit reports;
ii) Consider the appointment of the External Auditor, the audit fee and any questions of resignation or dismissal of the External Auditor before making any recommendation to the Board;
iii) Discuss issues and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss; and
iv) Review the External Auditor's Management Letter and Management's response.

e) Related Party Transactions

Monitor and review any related party transactions that may arise within the Company or Group.

f) Other Matters

Consider such other matters as the Committee considers appropriate or as authorized by the Board.

4. SUMMARY OF ACTIVITIES

During the year, the Committee carried out the following activities:

a) Financial results

i) Review the quarterly unaudited financial result announcements before recommending the same to the Board for approval; and
ii) Review the Company's compliance, in particular the quarterly and year end financial statements, with the Listing Requirements of Bursa Malaysia, Malaysian Accounting Standards Board and other relevant legal and regulatory requirements.

b) Risk Management

i) Review the Group's risk management process in mitigating the principal business risks identified; and
ii) Review the risk profile of the Group and major initiatives having significant impact on the business.

c) Internal Audit

i) Review and approve the annual audit plan for the year 2011/2012 to ensure adequate scope and comprehensive coverage over the audit activities; and
ii) Deliberate on the Internal Audit Reports that were tabled and appraised Management's response to the key audit observations and recommendations.

d) External Audit

i) Review the audit plan, audit strategy and scope of work before the audit commences; and
ii) Review the results of the interim and annual audit as well as the External Auditor's Management Letter and evaluated Management's response.

AUDIT COMMITTEE REPORT

e) Related Party Transactions
Review the recurrent related party transactions entered into by the Group.

f) Other Matters
Review the Audit Committee Report, Statement on Corporate Governance and Statement of Internal Control prior to their inclusion in the Company's Annual Report.

5. INTERNAL AUDIT FUNCTION

The Group has an internal audit function which is carried out by the Internal Audit Services (IAS). The IAS reports directly to the Audit Committee and is guided by its Internal Audit Charter. The IAS assists the Board in fulfilling its fiduciary responsibilities over the areas of financial, operational, information system, investigation, risk management and governance process in accordance with the approved Audit Plan. This is to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Group.

The high risk activities are given due attention on a more regular basis while the others are prioritized accordingly to an assessment of the potential risk exposure and impact. During the financial year ended 31 December 2012, the IAS carried out its duties covering financial and operational audits. Reviews on compliance with the established procedures, guidelines and statutory obligations are also performed.

The internal audit reports were issued to Management for their response on corrective and preventive actions as well as deadlines to complete the actions. The reports were tabled to the Committee for deliberation on quarterly basis.

Investigations were also made at the request of the Committee and Management on specific areas of concern to follow up in relation to high risk areas identified in the regular reports. These investigations provided additional assurance on the integrity and robustness of the internal control systems.

The Internal Audit Department within its terms and reference carried out the following activities for the period:-

- review and appraise the adequacy and integrity of the internal financial controls so as to ensure that it provides a reasonable but not absolute assurance that assets are properly safeguarded;
- ascertain the effectiveness of the Management in identifying principal risks and to manage such risks through the Risk Management Framework set-up by the Group;
- ascertain the level of compliance with Group's plans, policies, procedures and adherence to laws and regulations;
- appraise the effectiveness of administrative and financial controls applied and the reliability and integrity of data that is produced within the Group;
- perform follow-up reviews of previous audit reports to ensure appropriate actions are implemented to address control weaknesses highlighted;
- carry out investigations and special reviews requested by the Committee and/or Management; and
- prepare the Audit Committee Report for the Company's Annual Report 2012.

The internal audit function is performed in-house with thirteen (13) staff members. A total of 235 audits were carried out and presented to the Committee with the recommended corrective actions acted upon.

The total costs incurred for the internal audit function for the financial year 31 December 2012 was approximately RM1.2 million. Training and courses are provided to the staff members in the areas of auditing and technical skills as well as personal development.

6. SEMINARS/CONFERENCES ATTENDED BY THE COMMITTEE

For the year under review, the Committee attended the following seminars and conferences:

No	Name of Seminars/Conference	Date
1	International Malaysia Law Conference	26 – 28 Sep 2012
2	Khazanah Megatrends Forum	1 – 2 Oct 2012
3	Directors Forum 2012	7 – 9 Oct 2012
4	Seminar on Regulatory Updates, Governance and Current Issues for Directors of PLCs and Body Corporate 2012	27 Nov 2012
5	Bursa Malaysia Half Day Governance Programme	3 Dec 2012
6	Audit Committee Institute Breakfast Roundtable titled The Audit Committee's Oversight Role on Financial Reporting	12 Dec 2012

MEDICAL ADVISORY COMMITTEE REPORT

Clinical Governance is defined as "A framework through which the organization is accountable for continually improving the quality of their services and safe guarding high standards of care by creating an environment in which excellence in clinical care will flourish" and the Group is committed to continuously strive to enhance clinical governance as the main thrust for improving the quality of care, ensuring patient safety and developing the capacity to maintain high standards.

At the Group level, the Group Medical Advisory Committee (MAC) develops and monitors clinical governance activities and guidelines for the Group (Figure 1). Whereas at the individual hospital level, the Hospital MAC under the chairmanship of the Medical Director facilitates the implementation and oversees compliance to clinical governance through various clinical sub – committees such as the Hospital Credentialing & Privileging, Audit & Medical Education, infection Control, Medical Records, Mortality Review, Pharmacy & Therapeutics and Surgical Medical Intervention Committees and other hospital Committees.

Hospital Committees
Hospital Medical Advisory Committee
Credential Privileging; Peer Reviews, Ethics & Audit; Med Education
Infection Control
Medical Records
Morbidity & Mortality Review
Pharmacy & Therapeutics
Surgical & Medical Intervention
Blood Transfusion Committee

Figure 1: Hospital Clinical Governance Committees 2012

The Group MAC governs the following KPJ Clinical Governance meetings for the Group, namely the Clinical Governance Policy Committee (CGPC), Clinical Governance Action Committee (CGAC), Clinical Risk Management Committee (CRM), Central Mortality Review Committee (CRMC), Clinical Ethics Committee (CEC) and Research and Development Committee (R&DC). (Figure 2)

Committees	Date of Meetings
Group Medical Advisory Committee (Group MAC)	Quarterly
Clinical Governance Policy Committee (CGPC)	Quarterly
Clinical Governance Action Committee (CGAC)	Quarterly
Clinical Risk Management Committee (CRMC)	Quarterly
Research & Development Committee (R&D)	Bi-annual
Clinical Ethics Committee (CEC)	Quarterly
Medical Directors' Meeting	Bi-annual

Figure 2: Frequency of Clinical Committee Meeting 2012.

MEDICAL ADVISORY COMMITTEE REPORT

In the journey towards continuously improving the quality of care and ensuring patient safety, the Group has embarked on various quality improvement programmes. This includes the following certifications; Integrated Management Systems (IMS) which also include Occupational Safety and Health (OSH) and Environmental Management System certification, 5S to look at proper documentation and processes, followed by Malaysian Society for Quality in Healthcare (MSQH) accreditation and recently the Joint Commission International (JCI) standards. (Figure 3):

No.	Name of hospital	MSQH Accreditation Cycle
1.	KPJ Ampang Puteri Specialist Hospital	Completed 5th Cycle (Awarded JCI Accreditation in 2012)
2.	KPJ Johor Specialist Hospital	Completed 3rd Cycle
3.	KPJ Ipoh Specialist Hospital	Going for 4th cycle in 2013
4.	KPJ Damansara Specialist Hospital	Going for 5th cycle in 2013
5.	KPJ Selangor Specialist Hospital	Going for 3rd cycle in 2013
6.	KPJ Seremban Specialist Hospital	Going for 3rd cycle in 2013 (Awarded JCI Accreditation in 2012)
7.	KPJ Kajang Specialist Hospital	Going for 2nd cycle in 2013
8.	Kedah Medical Centre	Going for 2nd cycle in 2013
9.	KPJ Perdana Specialist Hospital	Going for 2nd cycle in 2013
10.	KPJ Penang Specialist Hospital	Going for 2nd cycle in 2013
11.	KPJ Puteri Specialist Hospital	1st cycle

Figure 3: Hospitals in the KPJ Group with MSQH Accreditation.

In 2011, KPJ Healthcare Berhad had identified KPJ Ampang Puteri and KPJ Seremban to be accredited for the JCI Accreditation and both the hospitals were successfully awarded the full three (3) years JCI accreditation in 2012. Two other hospitals, KPJ Johor and KPJ Penang have been identified to be surveyed for JCI Accreditation in the year 2013.

All hospitals have complied with the Hospital Medical Advisory Committee meetings as stipulated in the KPJ Medical Staff By-Laws. The reports collected and compiled by the hospital's Quality Committee or Quality Officer are discussed during the various hospital meetings and presented to the Hospital Board of Directors Meetings. Eventually the statistics and trends are reported to the Group MAC meeting quarterly.

The MAC has endorsed several quality and safety programmes for the hospitals in the Group since 2002. The following are the reports on the various patient safety programmes for the year 2012:

i. Patient Safety

To strengthen the patients' safety, all the KPJ Group of Hospitals continuously monitor the 6 International Patient Safety Goals (IPSG) that were identified by WHO in 2004:

1. Identify Patients Correctly.
2. Improve Effective Communication.
3. Improve the Safety of Using Medication.
4. Ensure Correct-Site, Correct-Procedure, Correct-Patient Surgery.
5. Improve Hand Hygiene to prevent Health Care Associated Infection.
6. Reduce the risk of Patient Harm Resulting from Falls.

Various safety strategic measures have been taken to ensure compliance to the IPSGs. Clinical Survey & Compliance Officers have been appointed to constantly monitor the patient safety compliance level in their hospital. The status of compliance is reported to Group MAC at various Clinical Governance platforms and the success stories of others are shared among the Group.

ii. WHO World Alliance on Global Patient Safety Challenges:

1. Clean Care is Safe Care (2005)

Continuous training and monitoring of hand hygiene is part of the routine activities of the Hospital's Infection control team and the compliance is reported during the infection control meetings.

2. Safe Surgery Saves Lives (2007- 2008)

The compliance to the KPJ "Peri- Operative Check List" is still being monitored.

3. Tackling Antimicrobial Resistance (2010)

3rd Patient Safety Challenge will concentrate on five key action areas and of this 2 areas are hospital based i.e:

- Infection control including the promotion of simple and effective interventions to reduce transmission of resistant microbes in both hospital and community settings
- Rational drug use and regulation including access, quality, and misuse of antimicrobial agents

These areas are being addressed by our Prevention and Control of Infection (PCI) programme, Monitoring and Surveillance on the Hospital Acquired Infection (HAI) and development of Antibiotic Guidelines.

Prevention and Control of Infection (PCI)

The manpower for the year 2012 showed 19 Infection Control Officers / Infection Control Nurse (ICO/ICN) in the Group. All the accredited and non accredited hospitals comply with the regulatory requirements of having dedicated ICOs/ ICNs. ICOs/ICNs are being supported by a total of 260 Link Nurses and personnel to facilitate and implement the PCI programme in the hospitals.

Monitoring and Surveillance on the Hospital Acquired Infection (HAI)

Currently there are 6 parameters being monitored. The Surgical Site Infection (SSI), Ventilator Associated Pneumonia (VAP), Catheter Related Blood Stream Infection, Catheter Associated Urinary Tract Infection, MRSA & MRSE. Compliance to the care bundles pathways is being monitored to reflect the outcome of the surveillance data.

Antibiotic Guidelines

The antibiogram and antibiotic resistance pattern specific to the hospitals are being monitored and reported in the Infection Control and Pharmaceutical and Therapeutic committee. The compiled data from all the hospitals are discussed in the Group MAC and based on these data collected antibiotic guidelines will be developed in the future.

iii.Incident Reporting.

The Group started reporting incidents since 2006 using a standardized format based on ICPS Classification for Patient Safety recommended by WHO. The common incidents and all sentinel events are further analyzed using the Root Cause Analysis method. These incidents are discussed during the Clinical Risk Management Committee meeting. The corrective actions and improvement measures from the Root Cause Analysis (RCA) findings are disseminated to the hospitals in the Group as part of Quality Improvement activity .

Monitoring of Medication Error / Adverse Events

Reporting of medication errors including near-miss reporting are part of the incident reporting program. MAC had emphasized on the importance of near-miss error reporting and various training sessions and road shows were conducted this year. This has increased vigilance amongst the staff and had encouraged both incident and near miss reporting which is in line with our core value of 'Safety'.

There was 0.11% medication related error reported for the year 2012 for 21 hospitals and this denotes a 9.4% reduction from previous year. It has been emphasized that all incident report including near-miss must be accompanied with a proper Root Cause Analysis (RCA) report. The corrective and improvement measures identified through RCA are shared among other hospitals as a learning curve to avoid such incidences in future. Reporting near miss incidents and analyzing it early will ensure potential errors are cordoned off before it happens.

iv. Research involving Safety and Quality

The KPJ R&D committee is still actively involved in the research on safety and quality. Several workshops were conducted by the Chairman on research methodology for the research team members in 2012.

KPJ Healthcare Berhad had forwarded a research grant to Pusat Perubatan Universiti Kebangsaan Malaysia (PPUKM) Tissue Engineering Centre for research on "In vitro Optimal Donor Cell Density for Maximum Expansion of Keratinocytes Culture for Formation of Skin Substitute via Tissue Engineering Technique".

Bed Management System

The KPJ Ipoh's in-house IT team has developed a system to track admission of patients till discharge. This Bed Management System provides information to consultants, admission services, wards, billing, dietary services and the management team. This system has been shared with other hospitals in the Group and several of the hospitals are in the process of installing the system.

Medical Directors' Meeting

The Medical Directors' Meeting held twice in 2012, in the month of January and October, is an avenue for all the Medical Directors of the hospitals in the KPJ Group to meet and discuss issues raised by the respective clinicians in the hospitals. It allows the Medical Directors to share best practices for others to emulate.

MEDICAL ADVISORY COMMITTEE

Committee Chairman
Dr Yoong Fook Ngian
Consultant Ear, Nose & Throat Surgeon
KPJ Ipoh Specialist Hospital

Amiruddin Abdul Satar
President/Managing Director

Datuk Dr Hussein Awang
Hospital Medical Director
Committee Chairman
Medical Director
Consultant Urologist
Tawakkal Health Centre

Dr Kok Chin Leong
Clinical Governance Policy
Committee Chairman
Consultant Paediatrician
KPJ Puteri Specialist Hospital

Dato' Dr Shahrudin Mohd Dun
Clinical Governance Action
Committee Chairman
Medical Director
Consultant General Surgeon
KPJ Selangor Specialist Hospital

Dato' Dr S. Jenagaratnam
Clinical Risk Management
Committee Chairman
Consultant Anaesthetist
KPJ Ipoh Specialist Hospital

Dato' Dr Zaki Morad Mohamad Zaher
Clinical Ethics
Committee Chairman
Consultant Physician Nephrologist
KPJ Ampang Puteri Specialist Hospital

Prof Dato' Dr Azizi Hj Omar
Research & Development
Committee Chairman
Medical Director
Consultant Paediatrician
KPJ Damansara Specialist Hospital

MEDICAL ADVISORY COMMITTEE

Dr Mohd Hafetz Ahmad
Medical Director
Consultant Obstetrician & Gynaecologist
KPJ Johor Specialist Hospital

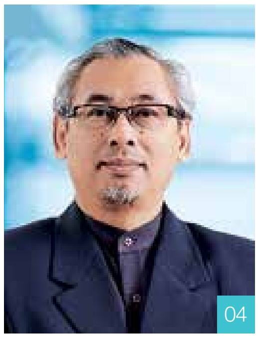
Dato' Dr Ngun Kok Weng
Consultant General Surgeon
Kuantan Specialist Hospital

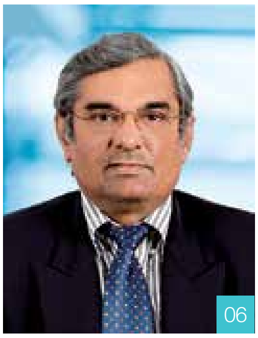
Jasimah Hassan
Vice President I
Business Operations, Education
& Clinical Services

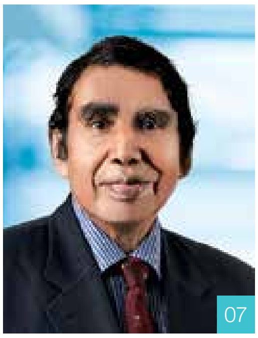
Mah Lai Heng
Senior General Manager
Group Clinical & Quality Services

Dr Aliza Jamaluddin
Senior Corporate Manager
Group Clinical & Quality Services

CLINICAL GOVERNANCE POLICY COMMITTEE







1. **Committee Chairman**
   Dr Kok Chin Leong
   Consultant Paediatrician
   KPJ Puteri Specialist Hospital

2. **Dato' Dr Hj Fadzli Cheah Abdullah**
   Medical Director
   Consultant Neuro Surgeon
   KPJ Ipoh Specialist Hospital

3. **Tan Sri Dato' Dr Yahya Awang**
   Consultant Cardiothoracic Surgeon
   KPJ Damansara Specialist Hospital

4. **Dr Mahayidin Muhamad**
   Medical Director
   Consultant Radiologist
   KPJ Perdana Specialist Hospital

5. **Prof (C) Dr Wan Hazmy Che Hon**
   Medical Director
   Consultant Orthopaedic,
   Trauma & Sports Surgeon
   KPJ Seremban Specialist Hospital

6. **Dr Mohd Namazie Ibrahim**
   Consultant Anaesthetist
   KPJ Selangor Specialist Hospital

7. **Datuk Dr Johan Thambu Abd Malek**
   Consultant Obstetrician and Gynaecologist
   KPJ Tawakkal Specialist Hospital

8. **Dr Ab Razak Samsudin**
   Medical Director
   KPJ Pasir Gudang Specialist Hospital
   Consultant General Surgeon
   KPJ Puteri Specialist Hospital

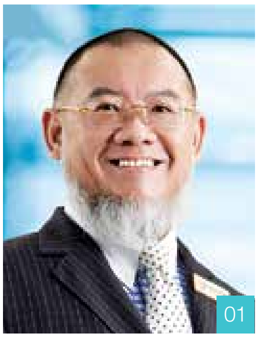
9. **Mah Lai Heng**
   Senior General Manager
   Group Clinical & Quality Services

10. **Dr Aliza Jamaluddin**
    Senior Corporate Manager
    Group Clinical & Quality Services

11. **Dr KV Anitha**
    Senior Corporate Manager
    Group Clinical & Quality Services

12. **Maygala Arumugam**
    Group Chief Nursing Officer
    Group Clinical & Quality Services

CLINICAL GOVERNANCE ACTION COMMITTEE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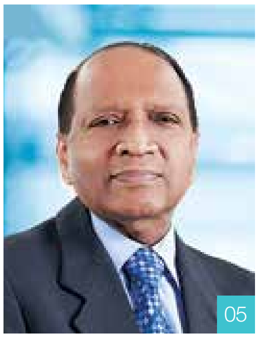
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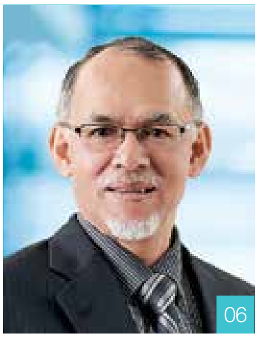
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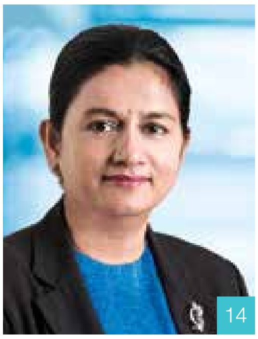
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1. **Committee Chairman**
   Dato' Dr Shahrudin Mohd Dun
   Medical Director
   Consultant General Surgeon
   KPJ Selangor Specialist Hospital

2. **Dr Rusli Arshad**
   Consultant Anaesthetist
   KPJ Johor Specialist Hospital

3. **Dato' Dr Abdul Wahab Abdul Ghani**
   Medical Director
   Consultant Orthopaedic Surgeon
   KPJ Ampang Puteri Specialist Hospital

4. **Prof Dr Primuharsa Putra Sabir Husin Athar**
   Consultant Ear, Nose, Throat,
   Head & Neck Surgeon
   KPJ Seremban Specialist Hospital

5. **Dr Balakrishnan Subramaniam**
   Medical Director
   Consultant Obstetrician and Gynaecologist
   KPJ Kajang Specialist Hospital

6. **Dato' Dr Ismail Yaacob**
   Medical Director
   Consultant Physician
   Kedah Medical Centre

7. **Dr Noor Hisham Mansor**
   Consultant Physician
   KPJ Tawakkal Specialist Hospital

8. **Dr Khaled Mat Hassan**
   Medical Director
   Consultant Obstetrician and Gynaecologist
   Kuantan Specialist Hospital

9. **Dr Mohd Harris Lu**
   Medical Director
   Consultant Ophthalmologist
   Sentosa Medical Centre

10. **Abdol Wahab Baba**
    Vice President II
    Business Development Services

11. **Mah Lai Heng**
    Senior General Manager
    Group Clinical & Quality Services

12. **Dr Aliza Jamaluddin**
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    Group Clinical & Quality Services

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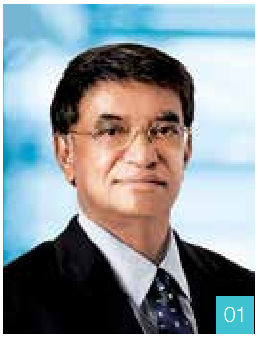
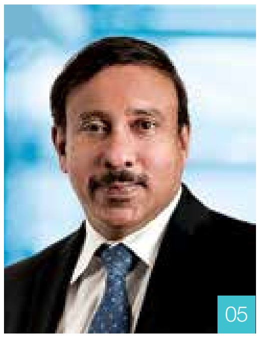
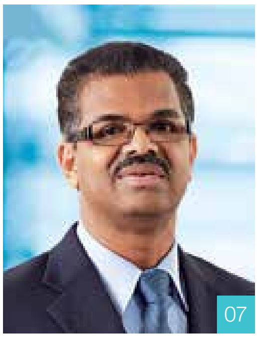
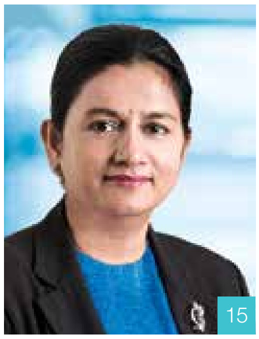
    Group Chief Nursing Officer
    Group Clinical & Quality Services

CLINICAL RISK MANAGEMENT COMMITTEE









1. **Committee Chairman**
   Dato' Dr S. Jenagaratnam
   Consultant Anaesthetist
   KPJ Ipoh Specialist Hospital

2. **Dr Luis Chen Shian Liang**
   Consultant Ear, Nose & Throat
   KPJ Ipoh Specialist Hospital

3. **Dato' Dr Azlin Azizan**
   Deputy Medical Director
   Consultant Radiologist
   KPJ Ampang Puteri Specialist Hospital

4. **Dr M. Kumari**
   Consultant Paediatrician
   KPJ Ampang Puteri Specialist Hospital

5. **Dato' Dr N. Sivamohan**
   Medical Director
   Consultant Obstetrician and Gynaecologist
   KPJ Klang Specialist Hospital

6. **Dr Norita Ahmad**
   Consultant Physician
   KPJ Perdana Specialist Hospital

7. **Dr R Padmanathan**
   Medical Director
   Consultant Surgeon
   KPJ Penang Specialist Hospital

8. **Dr G Ruslan Nazaruddin Simanjuntak**
   Medical Director
   Consultant Orthopaedic
   KPJ Tawakkal Specialist Hospital

9. **Dr Saharudin Abdul Jalal Ajma'in**
   Medical Director
   Consultant Radiologist
   KPJ Puteri Specialist Hospital

10. **Dr Siti Salwa Mohd Nazri**
    Medical Officer
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    Group Clinical & Quality Services

16. **Renuga Muniandy**
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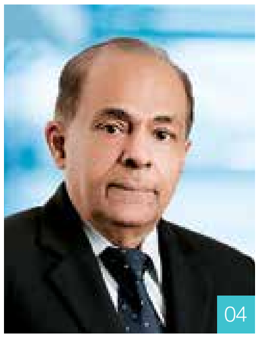
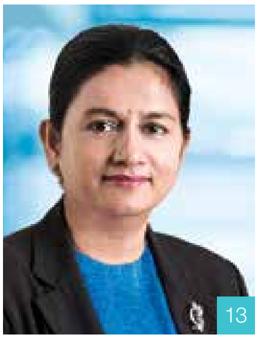
    Group Clinical & Quality Services

CLINICAL ETHICS COMMITTEE





1. **Committee Chairman**
   Dato' Dr Zaki Morad Mohamad Zaher
   Consultant Physician Nephrologist
   KPJ Ampang Puteri Specialist Hospital

2. **Dr Alex Tang Tuck Hon**
   Consultant Paediatrician
   KPJ Johor Specialist Hospital

3. **Dato' Dr Ashar Abdullah**
   Consultant Obstetrician and Gynaecologist
   KPJ Ampang Puteri Specialist Hospital

4. **Dr S. P. Singaram**
   Consultant Ear, Nose & Throat Surgeon
   KPJ Ampang Puteri Specialist Hospital

5. **Dato' Dr Zurin Adnan Abd Rahman**
   Consultant Neurosurgeon
   KPJ Damansara Specialist Hospital

6. **Dato' Dr Wan Nik Ahmad Mustafa Ali**
   Consultant Anaesthetist
   KPJ Damansara Specialist Hospital

7. **Datin Dr Vasantha Matthews**
   Consultant Paediatrician
   KPJ Damansara Specialist Hospital

8. **Dr Jamal Azmi Mohamad**
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   KPJ Selangor Specialist Hospital

9. **Dr Chan Kheng Khim**
   Consultant Physician
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STRIVING FOR CONTINUOUS IMPROVEMENT

We are committed to making continuous improvements in all that we undertake. By taking ownership of every task, finding innovative solutions to challenges and delivering real value, we are building strong patient-caregiver relationships, reinforcing our reputation and creating good shareholder value.


CHILDREN CENTRE)

BUSINESS REVIEW
HOSPITAL OPERATIONS

HOSPITAL OPERATIONS - STEADY GROWTH

In 2012, KPJ's Hospital Operations turned in another successful year on the back of capacity expansion and the acquisition of hospitals in Malaysia as well as the steady progress of hospital operations in neighbouring countries within the ASEAN region.

Strengthened Malaysian Operations

The Group's Malaysian hospitals registered a positive performance in 2012 turning in a 9% year-on-year (YoY) increase in revenue to RM1.87 billion from RM1.72 billion previously. The year's higher revenue was mainly attributable to robust patient growth in existing operations. A good part of 2012"s revenue was contributed by the Sibu Specialist Medical Centre that was acquired in early 2011 and the new KPJ Klang Specialist Hospital which commenced operations in May 2012. The year's performance was further strengthened by the introduction of new hospital services and the recruitment of more medical specialists at the various hospitals.

Improvements were seen across our network of Malaysian hospitals with 21 of our 22 local hospitals continuing to remain profitable concerns in 2012 with the exception of the KPJ Klang Specialist Hospital. Twelve of our hospitals posted double-digit top line growth, which was supported by an expansion in bed capacity, extensions to house more consultant suites, the introduction of new services and medical equipment, as well as recruitment of more medical consultants. For 2012, KPJ Johor Specialist Hospital was the first hospital to record revenue of more than RM200 million while seven hospitals continue to record revenue above RM100 million.

The segment's profit after tax (PAT) increased by 19.4% to RM141.2 million in 2012 from RM118.3 million in 2011. The more disciplined approach to spending and a continuing austerity drive helped contain overall costs in 2012.

Rising Patient Numbers

Currently KPJ's Malaysian hospitals provide domestic and foreign patients a range of services from general medicine and surgery to more specialised areas such as cardiothoracic or plastic and reconstructive surgery among many others. Our commitment to delivering quality care and ensuring patient safety continues to be a drawing card and patient numbers continue to rise at our hospitals.

In 2012, the total number of outpatients and inpatients rose from more than 2.6 million in 2011 to more than 2.7 million. Our hospitals recorded a 4.5% increase in outpatient numbers registering 2,402,291 outpatients in comparison to 2,388,205 outpatients registered in 2011. Our hospitals also registered a 2.8% increase in inpatient numbers to 248,589 inpatients in 2012 as compared to 240,923 inpatients in 2011. There were a total of 87,113 cases, surgical cases in 2012, an increase of 2.6% in comparison to the previous year. In terms of bed capacity, there were 2,596 beds throughout our Malaysian hospitals as at 31 December 2012 in comparison to 2,526 beds as at 31 December 2011.

The occupancy rate at our hospitals remained high in 2012, averaging above 65.0% occupancy. A number of hospitals are currently undergoing expansion to increase their capacity. Hospitals located in the Klang Valley and in other major towns continued to draw in the biggest number of 2012's patients numbers with almost all hospitals showing an increase in patient numbers. Some of these continued to register double-digit growth on the back of capacity expansion. Improvements to existing services rendered, the introduction of new services and aggressive marketing and promotional activities all helped attract more patients.

The year also saw us strengthening our relationships with corporate clients and insurers, who remain major supporters of our hospitals, as well as reaching out to new ones. All these activities helped generate greater revenue for the Group.

Good Progress in Indonesia

Our Indonesian Hospitals segment made commendable strides forward in 2012, delivering a 92% hike in revenue to RM22.1 million from RM11.5 million previously. This increase in revenue came on the back of higher patient numbers over the course of the year. While our Indonesian operations registered a loss after tax of RM9.8 million in 2012, nevertheless it was a 5.0% YoY improvement over the preceding year's results. However, the year's results did not include the operations of the newly acquired Rumah Sakit Medika Permata Hijau as the acquisition of the said hospital was only completed on 7 March 2013.

Notwithstanding this, KPJ's Indonesian hospitals, Rumah Sakit Medika Permata Hijau and Rumah Sakit Bumi Serpong Damai, recorded 90,671 and 33,818 outpatients respectively, a total increase of 22.7% as compared to the previous year. The total number of inpatients for both hospitals increased some 32% to 8,720 inpatients in 2012 as compared to 6,599 inpatients in 2011.

We are confident our Indonesian operations will continue to show an improvement in the coming years given the expected rise in contributions following the completion of Rumah Sakit Medika Permata Hijau in 2013.

The year saw the Ancillary Services segment's revenue improving by 8% to RM689.6 million from RM636.0 million in 2011. This higher revenue was mainly attributable to an increase in activities relating to the marketing and distribution of pharmaceutical, medical and surgical products, as well as higher demand for pathology and laboratory services.

Within the Ancillary Services segment incorporating Pharmaserv Alliances Sdn Bhd and Lablink Sdn Bhd, KPJ's intrapreneur companies and other subsidiaries also contributed significantly towards the Group's good performance in 2012.

The Malaysia Hospital segment's profit after tax (PAT) increased by 19.4% to RM141.2 million in 2012 from RM118.3 million in 2011

The Indonesian Hospitals segment too made commendable strides forward in 2012, delivering a 92% hike in revenue to RM22.1 million from RM11.5 million previously

BUSINESS REVIEW
HOSPITAL OPERATIONS

Much Potential for Aged Care Facility

While the Aged Care Facility segment registered a 367% increase in revenue to RM30.8 million in 2012 (2011: RM6.6 million), it reported a loss of RM5 million. In the preceding year, Jeta Gardens had only reported one month of revenue as it was acquired on 30 November 2011. Going forward, we are confident about our venture in this segment over the long-term as there is much potential for the Jeta Gardens business model to be replicated elsewhere in the region.

Strategic Developments in 2012

In 2012, the Group embarked on a number of strategic moves in Malaysia and abroad to strengthen our position in the region.

Our acquisition of a 23.37% stake in Vejthani Hospital PLC, Thailand bodes well for our medical tourism ambitions in the region. This 263-bed, multidisciplinary specialist hospital located in Bangkok has gained the name “King of Bones and Joints”. It serves more than 300,000 patients yearly and 50% of them are international patients from more than 40 different countries. Aside from strengthening KPJ’s footprint in Southeast Asia, this acquisition is also enabling us to leverage on Vejthani’s wealth of medical tourism knowledge and skills to increase our medical tourism revenue to 25% of the Group’s revenue by 2020.

The acquisition of the remaining 49% equity interest in KPJ Sabah Specialist Hospital in 2012 is a strategic move that will allow the Group to strengthen its foothold in East Malaysia. Phase 1 of SMC’s new hospital building was completed in February 2013 and it is expected to begin operations with an 80-bed capacity by the second quarter of 2013.

In the final quarter of 2012, KPJ Ampang Puteri Specialist Hospital and KPJ Seremban Specialist Hospital both attained Joint Commission International (JCI) accreditation. This accreditation underscores KPJ’s commitment to upholding international standards and best practices in the areas of process improvement and patient safety.

In December 2012, the KPJ Group’s headquarters was relocated to Menara 238 along Jalan Tun Razak, Kuala Lumpur. We are currently leasing this property with an option to purchase later on. Our new premise, which takes up approximately 79,500 square feet and is spread out over five levels, is serving as a one-stop centre for all the Group’s corporate services. Our hospitals and subsidiaries can now obtain support and advice more effectively now our back-end support is all under one roof.

The year also saw us undertaking the proposed acquisition of Sri Manjung Specialist Centre Sdn Bhd at RM14.25 million, while we completed the acquisition of an 80% shareholding in PT KPJ Medika (which runs Rumah Sakit Medika Permata Hijau) from Johor Corporation.

In early 2013, Tawakkal Health Centre (THC), an ambulatory care centre located in the building formerly occupied by Tawakkal Hospital along Jalan Pahang, Kuala Lumpur opened its dental centre and dialysis services. The dental centre offers a wide range of dental treatments while the 14-bay dialysis service has a capacity of up to 42 dialysis bays, including private rooms for patients who prefer privacy during their treatment. THC complements the Group’s main hospital services offering and will cater to KPJ’s existing patients and new patients who only require outpatient treatment. THC also encompasses a rehabilitation centre, pharmacy, diagnostic imaging services, consultants’ suites, a minor operation theatre, Tawakkal Senior Living Care and 14 retail lots, all of which are expected to be launched in 2013.

SPECIALIST SERVICES

- Anaesthetics Services
- Coronary Angiogram & Angioplasty
- Audiology
- Bariatric Surgery
- Cancer & Chemotherapy Services
- Cardiology & Cardiothoracic Surgery
- Child Psychiatry
- Clinic Pathology
- Colorectal Surgery
- Cornea Transplant Surgery
- Diet Counselling
- Dental Services
- Dermatology (Skin) Day Surgery
- Ear, Nose & Throat (ENT)
- Endocrinology
- Feto-Maternal Medicine
- General Surgery
- General/Internal Medicine
- Endoscopy Services - Gastroscopy, Colonoscopy, ERCP, etc.
- Haemotology
- Immunisation & Vaccination Services
- Interventional Angioplasty
- Interventional Chronic Pain Management
- Services/Centre
- In-vitro Fertilisation (IVF)
- Joint Replacement and Reconstructive Surgery
- Laparoscopic Surgery
- Neurology (EEG & EMG)
- Neurosurgery
- Neonatology
- Nephrology
- Occupational Health Services
- Orthopaedic & Trauma Surgery
- Ophthalmic (Eye) Laser
- Ophthalmic (Eye) Surgery
- Ophthalmology
- Orthodontic & Maxillofacial Surgery
- Obstetrics & Gynaecology (O&G)
- Outpatient Treatment
- Paediatric Surgery
- Plastic & Reconstructive Surgery
- Physiotherapy, Rehabilitative & Occupational Therapy Services
- Psychiatry - General & Paediatric
- Pharmacy & Laboratory Services
- Radiotherapy & Oncology
- Reconstructive & Spinal Surgery
- Respiratory Medicine Services
- Restorative Dentistry & Endodontics
- Rheumatology
- Sleep Disorder Centre
- Urology
- Vascular Surgery

BUSINESS REVIEW
MEDICAL TOURISM

MEDICAL TOURISM - MINING A HIDDEN JEWEL

While the domestic market remains the mainstay of KPJ's business, the Group recognises the potential of the burgeoning medical tourism market and continues to undertake measures to capture a bigger slice of this market while building a pathway to sustainable growth.

BUSINESS REVIEW
MEDICAL TOURISM

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Growing Market Potential

The Malaysian healthcare sector is expected to enjoy steady growth in line with the catalyst activities being implemented under the Malaysian Government's Economic Transformation Programme (ETP). As one of the 12 National Key Economic Areas (NKEAs) under the ETP, the healthcare sector is expected to leverage on private-sector growth to generate between RM35 billion and RM50 billion in incremental gross national income (GNI) by 2020. Growth is expected to be driven primarily by pharmaceuticals, medical technology products and health travel.

With its cutting-edge facilities and highly qualified specialists, Malaysia ranks amongst the world's top health tourism destinations. Over the years, more than a million people from around the world have come to seek quality healthcare in Malaysia. In 2012 alone, Malaysia received some 664,000 medical tourists that represented a 16% increase in medical tourist arrivals in comparison to 2011's numbers. Going forward, the Malaysian medical tourism sector is forecast to grow even further on the back of the influx of patients expected from Indonesia, Myanmar, Bangladesh and the Middle East.

The Government's initiatives to boost the healthcare travel industry too augur well for the medical tourism sector. Organisations like the Malaysia Healthcare Tourism Council (MHTC) continue to work seamlessly with the Association of Private Hospitals of Malaysia, the Ministry of Tourism Malaysia and various healthcare facilitators and government agencies to drive medical tourism.

On the Ground Activities

Currently medical tourism contributions account for 3% of KPJ's revenue and we have set our sights on growing this to 25% by 2020. To capitalise on the wealth of opportunities presented by the medical tourism market, KPJ continues to undertake a host of marketing and promotional activities in existing and new target markets throughout Asia and the Middle East. Through participating in local and international exhibitions, trade expositions, road shows and health talks, we are helping to drive awareness about Malaysia as an excellent and cost-effective destination for medical care as well as entrenching the KPJ brand among target audiences.

In 2012, KPJ took the opportunity to participate in the host of international trade fairs, trade expositions and road shows organised by the MHTC, the Ministry of Health, the Ministry of Tourism, the Malaysia External Trade Development Corp (MATRADE) and others. Through these efforts, we were able to make good inroads into many ASEAN nations as well as Hong Kong, the People's Republic of China and the Middle East.

Indonesia

The medical tourism team's first international marketing activity for 2012 took them to Medan, Indonesia in February. We have a keen interest in Indonesia as our neighbour has contributed almost a third of KPJ's international patients and this is expected to grow. Together with the MHTC, the KPJ team participated in the Medan Expo 2012 event which was held in conjunction with the Perhimpunan Rumah Sakit Seluruh Indonesia (PERSI) event, an opportune networking platform which opened up the entire Indonesian healthcare industry to us.

Over the course of the year, we participated in several other strategic initiatives that had a tangible effect on medical tourist numbers. These included our participation in the Indonesia Wellness & Medical Tourism Fair in Jakarta, the MHTC Exhibition in Balik Papan, the 5th Indonesia Mice & Corporate Travel Mart, Bali and a seminar and exhibition in Semarang, one of our new target markets for medical tourism. We also participated in Nusantara Pesta Wisata IX 2012 in Jogjakarta as well as undertook hospital visits to the An Nur Urology Hospital.

Currently medical tourism contributions account for 3% of KPJ's revenue and we have set our sights on growing this to 25% by 2020.

BUSINESS REVIEW
MEDICAL TOURISM

A satisfied patient posing in front of KPJ Ampang Puteri Specialist Hospital where his entire family goes for trusted medical treatment.

In December 2012, KPJ planned to open five representatives offices in Indonesia namely in Surabaya, Medan, Acheh and Pekan Baru. These and several other strategic activities aim to bring KPJ to the attention of a larger Indonesian audience.

The year also saw our medical tourism team working hard to enhance KPJ's presence in highly populated countries such as the People's Republic of China and Bangladesh.

China

China's healthcare sector continues to develop at an astonishing rate. The nation's healthcare spending is projected to grow from USD357 billion in 2011 to USD1 trillion in 2020. (Source: McKinsey & Company, "Healthcare in China: Entering uncharted waters"). We continue to position ourselves to capture a bigger slice of the medical tourism market.

In China, KPJ's medical tourism team joined the MHTC in Shanghai for International Channel Shanghai's (ICS) Getaway Carnival, which aims to promote travel and food. This annual event gave us access to the media and 25 ICS TV channels and helped strengthen KPJ brand awareness among an audience of eight to ten million Chinese viewers (particularly in the areas of plastic and cosmetic surgery as well as women's health). The year also saw us teaming up with Medilink-Global (Asia) Pte Ltd to explore market opportunities, medical tourism initiatives and business development for China.

In Hong Kong, we participated in various activities that sought to promote Malaysia as a medical tourism destination. These included our participation in the International Travel Expo (ITE) 2012 held from 14-17 June at the Hong Kong Convention & Exhibition Centre as part of the on-going Malaysia Healthcare promotion, as well as in marketing activities in Hong Kong and mainland China. Held annually, 2012's ITE event drew 12,175 buyers and trade visitors with 20% from mainland China and 7% from abroad. We also explored opportunities with insurance companies and a medical tourism web portal to grow our market presence in this region.

Bangladesh

Since 2011, KPJ in collaboration with the MHTC, has been exploring opportunities in Dhaka, Bangladesh. In 2012, KPJ participated in MATRADE's Malaysia Expo in Dhaka where over 2,000 Bengali language brochures were distributed and health talks organised at clubs to spread awareness of the KPJ brand.

We also held a seminar at Bangabandhu Sheikh Mujib Medical University ("BSMMU") to promote our specialist consultants. The BSMMU seminar drew 80 participants, mostly doctors and specialist consultants, while free consultations were accorded to 35 patients. The MHTC has outsourced its marketing and promotional activities to Malaysia Healthcare Service Limited (MHSL). The opening of a MHSL office in Dhaka augurs well for the hospitals and doctors who have been participating and supporting MHTC road shows.

Going forward, KPJ's hospitals in the Klang Valley have been identified as the best platforms to cater to the needs of medical tourists from Bangladesh.

Myanmar

While Singapore and Thailand have been tapping the potential of the Myanmar market since 2000, the country remains an untapped medical tourism market for Malaysia. Myanmar medical tourists remain one of the largest groups out the huge number of ASEAN medical tourists. In 2012, there was a 23% increase in the number of patients coming from Myanmar to Malaysia as compared to 2011. This underscores the fact that Malaysia is able to provide value for money, high quality care to foreign patients.

The year saw MHTC undertaking several activities to promote Malaysia as the regional healthcare destination for Myanmar's population. These included a press conference in Yangon to introduce Malaysia and create awareness of its healthcare facilities among industry players, as well as the launch of an exhibition and healthcare seminar by the Minister of Health, Malaysia, YB Dato Sri Liow Tiong Lai, which drew some 500 industry participants. The Group's doctors from KPJ Klang Specialist Hospital gave health talks at the latter seminar.

BUSINESS REVIEW
MEDICAL TOURISM

Visitors from Middle East posing for a group photo at KPJ Tawakkal Specialist Hospital.

KPJ Group Senior General Manager of Marketing and Corporate Communication, Rafeah Ariffin at the launching of Malaysia Expo and Healthcare Seminar by the Health Minister of Malaysia, Y.B. Dato Sri Liow Tiong Lai in Yangon, Myanmar.

Cambodia

In 2011, the number of medical tourists from Cambodia to Malaysia increased by 34% to 1,170 medical tourists in comparison to the preceding year. These patients mainly sought treatment in areas relating to cardiology, orthopaedics, gastroenterology, health screening, cosmetic surgery, ENT, and neurology as well as digestive and respiratory care. The increase in patient numbers underscores the fact that Cambodians are expressing an increasing confidence in the services offered by Malaysian healthcare providers.

KPJ continued to explore the potential of the Cambodian market in 2012 through its participation in the MHTC's Malaysia Healthcare Exhibition 2012 held in conjunction with MATRADE's Showcase Malaysia in Phnom Penh, Cambodia. Strong leads have emerged from this event and we are exploring opportunities with potential strategic partners to work together.

The Middle East

The Middle East market promises strong growth potential. Given the many similarities in culture and customs between Malaysia and the region, as well as our experience in managing hospitals in Saudi Arabia, KPJ is strongly positioned to attract medical tourists from the Middle East. The year saw us undertaking several marketing activities locally and abroad which led to a rise in patient numbers from the Middle East as well as a hike in related medical tourism revenue.

On the home front, we organised the KPJ Malaysia-Arab Community Day 2012 at KPJ Tawakkal Specialist Hospital to demonstrate the Group's appreciation to the Arab community who have been a great support and an important customer segment these last many years. Aside from being an effective platform to showcase KPJ's and our consultants' capabilities, the event was an opportune platform to highlight the differences and similarities between the cultures, build goodwill, as well as strengthen ties. The two-day event saw several activities being carried out, among which were various health talks, screenings and tests, consultations as well as cultural performances.

As part of our efforts to strengthen our relationships with local governments and business establishments in the Middle East region, we continued to undertake sales visits and tie-ups with medical tourism agents in 2012 in addition to the HT Expo and conferences we participated in with the MHTC, MATRADE and Tourism Malaysia. An agents was appointed to source patients from the Middle East. Our use of social media platforms to promote various packages and announcement related to KPJ has proven to be effective, with our postings eliciting good response from Middle Eastern residents based in Malaysia.

Iran

We also continue to strengthen our efforts to tap the medical tourism potential of the Iranian market. In 2012, medical tourist numbers from Iran rose by 15% in comparison to 2011's numbers, while revenue rose by a commendable 48%. Iranians now rank 7th place on the Health Tourism Chart.

BUSINESS REVIEW
MEDICAL TOURISM

KPJ's specialist consultant giving a consultation to a patient at the booth during the Malaysia Healthcare Exhibition 2012 at Yangon, Myanmar to encourage medical check-ups.

KPJ team and Arab Economic Unity Advisor and Council Secretary, Dr Moahmoud Khalid Almsafir in a photo session during the launching of Arab Community Day at KPJ Tawakkal Specialist Hospital.

In 2012, the medical tourism team began a collaboration with Pars International Arya (PIA), one of larger fully licensed medical tourism players in Iran with worldwide affiliations to secure patients from Iran. They team also explored strategic collaboration and strengthened ties with several other parties to pave a pathway for further growth in this market.

Currently, there about 70,000 Iranians living in Malaysia under business visas and the Malaysia My Second Home programme. We continue to reach them through a host of activities including promotions through our Iranian-specific website (www.iranian.kpjhealth.com.my), Iranian language flyers, as well as via professional agents in Malaysia and Iran. We are also reaching out to this target audience through events and awareness campaigns.

To date, a specific insurance package is in place for all Iranian expatriates in Malaysia. The Integrated Healthcare Management (IHM) policy (which is the result of a collaboration between IHM Healthcare and KPJ) covers many aspects such as a full basic medical check-up by the KPJ Group, international SOS services globally, dental coverage and inpatient services among many other benefits.

On the Malaysian front, KPJ's medical tourism team and hospitals participated in the 1st Malaysia International Healthcare Travel Expo and Conference 2012 organised by the MHTC and the related mega familiarisation trip which involved taking small groups on visits to private hospitals.

All in all, 2012's marketing and promotional efforts did much to entrench the KPJ Group as a major healthcare player and an attractive proposition among potential medical tourists in our target markets. We are anticipating that a higher number of medical tourists will be drawn in by the attractive, competitively priced packages for international-standard medical care that KPJ is offering. The Group will maintain the momentum of current marketing strategies due to the positive influx of patients in all KPJ's target markets.

Supporting Activities

In our quest to provide excellent patient experiences for medical tourists, we are maintaining our premier wards and enhancing our special services capability by hiring patient liaison officers who are well versed in a variety of foreign languages including Arabic, Indonesian, Japanese, Persian and Korean. This is certainly helping put foreign patients at ease and enabling the smooth delivery of our services.

KPJ is also customising treatments and services in accordance with the culture and beliefs of patients. Brochures with pertinent patient information have been published to help answer queries from foreign visitors. In some of the major medical tourism markets, coordinators and KPJ representatives have been appointed to promote KPJ hospitals more aggressively and to aid in the smooth transition of medical tourists from their countries to KPJ's hospitals.

The signing of MoUs between KPJ and various organisations for long-term collaboration will ensure effective strategies and business models are developed to address the specific needs of a particular country. In collaboration with government agencies, travel agencies and hoteliers, we are drawing up programmes for the convenience of international patients and their accompanying family members, including all arrangements for additional services that they may need over the course of their stay in Malaysia.

Honorable Federal Minister of Industry Bangladesh (second from left) with Dato' Jamaluddin Sabeh, High Commissioner of High Commission Malaysia (third from left) visiting KPJ booth at Malaysia Trade Show Exhibition in Dhaka, Bangladesh.

We continue to invest in new medical equipment and facilities featuring the latest technologies. These are ensuring a more pleasant patient experience and better medical and surgical outcomes. To ensure patient convenience, we continue to enhance the capabilities of our web portal. Today, all existing and potential KPJ patients can readily elect the type of medical attention they need, select the doctor they want, as well schedule their own appointments.

Gearing Up for Growth

The domestic private healthcare industry is expected to register healthy demand growth of between 8% and 10% per annum on the back of growing awareness of healthcare standards and an overloaded public healthcare system. These developments augur well for KPJ and we are putting the necessary building blocks in place to tap the potential of this lucrative market segment.

To prepare for the expected growth in medical tourism business, KPJ will invest some RM760 million over the next three to four years to develop five new hospitals in Malaysia. These five projects will collectively add 822 beds to KPJ's existing capacity of more than 2,500 beds, and are expected to create over 3,000 new jobs and contribute an estimated RM1.2 billion in GNI for the country.

To date, the largest contributors to the Group's medical tourism business are the KPJ Johor Specialist and KPJ Ampang Puteri Specialist hospitals because of their proximity to foreign communities (apart from the availability of more specialised medical treatments). The new flagship 390-bed hospital in Bandar Dato' Onn which is targeted to open by end-2014 will offer oncology, women and children, cosmetics and reconstruction, orthopaedic, cardiology and geriatrics services at competitive prices to cater to the more price-sensitive foreign community from Singapore.

The Group's acquisition of a 23.4% stake in the 263-bed Vejthani Hospital in Thailand is another strategic move to grow the medical tourism business. Not only has the acquisition given us a foothold into the Thai healthcare market, given Vejthani's strong presence in the medical tourism segment, it will enable KPJ to extract value from the acquisition through mutual patient referrals. Over the longer-term, we will attempt to replicate Vejthani's proven medical tourism strategy in Malaysia.

Going forward, KPJ will continue to allocate the necessary resources to make the most of this "hidden jewel" in the healthcare sector as well as chart a sustainable pathway to growth.

BUSINESS REVIEW
NEW HOSPITAL DEVELOPMENTS

NEW HOSPITAL DEVELOPMENTS – ESTABLISHING A SUSTAINABLE PATHWAY

Tawakkal Health Centre

Growing Our Network, Expanding Capacity

KPJ today operates Malaysia's largest network of private specialist hospitals with a presence in almost every state. All our existing 22 hospitals are running at almost full capacity on the back of strong demand for quality healthcare services. To meet the growing needs of local communities and medical tourists for quality hospitals as well as to reinforce our lead and establish a sustainable pathway for the Group amidst a highly competitive healthcare landscape, we continue to focus our efforts on growing our network and expanding our existing capacity.

Our long-term plan calls for us to roll out a minimum of two new hospitals per annum and we have set our sights on rolling out another eight hospitals over the next four years. Six of these hospitals have been identified for development under the Healthcare National Key Economic Area of the Economic Transformation Programme (ETP) and this augurs well for the Group's performance going forward, particularly on the medical tourism front. We are committed to investing some RM864 million to develop these seven new hospitals over the next few years, including the six under the ETP

Strong Inroads on the New Hospitals Front

May 2012 saw the RM50 million KPJ Klang Specialist Hospital in Bandar Baru Klang, Selangor commencing operations. With a built-up area of 300,000 square feet (sq. ft.), this facility boasts a maximum capacity of 200 beds and 29 consultant suites as well as ample space for various medical services and facilities. Aside from catering to the local community, this hospital also caters to medical tourists.

BUSINESS REVIEW
NEW HOSPITAL DEVELOPMENTS

KPJ Pasir Gudang Specialist Hospital

By the second quarter of 2013, the multi-disciplinary KPJ Pasir Gudang Specialist Hospital in the state of Johor offers its services to public. Comprising 120 beds and 18 clinics on 200,000 sq. ft. of floor space, this hospital will offer general services as well as orthopaedic, surgery, medical, obstetrics and gynaecology, ear nose and throat, paediatric, ophthalmology, anaesthesiology, and radiology services. Built at a total cost of RM70 million including land, building and equipment costs, this development will enable us to provide a comprehensive range of medical care to both the local community and international patients while creating some 424 job opportunities including nursing and support service positions.

Come the third quarter of 2013, the KPJ Sabah Specialist Hospital in Kota Kinabalu, Sabah is set to commence operations from its new building. Currently, we are completing the first phase of the new 11-storey hospital building for this hospital. With 250 beds and 86 consultants, the new KPJ Sabah Specialist Hospital building will offers general medical services as well as surgery, orthopaedic, obstetrics and gynaecology, ear, nose and throat, paediatric, ophthalmology, anaesthesiology, and radiology services. This RM200 million hospital also incorporates the latest equipment and facilities for patient comfort and better clinical outcomes while its 500 parking bays will ensure easy access to the facilities.

By the end of 2013, the KPJ Muar Specialist Hospital in Johor will kick-start its operations. The project began when KPJ first acquired a partially completed seven-storey building situated along Jalan Stadium in Muar, Johor for RM22 million in 2010. We are currently completing the hospital building at an estimated development cost of around RM26 million. It will comprise more than 100 beds on a floor space of more than 200,000 sq. ft. and almost 200 car park bays. The hospital will offer general services as well as orthopaedic, surgery, medical, obstetrics and gynaecology, paediatric, ophthalmology, anaesthesiology, radiology and haemodialysis services.

All of the aforementioned hospitals are of international standard and will go a long way in meeting the expected rise in demand from medical tourism activities that the Malaysia Healthcare Tourism Council (MHTC) envisages will reach 1.9 billion patients by 2020. Upon the completion of the first phase of development for these three hospitals, an additional 200 beds will be added to the Group's current capacity. At the end of 2013, KPJ's capacity will rise to 2,766 beds from 2,566 currently. This will also have the effect of bringing our occupancy rate down to a more acceptable level.

Developments Further Down the Road

The other five hospitals are scheduled for developments between 2014 and 2016 will help reinforce KPJ's domestic footprint as well as reinforce our position as the largest network of private specialist hospitals in Malaysia.

The year 2014 will see KPJ expanding its footprint in Pahang state through the development of the KPJ Pahang Specialist Hospital at Tanjung Lumpur, Kuantan. Complementing the services of the existing Kuantan Specialist Hospital in Pahang, the former hospital will be developed by our subsidiary, Pahang Specialist Hospital Sdn Bhd in a 70-30 joint venture with PASDEC Corp, a subsidiary of Pahang State Development Corporation. This facility will incorporate 154 beds and 18 clinics while some 24 consultants will offer general services as well as orthopaedic, surgery, medical, obstetrics, gynaecology, ear,

BUSINESS REVIEW
NEW HOSPITAL DEVELOPMENTS

KPJ Perlis Specialist Hospital

KPJ Pahang Specialist Hospital

nose, throat, paediatric, ophthalmology, anaesthesiology and radiology services.

Further down south, the KPJ Bandar Dato' Onn Specialist Hospital in the state of Johor will offer its services to the public by the end of 2014. To be located at Bandar Dato' Onn, a new township located within the Iskandar Development Region in Johor, this new flagship hospital will be developed in two phases. The first phase will comprise a built-up area of approximately 280,000 sq. ft., a 150-bed capacity, as well as state-of-the-art centres of excellence that offer a comprehensive range of services including oncology, women and children, cosmetics and reconstruction, orthopaedic, cardiology and geriatrics services. These will be at competitive prices to cater to the more price-sensitive foreign community from Singapore. When fully completed, this hospital's total bed capacity will rise to 390 beds within a built-up area of approximately 500,000 sq. ft.

Come 2015, the KPJ Perlis Specialist Hospital will be ready to serve a population of around 250,000 people in Kangar area as well as patients from throughout the state of Perlis and southern Thailand. This development not only marks KPJ's first foray into the northernmost state of Peninsular Malaysia, it also marks the establishment of the first private specialist hospital in this part of the country.

KPJ is jointly developing KPJ Perlis Specialist Hospital with Yayasan Islam Perlis (YIP) on a four-acre plot in Kangar. With an initial development cost of around RM30 million, the new hospital will feature some of the latest diagnostic imaging facilities and medical equipment. It will also be equipped with operation theatres alongside an intensive care unit, labour room and more than 30 medical consultant suites. The first phase of this six-storey hospital development will see the RM30 million Perlis facility offering 60 beds with the ability to extend its capacity to a total of 90 beds at a later stage. Upon this hospital's completion, other services including physiotherapy, haemodialysis, accident and emergency as well as 24-hour outpatient services will also be made available.

Down the road, the KPJ Klang Bayu Emas Specialist Hospital is scheduled to commence operation in 2015 while the KPJ Miri Specialist Hospital will kick-start its operations in 2016. All these eight developments will add another 1,450 beds to our total number of operating beds by 2016.

The Group's First Ambulatory Centre

The partial opening of the Group's first ambulatory care centre, the Tawakkal Health Centre (THC) in early 2013, adds another feather to our cap. The THC complements the Group's main hospital services offering by catering to our existing patients and new patients who require outpatient treatment only.

Following the introduction of the THC's dental centre and dialysis services in early 2013, other facilities and services will be introduced over the course of the year. These will include a rehabilitation centre that offers the services of a rehabilitation physician, physiotherapists, occupational therapists and speech therapist; a pharmacy for outpatients; as well as diagnostic imaging services that will offer general x-rays and OPG (for dental) services.

On top of these, there will be eight consultant suites; a minor operation theatre that will support the dental centre and a planned Centre for Sight; as well as the Tawakkal Senior Living Care that will cater to senior citizens, especially those needing assistive care services. Apart from its clinical services offering, THC is also setting aside space as retail space. In total 14 retail lots have been created, with preference given to health related businesses.

BUSINESS REVIEW
NEW HOSPITAL DEVELOPMENTS

KPJ Specialist Hospital Bandar Dato' Onn

Ensuring Sustainability through Organic Growth

In line with our sustainable growth strategy, we continue to expand the capacity of our existing hospitals. In 2012, we focused our efforts on expanding bed capacity and adding space for new facilities and the latest equipment. We also upgraded existing services to provide customers better quality care and an improved ambience so as to enhance the total patient experience. To this end, approximately RM345 million was invested to expand and upgrade our existing hospitals.

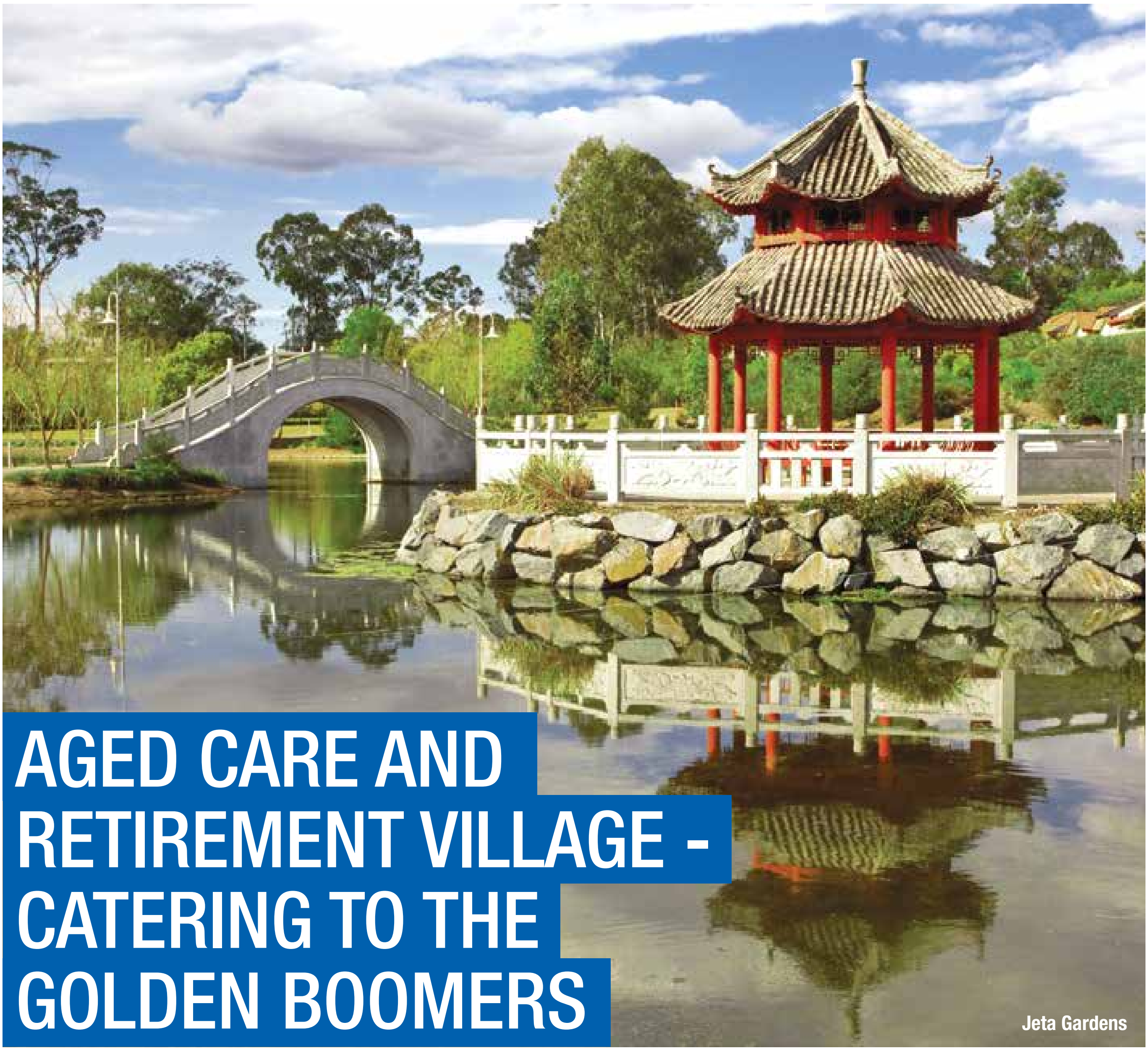
Work is currently underway to expand several hospitals including the KPJ Puteri Specialist Hospital, KPJ Selangor Specialist Hospital, KPJ Ampang Puteri Specialist Hospital, KPJ Seremban Specialist Hospital and KPJ Perdana Specialist Hospital. These activities will see us investing some RM258 million to expand these hospitals' capacity as well as improve the related amenities.

Meanwhile renovation works are being undertaken at KPJ Johor Specialist Hospital, KPJ Puteri Specialist Hospital, Sentosa Medical Centre, KPJ Ipoh Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Kajang Specialist Hospital, Tawakkal Health Centre, KPJ Tawakkal Specialist Hospital, KPJ Selangor Specialist Hospital, Kedah Medical Centre and KPJ Kuantan Specialist Hospital as well as Rumah Sakit Medika BSD in Indonesia. These facilities are being renovated at a cost of approximately RM87 million.

Even as we the Group moves forward, we will fine-tune our existing plans in tandem with market demand to ensure we satisfy the needs of local and international patients as well as ensure a sustainable pathway for KPJ.

KPJ Puteri Specialist Hospital

BUSINESS REVIEW
AGED CARE AND RETIREMENT VILLAGE



AGED CARE AND RETIREMENT VILLAGE - CATERING TO THE GOLDEN BOOMERS

Jeta Gardens

KPJ continues to make good inroads into the Aged Care and Retirement sector via its 51% equity interest holding in Jeta Gardens Waterford Trust (JGWT). Through JGWT, we own and operate Jeta Gardens - Australia's first retirement village and aged care resort based on Eastern values located on a 64-acre property in Queensland, Australia. The Jeta Gardens venture has enhanced the Group's range of services as well as provided us with an additional avenue of income. By providing the capital as well as operational and intellectual resources for Jeta Gardens, KPJ has enabled this venture to achieve its full service potential.

BUSINESS REVIEW
AGED CARE AND RETIREMENT VILLAGE

Australia's Aged Population Explosion

The nation of Australia has an escalating aged population. By 2050, the number of persons over 85 years will increase in excess of 500%. At the same time, the number of older people within Australia's culturally and linguistically diverse community is growing at a rate three times faster than the total population. During the next 40 years, older Australians with Asian heritage will increase exponentially whereas those from European cultures will diminish. As such, we will see a progression toward a higher proportion of much older and culturally diverse Australians.

In tandem with this, it is expected that there will be an expansion in the demand for retirement living and aged care services between 2013 and 2050. Equally important, however, is the expected exponential increase in aging morbidity, which will severely affect acute care resources. Australia's aging population, thus presents a significant challenge to the Federal, State and Local Governments as well as service providers and the community. These demographics place Jeta Gardens in a very strong market position.

Jeta Gardens' Interactive Model

Jeta Gardens' planning processes pre-empt these potential issues by incorporating a seamless integration of services, from active retirement to complete dependence. The Interactive Care Model will encompass residential and community-based activities that will be complemented by specialised acute care geriatric and rehabilitation services with clinical training facilities. The organisation's interactive care initiatives have been lauded by the Federal, State and Local governments of Australia as well as by academia and clinicians and are now the preferred model for aged care in Australia.

Key Developments in Australia

With the backing of KPJ, Jeta Gardens has embarked on a development programme to meet the challenges of a growing retiring and aging multicultural Australia. In the pipeline are plans to develop up to 600 new retirement living villas and inter-generational apartments. In late 2012, the first 10 of Jeta Gardens' 28 independent living villas were completed. At the time of writing, four are already contracted for sale.

In 2013, an additional 70 aged care places (already approved by the Government) will be developed and operated. To maximise returns on Jeta Gardens' remaining land bank, and to create the ultimate utopia for the retirement community, several plans are in the offing. These include the development of a 180-bed geriatric and rehabilitation hospital with full support from university medical and clinical science faculties, as well as a residential and day nursing and clinical services tertiary institution in association with Griffith University and the University of Queensland. A child-minding centre for staff and community children is also being planned which will provide an opportunity for the older and younger generations to interact. Also in the pipeline are community retail and service amenities and 30 acres of riverside parklands. The final development will house some 2,000 persons (residents and patients) and employ 800 to 900 staff.

Growing Recognition

While there still remains room for commercial improvement at Jeta Gardens, its standard of clinical care and operational services continues to substantially improve. Jeta Gardens' operational and consumer satisfaction performance received overwhelming endorsement during a recent triennial accreditation audit. Full accreditation status was renewed with exemplary comments in respect of all standards. The accreditation is testament to the organisation's capacity to provide excellent care in a multicultural environment biased toward enduring Asian values.

Jeta Gardens' management executives too enjoy a strong network with the government (at all levels) and community leaders. They have been invited to speak at national and international seminars in Australia as well as in Singapore and Malaysia. The company was also involved in the Malaysian Aged Care Laboratories initiated by the Performance Management and Delivery Unit of the Prime Minister's Office (PEMANDU). These activities as well as community open day events have done much to increase public awareness of Jeta Gardens

Going Forward

Going forward, Jeta Gardens is introducing a number of resource management programmes to improve services as well as achieve an efficiency dividend. Through budgetary, human and supply management initiatives, management is setting achievable objectives to improve quality, productivity and financial outcomes.

Recognising the need for industry reform to restore financial and operational viability, the Federal Government has introduced a new Aged Care Plan to be introduced over the next two years. This initiative liberalises the charging protocols for aged care providers and grants wider access to accommodation bonds. Complementing internal performance initiatives, the Government programme should underwrite Jeta Gardens' commercial and operational performance. These developments bode well for the Group's Aged Care and Retirement business.

Jeta Gardens has embarked on a development programme to meet the challenges of a growing retiring and aging multicultural Australia. In the pipeline are plans to develop up to

600

new retirement living villas and inter-generational apartments.

BUSINESS REVIEW
EDUKATE - KPJ HEALTHCARE UNIVERSITY COLLEGE

KPJ EDUKATE - BOLSTERING THE QUALITY OF OUR HEALTHCARE SERVICES OFFERING

Established in 2011, the KPJ Education and Knowledge Management Services arm or EduKATE is steadfastly strengthening the quality of the Group's healthcare services offering by ensuring pertinent information is readily available throughout our organisation for effective decision making, strategic planning and continuous education.

BUSINESS REVIEW
EDUKATE - KPJ HEALTHCARE UNIVERSITY COLLEGE

YBhg Tan Sri Dato' Seri Utama Arshad Ayub, KPJ Healthcare University College (KPJUC) Chancellor giving the speech at the 16th Convocation Ceremony 2012.

KPJUC has maintained a tradition of academic excellence with a **100%** success rate in the Nursing Board Terminal Examination

The year 2012 saw us focusing our efforts on strengthening our data mining and processing activities to turn the wealth of data and information available across the Group into useful knowledge. A number of knowledge sharing sessions were held following the knowledge generation process, which provided information beneficial for follow-on improvements as well as strategic decision-making.

EduKATE intends to continue tapping the wealth of potential information and knowledge from the data warehouse to play an even bigger role and add more value to the Group's business operations and information systems. Leveraging on KPJ's existing platforms to implement effective and efficient knowledge management and sharing, EduKATE is also working closely with KPJ Information Technology to develop a virtual platform for this purpose. Plans are afoot to roll out the EduKATE Portal in 2013, which will serve as a more effective knowledge management and self-learning platform.

KPJ University College - Continuing to Deliver Quality Education

Right from the outset, KPJ Healthcare University College (KPJUC), formerly known as KPJ International University College, has earned a reputation for being a progressive and entrepreneurial institution of higher learning with an international vision. From the time it kick-started its first training programme with an intake of 30 nursing students way back in September 1991, KPJUC has maintained a tradition of academic excellence with a 100% success rate in the Malaysia Nursing Board Examination. Today, KPJUC is acknowledged as the pioneer in the growth of nursing education in Malaysia and the first to have its Diploma in Nursing programme accredited by the Malaysian Qualification Agency. These hallmarks set KPJUC apart from others.

In 2012, KPJUC registered almost 2,000 students at its two campuses, where they enrolled in one of the many undergraduate and post-graduate programmes, all of which has a niche in healthcare. Today, KPJUC continues to broaden the opportunities for pursuing a career in the healthcare industry through its offer of 27 programmes ranging from foundation to post-graduate programmes. Among these are several new home-grown post-graduate programmes; PhD in Nursing, PhD in Medical Imaging and PhD in Physiotherapy. The masters programmes are Masters in Otorhinolaryngology - Head & Neck Surgery, Masters in Pharmaceutical Technology, Masters in Nursing, Masters in Physiotepray and Masters in Medical Imaging. Furthermore, Masters in Otorhinolaryngology - Head & Neck Surgery is the first specialist training programmes offered in a private higher education institution.

KPJUC hopes to offer seven new home-grown Masters and PhD programmes. This list includes three specialist programmes, namely a Masters in Radiology, Masters in Paediatric and a Masters in Orthopaedic. By the end of 2013, the number of programmes is expected to grow to 50 programmes.

BUSINESS REVIEW
EDUKATE - KPJ HEALTHCARE UNIVERSITY COLLEGE

Graduating nurses from the KPJ Healthcare University College (KPJUC) holding their nursing certificates during their convocation.

Learning Effectively through Real Life Experiences

KPJUC's vision is to become the preferred higher education institution in the healthcare education sector and it is looking to do this through providing students with quality, clinical experiences. To this end, KPJUC's curriculum comprises hands-on experiences inclusive of clinical practices at KPJ's extensive and comprehensive network of hospitals located in most major cities in Malaysia. Together with the supervision of a strong team of experts comprising medical consultants, senior nurses, allied health professionals and trained clinical instructors, KPJUC's students receive valuable and adequate hands-on training. Thus, this ensures our graduates are recognised for their clinical distinction and their excellent service to patients when they graduate.

With the backing of KPJ's 22 state-of-the-art hospitals comprising over 2,600 beds, more than 900 medical consultants as well as 9,000 staff, and the Group's record of having treated more than 2.4 million outpatients and 250,000 inpatients, KPJUC's students have access to a wealth of resources and experiences that would surpass the expectations of most healthcare academic institution. This is what gives KPJUC its competitive edge.

Bolstering the Expertise of In-Service Staff

Among the factors that set KPJUC apart from other educational institutions are the opportunities it provides its in-service staff for continuous self-development through post-basic courses and various training programmes. In tandem with the high demand for professional and certified healthcare practitioners, KPJUC is offering the Professional Certificate in Critical Care Nursing under the School of Nursing. This opportunity helps to create a career pathway for a number of KPJ nurses who are interested in furthering their studies. This professional certificate programme accords nurses the comprehensive knowledge, technical skills and capabilities to competently care for patients with life threatening problems or the potential to develop such problems.

The programme also prepares graduates to practice within the dynamic and complex nursing and healthcare systems as well as to take advantage of opportunities for career advancement. Students learn how to achieve a standard of clinical competence and confidence and care for patients who are critically ill. They also learn how to develop leadership skills in a critical care setting. This programme is open to registered nurses, with one-year working experience or with three months experience in a related field.

BUSINESS REVIEW
EDUKATE - KPJ HEALTHCARE UNIVERSITY COLLEGE

Aside from its academic programmes, KPJUC is strengthening its research and development (R&D) activities The focus on clinical research at KPJUC will be conducive for Masters and PhD students who are looking to further enhance their knowledge as well as clinical expertise. KPJUC's R&D programmes also enjoy the strong backing of the KPJ Group. The university college continues to strengthen its alliances with its international counterparts through collaboration in the areas of R&D, publications and supervision at a higher level. Going forward, KPJUC will continue to forge alliances with universities abroad and leverage on the expertise of a cross-cultural academic team to strengthen its R&D and other activities.

In Support of a Bigger Student Population

KPJUC offers a continuous stream of new academic programmes and its student population is expected to grow from 1,700 to 5,000 students by 2015.

In anticipation of the expected increase in student numbers, expansion works have been on-going at the Nilai campus since 2012 and these are expected to come to a close by the middle of 2013. Phase 2 of the expansion programme for the Nilai campus will include an eight-storey academic block to accommodate over 1,500 staff and students, alongside nursing, pharmacy and medical imaging skill laboratories. An 11-storey hostel with the capacity for 1,200 students is being built and is to be completed in June 2013. This expansion will involve an investment of RM50 million, while under Phase 3, the expansion programme will involve the investment of another RM100 million for additional hostel and academic blocks, a multi-purpose hall and a sports complex.

This year, KPJUC will open a new campus in the rapidly growing city of Bukit Mertajam, Penang which will effectively strengthen KPJ's footprint in the northern part of Malaysia. Just a five-minute drive from KPJ Penang Specialist Hospital, KPJ College Penang will accommodate a maximum of 600 students. The Penang campus is equipped with nursing and pharmacy labs, spacious tutorial and classrooms, wireless internet and recreational facilities. This facility will offer programmes such as the Diploma in Operating Department Practice (in collaboration with Liverpool John Moores University, United Kingdom), the Diploma in Pharmacy as well as post-basic programmes in nursing such as peri-operative, critical care nursing and renal nursing programmes.

Given the holistic hands-on approach that KPJUC accords its students, we are confident that graduates of KPJUC are well prepared to face the requirements and challenges of the fast expanding healthcare sector both locally and abroad and make their mark as valuable assets to any employer.

BUSINESS REVIEW
EDUKATE - KPJ HEALTHCARE UNIVERSITY COLLEGE

CURRENT PROGRAMMES
SCHOOL OF MEDICINE
- Masters of Otorhinolaryngology - Head and Neck Surgery

SCHOOL OF PHARMACY
- Masters of Pharmacy
- Masters of Science in Pharmaceutical Technology
- Bachelor in Pharmaceutical Science with Health Sciences (Hons)
- Diploma in Pharmacy

SCHOOL OF NURSING
- Doctor of Philosophy in Nursing
- Masters of Nursing Science
- Bachelor of Science (Hons) International Nursing (University of Hertfordshire, UK)
- Certificate in Renal Nursing
- Certificate in Paediatric Nursing
- Professional Certificate in Education and Teaching for Nursing Professionals
- Professional Certificate in Gerontology Nursing
- Professional Certificate in Critical Care Nursing
- Advanced Diploma in Peri-Operative Nursing (collaboration with Liverpool John Moores University, UK)
- Diploma in Nursing

SCHOOL OF HEALTH SCIENCES
- PhD in Medical Imaging
- PhD in Physiotherapy
- Masters of Medical Imaging
- Masters of Physiotherapy
- Bachelor of Medical Imaging (Hons)
- Diploma in Medical Imaging
- Diploma in Physiotherapy
- Diploma of Higher Education in Operating Department Practice (collaboration with Liverpool John Moores University, UK)

SCHOOL OF BUSINESS & MANAGEMENT
- Certificate in Health Information Management
- Diploma in Health Information Management

SCHOOL OF BEHAVIOURAL SCIENCE & HUMANITIES
- Foundation in Science

2013 ACADEMIC PROGRAMMES
SCHOOL OF MEDICINE
- Masters of Radiology
- Masters of Orthopaedics
- Masters of Paediatrics
- Medical Doctor
- Masters of Anaesthesiology
- Post Graduate in Neurology
- Post Graduate in Geriatrics
- Masters of Surgery
- Masters of Internal Medicine
- Masters of Ophthalmology

SCHOOL OF PHARMACY
- PhD in Pharmaceutical Sciences
- Masters of Science in Pharmacology (Taught Course)
- Masters of Science in Clinical Pharmacy (Taught Course)
- Bachelor of Complementary and Traditional Medicine
- Advanced Diploma in Aseptic Services

SCHOOL OF NURSING
- Bachelor of Science in Nursing (Hons)
- Certificate in Sleep Technology
- Post Basic in Home Nursing
- Advanced Diploma in Midwifery Nursing
- Certificate in Diabetic Education
- Certificate in Palliative Care
- Certificate in Massage Therapy

SCHOOL OF HEALTH SCIENCES

- Bachelor of Physiotherapy (Hons)
- Bachelor of Speech Therapy
- Bachelor of Occupational Therapy
- Diploma in Medical Lab Technology

SCHOOL OF BUSINESS AND MANAGEMENT

- Doctor of Philosophy in Business Management (Healthcare)
- Doctor of Philosophy in Business Management
- Doctor of Philosophy in Healthcare Management
- Masters in Health Services Management
- Masters in Healthcare Management
- Masters in Business Administration (Healthcare)(Research)
- Masters in Business Administration (Healthcare)(Coursework)
- Bachelor in Health Information System (Hons)
- Bachelor in Business Administration
- Bachelor in Health Information Technology
- Diploma in Health Information Technology
- Diploma in Business Studies

SCHOOL OF BEHAVIOURAL SCIENCE AND HUMANITIES

- Bachelor in Corporate Communication
- Bachelor in Clinical Psychology
- Bachelor in Special Education Needs

A hand-over of higher institution fund - Dana Waqaf An-Nur managed by Johor Corporation to KPJUC.

KPJ HEALTHCARE UNIVERSITY COLLEGE ACADEMIC & DIRECTORS

Tan Sri Dato' Seri Utama Arshad Ayub
Chancellor

Datin Paduka Siti Sa'diah Sheikh Bakir
Corporate Advisor/Non-Executive Director
Pro-Chancellor and Chairman

Jasimah Hassan
Vice President I
Business Operations, Education & Clinical Services
Deputy Chairman

Prof Dato' Dr Lokman Saim
President cum CEO
Dean of School of Medicine

Prof Dr Durrishah Idrus
Vice President
(Academic & Student Affair Services)
Dean of School of Health Sciences

Yusof Ismail
Vice President II
Education
Executive Director
Group Chief Executive Officer

KPJ HEALTHCARE UNIVERSITY COLLEGE ACADEMIC & DIRECTORS

Prof Dato' Dr Azizi Hj Omar
Director
Member, Senate
Medical Director
Consultant Paediatrician
KPJ Damansara Specialist Hospital

Prof (C) Dr Wan Hazmy Che Hon
Director
Member, Senate
Medical Director
Consultant Orthopaedic, Trauma & Sports Surgeon
KPJ Seremban Specialist Hospital

Dr Mohd Hafetz Ahmad
Director
Medical Director
Consultant Obstetrician & Gynaecologist
KPJ Johor Specialist Hospital

Dato' Dr Shahrudin Mohd Dun
Director
Medical Director
Consultant General Surgeon
KPJ Selangor Specialist Hospital

Dr Ab Razak Samsudin
Director
Medical Director
KPJ Pasir Gudang Specialist Hospital
Consultant General Surgeon
KPJ Puteri Specialist Hospital

Dr Mohd Harris Lu
Director
Medical Director
Consultant Ophthalmologist
Sentosa Medical Centre

Dato' Dr N Sivamohan
Director
Medical Director
Consultant Obstetrician & Gynaecologist
KPJ Klang Specialist Hospital

Dr Noor Hisham Mansor
Director
Member, Senate
Consultant Physician
KPJ Tawakkal Specialist Hospital

BUSINESS REVIEW
ANCILLARY SERVICES

ANCILLARY SERVICES - COMPLEMENTING OUR HOLISTIC SERVICE OFFERING

KPJ's Ancillary Services segment encompasses a host of integrated services that complement our overall healthcare services offering and support the operations of the Group's hospitals. This multifaceted interplay of services is going a long way in helping us to keep our operating costs low while generating alternate streams of income for the Group.

In 2012, revenue from the Ancillary Services segment improved by 8% to RM689.6 million from RM636.0 million in the preceding year. The segment's higher revenue was attributable to an increase in activities relating to the marketing and distribution of pharmaceutical, medical and surgical products, as well as from higher demand for pathology and laboratory services, among other services.

Fast Expanding Laboratory Services Network

With over two decades of experience under its belt, Lablink (M) Sdn Bhd is in charge of managing KPJ's network of hospital laboratories. Today, Lablink manages 13 KPJ hospital laboratories and the laboratory at the NCI Hospital in Nilai, and its reach is fast expanding. With a vision to be "the preferred healthcare provider" in Malaysia, Lablink's mandate is to deliver superior laboratory services with greater efficiency and speed. Its comprehensive range of tests covers areas such as haematology, biochemistry, microbiology, serology, immunology, allergy, histology, cytology, and molecular diagnostic testing.

In 2012, Lablink registered a total of 6.97 million test requests, a 6.2% increment over the preceding year's figure, mostly on the back of an increase in histology and microbiology tests. The year saw Lablink's total number of patients increasing by 4.6% to 1.76 million in comparison to 2011's figure.

In 2013, Lablink plans to expand its network to cover the laboratories at KPJ Johor Specialist Hospital, KPJ Puteri Specialist Hospital, Sentosa Medical Centre and Sibu Specialist Medical Centre. Lablink's footprint will be further extended via its presence at the new KPJ Pasir Gudang Specialist Hospital, KPJ Sabah Specialist Hospital and KPJ Muar Specialist Hospital when these facilities commence operations over the course of 2013.

In order to be a premier laboratory in the country offering "signature tests" to customers within and outside the KPJ Group, Lablink will strive to further integrate the laboratories under its management, as well as bolster its string of accreditations to strengthen its reputation among its target audiences. Today, Lablink is IS09001:2008 certified and is working towards adding the MS ISO 15189 laboratory accreditation standard. To this end, Lablink's headquarters in Kuala Lumpur is undergoing major renovation to create a state-of-the-art medical laboratory, which will include a Biosafety Level-3 Laboratory.

Centralised Purchasing and Distribution Capability

The Group continues to leverage on economies of scale through our central purchasing arm, Pharmaserv Alliances Sdn Bhd (PASB), a wholesaler and distributor of pharmaceuticals, medical and other hospital-related products, mainly for use by our own network of hospitals and companies.

PASB is currently one of the largest buyers for pharmaceutical and medical disposable items after the Ministry of Health. The KPJ Group is reaping the benefits of higher margins via PASB's volume purchases, while passing on the cost savings to our customers. In 2012, PASB registered revenue of RM299 million, an 8.3% increment over the preceding year's figure. This is in line with the increase in the total number of hospitals within our network.

PASB has been ISO 9001:2000-certified since 2003 and attained ISO 9001:2008 certification in April 2012. The company continues to ensure the quality of its products is maintained throughout the whole distribution network even as its workload and revenue increases. By the third quarter of 2013, PASB will move into its own building at Subang Hi-Tech Industrial Park, Shah Alam which incorporates a spacious warehouse equipped with modern facilities. This move is in line with PASB's plan to attain Good Distribution Practise (GDP) certification. By keeping abreast of the dynamic changes taking place in information technology (IT) and management systems and adopting innovative solutions to enhance the company's overall operations and effectiveness, PASB continues to make good strides forward.

Leading the Way in Sterilisation Services

In 2011, our subsidiary, Sterile Services Sdn Bhd (SSSB) opened a Centralised Sterilisation Service Centre (CSSC) in Rawang, Selangor together with joint-venture partner, Sterilgamma (M) Sdn Bhd. The CSSC is helping KPJ's network of hospitals further improve our operational costs and efficiencies through centralising

Lablink registered a total of **6.97 MILLION** test requests

a **6.2%** increment over the preceding year's figure

BUSINESS REVIEW
ANCILLARY SERVICES

all functions relating to the management, supply, collection and delivery of sterile goods to hospitals throughout the network. Quality patient care can be successfully delivered if the surgical instruments to treat patients are well sterilised and returned to hospitals within 24 hours of their being sterilised.

Operations at the CSSC are properly documented and processes carried out in an efficient and consistent manner in conformance with international quality standards such as ISO 9001:2008, ISO 13485:2003 and ISO 17665-1:2006.

Currently, the CSSC provides services to KPJ's hospitals in the Klang Valley but this will eventually be extended to the Group's hospitals in other parts of the country as well as to other hospitals. Going forward, SSSB will work towards realising its vision in making the CSSC the leader in Malaysia's independent sterilisation and decontamination services sub-sector.

Effective Eye Care Services

As part of our efforts to enhance our specialist services offering, the Group took up a strategic 80% equity stake in Sri Kota Refractive and Eye Centre Sdn Bhd in 2010. The company runs an eye centre in Selangor called Pusat Pakar Mata Centre For Sight (CFS) that has been operating since 2004.

Today, CFS offers outpatient and day-care facilities for about 20,000 patients and performs over 1,700 procedures annually. CFS also offers a comprehensive range of eye surgery services including sub-specialties in cornea, vitreo-retinal surgery, glaucoma, cataract, refractive surgery/ lasik, oculoplastic surgery and paediatric ophthalmology.

In 2012, CFS undertook 1,703 surgery cases, the majority of which were phaco monofocal and yag capsulotomy procedures. The centre also rolled out 13 external and four internal screenings over the course of the year. Three of these in-house screenings, which were carried out in conjunction with World Glaucoma Week 2012, World Sight Day 2012 and CFS' own Healthy Vision Open Day, received tremendous response from the public.

Hospital Project Management Capability Ramps Up

Even as the Group underwent rapid expansion many years ago, we saw the need for the services of project managers. This led to the establishment of Healthcare Technical Services Sdn Bhd (HTS) in which KPJ holds 30% interest. In 1993, HTS was given the responsibility for managing its first hospital construction project, the Ampang Puteri Specialist Hospital, and carried this out successfully. Since this project completed in 1995, HTS has been involved in many of the Group's hospital projects as project manager and hospital planning consultant.

Today, HTS' expertise encompasses Project Management, Hospital Planning, Construction Management, Green Building Facilitation, Contract Management, Facilities Engineering Management and Energy Management services as well as building/facilities audit, health and safety audit, and MSQH hospital accreditation audit services.

The company's involvement in KPJ's new hospital development and expansion projects continues to ramp up and HTS is currently managing projects worth RM853.3 million. These comprise new projects amounting to RM493.2 million as well as expansion and renovation works amounting to RM360.1 million. In addition, HTS has been appointed as the maintenance manager for 22 of the hospitals under the Al-`Aqar Healthcare REIT as well as the energy manager for four of KPJ's hospitals and a commercial centre. These include the KPJ Ipoh Specialist Hospital, KPJ Johor Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Tawakkal Specialist Hospital and The Curve, Damansara.

Good Progress by Intrapreneur Companies

The Intrapreneur concept advocating "Shared Growth and Shared Prosperity" was introduced to develop entrepreneurial talent among KPJ's staff members and it has helped spawn the development of new companies that are providing support services and additional income to the Group. To date, there are four Intrapreneur companies within the Group's stable of companies and they are all performing well.

Teraju Farma

Teraju Farma Sdn Bhd's (TFSB) main business activities are wholesaling and Bumiputra tendering for pharmaceuticals as well as medical and healthcare related products and services relating to the Government sector. TFSB also offers warehousing and distribution facilities and is involved in new and expansion projects at government hospitals.

To date, TFSB caters for over 150 health institutions nationwide, in particular government hospitals, military and university hospitals . In 2012, TFSB registered a total turnover of RM51 million, some 23% higher than the previous year's turnover. The company also supplies products to overseas market for selected customers. By leveraging on the latest technology and its relationship with major healthcare enterprises, TFSB has the capability and capacity to continue providing excellent and high quality services to its customers.

Fabricare Laundry

Fabricare Laundry Sdn Bhd undertakes laundry services and linen rental in the state of Johor only. Its internal customers are the Group's hospitals in the Southern Region while its external customers are hotels and a convention centre in Johor, particularly those under the JCorp Group of Companies.

Today, Fabricare continues to cater to the laundry and linen needs of the KPJ Johor Specialist Hospital and KPJ Puteri Specialist Hospital. It will offer its services to the Group's two new hospitals in Pasir Gudang and Muar once they commence operations.

Healthcare IT Solution

Healthcare IT Solution Sdn Bhd (HITSSB) was established to implement and manage the healthcare IT system throughout KPJ's hospital network. Over time, it has evolved to become a key player in healthcare IT solutions for the healthcare sector.

Today, HITSSB is actively implementing hardware and software solutions within KPJ's hospitals to increase the efficiency of the hospital information system. In 2012, the Group's Hospital Information Technology System (HITS) was successfully implemented at the new KPJ Klang Specialist Hospital. The year also saw the roll out of an Integrated Digital Multimedia System (comprising IPTV, digital queue management system, indoor digital media and information kiosk elements). The indoor digital media and IPTV modules were successfully deployed at the KPJ Ampang Puteri and KPJ Klang Specialist Hospital, while the queue management system was implemented at the KPJ Ampang Puteri Specialist Hospital.

In 2012, HITSSB began to re-develop the Group's current HITS system that runs on client-based platform to migrate this onto a web-based platform. The system is expected to be ready for deployment in the second half of 2013. HITSSB's efforts have also resulted in the development of a patient satisfaction survey system that currently in its pilot phase at KPJ Damansara Specialist Hospital, and the introduction of a video wall solution and bedside TV solution at KPJ Johor Specialist Hospital.

HITS is also offering healthcare IT services to the external customers, locally and abroad. The positive growth of the company in 2012 underscores the HITSSB team's perseverance in fending off stiff competition in this segment.

Skop Yakin

A newcomer to the Group, Skop Yakin (M) Sdn Bhd was established to leverage on bulk purchasing of printing and stationery supplies in order to bring the Group's overall costs down. While Skop Yakin is facing stiff competition from seasoned industry players in the East Coast (i.e. Kelantan and Terengganu) where it is operating, it is looking to spread its wings to the Klang Valley to tap a ready market within KPJ's hospitals in the area.

Small Business Units Growing Steadfastly

To complement the Intrapreneur's initiative, KPJ has identified several small business units (SBUs), or incubator companies which hold good growth potential. These SBUs are now operating under the wing of the Group as they strengthen their foundations and prove their business viability, before they are moved up into the Intrapreneur programme.

To date, the SBUs involved in the supply of perishables, ambulance services and event management services have showed significant progress and are expected to maintain their good upward momentum.

Wellness and Lifestyle Programme Exceeds Expectations

The KPJ Wellness and Lifestyle Programme was initially conceived some five years ago to create business opportunities that would enhance the revenues of all the Wellness Centres under the KPJ Group. By leveraging on the importance and positive values of leading a healthy lifestyle, the programme has received very good response from its target audience of individuals, couples and family members and has exceeded all initial expectations.

As at 31 December 2012 there were over 12,000 active subscribers to the programme with sales amounting to RM118 million. Currently, 10 of the Group's hospitals are participating in this programme. These include:

- KPJ Damansara Specialist Hospital (since March 2008);
- KPJ Ampang Puteri Specialist Hospital (since March 2008);
- KPJ Seremban Specialist Hospital (since May 2008);
- Kuantan Specialist Hospital (since September 2008);
- KPJ Selangor Specialist Hospital (since October 2008);
- KPJ Perdana Specialist Hospital (since January 2009);
- KPJ Ipoh Specialist Hospital (since May 2009);
- KPJ Johor Specialist Hospital (since May 2009);
- KPJ Penang Specialist Hospital (since March 2011); and
- Kuching Specialist Hospital (since March 2012).

BUSINESS REVIEW
BIOMEDICAL SERVICES

BIOMEDICAL SERVICES - OPTIMISING THE MEDICAL EQUIPMENT LIFECYCLE

Within the Group, the Biomedical Services team plays an effective support role by coordinating the investment of all medical equipment for KPJ's hospitals and their maintenance thereof.

BUSINESS REVIEW
BIOMEDICAL SERVICES

The team embeds safety and reliability into the entire process and render continuous support to ensure cost effective investments and optimum utilisation of every single piece of medical equipment. At the same time, the team manages and coordinates thousands of preventive and corrective maintenance activities per calendar year throughout the Group, all of which are implemented in in accordance with specific manufacturers' recommendations and international safety standards.

The team's over 25 dedicated Biomedical personnel group-wide possess a wealth of experience and expertise in Biomedical engineering field and management services and effectively manage the medical equipment life cycle from cradle-to-grave for more than 10,000 pieces of registered medical equipment. The team is technically involved from the onset in the planning, purchasing, delivery, installation, commissioning, operation and maintenance of this equipment, right until the equipment decommissioning stage.

As continuous investments are made into state-of-the-art equipment in tandem with KPJ's fast expanding hospital network, the Biomedical Services Team continues to ensure the safety, reliability and cost effectiveness of every piece of medical equipment across a wide range of disciplines and services throughout the Group.

In 2012, the following state-of-the-art equipment were installed at specific KPJ hospitals:

System : Elekta Synergy Linear Accelerator
Venue : KPJ Johor Specialist Hospital

Special Features

The Elekta Synergy system is the first linear accelerator to offer 3D image guidance into the treatment set up process. The system is equipped with imaging tools that help clinicians visualise tumour targets and normal tissue, and their movement between and during fractions. The integration of this technology into the Elekta Synergy gantry enables physicians to perform imaging with the patient in the treatment position at the time of treatment, to optimise patient setup before therapy.

Key imaging tools include 3D and 4D volumetric cone-beam imaging for soft tissue visualisation; 2D real-time, fluoroscopic-like imaging for targets that move frequently; and 2D kV imaging for standard and orthogonal planar imaging. Elekta Synergy also features sophisticated ultra-low leakage field shaping with a fully integrated multi-leaf collimator, in addition to a 40 x 40 cm uninterrupted field size to simplify and refine treatment of larger-field targets.

System : Digital Angiography System, Flat Panel
Venues : KPJ Selangor Specialist Hospital
KPJ Klang Specialist Hospital
KPJ Johor Specialist Hospital
Kedah Medical Centre

Special Features

With the advent of new technologies, the existing angiography system has been fitted with a flat panel detector image intensifier which is user friendly and produces better image resolution. This device, which can detect small blood vessel abnormalities in the heart, enables cardiologists to make quick decisions as to whether to proceed with a particular treatment or not.

The superiority of this system supports clear fluoroscopy and radiography and enables patient examination and treatment to proceed smoothly with a high level of safety. This in turn reduces the stress on the cardiologist and interventionists and provides a safe, comfortable environment for catheterisation examinations and treatment. In addition, multipurpose solutions such as cardiac/peripheral vascular and cerebral/abdominal vascular solutions are available. All in all, the technological superiority of this system and the integration of the latest software and hardware solutions has increased overall performance and improved image resolution, while reducing the radiation dosage and procedural time required.

BUSINESS REVIEW
BIOMEDICAL SERVICES

System : Full Field Digital Mammography
Venue : KPJ Selangor Specialist Hospital

Special Features

The Full-field Digital Mammography (FFDM) uses digital technology and x-rays to capture an image on a computer as opposed to an analogue mammography which captures an image on traditional film. A digital mammogram differs from a film mammogram in that it uses a special detector to capture and convert x-ray energy into a digital image. The procedure and appearance of the machine and even the images produced are very similar to a traditional film mammogram. The advantage really comes from the ability to manipulate the image electronically.

Digital mammography offers a number of practical advantages and patient conveniences:

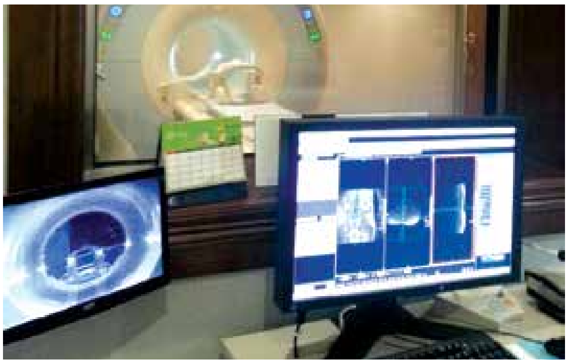
- As there is no waiting for film to be developed, digital images are immediately available. The technologist can evaluate the quality of the images as they are taken. That means patients spend less time in the exam room and rarely need to return for repeat images due to under or over exposures;
- The digital machine is fast, so patients spend less time in uncomfortable positions;
- Brightness, darkness, or contrast can be adjusted and sections of an image can be magnified after the mammogram is complete making it easier to see subtle differences between tissues;
- The ability to increase contrast when imaging dense tissue is particularly important, as dense breast tissue and malignant cells both appear to be white on a film mammogram;
- Digital images are easily stored and retrieved;
- Transmission of images from one physician to another is quick and easy;
- Digital technology provides a platform for new technologies, such as CAD software, dedicated to advancing the early detection of breast cancer.

System : Extracorporeal Shock Wave Lithotripsy System
Venues : KPJ Johor Specialist Hospital
KPJ Puteri Specialist Hospital
KPJ Tawakkal Specialist Hospital
KPJ Ipoh Specialist Hospital
KPJ Kajang Specialist Hospital
KPJ Perdana Specialist Hospital

Special Features

The addition of the Extracorporeal Shock Wave Lithotripsy (ESWL) system at various KPJ hospitals, combined with the integration of urological workstations with state-of-the-art ESWL technology is enabling more advanced procedures in lithotripsy to be carried out.

The new ESWL system is enabling the highest level of effectiveness and flexibility of treatment in comparison to all previous models installed. Lower re-treatment rates, better patient comfort and improved treatment efficacy throughout the patient experience are some of the benefits that the system offers. It provides a high level of efficiency over a wide range of applications as well as simple operation. These comprehensive capabilities offer everything that is required for quick and successful performance of ESWL and endourology.



System : 1.5 Tesla Supercond Magnetic Resonance Imaging (MRI)
Venue : KPJ Selangor Specialist Hospital

Special Features

In comparison to the previous 'Open Magnet' system, the newly installed upgrade to the superconductive MRI 1.5T at KPJ Selangor Specialist Hospital is a highly practical and reliable system that leverages on speed and powerful imaging tools to meet current and future imaging/clinical demands. Featuring a high-performance short-bore, super-conductive magnet with high homogeneity and low cryogenic boil-off, this system delivers patient comfort, efficiency, high throughput and cost-savings. The system is very practical, reliable and easy to operate.

The wide range of packages available with the new system, combined with its ease of use, the outstanding image quality and the fact that it uses the most advanced technology, allow optimal workflow with accurate diagnoses for every clinical application, be it neuroradiology, cardiology, oncology or musculoskeletal imaging.

BUSINESS REVIEW
CORPORATE RESPONSIBILITY

OUR COMMITMENT TO RESPONSIBLE CORPORATE PRACTICES

Even as KPJ makes good strides forward on the financial and operational fronts, we remain committed to undertaking responsible corporate practices that underscore our commitment to "Care for Life" and which promote our culture of serving extensively. We have had over three decades of experience in implementing socially responsible operations in a sustainable manner and we continue to apply effective Corporate Responsibility (CR) initiatives in the areas of the Community, Marketplace, Workplace and the Environment.

In 2012, as we continued to build upon existing CR initiatives or implemented new ones, we maintained a steadfast focus on the following five areas:

1. **Community engagement** – our goal of developing a healthier society is accomplished through various health awareness programmes that educate the public on leading healthier lives;

2. **Community outreach** – we continue to reach out to the underprivileged by assisting them financially and by providing literacy, health and volunteer support;

3. **Accountability** – our strong emphasis on accountability guarantees that extensive measures are taken to ensure that only the best practices that prioritise patient care are executed and that our stakeholder's trust and confidence is upheld;

4. **Empowering people** – through training programmes, coaching and transformational leadership, we continue to enhance the improvement of our greatest asset - our employees;

5. **Environmental protection** – through our identification and implementation of effective green practices, we continue to proactively safeguard the environment for our future generations.

OUR COMMITMENT TO CARING FOR COMMUNITIES

The Group's commitment to "Care for Life" is reflected through our focus on community care and the wellbeing of individuals. We are dedicated to helping the communities and continue to extol the spirit of giving through several initiatives. These include providing basic health screening at a minimal cost or for free; organising public health talks and campaigns that promote healthy lifestyles and good hygiene; assistance in cash or kind to orphanages, homes for the aged and those living in poverty or hardship; as well as making zakat contributions and donations.

Our Flagship CR Initiative - KWAN

KPJ's flagship CR initiative to help communities, particularly the impoverished and underprivileged, is by way of the chain of charity clinics under Klinik Waqaf An-Nur (KWAN) initiative. These charitable clinics offer basic medical care to patients for a nominal fee of only RM5 for normal outpatient care and around RM90 for dialysis services to enable them to lead healthier lives.

We introduced this initiative in 1998 in collaboration with parent company Johor Corporation. Where we began with one small clinic in Johor Bahru, today, the KWAN initiative spans a network of 18 clinics throughout Malaysia and one hospital in Johor.

2012 marked a year of expansion and development for the KWAN initiative with a number of new clinics being introduced or existing ones refurbished in several states across the nation. On top of the existing Waqaf An-Nur Hospital and 18 clinics (including 4 KWAN cabins and 8 dialysis centres), the year saw the addition of 3 new KWAN clinics and the launch of a mobile clinic to enhance KWAN's reach. Currently another four new clinics are under construction while one clinic is under renovation.

Since KWAN's inception, the Group has had the opportunity to be of service to more than 850,000 patients. KPJ continues to provide clinical resources as well as medication to patients via KWAN as well as contribute more than RM2 million annually in support of KWAN activities. We will continue in our endeavours to extend a helping hand to needy patients throughout Malaysia by extending KWAN's reach.

Under KWAN, the Group has had the opportunity to be of service to more than 850,000 patients.

BUSINESS REVIEW
CORPORATE RESPONSIBILITY

Providing care to underprivileged children as part of the CSR Program Anak Permata initiated by the Prime Minister's wife Datin Paduka Seri Rosmah Mansor.

No	Clinic/Hospital	Location	Date Opened
1.	Klinik Waqaf An-Nur Kotaraya	Johor Bahru, Johor	1 Nov 1998
2.	Klinik Waqaf An-Nur Masjid Pasir Gudang	Pasir Gudang, Johor	3 Dec 1999
3.	Hospital Waqaf An-Nur Pasir Gudang	Pasir Gudang, Johor	16 Jun 2006
4.	Klinik Waqaf An-Nur Masjid Batu Pahat	Batu Pahat, Johor	16 Mar 2001
5.	Klinik Waqaf An-Nur Masjid Muar	Muar, Johor	1 Aug 2007
6.	Klinik Waqaf An-Nur Masjid Kluang	Kluang, Johor	1 Aug 2007
7.	Klinik Waqaf An-Nur Larkin Sentral	Johor Bahru, Johor	29 Dec 2009
8.	Klinik Waqaf An-Nur MAINS	Seremban, Negeri Sembilan	6 Oct 2003
9.	Klinik Waqaf An-Nur Masjid Sg. Buloh	Sg. Buloh, Selangor	23 Jun 2006
10.	Klinik Waqaf An-Nur Masjid Ijok	Ijok, Selangor	1 Nov 2007
11.	Klinik Waqaf An-Nur Baitulmal Satok	Kuching, Sarawak	19 Feb 2008
12.	Klinik Waqaf An-Nur Baitulmal Samariang	Kuching, Sarawak	23 Dec 2009
13.	Klinik Waqaf An-Nur Masjid Bukit Indah	Ampang, Selangor	24 Dec 2009
14.	Klinik Waqaf An-Nur Gugusan Manjoi	Ipoh, Perak	15 Jan 2010
15.	Klinik Waqaf An-Nur Masjid Al-Falah	Subang Jaya, Selangor	7 Apr 2011
16.	Klinik Waqaf An-Nur Masjid Jamek Pekan Kajang	Kajang, Selangor	September 2011
17.	Klinik Waqaf An-Nur Masjid Daerah Rembau	Rembau, Negeri Seremban	October 2011
18.	Klinik Waqaf An-Nur Masjid As-Syakirin, Jalan Gombak	Selangor	December 2011
19.	Klinik Waqaf An-Nur Masjid Al-Amaniah, Taman Selayang, Batu Caves	Batu Caves, Selangor	19 January 2012

Community Education

We are committed to empowering the community with knowledge and good practices in order to improve their overall wellbeing and elevate their lives. To this end, our team of medical consultants and nurses and dieticians conduct a wide range of public health talks on various medical and nutritional topics as well as organise a host of platforms to promote healthy lifestyles and good hygiene practices.

Public response to these initiatives has always been encouraging and we continue to leverage on these platforms as they give our caregivers a better understanding of the needs of the communities we work among. At the same time, these platforms help us forge stronger relationships with communities as we work together to build a healthier nation.

Some of the notable projects that took place in the year under review included a nationwide celebration of World Health Day, World Heart Day and World Diabetes Day as well as blood donation drives at all KPJ hospitals. These platforms covered activities such as health talks on related medical conditions, free basic medical screening as well as advice from medical consultants or clinical staff on how to deal with medical conditions and the availability of treatment options. We also organised exhibitions and distributed information to promote healthy lifestyles.

Through our Centre For Sight (CFS), we carried out in-house screenings in conjunction with World Glaucoma Week 2012, World Sight Day 2012 and CFS' own Healthy Vision Open Day, all of which received tremendous response from the public.

We continue to disseminate our health messages to communities across the country through a variety of means including leveraging media publications or radio, television and the Internet. Going forward, we will continue to tap innovative ways to ensure communities take a greater interest in their health and teach them how to lead healthier and richer lives.

In Support of Pusat Anak Permata Negara

One of our latest CR initiatives comes by way of our support of the Program Pusat Anak Permata Negara. To date 15 hospitals have adopted the centres located throughout various locations in Malaysia. Activities include basic health screening and health talks for the children and staff of the centre.

Consultants Charity Fund

The Group's medical consultants too are playing their part in caring for life through the Consultants Charity Fund, while a number of them continue to champion various humanitarian causes and support fund raising activities for the needy. Our medical consultants also support KPJ's CR efforts by providing free surgery to the selected patients and by offering their assistance to the community during times of disaster. The Group will continue to harness the wealth of experience and expertise of its medical consultants and employees to reinforce its leadership position in the community.

BUSINESS REVIEW
CORPORATE RESPONSIBILITY

Committed to serving the community, the staff of KPJ Puteri Specialist organizing Medical Camp 2012 to help underprivileged patient.

Another common practice in KPJ's CSR platform is organizing exhibitions and outdoor campaigns where health screening booths are set up for the public to come and get their basic health screening.

Protecting New-born Babies

The Group also supports the Ministry of Women, Family and Community Development in their efforts to rescue unwanted newborn babies by building baby hatches at KPJ hospitals. By the end of 2012, some 10 baby hatches had been built at KPJ hospitals in various locations. It is hoped that this facility which allows mothers to leave their babies anonymously, will protect the newborn babies.

OUR COMMITMENT TO GOOD MARKETPLACE PRACTICES

In line with our commitment to upholding the trust and confidence of our various stakeholders, we continue to adopt good marketplace ethics and practices that uphold accountability, integrity and transparency. From our good governance practices, to our robust risk management mechanism, to a strong framework for clinical governance, our practices serve to safeguard our stakeholders' interests.

Ensuring Safe Care and Excellent Services

The Group's ultimate goal is to provide our customers with safe care and excellent services. Our commitment to providing safe care is reflected in the recognition KPJ's hospitals have received from accreditation bodies such as the Malaysian Society of Quality in Health (MSQH), Joint Commission International (JCI) and the International Society for Quality in Health Care Ltd (ISQUA). Aside from these, our hospitals continue to obtain certifications such as the Integrated Management System or IMS certification (which also includes Occupational Safety and Health and Environmental Management System elements), as well as ISO, and SIRIM certifications. All these accreditations bear testament to the Group's commitment to adopting best-in-class quality systems and processes throughout our network.

To further ensure strict compliance with all regulations as well as adherence to international best practices, clinical conduct at all KPJ's hospitals is governed by the Group's clinical policies and procedures, while the Medical Advisory Committee and other clinical committees at both the Group and hospital levels monitor the processes. Founded on years of invaluable experience and professional expertise, our clinical governance system supports our guarantee to patients that they will receive the best possible treatment with a reduced risk factor.

The Group's hospitals also abide by the policies and practices outlined in the Private Healthcare Facilities and Services Act 1998 and other regulations laid out by the Ministry of Health. Moreover, via exposure to continuous learning at KPJUC, we are able to maintain high quality standards among our staff.

Medical Accountability

As a major healthcare provider, we are committed to delivering the best quality care possible to our patients. In line with this, our annual reviews and our policy on learning help us to keep focused on this goal. The annual reviews of our policies and practices are conducted with the sole purpose of keeping abreast of the latest global practices as well as the latest medical developments. Carried out by way of committee meetings and bi¬annual medical workshops, the discussions and dialogues among the clinical teams in the Group provide strong foundations for us to attain new heights of healthcare excellence.

In line with our belief that "KPJ must evolve along with the changing needs of the patients and be even more receptive to clinical and quality excellence," we are constantly seeking new avenues in which we may expand our knowledge. From sharing clinical knowledge among Group members via sessions in the medical workshop and talks, to participating in seminars and conferences locally and abroad, we continue to pursue knowledge. The results of our efforts are realised through the improvements seen in our caregivers and the high percentage of effective medical and surgical outcomes.

Corporate Accountability

KPJ's Board of Directors is committed to upholding the tenets of integrity, transparency and accountability and to implementing the highest standards of corporate governance and risk management practices throughout our organisation. To this end, the Board ensures strict compliance with Bursa Malaysia's listing and disclosure requirements under the Malaysian Code of Corporate Governance 2012.

We also continue to roll out a host of on-going best management practices which improve risk management and internal controls as well as the critical functions of the Audit, Building, Medical Advisory, Nomination and Remuneration, Clinical Governance and Procurement/Tender Committees.

BUSINESS REVIEW
CORPORATE RESPONSIBILITY

In KPJ, training and development describe the ongoing efforts to improve the performance and self-fulfillment of our employees through a variety of methods and programmes.

Initiatives such as KPJ's whistle-blowing policy too are helping ensure marketplace ethics remain strongly embedded within our organisation. Our signing of the Malaysian Corporate Integrity Pledge for Public Listed Companies (PLCs) and our requirement that all suppliers and business partners comply with the Corporate Integrity Agreement, further attest to our commitment to promoting transparency and stemming corruption in all our dealings.

OUR COMMITMENT TO EFFECTIVE WORKPLACE PRACTICES

Our employees are undoubtedly the backbone of KPJ. We are dedicated to strengthening and nurturing their talents and capabilities to ensure they perform at optimum levels and with an excellence that will give us an edge over our competitors.

Our Approach to Talent Management

To date KPJ has over 900 highly experienced, professional medical consultants as well as more than 9,000 highly trained nurses and professional support staff. We equip them to maximise their potential through continuous learning, skills improvement and hands-on experiences. In 2012, as part of our efforts to enhance our workforce's overall competencies, we implemented a new approach to General Talent Management based on the following themes:

- Investment in training and development to ensure a continuous pool of highly skilled staff is available and that employee skills and capabilities match current business needs;
- The identification of high potential people for fast-track development programmes, which will form a part of our Succession Development Programme;
- The balancing of needs pertaining to a multi-generational workforce, in order to minimise the impact that an aging workforce will have on our manpower requirements;
- The promotion of more staff engagement activities in order to attract and retain talent within and outside KPJ.

Nurturing Excellence, Developing Leaders

As a leader in the people-centric sector that is healthcare, KPJ has the responsibility for developing employees who are capable of dealing with various life situations in a compassionate manner. KPJ adheres to this responsibility, and to the constantly growing demand for quality healthcare services in the country, by facilitating training for its healthcare professionals and existing clinical team. Another aim of our training modules are to instil a culture of learning among our employees, as well as to cultivate intrapreneurship.

Our many training partners to date include KPJ Healthcare University College, Universiti Teknologi Malaysia, Henley Management School of University of Reading, University of Hertfordshire, University of East London, University of South Australia, ACCA, LIMA, and International Business School. In the pursuit of achieving our goals, KPJ continues to sponsor employees for the Masters Programmes, Bachelor's degrees as well as nursing post-basic certificates. Employees are also sent to seminars throughout the year, with a target to have every employee undergo at least 30 hours of training each year.

Our employees under Succession Development Plan (SDP) goes through transformation leadership programmes and offers career development opportunities to outstanding employees based on their ability and initiative.

Emphasis is also placed on leadership succession as part of good management practice by identifying potential leaders from within the Group through the SDP programme of competency mapping process and other quantifiable measurements such as the Staff Performance Appraisal Review, Behavioural Event Interview, 360° Appraisal and the Psychometric Test.

Ensuring a Transparent and Ethical Workplace

Good ethics, accountability and transparency form an integral part of the foundation of KPJ's human capital and we have developed various systems that enable us to keep these factors in check. Our pay-for-performance reward scheme is one of our most successful programmes. It has been developed to not only motivate staff but also to instil the values of merit and good work ethics in all employee work places, as well as to boost transparency and accountability among the workforce.

Our *borang peradaban* mechanism allows employees to report any inappropriate acts in term of physical or monetary and is another measure to ensure high levels of integrity are upheld throughout KPJ.

Taking this one step further, KPJ Healthcare Berhad has signed the Malaysian Corporate Integrity (CI) Pledge and has been included amongst the list of signatories of PLCs that are registered under the Malaysian Institute of Integrity.

Effective 1 January 2012 also, all hospitals and companies; Management and Officers are required to use the CI Agreement in their interactions with their business counterparts. The CI Agreement acts as a tool for all parties to engage in ethical business dealings with one another. Whether they are vendors, suppliers or JV Partners, among others, they are guided by the CI principles.

A Safe Working Environment

KPJ has always gone out of its way to ensure a safe working environment for its employees and we continue to undertake effective measures to make this a priority. These measures include strict policies on planned preventive maintenance; the safe and proper disposal of sharp and hazardous materials; and the close monitoring of the exposure levels for employees who work within the confines of radiation and diagnostic imaging services. In addition to this, on-site training and drills, such as fire and disaster drills, are also organised to educate employees on how best to cope with emergency situations.

In order to keep abreast of the latest Occupational Safety and Health (OSH) practices and procedures, specific employees are sent for OSH training. Contracted vendors and suppliers too are required to comply with the health and safety measures that KPJ has put in place, particularly at our hospitals, as the nature of operations involves the use and disposal of sharps and other clinical materials.

We are ensuring the wellbeing of our employees through our employee welfare programme in which we offer our employees and their family members a Group Hospitalisation and Insurance Plan as well as medical coverage at KPJ hospitals.

OUR COMMITMENT TO SAFEGUARDING OUR ENVIRONMENT

Our care for the environment has been a focal point of our CR undertakings for many years now and this continues to be reflected in the many green initiatives and other environmental programmes we are implementing. We are also committed to developing and utilising environmental-friendly practices that increase productivity and decrease energy consumption. The year 2012 saw us continuing with many of the initiatives that were carried over from the previous year.

Raising Environmental Awareness

For 2012, our environment efforts in the community and among our employees included initiatives such as a tree planting project, exercises that promoted recycling, and *gotong royong* activities, to name a few. The year saw all our hospitals participating in the World Environment Day and Earth Hour. In support of World Environment Day, we organised activities and information displays in our various hospitals with the aim of increasing awareness on climate changes and the impact of wastage on the environment. In commemoration of Earth Hour, our hospitals are "switched off" at the designated hour in non-critical areas. In addition to these programmes, many of our employees participate in independent or state-organised environmental awareness events.

Energy Efficiency and 3R (Reduce, Reuse, Recycle) Initiatives

To help us achieve our goal of being an environmental-friendly Group, we are making a conscious effort to reduce energy and dispose of waste in a proper manner throughout our operations. Throughout our various facilities, we encourage staff to conserve energy and to maximise resources through the employment of more efficient methods. In line with these objectives, we have reduced the use of plastic bags at our hospitals and have encouraged staff to recycle regularly. Additionally, printing materials have been reduced in our endeavour reduce paper usage. Furthermore, in line with our strict policies on waste management and Safety, Health, Environment (SHE), we have arranged for the disposal of all sharp or hazardous waste to be handled by contracted and qualified vendors.

The annual Gotong-Royong Anti Dengue for flood victims brings together members of the community wherever KPJ hospitals are located.

Green Developments

As part of our green initiatives, we are constantly identifying and implementing new ways to incorporate more environmental-friendly practices into our operations. Through the implementation of green initiatives in the structural systems of our hospitals, we are able to derive an increased level of productivity from a smaller amount of resources.

One such example of our green endeavours is the constant technology upgrades that we undertake. Of significance is our utilisation of the Picture Archiving and Communication System (PACS), Digital Imaging Systems and Computed Radiography Systems, which eliminate the use of imaging films and chemicals for processing the films. Our newly upgraded and fully integrated systems not only allow for the reduction of paper and film, but are also proving to be timesaving assets as hospital staff are able to access information with just a touch of the button.

Our investment in facilities that will reduce the use of chemicals and other harmful substances as well as our development of green buildings too, underscore our commitment to safeguarding the environment. One such development is the setting up of the Centralised Sterilisation Service Centre (CSSC) in Rawang, Selangor, which sterilises medical instruments using wet steam, thus reducing the use of chemicals.

Additionally, KPJ's use of green building technology will reach a milestone with the development of the extension for the KPJ Selangor Specialist Hospital. The new extension, which in addition to saving energy, will also enable waste reduction by processing excess food into fertilisers.

As part of our commitment to creating a sustainable future for the coming generations, we will continue to invest in new ecological technologies and encourage our suppliers and business partners to join us in our environmental endeavours.

MOVING FORWARD

Every year, staff members of the Group touch millions of lives across the nation while our many CR efforts deliver a meaningful and sustainable impact in many areas. Our commitment to good CR practices is led by senior management and extends to all divisions within the KPJ Group, as well as a supply chain of thousands of suppliers and business partners who share KPJ's vision to operate in a responsible and sustainable manner.

Moving forward, KPJ remains committed to embedding good CR practices in the areas of the Community, Marketplace, Workplace and Environment to ensuring a good balance between our economic goals and our socially responsible and environmental friendly endeavours. All these efforts will undoubtedly go a long way in strengthening our commitment to "Care for Life" in a holistic manner.

HIGHLIGHTS IN PICTURES
HOSPITAL ACTIVITIES

1. **7 Apr 2012**
   KPJ Johor Specialist Hospital
   - Larian Hari Kesihatan Sedunia

2. **22 Apr 2012**
   KPJ Johor Specialist Hospital
   - Program Kem Kemantapan Akidah Orang Asli Daerah Kota Tinggi

3. **27 May 2012**
   KPJ Johor Specialist Hospital
   - Kem Kesihatan sempena Sambutan Hari Ibu dan Hari Jururawat Sedunia 2012

4. **18 Jun 2012**
   KPJ Johor Specialist Hospital
   - Father's Day

5. **24 Nov 2012**
   KPJ Johor Specialist Hospital
   - Majlis Berkhatan Anak-Anak Yatim dan Kurang Berkemampuan Anjuran KPJ Johor Specialist Hospital Dengan Kerjasama Mutiara Johor Corporation

6. **22 Apr 2012**
   KPJ Ipoh Specialist Hospital
   - Nurses's Day with the old folks in Rumah Seri Kenangan

7. **4 May 2012**
   KPJ Ipoh Specialist Hospital
   - KPJ Ipoh Specialist Hospital 30th Anniversary dinner

8. **28 Jun 2012**
   KPJ Ipoh Specialist Hospital
   - Health Campaign at Besut

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HIGHLIGHTS IN PICTURES
HOSPITAL ACTIVITIES


09


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12


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14


15


16

9. **9 Aug 2012**
KPJ Ampang Puteri Specialist Hospital
- Bubur Lambuk cooking and distribution

10. **7 Aug 2012**
KPJ Damansara Specialist Hospital
- Hari Raya shopping with Rumah Anak Yatim & Asnaf Nur Barakah and donation of food provision to Rumah PEKEAS

11. **23 Sep**
KPJ Damansara Specialist Hospital
- Haemodialysis Patients's Day

12. **31 Aug**
KPJ Perdana Specialist Hospital
- Merdeka Babies

13. **29 Apr 2012**
KPJ Selangor Specialist Hospital
- Monthly Luncheon at Rumah Kasih Harmoni, Rawang

14. **13 May 2012**
KPJ Selangor Specialist Hospital
- Monthly Luncheon and Mother's Day Celebration at Rumah Jagaan & Rawatan Orang Tua Al-Ikhlas

15. **24 Jun 2012**
KPJ Selangor Specialist Hospital
- Monthly Luncheon at Rumah Amal Peribadi Mulia

16. **13 Oct 2012**
KPJ Penang Specialist Hospital
- World Retina Week, Sight & Children's Day

HIGHLIGHTS IN PICTURES
HOSPITAL ACTIVITIES

17. 24 Nov 2012
KPJ Penang Specialist Hospital
- World Diabetes Day

18. 28 Apr 2012
KPJ Tawakkal Specialist Hospital
- Cutie Club Birthday Celebration

19. 12 May 2012
KPJ Tawakkal Specialist Hospital
- "Gotong-Royong" Anti-Dengue Campaign For Flood Victims

20. 23 Jun 2012
KPJ Tawakkal Specialist Hospital
- Cutie Club Birthday Celebration

21. 13 May 2012
KPJ Puteri Specialist Hospital
- Hari Keluarga Pusat Dialisis Waqaf An-Nur

22. 19 May 2012
KPJ Puteri Specialist Hospital
- Cycleton 2012

23. 27 June 2012
KPJ Sabah Specialist Hospital
- Sabah Wetland Conservation Society Half Day First Aide Course

24. 17 April 2012
Taiping Medical Centre
- CSR & Health Talk at Agensi Anti Dadah Kebangsaan Taiping

HIGHLIGHTS IN PICTURES
HOSPITAL ACTIVITIES


25


26


27


28


29


30


31


32

25. **30 May 2012**
KPJ Klang Specialist Hospital
- Soft launch of KPJ Klang Specialist Hospital

26. **11 Oct 2012**
KPJ Klang Specialist Hospital
- World Sight Day 2012

27. **14 Oct 2012**
KPJ Klang Specialist Hospital
- Public Forum On Women's Health

28. **10 Nov 2012**
KPJ Klang Specialist Hospital
- Majlis Berkhatan Beramai-ramai Sempena Cuti Sekolah

29. **22 Dec 2012**
KPJ Klang Specialist Hospital
- Christmas & New Year Celebration

30. **8 Dec 2012**
Pusat Pakar Mata Centre For Sight
- Public Eye Talk on "Dry Eye Syndrome & Lazy Eye in Children"

31. **14 Apr - 6 May 2012**
KPJ Healthcare Berhad
- Upin & Ipin The Musical

32. **11-16 Sep 2012**
KPJ Healthcare Berhad
- 13th KPJ Sports Carnival

BUSINESS REVIEW
SERVICE EXCELLENCE – THE KPJ WAY

SERVICE EXCELLENCE – THE KPJ WAY

KPJ's Vision is to be the Preferred Healthcare Provider, and to this end, we are continuously undertaking measures to provide excellent service to all our customers, at all times.

Our Commitment to Customer Service Excellence

To distinguish ourselves from other hospitals, we continue to implement a service excellence initiative that advocates the development of a service excellence culture within KPJ. The Service Excellence – The KPJ Way (SE – KPJ Way) initiative involves the adoption and smooth execution of core customer-centric procedures and processes throughout our hospitals and the delivery of a high level of professional and compassionate care. It underscores KPJ's genuine commitment to ensuring a delightful customer experience by consistently touching our patients' hearts across all touch-points, beyond entry to exit, and is helping us build strong customer loyalty.

The Call to Distinguish Ourselves

The SE - KPJ Way initiative has its roots in a cultural transformation that has been in place among our workforce since 2006 when we decided we would distinguish ourselves through a strong focus on the quality of our hospitality and service. To ensure consistently high standards across all our hospitals, we rolled out the Service Excellence – KPJ Way Standard People Practice (SPP) and Service Excellence – Group Alignment and Re-Engineering (SEGAR) initiatives.While the former initiative involves taking employee behaviour up to new levels of excellence, the latter involves taking our processes and support up several notches.

The Standard People Practice (SPP) initiative calls for a minimum and consistent standard of service throughout our hospitals. With an emphasis on empathy, communication and compassionate care, it advocates that our people go the extra mile to touch the hearts of patients throughout their total hospital experience, from entry to exit, by delivering services that are consistent and beyond expectations.

The SEGAR initiative involves the realignment of core hospital processes. It outlines standard operating procedures, guidelines and policies that ensure the delivery of consistently high standards of customer service in line with international standards. It calls for all KPJ employees to embrace a higher standard of care by anticipating patient needs and delivering services in a professional, genuine and truly compassionate manner.

The Results Thus Far

Currently, 10 of the Group's 22 hospitals are participating fully in the SE – KPJ Way initiative while others are to follow suit in due course. The year under review saw all these 10 hospitals registering a commendable upward trend in their customer satisfaction index (CSI) – with some registering between a 200% to 300% increase in their respective CSIs. This encouraging feedback reflects that KPJ's customers are very pleased with the services rendered by caregivers at the various touch points within our hospitals.

As testament to the strong service excellence culture prevalent within the Group, the JCI-accredited KPJ Ampang Puteri Specialist Hospital was declared a winner of the 2012 Malaysia Service to Care Award in the Hospital category. This annual award from Mark Plus Insight was given in conjunction with the Philip Kotler Centre for ASEAN Marketing and the Christopher Lovelock Centre for Services Marketing. It recognises the best performers and best practices in customer service and customercare in the ASEAN region. The winners for 2012's award were based on the criteria of credibility, dependability, courtesy, comfort and connectivity.

On-going Efforts

As part of the on-going efforts to enhance the service excellence culture within the 10 hospitals fully participating in the Total Patients Experience (TPE) initiative, their hospital staff continue to be coached, trained and retrained to instil within them a passion to serve. At the same time, staff adherence to displaying good customer service behaviour is being tracked while campaigns and promotions are being undertaken to support the assimilation of service excellence.

Plans are also underway to implement SPP tools at all of the Group's other hospitals as well as establish a team of in-housed trainers to support SPP implementation. As the levels of service excellence improve, more value added service delivery processes will be incorporated. Continuous training and education will be prioritised to ensure the momentum of these efforts is maintained. To ensure adherence, the heads of the respective services will monitor and track staff progress while a mystery shopper element will also be incorporated.

Recognised for Safe Care and Excellent Services

The Group's ultimate goal is to provide our customers with safe care and excellent services and this is reflected in the recognition our hospitals have received from accreditation bodies such as the Malaysian Society of Quality in Health (MSQH) and Joint Commission International (JCI). Moreover, KPJ's hospitals continue to obtain certifications such as the Integrated Management System or IMS certification (which also includes Occupational Safety and Health and Environmental Management System elements), as well as ISO and SIRIM certifications. All these underscore the Group's commitment to adopting best-in-class quality systems and processes.

To date, 12 KPJ hospitals have been accredited by the MSQH with several scheduled to undergo their latest accreditation cycles in 2013. In the area of JCI accreditation, both the KPJ Ampang Puteri Specialist Hospital and KPJ Seremban Specialist Hospital received their full three-year JCI accreditation in 2012, while KPJ Johor Specialist Hospital and KPJ Penang Specialist Hospital will undergo the JCI accreditation process in 2013.

To ensure strict compliance with regulatory requirements as well as adherence to international best practices, clinical conduct at all our hospitals is governed by the Group's clinical policies and procedures, while the Medical Advisory Committee and other clinical committees have oversight of all relevant processes. The Group also abides by the policies and practices outlined in the Private Healthcare Facilities and Services Act 1998 and other regulations spelt out by the Ministry of Health. Moreover, via exposure to continuous learning at KPJ Healthcare University College, our staff are able to uphold high quality standards and a strong service excellence culture.

ANNOUNCEMENTS TO BURSA MALAYSIA

30 Jan 2012
DISPOSAL OF REDEEMABLE PREFERENCE SHARES ("RPS") IN INTRAPRENEUR DEVELOPMENT SDN BHD
KPJ entered into a Sale of Shares Agreement ("SSA") with Johor Corporation ("JCorp" or "Purchaser") for the disposal of 15,369 RPS in Intrapreneur Development Sdn Bhd ("DSB") for a total sale consideration of RM1,536,900.

8 Feb 2012
PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF 8 UNITS OF SERVICE APARTMENTS FOR A TOTAL PURCHASE CONSIDERATION OF RM 1,934,880
KPJ entered into separate Sale and Purchase Agreements ("SPAs") with JCorp Hotels and Resorts Sdn Bhd ("JCorp Hotels" or "Vendor") to acquire eight (8) units of Service Apartment for a total purchase consideration of RM1,934,880.

7 Mar 2012
DISPOSAL OF REDEEMABLE PREFERENCE SHARES IN INTRAPRENEUR DEVELOPMENT SDN BHD
The Proposed Disposal has been completed on 7 March 2012.

23 Mar 2012
PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF UP TO 80% EQUITY INTEREST IN PT KHIDMAT PERAWATAN JASA MEDIKA ("PT KPJ MEDIKA") FOR A TOTAL CASH CONSIDERATION OF RM 15,840,000
Johor Corporation ("JCorp"), a major shareholder of KPJ, had on 27 February offered to sell its entire holding in PT KPJ Medika of 16,000 ordinary shares of Rp1,000,000 each ("Sale Shares") or equivalent to 80% equity in PT KPJ Medika ("Offer") for a total cash consideration of RM15,840,000 ("Purchase Consideration"). KPJ had then, via a letter dated 23 March 2012 accepted the Offer.

19 Apr 2012
PROPOSED JOINT VENTURE BETWEEN KUMPULAN PERUBATAN (JOHOR) SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF KPJ AND NAIM LAND SDN BHD
Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), had on 19 April 2012 signed a Joint Venture Agreement ("JVA") with Naim Land Sdn Bhd ("NLSB") for the purpose of designing, developing, building, completing and owning a purpose-built hospital building and subsequently operating as a hospital in Miri, Sarawak.

7 May 2012
PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF UP TO 80% EQUITY INTEREST IN PT KHIDMAT PERAWATAN JASA MEDIKA ("PT KPJ MEDIKA") FOR A TOTAL CASH CONSIDERATION OF RM15,840,000
The Parties are finalising the conditional Sale of Shares Agreement ("Conditional SSA") in relation to the Proposed Acquisition and the Conditional SSA is expected to be executed within one (1) month of this announcement.

14 May 2012
VARIATION OF 10% OR MORE BETWEEN THE ACTUAL VALUE OF RECURRENT RELATED PARTY TRANSACTION ("RRPT") TRANSACTION THAN THE ESTIMATED AGGREGATED VALUE DISCLOSED IN 2011 MANDATE
KPJ announced that the actual value of RRPT transacted pursuant to 2011 Mandate for one of the related company of KPJ has exceeded the estimated aggregated value disclosed in the same by more than 10%.

The variation which exceeded the estimated value by more than 10% during the mandate period was mainly attributable by the increase in the hourly wage rate for the security services provided.

However, it should be noted that, except for the particular transaction above, KPJ did not exceed the estimated aggregate RRPT value by more than 10% during the mandate period.

16 May 2012
PROPOSED RENEWAL OF THE SHARE BUY-BACK AUTHORITY;

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR ADDITIONAL RECURRENT RELATED PARTY TRANSACTIONS RRPT OF A REVENUE AND/OR TRADING NATURE; AND

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF KPJ
KPJ announced that the Company proposes to seek its shareholders' approval for the following at the forthcoming Annual General Meeting of the Company to be held at a date not later than 30 June 2012:

i. Proposed renewal of shareholders' mandate for the Company to enable KPJ to purchase up to ten percent (10%) of the Company's its issued and paid-up share capital at any point in time ("Proposed Share Buy-Back");

ii. Proposed renewal of shareholders' mandate for existing RRPT and proposed new shareholders' mandate for additional RRPT of a revenue and/or trading nature ("Proposed Shareholders' Mandate"); and

iii. Proposed amendments to the Articles of Association ("Articles") of KPJ ("Proposed Amendments").

The Circular setting out the details pertaining to the Proposed Renewal of Share Buy-Back Authority, Proposed Renewal and New Shareholders' Mandate for RRPT and the Proposed Amendments will be despatched to the shareholders of KPJ in due course.

ANNOUNCEMENTS TO BURSA MALAYSIA

16 May 2012
PROPOSED ACQUISITION OF A PARCEL OF VACANT COMMERCIAL LAND HELD UNDER H.S. (D) 501209, LOT NO. PTD 163189, MUKIM OF TEBRAU, DISTRICT OF JOHOR BAHRU, JOHOR DARUL TAKZIM BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), A WHOLLY OWNED SUBSIDIARY OF KPJ, FROM JOHOR LAND BERHAD ('JLB" OR "VENDOR"), A SUBSIDIARY OFJOHOR CORPORATION ("JCORP" OR "REGISTERED OWNER"), FOR A TOTAL CASH CONSIDERATION OF RM45,000,000

KPJ announced that JLB, a subsidiary of JCorp, had, in its letter dated 10 April 2012 ("Offer Letter"), offered KPJSB to purchase a parcel of vacant commercial land held under H.S.(D) 501209, Lot No PTD 163189 located in Mukim of Tebrau, District of Johor Bahru, Johor Darul Takzim ("Land") from JCorp for a total cash consideration of RM45,000,000 ("Offer"). KPJSB had then via a letter to JLB dated 15 May 2012 accepted the Offer.

18 May 2012
PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF LAND MEASURING AN AGGREGATE AREA OF 1.8397 HECTARES IN KLANG, SELANGOR FOR A TOTAL CASH CONSIDERATION OF RM 23,762,400

KPJSB has novated the Sale and Purchase Agreement in relation to the Proposed Acquisition to a wholly-owned subsidiary company, Energy Excellent Sdn Bhd.

1 Jun 2012
CIRCULAR TO SHAREHOLDERS IN RELATION TO:

- PART A - SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY;
- PART B - PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE; AND
- PART C - PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY IN CONJUNCTION WITH THE SPECIAL BUSINESS AT THE NINETEENTH ANNUAL GENERAL MEETING

1 Jun 2012
PROPOSED ACQUISITION BY PHARMASERV ALLIANCES SDN BHD ("PASB"), A WHOLLY-OWNED SUBSIDIARY OF KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), OF A 3-STOREY OFFICE BUILDING TOGETHER WITH A SINGLE STOREY WAREHOUSE ("PROPERTY") FROM LEWRE INTERNATIONAL SDN BHD ("LEWRE" OR "VENDOR") FOR A TOTAL PURCHASE CONSIDERATION OF RM14,200,000

KPJ's wholly-owned subsidiary, namely PASB, had on 1 June 2012 entered into sale and purchase agreement ("SPA") with LEWRE for the purchase of the Property ("Proposed Acquisition") from LEWRE for a total purchase consideration of RM14,200,000 ("Purchase Consideration") to be fully settled in cash.

11 Jun 2012
PROPOSED DISPOSAL BY BANDAR BARU KLANG SPECIALIST HOSPITAL SDN BHD, A SUBSIDIARY OF KPJ, OF THE BANDAR BARU KLANG SPECIALIST HOSPITAL BUILDING (NOW KNOWN AS "KPJ KLANG SPECIALIST HOSPITAL") ("BBKSH BUILDING") TO AMANAHRAYA TRUSTEES BERHAD, ON BEHALF OF AL-`AQAR HEALTHCARE REIT ("AL-`AQAR")

Bandar Baru Klang Specialist Hospital Sdn Bhd, being the vendor of BBKSH Building ("Vendor"), had on 30 April 2012 entered into a separate supplemental sale and purchase agreement with Al-`Aqar, represented by its trustee, AmanahRaya Trustees Berhad ("Trustee") ("BBKSH Supplemental SPA").

12 Jun 2012
PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF LAND MEASURING AN AGGREGATE AREA 1.8397 HECTARES IN KLANG, SELANGOR FOR A TOTAL CASH CONSIDERATION OF RM23,762,400

KPJ announced that the Proposed Acquisition has been completed on even date. (Refer announcement dated 11 November 2011 and 18 May 2012)

27 Jun 2012
PROPOSED DISPOSAL BY BANDAR BARU KLANG SPECIALIST HOSPITAL SDN BHD, A SUBSIDIARY OF KPJ, OF THE BANDAR BARU KLANG SPECIALIST HOSPITAL BUILDING (NOW KNOWN AS "KPJ KLANG SPECIALIST HOSPITAL BUILDING") ("BBKSH BUILDING") TOAL-`AQAR HEALTHCARE REIT ("AL-`AQAR") AS REPRESENTED BY ITS TRUSTEE, AMANAHRAYA TRUSTEES BERHAD ("TRUSTEE")

KPJ announced that the Proposed Disposal has been completed on 26 June 2012.(Refer announcement dated 9 March 2010, 30 April 2010, 1 December 2010, 2 August 2011 and 11 June 2012 as well as circular dated 2 December 2010 in relation to the Proposed Disposal.)

9 Jul 2012
PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF UP TO 80% EQUITY INTEREST IN PT KHIDMAT PERAWATAN JASA MEDIKA ("PT KPJ MEDIKA") FOR A TOTAL CASH CONSIDERATION OF RM15,840,000

KPJ announced that KPJSB has entered into a conditional sale of shares agreement ("SSA") with Johor Corporation ("JCorp") a major shareholder of KPJ, on 9 July 2012 in relation to the Proposed Acquisition. (Refer announcement dated 23 March 2012)

ANNOUNCEMENTS TO BURSA MALAYSIA

23 Jul 2012
PROPOSED ACQUISITION OF A PARCEL OF VACANT COMMERCIAL LAND HELD UNDER H.S.(D) 501209, LOT NO. PTD 163189, MUKIM OF TEBRAU, DISTRICT OF JOHOR BAHRU, JOHOR DARUL TAKZIM ("LAND") BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ, FROM JOHOR LAND BERHAD ("JLB" OR "VENDOR"), A SUBSIDIARY OF JOHOR CORPORATION ("JCORP" OR "REGISTERED OWNER"), FOR A TOTAL CASH CONSIDERATION OF RM 45,000,000 ("PURCHASE PRICE")
KPJ announced that Renalcare Perubatan (M) Sdn Bhd ("Renalcare"), being the nominee of KPJSB has entered into a conditional sale and purchase agreement ("SPA") with JLB and JCorp (collectively referred to hereon as "Parties") on 23 July 2012 in relation to the Proposed Acquisition of Land. (Refer announcement dated 23 March 2012)

25 Jul 2012
DISPOSAL BY BANDAR BARU KLANG SPECIALIST HOSPITAL SDN BHD ("BBKSHSB"), A SUBSIDIARY OF KPJ, OF THE BANDAR BARU KLANG SPECIALIST HOSPITAL BUILDING (NOW KNOWN AS "KPJ KLANG SPECIALIST HOSPITAL BUILDING") ("BBKSH BUILDING") TOAL-`AQAR HEALTHCARE REIT ("AL-`AQAR") AS REPRESENTED BY ITS TRUSTEE, AMANAHRAYA TRUSTEES BERHAD ("TRUSTEE")
AmInvestment Bank Berhad announced that the difference between the Revised Purchase Consideration and the Original Purchase Consideration amounting to RM8,000,000 ("Difference") has been fully paid in cash by Al-`Aqar to BBKSHSB on 25 July 2012 (Refer announcement 9 March 2010, 30 April 2010, 1 December 2010, 2 August 2011, 11 June 2012 and 27 June 2012 as well as the circular dated 2 December 2010)

1 August 2012
PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ OF THE BALANCE OF 49% EQUITY INTEREST IN SMC HEALTHCARE SDN BHD ("SMCH") EQUIVALENT TO 39,200,000 ORDINARY SHARES OF RM1.00 EACH FROM SABAH MEDICAL CENTRE SDN BHD ("SMC") FOR A TOTAL CASH CONSIDERATION OF RM54,880,000
KPJ announced that KPJSB, which is a wholly-owned subsidiary of KPJ entered into a conditional Share Sale Agreement ("SSA") with SMC for the acquisition of the balance of 49% of equity interest in SMCH equivalent to 39,200,000 ordinary shares of RM1.00 each ("Sale Shares").

8 August 2012
PROPOSED DISPOSAL BY PUTERI SPECIALIST HOSPITAL (JOHOR) SDN BHD, A SUBSIDIARY OF KPJ OF TWO (2) PIECES OF LANDS, BOTH SITUATED IN THE TOWN OF JOHOR BAHRU, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR TO AL-`AQAR HEALTHCARE REIT ("AL-`AQAR") FOR A TOTAL CONSIDERATION OF RM3,590,000 TO BE FULLY SATISFIED IN CASH
KPJ announced that its subsidiary, Puteri Specialist Hospital (Johor) Sdn Bhd ("PSHSB" or "Vendor"), entered into a sale and purchase agreement with Al-`Aqar, represented by its trustee, AmanahRaya Trustees Berhad ("Trustee") to dispose of their entire interest in two (2) pieces of lands both situated in the town of Johor Bahru, District of Johor Bahru, State of Johor ("SPA") for a total consideration of RM3,590,000 ("Disposal Consideration").

9 August 2012
PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ OF THE BALANCE OF 49% EQUITY INTEREST IN SMC HEALTHCARE SDN BHD ("SMCH") EQUIVALENT TO 39,200,000 ORDINARY SHARES OF RM1.00 EACH FROM SABAH MEDICAL CENTRE SDN BHD ("SMC") FOR A TOTAL CASH CONSIDERATION OF RM54,880,000
The KPJ to announced that the Proposed Acquisition has been completed.

12 Sept 2012
PROPOSED ACQUISITION BY IPOH SPECIALIST HOSPITAL SDN BHD ("ISH"), A SUBSIDIARY OF KPJ, OF 100% EQUITY IN SRI MANJUNG SPECIALIST CENTRE SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM14,250,000
KPJ announced that ISH has entered into a conditional Share Sale Agreement ("SSA") with Dr Lee Min Chuang and Yeat Soo Sing ("Vendors") for the acquisition of 100% equity interest in Sri Manjung Specialist Centre Sdn Bhd equivalent to the total of 900,000 ordinary shares of RM1.00 each ("Sale Shares") for a total cash consideration of RM14,250,000 ("Purchase Price"). With the completion of the Proposed Acquisition, Sri Manjung Specialist Centre Sdn Bhd will be a wholly-owned subsidiary of ISH.

14 Nov 2012
EXTRAORDINARY GENERAL MEETING
KPJ announced that an Extraordinary General Meeting will be held on 29 November 2012 at Tanjung Puteri 302, Level 3 Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru. Johor.

15 Nov 2012
CIRCULAR TO THE SHAREHOLDERS IN RELATION TO

PART A
(I) PROPOSED ACQUISITION OF 80% EQUITY INTEREST IN PT KHIDMAT PERAWATAN JASA MEDIKA BY KUMPULAN PERUBATAN (JOHOR) SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF KPJ HEALTHCARE BERHAD ("KPJ"), FROM JOHOR CORPORATION ("JCORP") FOR A TOTAL CASH CONSIDERATION OF RM15,840,000 ("PROPOSED ACQUISITION OF PT KPJ MEDIKA");

(II) PROPOSED ACQUISITION OF A PARCEL OF VACANT COMMERCIAL LAND HELD UNDER H.S.(D) 501209, LOT NO PTD 163189, MUKIM OF TEBRAU, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR BY RENALCARE PERUBATAN (M) SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF KPJ, FROM JOHOR LAND BERHAD, A SUBSIDIARY COMPANY OF JCORP, FOR A TOTAL CASH CONSIDERATION OF RM45,000,000 ("PROPOSED ACQUISITION OF BDO LAND"); AND

(III) PROPOSED DISPOSAL OF TWO (2) PIECES OF LAND HELD UNDER TITLE PARTICULARS PN 2406, LOT NO. 5219 AND PN 3273, LOT NO. 5221, BOTH SITUATED IN THE TOWNSHIP OF JOHOR BAHRU, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR BY PUTERI SPECIALIST HOSPITAL (JOHOR) SDN BHD, A WHOLLY-OWNED SUBSIDIARY COMPANY OF KPJ, TO AL-`AQAR HEALTHCARE REIT FOR A TOTAL CASH CONSIDERATION OF RM3,590,000 ("PROPOSED DISPOSAL OF PSHSB LAND")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF KPJ IN RELATION TO THE PROPOSED ACQUISITION OF PT KPJ MEDIKA, PROPOSED ACQUISITION OF BDO LAND AND PROPOSED DISPOSAL OF PSHSB LAND

AND NOTICE OF EXTRAORDINARY GENERAL MEETING

23 Nov 2012

PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF 23.37% EQUITY IN VEJTHANI PUBLIC COMPANY LIMITED ("VPCL") FOR A TOTAL CASH CONSIDERATION OF THB605,615,991 EQUIVALENT TO RM60,529,200 ("PROPOSED ACQUISITION")

KPJ announced that KPJSB has entered into a conditional Share Sale Agreement ("Conditional SSA") with Aureos South-East Asia Fund L.L.C ("ASEA") and GSB Private Funds ("GSB") on even date to acquire from ASEA and GSB (collectively "Vendors") of their entire equity holding in VPCL of 8,000,000 preference shares ("Sale Shares") for a total cash consideration of THB605,615,991 ("Purchase Consideration") equivalent to RM60,529,200. Out of the total Sale Shares, KPJSB shall acquire 5,333,333 preference shares from ASEA and another 2,666,667 preference shares from GSB.

28 Nov 2012

PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), A WHOLLY- OWNED SUBSIDIARY OF KPJ, OF 23.37% EQUITY IN VEJTHANI PUBLIC COMPANY LIMITED ("VPVL") FOR A TOTAL CASH CONSIDERATION OF THB605,615,991 EQUIVALENT TO RM60,529,200 ("PROPOSED ACQUISITION")

14 Dec 2012

PROPOSED ACQUISITION OF A PARCEL OF VACANT COMMERCIAL LAND HELD UNDER H.S. (D) 501209, LOT NO. PTD 163189, MUKIM OF TEBRAU, DISTRICT OF JOHOR BAHRU, JOHOR DARUL TAKZIM ("LAND") BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"). A WHOLLY- OWNED SUBSIDIARY OF KPJ, FROM JOHOR LAND BERHAD ("JLB" OR "VENDOR"), A SUBSIDIARY OF JOHOR CORPORATION ("JCORP" OR "REGISTERED OWNER") FOR A TOTAL CASH CONSIDERATION OF RM45,000,000

KPJ announced that the Proposed Acquisition has been completed. (Refer announcement 16 May 2012, 23 July 2012, 15 November 2012 and 29 November 2012)

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal activities

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

The details of the principal activities of the subsidiaries are set out in Note 16 to the financial statements.

There were no significant changes in the nature of these activities during the financial year ended 31 December 2012.

Results

	Group RM'000	Company RM'000
Profit net of tax	146,794	89,358
Profit attributable to:		
Owners of the Company	140,046	89,358
Non-controlling interests	6,748	-
	146,794	**89,358**

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The amount of dividends paid and declared by the Company since 31 December 2011 were as follows:

	RM'000
In respect of the financial year ended 31 December 2011:	
Fourth interim single tier dividend of 4.7 sen per share on 613,520,412 ordinary shares, declared on 27 February 2012 and paid on 12 April 2012	28,835
In respect of the financial year ended 31 December 2012:	
First interim single tier dividend of 2.5 sen per share on 624,774,912 ordinary shares, declared on 31 May 2012 and paid on 13 July 2012	15,619
Second interim single tier dividend of 2.5 sen per share on 637,871,224 ordinary shares, declared on 16 August 2012 and paid on 5 October 2012	15,947
Third interim single tier dividend of 2.5 sen per share on 646,171,586 ordinary shares, declared on 28 November 2012 and paid on 15 January 2013	16,154
	76,555

DIRECTORS' REPORT (CONTINUED)

The directors declared fourth interim single tier dividend of 4.0 sen per share on 650,349,000 ordinary shares amounting to RM26,013,960 on 4 March 2013.

The directors do not propose any final dividend for the financial year ended 31 December 2012.

Issue of shares

During the financial year, the Company increased its issued and paid-up share capital from RM292,492,000 to RM323,091,000, through the issuance of 61,198,000 ordinary shares of RM0.50 each, by way of the conversion of warrants at an exercise price of RM1.70 per share.

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

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Kamaruzzaman Abu Kassim	(Chairman)
Amiruddin Abdul Satar	(Appointed as Managing Director on 1 Jan 2013)
Datin Paduka Siti Sa'diah Sh Bakir	(Resigned as Managing Director and appointed as Non-Executive Director on 1 Jan 2013)
Datuk Dr Hussein Awang	
Datuk Azzat Kamaludin	
Zainah Mustafa	
Ahamad Mohamad	
Dr Kok Chin Leong	
Dr Yoong Fook Ngian	
Rozan Mohd Sa'at	
Abd Razak Haron	

In accordance with Article 96 of the Company's Articles of Association, Dato' Kamaruzzaman Abu Kassim, Ahamad Mohamad and Dr Kok Chin Leong, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Datuk Dr Hussein Awang and Dr Yoong Fook Ngian, who are above the age of seventy (70) retire at the forthcoming Annual General Meeting and will be proposed for re-appointment as directors and to hold office until the next Annual General Meeting.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Option Plan.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 33 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM0.50 each			
	As at 1.1.2012	Addition	(Disposal)	As at 31.12.2012
KPJ Healthcare Berhad				
Datin Paduka Siti Sa'diah Sh Bakir				
- direct	558,250	-	(250,000)	308,250
- CimSec Noms (T) Sdn Bhd (A/c CIMB Bank for Siti Sa'diah Sh Bakir)	560,000	-	(140,000)	420,000
- indirect	12,500	-	-	12,500
Datuk Azzat Kamaludin	60,000	-	-	60,000
Ahamad Mohamad				
- direct	750	-	-	750
Dr Kok Chin Leong	138,000	-	-	138,000
Dr Yoong Fook Ngian	300,000	-	(20,000)	280,000
Rozan Mohd Sa'at	500	-	-	500
Amiruddin Abdul Satar	7,000	-	-	7,000

	Number of warrants of 2010/2015		
	As at 1.1.2012	Exercised	As at 31.12.2012
KPJ Healthcare Berhad			
Datin Paduka Siti Sa'diah Sh Bakir			
- direct	180,762	(180,762)	-
- indirect	3,125	(3,125)	-
Ahamad Mohamad			
- direct	87	-	87
- indirect	6,250	(6,250)	-
Rozan Mohd Sa'at	125	-	125

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT (CONTINUED)

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:
   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
   (ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:
   (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
   (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:
   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Significant events

Significant events are disclosed in Notes 36 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 March 2013.

DATO' KAMARUZZAMAN ABU KASSIM
CHAIRMAN

AMIRUDDIN ABDUL SATAR
PRESIDENT/MANAGING DIRECTOR

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Kamaruzzaman Abu Kassim and Amiruddin Abdul Satar, being two of the directors of KPJ Healthcare Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 150 to 216 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 43 to the financial statements on page 216 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 March 2013.

DATO' KAMARUZZAMAN ABU KASSIM
CHAIRMAN

AMIRUDDIN ABDUL SATAR
PRESIDENT/MANAGING DIRECTOR

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Mohd Sahir Rahmat, being the officer primarily responsible for the financial management of KPJ Healthcare Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 150 to 216 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Mohd Sahir Rahmat at
Kuala Lumpur in Federal Territory on 27 March 2013

MOHD SAHIR RAHMAT
CHIEF FINANCIAL OFFICER

Before me,

PESURUHJAYA SUMPAH
No. W 393
DATO' HJ OTHMAN BIN MOHD YUNOS
DJMP, PJK, PSM, JP.
MALAYSIA

Kiosk 2, Aras G
Kompleks KDN. WP. KUALA LUMPUR
Jalan Sri Hartamas 1,
50480 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

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

Report on the financial statements

We have audited the financial statements of KPJ Healthcare Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 150 to 216.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT
to the members of KPJ Healthcare Berhad
(Incorporated in Malaysia)
(Company No. 247079 M)
(continued)

Other reporting responsibilities

The supplementary information set out in Note 43 on page 216 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

1. As stated in Note 2 to the financial statements, KPJ Healthcare Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

ABRAHAM VERGHESE A/L T.V. ABRAHAM
1664/10/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
27 March 2013

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue	4	2,096,097	1,908,993	141,195	136,599
Cost of sales		(1,439,663)	(1,307,136)	-	-
Gross profit		656,434	601,857	141,195	136,599
Administrative expenses		(512,894)	(451,351)	(38,054)	(29,228)
Other income		32,062	11,957	-	-
Other operating expenses		(5,036)	(3,298)	-	-
Operating profit		170,566	159,165	103,141	107,371
Finance income	5	12,535	10,295	-	-
Finance costs	5	(23,603)	(19,688)	(13,970)	(19,643)
Finance costs - net		(11,068)	(9,393)	(13,970)	(19,643)
Associates					
- share of results		37,397	54,825	-	-
Profit before zakat and tax	6	196,895	204,597	89,171	87,728
Zakat	9	(1,320)	(1,300)	(15)	(15)
Income tax (expense)/credit	10	(48,781)	(49,038)	202	(6,044)
Profit net of tax		**146,794**	**154,259**	**89,358**	**81,669**
Other comprehensive income:					
Translation of foreign subsidiaries		1,930	571	-	-
Revaluation surplus/(deficit)		8,916	(2,124)	-	-
Other comprehensive income for the year, net of tax		**10,846**	**(1,553)**	**-**	**-**
Total comprehensive income for the year		**157,640**	**152,706**	**89,358**	**81,669**
Profit attributable to:					
Owners of the Company		140,046	143,670	89,358	81,669
Non-controlling interests		6,748	10,589	-	-
		146,794	**154,259**	**89,358**	**81,669**
Total comprehensive income attributable to:					
Owners of the Company		146,216	145,082	89,358	81,669
Non-controlling interests		11,424	7,624	-	-
		157,640	**152,706**	**89,358**	**81,669**
Earnings per share attributable to ordinary equity holders of the Company:					
- basic (sen)	12(a)	23.94	26.31		
- diluted (sen)	12(b)	21.03	23.34		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Group				
Assets				
Non-current assets				
Property, plant and equipment	13	909,355	633,143	532,777
Other assets	14	15,680	8,586	3,996
Investment properties	15	53,118	26,223	24,810
Interest in associates	17	479,243	398,712	307,352
Available-for-sale financial assets	18	3,074	3,074	3,447
Intangible assets	19	176,614	167,830	136,317
Deferred tax assets	21	15,601	14,962	15,864
		1,652,685	**1,252,530**	**1,024,563**
Current assets				
Inventories	22	57,552	47,066	41,615
Receivables	23	325,027	304,636	298,427
Tax refund receivable		11,041	8,661	12,342
Deposits, cash and bank balances	24	201,460	252,080	197,118
		595,080	**612,443**	**549,502**
Non-current assets held for sale	25	2,013	94,291	105,974
		597,093	**706,734**	**655,476**
Total assets		**2,249,778**	**1,959,264**	**1,680,039**
Equity and liabilities				
Current liabilities				
Payables	26	404,139	379,977	303,370
Current tax liabilities		13,422	8,552	3,318
Borrowings	27			
- Bank overdrafts		1,046	1,141	18
- others		205,581	139,850	362,658
Deferred revenue	28	61,133	53,591	40,881
Dividend payable		16,154	14,623	14,673
		701,475	**597,734**	**724,918**
Net current (liabilities)/assets		**(104,382)**	**109,000**	**(69,442)**

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012
(continued)

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Group (continued)				
Non-current liabilities				
Deferred tax liabilities	21	43,857	47,413	41,204
Borrowings	27	385,469	302,480	36,747
Deposits	29	15,524	14,785	13,782
		444,850	**364,678**	**91,733**
Total liabilities		**1,146,325**	**962,412**	**816,651**
Net assets		**1,103,453**	**996,852**	**863,388**
Equity attributable to equity holders of the Company				
Share capital	30	323,091	292,492	279,954
Reserves	31	712,857	600,485	488,716
		1,035,948	892,977	768,670
Less: Treasury shares	30(a)	(23)	(23)	(23)
Non-controlling interests		67,528	103,898	94,741
Total equity		**1,103,453**	**996,852**	**863,388**
Total equity and liabilities		**2,249,778**	**1,959,264**	**1,680,039**

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012
(continued)

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Company				
Assets				
Non-current assets				
Interest in subsidiaries	16	877,529	870,014	762,622
Receivables	23	-	56,302	94,386
		877,529	**926,316**	**857,008**
Current assets				
Receivables	23	111,622	57,393	32,727
Tax refund receivable		3,249	-	1,288
Deposits, cash and bank balances	24	1,931	2,559	13,593
		116,802	**59,952**	**47,608**
Total assets		**994,331**	**986,268**	**904,616**
Equity and liabilities				
Current liabilities				
Payables	26	187,036	91,570	29,062
Current tax liabilities		-	410	-
Borrowings	27			
- others		120,000	65,000	299,000
Dividend payable		16,154	14,623	14,673
		323,190	**171,603**	**342,735**
Net current liabilities		**(206,388)**	**(111,651)**	**(295,127)**
Non-current liabilities				
Payables	26	174,282	434,644	242,754
Total liabilities		**497,472**	**606,247**	**585,489**
Net assets		**496,859**	**380,021**	**319,127**
Equity attributable to equity holders of the Company				
Share capital	30	323,091	292,492	279,954
Reserves	31	173,791	87,552	39,196
		496,882	380,044	319,150
Less: Treasury shares	30(a)	(23)	(23)	(23)
Total equity		**496,859**	**380,021**	**319,127**
Total equity and liabilities		**994,331**	**986,268**	**904,616**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2012

	Ordinary share capital RM'000 (Note 30)	Share premium RM'000 (Note 31(a))	Treasury shares RM'000	Merger reserve RM'000 (Note 31(b))	Exchange reserve RM'000 (Note 31(c))	Revaluation reserve RM'000 (Note 31(d))	Retained earnings RM'000 (Note 31(e))	Equity attributable to owners of the parent, total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012	**292,492**	**73,852**	**(23)**	**(3,367)**	**(995)**	**45,215**	**485,780**	**892,954**	**103,898**	**996,852**
Comprehensive income										
Profit for the year	-	-	-	-	-	-	140,046	140,046	6,748	146,794
Other comprehensive income										
Translation of foreign subsidiaries	-	-	-	-	970	-	-	970	960	1,930
Revaluation surplus	-	-	-	-	-	5,200	-	5,200	3,716	8,916
Total other comprehensive income	**-**	**-**	**-**	**-**	**970**	**5,200**	**-**	**6,170**	**4,676**	**10,846**
Total comprehensive income	**-**	**-**	**-**	**-**	**970**	**5,200**	**140,046**	**146,216**	**11,424**	**157,640**
Acquisition of non-controlling interests	-	-	-	-	-	-	(30,725)	(30,725)	(47,794)	(78,519)
Issue of shares:										
- exercise of share warrants	30,599	73,436	-	-	-	-	-	104,035	-	104,035
Dividends on ordinary shares	-	-	-	-	-	-	(76,555)	(76,555)	-	(76,555)
At 31 December 2012	**323,091**	**147,288**	**(23)**	**(3,367)**	**(25)**	**50,415**	**518,546**	**1,035,925**	**67,528**	**1,103,453**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2012 (continued)

	Ordinary share capital RM'000 (Note 30)	Share premium RM'000 (Note 31(a))	Treasury shares RM'000	Merger reserve RM'000 (Note 31(b))	Exchange reserve RM'000 (Note 31(c))	Fair value reserve RM'000	Revaluation reserve RM'000 (Note 31(d))	Retained earnings RM'000 (Note 31(e))	Equity attributable to owners of the parent, total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2011	**279,954**	**43,759**	**(23)**	**(3,367)**	**(1,295)**	**172**	**56,110**	**393,337**	**768,647**	**94,741**	**863,388**
Comprehensive income											
Profit for the year	-	-	-	-	-	-	-	143,670	143,670	10,589	154,259
Other comprehensive income											
Translation of foreign subsidiaries	-	-	-	-	300	-	-	-	300	271	571
Revaluation surplus	-	-	-	-	-	-	1,112	-	1,112	(3,236)	(2,124)
Realisation of revaluation reserve	-	-	-	-	-	-	(12,007)	12,007	-	-	-
Realisation of fair value reserve	-	-	-	-	-	(172)	-	172	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**-**	**300**	**(172)**	**(10,895)**	**12,179**	**1,412**	**(2,965)**	**(1,553)**
Total comprehensive income	**-**	**-**	**-**	**-**	**300**	**(172)**	**(10,895)**	**155,849**	**145,082**	**7,624**	**152,706**
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	1,533	1,533
Issue of shares:											
- exercise of share warrants	12,538	30,093	-	-	-	-	-	-	42,631	-	42,631
Dividends on ordinary shares	-	-	-	-	-	-	-	(63,406)	(63,406)	-	(63,406)
At 31 December 2011	**292,492**	**73,852**	**(23)**	**(3,367)**	**(995)**	**-**	**45,215**	**485,780**	**892,954**	**103,898**	**996,852**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2012

	<----------Non-distributable---------->			Distributable	
	Ordinary share capital RM'000 (Note 30)	Share premium RM'000 (Note 31(a))	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2012	**292,492**	**68,830**	**(23)**	**18,722**	**380,021**
Profit for the year, representing total comprehensive income for the year	-	-	-	89,358	89,358
Dividends on ordinary shares	-	-	-	(76,555)	(76,555)
Issue of shares:					
- exercise of share warrants	30,599	73,436	-	-	104,035
At 31 December 2012	**323,091**	**142,266**	**(23)**	**31,525**	**496,859**
At 1 January 2011	279,954	38,737	(23)	459	319,127
Profit for the year, representing total comprehensive income for the year	-	-	-	81,669	81,669
Dividends on ordinary shares	-	-	-	(63,406)	(63,406)
Issue of shares:					
- exercise of share warrants	12,538	30,093	-	-	42,631
At 31 December 2011	**292,492**	**68,830**	**(23)**	**18,722**	**380,021**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating activities				
Profit before zakat and tax	196,895	204,597	89,171	87,728
Adjustments for:				
Associates:				
- share of results	(37,397)	(54,825)	-	-
Finance income	(12,535)	(10,295)	(2,370)	(3,168)
Finance costs				
- interest expenses	21,863	19,379	13,970	19,643
- accretion of interest	301	309	-	-
Dividend income	-	-	(106,039)	(100,582)
Bad debts recovered	(99)	(393)	-	-
Provision for impairment of trade receivables	5,536	2,285	-	-
Bad debts written off	408	871	-	-
Gain on disposal of non-current assets held for sale	(149)	(1,321)	-	-
Gain on fair value on investment properties	(1,198)	(1,413)	-	-
Gain on disposal of shares in an associate	(11,380)	-	-	-
Loss on disposal of property, plant and equipment	808	320	-	-
Property, plant and equipment				
- depreciation	77,896	69,612	-	-
- written off	1,372	655	-	-
- revaluation surplus	-	(1,877)	-	-
Inventories written off	33	644	-	-
Amortisation of intangible assets	650	-	-	-
Amortisation of deferred consultancy expenses	(250)	(305)	-	-
Operating profit/(loss) before working capital changes	**242,754**	**228,243**	**(5,268)**	**3,621**
Changes in working capital:				
Inventories	(10,258)	(6,095)	-	-
Receivables	(29,445)	(8,972)	212	2,477
Payables	41,249	44,569	263	(884)
Deferred revenue	-	-	-	-
Related companies	-	-	(169,283)	(90,225)
Cash flows generated from/(used in) operations	**244,300**	**257,745**	**(174,076)**	**(85,011)**
Long term deposits	688	999	-	-
Interest received	12,535	-	-	-
Interest paid	-	(19,379)	(13,970)	(19,643)
Zakat paid	(1,300)	(1,269)	(15)	(10)
Income tax refund	869	4,838	-	1,596
Income tax paid	(56,083)	(37,850)	(1,662)	(5,941)
Net cash generated from/(used in) operating activities	**201,009**	**205,084**	**(189,723)**	**(109,009)**

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2012
(continued)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Investing activities				
Purchase of property, plant and equipment	(370,835)	(138,792)	-	-
Purchase of investment properties	(25,697)	-	-	-
Purchase of non-current assets held for sale	-	(37,149)	-	-
Proceeds from disposal of property, plant and equipment	2,693	2,256	-	-
Proceeds from disposal of non-current assets held for sale	40,808	50,270	-	-
Acquisition of subsidiaries, net of cash acquired	(78,519)	(36,068)	-	-
Additional investment in subsidiaries	-	(26,000)	-	-
Acquisition of shares in associates	(55,487)	-	-	-
Proceeds from disposal of shares in an associate	60,169	-	-	-
Dividends received	19,072	26,465	104,245	100,582
Interest received	-	10,295	2,370	3,168
Net cash (used in)/generated from investing activities	**(407,796)**	**(148,723)**	**106,615**	**103,750**
Financing activities				
Issue of shares:				
- exercise of share warrants	104,035	42,631	104,035	42,631
Bank borrowings:				
- drawdown	183,653	32,498	55,000	15,000
- repayment	(56,575)	(15,415)	-	-
Dividends paid to shareholders	(75,024)	(63,456)	(76,555)	(63,406)
Net cash generated from/(used in) financing activities	**156,089**	**(3,742)**	**82,480**	**(5,775)**
Net changes in cash and cash equivalents	(50,698)	52,619	(628)	(11,034)
Currency translation differences	173	1,220	-	-
Cash and cash equivalents at beginning of the financial year	250,939	197,100	2,559	13,593
Cash and cash equivalents at end of the financial year *	**200,414**	**250,939**	**1,931**	**2,559**

*** Cash and cash equivalents comprise the followings:**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits, cash and bank balances (Note 24)	201,460	252,080	1,931	2,559
Bank overdrafts (Note 27)	(1,046)	(1,141)	-	-
	200,414	**250,939**	**1,931**	**2,559**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

1. Corporate information

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

The registered office of the Company is located at Suite 12B, Level 12, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor. The principal place of business of the Company is located at Level 12, Menara 238, Jalan Tun Razak, 50400 Kuala Lumpur.

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are mainly the operation of specialist hospitals. The details of the principal activities of the subsidiaries are set out in Note 16. There were no significant changes in the nature of these activities during the financial year ended 31 December 2012.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 March 2013.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

2.2 First time adoption of MFRS

These financial statements are the Group's and the Company's first MFRS financial statements for the year ended 31 December 2012 and MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. Except for certain differences, the requirements under FRSs and MFRSs are similar.

Accordingly, the Group and the Company have prepared its financial statements which comply with MFRSs applicable for period ended 31 December 2012, together with the comparative period data as at and for the year ended 31 December 2011, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's and the Company's opening statements of financial position were prepared as at 1 January 2011, the Group's and the Company's date of transition to MFRSs.

The significant accounting policies adopted in preparing these financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011. The transition from FRSs to MFRSs did not have any material impact on the financial statements of the Group and of the Company, except for those discussed below. Accordingly, no notes related to the statement of financial position as at the date of transition to MFRSs are presented.

(a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

2. Summary of significant accounting policies (continued)

2.2 First time adoption of MFRS (continued)

(a) Business combination (continued)

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

(i) The classification of former business combinations under FRSs is maintained;
(ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
(iii) The carrying amount of goodwill recognised under FRSs is not adjusted.

(b) Determining whether an arrangement contains a Lease

The Group has applied the transitional provision in IC Interpretation 4 Determining whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition.

(c) Estimates

The estimates at 1 January 2011 and at 31 December 2011 are consistent with those made for the same dates in accordance with FRSs (after adjustments to reflect any differences in accounting policies). The estimates used by the Group and the Company to present these amounts in accordance with MFRSs reflect conditions as at 1 January 2011, the date of transition to MFRSs and as of 31 December 2011.

Adoption of MFRSs framework did not have any material impact on the financial position as at 1 January 2011 and 31 December 2011, financial performance and cash flows of the Group and of the Company for the year ended 31 December 2011.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Description	Effective for annual periods beginning on or after
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Government Loans)	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

(a) MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances. The Group is currently assessing the impact of adoption of MFRS 10.

(b) MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

(c) MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted. The Group is currently assessing the impact of adoption of MFRS 13.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

d) Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

e) MFRS 9 Financial Instruments: Classification and Measurement

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2012.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.5 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

2. Summary of significant accounting policies (continued)

2.5 Business combinations (continued)

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 39, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised as other comprehensive income. Exchange differences arising from such non-monetary items are also recognised as other comprehensive income.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land, long leasehold land and buildings are measured at fair value less accumulated depreciation on long leasehold land and buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land, long leasehold land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	2%
Renovation	10%
Medical and other equipment	7.5% - 25%
Furniture and fittings	10% - 20%
Motor vehicles	20%
Computers	20% - 33%

Capital work-in-progress included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Investment properties

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

2. Summary of significant accounting policies (continued)

2.8 Investment properties (continued)

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

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

2.9 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

(b) Other intangible assets

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

Software development expenditure

Software development is stated at cost less accumulated amortisation and impairment losses. The expenditure represents development work carried out in developing specialised software packages and is capitalised if the product is technically and commercially feasible and the Group has sufficient resources to complete the development. It is amortised over the straight-line basis over a period of five years. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.10. The expenditure capitalised includes cost to purchase the software and direct cost such as salaries and hardware costs specifically attributable to each project. Cost incurred in software development which have ceased to be technically and commercially viable, are written off immediately.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

2. Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

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

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

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use and a sale is considered highly probable.

2.12 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

2.13 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

Under the equity method, unrealised profit and losses resulting from upstream (associate to investor) and downstream (investor to associate) associate should be eliminated to the extent of the investor's interest in the associate. However, unrealised losses should not be eliminated to the extent that the transaction provides evidence of an impairment of the assets transferred.

2. Summary of significant accounting policies (continued)

2.13 Associates (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

2.14 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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

(a) Loans and receivables

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

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

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

(b) Available-for-sale financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

2. Summary of significant accounting policies (continued)

2.14 Financial assets (continued)

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

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

2.15 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2. Summary of significant accounting policies (continued)

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.17 Inventories

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

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

2.18 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

2. Summary of significant accounting policies (continued)

2.20 Leases

(a) As lessee

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

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

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

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.22 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (continued)

2.23 Revenue recognition

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

(a) Sale of goods and rendering of services

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

Other hospital revenue mainly consists of clinic rental for consultants. These are recognised on an accrual basis in accordance with the substance of the relevant agreements.

(b) Wellness subscription fees

Wellness subscription fees are recognised over the membership period.

Annual renewal fees are recognised on the accrual basis based on fees chargeable to members upon execution and renewal of the membership.

(c) Tuition fees

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

(d) Deferred Management Fees Revenue

Deferred management fees represent amounts owed to the Trust in connection with Resident occupancy at the retirement village subject to long-term management agreements. Deferred management fees are calculated in accordance with Resident contracts.

(e) Dividend income

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

(f) Management fees

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

(g) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

2. Summary of significant accounting policies (continued)

2.24 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

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

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

2. Summary of significant accounting policies (continued)

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 42, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Ordinary share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.27 Treasury shares

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

2.28 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.29 Resident loans

Resident loans are measured at the principal amount less any accumulated deferred management fees. Resident loans are non-interest bearing and are payable at the end of the resident contract. Average tenure periods for residents are for an extended period of time greater than one year, however, they are classified as current liabilities because the trust does not have an unconditional right to defer settlement greater than 12 months.

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

3. Significant accounting judgements and estimates (continued)

3.1 Judgements made in applying accounting policies (continued)

(a) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

3.2 Key sources of estimation uncertainty

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

(a) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied in the industry.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. Management will review the estimated useful lives and residual values of property, plant and equipment at each financial year-end and adjustments to useful lives are made when considered necessary. Therefore, the future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the reporting dates are disclosed in Note 13.

(b) Estimated impairment of goodwill

The Group tests goodwill for impairment annually whether goodwill has suffered any impairment, in accordance with its accounting policy stated in Note 2.10. More regular reviews are performed if events indicate that this is necessary.

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

(c) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amount that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 10.

(d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of unrecognised tax losses of the Group are disclosed in Note 21.

3. Significant accounting judgements and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

(e) Capitalisation and amortisation of software development expenditure

The Group capitalised costs relating to the software development and enhancement of its new and existing facilities respectively, upon meeting all the criteria for capitalisation as described in Note 2.9(b). Amortisation, which commences upon commercialisation, is recognised in profit or loss based on a straight-line basis over the products' estimated economic lives of five years. The Group reviews the amortisation period and amortisation method at least once a year.

However, if there are indications that the products are unable to meet expected future cash flow, immediate impairment loss will be recognised. Details of software development expenditure is disclosed in Note 19.

4. Revenue

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Hospital charges	804,304	660,154	-	-
Consultation fees	590,492	535,962	-	-
Sale of pharmaceutical, medical and surgical products	646,812	660,478	-	-
Other hospital revenue				
- clinics rental	12,308	10,955	-	-
- others	11,172	11,933	-	-
Dividend income from subsidiaries	-	-	106,039	100,582
Interest income	-	-	2,370	3,168
Management fees	-	-	32,786	32,849
Other revenue	31,009	29,511	-	-
	2,096,097	**1,908,993**	**141,195**	**136,599**

5. Finance income and costs

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Finance costs				
Finance cost on Islamic facilities	756	561	-	-
Accretion of interest	326	309	-	-
Interest expense				
- commercial papers	10,850	8,850	-	8,850
- overdrafts	121	144	-	-
- term loans	1,850	1,720	-	-
- Hiwalah term loan	-	123	-	-
- revolving credits	4,975	3,719	3,085	1,763
- Al-Amin	162	51	-	-
- lease and hire purchase	707	838	-	-
- others	3,856	3,373	10,885	9,030
	23,603	**19,688**	**13,970**	**19,643**
Finance income				
Interest income on short term deposits	12,535	10,295	-	-
Net finance costs	**11,068**	**9,393**	**13,970**	**19,643**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

6. Profit before zakat and tax

The following amounts have been included in arriving at the profit before zakat and tax:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Auditors' remuneration:				
- statutory audits	1,369	913	73	73
Bad debts recovered	(99)	(393)	-	-
Provision for impairment of trade receivables	5,536	2,285	-	-
Bad debts written off	408	871	-	-
Contribution to Klinik Waqaf An-Nur	3,120	2,110	-	-
Directors' remuneration (Note 8)	3,299	3,059	3,031	2,870
Inventories written off	33	644	-	-
Professional fees	3,159	5,317	1,323	1,267
Repair and maintenance	27,074	34,744	374	424
Property, plant and equipment:				
- depreciation	77,896	69,612	-	-
- written off	1,372	655	-	-
- revaluation surplus	-	(1,877)	-	-
Loss on disposal of property, plant and equipment	808	320	-	-
Gain on disposal of non-current assets held for sale	(149)	(1,321)	-	-
Gain on fair value of investment properties (Note 15)	(1,198)	(1,413)	-	-
Rental expense of land and buildings	91,336	85,724	446	663
Rental of equipment and vehicles	1,481	1,534	338	24
Employee benefits costs (Note 7)	382,847	338,188	10,072	12,691
Amortisation of deferred consultancy expenses	(250)	(305)	-	-
Amortisation of intangible assets	650	-	-	-
Gain on disposal of shares in associate	(11,380)	-	-	-

7. Employee benefits costs

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Staff costs (excluding directors' remuneration):				
- salaries, allowances and bonus	346,454	301,953	8,992	11,331
- contribution to defined contribution plan	36,393	36,235	1,080	1,360
	382,847	**338,188**	**10,072**	**12,691**

8. Directors' remuneration

The aggregate amount of emoluments received/receivable by directors of the Company during the financial year is as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Directors' remuneration				
- fees	1,267	1,203	999	1,014
- salaries, allowances and bonus	1,732	1,583	1,732	1,583
- contribution to defined contribution plan	208	190	208	190
- benefits-in-kind	92	83	92	83
	3,299	**3,059**	**3,031**	**2,870**

9. Zakat

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
At 1 January	1,300	1,269	15	10
Zakat expense for the financial year	1,320	1,300	15	15
Zakat paid during the financial year	(1,300)	(1,269)	(15)	(10)
At 31 December	**1,320**	**1,300**	**15**	**15**

10. Income tax (expense)/credit

Major components of income tax expenses

The major components of income tax expenses for the year ended 31 December 2012 and 2011 are:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Statements of comprehensive income:				
Current income tax				
- Malaysian income tax	54,255	43,832	893	6,577
- Under/(over) provision in respect of previous years	(1,279)	764	(1,095)	(533)
	52,976	44,596	(202)	6,044
Deferred income tax				
- Origination and reversal of temporary differences	(1,293)	6,344	-	-
- Overprovision in respect of previous years	(2,902)	(1,902)	-	-
	(4,195)	4,442	-	-
Income tax expense recognised in profit or loss	**48,781**	**49,038**	**(202)**	**6,044**

The current income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

Reconciliation between tax expense and accounting profit

The reconciliation of income tax expense and the product of accounting profit multiplied by the applicable corporate rate for the years ended 31 December 2012 and 2011 is as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit before tax after zakat	**195,575**	**203,297**	**89,156**	**87,713**
Tax at statutory tax rate of 25%	48,894	50,824	22,289	21,928
Income not subject to taxation	(3,202)	(713)	(24,715)	(20,866)
Non-deductible expenses	10,524	7,893	3,319	5,515
Share of results of associates	(2,570)	(7,067)	-	-
Benefits from previously unrecognised tax losses	(571)	(595)	-	-
Benefits from previously unrecognised temporary differences	(113)	(166)	-	-
Under/(over) provision in respect of previous years				
- current tax	(1,279)	764	(1,095)	(533)
- deferred tax	(2,902)	(1,902)	-	-
Tax expense for the year	**48,781**	**49,038**	**(202)**	**6,044**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

11. Dividends

	Company	
	2012 RM'000	2011 RM'000
Recognised during the financial year:		
Interim dividends to ordinary equity holders of the Company:		
- Interim gross dividends of 5.4 sen per share less 25% tax	-	22,923
- Interim single tier dividends of 7.0 sen per share	-	40,483
- Interim single tier dividends of 12.2 sen per share	76,555	-
	76,555	**63,406**

12. Earnings per share

(a) Basic earnings per share

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

	Group	
	2012	2011
Profit attributable to ordinary equity holders of the Company (RM'000)	140,046	143,670
Weighted average number of ordinary shares of RM0.50 each ('000)	584,893	546,128
Basic earnings per share (sen)	23.94	26.31

(b) Diluted earnings per share

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

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

	Group	
	2012	2011
Profit attributable to equity holders of the Company (RM'000)	**140,046**	**143,670**
Weighted average number of ordinary shares in issue ('000)	584,893	546,128
Adjusted weighted average number of ordinary shares of RM0.50 each in issue and issuable ('000)	81,144	69,503
Weighted average number of ordinary shares for diluted earnings per share ('000)	**666,037**	**615,631**
Diluted earnings per share (sen)	**21.03**	**23.34**

13. Property, plant and equipment

	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
2012								
At 1 January								
- cost	37,120	46,620	18,464	49,320	483,750	276,576	95,153	1,007,003
- valuation	8,737	9,183	6,136	-	-	-	-	24,056
	45,857	55,803	24,600	49,320	483,750	276,576	95,153	1,031,059
Revaluation surplus	8,916	-	-	-	-	-	-	8,916
Currency translation differences	214	-	392	5	(1,624)	(192)	-	(1,205)
Additions	12,275	-	6,359	17,161	70,375	36,983	218,595	361,748
Reclassification to non-current assets held for sale	-	(2,100)	-	-	-	117	-	(1,983)
Disposals	-	-	-	(327)	(3,440)	(2,579)	(1,016)	(7,362)
Write offs	-	-	-	(31)	(5,048)	(2,002)	(639)	(7,720)
Reclassification	-	2,457	(11,514)	36,628	3,411	(18,923)	(28,393)	(16,334)
	67,262	**56,160**	**19,837**	**102,756**	**547,424**	**289,980**	**283,700**	**1,367,119**
At 31 December								
- cost	58,525	44,378	13,701	102,756	547,424	289,980	283,700	1,340,464
- valuation	8,737	11,782	6,136	-	-	-	-	26,655
	67,262	**56,160**	**19,837**	**102,756**	**547,424**	**289,980**	**283,700**	**1,367,119**
Accumulated depreciation								
2012								
At 1 January	-	(284)	(1,684)	(10,291)	(243,675)	(141,982)	-	(397,916)
Currency translation differences	-	-	(120)	(3)	246	383	-	506
Charge for the financial year	-	(304)	(373)	(9,306)	(46,515)	(21,398)	-	(77,896)
Disposals	-	-	-	232	1,988	1,641	-	3,861
Write offs	-	-	-	1	4,955	1,392	-	6,348
Reclassification to non-current assets held for sale	-	87	-	-	-	-	-	87
Reclassification	-	-	8,450	(9,636)	1,710	6,722	-	7,246
At 31 December	**-**	**(501)**	**6,273**	**(29,003)**	**(281,291)**	**(153,242)**	**-**	**(457,764)**
Net carrying amounts								
At 31 December 2012	**67,262**	**55,659**	**26,110**	**73,753**	**266,133**	**136,738**	**283,700**	**909,355**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

13. Property, plant and equipment (continued)

	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
2011								
At 1 January								
- cost	19,098	44,800	15,990	26,356	447,140	244,912	41,259	839,555
- valuation	7,907	9,183	6,136	-	-	-	-	23,226
	27,005	53,983	22,126	26,356	447,140	244,912	41,259	862,781
Revaluation surplus	-	147	1,730	-	-	-	-	1,877
Currency translation differences	-	-	231	2	330	(32)	-	531
Additions	1,008	-	191	9,190	36,148	29,454	62,187	138,178
Acquisition of subsidiaries								
- cost	17,014	1,673	322	6,413	8,792	4,827	-	39,041
- valuation	830	-	-	-	-	-	-	830
Reclassification to non-current assets held for sale	-	-	-	-	-	-	(117)	(117)
Disposals	-	-	-	-	(7,641)	(369)	-	(8,010)
Write offs	-	-	-	(109)	(1,727)	(2,216)	-	(4,052)
Reclassification	-	-	-	7,468	708	-	(8,176)	-
	45,857	**55,803**	**24,600**	**49,320**	**483,750**	**276,576**	**95,153**	**1,031,059**
At 31 December								
- cost	37,120	46,620	18,464	49,320	483,750	276,576	95,153	1,007,003
- valuation	8,737	9,183	6,136	-	-	-	-	24,056
	45,857	**55,803**	**24,600**	**49,320**	**483,750**	**276,576**	**95,153**	**1,031,059**
Accumulated depreciation								
2011								
At 1 January	-	-	-	(3,145)	(206,048)	(120,811)	-	(330,004)
Currency translation differences	-	-	(65)	(1)	9	1	-	(56)
Charge for the financial year	-	(130)	(1,619)	(5,881)	(40,348)	(21,634)	-	(69,612)
Acquisition of subsidiaries	-	(154)	-	(1,373)	(4,060)	(1,488)	-	(7,075)
Disposals	-	-	-	-	5,155	279	-	5,434
Write offs	-	-	-	109	1,617	1,671	-	3,397
At 31 December	**-**	**(284)**	**(1,684)**	**(10,291)**	**(243,675)**	**(141,982)**	**-**	**(397,916)**
Net carrying amounts								
At 31 December 2011	**45,857**	**55,519**	**22,916**	**39,029**	**240,075**	**134,594**	**95,153**	**633,143**

13. Property, plant and equipment (continued)

Certain freehold land and buildings stated at valuation were revalued by the directors on 31 December 2012 based on open market valuations carried out by an independent firm of professional valuers to reflect fair value. The book values of the freehold lands were adjusted to reflect the revaluation and the resultant surpluses were credited to revaluation reserve.

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

	Group 2012 RM'000	Group 2011 RM'000
Costs		
Freehold land	23,153	21,623
Buildings	15,990	15,990
	39,143	37,613
Accumulated depreciation		
Buildings	(2,228)	(1,908)
Net carrying amounts	**36,915**	**35,705**

The additions and net book value of assets under hire purchase and finance leases are as follows:

	Group 2012 RM'000	Group 2011 RM'000
Assets under hire purchase and finance leases:		
- addition during the financial year (Note 32(i))	6,891	3,976
- net book value at the end of financial year	15,976	31,263

The net book value of property, plant and equipment pledged for borrowing facility (Note 27) as at 31 December 2012 is RM4,366,000 (2011: RM10,293,000).

Borrowing costs of RMNil (2011: RM2,963,000), arising on financing specifically entered into for the construction of the hospital building, were capitalised during the financial year and included in additions of property, plant and equipment of the Group during the financial year.

14. Other assets

This represents expansion, refurbishment and renovation cost incurred in respect of the hospital building owned by Al-'Aqar Healthcare REIT. The said cost shall be reimbursed by Al-'Aqar Healthcare REIT upon completion of work.

15. Investment properties

	Group 2012 RM'000	Group 2011 RM'000
At fair value:		
At 1 January	26,223	24,810
Additions	25,697	-
Gain on fair value	1,198	1,413
At 31 December	**53,118**	**26,223**

The fair value of the properties was estimated at RM53,118,000 (2011: RM26,223,000) based on valuations by an independent professionally qualified valuers, using the comparison method of actual sales transactions in the particular area surrounding the property. Valuations were based on current prices in an active market for the respective properties.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

16. Interest in subsidiaries

Interest in subsidiaries is made up as follows:

	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares, at cost	222,631	222,631
Loans to subsidiaries	654,898	647,383
	877,529	**870,014**

During the financial year, the Company has reclassified amounts due from subsidiaries amounting to RM7.5 million (2011: RM107.4 million) to interest in subsidiaries. This reclassification is in compliance with MFRS 139, "Financial Instruments: Recognition and Measurement" to reclassify balances when the intercompany advances are not of commercial nature, and are interest free with no fixed terms of repayment.

The following are subsidiaries of the Company:

Name of company	Country of incorporation	Effective equity interest 2012 %	Effective equity interest 2011 %	Principal activities
Johor Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Ipoh Specialist Hospital Sdn Bhd	Malaysia	98	98	Operating as a specialist hospital
Kumpulan Perubatan (Johor) Sdn Bhd	Malaysia	100	100	Investment holding, provision of management services, rental of equipment and health screening services through wellness program
Puteri Specialist Hospital (Johor) Sdn Bhd *	Malaysia	100	100	Operating as a specialist hospital
Tawakal Holdings Sdn Bhd	Malaysia	100	100	Investment holding
Point Zone (M) Sdn Bhd ~	Malaysia	100	100	Providing treasury management
Subsidiary of Johor Specialist Hospital Sdn Bhd				
Bandar Dato Onn Specialist Hospital Sdn Bhd (Formerly known as Renalcare Perubatan (M) Sdn Bhd)	Malaysia	100	100	To be operating as an international specialist hospital
Subsidiary of Tawakal Holdings Sdn Bhd				
Pusat Pakar Tawakal Sdn Bhd +	Malaysia	100	100	Operating as a specialist hospital
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd				
Bukit Mertajam Specialist Hospital Sdn Bhd	Malaysia	100	100	Dormant

16. Interest in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest 2012 %	2011 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Kota Kinabalu Specialist Hospital Sdn Bhd	Malaysia	97	97	Operating as a specialist hospital
Damansara Specialist Hospital Sdn Bhd ^	Malaysia	100	100	Operating as a specialist hospital
Kuantan Specialist Hospital Sdn Bhd	Malaysia	77	77	Operating as a specialist hospital
Perdana Specialist Hospital Sdn Bhd	Malaysia	61	61	Operating as a specialist hospital
Ampang Puteri Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Kuching Specialist Hospital Sdn Bhd	Malaysia	70	70	Operating as a specialist hospital
Selangor Specialist Hospital Sdn Bhd ~	Malaysia	60	60	Operating as a specialist hospital
Sentosa Medical Centre Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Seremban Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Kajang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Taiping Medical Centre Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Pusat Pakar Kluang Utama Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Penang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Bandar Baru Klang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Sterile Services Sdn Bhd	Malaysia	65	65	Providing sterile services
Puteri Nursing College Sdn Bhd	Malaysia	100	100	Operating a private medical university college
Pharmaserv Alliances Sdn Bhd	Malaysia	100	100	Marketing and distribution of medical and pharmaceutical products
PT Khasanah Putera Jakarta Medika ~	Indonesia	75	75	Operating as a specialist hospital
PharmaCARE Sdn Bhd ~	Malaysia	100	100	Providing human resource, training services and rental of human resource information system
SMC Healthcare Sdn Bhd	Malaysia	100	51	Operating as a specialist hospital

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

16. Interest in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest 2012 %	Effective equity interest 2011 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Sibu Medical Centre Corporation Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Sibu Geriatric Health & Nursing Centre Sdn Bhd	Malaysia	100	100	Providing aged care services
Jeta Gardens Waterford Trust ~	Australia	57	51	Providing retirement village and aged care services
Diaper Technology Industries Sdn Bhd	Malaysia	94	94	Providing information technology related services and rental of software
Fabricare Laundry Sdn Bhd ~	Malaysia	100	100	Providing business of laundry services
Teraju Farma Sdn Bhd	Malaysia	75	75	Distribution of medical and pharmaceutical products
Maharani Specialist Hospital Sdn Bhd	Malaysia	100	100	To be operating as a specialist hospital
Perlis Specialist Hospital Sdn Bhd ~	Malaysia	100	100	Dormant
KPJ Education Services Sdn Bhd ~	Malaysia	100	100	Dormant
Freewell Sdn Bhd	Malaysia	80	80	Dormant
Bayan Baru Specialist Hospital Sdn Bhd	Malaysia	55	55	Dormant
Pharmacare Surgical Technologies (M) Sdn Bhd	Malaysia	100	100	Dormant
Lablink (M) Sdn Bhd	Malaysia	100	100	Pathology and laboratory services
KPJ Medik TV Sdn Bhd ~	Malaysia	100	100	Dormant
Pasir Gudang Specialist Hospital Sdn Bhd	Malaysia	100	100	To be operating as a specialist hospital
Pahang Specialist Hospital Sdn Bhd ~	Malaysia	100	100	To be operating as a specialist hospital
Skop Yakin (M) Sdn Bhd ~	Malaysia	89	89	General merchandise
Healthcare IT Solutions Sdn Bhd ~	Malaysia	87	87	Providing healthcare information technology services
Renal-Link Sentosa Sdn Bhd	Malaysia	100	100	Dormant

16. Interest in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest 2012 %	Effective equity interest 2011 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Sri Kota Refractive And Eye Centre Sdn Bhd ~	Malaysia	100	80	Providing medical profession and consultancy services
Advanced Health Care Solution Sdn Bhd ~	Malaysia	100	75	Providing healthcare information technology services
Bima Galeksi Sdn Bhd ~	Malaysia	70	-	Dormant
Energy Excellent Sdn Bhd ~	Malaysia	100	-	Dormant
Subsidiary of Selangor Specialist Hospital Sdn Bhd				
Hospital Pusrawi SMC Sdn Bhd ~	Malaysia	51	51	Operating as a specialist hospital
Subsidiary of PharmaCARE Sdn Bhd				
Open Access Sdn Bhd	Malaysia	100	100	Dormant
Subsidiaries of Pharmaserv Alliances Sdn Bhd				
Medical Supplies (Sarawak) Sdn Bhd	Malaysia	75	75	Distributor of pharmaceutical products
Malaysian Institute of Healthcare Management Sdn Bhd	Malaysia	75	75	Dormant
FP Marketing (S) Pte Ltd ~	Singapore	100	100	Import, export and distribution of pharmaceutical, medical and consumer healthcare products
Subsidiary of SMC Healthcare Sdn Bhd				
Amity Development Sdn Bhd	Malaysia	100	100	Dormant

* Direct equity holding by the Company is 84 % (2011: 84%).
+ Direct equity holding by the Company is 14 % (2011: 14%).
^ Direct equity holding by the Company is 10% (2011: 10%).
~ Audited by a firm other than Ernst & Young.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

16. Interest in subsidiaries (continued)

(a) Acquisition of companies in 2012:

(i) On 17th September 2012, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, acquired an additional 49% equity interest in SMC Healthcare Sdn Bhd ("SMCH") comprising 39,200,000 ordinary shares of RM1.00 each for an aggregate cash consideration of RM54,880,000. This has effectively increased the Group's interest in SMCH from 51% to 100%.

(ii) On 17th August 2012, KPJSB subscribed for 250 ordinary shares of RM1.00 each in Advanced Health Care Solutions Sdn Bhd ("AHCS") for a cash consideration of RM1,000. This has effectively increased the Group's interest in AHCS from 75% to 100%.

(iii) On 17th August 2012 and 30th November 2012, KPJSB, subscribed for 2 and 5 ordinary shares of RM1.00 each in Bima Galeksi Sdn Bhd and Energy Excellent Sdn Bhd respectively for a cash consideration of RM10.

The effects of the above acquisitions on the financial results have not been disclosed as it was not material to the Group.

(b) Acquisition of companies in 2011:

In the previous financial year, the Group completed its acquisition in new interests and increased its stake in several subsidiaries as follows:

	2011 RM'000
Subscription of right issue in subsidiaries (Note (b)(ii) and (b)(iii))	26,000
Acquisition of interests in newly acquired subsidiaries (Note (b)(i) and (b)(iv))	47,146
	73,146
Less: Cash and cash equivalents of subsidiaries acquired	(11,078)
Cash outflow of the Group on acquisition of subsidiaries	62,068

(i) On 18 January 2011, KPJSB entered into a Share Sale Agreement for the acquisition of:

(i) 100% equity interest in Sibu Medical Centre Corporation Sdn Bhd ("SMCC") comprising 6,624,944 ordinary share of RM1.00 each for an aggregate purchase consideration of RM26,904,000.

(ii) 100% equity interest in Sibu Geriatric Health & Nursing Centre Sdn Bhd ("SGHNC") comprising 1,080,000 share for an aggregate purchase consideration of RM1,242,000.

The total purchase consideration paid for the above acquisition was RM28,146,000 and the acquisition was completed on 6 April 2011.

(ii) On 14 March 2011, KPJSB subscribed for a further 6,999,998 in Pasir Gudang Specialist Hospital Sdn Bhd by capitalising RM6,999,998 advances made to the company.

(iii) On 15 August 2011, KPJSB subscribed for a further 19,000,000 in Bandar Baru Klang Specialist Hospital Sdn Bhd by capitalising RM19,000,000 advances made to the company.

(iv) On 9 February 2011, KPJSB acquired a 21% equity investment in Jeta Gardens Waterford Trust ("JGWT") at a purchase consideration of RM4,750,000 for cash. The balance of the equity investment in JGWT granted to KPJSB via a put and call option which is exercisable between 1 July 2011 until 30 November 2011 at an issue price of Australian Dollar (AUD)1.

On 29 November 2011, KPJSB exercised the Call Option to acquire 275,704 ordinary shares and 2,481,311 New A Class Convertible Notes of JGWT at AUD equivalent to RM14,250,000 at the exchange rate prevalent on the date of payment.

16. Interest in subsidiaries (continued)

(b) Acquisition of companies in 2011 (continued):

The effect of the acquisitions on the financial results of the Group in the current financial year is as follows:

	2011 RM'000
Revenue	20,124
Operating costs	(17,836)
Profit before tax	2,081
Tax expense	(172)
Profit for the financial year	**1,909**

Had the acquisitions took effect at the beginning of the previous financial year, the revenue and profit of these companies attributable to the Group would have been RM53,226,000 and RM13,541,000 respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2011, together with the consequential tax effect.

A summary of the details of net assets acquired and cash flows arising from the acquisitions are as follows:

	Acquiree's carrying amounts RM'000	Fair value RM'000
Property, plant and equipment	20,713	20,713
Other investment	146	146
Interest in associates	23,902	23,902
Receivables, deposits and prepayments	5,034	5,034
Deposits, bank and cash balances	11,078	11,078
Payables	(34,953)	(34,953)
Tax recoverable	111	111
Bank borrowings	(9,660)	(9,660)
Deferred taxation	(738)	(738)
Fair value of net assets acquired	**15,633**	**15,633**
Goodwill on acquisition (Note 19)		31,513
Purchase consideration settled in cash		47,146
Less: Cash and cash equivalents of subsidiaries acquired		(11,078)
Cash outflow of the Group on acquisition		**36,068**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

17. Interest in associates

	Group 2012 RM'000	Group 2011 RM'000
Quoted ordinary shares in Al-'Aqar Healthcare REIT, at cost	336,248	279,310
Additions	55,508	56,938
Disposal	(48,789)	-
	342,967	336,248
Group's share of post acquisition retained profits and reserves less losses	70,477	52,152
Unquoted ordinary shares, at cost	10,312	10,312
Additional	55,487	-
	479,243	**398,712**
Share of capital commitments for property, plant and equipment	**5,254**	**47,799**
Share of non-cancellable operating lease commitments	**618,119**	**527,693**
Market value of quoted ordinary shares in Al-'Aqar Healthcare REIT	**455,754**	**396,370**

The associates of the Group are as follows:

Name of company	Country of incorporation	Effective equity interest 2012 %	Effective equity interest 2011 %	Principal activities
Unit trusts				
Al-'Aqar Healthcare REIT ^	Malaysia	49	49	Real estate investment trust
Associates of KPJSB				
Kedah Medical Centre Sdn Bhd	Malaysia	46	46	Operating as a specialist hospital
Hospital Penawar Sdn Bhd	Malaysia	30	30	Operating as a specialist hospital
Healthcare Technical Services Sdn Bhd	Malaysia	30	30	Project management and engineering maintenance services for specialist hospital
Vejthani Public Company Limited *	Thailand	23	-	International specialist hospital

^ Listed on the Main Market of Bursa Malaysia Securities Berhad.
* Audited by a firm other than Ernst & Young.

17. Interest in associates (continued)

The aggregate amount of revenue, profits, assets (excluding goodwill) and liabilities of the associates of the Group are as follows:

	Group 2012 RM'000	Group 2011 RM'000
Revenue	389,122	200,955
Profit after tax	86,682	92,707
Non-current assets	1,655,354	1,409,445
Current assets	154,625	97,650
Current liabilities	(721,499)	(48,728)
Non-current liabilities	(142,513)	(687,671)
Net assets	**945,967**	**770,696**

18. Available-for-sale financial assets

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	3,074	3,447
Disposals	-	(373)
At 31 December	3,074	3,074
Analysed as follows:		
- listed equity securities in Malaysia	8	8
- unlisted equity securities in Malaysia	3,066	3,066

Available-for-sale financial assets are denominated in Ringgit Malaysia. None of these financial assets is impaired.

19. Intangible assets

2012

	Goodwill RM'000	Software development expenditure RM'000	Total RM'000
Cost			
At 1 January 2012	167,830	-	167,830
Transfer from property, plant and equipment	-	12,033	12,033
Transfer (to)/from property, plant and equipment (i)	(2,599)	-	(2,599)
At 31 December 2012	165,231	12,033	177,264
Accumulated amortisation			
At 1 January 2012	-	-	-
Amortisation charge for the year	-	650	650
At 31 December 2012	-	650	650
Net carrying amount			
At 31 December 2012	**165,231**	**11,383**	**176,614**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

19. Intangible assets (continued)

2011

	Goodwill RM'000
Cost	
At 1 January 2011	136,317
Acquisitions of subsidiaries (Note 16)	31,513
At 31 December 2011	167,830
Net carrying amount	
At 31 December 2011	**167,830**

(i) MFRS 3 Business Combinations requires that all identifiable assets and liabilities and contingent liabilities assumed in a business combinations to be measured at their fair value at the acquisition date ('Purchase price allocation"). The purchase price allocation should be performed by the acquirer based on the fair value of the net assets acquired. MFRS 3 allows for such purchase price allocation to be performed by management and corresponding subsequent adjustments to be made within 12 months from the date of the acquisition. A summary of the acquisitions falling under the ambit of MFRS 3 is as follows:

	Acquisition date	Cost of acquisition RM' mil	Book value of net asset acquisition RM' mil	Fair value of net asset acquisition RM' mil	Impact to goodwill RM' mil
Sibu Geriatric Health & Nursing Sdn Bhd	4/6/2011	1.2	0.8	0.8	-
Sibu Medical Centre Sdn Bhd	4/6/2011	26.9	8.3	11.2 ^^	2.9
Jeta Gardens Waterford Trust	11/30/2011	19.0	11.3	11.3	-

^^ Arising from fair value of land and building

20. Impairment of assets

Impairment tests for goodwill

	Group 2012 RM'000	Group 2011 RM'000
Hospitals		
- Malaysia	143,460	146,059
- Indonesia	1,060	1,060
Aged care facility	16,145	16,145
Support services	4,566	4,566
	165,231	**167,830**

Recoverable amount based on value-in use

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the relevant CGUs.

20. Impairment of assets (continued)

Recoverable amount based on value-in use (continued)

The key assumptions used in value-in-use calculations are as follows:

	2012 %	2011 %
Gross margin[1]	30	30
Growth rate[2]	7	7
Discount rate[3]	12	12
Terminal growth rate	5	5

Assumptions:

[1] Budgeted gross margin
[2] Weighted average growth rate used to extrapolate cash flows beyond the budget period
[3] Pre-tax discount rate applied to the cash flow projections

The directors have determined budgeted gross margin based on past performance and expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

21. Deferred taxation

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

	Group	
	2012 RM'000	2011 RM'000
Deferred tax assets	15,601	14,962
Deferred tax liabilities		
- subject to income tax	(43,857)	(47,413)
At 31 December	**(28,256)**	**(32,451)**

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

	Group	
	2012 RM'000	2011 RM'000
At 1 January	(32,451)	(25,340)
(Charged)/credited to profit or loss (Note 10):		
- property, plant and equipment	4,747	(2,941)
- tax losses	(3,271)	(4,683)
- provisions	2,719	3,182
	4,195	(4,442)
Deferred tax arising from acquisition	-	(2,669)
At 31 December	**(28,256)**	**(32,451)**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

21. Deferred taxation (continued)

	Group 2012 RM'000	Group 2011 RM'000
Subject to income tax		
Deferred tax assets (before offsetting)		
- tax losses	6,996	7,352
- property, plant and equipment	8,331	8,301
- provisions	10,196	10,159
	25,523	25,812
Offsetting	(9,922)	(10,850)
Deferred tax assets (after offsetting)	**15,601**	**14,962**
Deferred tax liabilities (before offsetting)		
- property, plant and equipment	(53,779)	(58,263)
Offsetting	9,922	10,850
Deferred tax liabilities (after offsetting)	**(43,857)**	**(47,413)**

The amounts of deductible temporary differences and unutilised tax losses (both of which have no expiry date) for which no deferred tax asset is recognised on the statement of financial position are as follows:

	Group 2012 RM'000	Group 2011 RM'000
Unutilised tax losses	**7,411**	**7,476**

22. Inventories

	Group 2012 RM'000	Group 2011 RM'000
At cost:		
Pharmaceutical products	42,796	33,283
Medical supplies	11,608	9,637
Consumables and disposable items	2,501	3,302
Laboratory chemicals	495	446
Other supplies	152	398
	57,552	**47,066**

23. Receivables

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Non-current				
Advances to subsidiaries	-	-	-	56,302
Current				
Trade receivables	261,461	238,596	-	-
Less: Provision for impairment of trade receivables	(23,208)	(18,560)	-	-
Trade receivables - net	**238,253**	**220,036**	**-**	**-**
Amount due from former ultimate holding corporation	541	217	-	-
Amounts due from subsidiaries	-	-	111,053	56,613
Amounts due from associates	36	36	36	36
Other receivables	49,472	59,393	251	247
Deposits	23,900	19,794	38	21
Prepayments	12,825	5,160	244	476
Total current receivables	325,027	304,636	111,622	57,393
Total receivables	**325,027**	**304,636**	**111,622**	**113,695**
Add: Deposits, cash and bank balances (Note 24)	201,460	252,080	1,931	2,559
Less: Prepayments	(12,825)	(5,160)	(244)	(476)
Total loans and receivables	**513,662**	**551,556**	**113,309**	**115,778**

Advances given to subsidiaries amounting to RMNil million (2011: RM56.3 million) are unsecured, bearing effective weighted average interest rate of 3.70% (2011: 3.68%) per annum and shall be repaid within 7 years.

Credit terms of trade receivables range from 0 to 60 days (2011: 0 to 60 days).

As at 31 December 2012, trade receivables of RM152,089,000 (2011: 157,990,000) is neither past due nor impaired and RM86,164,000 (2011: 62,046,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Ageing analysis of trade receivables

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

	Group 2012 RM'000	Group 2011 RM'000
Neither past due nor impaired	152,089	157,990
1 to 30 days past due not impaired	28,587	17,395
31 to 60 days past due not impaired	16,893	12,783
61 to 90 days past due not impaired	9,691	13,339
91 to 120 days past due not impaired	7,576	5,103
More than 121 days past due not impaired	23,417	13,426
	86,164	62,046
Impaired	23,208	18,560
	261,461	**238,596**

As at 31 December 2012, trade receivables of RM23,208,000 (2011: 18,560,000) were impaired and provided for.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

23. Receivables (continued)

Movement in allowance accounts:

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	18,560	17,503
Charge for the year	5,552	2,364
Appropriation to consultant	362	653
Written off	(1,142)	(1,643)
Reversal of impairment loss	(124)	(317)
At 31 December	**23,208**	**18,560**

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

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Ringgit Malaysia	314,320	274,962	111,378	113,219
Singapore Dollar	2,815	3,847	-	-
Indonesian Rupiah	4,182	2,860	-	-
Australian Dollar	16,535	17,807	-	-
	337,852	**299,476**	**111,378**	**113,219**

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

24. Deposits, cash and bank balances

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Deposits with licensed banks	71,588	83,988	-	-
Cash and bank balances	129,872	168,092	1,931	2,559
	201,460	**252,080**	**1,931**	**2,559**

Bank balances are deposits held at call with licensed banks and do not earn interest.

24. Deposits, cash and bank balances (continued)

The fixed deposits of certain subsidiaries have been pledged to licensed banks for the following facilities:

	Group 2012 RM'000	Group 2011 RM'000
Performance bonds to Tenaga Nasional Berhad	4,059	4,059
As a security for:		
- borrowing facilities	1,128	1,128
- performance guarantee of RM112,000 (2011: RM112,000)	112	112
	5,299	**5,299**

The weighted average interest rates of deposits with licensed banks of the Group during the financial year were 3.1% (2011: 2.76%) per annum.

The currency exposure profile of deposits, cash and bank balances as at end of the reporting period is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Ringgit Malaysia	186,066	225,925	1,931	2,559
Singapore Dollar	6,882	5,304	-	-
Indonesian Rupiah	497	259	-	-
Australian Dollar	8,015	20,592	-	-
	201,460	**252,080**	**1,931**	**2,559**

Deposits of the Group have an average maturity of 365 days (2011: 365 days).

25. Non-current assets held for sale

	Group 2012 RM'000	Group 2011 RM'000
Hospitals land and buildings		
At 1 January	94,291	105,974
Additions	117	37,149
Reclassification from property, plant and equipment (Note 13)	1,896	117
Disposals	(94,291)	(48,949)
At 31 December	**2,013**	**94,291**

(a) On 30 April 2010, the Group proposed to dispose its entire interest in Kluang Utama Specialist Hospital Building and Bandar Baru Klang Specialist Hospital Building to Al-'Aqar Healthcare REIT ("Al-'Aqar") for a proposed total sale consideration of RM96.50 million to be satisfied partly by cash consideration of RM40.99 million and RM55.51 by the issuance of 56.64 million new units in Al-'Aqar at an issue price of RM0.98 per unit to be credited as fully paid-up. The proposed disposal was approved by shareholders on 17 December 2010.

The proposed disposal of Kluang Utama Specialist Hospital Building was completed on 6 January 2012.

The proposed disposal of Bandar Baru Klang Specialist Hospital Building was completed on 26 June 2012.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

25. Non-current assets held for sale (continued)

(b) On 8th August 2012, Puteri Specialist Hospital (Johor) Sdn Bhd ("PSH"), a subsidiary of the Company proposed to dispose two pieces of lands, both situated in the town of Johor Bahru, to Al-'Aqar for a total consideration of RM3,590,000 to be fully satisfied in cash.

The proposed disposal is expected to be completed in the second quarter of 2013.

26. Payables

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-current				
Advances from subsidiaries	**-**	**-**	**174,282**	**434,644**
Current				
Trade payables	239,607	244,724	-	-
Other payables	41,910	38,840	26	17
Resident loans	42,480	44,748	-	-
Accruals	79,936	51,597	2,269	3,547
Amount due to former ultimate holding corporation	206	68	199	61
Amounts due to subsidiaries	-	-	184,492	87,895
Amounts due to former related companies	-	-	50	50
Total current payables	404,139	379,977	187,036	91,570
Total payables	404,139	379,977	361,318	526,214
Add: Borrowings (Note 27)	592,096	443,471	120,000	65,000
Add: Deposits (Note 29)	15,524	14,785	-	-
Total financial liabilities carried at amortised cost	**1,011,759**	**838,233**	**481,318**	**591,214**

Advances given by subsidiaries amounting to RM174.3 million (2011: RM434.6 million) are unsecured, bearing effective weighted average interest rate of 3.70% (2011: 3.35%) per annum and shall be repaid within 7 years.

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

Credit terms of trade payables range from 30 to 60 days (2011: 30 to 60 days).

The currency exposure profile of payables is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Ringgit Malaysia	300,014	266,510	361,318	526,214
Singapore Dollar	12,523	5,095	-	-
Indonesian Rupiah	2,333	14,132	-	-
Australian Dollar	89,269	94,240	-	-
	404,139	**379,977**	**361,318**	**526,214**

27. Borrowings

	Group 2012 RM'000	Group 2011 RM'000
Current		
Term loans (secured)	13,718	5,477
Revolving credits (unsecured)		
- Conventional	70,000	103,000
- Al-Amin	105,900	15,000
	175,900	118,000
Islamic facilities		
- Hiwalah term loan (secured)	6,145	8,676
- Al-Ijarah	4,344	1,585
	10,489	10,261
Hire purchase and finance lease liabilities		
- Conventional	4,591	5,267
- Bai Al-Inah	883	845
	5,474	6,112
	205,581	139,850
Bank overdrafts (unsecured)	1,046	1,141
	206,627	**140,991**
Non-current		
Term loans (secured)	4,755	35,234
Islamic commercial papers (secured)	349,000	249,000
Islamic facilities		
- Hiwalah term loan (secured)	11,305	5,862
- Al-Ijarah	12,588	3,752
	23,893	9,614
Hire purchase and finance lease liabilities		
- Conventional	5,826	6,055
- Bai Al-Inah	1,995	2,577
	7,821	8,632
	385,469	**302,480**
Total		
Term loans (secured)	18,473	40,711
Islamic commercial papers (secured)	349,000	249,000
Revolving credits (unsecured)		
- Conventional	70,000	103,000
- Al-Amin	105,900	15,000
	175,900	118,000
Islamic facilities		
- Hiwalah term loan (secured)	17,450	14,538
- Al-Ijarah	16,932	5,337
	34,382	19,875
Hire purchase and finance lease liabilities		
- Conventional	10,417	11,322
- Bai Al-Inah	2,878	3,422
	13,295	14,744
Bank overdrafts (unsecured)	1,046	1,141
	592,096	**443,471**

	Company 2012 RM'000	Company 2011 RM'000
Current		
Revolving credits (unsecured)		
- Conventional	70,000	50,000
- Al-Amin	50,000	15,000
	120,000	**65,000**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

27. Borrowings (continued)

Borrowings for the Group and the Company are denominated in Ringgit Malaysia.

The borrowings are secured by:

(a) fixed charge on certain landed properties of the Group (Note 13);
(b) first fixed charge on certain assets of the Group by way of debenture;
(c) letter of awareness, letter of comfort and letter of subordinates from Johor Corporation;
(d) a negative pledge over some of the fixed and floating assets of the Group;
(e) fixed first and floating charge over some movable and immovable assets of the Group; and
(f) finance leases are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Islamic Commercial Papers/Islamic Medium Term Notes ("ICP/IMTN")

The ICP/IMTN is parked at Point Zone Sdn Bhd ("PZSB"), a special purpose vehicle incorporated to raise funds for the Group.

On 3 May 2011, the Company refinanced its existing Commercial Papers/Medium Term Notes ("CP/MTN") with the first issuance of ICP/IMTN up to RM500 million from RM250 million.

Salient features of the ICP/IMTN are as follows:

(1) Total outstanding nominal value of ICPs and IMTNs (collectively known as "Notes") shall not exceed RM500 million.
(2) The tenure of the Facility is up to 7 years from date of the first issuance of any Notes (3 May 2011) under the Facility.
(3) ICP has a maturity of between 1,2,3,6 and 7 months and are mandatorily redeemed at nominal value upon maturity date. The ICP is issued at a discount to its value.
(4) IMTN has a maturity of 1 year but not more than 7 years and on condition that the IMTN matures prior to the expiry of the tenure of the Facility. The IMTN shall be mandatorily redeemed at nominal value upon maturity date. The interest for the IMTN shall be payable semi-annually upon maturity of IMTN.
(5) The ICP/IMTN Facility is issued on a clean basis and shall be fully repaid at the end of the tenure of the Facility.

As at 31 December 2012, the unutilised amount of ICP/IMTN amounted to RM151.0 million (2011: RM251.0 million).

The ICP/IMTN is pledged against the Group's investment in its associate, Al-'Aqar Healthcare REIT amounting to RM234,963,962 as security.

The ICP/IMTN Facility was secured by Memorandum of charge over designated account identified as Finance Service Reserve Account ("FSRA") and Corporate Guarantee Agreement was issued by the Company in favour of the appointed trustee.

	Functional currency/ currency exposure	Interest rate	Effective interest rate at the end of the period % per annum	Total carrying amount RM'000	Maturity profile <1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	> 5 years RM'000
2012										
Group										
Term loans (secured)	RM/RM	Floating	3.28	18,473	13,718	1,562	640	678	720	1,155
Islamic commercial papers (secured)	RM/RM	Floating	3.70	349,000	-	-	-	-	-	349,000
Revolving credits (unsecured)										
- Conventional	RM/RM	Floating	3.73	70,000	70,000	-	-	-	-	-
- Al-Amin	RM/RM	Floating	4.00	105,900	105,900	-	-	-	-	-
Islamic facilities										
- Hiwalah term loan (secured)	RM/RM	Floating	6.32	17,450	6,145	885	625	653	682	8,460
- Al-Ijarah	RM/RM	Floating	2.95	16,932	4,344	4,591	3,286	3,152	1,559	-
Hire purchase and finance lease liabilities										
- Conventional	RM/RM	Floating	3.55	10,417	4,590	2,575	2,293	959	-	-
- Bai Al-Inah	RM/RM	Floating	2.72	2,878	883	936	935	124	-	-
Bank overdrafts (unsecured)	RM/RM	Floating	7.56	1,046	1,046	-	-	-	-	-
				592,096	**206,626**	**10,549**	**7,779**	**5,566**	**2,961**	**358,615**

27. Borrowings (continued)

	Functional currency/ currency exposure	Interest rate	Effective interest rate at the end of the period % per annum	Total carrying amount RM'000	Maturity profile <1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	> 5 years RM'000
2012										
Company										
Revolving credits (unsecured)										
- Conventional	RM/RM	Floating	3.75	70,000	70,000					
- Al-Amin	RM/RM	Floating	4.30	50,000	50,000	-	-	-	-	-
				120,000	**120,000**	**-**	**-**	**-**	**-**	**-**
2011										
Group										
Term loans (secured)	RM/RM	Floating	3.28	40,711	5,477	6,186	3,601	1,643	682	23,122
Islamic commercial papers (secured)	RM/RM	Floating	3.70	249,000	-	-	-	-	-	249,000
Revolving credits (unsecured)										
- Conventional	RM/RM	Floating	3.73	103,000	103,000	-	-	-	-	-
- Al-Amin	RM/RM	Floating	4.00	15,000	15,000	-	-	-	-	-
Islamic facilities:										
- Hiwalah term loan (secured)	RM/RM	Floating	6.32	14,538	8,676	5,608	254	-	-	-
- Al-Ijarah	RM/RM	Floating	2.95	5,337	1,585	1,677	1,770	305	-	-
Hire purchase and finance lease liabilities										
- Conventional	RM/RM	Floating	3.55	11,322	5,267	2,690	2,213	770	382	-
- Bai Al-Inah	RM/RM	Floating	2.72	3,422	845	773	635	604	565	-
Bank overdrafts (unsecured)	RM/RM	Floating	7.56	1,141	1,141	-	-	-	-	-
				443,471	**140,991**	**16,934**	**8,473**	**3,322**	**1,629**	**272,122**
Company										
Revolving credits (unsecured)										
- Conventional	RM/RM	Floating	3.75	50,000	50,000	-	-	-	-	-
- Al-Amin	RM/RM	Floating	4.30	15,000	15,000	-	-	-	-	-
				65,000	**65,000**	**-**	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

27. Borrowings (continued)

	Not later than 1 year RM'000	Later than 1 year and not later than 2 years RM'000	Later than 2 years and not later than 3 years RM'000	Later than 3 years and not later than 4 years RM'000	Later than 4 years and not later than 5 years RM'000	Total RM'000
Group						
2012						
Hire purchase and finance lease liabilities						
- Conventional	4,892	2,737	2,512	774	510	11,425
- Bai Al-Inah	1,025	1,029	958	126	-	3,138
	5,917	**3,766**	**3,470**	**900**	**510**	**14,563**
Less: Future finance charges						
- Conventional						(1,008)
- Bai Al-Inah						(260)
						(1,268)
						13,295
Group						
2011						
Hire purchase and finance lease liabilities						
Lease liabilities						
- Conventional	5,606	2,776	2,792	810	412	12,396
- Bai Al-Inah	1,057	980	658	623	582	3,900
	6,663	**3,756**	**3,450**	**1,433**	**994**	**16,296**
Less: Future finance charges						
- Conventional						(1,074)
- Bai Al-Inah						(478)
						(1,552)
						14,744

28. Deferred revenue

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	53,591	40,881
Additions	48,278	54,728
Earned during the financial year	(40,736)	(42,018)
At 31 December	**61,133**	**53,591**
Represented by:		
Fees received in advance		
- Students' fees	2,414	2,307
- Accommodation fees	658	693
KPJ Wellness Subscription Fees	58,061	50,591
	61,133	**53,591**

The Wellness Programme provides healthcare service packages ("packages") to the public under the allocated specialist hospital. The packages range from 5 years, 10 years and 18 years to individuals and couples. Subscription fees are recognised as revenue over the subscription period, however, they are classified as current liabilities as the subscription period is for a period of 12 months only. In order to carry on the packages, subscribers are required to pay renewal fees on a yearly basis up to the end of the subscription period.

29. Deposits

Long term deposits represent amounts received from consultants, which are repayable on death, retirement (at age 65) or disability of the consultants. Deposits are forfeited on termination of a consultant's practice either by the Group due to events of breach or on early termination by the consultant. However, the deposits may be refunded to the consultants if approval from the Board of Directors is obtained.

Long term deposits previously measured at cost, are now measured at fair value initially and subsequently at amortised costs using effective interest method. The differences between the fair value and cash value are recognised as deferred consultancy expenses and amortised using remaining service period to retirement (at age 65) of consultants. These amortisation expenses are charged to profit or loss.

	Group 2012 RM'000	Group 2011 RM'000
Represented by:		
Refundable practicing deposits	8,601	7,356
Deferred consultancy expenses	6,923	7,429
	15,524	**14,785**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

30. Share capital

	Group/Company	
	2012	2011
	RM'000	RM'000
Authorised ordinary shares of RM0.50 each		
At 1 January/31 December	**500,000**	**500,000**
Issued and fully paid ordinary shares of RM0.50 each		
At 1 January	292,492	279,954
Issued during the financial year:		
- exercise of share warrants	30,599	12,538
	323,091	**292,492**

(a) Treasury shares

On 25 June 2012, at the Annual General Meeting, the shareholders of the Company renewed their approval for the Company to buy-back its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company.

On 11 January 2013, the Company bought back from the open market 60,000 units of KPJ Healthcare Berhad shares, listed on the Main Market of Bursa Malaysia Securities Berhad, at an average buy-back price of RM5.66 per share.

(b) Share split, bonus issue and free warrants

On 15 January 2010, the Company has subdivided its existing 211,050,615 ordinary shares of RM1 each into 422,101,230 ordinary shares of RM0.50 each ("Share Split").

On the same date, the Company issued bonus shares of up to 105,525,308 new ordinary shares of RM0.50 each, which credited as fully paid up by the Company, on the basis of one (1) Bonus Shares for every four (4) shares held by the entitled shareholders of the Company after the share split ("Bonus Issue").

On the same date, the Company issued up to 131,906,635 free warrants on the basis of one (1) free warrant for every four (4) shares held by the entitled shareholders of the Company after the Share Split and Bonus Issue.

The new shares issued arising from the Share Split, Bonus Issue and Free Warrants exercised shall upon issue and allotment, rank pari passu in all respects.

The warrants exercise period is five years commencing from the offer date. Warrant exercise price is 15% discount to the theoretical ex-all price based on five-day volume weighted-average market price up to and including 20 November 2009 ("price fixing date").

Set out below are details of the free warrants issued by the Company:

			Number of warrants 2010/2015		
		Exercise	At		At
Issuance date	Expiry date	price	1.1.2012	Exercised	31.12.2012
		RM/share	'000	'000	'000
15 January 2010	14 January 2015	**1.70**	**74,549**	**(61,198)**	**13,351**

30. Share capital (continued)

(b) Share split, bonus issue and free warrants (continued)

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

Exercise date	Fair value of shares at share issue date RM/share	Exercise price RM/share	Number of shares issued 2012 '000	2011 '000
1 January 2012 to 31 December 2012	4.64 - 6.37	1.70	**61,198**	**25,077**

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

	Group/Company 2012 RM'000	2011 RM'000
Ordinary share capital - at par	30,599	12,538
Share premium	73,436	30,093
Proceeds from exercise of warrants	**104,035**	**42,631**
Fair value at exercise date of shares issued	**336,889**	**105,570**

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

31. Reserves

		Group 2012 RM'000	2011 RM'000	Company 2012 RM'000	2011 RM'000
Non-distributable reserves:					
Share premium	(a)	147,288	73,852	142,266	68,830
Merger reserve	(b)	(3,367)	(3,367)	-	-
Exchange reserve	(c)	(25)	(995)	-	-
Revaluation reserve	(d)	50,415	45,215	-	-
		194,311	114,705	142,266	68,830
Distributable reserve:					
Retained earnings	(e)	518,546	485,780	31,525	18,722
		712,857	**600,485**	**173,791**	**87,552**

(a) This reserve comprise the premium paid on subscription of shares in the Company over and above the par value of the shares.

(b) Merger deficit is the difference between the nominal value and share premium of ordinary shares issued by the Company as consideration and the nominal value of ordinary shares of subsidiaries acquired.

(c) Exchange reserve is used to record exchange differences arising from the translation of financial statements of subsidiaries whose functional currency differs from the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

31. Reserves (continued)

(d) Revaluation reserve (non-distributable).

	Group	
	2012 RM'000	**2011 RM'000**
At 1 January	45,215	56,110
Transfer to retained earnings on disposal of property, plant and equipment to Al-'Aqar Healthcare REIT net of non-controlling interest	-	(12,007)
Revaluation surplus, net of tax	5,200	1,112
	5,200	(10,895)
At 31 December	**50,415**	**45,215**

The revaluation reserve includes surplus from the revaluation of the Group's land and buildings and unrealised revaluation reserves retained in the Group's interest in Al-'Aqar Healthcare REIT.

(e) Under the single-tier tax system which came into effect from the year of assessment 2009, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2012 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever if earlier unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2009. As at 31 December 2012, the Company has fully utilised its Section 108 balance.

32. Non-cash transactions

The principal non-cash transactions during the financial year are as follows:

(i) The acquisition of property, plant and equipment of which RM6,891,000 (2011: RM3,976,000) is by means of hire purchase and finance lease.

(ii) KPJSB disposed its entire interest in Kluang Utama Specialist Hospital Building and Bandar Baru Klang Specialist Hospital Building to Al-'Aqar Healthcare REIT for a total sale consideration of RM96.50 million which was satisfied partly by cash consideration of RM40.99 million and RM55.51 million by the issuance of 56.64 million new units in Al-'Aqar at an issue price of RM0.98 per unit credited as fully paid-up.

The disposal of Kluang Utama Specialist Hospital Building was completed on 6 January 2012.

The disposal of Bandar Baru Klang Specialist Hospital Building was completed on 26 June 2012.

33. Significant related party disclosures

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

(a) Significant related party transactions

	Type of transactions	Company 2012 RM'000	Company 2011 RM'000
Paid/payable to/(received/ receivable from) subsidiaries			
Ampang Puteri Specialist Hospital Sdn Bhd	Management fees	(2,905)	(2,812)
	Advances received/paid	(18,350)	19,750
	Interest expense	1,665	1,539
Damansara Specialist Hospital Sdn Bhd	Management fees	(2,561)	(2,484)
	Interest expense	1,085	983
	Advances received	(12,850)	(10,117)
	Dividend received (net)	(21,000)	(27,000)
Ipoh Specialist Hospital Sdn Bhd	Management fees	(3,336)	(3,032)
	Interest expense	1,651	1,525
Johor Specialist Hospital Sdn Bhd	Management fees	(3,050)	(2,917)
	Dividend received (net)	(21,273)	(26,076)
Kuching Specialist Hospital Sdn Bhd	Interest income	(20)	(344)
	Management fees	(1,014)	(702)
Kumpulan Perubatan (Johor) Sdn Bhd	Interest income	(2,129)	(1,828)
Kuantan Specialist Hospital Sdn Bhd	Management fees	(836)	(774)
	Interest expense	1,836	844
	Advances received	(26,802)	(15,131)
Pharmaserv Alliances Sdn Bhd	Management fees	(884)	(345)
	Interest income	(462)	(335)
Puteri Nursing College Sdn Bhd	Management fees	(1,200)	(1,200)
Perdana Specialist Hospital Sdn Bhd	Interest income	(660)	(346)
	Management fees	1,123	(864)
Puteri Specialist Hospital (Johor) Sdn Bhd	Management fees	(2,089)	(1,981)
	Corporate fees	(97)	(90)
Pusat Pakar Tawakal Sdn Bhd	Management fees	(2,243)	(2,008)
	Dividend received (net)	(640)	(191)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

33. Significant related party disclosures (continued)

(a) Significant related party transactions (continued)

	Type of transactions	Company 2012 RM'000	Company 2011 RM'000
Paid/payable to/(received/ receivable from) subsidiaries (continued)			
Penang Specialist Hospital Sdn Bhd	Management fees	(1,411)	(613)
	Expenses recharged	(4)	(4)
	Repayment of advances	960	-
Selangor Specialist Hospital Sdn Bhd	Management fees	(1,823)	(1,635)
	Interest expense	322	741
Sentosa Medical Centre Sdn Bhd	Management fees	(887)	(834)
	Advances received	(6,200)	(4,100)
	Interest expense	690	628
Seremban Specialist Hospital Sdn Bhd	Management fees	(1,728)	(1,566)
SMC Healthcare Sdn Bhd	Management fees	(876)	(2,224)
Tawakal Holdings Sdn Bhd	Dividend received (net)	(3,688)	(1,584)
Kajang Specialist Hospital Sdn Bhd	Management fees	(1,292)	(1,133)
Lablink (M) Sdn Bhd	Management fees	(150)	(150)
	Advances received	(1,025)	(1,011)
	Dividend received (net)	(1,875)	(94)
Teraju Farma Sdn Bhd	Management fees	(120)	(120)
Taiping Medical Centre Sdn Bhd	Interest expense	333	282
	Management fees	(233)	(203)
Pusat Pakar Kluang Utama Sdn Bhd	Management fees	(368)	(326)
	Advances received	(3,629)	-
Point Zone (M) Sdn Bhd	Interest on borrowing	(9,671)	(6,095)

33. Significant related party disclosures (continued)

(a) Significant related party transactions (continued)

	Type of transactions	Group 2012 RM'000	Group 2011 RM'000
Paid/payable to/ (received/receivable from) associate			
Al-'Aqar Healthcare REIT	Disposal of building	(96,500)	(50,270)
	Disposal of land	(3,590)	-
Paid/payable to/(received/receivable from) a related party			
JCorp Hotels and Resort Sdn Bhd	Purchase of service apartments	1,935	-
Johor Corporation	Acquisition of subsidiary	15,840	-
	Acquisition of land	45,000	-

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

Information regarding outstanding balances arising from related party transactions as at the financial year end are disclosed in Note 23 and 26.

(b) Key management personnel compensation

	Group/Company 2012 RM'000	Group/Company 2011 RM'000
Salaries, allowances and bonus	3,144	2,843
Contribution to defined contribution plan	680	317
	3,824	**3,160**

34. Non-cancellable operating lease commitments

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

	Group 2012 RM'000	Group 2011 RM'000
Represented by:		
Not later than 1 year	71,527	71,398
Later than 1 year but not later than 2 years	71,457	89,066
Later than 2 years but not later than 5 years	248,031	224,854
Later than 5 years	479,790	516,907
	870,805	**902,225**

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

35. Contingent liabilities

Upon the adoption of MFRS 139, the financial guarantees provided to financiers for subsidiaries are no longer disclosed as contingent liabilities, but would instead be recorded as financial liabilities if considered likely to crystallise. The Company has assessed the financial guarantee contracts and concluded that the financial impact of the guarantees is not material.

36. Significant events

(a) Proposed Disposal by KPJSB

On 30 April 2010, KPJSB proposed to dispose its entire interest in Kluang Utama Specialist Hospital Building and Bandar Baru Klang Specialist Hospital Building to Al-‘Aqar Healthcare REIT (“Al-’Aqar”) for a proposed total sale consideration of RM96.50 million to be satisfied partly by cash consideration of RM40.99 million and RM55.51million by the issuance of 56.64 million new units in Al-‘Aqar at an issue price of RM0.98 per unit to be credited as fully paid-up. The proposed disposal was approved by shareholders on 17 December 2010.

The proposed disposal of Kluang Utama Specialist Hospital Building was completed on 6 January 2012.

The proposed disposal of Bandar Baru Klang Specialist Hospital Building was completed on 26 June 2012.

(b) Proposed Acquisition by Pahang Specialist Hospital Sdn Bhd (“PSHSB”) of leasehold land

On 22nd June 2011, PSHSB, a wholly-owned subsidiary of KPJSB, proposed to acquire a 3.12 acre leasehold land for a total consideration of RM3,756,750 to be satisfied via issuance of 3,756,750 ordinary shares of RM1.00 each in PSHSB.

The proposed acquisition is expected to be completed in the second (2nd) quarter of 2013.

(c) Proposed Acquisition of Land at Mukim of Klang District of Klang State of Selangor

On 11th November 2011, KPJSB entered into a Sale and Purchase agreement (“SPA”) with Sazean Development Sdn Bhd to acquire four (4) plots of land with an aggregate area of approximately 1.8397 hectares for a total cash consideration of RM23,762,400 located at Mukim of Klang District of Klang State of Selangor.

The Proposed Acquisition was completed on 12 June 2012.

(d) Disposal of Redeemable Preference Shares in Intrapreneur Development Sdn Bhd

References are made in relation to the Subscription Agreement entered into with Intrapreneur Development Sdn Bhd (“IDSB”) for the proposed subscription of 100,000 Redeemable Preference Shares (“RPS”) of RM0.01 each in IDSB at issue price of RM100 each.

As at to date, the Company has only subscribed and is the registered owner of 15,369 RPS with the total cost of the investment being RM1,536,900.

The Company had on 30th January 2012 entered into a Sale of Shares Agreement with Johor Corporation to dispose 15,369 RPS at the total sale consideration of RM1,536,900.

The proposed disposal has been completed on 7th March 2012.

(e) Proposed Acquisition of 8 units of service apartments for a total purchase consideration of RM1,934,880

On 8th February 2012, KPJSB entered into separate Sale and Purchase Agreements (“SPAs”) with JCorp Hotels and Resorts Sdn Bhd to acquire eight (8) units of Service Apartments for a total purchase consideration of RM1,934,880. The purchase consideration for each one (1) unit of the Service Apartment is RM241,860.

The Service Apartments are part of the Berjaya Tioman Suites developed by Tioman Island Resort Bhd. The Berjaya Tioman Suites is located on a parcel of land at PN14711 Lot 5006, Bandar Tioman, Daerah Rompin, Pahang.

The proposed acquisition was completed on 8th February 2012.

36. Significant events (continued)

(f) Proposed Joint Venture between KPJSB and Naim Land Sdn Bhd

On 19th April 2012, KPJSB signed a Joint Venture Agreement ("JVA") with Naim Land Sdn Bhd ("NLSB") for the purpose of designing, developing, building, completing and owning a purpose-built hospital building and subsequently operating as a hospital at a land held under lot 3247 Block 11, Kuala Baram Land District, Miri, Sarawak measuring 4 acres, where NLSB is the registered owner of the Land.

(g) Proposed Acquisition by KPJSB of 80% equity interest in PT Khidmat Perawatan Jasa Medika ("PT KPJ Medika")

On 23rd March 2012, KPJSB accepted the offer to acquire of up to 80% equity interest in PT Khidmat Perawatan Jasa Medika ("PT KPJ Medika") for a total cash consideration of RM15,840,000.

On 9th July 2012, KPJSB has entered into a conditional Sale of Shares Agreement ("SSA") with Johor Corporation in relation to the Proposed Acquisition.

The proposed acquisition was completed on 7 March 2013.

(h) Proposed Acquisition by KPJSB of 49% equity interest in SMC Healthcare Sdn Bhd ("SMCH")

On 1st August 2012, KPJSB proposed to acquire the balance of 49% equity interest in SMCH equivalent to 39,200,000 ordinary shares of RM1.00 each from Sabah Medical Centre Sdn Bhd for a total cash consideration of RM54,880,000.

The proposed acquisition was completed on 8th August 2012.

(i) Proposed Acquisition by KPJSB of land at Mukim Tebrau, Johor Bahru

On 16th May 2012, KPJSB proposed to acquire a parcel of vacant commercial land held under H.S (D) 501209, Lot no. PTD 163189, Mukim of Tebrau, district of Johor Bahru, Johor Darul Takzim, from Johor Land Berhad ("JLB" or "Vendor"), a subsidiary of Johor Corporation, for a total cash consideration of RM45,000,000.

The proposed acquisition was completed on 14th December 2012.

(j) Proposed Acquisition by Pharmaserv Alliances Sdn Bhd ("PASB") of a 3 Storey Office Building together with a Single Storey Warehouse

On 1st June 2012, PASB, a wholly owned subsidiary of KPJSB, proposed to acquire a 3 Storey Office Building together with a Single Storey Warehouse from Lewre International Sdn Bhd ("LEWRE") for a total purchase consideration of RM14,200,000.

The proposed acquisition was completed on 16th January 2013.

(k) Proposed Disposal by Puteri Specialist Hospital (Johor) Sdn Bhd ("PSH") of two (2) pieces of land

On 8th August 2012, PSH, a subsidiary of the Company, proposed to dispose two (2) pieces of lands, both situated in the town of Johor Bahru, District of Johor Bahru, State of Johor to Al-'Aqar Healthcare REIT ("Al-'Aqar") for a total consideration of RM3,590,000 to be fully satisfied in cash.

The proposed disposal is expected to be completed in the second (2nd) quarter of 2013.

(l) Proposed Acquisition by Ipoh Specialist Hospital Sdn Bhd ("ISH") of 100% equity interest in Sri Manjung Specialist Centre ("SMSC")

On 12th September 2012, ISH, a subsidiary of the Company, proposed to acquire 100% equity interest in Sri Manjung Specialist Centre Sdn Bhd ("SMSC") equivalent to the total of 900,000 ordinary share of RM1.00 each for a total cash consideration of RM14,250,000.

The proposed acquisition is expected to be completed in the second (2nd) quarter of 2013.

(m) Proposed Acquisition by KPJSB of 23.37% equity interest in Vejthani Public Company Limited ("VPCL")

On 23rd November 2012, KPJSB proposed to acquire 23.37% equity interest in Vejthani Public Company Limited ("VPCL") equivalent to the total of 8,000,000 preference shares of THB10.00 each for a total cash consideration of THB605,615,991 equivalent to RM60,529,200.

The proposed acquisition was completed on 23rd November 2012.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

37. Capital commitments

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

	Group 2012 RM'000	Group 2011 RM'000
Approved by the directors and contracted	163,475	188,031
Approved by the directors but not contracted	267,441	244,494
	430,916	**432,525**
Analysed as follows:		
- Leasehold land	5,700	10,431
- Buildings	253,314	301,372
- Medical equipment	24,199	29,628
- Other property, plant and equipment	147,703	91,094
	430,916	**432,525**

The Group's interest in capital commitments of the associates is disclosed in Note 17.

38. Fair value of financial instruments

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

	Note
Receivables	23
Deposits, cash and bank balances	24
Payables	26
Borrowings	27
Deposits	29

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

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

39. Financial risk management objectives and policies

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

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

(a) Credit risk

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

39. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

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

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 23.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 23. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 23.

Apart from those disclosed above, none of other financial assets is either past due or impaired.

(b) Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

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

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2012				
Group				
Payables	404,139	-	-	404,139
Borrowings	212,543	27,679	350,848	591,070
Deposits	2,273	5,812	8,743	16,828
Total undiscounted financial liabilities	**618,955**	**33,491**	**359,591**	**1,012,037**
Company				
Payables	187,036	60,763	113,519	361,318
Borrowings	120,000	-	-	120,000
Total undiscounted financial liabilities	**307,036**	**60,763**	**113,519**	**481,318**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

39. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2011				
Group				
Payables	379,977	-	-	379,977
Borrowings	142,048	52,615	250,548	445,211
Deposits	-	9,830	5,665	15,495
Total undiscounted financial liabilities	**522,025**	**62,445**	**256,213**	**840,683**
Company				
Payables	91,570	152,942	281,702	526,214
Borrowings	65,000	-	-	65,000
Total undiscounted financial liabilities	**156,570**	**152,942**	**281,702**	**591,214**

(c) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM471,571 (2011: RM249,215) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in interest rate for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has four subsidiaries abroad; two hospitals in Jakarta, Indonesia, an aged care facility in Queensland, Australia and a pharmaceutical distributor in Singapore. The Group does not face significant exposure from currency risk as these subsidiaries operate independently; pharmaceutical drugs and medical supplies are supplied from and distributed in the country these subsidiaries operate. Hence, transactions involving foreign currency are minimal and risks are limited to the translation of foreign currency functional financial statement to that of the presentation currency.

40. Capital management

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

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

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

The Group's gearing ratios as at 31 December 2012 and 31 December 2011 were as follows:

	Group	
	2012 RM'000	2011 RM'000
Current borrowings	206,627	140,991
Non-current borrowings	385,469	302,480
Total	592,096	443,471
Shareholders' funds	1,035,925	892,954
Gearing ratio	**0.57**	**0.50**

41. Comparative

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

42. Segmental reporting

The chief operating decision-maker has been identified as the management committee. This committee reviews the Group's internal reporting in order to assess performance and allocate resources. The committee considers the business from both geographic and nature of business.

The Group principally operates in one main business segment namely the operating of specialist hospitals. Support services of the Group mainly comprise provision of management services and pathology and laboratory services, marketing and distribution of pharmaceutical, medical and surgical products and operating a private medical university college.

	<------------------------ Hospitals ---------------------->				Aged care Facility	Support Services/ Others	
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Total RM'000	Australia RM'000	RM'000	Group RM'000
2012							
Revenue							
Total segment revenue	1,872,496	22,134	-	1,894,630	30,783	689,578	2,614,991
Inter-segment revenue	-	-	-	-	-	(518,894)	(518,894)
Revenue from external customers	**1,872,496**	**22,134**	**-**	**1,894,630**	**30,783**	**170,684**	**2,096,097**
Results							
Adjusted EBITDA*	260,634	(6,869)	-	253,765	(4,352)	12,234	261,647
Depreciation and amortisation	(69,215)	(2,360)	-	(71,575)	-	(6,971)	(78,546)
Finance cost	(13,337)	(550)	-	(13,887)	(654)	(9,062)	(23,603)
Associates							
- share of results	4,812	-	179	4,991	-	32,406	37,397
Profit before zakat and tax	182,894	(9,779)	179	173,294	(5,006)	28,607	196,895
Zakat	(1,275)	-	-	(1,275)	-	(45)	(1,320)
Income tax expense	(40,428)	-	-	(40,428)	-	(8,353)	(48,781)
Profit net of tax	**141,191**	**(9,779)**	**179**	**131,591**	**(5,006)**	**20,209**	**146,794**
Total assets	**1,772,139**	**20,861**	**-**	**1,793,000**	**111,678**	**345,100**	**2,249,778**
Total assets includes:							
Investment in associates	350,027	-	55,666	405,693	49,160	24,390	479,243
Total liabilities	**383,759**	**8,124**	**-**	**391,883**	**96,739**	**657,703**	**1,146,325**

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

42. Segmental reporting (continued)

	<------- Hospitals ------>			Aged care Facility	Support Services/	
	Malaysia RM'000	Indonesia RM'000	Total RM'000	Australia RM'000	Others RM'000	Group RM'000
2011						
Revenue						
Total segment revenue	1,718,453	11,541	1,729,994	6,609	636,028	2,372,631
Inter-segment revenue	-	-	-	-	(463,638)	(463,638)
Revenue from external customers	**1,718,453**	**11,541**	**1,729,994**	**6,609**	**172,390**	**1,908,993**
Results						
Adjusted EBITDA*	232,835	(7,334)	225,501	948	12,623	239,072
Depreciation and amortisation	(60,459)	(2,362)	(62,821)	(50)	(6,741)	(69,612)
Finance cost	(10,605)	(652)	(11,257)	(1,139)	(7,292)	(19,688)
Associates						
- share of results	3,960	-	3,960	-	50,865	54,825
Profit before zakat and tax	165,731	(10,348)	155,383	(241)	49,455	204,597
Zakat	(1,275)	-	(1,275)	-	(25)	(1,300)
Income tax expense	(46,200)	-	(46,200)	-	(2,838)	(49,038)
Profit net of tax	**118,256**	**(10,348)**	**107,908**	**(241)**	**46,592**	**154,259**
Total assets	**1,604,084**	**22,951**	**1,627,035**	**126,546**	**205,683**	**1,959,264**
Total assets includes:						
Investment in associates	313,107	-	313,107	65,368	20,237	398,712
Total liabilities	**358,158**	**9,877**	**368,035**	**120,097**	**474,280**	**962,412**

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012
(continued)

43. Supplementary information disclosed pursuant to Bursa Malaysia Securities Berhad listing requirement

The following analysis of realised and unrealised retained earnings is prepared pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profit or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	Group	
	As at 2012 RM'000	As at 2011 RM'000
Total retained earnings of KPJ Healthcare Berhad and its subsidiaries:		
- Realised	564,638	532,743
- Unrealised	(26,808)	(30,789)
	537,830	501,954
Total share of retained earnings from associates:		
- Realised	71,226	52,946
- Unrealised	(1,125)	(882)
	607,931	554,018
Less: Consolidation adjustments	(89,385)	(68,238)
Total Group retained earnings	**518,546**	**485,780**

The disclosure of realised and unrealised earnings above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

The total retained earnings of the Company as at 31 December 2012 amounting to RM9,520,000 (31 December 2011: RM18,722,000) is fully realised.

SHAREHOLDINGS STATISTICS
as at 22 April 2013

Authorised Share Capital	:	RM500,000,000
Issued & Fully Paid-Up Capital	:	RM325,504,093 less RM35,000 Treasury Shares = RM325,469,093
Class of Shares	:	Ordinary Share of RM0.50 each

Voting Right of Shareholders
Every member of the Company present in person or by proxy shall have one vote on a show of hand and in the case of a poll shall have one vote for every share of which he/she is the holder.

Break down of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	189	5.17	4,375	-
100 – 1000	772	21.12	622,039	0.10
1,001 – 10,000	1,824	49.90	7,505,547	1.15
10,001 – 100,000	589	16.12	21,710,954	3.34
100,001 to less than 5% of Issued Capital	277	7.58	305,747,290	46.97
5% and above of Issued Capital	4	0.11	315,347,981	48.44
TOTAL	**3,655**	**100.00**	**650,938,186**	**100.00**

Top Thirty Securities Account Holders
(Without aggregating the securities from different securities accounts belonging to the same depositor)

	Name	No. of Shares	%
1	Maybank Noms (T) Sdn Bhd - A/C Johor Corporation (45124911053B)	137,221,675	21.08
2	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	68,722,074	10.56
3	Johor Corporation	62,916,630	9.67
4	Waqaf An-Nur Corporation Berhad	46,487,602	7.14
5	Kumpulan Wang Persaraan (Diperbadankan)	26,380,300	4.05
6	Johor Corporation	20,598,600	3.16
7	RHB Noms (T) Sdn Bhd - A/C Johor Corporation	17,500,000	2.69
8	Lembaga Tabung Haji	14,259,500	2.19
9	Cartaban Noms (A) Sdn Bhd - A/C SSBT Fund W4B3 for Wasatch Emerging Markets Small Cap Fund	14,207,743	2.18
10	AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	10,591,700	1.63
11	AmanahRaya Trustees Berhad - A/C Public Islamic Dividend Fund	6,907,900	1.06
12	HSBC Noms (A) Sdn Bhd - A/C Exempt An for The Bank of New York Mellon (Mellon Acct)	6,072,843	0.93
13	Johor Corporation	5,760,875	0.89
14	HSBC Noms (A) Sdn Bhd - A/C Exempt An for JPMorgan Chase Bank, National Association (Norges BK Lend)	4,839,400	0.74
15	HSBC Noms (A) Sdn Bhd - A/C HSBC-FS I for Best Investment Corporation (Deutsche Asia)	4,675,775	0.72
16	Cartaban Noms (T) Sdn Bhd - A/C Exempt An for Eastspring Investments Berhad	4,575,100	0.70
17	HSBC Noms (A) Sdn Bhd - A/C Exempt An for JPMorgan Chase Bank, National Association (Denmark)	4,250,000	0.65
18	AmanahRaya Trustees Berhad - A/C Public Islamic Equity Fund	4,155,300	0.64
19	HSBC Noms (A) Sdn Bhd - A/C BBH and Co Boston for Matthews Asia Small Companies Fund	3,532,700	0.54
20	Citigroup Noms (A) Sdn Bhd - A/C CBNY for DFA Emerging Markets Small Cap Series	3,189,750	0.49
21	HSBC Noms (A) Sdn Bhd - A/C Exempt An For JPmorgan Chase Bank, National Association (U.S.A.)	3,174,000	0.49
22	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	3,125,750	0.48
23	AmSec Noms (T) Sdn Bhd - AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	2,893,000	0.44
24	Maybank Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Family PRF EQ)	2,718,700	0.42
25	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board (Nomura)	2,678,400	0.41
26	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board (CIMB Prin)	2,658,600	0.41
27	HSBC Noms (A) Sdn Bhd - A/C Exempt An for J.P. Morgan Bank Luxembourg S.A.	2,514,288	0.39
28	AmanahRaya Trustees Berhad - A/C PB Growth Fund	2,509,000	0.39
29	HSBC Noms (A) Sdn Bhd - A/C BBH and Co Boston for Wasatch Emerging Markets Small Cap Cit	2,473,590	0.38
30	AmanahRaya Trustees Berhad - A/C Public Islamic Optimal Growth Fund	2,448,450	0.38

SHAREHOLDINGS STATISTICS
as at 22 April 2013
(continued)

Substantial Shareholders

	Name	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1	Maybank Noms (T) Sdn Bhd - A/C Johor Corporation (45124911053B)	137,221,675	21.08	-	-
2	Johor Corporation - 4 a/cs	89,326,105	13.72	155,191,650	23.84
3	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	68,722,074	10.56	13,284,800	2.04
4	Waqaf An-Nur Corporation Berhad	46,487,602	7.14	-	-

Analysis of Shareholders

		No. of Shareholders	%	No. of Shares	%
Malaysian	- Bumiputra	849	23.23	422,672,196	64.93
	- Others	2,592	70.92	131,077,286	20.14
Foreigners		214	5.85	97,188,704	14.93
TOTAL		**3,655**	**100.00**	**650,938,186**	**100.00**

Directors' Shareholding as at 22 April 2013

	Name		No. of Shares	%
1	Dato' Kamaruzzaman Abu Kassim		-	-
2	Amiruddin Abdul Satar		7,000	-
3	Datin Paduka Siti Sa'diah Sheikh Bakir			
	- Direct (2 a/cs)	308,250		
	CimSec Noms (T) Sdn Bhd - A/C CIMB Bank for Siti Sa'diah Sh Bakir (MY1279) (065-001-052946183)	420,000	728,250	0.11%
	- Indirect (Amy Nadzlina Mohamed)		12,500	-
4	Dr Yoong Fook Ngian		280,000	0.04%
5	Dr Kok Chin Leong		159,000	0.02%
6	Datuk Azzat Kamaludin		60,000	0.01%
7	Ahamad Mohamad		750	-
8	Rozan Mohd Sa'at		500	-
9	Datuk Dr Hussein Awang		-	-
10	Abd Razak Haron		-	-
11	Zainah Mustafa		-	-

WARRANTHOLDINGS STATISTICS
as at 22 April 2013

Break down of Warrantholdings

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
Less than 100	394	28.67	10,839	0.13
100 – 1000	394	28.67	236,906	2.78
1,001 – 10,000	466	33.92	1,398,273	16.40
10,001 – 100,000	103	7.50	2,654,069	31.13
100,001 to less than 5% of Issued Capital	14	1.02	2,614,797	30.67
5% and above of Issued Capital	3	0.22	1,609,924	18.89
TOTAL	**1,374**	**100.00**	**8,524,808**	**100.00**

Top Thirty Securities Account Holders
(Without aggregating the securities from different securities accounts belonging to the same depositor)

	Name	No. of Warrants	%
1	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	727,687	8.54
2	Citigroup Noms (T) Sdn Bhd - A/C Exempt An for American International Assurance Berhad	453,900	5.32
3	Universal Trustee (M) Berhad - A/C CIMB Islamic Small Cap Fund	428,337	5.02
4	SBB Noms (T) Sdn Bhd - A/C Manulife Insurance (Malaysia) Berhad - (Managed Fund)	337,050	3.95
5	CimSec Noms (T) Sdn Bhd - A/C CIMB Bank for Mohammed Amin bin Mahmud (MM1004)	302,825	3.55
6	Caroline Ang Chai Boon	236,250	2.77
7	Maybank Noms (T) Sdn Bhd - A/C Maybank Trustees Bhd for Libra Amanah Saham Wanita (N14011980040)	235,000	2.76
8	SBB Noms (T) Sdn Bhd - A/C Manulife Insurance (Malaysia) Berhad - (Equity Fund)	228,775	2.68
9	Lee Thian Chai	194,477	2.28
10	Johor Corporation	190,500	2.23
11	Joyce Yu Keng Hee	157,902	1.85
12	Maybank Noms (T) Sdn Bhd - A/C Maybank Trustees Berhad for CIMB-Principal Strategic Bond Fund (290077)	150,000	1.76
13	Mediqas Sdn Bhd	136,875	1.61
14	CimSec Noms (T) Sdn Bhd - A/C Tan Tuan Phin (Jalan Dedap-CL)	122,400	1.44
15	Ravindran a/l P.M Menon	108,443	1.27
16	Maybank Noms (T) Sdn Bhd - A/C Maybank Trustees Berhad for CIMB-Principal Small Cap Fund (240218)	107,850	1.27
17	Sukhjit Kaur Bhathal	106,450	1.25
18	CIMB Investment Bank Berhad - A/C CLR (DT) for CIMB-Principal Asset Management Berhad	100,000	1.17
19	Citigroup Noms (A) Sdn Bhd - A/C Exempt An for Citibank NA, Singapore (Julius Baer)	88,100	1.03
20	Joginder Kaur Bhathal	81,521	0.96
21	Johor Ventures Sdn Bhd	74,781	0.88
22	Fadzli bin Abdullah @ Cheah Kow Chye	73,906	0.87
23	Persatuan Kebajikan Darul Hanan, Johor Bahru, Johor	73,750	0.87
24	Nottath Ramachandran a/l S.Rajamani Iyer	71,875	0.84
25	Maybank Noms (T) Sdn Bhd - A/C Lew Choon Hong	53,000	0.62
26	CimSec Noms (T) Sdn Bhd - A/C CIMB Bank for Rahimah Stephens (MM1078)	50,000	0.59
27	Giritharan a/l E.Rajaratnam	49,453	0.58
28	Yahaya bin Hassan	43,750	0.51
29	Goh Siew Cheng	42,500	0.50
30	Lim Kwee Hwa	40,000	0.47

WARRANTHOLDINGS STATISTICS
as at 22 April 2013
(continued)

Substantial Warrantholders

	Name	No. of Warrants	%
1	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	727,687	8.54
2	Citigroup Noms (T) Sdn Bhd - A/C Exempt An for American International Assurance Berhad	453,900	5.32
3	Universal Trustee (M) Berhad - A/C CIMB Islamic Small Cap Fund	428,337	5.02

Analysis of Warrantholders

		No. of Warrantholders	%	No. of Warrants	%
Malaysian	- Bumiputra	377	27.44	3,839,264	45.04
	- Others	962	70.01	4,409,789	51.73
Foreigners		35	2.55	275,755	3.23
TOTAL		**1,374**	**100.00**	**8,524,808**	**100.00**

Directors' Warrantholding as at 22 April 2013

	Name	No. of Warrants	%
1	Dato' Kamaruzzaman Abu Kassim	-	-
2	Amiruddin Abdul Satar	-	-
3	Datin Paduka Siti Sa'diah Sheikh Bakir	-	-
4	Dr Yoong Fook Ngian	-	-
5	Dr Kok Chin Leong	-	-
6	Datuk Azzat Kamaludin	-	-
7	Ahamad Mohamad	87	-
8	Rozan Mohd Sa'at	125	-
9	Datuk Dr Hussein Awang	-	-
10	Abd Razak Haron	-	-
11	Zainah Mustafa	-	-

COMPLIANCE INFORMATION

In conformance with the Bursa Malaysia Listing Requirements, the following additional information is provided:

1. Utilisation of Proceeds Raised From Corporate Proposal

The proceeds of RM349.0 million raised from the Commercial Papers/Medium Term Notes Programme have been fully utilised in the following manner:

CP/MTN	RM'000
At start of the financial year	249,000
Issued during the financial year for working capital purposes	100,000
At end of financial year	**349,000**

2. Treasury Shares

During the financial year, the company did not make any purchase, re-sale and cancellation of shares.

3. Options, Warrants or Convertible Securities

During the financial year, 61,198,000 new ordinary shares of RM0.50 each were issued by the Company for cash by virtue of the conversion of warrant at exercise price of RM1.70 per share.

4. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

During the financial year, the Company did not issue any ADR or GDR Programme.

5. Impositions of sanctions/penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

6. Non-audit Fees

During the financial year, the Company only engaged audit services with the external auditor.

7. Profit estimate, forecast or projections

The Company did not make any release on the profit estimate, forecast or projections for the financial year.

8. Profit guarantee

There is no profit guarantee given by the Company in respect of the financial year.

9. Material contracts

There is no material contract by the Company and its subsidiary companies, involving Directors' and major shareholders' interest substituting at the end of the financial year.

10. Recurrent related party transactions statement

At Annual General Meeting (AGM) held 25 June 2012, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of revenue or trading nature with the following parties:

Party Transacted with	Nature of Transactions	Estimated aggregate value from 1 June 2012 to date of next AGM RM'000	Frequency of transactions
Metro Parking (M) Sdn Bhd	Rental Income for renting of land for carpark	1,450	Monthly
Teraju Fokus Sdn Bhd	Security service fees payable	4,220	Monthly
HC Duraclean Sdn Bhd	Housekeeping contract fees payable	8,600	Monthly
Pro Corporate Management Services Sdn Bhd	Secretarial and Registrar fees payable	180	Monthly
Jcorp Hotels (formerly known as Kumpulan Penambang (Johor) Sdn Bhd	Managing service apartments fees payable	60	Monthly
Healthcare Technical Services Sdn Bhd	Project Management and Maintenance Fee	12,400	Contract Basis
TMR Urusharta (M) Sdn Bhd	Project and maintenance fees of lab premises payable	110	Contract Basis
MIT Insurance Brokers Sdn Bhd	Insurance Coverage payable	3,757	Contract Basis
		30,777	

LISTING OF PROPERTIES

Location	Description	Market value 2012 (RM million)	Tenure & A Expiry Date	Area (in sq metre)
Tawakal Hospital Lot No. 523, Seksyen 85A, Jalan Pahang Barat, Kuala Lumpur.	Car Park	10.5	Term in Perpetuity	4,048
Kumpulan Perubatan (Johor) Sdn Bhd Unit No. 14-5-1, The Palladium Condominium, Jalan Gurney 2, Kuala Lumpur.	Condominium	0.33	Freehold	114
No. 5 & 7, Persiaran Titiwangsa 3, Kuala Lumpur.	Land	3	Term in Perpetuity	981.3
No. 3, Lorong San Ah Wing, Off Lorong Gurney, Kuala Lumpur.	Land and bungalow	4.6	Term in Perpetuity	1,282
Mukim of Klang District of Klang State of Selangor	Vacant Land	23.8	Freehold	18,397
PN14711 Lot 5006, Berjaya Tioman Suites, Rompin, Pahang	8 units of service apartments	1.9	Freehold	450
Lablink (M) Sdn Bhd No 43, Jalan Mamanda 9, Ampang Point, Ampang, Selangor.	Commercial Building	3	Leasehold 99 years expiring 2092	1,650
Bangunan Pharmacare, Jalan Pahang Barat, Off Jalan Pahang, Kuala Lumpur.	Office Building	8	Term in Perpetuity	1,204
KPJ Damansara Specialist Hospital Lot No. PT 12058, Jalan SS 20/17, Damansara Utama, Pataling Jaya, Selangor.	Vacant Land	1.85	Freehold	945
No. 131, Jalan SS 20/10, Damansara Utama, Pataling Jaya, Selangor.	Land and double storey detached house	2.8	Freehold	916
KPJ Johor Specialist Hospital 24-N & 24-P, Jalan Tarom, Johor Bahru, Johor.	Nurse Hostel	1.7	Freehold	2,027
No. 38B, Jalan Abdul Samad, Johor Bahru, Johor.	Land under development	1	Freehold land	1,002
Hospital Pusrawi Building No. 19, Jalan USJ 9/3F, Subang Jaya, Petaling Jaya, Selangor.	Clinic and office building	0.5	Freehold	149

LISTING OF PROPERTIES
(continued)

Location	Description	Market value 2012 (RM million)	Tenure & A Expiry Date	Area (in sq metre)
Puteri Specialist Hospital 1, Jalan Sentosa, Lorong 1, Kg. Dato Onn, Johor Bahru, Johor.	Temporary car park/office	1.9	Leasehold 99 years expiring 2053	1,596
5, Jalan Sentosa, Lorong 1, Kg. Dato Onn, Johor Bahru, Johor.	Temporary office	1.7	Leasehold 99 years expiring 2053	1,414
Pasir Gudang Specialist Hospital Lot PTD 204781, Mukim Plentong, Johor Bahru, Johor.	Land and building under development	48.2	Leasehold 99 years expiring 2053	13,142
Maharani Specialist Hospital Building Lot 2024, Bandar Maharani, Muar Johor.	Land and building under development	40.4	Freehold	6,944

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth (20th) Annual General Meeting ("**AGM**") of KPJ Healthcare Berhad ("**KPJ**" or the "**Company**") will be held at the Tanjung Puteri 303, Level 3, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor, on Tuesday 11 June 2013 at 12.30 p.m for the purpose of transacting the following businesses:

AGENDA

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2012 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To re-elect the following Directors retire in accordance with the Articles of Association of the Company:-
   (i) Dato' Kamaruzzaman Abu Kassim (Article 96); **(Resolution 2)**
   (ii) Ahamad Mohamad (Article 96); and **(Resolution 3)**
   (iii) Dr Kok Chin Leong (Article 96) **(Resolution 4)**

3. To consider, and if thought fit, to pass the following resolutions pursuant to Section 129(6) of the Companies Act 1965:-
   (i) That Datuk Dr Hussein Awang, who is above the age of seventy (70) years, be and is hereby re-appointed as Director and to hold office until the next AGM of the Company." **(Resolution 5)**
   (ii) That Dr Yoong Fook Ngian, who is above the age of seventy (70) years, be and is hereby re-appointed as Director and to hold office until the next AGM of the Company." **(Resolution 6)**

4. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2012. **(Resolution 7)**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

As Special Business

To consider and if thought fit, to pass the following resolutions:

6. **ORDINARY RESOLUTION 1**
   CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS

   (a) **THAT**, subject to the passing of Resolution 5, approval be and is hereby given to Datuk Dr Hussein Awang, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM pursuant to the Malaysian Code on Corporate Governance 2012. **(Resolution 9)**

   (b) **THAT** approval be and is hereby given to Datuk Azzat Kamaludin who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM pursuant to the Malaysian Code on Corporate Governance 2012.(See Note f) **(Resolution 10)**

7. **ORDINARY RESOLUTION 2**
   AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "**THAT** pursuant to Section 132D of the Companies Act, 1965 ("Act"), the Articles of Association of the Company and subject to the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered to issue shares of the Company, from time to time, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10 percent (10%) of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") and that such authority shall continue in force until the conclusion of the next AGM of the Company. (See Note g) **(Resolution 11)**

8. **ORDINARY RESOLUTION 3**
PROPOSED RENEWAL OF THE SHARE BUY-BACK AUTHORITY ("PROPOSED SHARE BUY-BACK")

"**THAT**, subject to Section 67A of the Act, Part IIIA of the Companies Regulations 1966, the provisions of the Articles of Association of the Company, the Main Market Listing Requirements ("Listing Requirements") of the Bursa Securities and any other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised, to make purchase(s) of ordinary shares of RM0.50 each in the Company's issued and paid-up capital on Bursa Securities subject to the following:- **(Resolution 12)**

(a) The maximum number of shares which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at any point of time subject to the restriction that the issued and paid-up capital of the Company does not fall below the applicable minimum share capital requirement of the Listing Requirements;

(b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits and the share premium account of the Company; and

(c) Upon completion of the purchase by the Company of its own shares, the Directors of the Company are authorised to deal with the shares so bought-back in their absolute discretion in any of the following manners:-

(i) cancel the shares so purchased; or
(ii) retain the shares so purchased as Treasury Shares and held by the Company; or
(iii) retain part of the shares so purchased as Treasury Shares and cancel the remainder,
(iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the authority conferred by this resolution shall continue to be in force until:-

(a) the conclusion of the next AGM of the Company at which such resolution was passed, at which time the authority would lapse unless renewed by ordinary resolution passed either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by a resolution passed by the shareholders of the Company in general meeting,

whichever is earlier, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the Listing Requirements of Bursa Securities or any other relevant authorities.

AND THAT the Directors of the Company be and are authorised to take all such steps to implement, finalise and give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, revaluations and/or amendments as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements and the guidelines issued by Bursa Securities and any other relevant authorities." (See Note h)

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

9. **ORDINARY RESOLUTION 4**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (" PROPOSED SHAREHOLDERS' MANDATE")

"**THAT** subject always to the provisions of the Act, the Memorandum & Articles of Association of the Company, Listing Requirements or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries to renew the shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading nature, and to enter into and give effect to the specified Recurrent Related Party Transactions; all with the particulars of which are set out in Part B of the Circular to Shareholders dated 20 May 2013 ("**Circular**") with the Related Parties as described in the Part B of the Circular, provided that such transactions are:- **(Resolution 13)**

(a) recurrent transactions of a revenue or trading nature;

(b) necessary for the day-to-day operations of the Company and/or its subsidiaries;

(c) carried out in the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which those generally available to the public ; and

(d) not detrimental to the minority shareholders of the Company;

AND THAT such authority shall continue to be in force until :-

(a) the conclusion of the next AGM of the Company following this AGM, at which time the authority shall lapse unless by a resolution passed at the AGM, such authority is renewed; or

(b) the expiration of the period within which the next AGM after the date that is required by law to be held pursuant to Section 143(1) of the Companies Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Companies Act); or

(c) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting;

whichever is earlier;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or give effect to the Proposed Shareholders' Mandate."(See Note i)

10. To transact any other business of which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 20th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 58 of the Company's Articles of Association and Paragraph 7.16 of the Listing Requirements to issue a General Meeting Record of Depositors ("ROD") as at 3 June 2013. Depositors whose names appear on the ROD as at 3 June 2013 are entitled to attend, speak and vote at the said meeting.

By Order of the Board,
KPJ HEALTHCARE BERHAD

SALMAH BINTI HJ ABD WAHAB (LS 0002140)
HANA BINTI AB RAHIM @ ALI, ACIS (MAICSA 7064336)
Secretaries

Johor Bahru
Dated : 20 May 2013

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

NOTES:

a. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of Companies Act, 1965 need not be complied with.

b. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, under its common seal or in other manner approved by its Board of Directors.

c. Where a member of the Company is an Authorised Nominee as defined under the Central Depositories Act 1991, he may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

d. Any alteration made in this form should be initialed by the person who signs it.

e. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the registered office of the Company at: KPJ HEALTHCARE BERHAD, Suite 12B, Level 12, Menara Ansar, 65 Jalan Trus , 80000 Johor Bahru, Johor at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS :

f. The ordinary Resolutions 9 and 10 if passed, will enable Datuk Dr Hussein Awang and Datuk Azzat Kamaludin to continue to act as Independent Directors notwithstanding that they had served the Board as Independent Non-Executive Directors for a term of more than nine (9) years. The Board strongly believes that a director's independence cannot be determined arbitrarily with reference only to the tenure of service. To qualify as independent, a director must be independent in character and judgment, independent of management and free from any relationship or circumstances as set out in Chapter 1 of the Listing Requirements, which are likely to affect or appear to affect their independent judgment. Following an assessment, the Board concluded that the two Directors' length of service does not interfere with their exercise of independent judgment and ability to act in the best interests of the shareholders. In addition, the Board believes that their detailed knowledge of the Group's business and their proven commitment, experience and competence will greatly benefit the Company. The two Directors concerned had declared their independence and their desire to continue as Independent Non-Executive Directors of the Company.

g. The proposed Resolution 11 if passed is primarily to give flexibility to the Directors to issue up to a maximum amount not exceeding in total ten percent (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM or the expiration of the period within the next AGM required by law to be held, whichever is earlier.

    i. The mandate sought under Resolution 11 is a renewal of an existing mandate particularly on the conversion of KPJ warrants into ordinary shares of RM0.50 at the price of RM1.70 per share
    ii. The proceeds raised from the previous mandate were RM104,438,432.40
    iii. The proceeds were utilized for working capital purposes
    iv. The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

h. The proposed Resolution 12 if passed will enable the Company to utilise any of its surplus financial resources to purchase its own shares from the market.

i. The proposed Resolution 13 if passed is primarily to authorise the Company and/its unlisted subsidiaries to enter into arrangements or transactions with Related Parties, particulars of which are set out in the Circular to Shareholders dated 20 May 2013 circulated together with this Annual Report, which are necessary for the day-to-day operations of the Group and are based on normal commercial terms that are not more favourable to the Related Parties than those generally made to the public.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia

1. The Directors who are retiring pursuant to Article 96 of the Company's Articles of Association are as follows :-
   i. Dato' Kamaruzzaman Abu Kassim
   ii. Ahamad Mohamad
   iii. Dr Kok Chin Leong

2. The Directors who are standing for re-appointment under Section 129(6) of the Companies Act, 1965 are :-
   i. Datuk Dr Hussein Awang
   ii. Dr Yoong Fook Ngian

3. A total of five (5) Board Meetings were held during the financial year ended 31 December 2012. Details of attendance of Directors at Board Meetings held during the financial year ended 31 December 2012 are as follows :

	23 Feb	30 May	25 June	7 Sept	29 Nov
Non Executive Director					
Dato' Kamaruzzaman Abu Kassim	√	√	√	√	√
Ahamad Mohamad	-	√	√	√	√
Rozan Mohd Sa'at	√	√	√	√	√
Abd Razak Haron	√	√	√	√	√
Independent Non Executive Director					
Datuk Azzat Kamaludin	√	√	√	-	√
Datuk Dr Hussein Awang	√	√	√	√	√
Zainah Mustafa	√	√	√	√	√
Dr Yoong Fook Ngian	√	√	√	√	√
Dr Kok Chin Leong	√	√	√	√	√
Executive Director					
Datin Paduka Siti Sa'diah Sh Bakir	√	√	√	√	√
Amiruddin Abdul Satar	√	√	√	√	√

Date of Meeting	Day	Time	Venue
23 February 2012	Thursday	9.30 a.m.	Johor Corporation (Kuala Lumpur Office)
30 May 2012	Wednesday	2.30 p.m.	KPJ Klang Specialist Hospital, Klang
25 June 2012	Monday	9.30 a.m.	The Puteri Pacific Hotel, Johor Bahru
7 September 2012	Friday	9.30 a.m.	Johor Corporation (Kuala Lumpur Office)
29 November 2012	Tuesday	9.30 a.m.	Persada Johor International Convention Centre, Johor Bahru

4. Particulars of Directors seeking re-election at the Annual General Meeting are set out in the Directors' Profile appearing in pages 40 to 50 of the Annual Report.

KPJ HEALTHCARE BERHAD
(247079-M)

FORM OF PROXY

No of ordinary shares held	CDS account no.

I/We * ____
(Full name and NRIC No. / Company No. in block letters)

of ____
(Full address in block letters)

being a member(s) of KPJ HEALTHCARE BERHAD hereby appoint ______________________________
(Full name in block letters)

of ____
(Full address in block letters)

or failing him/her ____
(Full name in block letters)

of ____
(Full address in block letters)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us* on my/our* behalf at the Twentieth (20th) Annual General Meeting of the Company to be held at the Tanjung Puteri 303, Level 3, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on Tuesday 11 June 2013 at 12.30 p.m. and at any adjournment in respect of my/our holdings of shares in the manner indicated below:

Resolution	Description	For	Against
1	TO RECEIVE THE REPORT AND AUDITED ACCOUNTS		
	TO RE-ELECT DIRECTORS :		
2	DATO' KAMARUZZAMAN ABU KASSIM		
3	AHAMAD MOHAMAD		
4	DR KOK CHIN LEONG		
	TO RE-APPOINT :		
5	DATUK DR HUSSEIN AWANG		
6	DR YOONG FOOK NGIAN		
7	TO APPROVE DIRECTORS' FEE		
8	TO RE-APPOINT AUDITORS		
	TO CONTINUE AS INDEPENDENT DIRECTORS :		
9	DATUK DR HUSSEIN AWANG		
10	DATUK AZZAT KAMALUDIN		
	ANY OTHER BUSINESS		
11	AUTHORITY TO ISSUE SHARES		
12	PROPOSED SHARE BUY-BACK		
13	PROPOSED RENEWAL OF RRPT MANDATE		

(Please indicate with a (√) in the appropriate box whether you wish your vote to be cast for or against the resolution. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.)

____
Signature(s)/Common Seal of Shareholder(s)

Dated this ______________ day of ________________ 2013

NOTE:

1. A member of the Company entitled to be present and vote at the Meeting may appoint a proxy to vote instead of him. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 need not be complied with.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under the hand of its common seal or under the hand of an officer or attorney duly authorised. The instrument appointing the proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, he may appoint at least one (1) proxy in respect of each securities account he holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Any alteration made in this form should be initialled by the person who signs it.
5. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the registered office of the Company at Suite 12B, Level 12, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the person so named shall not be entitled to vote in respect thereof.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

KPJ HEALTHCARE BERHAD (247079-M)
Suite 12B, Level 12
Menara Ansar
65 Jalan Trus
80000 Johor Bahru
Johor

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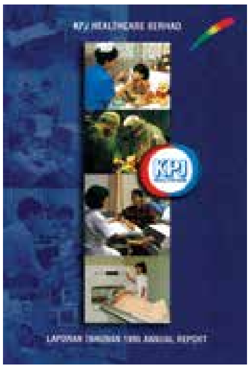
PUBLICATIONS

ANNUAL REPORT


YEAR 1994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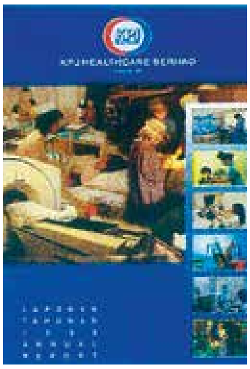
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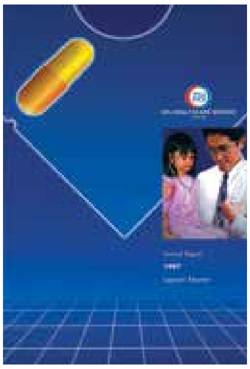
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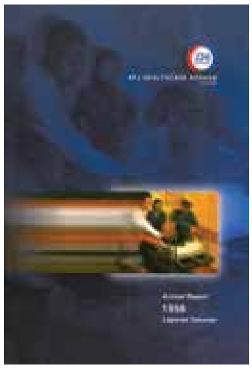
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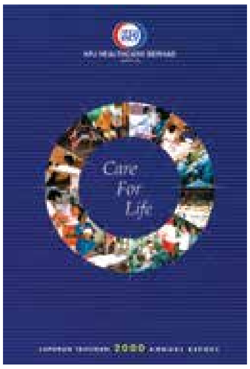

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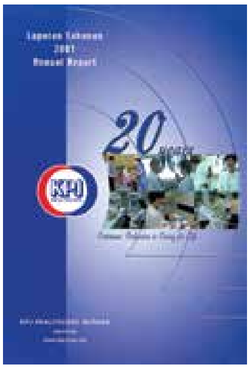

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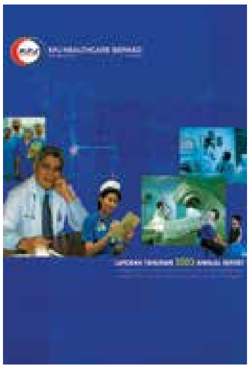
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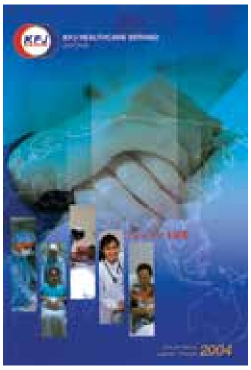

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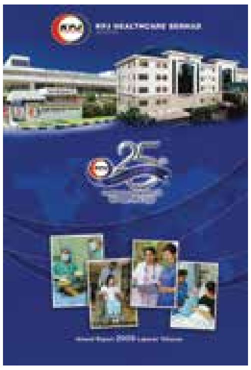
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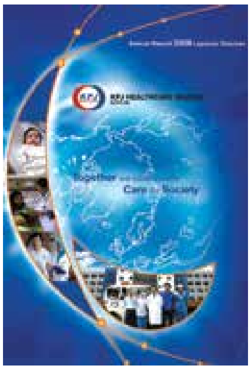
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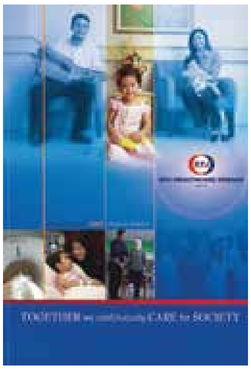
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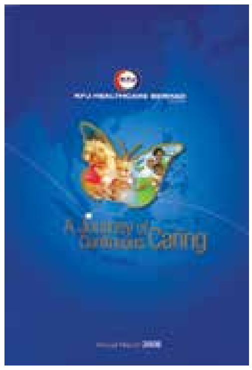
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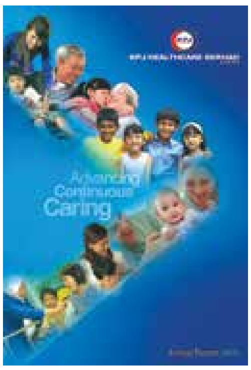
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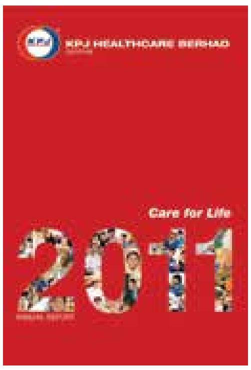

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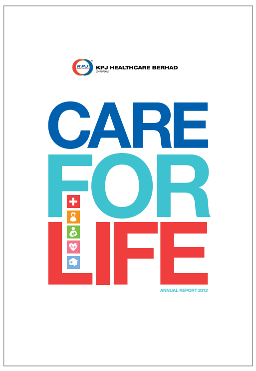

YEAR 2012

PUBLICATIONS

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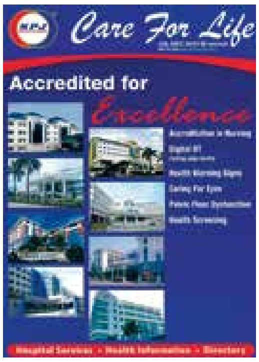
JAN-JUN 2010



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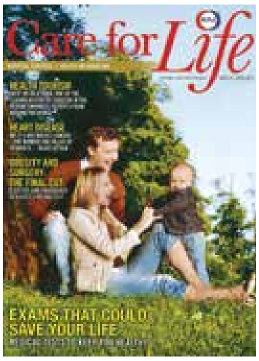

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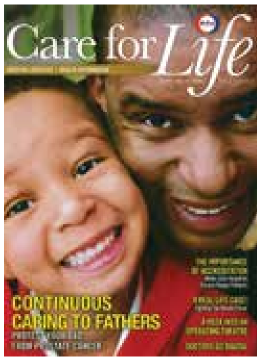

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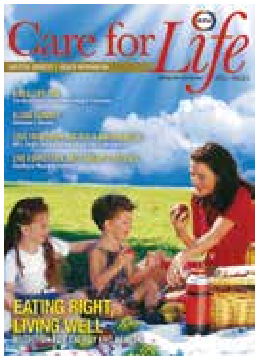
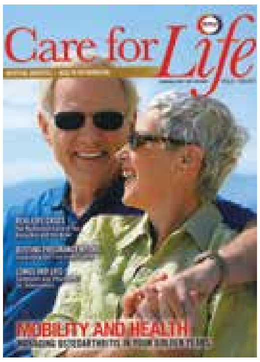
VOL 2 ISSUE 2



CARE FOR LIFE
VOL 2 ISSUE 3

CARE FOR LIFE
VOL 2 ISSUE 4



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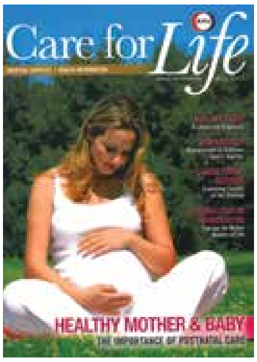

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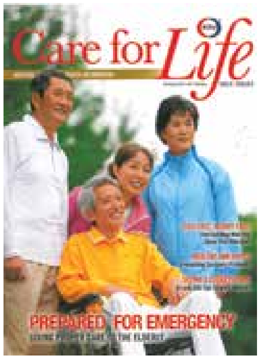

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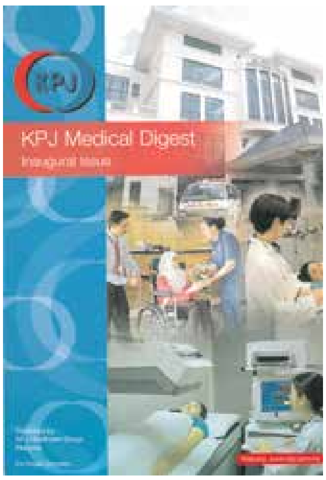
VOL 3 ISSUE 3

CARE FOR LIFE
VOL 3 ISSUE 4

MEDICAL DIGEST/JOURNAL



KPJ MEDICAL DIGEST
ISSUE 2002

KPJ MEDICAL JOURNAL
ISSUE 2003-2006, 2001

KPJ MEDICAL JOURNAL
ISSUE 2012

PUBLICATIONS

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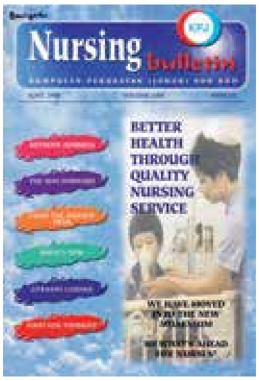

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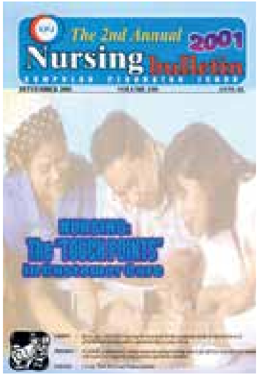

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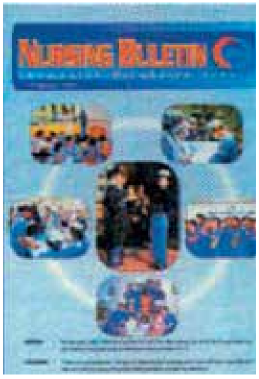

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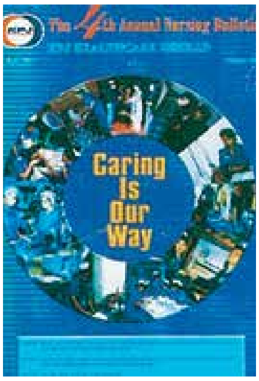

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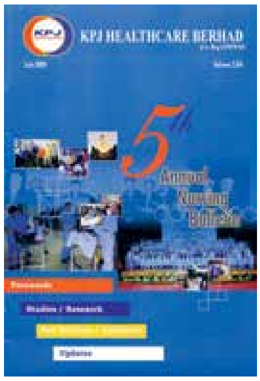

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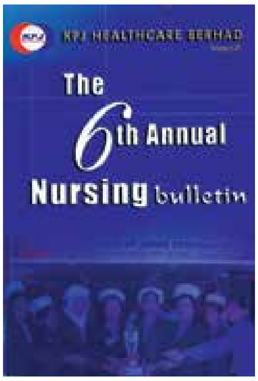

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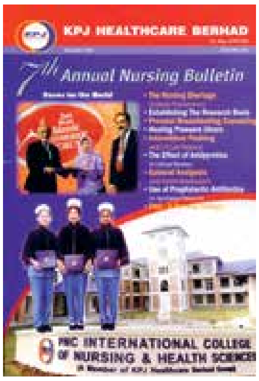

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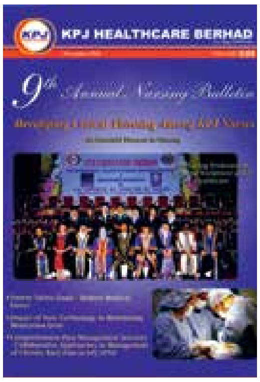

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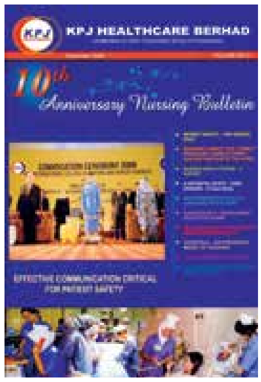

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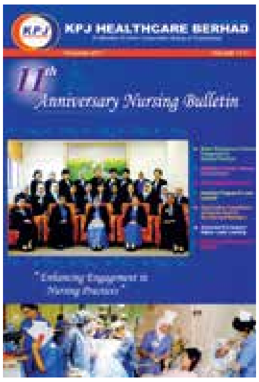

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11TH ISSUE

25TH ANNIVERSARY

30TH ANNIVERSARY

www.kpjhealth.com.my

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Email : kpj@kpjhealth.com.my