KPJ HEALTHCARE BERHAD
(247079-M)

CARE FOR LIFE

Patient-Centric & **Technology**-Driven

Annual Report **2013**

CARE FOR LIFE

Patient-Centric & Technology-Driven

KPJ Healthcare Berhad (KPJ or the Group) is committed to pursuing the Group's mandate to "Care for Life" through providing world-class patient care with professionalism and an undivided compassion to the many communities we serve. Our KPJ team is leveraging on the Group's proven customer-centric approach and technology-driven innovation to continually exceed stakeholders' expectations and deliver real value.

KPJ's commitment to being a true customer-centric hospital group is evident in the continuous improvements made to the quality of care and patient safety. Today, KPJ is undertaking various quality improvement programmes that include Integrated Management System (IMS) certification, 5S certification, as well as the Malaysian Society for Quality in Healthcare (MSQH) and the Joint Commission International (JCI) accreditation. KPJ is also making strong advances on the Standard People Practice (SPP) and Service Quality Management (SQM) fronts which are helping to reinforce the quality and consistency of services throughout the Group. The Group's hospitals are also implementing the Planetree patient-centric care delivery model, which is committed to enhancing care from the patients' perspective.

To further strengthen patient safety standards, all KPJ's hospitals continuously implement the 13 National Patient Safety Goals that include the WHO's six International Patient Safety Goals (IPSGs). At the Group level, the Group Medical Advisory Committee (MAC) develops and monitors clinical governance activities and guidelines for the Group, while at the individual hospital level, the respective Hospital Medical Advisory Committee (HMAC) oversees compliance to clinical governance through various hospital clinical committees.

In the way of technology-driven innovation, the Group continues to invest in leading edge equipment and develop state-of-the-art medical technology to ensure positive patient experiences as well as strengthen medical and surgical outcomes. The KPJ Clinical Information System (KCIS), a secure clinical system enhanced with electronic clinical documentation and audit trail functionality to mitigate the risk of incorrect information, is one such innovation. It is also available on mobile devices, one of its kind and the first in Malaysia.

As KPJ ventures forth, it is committed to taking ownership of every task, delivering real value to customers and tapping innovative technologies to resolve challenges. As the Group does so, it is confident of building strong patient-caregiver relationships, reinforcing its reputation and creating good shareholder value.

Table of **Contents**

02 Vision & Mission

03 Core Values

04 Corporate Directory

08 Corporate Information

09 Corporate Profile

10 Corporate Structure

12 Network of KPJ Hospitals and Companies

14 Financial and Operational Highlights

16 Summary of Financial Statements
- Statement of Comprehensive Income
- Statement of Financial Position

18 Corporate History

20 Awards and Achievements

22 Media Highlights

26 Statement to Shareholders

40 Board and Management
- Board of Directors
- Directors' Profiles
- Executive Committee
- Hospital Medical Directors
- Hospital Management Committee
- Divisional Committee

66 Corporate Governance
- Statement on Corporate Governance
- Statement on Internal Control and Risk Management
- Audit Committee Report
- Medical Advisory Committee Report

100 Business Review
- Hospital Operations
- New Hospital Developments
- Medical Tourism
- Biomedical Services
- Service Quality Management
- Corporate Responsibility
- EduKATE - KPJ Healthcare University College
- Aged Care & Retirement Village
- Ancillary Services
- Highlights in Pictures

156 Corporate Developments and Announcements

158 Financial Statements
- Directors' Report
- Statement by Directors
- Statutory Declaration
- Independent Auditors' Report
- Statements of Comprehensive Income
- Statements of Financial Position
- Consolidated Statement of Changes in Equity
- Company Statement of Changes in Equity
- Statements of Cash Flows
- Notes to the Financial Statements

257 Statistics and Notice of Annual General Meeting
- Shareholdings Statistics
- Warrantholdings Statistics
- Compliance Information
- Listing of Properties
- Notice of Annual General Meeting
- Statement Accompanying Notice of Annual General Meeting

Form of Proxy

Vision & Mission

KPJ Healthcare Berhad (KPJ or the Group) has certainly grown from strength to strength and from success to success since our beginnings as a single hospital in Johor Bahru some 33 years ago. The Group continues to strengthen its presence, acquiring new ground-breaking technologies as well as tap dynamic partnerships driven by a shared aspiration to build healthier communities and a unwavering commitment to "Care for Life". Today, KPJ is firmly entrenched as Malaysia's largest network with 24 private specialist hospitals with a presence in almost every state. Coupled with our strategic investments in Indonesia, Australia,Thailand and Bangladesh, KPJ remains an attractive, well-rounded proposition for shareholders.

24

private specialist hospitals with a presence in almost every state.

Coupled with our strategic investments in Indonesia, Australia, Thailand and Bangladesh.

Our **Vision is** being

THE PREFERRED HEALTHCARE PROVIDER

to our patients as we endeavour to be their lifelong companion throughout their healthcare journey. To this end, we offer a continuum of highly sought after specialised medical solutions that transcend borders and cultures while covering the entire patient lifecycle from pre-natal to geriatric care.

As we go all out to implement our **Mission** of

DELIVERING QUALITY HEALTHCARE SERVICES,

we remain committed to delivering world-class patient care with professionalism and an undivided compassion to the countless communities that we serve. At the same time, we continue to keep a keen eye on the provision of quality healthcare services through continuous improvements in patient care and outcomes.

In all that we do, we are supported by our loyal team of over 10,000 dedicated employees who have passionately embraced the Group's culture of excellence and are empowered with the skills to enhance patient care throughout our network of hospitals.

10,000 employees

Core Values

Ensuring **Safety**

Exercising **Professionalism** At All Times

Delivering Service With **Courtesy**

Striving For **Continuous Improvement**

Performing Duties With **Integrity**

The KPJ 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.

By working closely together, embracing our Core Values, and prioritising patient safety and quality medical care, we are confident of gaining our patients' confidence, strengthening our reputation as a key player in the healthcare sector, and delivering sustainable value to all shareholders.

Corporate Directory

BANGLADESH
Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College, Dhaka

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

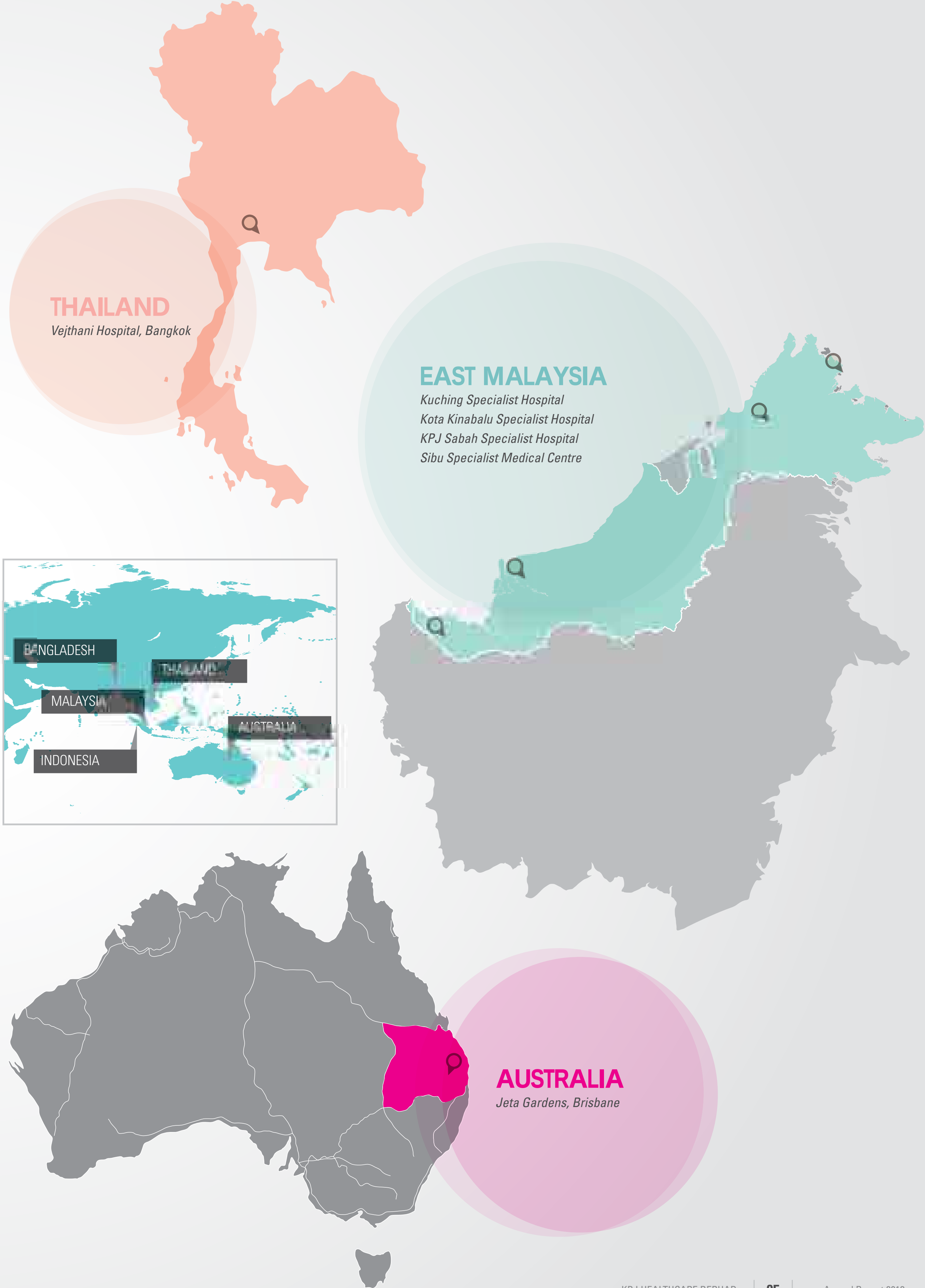
EAST COAST
KPJ Perdana Specialist Hospital
KPJ Kuantan Specialist Hospital
*KPJ Pahang Specialist Hospital **

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
KPJ Rawang Specialist Hospital

SOUTHERN
KPJ Johor Specialist Hospital
KPJ Puteri Specialist Hospital
KPJ Seremban Specialist Hospital
Kluang Utama Specialist Hospital
KPJ Pasir Gudang Specialist Hospital
*KPJ Bandar Maharani Specialist Hospital **
*KPJ Bandar Dato' Onn Specialist Hospital **

INDONESIA
RS Medika Permata Hijau, Jakarta
RS Medika Bumi Serpong Damai, Jakarta

* *Hospitals under development.*


THAILAND
Vejthani Hospital, Bangkok
EAST MALAYSIA
Kuching Specialist Hospital
Kota Kinabalu Specialist Hospital
KPJ Sabah Specialist Hospital
Sibu Specialist Medical Centre
BANGLADESH
THAILAND
MALAYSIA
AUSTRALIA
INDONESIA
AUSTRALIA
Jeta Gardens, Brisbane

Our **Technology-Driven** Investments

Being a progressive healthcare provider, KPJ is committed to investing in state-of-the-art medical technology and facilities to ensure patient safety and care. To date we have made substantial investments in well-equipped laboratories, cutting edge biomedical equipment as well as innovative integrated information systems and green hospitals. As we future-proof our network today, we are ensuring our sustainable growth tomorrow.

Corporate Information

REGISTERED OFFICE

KPJ Healthcare Berhad
Suite 18, Lot 1B,
Podium 1,
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

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.

COMPANY SECRETARIES

Salmah Abd Wahab
(LS 0002140)

Hana Ab Rahim @ Ali
(MAICSA 7064336)

REGISTRAR

Pro Corporate Management Services Sdn Bhd
Suite 18, Lot 1B,
Podium 1,
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.

STOCK EXCHANGE LISTING

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

Corporate Profile

KPJ Healthcare Berhad (KPJ) is listed on the Main Market of Bursa Malaysia Securities Berhad and is today the leading healthcare service provider in Malaysia. Operating the country's largest private healthcare network with 24 private specialist hospitals, we also have strategic investments via two hospitals in Jakarta, Indonesia; one hospital in Bangkok, Thailand; a hospital in Dhaka, Bangladesh; and an aged care and retirement resort in Brisbane, Australia.

As the healthcare arm of Johor Corporation (JCorp), the Johor state-owned development corporation, KPJ has now served the community for more than 33 years since the opening of our first hospital in Johor Bahru in 1981. Today, our network of hospitals spans almost every state in Malaysia and has a combined bed capacity of almost 3,000 operating beds. Our hospitals serve more than 2.6 million patients annually, and in 2013 alone treated over 2.4 million outpatients and more than 260,000 inpatients.

KPJ's workforce today comprises more than 10,000 employees who support the services provided by more than 1,000 medical consultants specialising in various disciplines.

As a progressive healthcare provider, the Group is committed to investing in leading edge equipment and state-of-the-art medical technology in our effort to provide positive patient experiences as well as enhance medical and surgical outcomes.

Through KPJ Healthcare University College (KPJUC), we are fulfilling the academic and career ambitions of individuals as well as fulfilling the healthcare industry's requirements for medical specialists, skilled nurses and allied healthcare professionals.

Our commitment to quality and compassionate care has also attracted many local and foreign patients from all over the globe. KPJ's foray into the medical tourism segment continues to gain solid ground on the back of aggressive marketing strategies in Asia, the Middle East, Australia and more recently, East Africa.

Customer trust in KPJ is evidence of the Group's good operational performance and quality initiatives.

In fiscal 2007, KPJ successfully earned its first annual billion-ringgit turnover (with revenue totalling RM1.11 billion that year). New record highs were achieved in subsequent years, with revenue rising to RM1.27 billion, RM1.46 billion, RM1.65 billion and RM1.91 billion in 2008, 2009, 2010 and 2011 respectively. In 2012, we surpassed the RM2.0 billion mark for the first time ever with revenue reaching a high of RM2.10 billion. In 2013, KPJ's revenue reached an all-time high of RM2.33 billion while we turned in profit before zakat and tax of RM159.5 million, marking the continuation of our sterling track record.

For this relentless pursuit of operational excellence and high standards of healthcare, as well as our commitment to forging good stakeholder relationships, we were accorded several awards and accolades in 2013. These included the Best Managed Company Awards (Best Small Cap Company) from *AsiaMoney*, the Global Excellence in Management Awards (Excellence in Healthcare Management) from the Malaysian Institute of Management; the Corporate Governance Industry Excellence Award for Healthcare from the Minority Shareholders Watchdog Group; and the Malaysia Excellence Awards (Healthcare Service Provider) from Frost & Sullivan; and a Corporate Social Responsibility award from *Advertising + Marketing Magazine's* inaugural Marketing Excellence Awards 2013.

Another key focus area is the emphasis on patient safety throughout the length and breadth of our operations. To date, KPJ's hospitals have received recognition from accreditation bodies such as the Malaysian Society for Quality in Health (MSQH) and Joint Commission International (JCI). Our hospitals also continue to obtain certifications such as the 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, as well as ISO, and SIRIM certification.

To date, 14 KPJ hospitals have been accredited by the MSQH while 4 hospitals have received JCI accreditation.

As a responsible corporate citizen, KPJ also reaches out to the community through public health screening sessions, health talks and other events. We continue to touch the lives of the impoverished and underprivileged in communities through our management of the Klinik Wakaf An-Nur (KWAN) initiative which has served more than 960,000 patients since the inception of the first KWAN charity clinic in Johor in 1998. Today, the KWAN network encompasses 1 hospital in Johor, 19 clinics throughout Malaysia, as well as 2 mobile clinics in Johor and Selangor.

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**
- 100% **Puteri Specialist Hospital (Johor) Sdn Bhd** (KPJ Puteri Specialist Hospital)
- 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)
100%	**SMC Healthcare Sdn Bhd** (KPJ Sabah Specialist Hospital) — 100% **Amity Development Sdn Bhd**
100%	**Rawang Specialist Hospital Sdn Bhd** (KPJ Rawang Specialist Hospital)
100%	**Pasir Gudang Specialist Hospital Sdn Bhd** (KPJ Pasir Gudang Specialist Hospital)
97%	**Kota Kinabalu Specialist Hospital Sdn Bhd** (Kota Kinabalu Specialist Hospital)
77%	**Kuantan Specialist Hospital Sdn Bhd** (KPJ 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**
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)
57%	**Jeta Gardens (Qld) Pte Ltd** (Jeta Gardens Retirement Village and Aged Care, Brisbane, Australia) — 100% **Jeta Gardens Aged Care (Qld) Pty Ltd**; 100% **Jeta Gardens Management (Qld) Pty Ltd**
80%	**PT Khidmat Perawatan Jasa Medika** (RS Medika Permata Hijau, Jakarta)
23%	**Vejthani Public Company Limited** (Vejthani Hospital, Thailand)

100%	**Tawakal Holdings Sdn Bhd**
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)

- Tawakal Holdings Sdn Bhd
  - 100% **Pusat Pakar Tawakal Sdn Bhd** (KPJ Tawakkal Specialist Hospital and Tawakkal Health Centre)
- Ipoh Specialist Hospital Sdn Bhd
  - 100% **Sri Manjung Specialist Centre Sdn Bhd** (Sri Manjung Specialist Centre)

70%	**Pahang Specialist Hospital Sdn Bhd** (KPJ Pahang Specialist Hospital)
100%	**Maharani Specialist Hospital Sdn Bhd** (KPJ Bandar Maharani Specialist Hospital)
60%	**Perlis Specialist Hospital Sdn Bhd** (KPJ Perlis Specialist Hospital)
70%	**Bima Galeksi Sdn Bhd** (KPJ Miri Specialist Hospital)
100%	**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**
80%	**Freewell Sdn Bhd**
55%	**Bayan Baru Specialist Hospital Sdn Bhd**
100%	**BDC Specialist Hospital Sdn Bhd**

- 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% **KPJ Eyecare Specialist Sdn Bhd** (formerly known as Sri Kota Refractive and Eye Centre Sdn Bhd)
- 100% **Sterile Services Sdn Bhd**
- 30% **Healthcare Technical Services Sdn Bhd**
- 100% **KPJ Education Services Sdn Bhd**
- 100% **Massive Hybrid Sdn Bhd**

95%	**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 IPOH SPECIALIST HOSPITAL
W : www.kpjipoh.com

KPJ DAMANSARA SPECIALIST HOSPITAL
W : www.kpjdamansara.com

KPJ SELANGOR SPECIALIST HOSPITAL
W : www.kpjselangor.com

KPJ PERDANA SPECIALIST HOSPITAL
W : www.kpjperdana.com

KPJ KAJANG SPECIALIST HOSPITAL
W : www.kpjkajang.com

KEDAH MEDICAL CENTRE
W : www.kmc.kpjhealth.com.my

KPJ TAWAKKAL SPECIALIST HOSPITAL
W : www.tawakal.kpjhealth.com.my

KPJ PUTERI SPECIALIST HOSPITAL
W : www.kpjputeri.com

KPJ KUANTAN SPECIALIST HOSPITAL
W : www.ksh.kpjhealth.com.my

SENTOSA MEDICAL CENTRE
W : www.kpjsentosa.com

Hospitals Accredited by MSQH and the Joint Commission International (JCI)

KPJ AMPANG PUTERI SPECIALIST HOSPITAL
W : www.kpjampang.com

KPJ SEREMBAN SPECIALIST HOSPITAL
W : www.kpjseremban.com

KPJ PENANG SPECIALIST HOSPITAL
W : www.kpjpenang.com

KPJ JOHOR SPECIALIST HOSPITAL
W : www.kpjjohor.com

KPJ International Network

Indonesia

RS MEDIKA PERMATA HIJAU, JAKARTA
W : www.rsmph.co.id

RS MEDIKA BUMI SERPONG DAMAI, JAKARTA
W : www.rs-medikabsd.co.id

Thailand

VEJTHANI HOSPITAL
W : www.vejthani.com

Bangladesh

SHEIKH FAZILATUNNESSA MUJIB MEMORIAL KPJ SPECIALIZED HOSPITAL & NURSING COLLEGE

Moving Towards Accreditation

TAIPING MEDICAL CENTRE
W : www.kpjtaiping.com

KOTA KINABALU SPECIALIST HOSPITAL
W : www.dsc.kpjhealth.com.my

KUCHING SPECIALIST HOSPITAL
W : www.kcsh.kpjhealth.com.my

KLUANG UTAMA SPECIALIST HOSPITAL
W : www.kpjkluang.com

KPJ SABAH SPECIALIST HOSPITAL
W : www.kpjsabah.com

SIBU SPECIALIST MEDICAL CENTRE
W : www.kpjsibu.com

KPJ KLANG SPECIALIST HOSPITAL
W : www.kpjklang.com

KPJ PASIR GUDANG SPECIALIST HOSPITAL
W : www.kpjpgsh.com

KPJ RAWANG SPECIALIST HOSPITAL
W : www.kpjrawang.com

SRI MANJUNG SPECIALIST CENTRE

Australia

JETA GARDENS
RETIREMENT AND AGED CARE RESORT
W : www.jetagardens.com

Healthcare Related Companies

KPJ HEALTHCARE UNIVERSITY COLLEGE (KPJUC)

Main Campus (Nilai, Negeri Sembilan)
T : 1300 88 5758/(606) 794 2629
F : (606) 794 2662

Branch Campus (Johor Bahru, Johor)
T : (607) 335 2692
F : (607) 333 6392

Branch Campus (Penang)
T : (604) 538 2692
F : (604) 530 8695
E : info@kpjiuc.edu.my
W : www.kpjuc.edu.my

PHARMASERV ALLIANCES SDN BHD
W : www.kpjpharmaserv.com

LABLINK (M) SDN BHD
W : www.lablink.com.my

PUSAT PAKAR MATA CENTRE FOR SIGHT
W : www.kpjcfs.com

STERILE SERVICES SDN BHD
W : www.kpjsterile.com

HEALTHCARE TECHNICAL SERVICES SDN BHD
W : www.hts.kpjhealth.com.my

TAWAKKAL HEALTH CENTRE
W : www.kpjhealthcentre.com

Intrapreneur Companies

HEALTHCARE IT SOLUTIONS SDN BHD
T : (603) 2681 6222
F : (603) 2681 6888

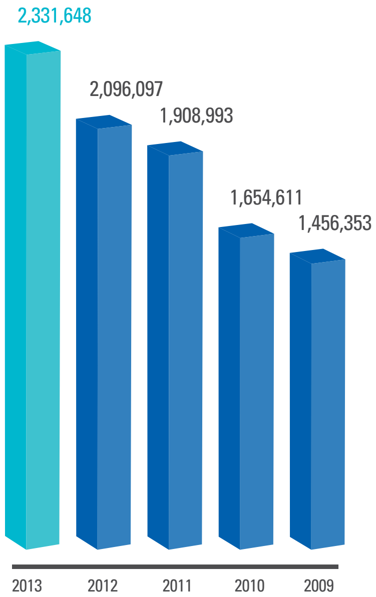
SKOP YAKIN (M) SDN BHD
T : (603) 2681 6222
F : (603) 2681 6888

TERAJU FARMA SDN BHD
T : (603) 5632 2692
F : (603) 5624 1330

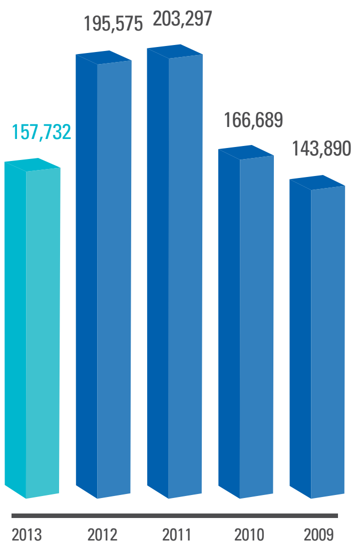
FABRICARE LAUNDRY SDN BHD
T : (607) 232 7233
F : (607) 232 7235

Financial And Operational Highlights

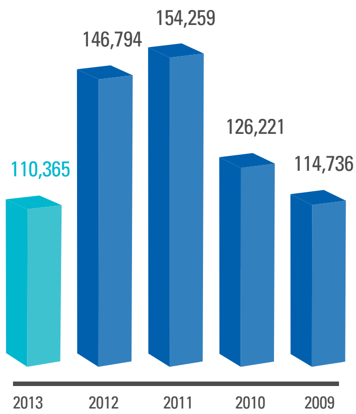
TURNOVER
(RM'000)



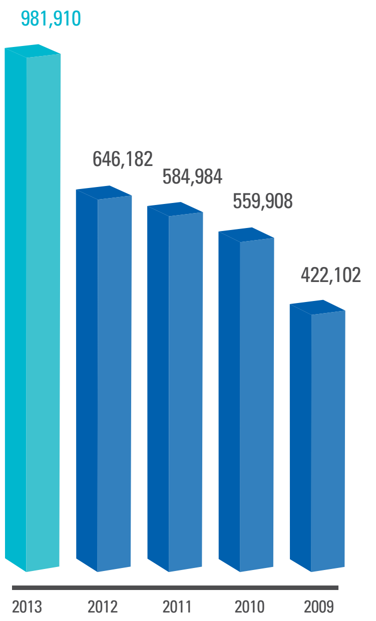
PROFIT BEFORE TAXATION
(RM'000)



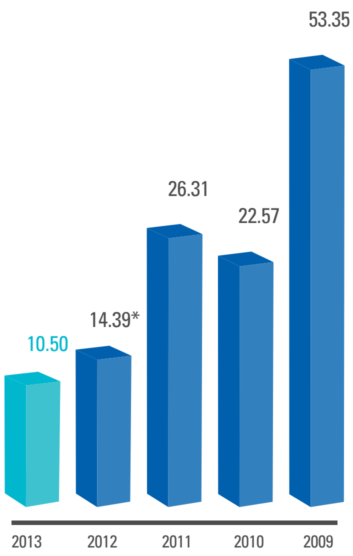
PROFIT AFTER TAXATION
(RM'000)



SHARE CAPITAL
(UNITS)

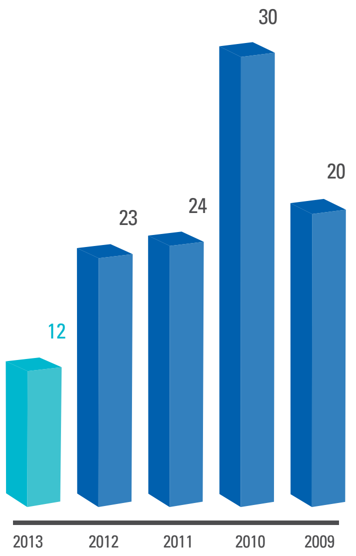


EARNINGS PER SHARE
(SEN)



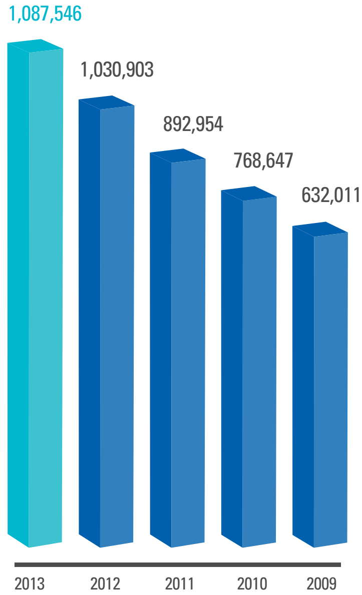
* The bonus issue was without consideration and it is treated as if it had occured before the beginning of 1 January 2012.

DIVIDEND RATE
(%)

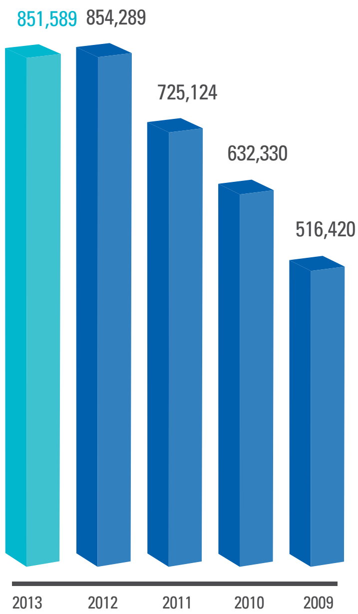


* The dividend rate in 2013 includes issuance of bonus shares of 327,279,946 from corporate exercise in 2013.

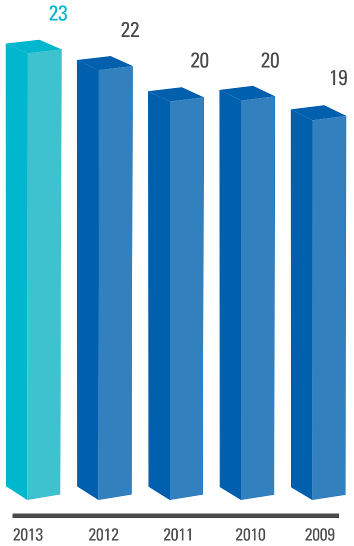
SHAREHOLDERS' FUNDS
(RM'000)



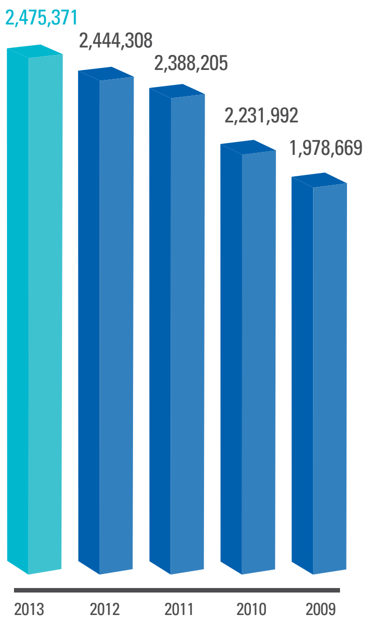
NET TANGIBLE ASSETS
(RM'000)



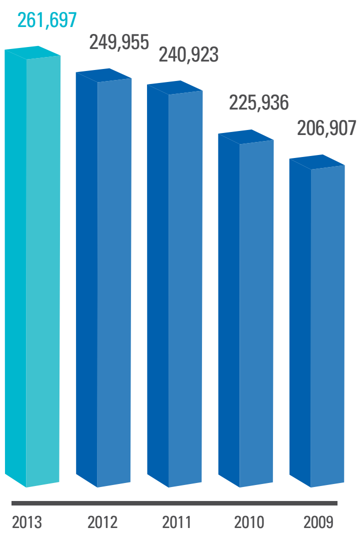
NO. OF HOSPITALS IN MALAYSIA



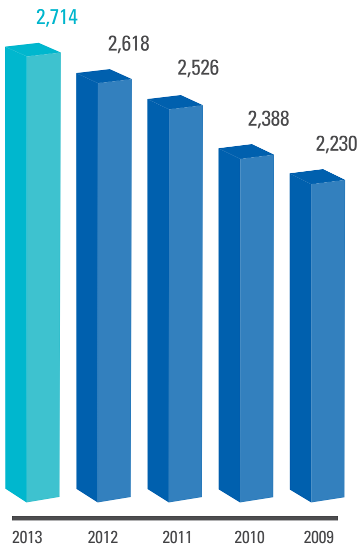
OUTPATIENTS



INPATIENTS



NO. OF BEDS



Summary of Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2009 - 2013

YEAR	2013	2012	2011	2010	2009
GROUP (RM'000)					
Revenue	2,331,648	2,096,097	1,908,993	1,654,611	1,456,353
Gross Profit	697,439	656,434	601,857	503,895	419,089
Profit from operations	140,894	170,566	159,165	144,019	140,467
Finance income	10,570	12,535	10,295	7,157	2,651
Finance cost	(38,765)	(23,603)	(19,688)	(13,597)	(16,721)
Share of results from associates	46,858	37,397	54,825	23,919	18,888
Others	-	-	-	6,460	-
Profit before zakat and tax	159,557	196,895	204,597	167,958	145,285
Zakat	(1,825)	(1,320)	(1,300)	(1,269)	(1,395)
Profit before taxation	157,732	195,575	203,297	166,689	143,890
Taxation	(47,367)	(48,781)	(49,038)	(40,468)	(29,154)
Net profit for year	**110,365**	**146,794**	**154,259**	**126,221**	**114,736**
Profit attributable to:					
Equity holders of company	103,114	140,046	143,670	118,894	110,880
Non-controlling interests	7,251	6,748	10,589	7,327	3,856
	110,365	**146,794**	**154,259**	**126,221**	**114,736**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009 - 2013

	2013	2012	2011	2010	2009
GROUP (RM'000)					
Non-current assets	2,028,521	1,652,685	1,252,530	1,024,563	842,246
Current assets	811,073	595,080	612,443	549,502	426,111
Non-current assets held for sale	2,013	2,013	94,291	105,974	103,765
Current liabilities	(577,182)	(499,870)	(456,743)	(362,242)	(290,332)
Non-current liabilities	(64,406)	(59,381)	(62,198)	(54,986)	(35,556)
Borrowings	(1,027,492)	(592,096)	(443,471)	(399,423)	(368,796)
TOTAL	**1,172,527**	**1,098,431**	**996,852**	**863,388**	**677,438**
Share capital	490,955	323,091	292,492	279,954	211,051
Reserve	596,955	707,835	600,485	488,716	420,960
Less: Treasury shares	(364)	(23)	(23)	-	(1,886)
Shareholders' funds	1,087,546	1,030,903	892,954	768,647	632,011
Non-controlling interests	84,981	67,528	103,898	94,741	45,427
TOTAL	**1,172,527**	**1,098,431**	**996,852**	**863,388**	**677,438**

Corporate History

1979

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

1981

Opening of KPJ Johor Specialist Hospital.

1988

Acquisition of Tawakkal Hospital

1989

Acquisition of KPJ Ipoh Specialist Hospital by KPJ Healthcare.

1990

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

Acquired Kuantan Specialist Hospital.

1991

Acquired Kedah Medical Centre

Set up the first Nursing College to offer Diploma in Nursing, Puteri Nursing College

1992

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

1993

Acquired Puteri Specialist Hospital.

1994

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

1995

KPJ Ampang Puteri Specialist Hospital was opened.

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.

1997

KPJ Damansara Specialist Hospital was opened.

2000

Acquired Bukit Mertajam Specialist Hospital

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

KPJ Healthcare Berhad held its first Medical Conference.

2003

Opening of Kuching Specialist Hospital

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

2005

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.

2006

KPJ Healthcare acquired KPJ Selangor Specialist Hospital, Sentosa Medical Centre, KPJ Kajang Specialist Hospital and Kota Kinabalu Specialist Centre.

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.

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

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.

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.

2007

Acquired Taiping Medical Centre.

2008

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.

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

Acquired Kluang Utama Specialist Hospital

2009

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

YABhg Tun Dato' Seri Utama (Dr) Abdul Rahman Abbas, the Tuan Yang Terutama Negeri Pulau Pinang, officially opened KPJ Penang Specialist Hospital.

2010

Acquired Sabah Medical Centre and opening of KPJ Tawakkal Specialist Hospital.

2011

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

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

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.

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

2012

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

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.

KPJ Ampang Puteri and KPJ Seremban Specialist Hospital are the first two KPJ hospitals to received the Joint Commission International (JCI) Accreditation.

KPJ Healthcare moved to its New Corporate Office at Menara 238, Kuala Lumpur.

2013

Soft launch of KPJ Pasir Gudang Specialist Hospital, officiated by the Chairman of KPJ Healthcare, YB Dato' Kamaruzzaman Abu Kassim.

KPJ launched the first mobile clinical information system in Malaysia at KPJ Puteri Specialist Hospital. The event marked another milestone to KPJ's commitment in the advancement of technology in the healthcare. The event was graced by Chairman of KPJ, YB Dato' Kamaruzzaman Abu Kassim.

KPJ via its wholly owned subsidiary Kumpulan Perubatan (Johor) Sdn Bhd signed a Joint Venture agreement with UTM Holdings Sdn Bhd for the purpose of designing, developing, building, completing and owning, and subsequently operating a private hospital on a portion of a leasehold land in Mukim Kulaijaya, Johor.

KPJ Penang Specialist Hospital received their first time Joint Commission International (JCI) Accreditation.

Signing Lease Agreement for setting up of Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College in Bangladesh. This is a joint-collaboration between Malaysia and Bangladesh and was launched by Prime Minister YAB Datuk Seri Najib Tun Razak.

KPJ Healthcare Conference officiated by YAB Datuk Seri Mohamed Khalid Nordin, Menteri Besar of Johor.

Awards and Achievements

1. AsiaMoney – Best Managed Company Awards – Best Small Cap Company for KPJ Healthcare Berhad

2. Advertising & Marketing Magazine – Marketing Excellence in Corporate Social Responsibility for KPJ Healthcare Berhad

3. Frost & Sullivan Malaysia Excellence Awards – Healthcare Service Provider for KPJ Healthcare Berhad

4. The Asia Pacific Brands Foundation – The BrandLaureate Awards - Corporate Branding for Best Brands in Healthcare for KPJ Healthcare Berhad

5. CHT Network – CHT Awards – CHT Lifetime Achievement for Datin Paduka Siti Sa'diah Sheikh Bakir

6. CHT Network – CHT Awards – CHT Pursuit of Excellence (Medical) of the Year 2013 for KPJ Healthcare Berhad

7. Human Resources Magazine – Human Resources Excellence Awards for Excellence in HR Technology of the Year 2013 for KPJ Healthcare Berhad

8. Malaysian Institute of Management (MIM) – Global Excellence in Management Awards for Excellence in Healthcare Management for KPJ Healthcare Berhad

9. MOSHPA OSH National Award – 2nd OHS Management in Hospital and Healthcare for KPJ Ampang Puteri Specialist Hospital

10. MOSHPA OSH National Award – 2nd OHS Management in Hospital and Healthcare for KPJ Ipoh Specialist Hospital

11. World Confederation of Businesses – Biz World Award for KPJ Ampang Puteri Specialist Hospital


1


2


3

4

5


6


7

8


9

12. Malaysia Productivity Corporation (MPC) – Gold Award in National Quality Environment QE/5S Convention 2013 for KPJ Ampang Puteri Specialist Hospital

13. Majlis Negara bagi Keselamatan dan Kesihatan Perkerjaan (Kementerian Sumber Manusia) – Anugerah Cemerlang Keselamatan dan Kesihatan Pekerjaan Kebangsaan 2013 for KPJ Damansara Specialist Hospital

14. 2013 Merdeka Award – Health, Science & Technology Category for YBhg Tan Sri Dato' Dr. Yahya Awang

15. Malaysia Institute Human Resource Management – Bronze under Employer of Choice in MIHRM Award for KPJ Selangor Specialist Hospital

16. Minority Shareholders Watchdog Group (MSWG) – Corporate Governance Industry Excellence Award – Healthcare of the Year 2013 for KPJ Healthcare Berhad

17. SME Magazine - Small Medium Enterprise 100 Award Malaysia's Fast Moving Companies for KPJ Healthcare Berhad

18. Accredited by the Malaysian Society for Quality in Health (MSQH) – Klinik Waqaf An-Nur, Bukit Indah Ampang – KPJ Ampang Puteri Specialist Hospital

19. Accredited by the Malaysian Society for Quality in Health (MSQH) – Klinik Waqaf An-Nur, Ijok Kuala Selangor – KPJ Selangor Specialist Hospital

20. Accredited by the Joint Commission International (JCI) – KPJ Penang Specialist Hospital


10


11


13


14


15


16


17


20

Media Highlights

KPJ keen on overseas expansion

We are not rushing in doing things.

KPJ bina hospital kelima di Muar

Dengan ada rangkaian

KPJ-UTM Holdings JV in line with Mukim Kulaijaya

Pursuant to the JV, UTM Holdings shall lease the land from Universiti Teknologi Malaysia (UTM) and sub-lease a portion of the land to the JVC for a period of 30 years with an option for a further lease of 30 years.

KPJ Healthcare to run RM87.5m hospital in Dhaka

> Deal to lease 250-bed facility for 10 years, with option for 5-year extension

A NOSTALGIC JOURNEY

PAGE 19

KPJ Healthcare's expansions on track

KPJ spends RM16.5m to grow capacity in Sarawak

KPJ to open 5 more hospitals in the next two years

KPJ sees 10pc revenue growth

KPJ Healthcare mampu tingkat perolehan

KPJ Healthcare hospital pertama guna sistem KCIS

Our **Customer-Centric** Approach

As KPJ undertakes the business of caring for life, we do so with a passion and professionalism that serves to delight our patients every time, all the time. All our employees are trained to be customer-oriented by having a “listening heart”, demonstrating compassion and exhibiting courtesy in all interactions. By meeting our customers’ immediate needs, we are building enduring relationships.

Statement to Shareholders

Sitting:
Dato' Kamaruzzaman Abu Kassim
Chairman

Standing:
Amiruddin Abdul Satar
President & Managing Director

DEAR SHAREHOLDERS,

We are delighted to announce that KPJ Healthcare Berhad (KPJ or the Group) delivered a commendable performance in 2013, recording the highest ever revenue in the history of KPJ. This result is all the more noteworthy given that it was achieved amidst a challenging operating environment in a highly competitive market. Now into its 33rd year of operations, KPJ has entrenched itself as Malaysia's largest private healthcare network with 24 private specialist hospitals throughout Malaysia supported by over 1,000 professional medical consultants and 10,000 highly trained support staff. Coupled with strategic investments in Indonesia, Australia, Thailand and Bangladesh, KPJ remains an attractive, well-rounded value proposition for shareholders.

> The KPJ Group continues to leverage on a shared vision to build healthier communities and an unwavering commitment to **"**Care for Life**"**.

AN UNWAVERING COMMITMENT TO CARE FOR LIFE

Today, as the KPJ Group makes strong advances forward, it continues to leverage on a shared vision to build healthier communities and an unwavering commitment to "Care for Life". Through the Group's continuum of highly specialised medical solutions, which cover the entire patient lifecycle from pre-natal to geriatric care, KPJ is transcending borders and bridging cultures.

KPJ's commitment to "Care for Life" is reflected in the world class patient care, professionalism and undivided compassion that its people show to the communities that they serve. On top of this, the Group ensures the quality of its healthcare offering through continuous improvements in patient care and clinical outcomes.

The Group's over 10,000 dedicated employees, who have embraced KPJ's culture of excellence, are also empowered with the skills and know-how to enhance patient care. In all that they do, KPJ's people hold true to KPJ's Core Values of Safety, Courtesy, Integrity, Professionalism and Continuous Improvement.

As KPJ focuses its efforts on expanding regionally to strengthen its presence and capabilities, it is also bolstering its operational efficiencies, building up its human capital, as well as adopting new skills, processes and technologies. The Group's commitment to upholding high clinical standards and a strong track record of patient safety is reflected in the many quality certifications that it holds.

Several marketplace opportunities today are helping to drive the Group's profitability and sustainable growth. The continuing demand for private healthcare services, the growing middle-income population in key markets, the escalating growth of medical tourism activities, as well as ongoing expansion programmes, all bode well for the Group and are helping to drive demand for its unique brand of healthcare services.

On behalf of the Board of Directors, we are delighted to share with you the key financial and operational highlights of KPJ Healthcare Berhad for the financial year ended 31 December 2013, as well as some insights into the Group's plans going forward.

TRAVERSING A TOUGH OPERATING ENVIRONMENT

The global economy grew at a modest 2.9% in 2013 amidst an uneven growth environment across economies. Despite the weaker external environment, the Malaysian economy expanded by 4.7% in 2013 (2012: 5.6%), driven by the continued strong growth in domestic demand.

On the healthcare services front, competition intensified due to continuously high demand for quality private healthcare services, competition from new hospitals and competition for staff. The entry of many healthcare service providers into the Malaysian healthcare market led to a more competitive environment. With a wide range of hospitals to choose from, customers were spoilt for choice.

At the same time, the domestic healthcare sector benefitted from growth opportunities in line with the catalyst activities being implemented under the Malaysian Government's Economic Transformation Programme (ETP). The year saw more investor-friendly policies being brought into play as the Malaysian Government sought to improve the competitiveness of domestic service industries by introducing a variety of incentives and programmes.

Healthcare service providers are encouraged to adopt a patient-centric approach by emphasising a shift from a "pay-for-service" model to a "pay-per-outcome" model. There was also a stronger focus on preventative and promotive care, while Malaysia's health tourism sector saw strong growth as healthcare service providers moved to capitalise on this lucrative segment.

Going forward, as advancements in healthcare technology for both practitioners and patients reshape the way care is delivered, healthcare players need to look for ways to reinvent themselves as well as continuously review how they can improve their service delivery.

DELIVERING GOOD FINANCIAL PERFORMANCE

Group Financial Highlights

We are pleased to report that the Group turned in a healthy 11% growth in revenue to RM2.33 billion in 2013 in comparison to revenue of RM2.10 billion in 2012. This, KPJ's highest revenue to date, comes on the back of organic growth as well as an increase in income from newly completed projects and acquisitions.

The Group's profit before zakat and tax (PBZT), however, registered a 19% drop to RM159.5 million as compared to a PBZT of RM196.9 million in the preceding year. The lower PBZT stemmed from start-up losses of newly operating hospitals and higher operating costs.

For 2013, the Group registered a marginal 25% reduction in net profit to RM110.4 million as compared to net profit of RM146.8 million in the previous year.

Segmental Financial Highlights

The bulk of the Group's 2013 revenue was derived from the Malaysian operations which contributed 88% of total revenue. Revenue from local operations rose 9% year-on-year (YoY) to RM2.054 billion from RM1.88 billion previously on the back of higher revenue from existing hospitals and newly opened hospitals within the Group.

The Group's hospitals in Indonesia continued to make good progress, turning in a 52% hike in revenue to RM33.5 million from RM22.1 million previously. This increase in revenue was mainly attributable to the revenue contributed by RS Medika Permata Hijau during the financial year.

The Aged Care Facility Services segment recorded revenue of RM28.0 million in 2013, some 9% lower than 2012's revenue of RM30.8 million. The decrease in the revenue is due to the reclassification of unrealised gains in foreign exchange to other comprehensive income.

Revenue from KPJ's Ancillary Services segment improved by 14.0% to RM780.0 million in 2013 from RM684.7 million previously. The higher revenue was attributable to growth in activities connected to the marketing and distribution of pharmaceuticals, medical and surgical products, as well as higher demand for pathology and laboratory services. These activities grew in tandem with the increased revenue from the Group's hospitals.

CREATING GOOD SHAREHOLDER VALUE

Dividend Payments

While the Group has never been committed to a formal dividend policy, for the past 16 consecutive quarters, it has been paying out a quarterly dividend of between 45% and 50% of net profit to Shareholders. In respect of the financial year ended 31 December 2013, the Group declared and paid the following interim payments:

- On 22 May 2013, the Directors declared a first interim single tier dividend of 2.0 cents per share on 653,020,611 ordinary shares amounting to RM13,060,412. The dividend was fully paid on 19 July 2013.

- On 30 August 2013, the Directors declared a second interim single tier dividend of 2.0 cents per share on 654,207,861 ordinary shares amounting to RM13,084,157. The dividend was fully paid on 18 October 2013.

- On 28 November 2013, the Directors declared a third interim single tier dividend of 2.0 cents per share on 654,559,892 ordinary shares amounting to RM13,091,198. The dividend was fully paid on 10 January 2014.

- The Directors did not declare a fourth and final dividend for the financial year ended 31 December 2013.

All in all, in respect of financial year 2013, KPJ will have paid out a total dividend of 6.0 sen per share amounting to RM39.2 million in dividends (in comparison to a total dividend payment of 11.5 sen per share amounting to RM73.7 million in 2012).

Proposed Combination of New Issue of Securities

On 28 November 2013, the shareholders of the Company approved the combination of new issues of securities at the Extraordinary General Meeting as follows:

(i) Bonus Issue of up to 329,766,497 new ordinary shares of RM0.50 each in the Company on the basis of one bonus share for every two existing shares held.

27 December 2013 saw 327,279,946 Bonus Shares and 2,451,551 additional warrants 2010/2015 consequential to the Bonus Issue being listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

(ii) Renounceable Rights Issue of up to 43,968,866 new shares on the basis of one rights share for every 15 existing shares held, together with up to 87,937,732 free detachable New Warrants 2013/2018 on the basis of two new warrants for every one rights share subscribed.

29 January 2014 saw 43,637,326 Rights Shares and 87,274,652 New Warrants as well as 96,098 additional warrants 2010/2015 consequential to the Rights Issue being listed and quoted on the Main Market of Bursa Malaysia Securities Berhad. The issue price of RM2.80 for the Right Shares were arrived based on a discount of approximately 30% over the theoretical ex-all price of the shares (after taking into account the Proposed Bonus Issue) based on the five-day volume weighted average market price (VWAP) of the shares immediately preceding the price fixing date.

(iii) Increase in the authorised share capital of the Company from RM500,000,000 to RM750,000,000 by way of issuance of 500,000,000 ordinary shares of RM0.50 each.

The new shares issued arising from the Bonus Issue, Rights Issue and Free Warrants exercised shall upon issue and allotment, rank pari passu in all respects.

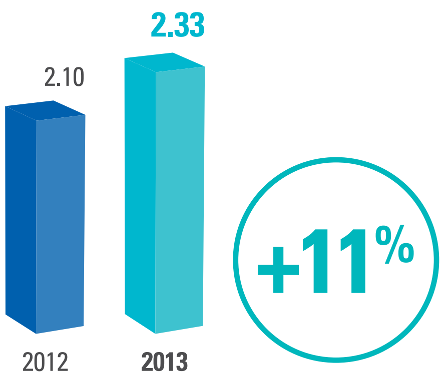
Share Price Performance, Market Capitalisation and Gearing

In 2013, trading of KPJ's shares remained active with its share price reaching an all-time high in July. The year saw KPJ's shares opening at RM5.74 on 2 January 2013 and continuing to gain a significant upward momentum over the subsequent months to hit a high of RM7.36 on 25 July 2013. However, by the close of the market on 31 December 2013, KPJ's share price had fallen to RM3.88 due to price adjustment after completion of corporate exercises.

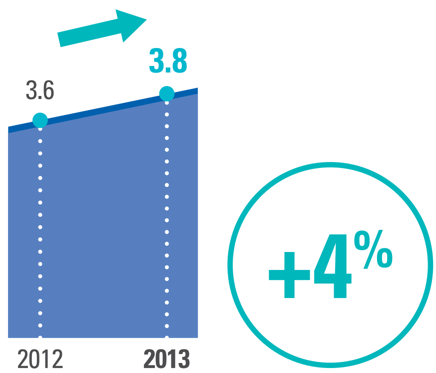
Nevertheless, by 31 December 2013, the Group's market capitalisation had increased by 4% to RM3.8 billion as compared to RM3.6 billion in 2012.

The Group's gearing ratio increased slightly to 0.9 times in 2013 as compared to 0.6 times in 2012 due to our new projects as well as expansion and acquisition exercises. We are of the view that our gearing ratio is at a level which is still attractive to investors.

Revenue
RM (Billion)



Group's market capitalisation
RM (Billion)



KPJ remains committed to **carrying out timely** and **transparent corporate disclosure activities** to strengthen investor confidence.

The Group continued to embark on several initiatives to **fortify its leading position** in the **marketplace**.

KPJ will take on **9 new development projects** over 4 years adding another **1,373 beds** to the Group's total number of operating beds.

Stakeholder Engagement Activities

KPJ remains committed to carrying out timely and transparent corporate disclosure activities to strengthen investor confidence and bolster ties with the investing community. In 2013, the Group undertook several measures to reinforce KPJ's standing among investors and facilitate coverage by more research houses.

Throughout the year, KPJ's management and investor relations team met with various analysts and fund managers to provide updates on the current and future developments undertaken by KPJ. The Group held meetings with more than 79 analysts and investors as well as participated in 10 conference calls and 12 conferences held by investment banks and analysts. The Group was able to leverage on these platforms to communicate openly with audiences as well as establish ties with new fund managers and other parties interested in the Group.

The year also saw the Group continuing to communicate its plans and hold beneficial discussions with shareholders during the Annual General Meeting, as well as hold dialogues with shareholders and other parties such as the Minority Shareholders Watchdog Group (MWSG). In line with KPJ's commitment to ensuring the timely and equitable dissemination of information to all stakeholders, it continued to post public announcements on KPJ's and Bursa Malaysia's websites in accordance with good disclosure practices.

Awards and Accolades

The year in review saw KPJ continuing to garner a host of awards and accolades which underscored its pursuit of operational excellence and high standards of healthcare as well as its commitment to forging good stakeholder relationships and elevating communities.

We are pleased to report that for its strong business management skills, KPJ picked up the Best Managed Company Awards – Best Small Cap Company from *AsiaMoney* and the Global Excellence in Management Awards - Excellence in Healthcare Management from the Malaysian Institute of Management. For upholding good governance practices, KPJ received the Corporate Governance Industry Excellence Award for Healthcare from the MSWG. For its commitment to demonstrating excellence in healthcare, KPJ received the Malaysia Excellence Awards - Healthcare Service Provider from Frost & Sullivan.

For its innovative use of technology throughout its operations, KPJ was accorded the Human Resources Excellence Awards - Excellence in HR Technology by Human Resources Magazine, while the Group's information technology (IT) subsidiary received the Small Medium Enterprise 100 Award 2013 Malaysia's Fast Moving Companies from SME Magazine.

In recognition of its branding and marketing prowess, KPJ was a recipient of The BrandLaureate Awards - Corporate Branding for Best Brands in Healthcare from The Asia Pacific Brands Foundation, and was also recognised for its Marketing Excellence in Corporate Social Responsibility by Advertising & Marketing Magazine.

The many awards and accolades in such diverse areas are apt reflection of the fact that KPJ is making solid inroads as it looks to develop its capabilities from a holistic perspective. While these awards have certainly helped reinforce KPJ's standing as Malaysia's foremost private healthcare provider, rest assured that the Group will not rest on our laurels but will continue to set higher benchmarks for itself going forward.

THE YEAR'S KEY INITIATIVES

The Group has certainly come a long way these last 33 years and continues to grow from success to success. Over the course of 2013, the Group continued to embark on several initiatives to fortify its leading position in the marketplace and ensure a sustainable pathway for KPJ in a highly competitive healthcare sector.

The Group entered into collaborative agreements for new areas of opportunity, undertook expansion and opened new hospitals, optimised its resources and empowered its people. The Group also tapped new skills, processes and technologies as well as complied rigorously with regulatory and industry standards. While these efforts did much to extend its footprint and capabilities, more importantly, they enabled the Group to render high quality services to all its customers and serve them with compassion and an undivided attention to patient safety, so that KPJ's philosophy "Care for Life" was truly reflected throughout the Group's operations.

Collaborative Ventures

To grow KPJ's business and extend its footprint, the Group continued to look for new areas of opportunity. The year in review saw the Group entering into joint venture agreements and hospital management agreements.

On 27 September 2013, KPJ signed a joint venture agreement (JVA) with UTM Holdings Berhad (UTM) for the purpose of developing and operating a private hospital in Kulaijaya in the state of Johor. This proposed JVA will operate through a joint venture company of which KPJ will hold 60% equity interest while UTM will hold the remainder. The 500-bed capacity KPJ-UTM hospital will offer multi-disciplined services with the first phase of 150 beds expected to cost some RM128.0 million. Under the agreement, KPJ will provide RM17.97 million in cash while UTM will provide the land for the hospital.

On 18 November 2013, KPJ signed an agreement with the Sheikh Mujibur Rahman Memorial Trust to lease and operate the Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College, in Dhaka, Bangladesh. This hospital will be a multi-disciplined and focused hospital encompassing centres of excellences in the areas of cardiac, orthopaedic, geriatrics, paediatric as well as obstetrics and gynaecology (O&G) services. A qualified and experienced team of hospital managers, comprising a Chief Executive Officer, Chief Finance Officer and Chief Nursing Officer will be stationed in Dhaka to operate the hospital. The hospital is expected to receive its first patients by the second quarter of 2014.

Hospital Developments in Malaysia

KPJ continues to make significant investments in hospital projects on the domestic and international fronts to create long-term value for shareholders. In Malaysia, the year 2013 saw the Group completing the acquisition of one hospital, adding two new purpose-built hospitals to its existing network of 22 hospitals, and gearing up for further growth.

The Prime Minister of Malaysia officiating the launching of Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College.

The Group completed the acquisition of a 100% stake in its 22nd hospital, Sri Manjung Specialist Centre Sdn Bhd (Sri Manjung) in May 2013. Sri Manjung, which presently has a total capacity of 30 beds, is strategically positioned for long-term growth with an additional 90 beds to be added on through future expansion on an adjacent piece of land. The hospital has been in operation since 2004 and is a profitable venture. Following the completion of the acquisition, the Sri Manjung operation is expected to contribute fully to KPJ's earnings going forward.

The KPJ Pasir Gudang Specialist Hospital, opened to the public in the same month, making it the 23rd operating hospital for the Group in Malaysia. While this hospital has a total capacity of 120 beds, only the first phase comprising 25 beds is currently open. Located strategically within the residential area adjacent to the Pasir Gudang, industrial area, we expect this hospital to receive good response from the surrounding community due to the sizeable working population in the area, plus the expatriate community within the vicinity. The hospital is expected to undergo a gestation period of two to three years before turning profitable.

The year also saw KPJ Sabah Specialist Hospital successfully completing its relocation with an expanded range of services. This hospital offers general and specialist services, boasts 86 consultants in total and has a total capacity of 282 beds. Its specialist offerings include medical, surgery, orthopaedic, O&G, paediatric, ophthalmology, anaesthesiology, radiology as well as ear, nose and throat services. The RM200 million hospital began operating in December 2013.

More recently, the KPJ Rawang Specialist Hospital began operations in March 2014, while the KPJ Bandar Maharani Specialist Hospital in Muar, Johor is set to commence operations in 2014. These two hospitals will add another 96 beds in total to KPJ's current capacity and by the end of 2014, KPJ's capacity will have risen to 3,229 beds from 2,720 currently.

Going forward, KPJ will take on 9 new development projects over 4 years. The plan is to roll out a minimum of two new hospitals per annum to meet high market demand and we expect this plan to evolve in tandem with market demand.

Come 2015, KPJ Perlis Specialist Hospital and the Pahang Specialist Hospital (a 70:30 joint venture between KPJ and PASDEC Corp, a subsidiary of the Pahang State Government), will open. This will be followed by the opening of the Bandar Dato Onn Specialist Hospital in 2016 and the opening of our new JV hospital in Johor, KPJ-UTM, in the same year. By 2017, the KPJ Miri International Specialist Hospital, KPJ Klang Bayuemas Specialist Hospital and another facility in Nilai are targeted to commence operations. Plans are in the offing to construct one hospital facility in Port Dickson and another in Melaka by 2018. All in all, these 9 developments will add another 1,373 beds to KPJ's total number of operating beds.

Hospital Developments Abroad

Today, KPJ has strategic investments abroad by way of its equity stakes in hospitals in Indonesia and Thailand. KPJ's presence in Indonesia comes by way of a 75% equity stake in PT Khasanah Putera Jakarta Medica (which own RS Medika Bumi Serpong Damai in Jakarta) and an 80% equity stake in PT Khidmat Perawatan Jasa Medika (which owns RS Medika Permata Hijau in Jakarta). The Group also has a foothold in Thailand via our 23.4% equity stake in Vejthani Public Company Limited which owns the 263-bed Vejthani Hospital.

On 7 March 2013, KPJ completed its acquisition of RS Medika Permata Hijau. Where previously KPJ operated the hospital on behalf of our parent company, JCorp, and earned a hospital management fee, going forward KPJ will be able to fully recognise the revenue and earnings from these hospital operations. However, the Group expects its overall Indonesian operation to continue to incur losses for the next few years due to the fact that its other Indonesian hospital, RS Medika Bumi Serpong Damai, is still facing intense competition from private hospital providers in the area.

In Bangladesh, the 250-bed international-standard Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital and 50-seat nursing college was launched on November 18 by Bangladeshi Prime Minister, the Honourable Sheikh Hasina in the presence of Malaysian Prime Minister YAB Dato' Sri Mohd Najib bin Tun Abdul Razak. Set up on 2.45 hectares of land at a cost of Tk2.15 billion and involving the Ministry of Social Welfare under a Public Private Partnership (PPP) initiative, the hospital serves as a good PPP model for Bangladesh. Offering world class medical service at an affordable cost, it is expected to create healthy competition among the country's healthcare service providers.

Medical Tourism Activities

In 2013, revenue from the medical tourism segment brought in 4% of KPJ's revenues. Given the dynamic demand from this fast growing segment, we envisage that this business will contribute some 25% of KPJ's revenues by the year 2020. The year saw the Group continuing to tap the wealth of opportunities presented by the medical tourism market and aggressively stepping up the number of marketing and

KPJ Healthcare participating in the Arabian Travel Mart (ATM) in Dubai.

promotional activities in existing and new target markets. Aside from activities throughout Asia, the Middle East and Australia, the Group also took the opportunity to venture into the East African countries, in particular Somalia.

Over the course of the year, KPJ actively participated in local and international exhibitions, trade expositions, road shows and health talks. All of these certainly helped reinforce Malaysia's position as an excellent and cost-effective destination for medical care as well as strengthened KPJ's brand reputation among target audiences.

The Group's overall efforts led to an 8.83% 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 RM67.1 million in revenue in 2013 and we anticipate that the number of medical tourists will increase as the Group ramps up its marketing and promotional activities which are targeted at potential patients from Indonesia, Middle East and North Africa among others.

Aged Care Facility Services

KPJ is involved in Australia's first retirement and aged care resort incorporating Eastern values by virtue of a 57% equity stake in Jeta Gardens in Brisbane. As the Group's gateway to the retirement world, Jeta Gardens is helping KPJ gain better insights into the provision of retirement care to the elderly. This is coming in handy as KPJ explores avenues to create a new lifestyle for Golden Boomers in Malaysia.

Even as KPJ's patients move into their golden years, the Group will be well placed to meet their needs through geriatric health and nursing activities. In delivering value to the elderly, the Group is helping ensure its long-term sustainability.

To date, the Jeta Gardens facility is fully occupied and there is a long list of prospective elderly clients waiting to make it their home. To cater to this pent-up demand, Jeta Gardens has started construction of a 72-bed building to increase its capacity and construction of this facility is scheduled to be completed by second quarter of 2015. We remain confident about KPJ's venture into aged care facility services given the growing ageing population in Australia (which is expected to reach 1.8 million people by 2050 as compared to 0.4 million people in 2010) and the fact that the business model can be replicated elsewhere in the region.

Education Business

Via KPJ Healthcare University College (KPJUC), KPJ is fulfilling the academic and career aspirations of professionals in the healthcare industry as well as developing their knowledge and skills. Today, KPJUC offers the entire spectrum of academic programmes, from diploma and bachelor to post-graduate programmes. In 2013, there was a significant increase in the number of approved home-grown programmes which included the Bachelor of Pharmacy, Bachelor of Pharmaceutical Science with Health Sciences, Bachelor of Medical Imaging, Bachelor of Nursing and Bachelor of Physiotherapy. At a higher level, another advanced medical degree was approved at the School of Medicine i.e. the Master of Radiology. At other schools, approvals were obtained for the Masters in Pharmacy, Nursing, Pharmaceutical Technology, Medical Imaging and Physiotherapy. A two-year full-time PhD in Nursing was also approved. This brings the total number of programmes currently offered at KPJUC to 28 programmes.

Apart from its academic programmes, KPJUC continues to bolster its research and development (R&D) capability as well as forge strong international alliance with universities from Australia and the United Kingdom. At the national-level KPJUC has strengthened its collaboration with Universiti Kebangsaan Malaysia (UKM) particularly in the way of developing new Medical Specialist programmes. Following the groundbreaking Master in Otorhinolaryngology - Head and Neck Surgery programme, two new programmes, namely the Masters in Surgery and Masters in Orthopaedics, are currently being finalised with UKM and will be offered in the 2014 academic year. By the end of 2014, another 13 new programmes will have been added to KPJUC's academic offering.

As KPJUC ramps up its academic programme offering, its student population is expected to grow from 1,700 to 3,000 students by 2015. To cater to the expected increase in student numbers, the Nilai campus underwent its second phase of expansion works (at a cost of RM50 million) and brought this to completion by the end of 2013. The third phase of the expansion programme in Nilai (from 2014 onwards), will see an additional RM150 million invested in hostel and academic blocks, a multi-purpose hall and a sports complex. Plans are also underway for a private teaching hospital to be built at the Nilai campus which will make this the first private hospital in the country built for academic purposes.

Meanwhile, both the Johor Bahru and Bukit Mertajam campuses of KPJ International College of Nursing and Health Sciences (KPJ College) continue to make good progress. The Johor Bahru campus is actively developing new post basic programmes in neonatology, orthopaedic and renal sciences, while the Bukit Mertajam campus (which began operations in January 2013) has a line-up of programmes that include the Diploma in Operating Department Practice and the Diploma in Pharmacy, and is fast expanding its programmes .

As KPJUC and KPJ College venture forward, they will continue to forge strategic alliances, enhance the knowledge and skills of their academic teams, and continue providing invaluable hands-on training and clinical practices to ensure their graduates are competent and competitive in the fast growing globalised market.

Technological Advancements

As a progressive organisation, KPJ continues to leverage on technological innovations to ensure more efficient operations. The widespread and accelerated use of IT at the Group's hospitals is certainly helping strengthen patient safety even as the possibility of errors is mitigated and coordination and efficiency is enhanced.

The KPJ Clinical Information System (KCIS) is one such example. Introduced some five years ago and currently deployed at nine hospitals, this secure clinical system now incorporates electronic clinical documentation and an audit trail functionality to mitigate the risk of incorrect information. At the same time, it secures highly confidential patient data as per the user's role and responsibility as a caregiver. More and more doctors and medical staff are tapping the integrated environment that KCIS offers for their day-to-day operations. By the end of 2014, KCIS will be deployed to four to six more hospitals, with two to four more scheduled to migrate onto KCIS in 2015.

As part of the Group's efforts to continuously improve its integrated information systems infrastructure, it launched its pioneer Mobile Clinical Information System in mid-2013. This is enabling users to access the KCIS in a more convenient and instantaneous manner. In addition to this, the Group has begun migrating its clinical information system to the enterprise-wide KPJ Cloud System by hosting a KPJ data centre serving all hospitals via the Internet. This secure private cloud is dedicated to providing core systems with data security services to ensure cloud computing is enabled within a shared and safe environment. The Group's centralised IT infrastructure and hardware is helping it optimise the cost of its technology investment and ensuring continuous improvements are made to clinical systems to ensure patient safety and care.

Innovation Culture

The first quarter of 2013, saw Agensi Inovasi Malaysia (AIM) undertaking a survey of the KPJ Group as part of the National Corporate Innovation Index (NCII). The NCII aims to help companies embrace innovation and to accelerate wealth and value creation by leveraging on the National Corporate Innovation Scorecard and NCII Report. The index helps companies measure where they are in terms of innovation as well as uncover ways to improve their innovation performance.

Launch of the first Mobile Clinical Information System by YB Dato Kamaruzzaman Abu Kasim, President of Johor Corporation cum Chairman, KPJ Healthcare Berhad.

2013's NCII scorecard results showed that innovation is a very high priority within KPJ and as a result of the good alignment between KPJ's innovation strategy and its impact, the Group has been able to increase its market share, meet customers' expectations and increase its revenue. All in all, the key findings demonstrate that KPJ's innovation culture is quite strong and is supporting its reputation as a global innovator.

Moving forward, the Group will continue to pursue a strategy of widespread IT adoption and innovation to safeguard its operations and patients, improve customer service levels, and reinforce its reputation as a progressive healthcare player.

Patient Care and the Customer Experience

KPJ's philosophy of "Care for Life" rests on the shared commitment to give its best to patients and customers at all times. This need to ensure that the customer experience and patient safety remain top priorities is all the more important even as KPJ's rapidly-developing network of hospitals expands its range of facilities and services. KPJ remains committed to achieving this by facilitating the smooth assimilation of core procedures and processes and ensuring a high level of professional and compassionate care throughout the Group's hospitals.

The Group's hospitality and service offerings reflect who KPJ is. Today, the Group continues to advocate the development of a strong service-oriented culture within KPJ to ensure consistency and high standards across all its hospitals. The Service Excellence -The KPJ Way (SE - KPJ Way) initiative involves the implementation of core customer-centric procedures and processes throughout KPJ's hospitals and the delivery of a high level of professional and compassionate care. It demonstrates the Group's commitment to deliver high-quality customer experiences by constantly touching patients' hearts across all touch-points, from entry to exit.

This 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 SE - KPJ Way initiative aims to raise service levels and standardise the quality of the service delivery throughout KPJ's network of hospitals. It focuses on communication skills, emphasises empathy and urges caregivers to go beyond the expectations of customers. Since its inception, 10 hospitals have implemented the SE - KPJ Way with a definitive positive impact on customer satisfaction levels measured through customer service indexing (CSI). Over time, the SE - KPJ Way initiative will be introduced to the Group's other hospitals.

In line with the Group's commitment to undertake continuous service improvements, it established the Service Quality Management (SQM) Division in March 2013. The SQM Division has been tasked with developing programmes to ensure KPJ can deliver the highest possible level of care to the communities the Group serves. The division has placed a priority on several key areas to achieve this task including the areas of customer service training, customer service management, process mapping, process improvements and quality assurance. In 2013, the SQM Division kicked off an initiative to develop and internalise customer service training and coaching, which saw frontline personnel being trained as customer service coaches.

Quality of Services

KPJ's ultimate goal is to provide customers with safe care and excellent services and to this end the Group is committed to adopting best-in-class quality systems and processes. To date, KPJ's hospitals have received recognition from accreditation bodies such as the Malaysian Society for Quality in Health (MSQH) and Joint Commission International (JCI). KPJ's hospitals also continue to obtain certifications such as the Integrated Management System (IMS) certification (which includes Occupational Safety and Health as well as Environmental Management System elements), as well as ISO, and SIRIM certification.

To date, 14 KPJ hospitals have been accredited by MSQH while the total of JCI-accredited hospitals within the KPJ Group is 4. In 2014, 2 hospitals will undergo their latest MSQH accreditation surveys, namely KPJ Kota Kinabalu Specialist Hospital and KPJ Klang Specialist Hospital.

To ensure all KPJ's hospitals strictly comply with all regulations and adhere to international best practices, their clinical conduct is governed by the Group's clinical policies and procedures. At the same time, the Medical Advisory Committee and other Clinical Committees at both the Group and hospital levels monitor their processes. The Group also abides by the policies and practices outlined in the Private Healthcare Facilities and Services Act 1998 and complies with MOH regulations. On top of this, through their exposure to continuous learning at KPJUC, KPJ's staff are able to demonstrate and maintain high quality standards throughout the Group's operations.

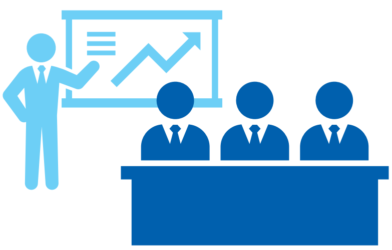
Human Capital Development

KPJ's workforce is undoubtedly its greatest asset and the reason for the Group's success. As a people-centric organisation, the Group continues to prioritise human capital development to strengthen its workforce, ensure a ready pipeline of talent for its rapidly expanding hospital network, and ensure sustainable business growth.

Today, over 10,000 highly-trained individuals support KPJ's operations. This number encompasses more than 1,834 highly trained clinical staff who have been trained by KPJUC; 150 internally-trained managers with some 30 plus years of experience in managing hospitals; as well as over 1,000 medical consultants who specialise in various medical disciplines. Even as KPJ ensures a seamless coordination and cooperation among its team of caregivers, it is ensuring that patient safety and customer care are given the highest priority.

As part of the Group's efforts to develop its employees through transformational leadership, motivation, and training, it spends as much as RM5.5 million 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. The Group also organises the KPJ Healthcare Conference, Medical Workshop and Nursing Convention on an annual basis so that its medical consultants, nurses and allied health staff have specific platforms where they can deliberate and discuss medical and clinical issues relating to their practices.

KPJ spends as much as **RM5.5 million** annually to **finance employees'** further **education**, on-the-job **training** and other **skill enhancement** programmes.



KPJ's on-the-go medical consultants continue to do their part to keep abreast of the latest medical developments by participating in conferences and seminars. At the same time, they share their knowledge and experiences with others via various speaking platforms in the domestic and international arenas. KPJ's nurses are encouraged to further their studies either by taking up a Degree in Nursing or the Masters in Science (Nursing) through collaboration with foreign universities. They also have the opportunity to take up post basic courses in operation theatre, ICU, CICU, renal and midwifery to enhance their knowledge and skills.

KPJ is also committed to empowering its people with the confidence and skills required to lead and guide others. The Group's efforts extend to transforming ordinary individuals into extraordinary high performers through transformational leadership. To ensure the continuity of the Group's operations and management standards, capable individuals with high potential are identified for management positions within the Group under the Talent Management programme which also forms part of KPJ's Succession Development Plan. Following the sponsorship of eligible executives for a Master in Business Administration (Healthcare Management) programme, five of these executives obtained their MBAs from the University of East London and Universiti Teknologi Malaysia in 2013.

As an Equal Opportunity Employer, KPJ is keen to provide its people opportunities to better themselves and vie for positions of higher responsibility based on their ability and performance. By leveraging on measurable processes such as the Staff Performance Appraisal Review (SPAR), KPJ is able to identify and promote competent employees while strengthening the skills set of others through targeted training programmes. All of these, among other initiatives, are helping KPJ to attract and retain a strong pool of talented employees.

KPJ is also on target to achieve the Government's policy of having 30% women on board in key decision-making positions as per the legislation for the corporate sector which will come into effect in 2016.

RESPONSIBLE CORPORATE PRACTICES

Corporate Governance

KPJ's Board of Directors remains committed to upholding the tenets of integrity, transparency and accountability and to implementing the highest standards of corporate governance and risk management practices throughout the organisation. The Group also continues to ensure strict compliance with Bursa Malaysia's listing and disclosure requirements under the Malaysian Code of Corporate Governance 2012 (2nd Edition) and undertakes other governance measures to ensure the protection of shareholders' wealth and KPJ's corporate reputation, as well as the sustainability of its businesses.

Several committees are in place to monitor the relevant operational processes within the Group's hospitals. These include 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), which has oversight over the Group's clinical activities, develops and monitors clinical governance activities and guidelines to ensure the best clinical governance activities are being implemented throughout the Group. At the individual hospital level, each Hospital MAC under the chairmanship of a medical director, facilitates the implementation and oversees compliance with clinical governance through various clinical sub-committees.

Between May and June 2013, the Malaysian Institute of Integrity conducted a Corporate Integrity Assessment on KPJ's hospitals and companies. This exercise involved some 220 employees from throughout the Group comprising Top Management, Heads of Services, Managers and Executives. Under the Corporate Integrity System Malaysia (CISM) dimensions benchmark, KPJ scored an average of 50% to 75% for 12 specific dimensions. KPJ's highest score at 73.4% was for the dimension 12 pertaining to Corporate Social Responsibility.

Three dimensions were required to be enhanced, namely Infrastructure, Measurement, Research and Assessment and Ethics, Training and Education. There are plans in the offing to make improvements to these three areas to attain a higher integrity benchmark.

These developments will bring about a new vitality to KPJ's operations, strengthen the governance of the Group and enable its businesses to grow in a sustainable manner. The details of these governance measures and risk management practices are spelt out in the relevant sections of this Annual Report.

Corporate Responsibility

As a conscientious corporate citizen, KPJ is committed to making good progress on the financial and operational fronts while undertaking responsible practices that underscore its commitment to "Care for Life". The year in review saw the Group demonstrating its commitment to profiting in a responsible manner as it implemented tangible corporate responsibility (CR) initiatives in the areas of the Community, Workplace, Marketplace and Environment.

While KPJ's overall CR efforts to date are highlighted in the Corporate Responsibility section of this Annual Report, we want to touch upon the effective work the Group is doing on the Community front, particularly by way of its flagship CR initiative, the Klinik Waqaf An-Nur (KWAN). The KWAN initiative aims to help the impoverished and underprivileged in communities by providing them access to a chain of charity clinics. Through these clinics, patients are able to take advantage of basic medical care for a nominal fee of only RM5 for normal outpatient care and around RM90 for dialysis services so they can lead healthier lives.

The KWAN initiative has its roots in 1998, when together with JCorp, KPJ kick-started the project with one small clinic in Johor Bahru. Today, the KWAN initiative spans 1 hospital in Johor, 19 clinics (including 5 site clinics and 6 dialysis centres) throughout Malaysia, as well as 2 mobile clinics in Johor and Selangor. From KWAN's inception until the end of 2013, KPJ has had the opportunity to be of service to more than 961,000 patients. The Group also continues to provide clinical resources as well as medication to patients via KWAN, and is investing more than RM2 million annually to support KWAN activities.

PROSPECTS AND STRATEGIES GOING FORWARD

The Malaysian economy is expected to remain on a steady growth path in 2014, expanding by 4.5%-5.5%. Domestic demand will remain the key driver of growth, albeit at a more moderate pace.

KPJ's President & Managing Director receiving a mock key of the Mobile Clinic from Lembaga Zakat Selangor Board of Trustee, Dato' Siti Maslamah Osman.

Where in 2013, it was evident that the demand for healthcare services increased in line with strong population growth, better life expectancy, a rapidly ageing population and a rising middle income group, these market dynamics are expected to continue driving the demand for healthcare in 2014. The strong double digit growth enjoyed by the medical tourism segment in 2013 too, is expected to be replicated in 2014.

Going forward, the private healthcare sector is expected to register continuous growth as a result of the abovementioned market dynamics, the growing awareness of healthcare standards and an overloaded public healthcare system. All these developments bode well for KPJ and the Group will continue to put the necessary elements in place to deliver sustainable, long-term growth.

To fully leverage on the many opportunities before it, the Group is setting its sights on a bold agenda. This agenda calls for KPJ to focus its efforts on continuous strategic growth that is primarily centred on the expansion of the Group's hospital business, both at home and abroad. KPJ's Malaysian operations will remain the mainstay of its business going forward and the Group will continue to make the necessary investments to strengthen this segment. We anticipate that revenue will continue to grow in 2014 as KPJ undertakes expansion programmes at existing hospitals, makes enhancements to its service offering and undertakes continued growth of existing greenfield hospitals.

While we are excited about the opening of the new KPJ Sabah Specialist Hospital and KPJ Rawang Specialist Hospital as well as the up-coming KPJ Bandar Maharani Specialist Hospital and Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College, these new hospitals will only truly help the Group grow its revenue once their initial gestation period (between three to five years) is over. The plan to roll out two new hospitals per annum augurs well for KPJ and will ensure a steady stream of revenue while reinforcing its market leadership position.

The Group will also continue to undertake a strategy of growing its international footprint within the region, mainly by leveraging on strategic alliances with third parties. Rest assured the Group will undertake the necessary due diligence as its explores new opportunities in new markets. In tandem with the Group's efforts to grow the revenue contributions from the medical tourism business segment to 25% in six years' time, it will also intensify its efforts in this area.

As the Group ramps up its capacity building and service expansion activities, it expects patient numbers on both the domestic and international fronts to increase steadfastly in the medium to long-term.

As KPJ ventures forth to capitalise on new opportunities, there will definitely be challenges ahead for the Group. We are confident that the Group can overcome these challenges with the unflinching support of its dedicated management team, employees and medical consultants. On KPJ's part, we commit to providing our people the necessary tools and a conducive work environment to get the job done. This will allow KPJ's employees to give their complete attention to the needs of their patients while upholding KPJ's philosophy of "Care for Life".

As the Group's people work together as a team, stays true to KPJ's Core Values, prioritise patient safety and quality medical care, as well as undertake aggressive business strategies, we are confident of gaining patient confidence and strengthening KPJ's reputation as a key player in the healthcare sector. Going forward, the Board is confident that KPJ will continue to deliver a good performance in 2014 while creating enduring value for its shareholders.

ACKNOWLEDGEMENTS

KPJ's good progress in 2013 is owing to the worthy efforts of several parties and we wish to acknowledge them for their efforts. We would like to convey our utmost gratitude to you, our Shareholders, for your unwavering trust and continued confidence in us. As we venture forth, we will continue to work hard to deliver a strong performance on all fronts and ensure the creation of sustainable shareholder value.

We are indeed grateful to all our customers for their kind support and continuing trust in KPJ. We are also deeply indebted to the many communities we operate in who have come to the fore to support our corporate responsibility activities. With the strong backing and encouragement of communities, we are truly motivated to continue upholding our commitment to "Care for Life" and to make a tangible difference in their lives.

Our sincere appreciation goes to the Government and authorities for their steadfast cooperation and guidance, and to KPJ's business partners for their unrelenting support. Our sincere gratitude also goes to all medical consultants within the KPJ Group who have worked diligently to deliver the highest quality of care to our patients. Our heartfelt gratitude also goes to the management team and staff of KPJ, for their hard work, dedication, professionalism and commitment to excellence in every aspect of their service and care for customers.

We convey our deep appreciation to our colleagues on the Board, as well as the Executive, Audit and Clinical Committees who have all worked together with us to propel KPJ forward on the pathway to prosperity. We are grateful for their guidance and wise counsel as well as their continuing support as we undertake various initiatives for the good of the Group.

The KPJ Board underwent several changes during the year under review. We were greatly suddened by the passing of Tuan Haji Abdul Razak Haron, who served as a Director of KPJ from 2011 to 2013. We also take this opportunity to acknowledge the contributions of Datuk Dr. Hussein Awang, an Independent Non-Executive Director, who announced his retirement on 11 June 2013, and Tuan Haji Rozan Md. Saat, a Non-Independent Non-Executive Director and the CEO of the Hospitality Division of JCorp, who resigned on 1 January 2014. We thank these gentlemen for their worthy contributions and wish them every success in their future undertakings.

Subsequently in early 2014, we appointed two very experienced leaders who we believe will be able to contribute positively to the Board and bring the Group to higher levels of excellence. We welcome on board Tuan Haji Aminudin Dawam and Tuan Haji Zulkifli Ibrahim, both Non-Independent Non-Executive Directors who assumed their positions on 1 January 2014. Their appointment further strengthens KPJ's Board and ensures our bench is consistently well balanced with experienced professionals that include renowned specialist doctors. Our Board members are constantly providing input and advice to our management and helping the Group stay the course. We certainly look forward to more of this.

Moving forward, the Group will continue to maintain a firm commitment to delivering the highest standards of operational excellence and world class patient care with professionalism and an undivided compassion. As all of us at KPJ renew our commitment to "Care for Life" and pursue the Group's vision of becoming "The Preferred Healthcare Provider", we call upon all stakeholders to work together with us as we pursue new heights of success. Thank you.

Dato' Kamaruzzaman Abu Kassim
Chairman

Amiruddin Abdul Satar
President & Managing Director

Our
Care For **Life**

Today, the teams in KPJ are guided by the Group's Core Values which underscore our commitment to "Care for Life". These values 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. As every employee adopts these values, we are instilling a culture of caring which will endure for a lifetime.

Board Of Directors

First row from left:

1. Amiruddin Abdul Satar
   President & Managing Director

2. Dato' Kamaruzzaman Abu Kassim
   Chairman

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

Second row from left:

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

5. Zulkifli Ibrahim
   Non-Independent / Non Executive Director

6. Tan Sri Dato' Dr. Yahya Awang
Independent / Non-Executive Director

7. Aminudin Dawam
Non-Independent / Non-Executive Director

8. Datuk Azzat Kamaludin
Independent / Non-Executive Director

9. Zainah Mustafa
Independent / Non-Executive Director

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

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

Directors' Profiles

DATO' KAMARUZZAMAN ABU KASSIM
Chairman

Aged 50, Dato' Kamaruzzaman Abu Kassim was appointed as a Non-Independent Non-Executive Director of 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 embarked 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 1989. In December 1992, he left the firm and joined Perbadanan Kemajuan Ekonomi Negeri Johor (currently known as Johor Corporation) as a Deputy Manager in the Corporate Finance Department and later promoted to General Manager in 1999.

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

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

AMIRUDDIN ABDUL SATAR

President & Managing Director

Amiruddin Abdul Satar, aged 50, has helmed KPJ Healthcare Group as its President and Managing Director since 1 January 2013.

An accountant by training, Amiruddin graduated with the Association of Chartered Certified Accountants (ACCA). In 2010, he obtained his Masters in Business Administration (MBA) from the Henley Business School (formerly known as Henley Management College), University of Reading, United Kingdom.

He gained significant experience in finance and management through his capacity as the Accountant and Finance Manager of several large and reputable organisations in the country. Since joining KPJ in 1993, Amiruddin has been involved in the areas of hospital operations, finance and various senior management functions such as strategic planning and investment decisions.

He also holds directorships in several KPJ hospitals as the Chairman.

Amiruddin contributes actively to the development of the Malaysian healthcare sector through his involvement with the Association of Private Hospitals of Malaysia (APHM), where he sits as a Board member, a position he has held since 1996.

DATIN PADUKA SITI SA'DIAH SHEIKH BAKIR

Non-Independent Non-Executive Director and Corporate Advisor

Datin Paduka Siti Sa'diah Sheikh Bakir, aged 61, is the Non-Independent Non-Executive Director and Corporate Advisor of KPJ, appointed since 1 January 2013. She is also the Chairman and Pro Chancellor of KPJ Healthcare University College (KPJUC) since 1 August 2011. She served as the Managing Director of KPJ from 1 March 1993 until her retirement on 31 December 2012.

She graduated with a Bachelor of Economics from University of Malaya and holds an MBA from Henley Management College (currently known as Henley Business School), University of Reading, London, United Kingdom.

Datin Paduka's career with Johor Corporation (JCorp) commenced in 1974 and had been directly involved in 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. During her tenure as the Managing Director, Datin Paduka was directly involved in developing and implementing the transformational strategies that made KPJ Malaysia's leading private healthcare services provider with 24 hospitals nationwide, 4 hospitals and 1 aged care facility overseas, as well as more in the making. Datin Paduka is the Chairman of Jeta Gardens (Qld) Pty Ltd, a company involved in managing the Jeta Gardens and Residential Aged Care Facility, in Brisbane, Australia,

Datin Paduka currently sits as a Director of Kulim (Malaysia) Berhad and Damansara REIT Managers Sdn Berhad, the Manager for Al-'Aqar Healthcare REIT. She was a Board member of KFC (Holdings) Bhd and QSR Brands from 2010 until they were privatized and delisted from Bursa Malaysia in February 2013. 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.

Committed to promoting excellence in healthcare, Datin Paduka is the President of the Malaysian Society for Quality in Health (MSQH), the national accreditation body for healthcare services, elected since its inception in 1997 to date. Currently, she also sits on many other councils and committees at the national level.

In 2010, Datin Paduka was named the 'CEO of the Year 2009' by the New Straits Times Press and the American Express. She has also received many more awards and accolades from 2011 to 2014, due to her contributions to the healthcare industry in Malaysia.

Datin Paduka had also launched her book entitled "Siti Sa'diah : Driven by Vision, Mission and Passion", penned by Professor Rokiah Talib, Penerbitan Universiti Kebangsaan Malaysia in 2013.

In February 2014, Datin Paduka was appointed both as a Member of the Academic Committee of the Razak School of Government (RSOG), and as a Member of the University of Reading Malaysia (UoRM) Advisory Board.

In April 2014, she was appointed as a member of the Centre for University-Industry Collaboration (CUIC) Advisory Council of Universiti Utara Malaysia (UUM).

ZAINAH MUSTAFA

Independent Non-Executive Director

Zainah Mustafa, aged 59, 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 Berhad 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 obtained her Association of Chartered Certified Accountants (ACCA) United Kingdom in 1976.

She is now a Fellow of Association of Certified Chartered Accountant (FCCA). She joined JCorp in October 1978 and rose through the ranks to the Group Chief Financial Officer before retiring on 31 October 2002.

TAN SRI DATO' DR. YAHYA AWANG

Independent Non-Executive Director

Tan Sri Dato' Dr. Yahya Awang, aged 63, is a Director of KPJ and was appointed to the Board of KPJ on 18 July 2013. He is an Independent Non-Executive Director of KPJ and was appointed as a member of the Audit Committee since 26 July 2013 and is presently a member of the KPJ Medical Advisory Committee.

He is also currently a member of the Board of Governor, International Medical University, Kuala Lumpur since July 1995, Foundation Fellow of the Academy of Science Malaysia since 1995, Visiting Consultant Surgeon, Division of Cardiothoracic Surgery, Department of Surgery, Medical Faculty, Hospital Universiti Kebangsaan Malaysia, Cheras, Kuala Lumpur since 1 September 2005, Chairman, Board of Governors, International Medical University, Kuala Lumpur since 26 September 2005, Adjunct Professor of Medical Faculty, Universiti Teknologi MARA (UiTM), Shah Alam, Selangor Darul Ehsan since 1 November 2005, Panel of Board Members, Post Graduate Cardiothoracic Surgery Programme, Universiti of Kebangsaan Malaysia since 2006, Honorary Member of Special Committee for Development of National Transplant Policy since 2006, Pro-Chancellor Universiti Teknologi Malaysia (UTM) since 2011, Head of Unit General OT/Cardiac OT and Medical Ward, KPJ Damansara Specialist Hospital since 2 January 2012, Member of Malaysian Medical Association, Member of Editorial Board "Asian Cardiovascular and Thoracic Annals" and Council Member of International Society of Cardiothoracic Surgeons.

He received his Bachelor of Medicine and Bachelor of Surgery (MBBS) from the Monash University, Melbourne, Australia in 1974. He was conferred a Fellow of the Royal College of Surgeons and Physicians of Glasgow, Scotland in January 1980.

He was the Senior Surgical Resident at the Department of Cardiothoracic Surgery Brompton Hospital, London from July 1981 to December 1982 and became the Surgical Registrar to Mr SC Lennox (FRCS) / Mr M Paneth (FRCS) the Department of Cardiothoracic Surgery Brompton Hospital, London from January 1982 to November 1983.

Tan Sri joined the General Hospital, Kuala Lumpur as the Cardiothoracic Surgeon, Department of Cardiothoracic Surgery from December 1983 to June 1985 and was the Head and Senior Consultant Cardiothoracic Surgeon from July 1985 to June 1992. He became the Founding President of Malaysian Society of Thoracic and Cardiovascular in 1991, Council member of the Association of Thoracic & Cardiovascular Surgeons of Asia (1992 – 1995)and the President of Asian Society of Thoracic and Cardiovascular Surgeons from 1993 to 1995.

He pioneered the establishment of Institut Jantung Negara (IJN), Kuala Lumpur as the Executive Director and as Head and Senior Consultant Cardiothoracic Surgeon of IJN in June 1992 to March 2004 and the Medical Director of IJN from October 1998 to October 2002. In mid March 2004, Tan Sri joined KPJ Damansara Specialist Hospital as the Consultant Cardiothoracic Surgeon, Damansara Heart Centre until to-date.

Tan Sri is also a Director/Chairman of Multi-Purpose Insurance Berhad and Tokio Marine Insurance (M) Berhad, Director /Trustee of Wah Seong Foundation, Chairman/ Board of Governors, International Medical University, Kuala Lumpur and a Director for several other companies.

Tan Sri was conferred the Darjah Paduka Mahkota Johor (DPMJ) in 1990, Darjah Sultan Ahmad Shah (DSAP) in 2000 and Panglima Setia Mahkota (PSM) which carries the title Tan Sri in 2003. He was also conferred the Honorary Doctor of Medicine by Universiti Kebangsaan Malaysia in 2006, Anugerah Maulidur Rasul Peringkat Kebangsaan in 2008, Ijazah Kehormat Doktor Sains Perubatan, Universiti Sains Malaysia in 2009 and Honorary Doctor of Medicine in 2012.

He successfully operated on the 1st Heart Transplant Recipient – Mr Sathrugnan a/l Ramakrishnan in December 1997.

Tan Sri has also been active in writing articles/journals and presenting papers especially on cardiothoracic surgery.

DATUK AZZAT KAMALUDIN

Independent Non-Executive Director

Datuk Azzat Kamaludin, aged 68, was appointed to the Board of KPJ on 1 September 1994. He is currently an Independent Non-Executive Director and is also a member of the Audit Committee and Nomination & Remuneration 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, Boustead Holdings Berhad, BHIC Berhad and Axiata Group Berhad.

DR. YOONG FOOK NGIAN
Independent Non-Executive Director

Dr. Yoong Fook Ngian, aged 72, is a Director of KPJ and was appointed to the Board of KPJ on 7 July 2005. He is an Independent Non-Executive Director of KPJ, the Chairman of the Medical Advisory Committee and member of the Building Committee.

He received his Bachelor of Medicine and Bachelor of Surgery (MBBS) from University of Sydney in 1966. He obtained his post-graduate qualification in Otolaryngology in 1972 and was conferred 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. His last posting with the Ministry of Health was as the Head of ENT Surgery in General Hospital Kuala Lumpur before venturing into private practice in 1975. He has been the Resident ENT Consultant in Ipoh Specialist Hospital since 1983 and is one of its founding doctors. He was the Medical Director of Ipoh Specialist Hospital from 1994 to December 2006.

He is also 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.

AHAMAD MOHAMAD
Non-Independent Non-Executive Director

Ahamad Mohamad, aged 60, was appointed to the Board of KPJ on 1 January 2005. He is currently a Non-Independent 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, prefabricated housing project and the Kotaraya Complex in Johor Bahru.

At present, he is the Chief Executive of 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.

ZULKIFLI IBRAHIM
Non-Executive Non-Independent Director

Zulkifli Ibrahim, aged 55, was appointed to the Board of KPJ on 1 January 2014. He is also the Chairman of the KPJ Tender Board Committee. He is currently the Senior Vice President/Chief Operating Officer of Johor Corporation.

He is a Fellow of the ACCA, United Kingdom and a member of the Malaysian Institute of Accountants since 1992.

After serving various companies in the private sector since his graduation in 1983, he joined JCorp Group in 1990 as the Financial Controller of Sindora Berhad. In 1996, he was appointed as the Managing Director of Antara Steel Mills Sdn Bhd until 2000 before joining PJB Pacific Capital Group in 2001 as the Chief Operating Officer. He joined Kulim as the Chief Operating Officer in 2003. He is also the Chairman and Director of several other companies within the JCorp Group.

DR. KOK CHIN LEONG

Independent Non-Executive Director

Dr. Kok Chin Leong, aged 56, was appointed to the Board of KPJ on 7 July 2005. He is an Independent Non-Executive Director of KPJ and a member of the KPJ Clinical Governance Policy Committee since 2001 and presently the Chairman for the Committee since 2005 and the Advisor for KPJ's Clinical Information System since January 2003.

He presently sits in the Executive Committee of the Malaysian Paediatric Association (MPA) since 2009, and is the President of MPA from 2013 to 2015. He is also the President-Elect for Asean Paediatric Federation.

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 a Fellow of the Royal College of Physician of United Kingdom in 1990 and registered as full medical practitioner with the Malaysian Medical Council in 1983.

His medical career started in 1986 at Kuala Lumpur General Hospital in Clinical Paediatrics, worked as Senior House Officer/ Registrar at Derby Children's Hospital, United Kingdom in 1990. He served as the Clinical Specialist in Paediatrics at Hospital Sultanah Aminah, Johor Bahru from 1991 to 1992 and 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 the Project Coordinator/Chairman for the Batu Pahat Rotary Club Haemodialysis Centre from 1992 to 1993 and was the Southern Representative for MPA from 2000 to 2004 and the Southern Coordinator for Infant Touch Therapy. He was a Board Member in Association of Private Hospital Malaysia (APHM) from 2008 to 2010. He was a Board member for MSQH from 2011 to 2013. He has been the Resident Consultant Paediatrician at 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.

AMINUDIN DAWAM

Non-Independent Non-Executive Director

Aminudin Dawam, aged 50, was appointed to the Board of KPJ on 1 January 2014. He is also a member of the KPJ Tender Board Committee and Building Committee. He is currently the Vice President (Property & Business Development Division) of Johor Corporation since September 2013.

He graduated with a Bachelor of Business Administration from Sam Houston State University, Huntsville, Texas, USA in 1986 and completed his Master degree at the same university in 1988. He received Post Graduate Diploma in Health Services & Hospital Management at South Bank University, London, United Kingdom in 1997.

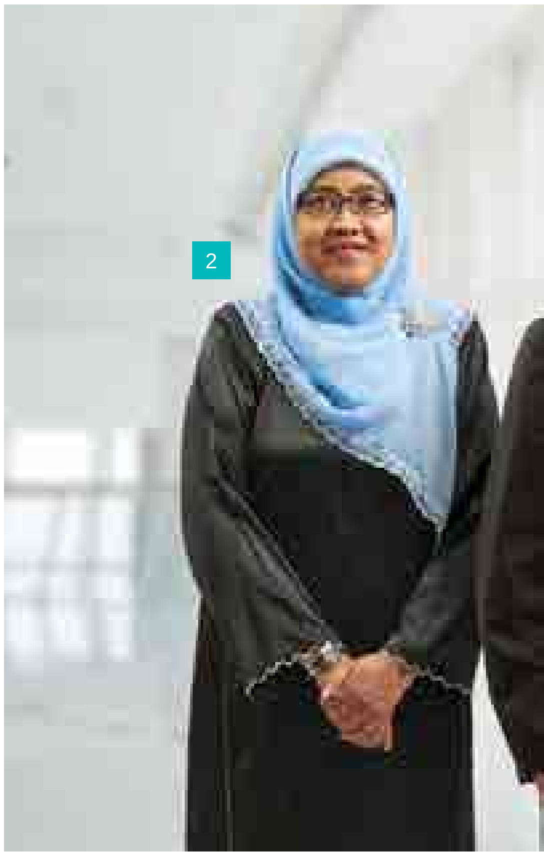
He joined KPJ in 1998 and has managed various companies and hospitals within the KPJ Group. He has also served as Commissioning Director for United Hospital Limited, Dhaka, Bangladesh.

His last post in KPJ was the Group General Manager until January 2011. He later resigned from KPJ to join Pantai Holdings Berhad as the Chief Operating Officer, Malaysia Operations until August 2013.

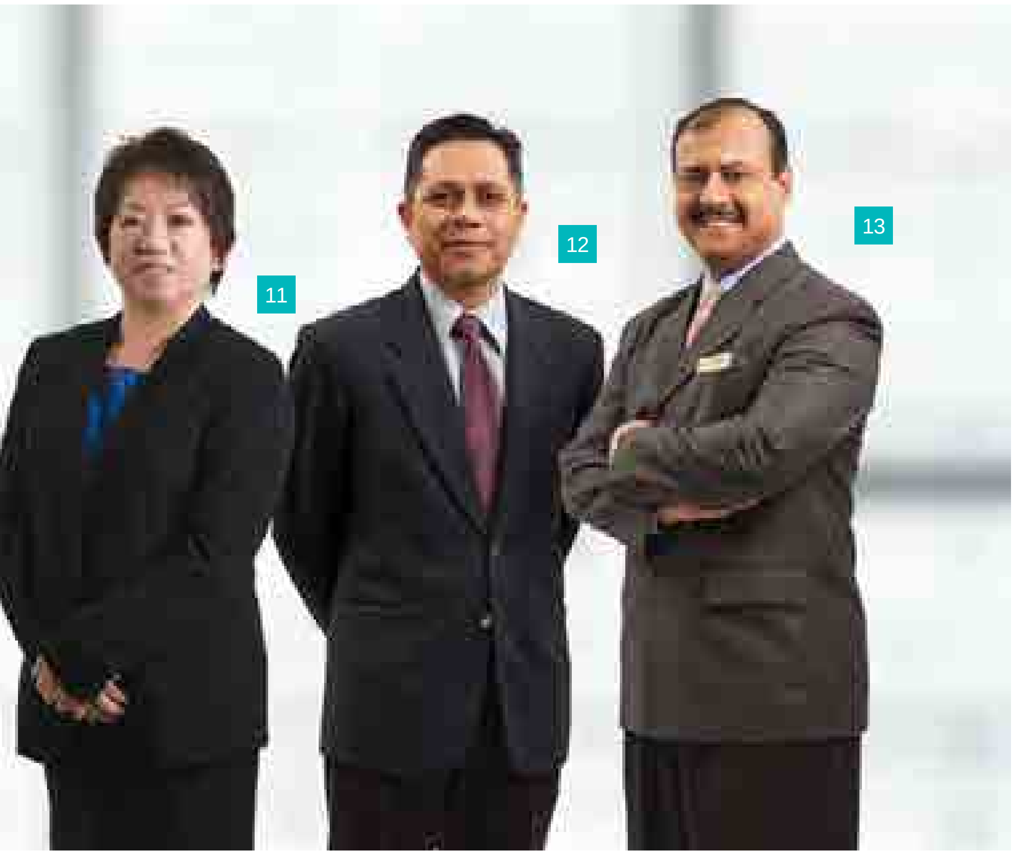
Note :
Other than as disclosed, all directors do not have any family relationships with any director and/or major shareholder of the Company. All directors have no personal interest in any business arrangements involving KPJ. All directors have not been convicted for any offence and have attended all or the majority of the Board of Directors' Meeting of the Company as stipulated by the Listing Requirements for the financial year ended 31 December 2013.

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 levels.

Executive
Committee



Executive 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. Norhaizam Mohammad
   Senior General Manager -
   Group Finance

7. Datin Sabariah Fauziah Jamaluddin
   Senior General Manager -
   Group Talent Management

8. Ahmad Nasirruddin Harun
   Senior General Manager -
   Group Strategic Transformation & Project Implementation

9. Mohd Johar Ismail
   Senior General Manager -
   Group Operations

10. Rafeah Ariffin
    Senior General Manager -
    Group Marketing & Corporate Communications

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

12. Mohd Nasir Mohamed
    Senior General Manager -
    Group Operations

13. Dr. Mubbashir Iftikhar
    Chief Information Officer
    Information Technology Services

Hospital
Medical Directors

From left to right:

1. **Dr. Mohd Hafetz Ahmad**
   KPJ Johor Specialist Hospital
2. **Prof Dato' Dr. Azizi Hj Omar**
   KPJ Damansara Specialist Hospital
3. **Amiruddin Abdul Satar**
   President & Managing Director
4. *Committee Chairman*
   Datuk Dr. Hussein Awang
   Tawakkal Health Centre
5. **Dato' Dr. Hj Fadzli Cheah Abdullah**
   KPJ Ipoh Specialist Hospital
6. **Dato' Dr. Abdul Wahab Abdul Ghani**
   KPJ Ampang Puteri Specialist Hospital

From left to right:

7. **Dr. Rajoo Padmanathan**
   KPJ Penang Specialist Hospital
8. **Dr. Balakrishnan Subramaniam**
   KPJ Kajang Specialist Hospital
9. **Dr. Mahayidin Muhamad**
   KPJ Perdana Specialist Hospital
10. **Prof (C) Dr. Wan Hazmy Che Hon**
    KPJ Seremban Specialist Hospital
11. **Dato' Dr. Shahrudin Mohd Dun**
    KPJ Selangor Specialist Hospital
12. **Dato' Dr. Ismail Yaacob**
    Kedah Medical Centre
13. **Dr. G Ruslan Nazaruddin**
    KPJ Tawakkal Specialist Hospital

From left to right:

14. Dr. David Ling Sheng Tee
Kuching Specialist Hospital

15. Dr. Khaled Mat Hassan
KPJ Kuantan Specialist Hospital

16. Dr. Saharudin Abdul Jalal Ajma'in
KPJ Puteri Specialist Hospital

17. Dr. Mohd Harris Lu
Sentosa Medical Centre

18. Dr. Lim Keok Tang
Kota Kinabalu Specialist Hospital

19. Dr. Ahmad Farid Daud
Kluang Utama Specialist Hospital

20. Dr. Ong Boon Teik @ Taik
Taiping Medical Centre

From left to right:

21. Dato Dr. N. Sivamohan
KPJ Klang Specialist Hospital

22. Dr. Wong Chya Wei
Sibu Specialist Medical Centre

23. Dr. Choong Yean Yaw
Pusat Pakar Mata
Centre for Sight

24. Datuk Dr. Ajaz Ahmad Nabijan
KPJ Sabah Specialist Hospital

25. Dr. Ab Razak Samsudin
KPJ Pasir Gudang Specialist Hospital

26. Dr. Noor Hisham Mansor
KPJ Rawang Specialist Hospital

27. Dr. Lee Min Chuang
Sri Manjung Specialist Centre

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

9. **Mohd Johar Ismail**
Senior General Manager -
Group Operations

10. **Rafeah Ariffin**
Senior General Manager -
Group Marketing & Corporate Communications

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

12. **Mohd Nasir Mohamed**
Senior General Manager -
Group Operations

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

18. **Dr. Munirah Khudri**
Chief Executive Officer
KPJ Ampang Puteri Specialist Hospital

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

20. **Maisarah Omar**
Chief Executive Officer
KPJ Seremban Specialist Hospital

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

6. **Norhaizam Mohammad**
Senior General Manager -
Group Finance

7. **Datin Sabariah Fauziah Jamaluddin**
Senior General Manager -
Group Talent Management

8. **Ahmad Nasirruddin Harun**
Senior General Manager -
Group Strategic Transformation & Project Implementation

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

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

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

16. **Khairun Ahmad**
Executive Director
KPJ Puteri Specialist Hospital
KPJ Bandar Maharani Specialist Hospital

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

22. **Zaharah Osman**
Chief Executive Officer
KPJ Damansara Specialist Hospital

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

24. **Noor Haslina Harun**
Chief Executive Officer
KPJ Kajang Specialist Hospital

Hospital
Management Committee

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

26. **Mohd Farid Salim**
Chief Executive Officer
KPJ Tawakkal Specialist Hospital
Tawakkal Health Centre

27. **Rosnani Ismail**
General Manager
KPJ Klang Specialist Hospital

28. **Norhalida Abdullah**
General Manager
KPJ Selangor Specialist Hospital

33. **Fawziah Muhammad**
General Manager
Kluang Utama Specialist Hospital

34. **Mohamad Sofian Ismail**
General Manager
Taiping Medical Centre

35. **Denis Saving Boniface**
General Manager
Sibu Specialist Medical Centre

39. **Muhammad Gunasingam**
Executive Director
Jeta Gardens, Brisbane
Australia

40. **Saezahnoor Hanafi**
Chief Executive Officer
Sheikh Fazilatunnessa Mujib Memorial
KPJ Specialized Hospital & Nursing College
Dhaka, Bangladesh

41. **Yusmah Salleh**
General Manager
RS Medika Bumi Serpong Damai, Jakarta
Indonesia

42. **Feirulsha Mohd Khalid**
General Manager
RS Medika Permata Hijau, Jakarta
Indonesia

Hospital Management Committee

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

30. **Mohamad Hafiz Zaini**
General Manager
Kuching Specialist Hospital

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

32. **Nor Azlina Jemain**
General Manager
Kota Kinabalu Specialist Hospital

36. **Muhammad Badri Hussin**
General Manager
KPJ Kuantan Specialist Hospital

37. **Haliza Khalid**
General Manager
KPJ Pasir Gudang Specialist Hospital

38. **Zaiton Sulaiman**
General Manager
KPJ Rawang Specialist Hospital

43. **Cheow Jen Hurn**
General Manager
Sri Manjung Specialist Centre

44. **Rafidah Ahmad**
General Manager
KPJ Bandar Maharani Specialist Hospital

45. **Ibrahim Abdullah**
Operation Manager
Pusrawi Specialist Medical Centre

Divisional
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

9. **Mohd Johar Ismail**
Senior General Manager -
Group Operations

10. **Rafeah Ariffin**
Senior General Manager -
Group Marketing &
Corporate Communications

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

12. **Mohd Nasir Mohamed**
Senior General Manager -
Group Operations

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

18. **Iskandar Baharuddin**
General Manager
Project Development Services

19. **Noreen Abdul Rashid**
General Manager
President & Managing Director's Office

23. **Hanida Mohd Hassan**
Deputy Manager
Service Quality Management Services

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

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

6. **Norhaizam Mohammad**
Senior General Manager -
Group Finance

7. **Datin Sabariah Fauziah Jamaluddin**
Senior General Manager -
Group Talent Management

8. **Ahmad Nasirruddin Harun**
Senior General Manager -
Group Strategic Transformation & Project Implementation

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

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

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

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

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

21. **Elman Mustafa El-Bakri**
Senior Corporate Manager
Bio-Medical Engineering Services

22. **Andrew William Burr**
Senior Corporate Manager
Service Quality Management Services

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

26. **Khairul Annuar Azizi**
General Manager
Risk, Compliance and Investor Relations Services

Our **Focus** on **Quality & Safety**

In KPJ, our customer-centric approach is complemented by a robust clinical governance framework, a rigorous risk management mechanism and industry best practices. All these are helping to ensure that quality care and patient safety are continuously upheld throughout our operations. As we set high benchmarks today, we are reinforcing our reputation as a provider of quality and safe patient care as well as laying down strong foundations for tomorrow.

Statement on Corporate Governance

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

Ensuring the Highest Standards of Corporate Governance

The Board of Directors of KPJ Healthcare Berhad (KPJ) subscribes to and supports the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") as a minimum basis for practices on corporate governance and continued to ensure that the highest standards of corporate governance have been upheld in accordance with 8 Principles stated in MCCG2012.

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 2013 is as follows:

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT

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 President & Managing Director in ensuring the smooth running of the Group's business and operations.

The roles of nine (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 President & Managing Director of the Company.

Amiruddin Abdul Satar, President & Managing Director is responsible for the implementation of broad policies approved by the Board and is obliged to report and discuss at the Board meetings all material matters currently or potentially affecting the Group and its performance, including strategic projects and developments.

The Board has also developed and approved the corporate objectives for 2014, for which the President & Managing Director is responsible to achieve.

Board Structure, Composition and Balance

During the financial year, there have been changes in the composition of the Board of Directors of KPJ from the previous year. Abd Razak Haron deceased on 13 August 2013. Dato' Dr. Hussein Awang resigned from his post as Independent Non-Executive Director on 11 June 2013 and Tan Sri Dato' Dr. Yahya Awang was appointed as Independent Non-Executive Director on 18 July 2013.

On 1 January 2014, Rozan Mohd Sa'at resigned from his post as Non-Independent Non-Executive Director of the Company and Aminudin Dawam and Zulkifli Ibrahim have been appointed as Non-Independent Non-Executive Directors.

The composition of the Board of Directors is as follows:

1. 1 Non-Independent Non-Executive Chairman
2. 4 Non-Independent Non-Executive Directors
3. 5 Independent Non-Executive Directors
4. 1 President & 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 calibre, credibility, skill and experience of each Board Member, are disclosed on pages 42 to 52 of this Annual Report.

The Company's Chairman is Non-Independent Non-Executive Director and there are five (5) Independent Non-Executive Directors out of eleven (11) Board members. The Board believes that the interests of shareholders are best served 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 Board believes that the current Chairman and Board members comprise a well-balanced and made up of professionals with wide range of knowledge and experience in business, operations, clinical and finance, which are relevant to the vision and mission of the Group, who will act collectively in the best overall interests of the shareholders.

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 Non-Executive Directors, and fulfills the criteria of independence as defined under paragraph 1.01 of the Main LR. The high number 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.

This Board composition complied with the Bursa Malaysia Securities Berhad's Listing Requirements.

Board Duties and Responsibilities

KPJ recognise the value of good governance and the reason for that the Company committed to promoting and sustaining a strong culture of corporate governance. With that, KPJ has embarked on a journey to continuously improve its corporate governance framework by gradually adopting the recommendations in the MCCG 2012, emphasising:-

a. Clarify the role of the Board
b. Enhance Board effectiveness
c. Encourage corporate disclosure policy
d. Safeguard the integrity of financial reporting
e. Emphasise the importance of risk management and internal controls

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 2014 – 2018 was tabled, discussed and approved by the Board at its meeting on 28 November 2013. Additionally, on an ongoing basis as the need arises, the Board will assess whether projects, purchases and sales 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 managed**
  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 91 to 98. Building Committee and Tender Board 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 pages 128 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 pages 79 to 81 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 with regards 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 and Audit Committee report 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 Independent Non-Executive 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.

The Directors adhere to the Code of Ethics which is contained in the Board Policy Manual, the important aspects of which are as follows:

- Members must represent non-conflicted loyalty to the interests of the Group;
- Members must avoid conflict of interest with respect to their fiduciary responsibility;
- Members may not attempt to exercise individual authority over the Group except as explicitly set forth in Board Policy; and
- Members will respect the confidentiality appropriate to issues of a sensitive nature.

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 are 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 President & Managing Director meets regularly with the Chairman and other Board Member to keep them abreast of current developments of the Group.

The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries support the Board in managing the Group Governance Model, ensuring it is effective and relevant.

The Company Secretaries safeguard all statutory books and records of the Group are maintained in the statutory register of the Group. Company Secretaries also ensures all board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded. The Company Secretary 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.

Board Charter

A Board Charter has been adopted in 2014. It captures and formalizes governance practices, Board policies and guidelines subsisting throughout the Company onto one formal document in providing clear guidance to all stakeholders.

The Charter will be reviewed regularly to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives.

2. STRENGTHENED COMPOSITION

Establishment of a Nomination and Remuneration Committee

The Board of Directors of the Company established its own Nomination and Remuneration Committee ("NRC") in accordance to the Best Practices of Corporate Governance.

The NRC is accountable to the Board of the Company and not to the executive management of the Company.

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; and
- Ensure an appropriate framework and plan for Board succession.
- Assess the quality of performance and training needs are addressed

b) Remuneration
- Provide assistance to the Board in determining the remuneration of President & Managing Director and Senior Management. In fulfilling these responsibilities, the NRC is to ensure that President & Managing Director and applicable senior management of the Company:
  - Are fairly rewarded for their individual contribution to overall performance;
  - Are compensated reasonably in light of the Company's objectives; and
  - Are compensated similar to other companies.
- Establish the President & Managing Director's goals and objectives; and
- Review the President & 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-Independent Non-Executive Director/Corporate Advisor
d) Datuk Azzat Kamaludin – Independent Non-Executive Director

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.

The Board believes that the current composition of NRC (comprises the Chairman and three other Board members) is capable to act collectively in the best overall interests of shareholders with reference to nomination and remuneration of Board members.

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:
    - 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;
    - 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; and
    - Boardroom diversity by ensuring that women candidates are sought as part of its recruitment exercises.
- 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:
    - 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;
    - The effectiveness of the Committees of the Board; and
    - The effectiveness of the Board as a whole.
- To recommend to the Board:
    - Whether Directors who are retiring by rotation should be put forward for re-election; and
    - 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.
- 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 President & Managing Director, 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 programmes 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 28 November 2013 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 President & Managing Director has an underlying objective of attracting and retaining Director needed to run the Company successfully. Remuneration packages of President & Managing 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-Independent Non-Executive Director					
Dato' Kamaruzzaman Abu Kassim (a)		115,000			115,000
Ahamad Mohamad (a)		59,000			59,000
Rozan Mohd Sa'at (a)		60,200			60,200
Abdul Razak Haron (a)*		37,972			37,972
Non-Independent Non-Executive Director/ Corporate Advisor					
Datin Paduka Siti Sa'diah Sheikh Bakir	633,450	60,200	47,000	24,375	765,025
Independent Non-Executive Directors					
Zainah Mustafa		70,000			70,000
Datuk Azzat Kamaludin (b)		66,500	15,000		81,500
Datuk Dr. Hussein Awang (c)**		66,061	15,000		81,061
Tan Sri Dato Dr. Yahya Awang***		39,939	30,000		69,939
Dr. Kok Chin Leong (d)		150,600	10,000		160,600
Dr. Yoong Fook Ngian (e)		277,900			277,900
President & Managing Director					
Amiruddin Abdul Satar	978,539	84,000	47,000	21,250	1,130,789
Total	**1,611,989**	**1,087,372**	**164,000**	**45,625**	**2,908,986**

(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

* Deceased on 13 August 2013
** Retired on 11 June 2013
*** Appointed on 18 July 2013

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.

Board Performance Evaluation

The effectiveness of the Board is vital to the success of the Group. For that reason, a large portion of the Board Policy Manual is devoted to explaining and outlining the format and procedure for evaluating Board Members performance. The availability of the structured format for Board Members evaluation assists the members in discharging their duties effectively and efficiently.

The Board, through its Nomination Committee, undertakes a rigorous evaluation each year in order to assess how well the Board, its Committees, the Directors and the Chairman are performing, including assessing the independence of Independent Directors which taking into account the individual Director's capability to exercise independent judgement at all times. The evaluation covers the Board's composition, skills mix, experience, communication, roles and responsibilities, effectiveness as well as conduct. All Directors complete a questionnaire regarding the Board and Committees' processes, their effectiveness and where improvements may be considered. The process also includes a peer review in which Directors assess their fellow Directors' performance against set criteria, including the skills they bring to the Group and the contribution they make. The Company Secretary reported the outcome of the evaluation exercise to the Nomination Committee and then to the Board for review.

Following the performance evaluation process for 2013, which was conducted in February 2014, the Directors have concluded that the Board and its Committees operate effectively. Additionally, the Chairman has concluded that each Director continues to make an effective contribution to the work of the Board, is well prepared and informed concerning items to be considered by the Board, has a good understanding of the Group's business and their commitment to the role remains strong.

3. REINFORCE INDEPENDENCE

Assessment of Independence Annually

The independence of all Directors, including the Non-Independent Non-Executive 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 Non-Executive 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 one (1) existing Director who had served in that capacity for more than nine (9) years. Datuk Azzat Kamaludin (appointed on 01.09.1994) 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 Datuk Azzat Kamaludin as Independent Board Members be retained subject to the shareholders' approval at the forthcoming Annual General Meeting (AGM) due to his professional competency as practicing lawyer and vast experience in the healthcare industry and corporate world.

Separate Positions of the Chairman and CEO

The Group have the position of the Chairman and President & Managing 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 2013 the meetings were fixed in December 2012. During the year ended 31 December 2013, the Board convened six (6) meetings on the following dates and venues:

Date of Meeting	Description	Venue	Attendance
4 March 2013	70th Board Of Directors Meeting	KPJ Johor Specialist Hospital	10/11
20 May 2013	71st Board Of Directors Meeting	KPJ Pasir Gudang Specialist Hospital	11/11
11 June 2013	Special Board of Directors Meeting	Persada Johor	10/11
26 July 2013	Special Board of Directors Meeting	Menara 238, KL	11/11
30 September 2013	72nd Board Of Directors Meeting	Persada Johor	9/10
28 November 2013	73rd Board Of Directors Meeting	KPJ Johor Specialist Hospital	8/10

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	6/6
2	Amiruddin Abdul Satar	Members	6/6
3	Datin Paduka Siti Sa'diah Sheikh Bakir	Members	6/6
4	Tan Sri Dato Dr. Yahya Awang*	Members	3/3
5	Datuk Azzat Kamaludin	Members	4/6
6	Datuk Dr. Hussein Awang**	Members	2/3
7	Zainah Mustafa	Members	5/6
8	Ahamad Mohamad	Members	6/6
9	Dr. Kok Chin Leong	Members	6/6
10	Dr. Yoong Fook Ngian	Members	5/6
11	Abdul Razak Haron***	Members	4/4
12	Rozan Mohd Sa'at	Members	6/6

* Appointed on 18 July 2013
** Retired on 11 June 2013
*** Deceased on 13 August 2013

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 programme for new Board Members. Directors also receive further training from time to time through Continuous Education Programmes (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 organised by external parties:

No	Name of Workshop	Date	Venue	Name of Organiser	Name of Directors
1	Director Duties, Regulatory Updates and Governance Seminar for Directors of PLCs 2013.	29 January 2013	Kuala Lumpur	Malaysian Institute of Corporate Governance	i. Dr. Kok Chin Leong ii. Dr. Yoong Fook Ngian
2	The 15th Malaysia Strategic Outlook Conference 2013	31 January 2013	Kuala Lumpur	Asian Strategy & Leadership Institute	i. Zulkifli Ibrahim
3	International Forum on Quality and Safety in Healthcare	16 - 19 April 2013	London	Institute for Healthcare Improvement & BMJ Publishing Group, USA	i. Datin Paduka Siti Sa'diah Sheikh Bakir ii. Dr. Kok Chin Leong
4	Financial Institution Directors Education Programme	5 - 6 June 2013	Kuala Lumpur	The ICLIF Leadership & Governance Centre	i. Tan Sri Dato Dr. Yahya Awang
5	International Corporate Governance Seminar	6 June 2013	Kuala Lumpur	Securities Commissions Malaysia	i. Datuk Azzat Kamaludin
6	4th Asian Vaccine Conference	12 - 15 June 2013	Cebu, Philippines	Asian Vaccine Group	i. Dr. Kok Chin Leong
7	Special Presentation on ASEAN Corporate Governance Scored 2013	19 June 2013	Kuala Lumpur	Minority Shareholder Watchdog Group	i. Datuk Azzat Kamaludin
8	35th Annual Malaysian Paediatric Association Congress	27 - 30 June 2013	Pahang	Malaysian Paediatric Association	i. Dr. Kok Chin Leong
9	Natural Economic Development & Challenges – Minda Breakfast Talk TS. Dr. Sulaiman Mahbub	1 July 2013	Kuala Lumpur	Malaysian Directors Academy	i. Datuk Azzat Kamaludin
10	APHM Conference "Technology – An Enabler to Better Healthcare"	2 - 4 July 2013	Kuala Lumpur	Association of Private Hospitals of Malaysia(APHM)	i. Amiruddin Abdul Satar ii. Datin Paduka Siti Sa'diah Sheikh Bakir iii. Dr. Kok Chin Leong iv. Dr. Yoong Fook Ngian
11	Breakfast Talk with Linda Price – What the Board Needs and Asks about IT	8 July 2013	Kuala Lumpur	Malaysian Directors Academy	i. Datuk Azzat Kamaludin
12	International Paediatric Congress	24 - 29 August 2013	Australia	International Paediatric Association	i. Dr. Kok Chin Leong

13	MSQH & MOH Conference & Exhibition: Engaging in The Delivery of Care: Patient for Patients Safety	3 - 4 September 2013	Putrajaya	Malaysian Society for Quality in Health & Ministry of Health(MOH)	i. Datin Paduka Siti Sa'diah Sheikh Bakir ii. Dr. Yoong Fook Ngian
14	Leadership Development Workshop on Transformational Leadership by Mr Michael Wagner	6 September 2013	Kuala Lumpur	The Advisory Board Company, USA	i. Datin Paduka Siti Sa'diah Sheikh Bakir ii. Amiruddin Abdul Satar
15	MOH National Paediatrician Meeting	9 - 11 September 2013	Sarawak	Ministry of Health (MOH)	i. Dr. Kok Chin Leong
16	APAC Conference	26 - 27 September 2013	Auckland	KPJ Healthcare Berhad	i. Dr. Yoong Fook Ngian
17	ISQUA Conference – Quality & Safety in Population Health and Healthcare	13 - 16 October 2013	Edinburgh, UK	International Society for Quality In Healthcare (ISQua)	i. Datin Paduka Siti Sa'diah Sheikh Bakir
18	9th World Islamic Economic Forum – Changing World: New Relationships	29 - 31 October 2013	London	World Islamic Economic Forum (WIEF), London	i. Datin Paduka Siti Sa'diah Sheikh Bakir
19	KPJ Healthcare Conference & Exhibition 2013: Transforming Healthcare – Reaching New Heights	6 - 8 November 2013	Kuala Lumpur	KPJ Healthcare Berhad	i. Datin Paduka Siti Sa'diah Sheikh Bakir ii. Amiruddin Abdul Satar iii. Dr. Kok Chin Leong iv. Dr. Yoong Fook Ngian
20	Interpretation Malaysian Financial Reporting Standard & GST	15 November 2013	Kuala Lumpur	Ernst & Young	i. Tan Sri Dato Dr. Yahya Awang
21	Directors Conference 2013: Unleashing Potential, Shaping the Future	26 - 27 November 2013	Johor	Johor Corporation	i. Dato' Kamaruzzaman Abu Kassim ii. Datin Paduka Siti Sa'diah Sheikh Bakir v. Amiruddin Abdul Satar vi. Dr. Kok Chin Leong vii. Dr. Yoong Fook Ngian viii. Ahamad Mohamad ix. Aminudin Dawam x. Zulkifli Ibrahim xi. Rozan Mohd Sa'at
22	Directors Liabilities and Its Impact To Business	9 December 2013	Kuala Lumpur	Smart Focus Business Consulting	i. Zainah Mustafa
23	Leadership Development Workshop on Transformational Leadership by Mr Michael Wagner: Problem Solving & Innovation	9 December 2013	Kuala Lumpur	The Advisory Board Company, USA	i. Datin Paduka Siti Sa'diah Sheikh Bakir ii. Dr. Yoong Fook Ngian

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 the Companies Act 1965 to prepare financial statements for each financial year which have been made in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and so as to give a true and fair view of the financial position 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 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(15) 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 three out of five Audit Committee Meetings which were held on these dates 14 February 2013, 20 August 2013 and 14 November 2013 and they also attended the 20th Annual General Meeting held on 11 June 2013. Separate sessions were also conducted on 14 February 2013, 14 November 2013 and 17 February 2014.

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
- Tender Board Committee

The Management Committees comprises of one main Committee:

- Executive Committee
- Tender Evaluation Committee

Board Committees
Audit Committee (AC)
The Audit Committee is chaired by Zainah Mustafa and comprises of 2 other members, Datuk Azzat Kamaludin and Tan Sri Dato' Dr. Yahya 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 42 to 52 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 86 to 90 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 Datin Paduka Siti Sa'diah Sheikh Bakir and comprises 3 other members, Amiruddin Abdul Satar, Dr. Yoong Fook Ngian and Aminudin Dawam. 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 is 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 91 to 94 of this Annual Report.

Tender Board Committee (TBC)

In effort to achieve high standards of corporate governance, the Board had on February 2014 resolved to establish the TBC. The main purpose of the Committee is to evaluate the purchases, acquisitions or disposals of assets, awards of contracts and appointments of consultants/advisors for the Group.

Members of the Committee are:

a) Zulkifli Ibrahim (Chairman) – Non-Independent Non-Executive Director
b) Amiruddin Abdul Satar – Non-Independent President & Managing Director
c) Datuk Azzat Kamaludin – Independent Non-Executive Director
d) Aminudin Dawam – Non-Independent Non-Executive Director
e) Dr. Yoong Fook Ngian - Independent Non-Executive Director

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:
   - manage the Group in all aspects of business;
   - implement strategic business plans and policies as approved by the Board of Directors; and
   - identify, formulate and prioritise strategic issues as well as chart strategic directions for action by Management and staff.

2. **Members**
   - President & Managing Director
   - Vice President (I) – Corporate & Financial Services
   - Vice President (I) – Business Operations, Education & Clinical Services
   - Vice President (I) – Project Management & Biomedical Services
   - Vice President (II) – Business Development
   - Senior General Manager – Group Talent Management
   - Senior General Manager – Group Strategic Transformation & Project Implementation
   - Senior General Manager – Group Operations
   - Senior General Manager – Group Finance
   - Senior General Manager – Group Marketing & Corporate Communication
   - Senior General Manager – Group Clinical & Quality
   - Chief Information Officer – Information Technology Services

3. **Meeting**

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

Tender Evaluation Committee (TEC)

In effort to achieve high standards of corporate governance, the Board had on February 2014 resolved to establish the Tender Evaluation Committee. The main purpose of the Committee is to evaluate and make recommendation to the Tender Board Committee on the purchases, acquisitions or disposals of assets, awards of contracts and appointments of consultants/advisors for the Group.

The members of the TEC are:

a) Mohd Sahir Rahmat (Chairman) – Vice President (I), Corporate & Financial Services
b) Jasimah Hassan – Vice President (I), Business Operations, Education & Clinical Services
c) Abd Malek Talib – Vice President (I), Project Management & Biomedical Services
d) Ahmad Nasirruddin Harun – Senior General Manager – Group Strategic Transformation & Project Implementation
e) Mohd Johar Ismail – Senior General Manager, Group Operations

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. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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 quarterly result announcements, Annual Reports, changes to shareholding and press releases are published concurrently with Bursa Malaysia website. This website also sends out alerts to all investors for any announcement made in relation to the Company.

8. STRENGTHEN RELATIONSHIP WITH THE SHAREHOLDERS

Shareholder Participation at Annual 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 President & 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.

Encourage Poll Voting

The Board encourages poll voting for the specific resolutions which requires a poll vote for example reappointment of Directors whom are above the age of 70 years old and also the Related Party Transactions. The Chairman of the AGM will inform the shareholders prior to the specific resolution.

The recurrent related party transactions for the financial year ended 31 December 2013 are set out in the notes to the financial statements on pages 243 to 246 of the Annual Report.

At the 20th Annual General Meeting held on 11 June 2013, 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 263. 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 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. This website also sends out alerts to all investors for any announcement made in relation to the Company.

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, Japan, United Kingdom and United States. In the year 2013, the following activities were conducted with the investors:

Types of Meeting	No of Meetings
Investors meetings	79
Conference Calls	10
Foreign road shows	12

Below are some of the major events and conferences that KPJ participated during year 2013:

No	Events	Date	Venue
1	CIMB 5th Annual Malaysia Corporate Day	7 January 2013	Hilton Kuala Lumpur
2	Standard Chartered London Non-Deal Roadshow	29 - 30 Januray 2013	London
3	Visit from Thailand Delegates (Thailand Stock Exchange, Money Channel Business TV & Maybank Kim Eng)	26 March 2013	KPJ Tawakkal Specialist Hospital
4	Macquarie Asean Conference 2013	18 - 19 April 2013	Mandarin Oriental Hong Kong
5	RHB Asean Corporate Day	25 April 2013	Hilton Kuala Lumpur
6	Citi ASEAN Investor Conference 2013	6 - 7 June 2013	Ritz Carlton Millenia Singapore
7	CLSA Asean Access Day 2013	20 - 21 June 2013	Island Shangri-La Hong Kong & The Fullerton Singapore
8	Invest Malaysia KL 2013	13 - 14 June 2013	Shangri-La Kuala Lumpur
9	CLSA Asean Access Day	21 June 2013	Singapore
10	EPF CEO visit to KPJ Healthcare Berhad	1 July 2013	KPJ Healthcare Berhad, Menara 238
11	Macquarie Asean Conference 2013	27 - 29 August 2013	The Fullerton Singapore
12	BAML: Singapore/Malaysia Corporate Day	2 September 2013	BAML Client Centre, Singapore
13	UOB Kay Hian Asian Gems Conference	8 October 2013	The Fullerton Singapore
14	Invest Malaysia Hong Kong 2013	17 October 2013	Island Shangri-La Hong Kong
15	UBS London & UOB Kay Hian London Non-Deal Roadshow	16 - 26 October 2013	London
16	Standard Chartered Double in 3 Triple in 5 Emerging Corporate Day	31 October – 1 November 2013	Ritz Carlton Millenia Singapore
17	JP Morgan Corporate Access Asia Pacific 2013	18 - 26 November 2013	Kuala Lumpur, Singapore, Hong Kong & Tokyo

The 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
Raja Syahiran Raja Ahmad Supian	Deputy Manager - Investor Relations

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 Annual Report for its readers.

Chief Executive Officer (CEO) of EPF, Datuk Shahril Ridza Ridzuan posing a group photo with EPF and KPJ Management team on 1 July 2013.

KPJ Management during Q&A Session with Thailand Delegates on 26 March 2013.

Compliance Statement

Pursuant to Paragraph 15.26 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 rationalised and provided justifications for any 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 13 March 2014.

Dato' Kamaruzzaman Abu Kassim
Chairman

Amiruddin Abdul Satar
President & Managing Director

Statement on Internal Control and Risk Management
(Pursuant to Section 15.27(b) of the Bursa Malaysia Listing Requirements)

Continuously Safeguarding Our Operations

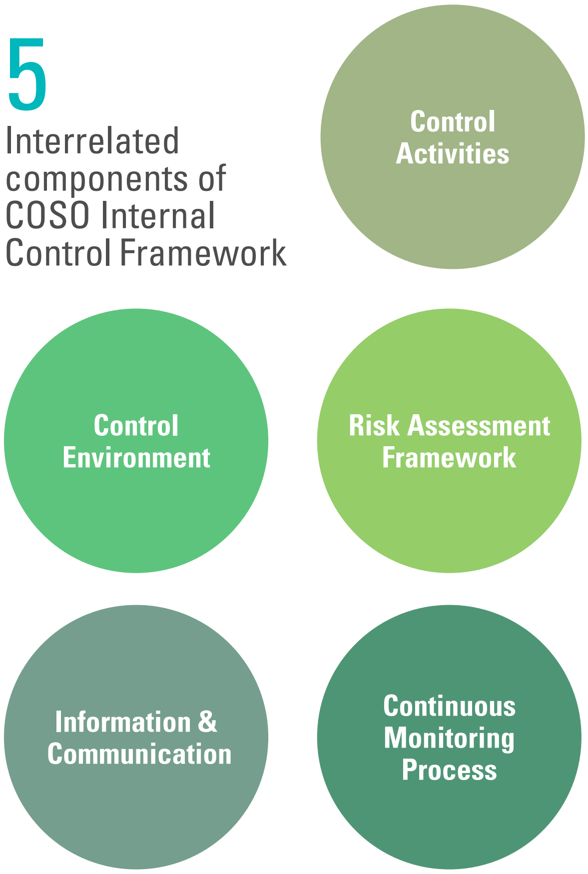
The Board of Directors of KPJ Healthcare Berhad (KPJ) is pleased to provide the following statement on the state of internal controls and risk management of the Group for the financial year ended 31 December 2013, which has been prepared in accordance with Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia and the Statement on Risk Management & Internal Control – Guidelines for Directors of Listed Issuers. 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.

BOARD RESPONSIBILITIES

The Board is committed to ensuring 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 Managing Director and Management are to assist in the design and implementation of the Board's policies on the internal control system, identify and evaluate the risks faced by the Group, and formulate related policies and procedures to manage these risks.

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

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- 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. 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
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 any misconduct or unethical behaviour committed by any staff of the Group directly to the Managing Director through the Borang Peradaban declaration.

The Group has also been a signatory to the Malaysian Corporate Integrity Pledge since 2011. Introduced by the Malaysian Institute of Integrity (MII), the Pledge supports the Government's 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, 14 hospitals in the Group have received their accreditation certification from the Malaysian Society for Quality in Health (MSQH). Four of the Accredited Hospitals namely KPJ Seremban Specialist Hospital, KPJ Ampang Puteri Specialist Hospital, KPJ Penang Specialist Hospital and KPJ Johor Specialist Hospital have also received Joint-Commission International (JCI) Accreditation.

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

To promote continuous learning and the upgrading of skills, the Group sponsors eligible executives to further their studies and obtain a Master in Business Administration (Healthcare Management) degree. In 2013, five executives 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 organises the KPJ Healthcare Conference and Exhibition, Medical Workshop and Nursing Convention yearly for medical consultants, nurses and allied health staff to deliberate and discuss medical and clinical issues related to their practices to promote patient safety and standardisation of practices.

ORGANISATION STRUCTURE

The Managing Director is assisted by three Vice Presidents (1) for the following functions:
- Business Operations and Clinical Services;
- Corporate and Financial Services; and
- Project Management and Biomedical Services.

All the hospitals within the Group have been clustered into five zones, whereby one hospital in each cluster will act as the holding company of the other hospitals within the cluster. Each zone has an Executive Director who is responsible for managing and supervising the operations of the hospitals in his zone.

Each hospital's Executive Director and the Chief Executive Officer or General Manager is assisted by a Medical Director, who oversees and manages all clinical matters in the hospital. 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 the Group's operations as well as strategic issues pertaining to the delivery of services and the future direction of the Group. Major purchases are discussed and deliberated on by the EXCO before they are tabled at the respective hospital's Board meetings. The objective is to ensure Group synergy, standardisation and cost effectiveness.

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 practices of medical consultants.

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

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

3. **Tender Evaluation Committee**
   Responsible for evaluating all tenders for purchases, acquisitions or disposals of assets, award of contracts and appointment of consultants/advisors for the Group. This committee, which was formed in February 2014, is to make the appropriate recommendations to the Tender Board Committee.

RISK ASSESSMENT FRAMEWORK AND PROCESS

Company-Wide Objectives

The Board has established an organisational structure with clearly defined lines of accountability and responsibility to support a cohesive control environment. The Audit Committee's responsibilities have been expanded to include an assessment of the effectiveness of the internal control system and risk management framework.

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. An Enterprise-wide Risk Management system has been implemented across the Group through Risk Coordinators who have been appointed at each hospital to co-ordinate and monitor the implementation of risk management activities. All hospitals and companies are required to identify and mitigate relevant risks that may affect the achievement of the Group's objectives and to report this to their respective Boards.

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

CONTROL ACTIVITIES

Policies and Procedures

Policies and procedures are documented comprehensively and 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 undertaken to address and minimise risks as well as to ensure the continuity of business functions in the event of a crisis.

Regular fire drills at our hospitals and companies, ranging from basic fire safety to mass evacuation drills, are conducted with the assistance of 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 by the Board to 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, donations and approval of general and operational expenses. Similarly, cheque signatories and authority limits are clearly defined and enforced. As a measure to curb and reduce the incidence of fraud and error, duties and tasks are properly segregated between different members of staff, especially those in finance and purchasing services.

INFORMATION AND COMMUNICATION PROCESS

The Group recognises the importance of securing its information technology assets against potential threats to ensure their confidentiality, integrity and availability. Apart from complying with information security laws, regulations and international standards, the Group has developed its own Policies and Standard Operating Manual.

The KPJ Clinical Information System (KCIS) is currently deployed at nine hospitals and plans are underway for it to be commissioned at another four to six hospitals in 2014. It is a secure clinical system enhanced with electronic clinical documentation and audit trail to mitigate the risks of incorrect information. It secures highly confidential patient data by limiting access according to the user's role and responsibility as a care giver.

The Group has started migrating clinical information system to the enterprise-wide KPJ Cloud System by hosting a KPJ data centre serving all hospitals via the Internet. This secure private cloud is dedicated to providing core systems with data security services to ensure cloud computing is enabled in a shared and safe environment. The Group's centralised IT infrastructure and hardware system is a key driver in optimising the cost of investment, without neglecting the need for continuous improvements in clinical systems for quality care and patient safety.

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 surprise audit visits to ensure compliance. Any discrepancy and irregularity will be reported to Management for correction and improvement. Management also monitors the performance of the hospitals and companies through regular meetings and reports.

Separate Evaluations

All hospitals with MSQH certification and JCI accreditation have to undergo stringent surveillance audits by the respective surveyors and audit teams to ensure compliance with accreditation standards and requirements before certificates can be renewed, usually every three years.

ASSURANCE

The Board is of the view that the system of internal controls and risk management instituted throughout the Group is sound and effective and provides a level of confidence on which the Board can rely on for assurance. In the year under review and up to the date of approval of this statement, 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 has received assurance from the Managing Director and Chief Financial Officer that the internal controls and risk management system is adequate, appropriate and effective for the Group's operations.

Audit Committee
Report

Upholding Integrity of Financial Reporting

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

The Board of Directors of KPJ Healthcare Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2013.

1. COMPOSITION AND ATTENDANCE

1.1 COMPOSITION

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

Name of Member	Status of Directorship	Attendance at Meetings
Zainah Mustafa *Chairman*	Independent Non-Executive Director	5 out of 5
Datuk Azzat Kamaludin *Member*	Independent Non-Executive Director	5 out of 5
Datuk Dr. Hussein Awang *Member* (Resigned as Member on 11 June 2013)	Independent Non-Executive Director	2 out of 2*
Tan Sri Dato' Dr. Yahya Awang *Member* (Appointed as Member on 26 July 2013)	Independent Non-Executive Director	2 out of 2**

Note:
* Reflects the number of meetings attended upon his tenure as the Committee member
** Reflects the number of meetings attended upon his appointment as the Committee member

From left to right:

Datuk Azzat Kamaludin
Member

Zainah Mustafa
Chairman

Tan Sri Dato' Dr. Yahya Awang
Member

The Chairman of the Committee, Zainah Mustafa meets the requirement of Section 15.09 (1) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements which stipulates at least one of the Committee members fulfilling the financial expertise requisite.

1.2 ATTENDANCE

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.

The quorum for all five (5) meetings held during financial year 2013 was fulfilled. The meetings were held on 14 February 2013, 13 May 2013, 26 July 2013, 20 August 2013 and 14 November 2013 respectively.

Subsequent to each meeting, the Chairman of the Committee 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 2013, the External Auditors attended three out of five meetings which were held on 14 February 2013, 20 August 2013 and 14 November 2013. Separate sessions were also conducted on 14 February 2013, 14 November 2013 and 17 February 2014 respectively.

The President & Managing Director, Vice Presidents (I), Vice President (II), senior management team as well as the Head of Internal Audit and representatives of the External Auditors shall normally attend the meetings. Other Directors, Executive Directors of the hospitals and employees of the Company and/ or Group may attend any particular meeting upon invitation where appropriate. All issues discussed and deliberated during the Committee meetings were minuted by the Company Secretary.

2. TERMS OF REFERENCE

2.1 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.

2.2 MEMBERSHIP

a) Committee members 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 Main Market Listing Requirements.

b) The Chairman of the Committee, elected from amongst the 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 terms of office and performance of the Committee members are reviewed by the Board yearly and may be re-nominated and appointed by the Board.

2.3 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.

2.4 MEETINGS AND ATTENDANCE

a) At a minimum, the Committee shall meet at least four times a year, i.e. on a quarterly basis, to properly carry out its duties and ensure effective discharge of its responsibilities. Additional meetings may be called at any time at the Chairman's discretion.

b) The external auditor shall normally be invited to attend the meeting to present their findings and opinion on the financial statements.

c) The Committee has the right to convene separate meetings with the internal auditors, external auditors or both, without the attendance of the Management.

d) The Company Secretary is the secretary of the Committee meeting. The Secretary plays important role in organising and providing assistance for the meetings. The meeting agenda shall be drawn up in consultation with the Chairman of the Committee. The minutes shall be circulated to and confirmed by the Committee before disseminating to the Board.

2.5 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 functions of the Committee have been expanded to include matters specified in the Malaysian Code of Corporate Governance 2012, 2nd Edition (MCCG 2012, 2nd Edition) as follows:

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 as well as 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 the 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.

The Committee has obtained written assurance from the external auditors confirming their independence throughout the conduct of audit engagement in accordance with the terms of all relevant professional and regulatory requirements. This is in line with the recommendation stipulated in the MCCG 2012, 2nd Edition.

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 authorised by the Board.

4. SUMMARY OF ACTIVITIES

During the year 2013, 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 Listing Requirements of Bursa Malaysia, Malaysian Financial Reporting Standards 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 the major initiatives having significant impact on the business.

c) Internal Audit

i) Review and approve the annual audit plan for the year 2012/2013 to ensure adequate scope and comprehensive coverage over the audit activities;

ii) Deliberate on the Internal Audit Reports that were tabled and appraised the adequacy of the Management's responsiveness to the audit findings and recommendations;

iii) Evaluate the results of scheduled follow-ups, investigations and special audits; and

iv) Assess the status of audit activities as compared to the approved annual audit plan.

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.

e) Related Party Transactions

Review the recurrent related party transactions entered into by the Group.

f) Other Matters

i) Review and recommend the Audit Committee Report, Statement on Corporate Governance as well as Statement on Risk and Internal Control for inclusion in the Company's Annual Report, prior to Board approval.

ii) Review management's quarterly reports on new laws and regulations, material litigation, regulatory matters and risk management.

5. INTERNAL AUDIT FUNCTION

5.1 ROLES AND RESPONSIBILITIES

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

The Head of IAS reports directly to the Committee and is guided by its Internal Audit Charter. 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. The high risk activities are given due attention on a more regular basis while the others are prioritised accordingly to an assessment of the potential risk exposure and impact.

5.2 AUDIT RESOURCES

The total staff strength in IAS is 16 staff as at 31 December 2013. The total costs incurred for the internal audit function covering the manpower and incidental costs such as traveling and training cost for the financial year ended 31 December 2013 was approximately RM1.3 million. Various training programmes and courses are provided to the staff members in enhancing the desired competency level. The training programmes, comprising in-house and externally sourced training, focuses on functional and development needs of the staff members.

5.3 AUDIT ACTIVITIES

The IAS within its terms and reference carried out the following activities for the period:

i) 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;
ii) 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;
iii) Ascertain the level of compliance with Group's plans, policies, procedures and adherence to laws and regulations;
iv) Appraise the effectiveness of administrative and financial controls applied and the reliability and integrity of data that is produced within the Group;
v) Perform follow-up reviews of previous audit reports to ensure appropriate actions are implemented to address control weaknesses highlighted;
vi) Carry out investigations and special reviews requested by the Committee and/or Management; and
vii) Prepare the Audit Committee Report for the Company's Annual Report 2013.

During the financial year ended 31 December 2013, IAS accomplished a total of 191 audits comprising scheduled financial and operational audits at the hospitals and support companies including due diligence, special audits and ad hoc assignments. Reviews on compliance with the established procedures, guidelines and statutory obligations are also performed.

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.

All findings resulting from the audits were reported to the Committee, Senior Management and relevant Management of operating hospitals and support companies. Management of the operating hospitals and support companies are accountable to ensure proper rectification of the audit issues and implementation of action plans within the timeframe specified. Follow up by IAS on the actions taken is updated in the subsequent audits.

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	Directors Liabilities and its Impact to Business	9 December 2013
2	Interpretation Malaysian Financial Reporting Standard and GST	15 November 2013
3	Khazanah Megatrends Forum 2013	30 September 2013
4	What the Board Needs and Ask About IT	8 July 2013
5	Natural Economic Development and Challenges	1 July 2013
6	Special presentation on ASEAN Corporate Governance Score 2013	19 June 2013
7	International Corporate Governance Seminar	6 June 2013
8	Financial Institutions Directors' Education Programme	5 - 6 June 2013

Medical Advisory Committee Report

Enhancing Our Clinical Governance Framework

Clinical Governance is defined as "a framework through which the organisation is accountable for continually improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish".

To this end, the KPJ Group is committed to continuously enhancing 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. Whereas 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 as outlined in Figure 1:

Figure 1: Hospital Clinical Governance Committees 2013
Hospital Medical Advisory Committee
Credential Privileging; Peer Reviews, Ethics & Audit; Medical Education
Infection Control
Medical Records
Morbidity & Mortality Review
Pharmacy & Therapeutics
Surgical & Medical Intervention
Blood Transfusion Committee

The Group MAC has oversight for several of the KPJ Group's Clinical Governance Committees. These include 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) as well as Research and Development Committee (R&DC). The frequency at which these committees meet over the course of a year is outlined in Figure 2:

Figure 2: Frequency of Clinical Committee Meeting in 2013

Committees	Frequency 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)	Biannual
Clinical Ethics Committee (CEC)	Quarterly
Medical Directors' Meeting	Biannual

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

The hospitals that have received MSQH and JCI accreditation are spelt out in Figure 3:

Figure 3: Hospitals in the KPJ Group with MSQH and JCI Accreditation

No.	Name of hospital	MSQH Accreditation Cycle - 2013	JCI Accreditation
1.	KPJ Ampang Puteri Specialist Hospital	Completed 5th cycle	JCI Accredited in 2012
2.	KPJ Johor Specialist Hospital	Completed 3rd Cycle	JCI Accredited in 2014
3.	KPJ Ipoh Specialist Hospital	Completed 4th cycle	-
4.	KPJ Damansara Specialist Hospital	Completed 4th cycle	-
5.	KPJ Selangor Specialist Hospital	Completed 3rd cycle	-
6.	KPJ Seremban Specialist Hospital	Completed 2nd cycle	JCI Accredited in 2012
7.	KPJ Kajang Specialist Hospital	Completed 2nd cycle	-
8.	Kedah Medical Centre	Completed 2nd cycle	-
9.	KPJ Perdana Specialist Hospital	Completed 2nd cycle	-
10.	KPJ Penang Specialist Hospital	Completed 2nd cycle	JCI Accredited in 2013
11.	KPJ Tawakkal Specialist Hospital	Completed 1st cycle	-
12	KPJ Puteri Specialist Hospital	Completed 1st cycle	-
13	KPJ Kuantan Specialist Hospital	Completed 1st cycle in 2014	-
14	Sentosa Medical Centre	Completed 1st cycle in 2014	-

Two hospitals in the Group, namely KPJ Johor and KPJ Penang, commenced preparations to undergo JCI accreditation in 2012. The initiative proved successful when KPJ Penang was awarded the full three (3) years JCI accreditation in 2013 and KPJ Johor was awarded the full three (3) years JCI accreditation in 2014.

Two Klinik Wakaf An-Nur from KPJ Ampang and KPJ Selangor were awarded MSQH certification for medical clinics in 2013, while three Klinik Wakaf An-Nur, two from KPJ Damansara and one from KPJ Johor have been identified to undergo the process for MSQH Medical Clinic certification in 2014.

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 respective hospitals' Quality Committee or Quality Officer are discussed during the various hospital meetings and presented at the Hospital Board of Directors Meetings. The statistics and trends are reported to the Group MAC which meets every quarter.

Since 2002, the MAC has endorsed several quality and safety programmes for the Group's hospitals. The following is the report on the various patient safety programmes implemented for the year 2013:

i. **Patient Safety**

To strengthen patient safety standards, all the KPJ Group of Hospitals continuously monitor the six 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; and
6. Reduce the risk of patient harm resulting from falls.

Various safety strategic measures have been undertaken to ensure compliance to the six IPSGs. Clinical Survey and Compliance Officers have been appointed to constantly monitor the patient safety compliance levels at their respective hospitals. The status of compliance is reported to the Group MAC at various clinical governance platforms and success stories are shared amongst the Group.

Following the launch of the 13 National Patient Safety Goals by Datuk Dr. Noor Hisham Abdullah, the Director General of the Ministry of Health Malaysia, the KPJ Group of Hospitals has initiated data collection for an additional seven goals (on top of the six IPSGs) for online submission under an initiative titled "e-goals patient safety".

13 Patient Safety Goals (http://patientsafety.moh.gov.my)

1. To implement clinical governance;
2. To implement the 1st Global Patient Safety Challenge: "Clean Care is Safer Care";
3. To implement the 2nd Global Patient Safety Challenge: "Safe Surgery Saves Lives";
4. To implement the 3rd Global Patient Safety Challenge: "Tackling Antimicrobial Resistance";
5. To improve the accuracy of patient identification;
6. To ensure the safety of transfusions of blood and blood products;
7. To improve medication safety;
8. To improve clinical communication by implementing critical value programmes;
9. To reduce patient falls;
10. To reduce the incidence of health care associated pressure ulcers;
11. To reduce Catheter Related Bloodstream Infection (CRBSI);
12. To reduce Ventilator Associated Pneumonia (VAP); and
13. To implement the Patient Safety Incident Reporting and Learning System.

Prevention and Control of Infection (PCI)

In 2013, there were 19 Infection Control Officers/Infection Control Nurses (ICOs/ICNs) in the Group. All the accredited and non-accredited hospitals comply with the regulatory requirements of having dedicated ICOs/ ICNs. These ICOs/ICNs are supported by a total of 260 Link Nurses and personnel to facilitate and implement the PCI programme at the hospitals.

Monitoring and Surveillance on Hospital Acquired Infections (HAI)

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

Antibiogram and Antibiotic Usage

Antibiogram, antibiotic resistance patterns and antibiotic usage of specific micro-organisms are closely monitored and reported to the Infection Control and Pharmaceutical and Therapeutic Committees. Continuous monitoring is being carried out in order to ensure that the resistance patterns remain below the stipulated range. The compiled data from all hospitals is discussed among the Group MAC.

ii. Incident Reporting

The Group began reporting incidents since 2006 using a standardised format based on the ICPS Classification for Patient Safety recommended by WHO. The common incidents and all sentinel events are further analysed using the Root Cause Analysis (RCA) method. These incidents are discussed during the CRMC meetings. The corrective actions and improvement measures from the RCA findings are disseminated to the hospitals in the Group as part of their quality Improvement activities.

Monitoring of Medication Error / Adverse Events

The CRMC and Group MAC have placed an emphasis on reporting medication errors including near-miss incidents. In 2013, several brainstorm and learning sessions were conducted throughout the KPJ Group with many new initiatives and innovations implemented. These measures have increased vigilance amongst staff and encouraged more effective voluntarily reporting of near-miss incidents to ensure improvements are continuously made.

In total, there was a 12% decrease in the number of medication errors in 2013 as compared to the year 2012. There was also a marked reduction in dispensing/preparation-related errors by as much as 14% and in administration-related errors by 11% over 2013.

Medical Directors Meeting

The Medical Directors Meeting, held in April 2013, serves as an avenue for all Medical Directors of the hospitals within 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

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

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

3. Amiruddin Abdul Satar
President & Managing Director

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

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

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

7. Dato' Dr. Hussein Awang
Hospital Medical Directors Committee Chairman
Medical Director
Consultant Urologist
Tawakkal Health Centre

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

9. Jasimah Hassan
Vice President (I)
Business Operations, Education & Clinical Services

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

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

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

13. Dr. Aliza Jamaluddin
Senior Corporate Manager
Clinical & Quality Services

Clinical Governance
Policy Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

Clinical Governance Action Committee

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

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

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

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

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

6. **Dr. Noor Hisham Mansor**
Medical Director
KPJ Rawang Specialist Hospital
Consultant Physician
KPJ Tawakkal Specialist Hospital

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

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

9. **Prof. (C) Dr. Primuharsa Putra Sabir**
Consultant Ear, Nose, Throat, Head & Neck Surgeon
KPJ Seremban Specialist Hospital

10. **Mah Lai Heng**
Senior General Manager -
Group Clinical & Quality

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

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

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

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

Clinical Risk
Management Committee

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

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

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

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

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

6. **Dr. Rajoo Padmanathan**
Medical Director
Consultant Surgeon
KPJ Penang Specialist Hospital

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

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

9. **Dr. Mohammad Iqbal Mohammad Sawar**
Consultant Neonatologist
KPJ Damansara Specialist Hospital

10. **Mah Lai Heng**
Senior General Manager -
Group Clinical & Quality

11. **Khairul Annuar Azizi**
General Manager
Risk, Compliance and Investor Relations

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

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

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

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

Clinical
Ethics Committee

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

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

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

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

5. **Dr. Chan Kheng Khim**
Consultant Physician
KPJ Tawakkal Specialist Hospital

6. **Dr. S. P. Singaram**
Consultant ENT
KPJ Ampang Puteri Specialist Hospital

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

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

9. **Dr. Jamal Azmi Mohamed**
Consultant Orthopaedic Surgeon
KPJ Selangor Specialist Hospital

10. **Mah Lai Heng**
Senior General Manager -
Group Clinical & Quality

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

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

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

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

The **KPJ Group** is committed to **continuously enhancing clinical governance** as the main thrust for **improving the quality** of care, **ensuring patient safety** and **developing the capacity** to maintain high standards.

Hospital Operations Continued Growth in 2013

In 2013, KPJ's Hospital Operations segment continued to experience steady growth on the back of the opening of new hospitals as well as an expansion of bed capacity in several of the existing hospitals.

The Group's Malaysian operations contributed the bulk or some **88%** of 2013's revenue with segmental revenue rising 9% year-on-year (YoY) to **RM2.05 billion.**

Robust Malaysian Operations

The Group's Malaysian operations contributed the bulk or some 88% of 2013's revenue with segmental revenue rising 9% year-on-year (YoY) to RM2.05 billion from RM1.88 billion previously. Aside from the higher revenue from existing hospitals, three new hospitals helped boost revenue. These included KPJ Klang Specialist Hospital which commenced operations in May 2012, KPJ Pasir Gudang Specialist Hospital which opened its doors to the public in May 2013, and the Sri Manjung Specialist Centre in Perak, the acquisition of which was completed in May 2013.

As at the time of writing, the Group has a network of 24 hospitals in Malaysia, of which two new hospitals were added in 2013. The year in review saw improvements across the network of KPJ hospitals.

Despite strong revenue growth for the period under review, the Hospital segment's profit before tax (PBT) recorded a marginal 7.0% rise to RM196.3 million from RM183.4 million in 2012. This was principally due to higher operating and administration costs for three newly opened hospitals, namely the KPJ Klang Specialist Hospital, KPJ Pasir Gudang Specialist Hospital and Tawakkal Health Centre.

Rising Patient Confidence

KPJ's commitment to quality service, compassionate care and patient safety continues to play a significant role in ensuring high patient confidence in our hospital operations. This commitment also serves as a strong attraction to patients and helps promote patient loyalty as evident by the growing number of patients across our hospital network.

In 2013, the total number of patients grew by 1.9% to more than 2.74 million from a total of some 2.69 million in 2012. Total outpatients for the Group rose by 1.3% to a record 2,475,371 patients compared to 2,444,308 in 2012. For the period under review, KPJ Ipoh Specialist Hospital recorded the highest number of outpatients at 264,244 outpatients followed by KPJ Damansara Specialist Hospital and KPJ Ampang Puteri Specialist Hospital. The Group registered a 4.7% growth in inpatient numbers to 261,697 inpatients in 2013, from some 249,955 inpatients in 2012. There was also an increase in the number of surgical cases by 2.8% to 89,567 surgical cases in 2013 in comparison to 87,130 cases in the preceding year. The total bed capacity within KPJ's hospital network increased to 2,714 as at 31 December 2013, while the occupancy rate at our hospital improved to an average 66% occupancy rate.

The strategically located new hospitals, the ongoing improvements to existing facilities and services, as well as aggressive marketing and promotional activities, all contributed to the higher number of patients in 2013. The further strengthening of our relationships with corporate clients and insurers, who are major supporters of our hospitals, also played an important role in improving our patient load.

Good Inroads in Indonesia

Despite experiencing very challenging operating environment in 2013, our Indonesian Hospital segment continued to make good progress, registering a 52% increase in revenue to RM33.5 million from RM22.1 million previously. The higher revenue came on the back of revenue contributions from RS Medika Permata Hijau.

While our two Indonesian operations are expected to face intense competition in coming years and will find it a challenge to sustain their performance as per the previous years, the Group is still optimistic about the long-term prospects of the Indonesian market. Further upgrading of the facilities and services at our Indonesian hospitals are currently being undertaken to attract more patients, especially those from the more affluent echelons of society.

Total outpatients for the Group rose by **1.3%** to a record **2,475,371** patients

Our Indonesian Hospital segment continued to make good progress, registering a **52%** increase in revenue to **RM33.5 million.**

Anti-Gravity Machine at Tawakkal Healthcare Centre for Physio Therapy treatment.

Strong Ancillary Services Growth

In 2013, revenue from the Group's Ancillary Services segment improved by 14% to RM780.0 million in comparison to revenue of RM684.7 million previously. As per the previous year, the higher revenue was mainly due to a growth in activities relating the marketing and distribution of pharmaceutical, medical and surgical products, as well as higher demand for pathology and laboratory services, all of which grew in tandem with the increased revenue from the Group's hospitals.

Within the Ancillary Services segment incorporating Pharmaserv Alliances Sdn Bhd and Lablink Sdn Bhd, KPJ's intrapreneur companies and other subsidiaries also contributed positively towards the Group's 2013 performance.

Key Strategic Developments

In 2013, the Group embarked on a number of strategic moves to strengthen our position in the region.

We brought the acquisition of a 100% stake in Sri Manjung Specialist Centre Sdn Bhd (Sri Manjung) to a close in May 2013 to effectively strengthen our foothold in the area. Plans to add another 90 beds to Sri Manjung's existing 30 through future expansion will strategically position this hospital for long-term growth.

May 2013 also saw KPJ Pasir Gudang Specialist Hospital opening its doors to the public. It is expected to draw a good response from the surrounding community given its strategic location within the Pasir Gudang industrial area as well as the area's substantial working population.

The relocation of the KPJ Sabah Specialist Hospital to a new building is also expected to extend our footprint in East Malaysia. The new facility began operating in December 2013 with an 70-bed capacity and is expected to be a strong draw to communities in the area given its range of specialist services and the expertise of its consultants.

Back in December 2012, the KPJ Group relocated its headquarters to Menara 238 along Jalan Tun Razak, Kuala Lumpur with an option to purchase the building. On 16 October 2013, KPJSB exercised its option to purchase the property and entered into a conditional sale and purchase agreement for a total cash consideration of RM206 million. The acquisition was completed on 10 February 2014. The Group's hospitals and subsidiaries continue to take advantage of support and advice more readily with the Group's back-end support services all under one roof.

In 2013, the Group also intensified efforts to review, streamline and standardise its operational processes. We are continuously monitoring enhancements to operational efficiency, the effectiveness of implementation as well as compliance with standardised practices as part of our commitment to developing a stronger service excellence culture within the Group.

March 2014 saw the KPJ Rawang Specialist Hospital in Selangor kick-starting its operations. The acquisition of the KPJ Rawang Specialist Hospital in Selangor is a strategic move which will allow the Group to seize the good potential from the massive economic development in the area.

3 new hospitals helped boost revenue:
KPJ Klang Specialist Hospital, KPJ Pasir Gudang Specialist Hospital and Sri Manjung Specialist Centre.

SPECIALIST SERVICES	
• Anesthetics Services	• Laparoscopic Surgery
• Cardiology including Coronary Angiogram & Angioplasty	• Neurology including Electrodiagnostic Studies (EEG & EMG)
• Audiology	• Neurosurgery
• Bariatric Surgery	• Neonatology
• Cancer & Chemotherapy Services	• Nephrology
• Cardiothoracic Surgery	• Occupational Health Services
• Child Psychiatry	• Orthopaedic & Trauma Surgery
• Clinical Pathology	• Ophthalmic (Eye) Laser
• Colorectal Surgery	• Ophthalmic (Eye) Surgery - Ophthalmology
• Cornea Transplant Surgery	• Orthodontic & Maxillofacial Surgery
• Diet Counselling	• Obstetrics & Gynaecology (O&G)
• Dental Services	• Outpatient Treatment
• Dermatology (Skin) Day Surgery	• Paediatric Surgery
• Ear, Nose &Throat (ENT)	• Plastic & Reconstructive Surgery
• Endocrinology	• Physiotherapy, Rehabilitative & Occupational Therapy Services
• Feto-Maternal Medicine	• Pharmacy & Laboratory Services
• General Surgery	• Radiotherapy & Oncology
• General/Internal Medicine	• Reconstructive & Spinal Surgery
• Endoscopy Services - Gastroscopy, Colonoscopy, ERCP, etc.	• Respiratory Medicine Services
• Haematology	• Restorative Dentistry & Endodontics
• Immunisation &Vaccination Services	• Rheumatology
• Interventional Chronic Pain Management Services/Centre	• Sleep Disorder Centre
• In-vitro Fertilisation (IVF)	• Urology
• Joint Replacement and Reconstructive Surgery	• Vascular Surgery

New Hospital Developments Ensuring Sustainable Growth

As demand for both quality care and quality hospitals ramps up, we continue to focus our efforts on growing the existing KPJ hospital network and expanding existing capacity to meet the escalating needs of local communities and medical tourists. At the same time, we are strengthening our lead as a key healthcare services provider and ensuring a sustainable pathway for the Group amidst a highly competitive playing field.

We plan to roll out a **minimum of 2 new hospitals per annum** to meet high market demand.

Continued Growth on the New Hospitals Front

In May 2013, the 120-bed capacity KPJ Pasir Gudang Specialist Hospital opened its doors to the public offering 25 beds, 18 clinics and the expertise of 24 consultants. The hospital is today offering general services in orthopaedic, surgery, medical, obstetrics and gynaecology, paediatric, ophthalmology, anaesthesiology, radiology as well as ear, nose and throat care. This development will enable us to provide a comprehensive range of medical care to both the local community and international patients. Some RM70 million has been invested in land, building and equipment costs and the hospital is expected to generate approximately 424 jobs opportunities including nursing and support services positions.

2013 saw the relocation of the KPJ Sabah Specialist Hospital from its premises rented from Queen Elizabeth Hospital in Luyang, Kota Kinabalu to a new building with an expanded service offering. The new 282-bed capacity facility began operating in December 2013 with 70 beds offering general services in medical, surgery, orthopaedic, obstetrics and gynaecology, paediatric, ophthalmology, anaesthesiology, radiology and ear, nose and

KPJ Sabah
Specialist Hospital

throat care. It will also be equipped with a state of the art Cardiac Catheterization Laboratory, a dedicated Cardio-Thoracic Operation Theatre, Cyto-toxic Drug Reconstitution (CDR) Isolator, and Radiotherapy Linear Accelerator (Elekta Linac Machine) for Oncology Services. The facilities for Cardiac Surgeries and Radiation Therapies will make KPJ Sabah the only private hospital in the whole of Sabah to provide tertiary care in Cardiology/Cardiothoracic surgery and Radiation Oncology.

This RM200 million hospital accommodates 86 consultants, incorporates the latest equipment and facilities for patient comfort and better clinical outcomes, and has 500 parking bays to ensure easy accessibility to the facilities.

In March 2014, the 159-bed KPJ Rawang Specialist Hospital began operations. This new purpose built hospital is the only private hospital in Rawang district and nearby areas. Rawang town is one of the fastest growing townships in Selangor (it had an estimated population of 120,500 in 2012) and this facility is expected to serve the surrounding townships of Kuala Kubu Baru, Bukit Beruntung, Batang Berjuntai, Sungai Choh, Selayang, and as far as Tanjung Malim in Perak and Tanjung Karang in Selangor. The total population in these areas is approximately 415,000 people, mostly from the middle and upper-middle classes. This area is fast developing and more developments are planned which will lead to increased economic activities in this area, all of which bode well for our operation in Rawang.

By the first half of 2014, the KPJ Bandar Maharani Specialist Hospital (KPJ Muar Specialist Hospital) in Muar, Johor is set to commence operations. This development project began when KPJ first acquired a partially completed seven-storey building situated along Jalan Stadium in Muar, Johor for RM22 million in 2010. The hospital building has been completed at a cost of around RM26 million. The KPJ Bandar Maharani Specialist Hospital will comprise more than 100 beds on a floor space of more than 200,000 sq. ft. and almost 200 car park bays. It will offer general services in orthopaedic, surgery, medical, obstetrics and gynaecology, paediatric, ophthalmology, anaesthesiology, radiology and haemodialysis treatment.

Our hospitals in Rawang and Muar are of international standard and will go a long way in meeting the expected upsurge in demand from medical tourism activities that the Malaysia Healthcare Tourism Council (MHTC) envisages will reach 1.9 billion patients by 2020. Together these two hospitals will add another 259 beds in total to our current capacity and by the end of 2014, KPJ's capacity will have risen to 3,229 beds from 2,720 currently.

Expanding Our Network, Strengthening Capacity

For the long-term, we plan to roll out a minimum of two new hospitals per annum to meet high market demand and plans are in the pipeline to roll out another nine hospitals over the next four years. This plan is expected to evolve in tandem with market demand. 3 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 KPJ's performance going forward, particularly on the medical tourism front.

Come 2015, KPJ Perlis Specialist Hospital and the KPJ Pahang Specialist Hospital will open.

The KPJ Perlis Specialist Hospital will be KPJ's maiden foray into the northern most state of Peninsular Malaysia. KPJ is jointly developing the hospital in cooperation with Yayasan Islam Perlis on a 4-acre plot of land in Kangar, Perlis where it is expected to serve a population of around 250,000 as well as patients from throughout the state of Perlis and southern Thailand. Built at an initial development cost of around RM30 million, the first phase of the development will enable the hospital to provide 60 operating beds with allowance to raise the capacity to a total of 90 beds at a later stage. The new facility will feature some of the latest diagnostic imaging facilities and medical equipment, and will also be equipped with operation theatres alongside an intensive care unit, labour room and more than 30 medical consultant suites. Other services that will be extended to patients, when the hospital is completed, are physiotherapy, haemodialysis, 24-hour accident and emergency services and outpatient services.

KPJ is set to expand its presence in Pahang via the development of the KPJ Pahang Specialist Hospital at Tanjung Lumpur, Kuantan. This development, which will complement the services of the existing KPJ Kuantan Specialist Hospital in Pahang, is being developed together with PASDEC Corp, a subsidiary of Pahang State Development Corporation via a 70-30 joint venture. The upcoming facility will comprise 154 beds and 18 clinics while some 24 consultants will offer general services in orthopaedic, surgery, medical, obstetrics and gynaecology, paediatric, ophthalmology, anaesthesiology, radiology as well as ear, nose and throat care.

This will be followed by the opening of the KPJ Bandar Dato' Onn Specialist Hospital in 2016 and the opening of our new JV hospital in Johor, KPJ-UTM, in the same year.

The KPJ Bandar Dato' Onn Specialist Hospital will be located at Bandar Dato' Onn, a new township located within the Iskandar Development Region in Johor. The new 510-bed capacity hospital will be developed in two phases with the first phase encompassing a built-up area of approximately 280,000 sq. ft. and a 150-bed capacity. The new flagship hospital will provide six well equipped, cutting edge centres of excellence namely a heart centre, geriatric centre, cancer centre, woman and child centre, cosmetic centre as well as an orthopaedic and related surgery centre. The hospital's international-standard offering and its strategic location would be a draw to foreign patients especially from neighbouring Singapore and Indonesia.

Come 2017, the KPJ Miri Specialist Hospital, KPJ Klang Bayuemas Specialist Hospital and another facility in Nilai are set to commence their operations. Plans are also underway to construct a hospital facility in Port Dickson by 2018 and another in Melaka in the same year. These nine hospitals scheduled for development between 2015 and 2018 will certainly do much to bolster the Group's domestic footprint as well as strengthen our standing as the largest network of private specialist hospitals in Malaysia.

Other Strategic Developments

Tawakkal Health Centre (THC) is the Group's first ambulatory care centre. It complements KPJ's main hospital services offering by catering to our existing patients and new patients who require outpatient treatment only. In early 2013, THC rolled out its dental centre and dialysis services to the public and followed through on this with a host of other facilities and services over the course of the year. Today, the 123,000 sq. ft. THC also incorporates 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 offer general x-rays and OPG (for dental) services. On top of these, THC also offers consultant specialist clinics; a minor operation theatre that supports the dental centre; and a Lasik and eye centre.

To date, THC's professional teams comprise 5 resident consultant specialists, 9 sessional consultant specialists, 4 visiting consultant specialists, 31 clinical staff and 27 non-clinical staff. THC also offers a wide range of other commercial facilities such as a retail pharmacy, café, optometrist and a convenience shop under one roof for the convenience of patients and visitors.

THC will launch the Tawakkal Senior Living Care Centre, a venture that will cater to senior citizens, especially those needing assistive care services. Drawing from our Jeta Gardens experience we are looking to open up a home-like environment at THC which will provide quality care to all residents regardless of ethnicity, social status, religion, belief or political affiliation. Our medical, nursing and other healthcare professionals and providers will provide comprehensive, efficient and effective care with a focus on empathy and compassion. We began renovations in October 2013 for 45 beds of the first phase and expect to launch our operations by June 2014. The centre will be supported by our other established services at THC.

Tawakkal Health Centre

In 2013, THC continued to make strong strides forward, posting 20% growth in its revenue while outpatient numbers soared to 23,431 from 13,998 previously. The bulk of THC's 2013's revenue was from its rehabilitation centre followed by the dental centre. Apart from its clinical services offering, THC also set aside space as retail space for health related businesses, among others.

In another strategic development, the Group has been appointed to manage the new 250-bed international standard hospital Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College and related 50-seat nursing college in Dhaka, Bangladesh. The facility will incorporate KPJ's stringent policies and procedures as well as comply with all domestic healthcare regulations and the specific needs of the local population.

This hospital will cater to the communities around Gazipur as well as nearby districts such as Cittagong, Sylhet, Tangail, Manikgonj, Ranjpur and Bogra, among others. In time, we will explore opportunities in neighbouring countries. Outpatient treatment at the hospital began in March 2014, while inpatient treatment will begin in June 2014. The Tk2.15 billion hospital is targeted to commence full operations by the end of 2014. With its offer of world class medical services at an affordable cost, it is expected to create healthy competition among Bangladesh's healthcare service providers.

Sustainability through Organic Growth

As KPJ ventures forth, we will adapt our existing plans in tandem with market demand to ensure we meet the needs of local and international patients as well as ensure a sustainable growth pathway for ourselves.

Medical Tourism Tremendous Growth Potential

Although the bulk of KPJ's business today comes from the domestic market, the Group recognises the potential of the rapidly expanding medical tourism market and continues to implement the necessary measures to capture a bigger slice of this market and ensure a pathway to sustainable growth.

Revenue from the Medical Tourism segment currently accounts for **4%** of KPJ's revenue and the plan is to grow this to **25%** of the Group's revenues **by 2020.**

Malaysia's Burgeoning Medical Tourism Market

Malaysia is today a much sought after destination for medical tourism given its cutting-edge facilities and well qualified specialists. In its 2014 Global Retirement Index, *International Living* ranked Malaysia as No. 3 worldwide destination for its healthcare system. This is evident from the rising number of medical tourists that have sought medical care in Malaysia these last few years. In 2011, Malaysia played host to some 583,000 medical tourists and this number rose to 671,000 and 768,000 in 2012 and 2013 respectively. Among the popular treatment and procedures sought by medical tourists in 2013 were health screenings, cardiac procedures, cancer treatments, orthopaedic procedures and fertility treatments.

The Malaysian healthcare sector continues to enjoy strong growth even as catalyst activities implemented under the Malaysian Government's Economic Transformation Programme (ETP) continue to drive this growth momentum. As one of the 12 National Key Economic Areas (NKEAs) under the ETP, the healthcare sector is expected to tap into private-sector growth to generate between RM35 billion and RM50 billion in incremental gross national income (GNI) by 2020. This growth is expected to come mainly on the back of pharmaceuticals, medical technology products and health travel.

The medical tourism sector is expected to grow 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 bode well for the medical tourism sector. Moreover, with organisations like the Malaysia Healthcare Tourism Council (MHTC) continuing their collaboration with the Association of Private Hospitals of Malaysia, the Ministry of Tourism Malaysia as well as a host of healthcare facilitators and government agencies, medical tourism activities in Malaysia are set to take off.

Promotional Activities

Revenue from the Medical Tourism segment currently accounts for 4% of KPJ's revenue and the plan is to grow this to 25% of the Group's revenue by 2020. To make the most of the abundant opportunities presented by the medical tourism market, the Group continues to undertake a host of marketing and promotional activities in existing and new target markets throughout Asia, the Middle East and Australia. In 2013, we also took the opportunity to venture into the East African countries, in particular Somalia.

Through KPJ's participation in local and international exhibitions, trade expositions, road shows and health talks organised by the MHTC, the Ministry of Health, the Ministry of Tourism, the Malaysia External Trade Development Corporation (MATRADE) and others, we are building up awareness about Malaysia as an excellent and cost-effective destination for medical care as well as reinforcing the KPJ brand's standing among target audiences.

2013 saw us making strong advances forward and extending our footprint across many ASEAN nations as well as the People's Republic of China, the Middle East and East Africa.

Indonesia

Indonesia continues to be an important market for the Group as it is contributing almost a third of our international patients and is set to grow further. Over the course of 2013, we took part in several strategic initiatives that had a positive effect on medical tourist numbers from Indonesia. These included our participation in the 2nd Indonesia Wellness and Medical Tourism Fair in Jakarta, the 5th Annual Women's Health Expo & Bazaar 2013, the Astindo Fair 2013, the 5th Indonesia MICE & Corporate Travel Mart, the Majapahit Travel Fair 2013 and Pekan Kebudayaan Acheh, among other events.

We also participated in the MotoGP Expo 2013 as well as undertook sales visits to Dumai to create awareness about KPJ and promote KPJ University College's nursing courses. There are plans to participate in the Dumai Expo 2014, one of the biggest local attractions along Sumatera's East coast. KPJ also participated in several roadshows under the banner of the International Health Tourism Expo as well as took part in the Asita Travel Fair 2013 and the Malaysia Healthcare Exhibition. We also participated in the MHX Solo together with the MHTC.

Throughout 2013, KPJ teams visited our five representatives offices in Indonesia namely in Surabaya, Padang, Pekan Baru, Medan and Acheh to strengthen business ties and promote our hospitals and services. We also undertook corporate sales visits to major banks, among other organisations, which certainly helped bring KPJ to the attention of a larger Indonesian audience. On the Malaysian front, we brought over a delegation of 40 Indonesian doctors to visit our hospitals and hosted two media familiarisation visits. All in all, these activities did much to bring KPJ to the attention of neighbouring Indonesia.

Group Photo during China - Japan friendly Hospital visit.

China

In the year in review, our medical tourism team worked hard to enhance KPJ's presence in highly populated countries such as the People's Republic of China, where the healthcare sector is developing in an exponential manner.

China'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") spurred by the nation's on-going healthcare reforms which are expected to create vast opportunities for the private healthcare sector. In the past, a healthcare provider needed a minimum of 30% Chinese ownership to operate; now foreign investors are allowed 100% ownership.

With the traditional Chinese healthcare system coming under intense competition from more innovative forms of healthcare and advanced management systems, coupled with the pressures on China's overcrowded hospitals and its limited number of doctors and nurses, opportunities are opening up for players like KPJ who have advanced experience in healthcare management. All this is being bolstered by improvements in healthcare infrastructure, the broadening of insurance coverage, and significant government support for innovation.

In order to capture a bigger slice of China's medical tourism market, KPJ continues to position itself in a strategic manner and undertake a variety of activities. In 2013, KPJ together with the MHTC took part in the inaugural Shanghai Medical & Healthcare Tourism Show which served as a platform for international hospitals to showcase their healthcare facilities and services to their increasingly affluent Chinese clients. KPJ also took part in the Malaysia Healthcare Seminar in Jinan organised by the MHTC and garnered strong interest in collaborative ventures.

The KPJ team also took the opportunity to conduct marketing visits to our international insurance business clients and various local hospitals in Beijing, the capital city of China, to explore the healthcare dynamics in China and to gain better insights into the daily operations and management of the China's hospitals. While there, the KPJ team also visited Visa Malaysia (Window Malaysia) a one-stop centre which facilitates visa application processing for visitors from China to Malaysia as well as promotes Malaysia as a hub for medical tourism, among other things.

In conjunction with the 2nd Malaysia International Healthcare Travel Expo (MIHTE) 2012 organised by the MHTC, a six-member media team from the privately-owned Health TV Guangzhou was invited on a media familiarisation trip to visit and conduct video shoots at selected hospitals in Malaysia. Several key personnel from KPJ Ipoh Specialist Hospital were chosen to be interviewed.

KPJ also took part in the 3rd Malaysia-China Entrepreneur Conference (MCEC) in Putrajaya which gave us a platform to engage with Chinese entrepreneurs both domestically and internationally to promote the KPJ brand.

Indochina

The year also saw KPJ making inroads into the Indochina region comprising Vietnam, Myanmar and Cambodia. Today, more and more people in the Indochina region are expressing increasing confidence in the services of Malaysian healthcare providers. They mostly seek out medical services and treatment in the areas of In Vitro Fertilization (IVF) services, cardiology, orthopaedics, gastroenterology, neurology, oncology and digestive and respiratory care.

The KPJ team conducted various marketing visits to companies, agencies and local clinics in Ho Chi Minh City and Phnom Penh to network and seek out potential prospects and business partners to promote health tourism initiatives.

Meanwhile, the MHTC organised various health seminars and workshops to promote Malaysia as a regional healthcare destination. KPJ participated for the first time in monthly health workshops in Hanoi and Yangon. Our consultants gave talks on cardiovascular diseases that could impact the vascular system and on laparoscopic colorectal surgery related to colon cancer. These sessions did much to educate participants and created awareness of the treatments available in Malaysia.

15 delegates of Media Group from the Indochina region, making a trip to KPJ Johor Specialist Hospital.

Attracting nearly 200 local participants from the public sector and private companies, the workshops were considered an overwhelming success.

In Cambodia, on-going activities such as medical talks and free consultations for patients were implemented to explore the potential market. We also participated in the Malaysia Healthcare Seminar-cum-Press Conference and International Health & Beauty Exhibition. These activities aimed to promote Malaysia' MRI Cardiac services and beauty, plastic and reconstructive surgeries as alternatives to similar treatments in Singapore or Thailand.

Subsequently, a group of 15 delegates from the Indochina region, representing various media channels as well as travel and tour companies, reciprocated by making a trip to KPJ Johor Specialist Hospital as part of an MHTC media familiarisation initiative to promote health tourism to private hospitals in the Southern region. The media delegates spent time discussing KPJ's IVF services and orthopaedic surgery offerings.

Bangladesh

Together with the MHTC, we have been exploring opportunities in Dhaka, Bangladesh since 2011. The year in review saw us taking part in MATRADE's 3rd Showcase Malaysia Expo in Dhaka where we distributed over 1,000 Bengali language brochures and organised health talks at clubs to spread the word about the KPJ brand. In 2013, MHSL Dhaka and Health4U introduced a new membership card exclusively for AMEX City Bank Dhaka card members to promote Malaysia's healthcare facilities among high-end card members.

In June, 10 orthopaedic doctors from Bangladesh were invited to attend the inaugural Annual Orthopaedic Update Seminar and tour the KPJ Tawakkal Specialist Hospital and KPJ Klang Specialist Hospital. As we venture forth, our Klang Valley hospitals have been identified as the best platforms to cater to the needs of medical tourists from Bangladesh.

Dr. Ahmad Fauzi screening a patient's eyes during the Dhaka Showcase 2013.

KPJ took part in the First International Medical Tourism Conference and Exhibition 2013 (IMTEC) in Oman to showcase our services.

The Middle East

The Middle East region is a promising one for KPJ, given its strong growth potential. Taking into account the similarities in culture and customs between Malaysia and the Middle East, as well as our good track record in managing hospitals in Saudi Arabia, KPJ is strongly-positioned to attract medical tourists from this region. In 2013, we implemented several marketing activities abroad and locally which helped grow our patient numbers from the Middle East, which led to a hike in related medical tourism revenue.

We took part in the IMTEC 2013 event in Oman which targeted all aspects of the health and wellness industry including health products, services and facilities, opportunities for new developments and trends, as well as trade and investment. It is the first event in Oman for the health and medical sector and is considered one of the biggest healthcare exhibitions in the whole Middle East region.

The Medical Tourism team also travelled to Dubai in the United Arab Emirates (UAE) to participate in one major exhibitions, namely the Arabian Travel Market 2013 (ATM). The former event promotes and introduces the latest medical technology products and solutions, and is the only international healthcare exhibition of its kind in the UAE. There were several enquiries from this event.

On the domestic front, we organised the KPJ Malaysia-Arab Community Day 2013 at Bangunan Seri Utama, Kompleks Kraf in Kuala Lumpur. This event sought to demonstrate the Group's appreciation of the Arab community who have been ardent supporters of KPJ and an important customer segment for quite a while now. Some 300 members of the Arab community as well as ambassadors and high commissioners attended the day's celebration together with their families and friends. This opportune platform helped highlight the differences and similarities between the cultures, built goodwill, as well as strengthened ties.

We also organised a familiarisation tour and presentation for Oman Government delegates to demonstrate KPJ's Customer Service values. A Health Day in collaboration with the Al-Basirah School was also organised with some 370 students and 40 teachers in attendance.

East Africa

In line with our aim of extending our medical tourism foothold, we began focusing on the East African countries in 2013, especially Somalia, as well as Ethiopia, Kenya, Sudan, South Sudan, Tanzania, and the countries around the region. In March 2013, the Medical Tourism team travelled to Hargeisa in Somaliland and Adis Ababa in Ethiopia for sales visits and by the year's end, sales visit were made to Hargeisa and Mogadishu in Somalia.

On the home front, we paid a visit to the new Somali ambassador to Malaysia, H.E. Mr. Nour Farah, to introduce the KPJ Group of Hospitals. The activities abroad were well matched with activities at home in Malaysia. Visits were made to prominent Somalis, while health screenings were undertaken where there was a concentration of Somali communities in Malaysia. These activities have helped strengthen our ties with the Somali communities many of whom now opt for KPJ's hospitals as their hospital of choice.

Complementary Activities

2013's marketing and promotional efforts did much to solidify the KPJ Group's position as a major healthcare player and create an attractive patient proposition in our target markets. We believe that a higher number of medical tourists will be drawn in by the attractive, competitively priced packages for international-standard medical care that we are offering. Going forward, we intend to maintain the momentum of our current marketing strategies given the positive influx of patients within all our target markets.

The domestic private healthcare industry is expected to **turn in healthy demand growth** of between **8%** and **10% per annum.**

To provide excellent patient experiences for medical tourists, we will maintain our premier wards and bolster our special services capability by hiring patient liaison officers who are well versed in a variety of foreign languages. We believe this will help put foreign patients at ease and ensure the smooth delivery of our services.

The Group also continues to customise treatments and services in accordance with the culture and beliefs of our patients. Brochures with important patient information have been published to help answer queries from foreign visitors. In some of our major medical tourism markets, coordinators and KPJ representatives have been appointed to promote the Group's hospitals more aggressively and to aid in the smooth transition of medical tourists from their countries to KPJ's hospitals.

By signing MoUs with various organisations for long-term collaboration, we are ensuring 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.

KPJ continues to invest in new medical equipment and facilities featuring the latest technologies. All these are helping ensure 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.

Ramping Up for Further Growth

The domestic private healthcare industry is expected to turn in healthy demand growth of between 8% and 10% per annum mainly as a result of growing awareness of healthcare standards and an overloaded public healthcare system. These developments bode well for KPJ and we are putting the relevant building blocks in place to tap the potential of this lucrative market segment.

Going forward, the KPJ Group will continue to allocate the necessary resources to make the most of the potential in the medical tourism sector while charting a sustainable pathway to growth.

During a visit to KPJ agent office at Hargeisa, Somaliland.

Biomedical Services

Maximising The Medical Equipment Lifecycle

KPJ's Biomedical Services team continues to play an effective support role in coordinating investment and maintenance activities relating to medical equipment for all KPJ hospitals.

The team's **more than 25 Biomedical personnel** Group-wide have a wealth of experience and expertise in Biomedical engineering and management services.

Today, our Biomedical team is implementing high standards of safety and reliability into the entire process and providing ongoing support to our hospitals. This ensures investments are made cost effectively and that every single piece of medical equipment is utilised in an optimal manner. At the same time, the team also manages and coordinates thousands of preventive and corrective maintenance activities per calendar year throughout the Group's operations, all of which are rolled out in accordance with specific manufacturers' recommendations and in compliance with international safety standards.

The team's more than 25 Biomedical personnel Group-wide have a wealth of experience and expertise in Biomedical engineering and management services and are able to effectively manage the medical equipment life cycle from-cradle-to-grave for more than 10,000 pieces of registered medical equipment. They are technically involved right from the start with regards to the planning, purchasing, delivery, installation, commissioning, operation and maintenance of this medical equipment, until the decommissioning stage.

Even as continuous investments are made to procure state-of-the-art equipment in tandem within KPJ's fast expanding hospital network, the team is ensuring the safety, reliability and cost effectiveness of each investment across a wide range of disciplines and services throughout the Group.

Over the course of 2013, the team installed a host of new, advanced state-of-the-art equipment at various KPJ hospitals:

System : SIEMENS - 1.5 TESLA MAGNETIC RESONANCE IMAGING (MRI) SCANNER
Venue : KPJ Sabah Specialist Hospital

Special Features

Magnetic Resonance Imaging (MRI) is an image-guided process for displaying structures inside the body. The latest high-speed 48-channel Siemens-1.5 Tesla MRI system, installed at the newly opened KPJ Sabah Specialist Hospital, comes equipped with productivity and image quality enhancements to its MRI suite. This system delivers a higher resolution and allows greater flexibility, thereby making it easier to customise and provide uniquely tailored, optimised scans which are configurable to a patient's condition.

Through the groundbreaking integration of Tim 4G and Dot technologies, the MAGNETOM Aera scanner sets a new standard of efficiency and care and helps healthcare practitioners harness a new level of productivity. A full range of applications and a patient-centered design make this the top-of-the-line choice for a 1.5T system. When combined, all these technologies enable practitioners to perform up to 30% more exams per day. Featuring a 70-cm open bore and short magnet, the system also make exams more patient-friendly, especially for claustrophobic and paediatric patients. Moreover, it accommodates a large variety of body sizes, shapes and conditions.

System : TOSHIBA 160-SLICE COMPUTED TOMOGRAPHY (CT) SCANNER
Venue : KPJ Sabah Specialist Hospital

Special Features

The new 160-slice Multi Slice CT Scanner installed at KPJ Sabah Specialist Hospital incorporates the latest technologies for clinicians to perform a wide variety of clinical examinations. It also enables advanced applications in a streamlined workflow so that clinical images of maximum quality and with a minimal amount of radiation can be obtained. The use of advanced dose reduction technologies (AIDR with Active Collimator) provides excellent image quality with only a low radiation dose.

The system comes equipped with high-speed reconstruction capabilities which can be carried out in tandem with high-speed scanning. This allows images to be instantly available for review even as the patient is leaving the scanning room. The combination of the new quantum detector, 0.35s gantry rotation speed, and state-of-the-art reconstruction technology allows many examinations to be performed in mere seconds. This lends to improved patient care, especially for trauma and paediatric patients.

The system's ultra-thin 0.5 mm-wide detector with 160-slice images enables scanning of organs at a higher resolution within a shorter scanning time, resulting in multi-planar and 3D images demonstrating perfect continuity along the Z-axis. In addition, ultrafast scan times allow the contrast medium dose and exposure dose to be reduced. The 780 mm wide bore in the new evolution gantry is 60 mm larger than its predecessor. The wide bore is designed to facilitate better patient access and more flexible positioning especially for critically ill patients and during interventional procedures.

System : TOSHIBA - FULL DIGITAL ANGIOGRAPHY SYSTEM
Venue : KPJ Sabah Specialist Hospital

Special Features

With the advent of new technologies, an all-new angiography system has been constructed with a flat panel detector image intensifier that is more user-friendly and which produces better image resolution. The system, which can detect small blood vessel abnormalities in the heart, enables cardiologists to make quick decisions as to whether to proceed with a treatment or not.

The superiority of this system supports clear fluoroscopy and radiography and enables patient examinations and treatments 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.

System : SIEMENS - FULL FIELD DIGITAL MAMMOGRAPHY SYSTEM
Venue : KPJ Damansara Specialist Hospital
KPJ Ipoh Specialist Hospital

Special Features

The Full-field Digital Mammography (FFDM) uses digital technology and x-rays to capture an image on a digital computer system as opposed to an analogue mammography which captures an image on traditional film.

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 : SIEMENS - FULL DIGITAL GENERAL X-RAY SYSTEM
Venue : KPJ Damansara Specialist Hospital

Special Features

In today's busy radiography departments, speed and throughput are of the highest importance. The Siemens Ysio's digital radiography system installed at the KPJ Damansara Specialist Hospital offers a unique and simultaneous fast movement in 6 different axes as well as maximum patient comfort and outstanding images. This fully digital and one-stop system brings together the entire radiography workflow including registration, examination, post processing and documentations in an effective manner.

Through its offer of unique system positioning, the system always provides the most direct way to the image in a faster, shorter, safer and more accurate manner. Intuitive and convenient, all key image parameters, including the order of examinations, can be changed directly from the tube for a more flexible approach and improved efficiency.

System : HITACHI - 0.3 TESLA MAGNETIC RESONANCE IMAGING (MRI)
Venue : KPJ Pasir Gudang Specialist Hospital

Special Features

The Open Magnetic Resonance Imaging (MRI) System continues to evolve into a more advanced and sophisticated technology. The Hitachi – 0.3T system's boasts an open architecture with a wide opening on the right and left. This not only places patients, who feel uneasy with closed places or who are claustrophobic, more at ease, but it has considerable merit in that it can cater to small children and elderly patients.

The systems' advanced imaging capabilities with high definition imaging technology enable a precise diagnosis to be made in a relatively short time. Quality imaging is acquired by adopting the permanent vertical magnetic field method that uses solenoid type receiver coils. The MRI signals from these are higher than those of the horizontal magnetic field MRI system. The procedure is made smoother by adopting a large screen monitor display and comprehensive interface. The at-a-glance ability to confirm the examination status, lends to higher workflow efficiency.

System : GE 16-SLICE CT SCANNER SYSTEM
Venue : KPJ Pasir Gudang Specialist Hospital

Special Features

The GE Optima system is the next generation, intelligent 16-slice CT Scanner that sets a new standard for clinical excellence and diagnostic versatility. Within its modern design, customer-inspired enhancements include superb image quality with advance dose-optimising features.

This GE Optima system is designed to reduce electricity consumption with an energy savings of more than 60% in comparison to earlier GE CT Scan systems. Built on reliable and proven technology, this system combines advanced clinical capacity with economic value.

SERVICE QUALITY MANAGEMENT

KPJ has long supported the core values that drive quality service delivery and is committed to further raising the bar on healthcare excellence.

KPJ believes that it takes **good people** to build a **successful organisation.**

The "Service with Care" Journey

Healthcare in its most basic sense involves people caring for people. It is KPJ's sincere aspiration to continuously uphold the tenets of excellent care delivery by continuously exceeding our patients' and stakeholders' expectations. It is this commitment towards continuous service improvement that led to the establishment of the Service Quality Management (SQM) Division in March of 2013.

The SQM Division has been tasked with developing programmes to ensure KPJ delivers the highest possible level of care to the communities it serves. The SQM division places an emphasis on key areas to achieve this task, specifically the areas of customer service training, customer service management, process mapping and improvement, as well as quality assurance.

The "People" Asset

KPJ has long believed that it takes good people to build a successful organisation. KPJ's employees and caregivers are at the core of this belief and it is vital that KPJ continues to cultivate and develop our People asset.

In 2013, the SQM Division began an initiative to enhance and internalise customer service training and coaching. This initiative began by identifying key personnel within the Group with the purpose of transforming them into customer service coaches. Having achieved expectations and growing as coaches over the course of the training process, all of our coaches received certification at the end of 2013.

At the same time, the SQM Division developed high-level content for the coaches to deliver effective customer service training. Four modules were developed on the following topics: customer service strategy development; developing customer service teams; implementing customer service standards; and managing customer interactions.

The first two modules target heads of services (HoS) and hospital management. These particular modules discuss issues such as the service cycle, customer profiling, integrated customer service strategy, developing work teams, the SMART approach and customer service coaching. The other two modules are meant for all levels of staff and focus on areas such as the customer service value proposition, the customer service ecosystem, the customer experience and quality, effective communication and methods, building customer loyalty as well as Customer Relationship Management (CRM).

The coaches have begun to deliver the modules and there has been positive participant feedback thus far. Through this initiative to internalise customer service training competencies, the SQM Division intends to deliver training and cultivate customer service best practices throughout the Group.

Strengthening the "Care" Culture

One of the key contributing factors to KPJ's success to date is the focus on an organisational culture of continuous improvement. The 'Care' culture that KPJ and the SQM Division strive for is one that focuses on both the customer and the caregiver.

In 2006, KPJ had already embarked on a cultural transformation by establishing the Standard People Practice (SPP) with the intention of standardising the quality and consistency of service delivery throughout the KPJ Group of Hospitals. Focusing on communication skills, emphasising empathy and motivating caregivers to go beyond the expectations of customers, the SPP is set to raise service levels throughout the Group. Since its inception, 10 hospitals have implemented the SPP programme with definitive positive impact on customer satisfaction levels measured through Customer Service Indexing (CSI).

A culture of excellence:
Certified KPJ Coaches

The SQM Division has continued this journey by providing customer service coaches the necessary knowledge and methodology to instil a sustainable 'care' culture within the KPJ Group of Hospitals by leveraging on SPP implementation. KPJ's customer service coaches are not only tasked with carrying out training, but also with ensuring that successful SPP implementation can be cascaded down throughout the entire KPJ Group.

Spurred by our commitment to being advocates for patient-centered care, two of KPJ's hospitals have implemented the Planetree delivery model since 2013. Implementation of Planetree-proposed initiatives are overseen by 10 Component Committees at the hospital level.

With this in place, KPJ aims to ultimately become a "Designated Planetree Hospital", to create an environment where patients feel respected and can truly engage with us in their recovery.

The Care Process and Delivery

KPJ's long history and experience in healthcare has allowed it to continuously develop, refine and improve the various service processes. In 2010, the KPJ Talent Management Division began the Service Excellence, Group Alignment & Re-engineering (SEGAR) project, which aimed to actively unify and redevelop the various processes within the KPJ Group of Hospitals.

In 2013, the SQM Division was tasked with carrying this initiative forward and conducted numerous workshops for the purpose of identifying, mapping and optimising the various processes throughout KPJ. The active pursuit of continuous service improvement will ensure that the various caregivers and support staff not only focus on achieving superior customer satisfaction when delivering processes and services, but that they also focus on deriving greater efficiencies when implementing tasks.

SEGAR Workshop on dietetic services.

SEGAR Workshop on Diagnostic Imaging Services.

Management of Quality

Fundamental to the SQM Division is the overall monitoring and management of quality. In order to achieve this, the SQM Division began comprehensive centralised customer service indexing or CSI reporting in order to benchmark the broad range of services offered throughout the Group. Through analysis of complaint levels and quantitative and qualitative feedback received, the Division was able to pinpoint areas of opportunity for service enhancement throughout KPJ.

The SQM Division also identified the overall service environment as a key area for monitoring. To facilitate active monitoring in this area, the Division developed the Aesthetic and Amenity Review (AAR) and the Service Presence Report (SPR). The AAR and SPR serves as reviews of all the various service areas of the hospitals in terms of their state of repair, overall appearance, and expected services that should be provided to the customers. These critical areas of monitoring allow the hospitals to better determine items that may require improvement or enhancement to provide a better service experience to customers.

2014 and Beyond

The SQM Division has embarked on a long-term journey to enhance and transform the services provided by KPJ. In 2014, the SQM Division will launch an enhanced unified CSI for the KPJ group modelled on the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) utilised in the United States and the CSI systems utilised in the Australian Healthcare System. Further quality assurance measurements, such a mystery shopping and various qualitative customer studies, will allow KPJ to further monitor the effectiveness of the services provided and offer an opportunity for continued improvement.

The SQM Division will also strive to implement a Customer Competency Management System (CCMS) in 2014. Such a system will allow the Division to better improve the customer service acumen of caregivers throughout KPJ and prioritise training based on their knowledge and skills levels. It will also help support the monitoring of training conducted through comparative analysis of pre and post-training participant scores. In the years to come, training and competency management can grow to include skills-based learning and job knowledge assessment.

Employee recognition programmes are also a high priority under the SQM initiative for 2014. By identifying and rewarding staff who set a high standard of customer care, the 'care' culture that KPJ is aiming for will be further embedded within our organisation.

The SQM Division remains committed to the long-standing KPJ Healthcare mission of "Delivering Quality Healthcare Services". Mindful of KPJ's rich history, the Group's presence of mind for its customers, and with an eye on a future committed towards service quality management, the SQM Division will ensure KPJ continues to achieve new heights of service excellence in a consistent manner.

Our Commitment To Responsible Corporate Practices

As the KPJ Group makes strong advances on the business front, we are committed to remaining profitable in a responsible manner. To this end, we continue to roll out responsible and sustainable corporate practices that reflect our commitment to "Care for Life" and which uphold our culture of serving.

We **remain committed** to undertaking tangible Corporate Responsibility (CR) initiatives in the areas of the **Community**, **Marketplace**, **Workplace** and the **Environment.**

The last 3 decades have seen us implementing socially responsible activities in several areas and today we remain committed to undertaking tangible Corporate Responsibility (CR) initiatives in the areas of the Community, Marketplace, Workplace and the Environment. In fact, we do not regard our CR strategies as being any different from our overall business strategies, and do all we can to ensure good CR practices are embedded within our operations.

The year 2013 saw us continuing to build upon existing CR initiatives as well as roll out new ones with an emphasis on the following five areas:

Community engagement - our objective of developing healthier communities was accomplished through various health-related awareness programmes that educated the public and led them to embrace a healthier lifestyle;

Community outreach - we continued to touch the lives of the underprivileged by rendering financial assistance and by providing literacy, health and volunteer support;

Accountability - our strong focus on accountability ensured that widespread measures were taken to ensure that only the best practices that prioritised patient care were executed, and that stakeholder trust and confidence were upheld;

Empowering people - via training and development programmes as well as coaching and transformational leadership, we continued to strengthen our greatest asset - our workforce;

Environmental protection - by identifying and implementing effective green practices, we continued to proactively safeguard our environment for our future generations.

OUR COMMITMENT TO CARING FOR COMMUNITIES

We have always believed that good CR practices should bring us closer to the communities we operate in and make healthcare affordable for everyone. As such, our community CR initiatives focus primarily on the provision of healthcare services, as this is what is closest to our hearts.

Our "Care for Life" philosophy is underscored by our focus on community care and the wellbeing of individuals. We are committed to elevating communities and continue to demonstrate the spirit of caring and serving via several initiatives. These include delivering basic health screening at a minimal cost or for free; organising public health talks and campaigns that advocate healthy lifestyles and good hygiene; assistance in cash or kind to orphanages, homes for the aged and the underprivileged; as well as making zakat contributions and donations.

KWAN - KPJ's Flagship CR Initiative

Our flagship CR initiative to help communities, particularly the impoverished and underprivileged in urban communities, is via our involvement in the chain of charity outpatient clinics and dialysis centres under the Klinik Waqaf An-Nur (KWAN) initiative. Under KWAN, patients are charged a minimal blanket fee of only RM5 each time for normal outpatient treatment or around RM90 for dialysis services. All treatment is rendered by qualified medical doctors and includes the cost of the medicines prescribed.

The KWAN initiative began with one small clinic in Johor Bahru in 1998 through a collaboration between KPJ and parent company, JCorp. Following the success of the initiative and the overwhelming response from the community, the KWAN network has grown and to date encompasses the Waqaf An-Nur Hospital and 19 clinics (including 5 site clinics and 6 dialysis centres throughout Malaysia). In addition, KPJ also operates two mobile clinics today. The first has been operating in the state of Johor since 2012 while the second in Selangor, has been in operation since 2013.

KPJ received the mobile clinic in Selangor from Lembaga Zakat Selangor (LZS) in June 2013. Housed in a refurbished van, the mobile clinic is making it easier for KWAN to serve the communities around Selangor in line with KPJ's aim to be close to its patients. The mobile clinic comes under the ambit of both KPJ Kajang Specialist Hospital and KPJ Selangor Specialist Hospital. A third mobile clinic, the result of collaboration between Waqaf Selangor Muamalat (WSM) and KPJ, will be in operation soon in Selangor. This mobile clinic will operate in areas not already under the purview of the existing mobile clinic in the Selangor.

Since KWAN's inception until the end of 2013, the Group has had the opportunity to be of service to a total of some 961,148 patients, of which some 69,690 cases have been non-Muslim patients. The Group continues to provide clinical resources and medication to KWAN patients as well as contribute more than RM2 million annually in support of KWAN activities. Our goal is to continue extending a helping hand to needy patients throughout Malaysia by expanding KWAN's reach.

Prime Minister witnessed the exchange of token of appreciation between KPJ and Yayasan Seputeh on future collaboration in CSR programmes.

The following is the list of facilities within the KWAN network to date:

NO.	CLINIC/ HOSPITAL	LOCATION	DATE OPENED
1.	Klinik Waqaf An-Nur Kotaraya	Johor Bahru, Johor	01.11.1998
2.	Hospital Waqaf An-Nur Pasir Gudang	Pasir Gudang, Johor	16.06.2006
3.	Klinik Waqaf An-Nur Batu Pahat	Batu Pahat, Johor	16.03.2001
4.	Klinik Waqaf An-Nur Senawang	Seremban, Negeri Sembilan	06.10.2003
5.	Klinik Waqaf An-Nur Sungai Buloh, Selangor	Sungai Buloh, Selangor	23.06.2006
6.	Klinik Waqaf An-Nur Muar	Muar, Johor	01.08.2007
7.	Klinik Waqaf An-Nur Kluang	Kluang, Johor	01.08.2007
8.	Klinik Waqaf An-Nur Ijok, Kuala Selangor	Ijok, Selangor	01.11.2007
9.	Klinik Waqaf An-Nur Kuching, Sarawak	Kuching, Sarawak	19.02.2008
10.	Klinik Waqaf An-Nur Samariang, Sarawak	Kuching, Sarawak	23.12.2009
11.	Klinik Waqaf An-Nur Bukit Indah, Ampang	Ampang, Selangor	24.12.2009
12.	Klinik Waqaf An-Nur Larkin Sentral	Johor Bahru, Johor	29.12.2009
13.	Klinik Waqaf An-Nur Manjoi, Perak	Ipoh, Perak	15.01.2010
14.	Klinik Waqaf An-Nur Pekan Kajang, Selangor (Cabin)	Kajang, Selangor	31.12.2010
15.	Klinik Waqaf An-Nur Rembau, Masjid Jamek Rembau Negeri Sembilan (Cabin)	Rembau, Negeri Sembilan	01.11.2011
16.	Klinik Waqaf An-Nur Masjid Al-Syakirin, Jalan Gombak Selangor (Cabin)	Gombak, Selangor	01.12.2011
17.	Klinik Waqaf An-Nur Masjid Al-Amaniah, Taman Selayang, Batu Cave, Selangor (Cabin)	Batu Caves, Selangor	01.01.2012
18.	Klinik Waqaf An-Nur Masjid Al-Falah USJ9 Subang Jaya, Selangor	Subang Jaya, Selangor	10.10.2012
19.	Klinik Waqaf An-Nur Masjid Seberang Jaya, Pulau Pinang (Cabin)	Seberang Jaya, Pulau Pinang	01.03.2013
20.	Klinik Waqaf An-Nur Taman Bukit Tiram	Johor Bahru, Johor	17.07.2013

KPJ provides management and medical expertise to the run KWAN's 19 clinics spread out across several states and the Waqaf An-Nur Hospital located in Pasir Gudang, Johor. The clinics are located in strategic locations which are readily accessible to communities such as in the compounds of mosques or in shop-houses located near homes. This accessibility to high-value, low-priced clinics and dialysis centres helps ensure that members of the public have the medical care and attention they require despite the rising cost of healthcare today.

Meanwhile, the dialysis centres that operate alongside these clinics offer subsidised dialysis treatment, with many patients also benefiting from free treatments through the financial support of NGOs and the respective Islamic Religious Baitul Mal Funds mobilised for that purpose.

Continuing to Empower Communities

We are committed to empowering communities through sharing knowledge and good practices in order to elevate lives and strengthen the wellbeing of communities. Through urban and rural community outreach programmes, KPJ's medical consultants, 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.

These platforms typically involve health talks on 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 organise exhibitions and distribute information to promote healthy lifestyles. Our efforts to date have included blood donation drives, health camps, anti-Aedes campaigns, as well as in-house screenings at our Centre For Sight (CFS). Activities such as these have always received encouraging public response and our caregivers continue to leverage on these platforms to gain a better understanding of the needs of the communities they work among.

We also 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. Our activities extend to sponsorship of the television programme, *Baby Boo*. This educational programme for pregnant mothers, covering all aspects from conception to birth, is helping position KPJ as the preferred provider of complete care to mothers and babies.

To establish stronger and more enduring community ties, we are continuously committed to working hand-in-hand with communities to build a healthier nation. To curb the spread of communicable diseases, KPJ conducts joint community clean-up or *gotong royong* activities with community associations. 2013 saw teams from our headquarters and hospitals rallying together to provide support to flood-stricken communities in Pahang.

In Support of Pusat Anak Permata Negara

In collaboration with Permata Negara, 15 of KPJ's hospitals have adopted one Pusat Anak Permata Negara each. The participating hospitals are to provide medical care and implement CR programmes for the children at these 15 national early childhood education and care centres located throughout Malaysia.

CSR programmes with Pusat Anak PERMATA Negara.

The following centres come under the care of the respective hospitals:

NO.	PUSAT ANAK PERMATA NEGARA	PARTICIPATING HOSPITALS
1.	Pusat Anak PERMATA Negara Batu Pahat	KPJ Johor Specialist Hospital
2.	Pusat Anak PERMATA Negara Kulai	KPJ Johor Specialist Hospital
3.	Pusat Anak PERMATA Negara Pasir Gudang	KPJ Puteri Specialist Hospital
4.	Pusat Anak PERMATA Negara Tenggaroh	Kluang Utama Specialist Hospital
5.	Pusat Anak PERMATA Negara Dengkil	KPJ Ampang Puteri Specialist Hospital
6.	Pusat Anak PERMATA Negara Subang Jaya	KPJ Selangor Specialist Hospital
7.	Pusat Anak PERMATA Negara Bercham	KPJ Ipoh Specialist Hospital
8.	Pusat Anak PERMATA Negara Besout	KPJ Ipoh Specialist Hospital
9.	Pusat Anak PERMATA Negara Raja Alias	KPJ Seremban Specialist Hospital
10.	Pusat Anak PERMATA Negara Pasir Mas	KPJ Perdana Specialist Hospital
11.	Pusat Anak PERMATA Negara Nibong Tebal	KPJ Penang Specialist Hospital
12.	Pusat Anak PERMATA Negara Bera	KPJ Kuantan Specialist Hospital
13.	Pusat Anak PERMATA Negara Kota Samarahan	Kuching Specialist Hospital
14.	Pusat Anak PERMATA Negara Kota Belud	Kota Kinabalu Specialist Hospital
15.	Pusat Anak PERMATA Negara Parit Buntar	Taiping Medical Centre

Sentosa Specialist Hospital visited to old folks home in conjunction with Nurses Day Celebration.

Our Nurses and Consultants Play their Part

Our annual Nurses Day Celebration is another opportunity for nursing professionals from the Group's hospitals to play a part in caring for life and to build stronger rapport with the community. This event sees our nurses spending their day outside our hospitals by carrying out community activities at orphanages, old folks' homes and among the underprivileged.

Our medical consultants too continue to play a part in caring for life through the Consultants Charity Fund. On top of this, a number of them are championing various humanitarian causes and supporting fund raising activities for the needy. KPJ's medical consultants also support the Group's CR efforts by providing free surgery to selected patients and offering their assistance to the community in times of calamity.

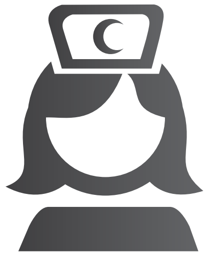
Going forward, we will continue to harness the wealth of experience and expertise of our medical consultants and nurses to reinforce our standing in the community.

Committed to Saving New-borns

Our commitment to caring for the community extends to saving unwanted new-born babies by building baby hatches at KPJ hospitals. Without these baby hatches, many new-born babies may otherwise face a tragic fate. In support of efforts to rescue unwanted babies, 10 baby hatches had been built at KPJ hospitals in various locations with the support of the Ministry of Women, Family and Community Development and the Ministry of Health. By offering this facility, mothers will be able to leave their unwanted new-born babies anonymously, thereby saving these new-borns' lives.

NO.	HOSPITALS WITH BABY HATCHES
1.	KPJ Kuantan Specialist Hospital
2.	KPJ Damansara Specialist Hospital
3.	KPJ Tawakkal Specialist Hospital
4.	KPJ Johor Specialist Hospital
5.	KPJ Perdana Specialist Hospital
6.	KPJ Seremban Specialist Hospital
7.	KPJ Ipoh Specialist Hospital
8.	KPJ Penang Specialist Hospital
9.	Kota Kinabalu Specialist Hospital
10.	Kuching Specialist Hospital

Our annual **Nurses Day Celebration** is another opportunity for nursing professionals to play a part in **caring for life** and to **build stronger rapport** with the community.



Our commitment to caring for the community extends to **saving unwanted new-born babies** by **building baby hatches** at KPJ hospitals.

OUR COMMITMENT TO GOOD MARKETPLACE PRACTICES

KPJ is committed to upholding the trust and confidence of our various stakeholders, and to this end we continue to implement good marketplace ethics and practices that uphold the tenets of 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.

Upholding Safe Care and Excellent Services

Our ultimate goal is to provide our customers with safe care and excellent services and this 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 (ISQua). On top of these, 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 accreditations underscore the Group's commitment to adopting best-in-class quality systems and processes throughout our network of hospitals.

To further ensure strict compliance with all regulations as well as observance of international best practices, clinical conduct at all KPJ's hospitals is governed by the Group's clinical policies and procedures. At the same time, the Medical Advisory Committee and other Clinical Committees at both the Group and hospital levels monitor the processes. Built upon years of valuable 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. Our 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 MOH. Moreover, via exposure to continuous learning at KPJ Healthcare University College, we are able to maintain high quality standards among our staff.

Ensuring Medical Accountability

Being a major healthcare provider, KPJ is committed to delivering the best quality care possible to our patients. Our annual reviews and our policy on continuous education enable us to keep our focus on this goal. The annual reviews of our policies and practices are conducted with the sole purpose of keeping our teams abreast of the latest global practices as well as the latest medical developments. Accomplished through Committee meetings and biannual medical workshops, the discussions and dialogues among the clinical teams in the Group provide strong foundations for us to achieve new standards of healthcare excellence.

In line with KPJ's belief that "we must evolve along with the changing needs of the patients and be even more receptive to clinical and quality excellence," we are always seeking new avenues in which to develop our reservoir of knowledge. From sharing clinical knowledge among the Group's members via medical workshops and talks, to participating in seminars and conferences locally and abroad, we continue in our pursuit of knowledge. Our efforts in these areas are most evident in the good progress made by our caregivers and the high percentage of effective medical and surgical outcomes that are recorded.

Our annual KPJ Healthcare Conference and Exhibition, Medical Workshop and Nursing Convention for medical consultants, nurses and allied health staff, serve as opportune platforms for our teams to deliberate and discuss medical and clinical issues related to their practices as well as promote patient safety and standardisation of practices.

Upholding Good Governance Practices

KPJ's Board of Directors remains committed to implementing the highest standards of corporate governance and risk management practices as well as to upholding the tenets of integrity, transparency and accountability. The Board's strict compliance with Bursa Malaysia's listing and disclosure requirements under the revised Malaysian Code of Corporate Governance 2012, underscore this commitment.

Our efforts in this area are also reflected in the host of on-going best management practices we implement. These include efforts to enhance the Group's 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.

Our commitment to upholding the Group's whistle-blowing policy too is certainly strengthening marketplace ethics within our organisation. September 2013 marked a major policy milestone for KPJ even as the Whistle Blowing Policy was formally approved. The creation of this policy supports KPJ's legal and ethical commitment to maintaining an environment which understands and respects the integrity of our workplace programmes and practices.

This abovementioned policy also complements KPJ's efforts to enhance corporate integrity. We take the Malaysian Corporate Integrity Pledge for public listed companies each year. Earlier in the year under review, a Corporate Integrity Assessment was conducted throughout the Group's hospitals and companies involving 220 employees comprising Senior Management, Head of Services, Managers and Executives. KPJ's prerequisite that all suppliers and business partners comply with the Corporate Integrity Agreement, further reflects our dedication to promoting transparency and kerbing corruption in all our dealings. As part of our commitment to ensuring an environment where all employees are respected, we delivered education sessions on our Sexual Harassment Policy to all hospitals within the Group.

OUR COMMITMENT TO EFFECTIVE WORKPLACE PRACTICES

Our workforce is undoubtedly our greatest asset and the backbone of KPJ. As such, we are committed to bolstering and nurturing our employees' talents and capabilities to ensure they can be the best they can be so that we can maintain our competitive edge.

KPJ's Workforce

As at 31 December 2013, the KPJ workforce Group-wide totalled 10,442 employees – a 5.3% increase over the total 9,908 employees registered in 2012. The increase in manpower came mainly on the back of the opening of KPJ Pasir Gudang Specialist Hospital; increased manpower requirements for both KPJ Klang and Tawakkal Health Centre (20% and 36% respectively); as well as recruitment activities for KPJ Bandar Maharani and KPJ Rawang Specialist Hospital. The increment in manpower is in tandem with the 4% increase in bed capacity for the year (an increase to 2,714 beds as at end 2013 in comparison to 2,618 beds in 2012). The manpower to bed ratio was 1:4 in 2013.

Overall, there was a 1% increase in professional manpower to 3,924 employees at end 2013 in comparison to 3,884 employees in the previous year. The rise in physiotherapist positions (14%), was the highest for the year due to manpower requirements for new hospitals within the Group.

Out of KPJ's over 10,000 employees, 26% are women managers. KPJ is in line to achieve the Malaysian government's policy of having 30% women on board in key decision making positions for the corporate sector.

The Gen Y segment remains the largest age group of employees at 57% of total manpower, with other generations making up the balance. As there are more Gen Y staff on board, the groundwork is being laid to ensure that our policies and strategies reflect the changing times. At the same time, we need to ensure that the needs of other generations are also met as they have contributed greatly towards the organisation's success. Having a multi-generational workforce compels us to work towards developing policies that balance the different needs of each generation.

Talent Management in KPJ

At KPJ our unique human capital needs are managed by our Talent Management arm. We firmly believe that the right people with the right talents will determine the growth of our organisation. There are very few industries that employ personnel with as wide a range of diversified expertise as healthcare. Physicians, nurses, technicians, and semi-skilled employees work interdependently to care for patient. This is particularly important since hospitals are labour-intensive and thus vulnerable to shortages. The increase in the types of services we offer coupled with technological changes, further complicates the demand for different types of personnel.
Selection strategies, training programmes, compensation systems and career development programmes need to be developed properly to

The **KPJ workforce** group-wide totalled **10,442** employees.

Out of KPJ's over **10,000** employees, **26%** are **women managers**.

Group photo of participants of the KPJ Kaplan Leadership Programme.

Project presentation during KPJ Executive Development Programme.

attract and retain the workforce. To do this we seek to maximise our employees' full potential through strategies that focus on continuous learning, skills upgrading, the broadening of employee experiences, and fostering employee engagement which contributes towards the building of their overall competencies.

From discussing the needs of a service and advising on recruitment strategies, to participating in the selection of the right candidate, through to checking references and making job offers, our team is committed to recruiting strong internal and external candidates. Our presence at education and career fairs provides us the opportunity to help attract the right candidates as well as promote ourselves as an employer of choice.

Of the 1,599 recruitments that took place in 2013, 8% were internal applicants while approximately 88% were external applicants. We recognise that the successful recruitment of potential employees is critical to maintaining a vibrant workforce and we continue to explore ways to improve and leverage our recruitment technology in order to reach future talent. We also recognise the need to capture further analytics surrounding our recruitment efforts to enable us to understand our workforce needs, levels and the effectiveness of our recruitment strategies.

Our human resource strategies have led KPJ to win a number of awards for the past three years. The most recent award we clinched was the Bronze Award for Excellence in HR Technology Award 2013 from *Human Resource Excellence Magazine*.

Continuous Learning and Skills Upgrading

KPJ's long-term success is dependent on ensuring our workforce has the right skills and abilities. At KPJ, we have a multi-tiered training approach that caters to the specific needs of each category of staff i.e. Manager, Executive or Executive Assistant.

We support the development of our employees through both internal and external training opportunities and our learning and development professionals oversee a wealth of targeted developmental programmes. As at 31 December 2013, our total training expense was RM5.48 million (2012: RM5.42 million). The marginal 1% increment was due in part to most hospitals conducting in-house training as some of the hospitals key personnel have been certified as trainers under PSMB.

Training expenses represent 1% of our total emolument. As at end 2013, the HRDF utilisation was 84% for the Group as compared to 87% the previous year, partly due to increased contribution by new hospitals. In 2013, the Group also fulfilled JCorp's 30 man-hours training per employee policy, recording an average of 34 man-hours training per employee.

To support online learning opportunities, Talent Management has developed the e-learning portal for all newly appointed employees. This e-learning conducted via the Employee Self Service (ESS) allows new employees to continuously assess their knowledge on all aspects of KPJ. This is a unique offering as it provides new employees accessibility to more information on KPJ. We are continuing to improve and further develop this portal to include other learning programmes in order to enhance employees' knowledge.

In 2013, Talent Management in collaboration with TalentCorp introduced the KPJ Structured Internship Programme (SIP). This partnership enables budding talent within KPJ to be interned at the KPJ Corporate Office and within any of our hospitals or companies. This initiative is providing an opportunity for graduating students to become a member of the KPJ family, albeit temporarily. At the same time it is providing us access to a broader pool of potential talent.

KPJ Healthcare University College remains the institution of choice for our nurses and other professionals to undergo post basic programmes. The total number of enrolments continues to increase every year. To date, a total of 1,018 employees have graduated from various post basic programmes.

Building Our Leadership Pipeline

Since 2002, we have been encouraging eligible employees to pursue graduate qualifications, namely the MBA and Masters in Nursing. To date, 78 sponsored employees have graduated from these programmes, four of them in 2013.

In 2013, six critical leadership programmes were conducted as part of our Succession Planning Programme. Programme participants ranged from Executive-level to Senior Management-level candidates. The year's key leadership programmes included the following:

- JCorp Leadership Programme;
- "Leadership in Times of Crisis" by Dr Andrew White, Oxford University;
- Leadership Innovation Strategy (LIS) organised by GE Crotonville; and
- "Transformational Leadership" by Michael Wagner, Advisory Board Company, USA.

The Executive Development Programme for Executive-level participants (developed by Talent Management) was conducted for the second time with around 16 employees graduating from the programme. In a smart partnership with AMG, we co-developed the AMG-KPJ Leadership Development Programme which was also conducted for the second time with some 23 employees.

In support of having on board 30% women as directors, four of our women directors participated in the 2013 Women Directors' programme organised by LPPKN. To date, a total of 10 women directors from KPJ have participated in the programme.

The aforementioned leadership programmes serve as platforms for our Succession Development Programme (SDP). Following their participation in leadership training, a number of our employees have been identified as successors. Under the 4th Succession Planning Cycle carried out in 2013, the Group and its hospitals have identified 519 employees who are qualified to move to the next level, with 68 ready to move immediately.

Ensuring Competitiveness as an Employer of Choice

Our total compensation package is the key to the success of our recruitment and retention activities. As an employer, we provide a strong mix of direct compensation and benefits within a supportive environment. To ensure that our compensation package is competitive, KPJ participated in two Healthcare Salary Surveys in 2013 – the AON Hewitt Healthcare Salary Survey 2013 and the Hay Group Salary Survey for the Healthcare Industry 2013. These salary surveys enabled us to ensure that our salary scales were in alignment with healthcare industry norms. It also highlighted how KPJ's salaries were positioned in comparison to the market.

Nevertheless, we acknowledge that the value of a total compensation package (i.e. cash compensation, benefits and health and wellness initiatives) is difficult to quantify and not currently fully communicated in a meaningful way to staff. Further efforts are required to determine, measure and explain the true value of working at KPJ. We are currently reviewing and standardising salaries throughout the Group to ensure consistency and appropriateness. The outcomes of these reviews will be communicated and assessed as warranted. It is expected that the first series review will be completed by end of the first quarter of 2014 and the formal results announced thereafter.

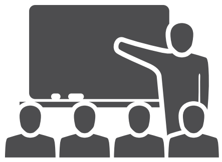
Performance Management Appraisal

In 2013, a series of workshops were conducted to reinforce the Staff Performance Appraisal (SPAR) exercise for all Heads of Services (HOS) throughout the Group and to get them to set the KPIs for the annual SPAR. Currently, the targets are not set in accordance with the Company's KPIs (except for standardised KPI e.g. Accountants, Pharmacists, etc.). This exercise will also serve as a platform to evaluate and obtain feedback on the use of e-SPAR from the HOS while teaching new HOS how to set KPIs for their subordinates. Following the SPAR exercise, 79 employees were awarded for outstanding performance in 2013 while a total of 111 employees will be promoted in 2014.

Promoting Work-Life Balance – The KPJ Way

KPJ is committed to promoting a healthy work-life balance through policy, wellness initiatives and wellness promotion so that our employees achieve success with their life goals. For 2013, over 5,407 employees participated in our Body Mass Index (BMI) programme. This programme is a continuation from previous years where employees voluntarily participate in various healthy living lifestyle activities. Overall there has been a decrease of 5% for employees in weight categories Pre-obese, Obese I, Obese II and Obese III categories, with an increase of 2.5% in the Normal weight and Underweight category. As an indirect outcome of this, that total medical expenses for 2013 decreased by 2% as compared to the preceding year.

6 critical **leadership programmes** were conducted as part of our Succession Planning Programme.



79 employees were **awarded for outstanding performance** in 2013 while a total of 111 employees will be promoted in 2014.

Offering programmes aimed at increasing physical activity is just one element of building a healthy workplace. Our plans for the future include providing programmes that help employees and their families effectively manage physical, financial and mental health.

KPJ is also active in promoting various employee engagement activities and this message resonates throughout the Group. Several noticeable activities include safety campaigns and well-wishing messages during festivities, birthday messages, wedding announcements and congratulatory wishes for new-born babies. Last year, we also participated in the 1 Million Women Purple Walk 2013 held in conjunction with International Women's Day, which aims to show solidarity with the Government in its commitment to empowering women in Malaysia and to celebrating the successes of Malaysian women in various sectors.

Ensuring a Safe and Productive Working Environment

The Group has always implemented effective measures to ensure all our facilities provide a safe and conducive working environment for our employees and we continue to make this a priority. Our measures to date include strict policies on planned preventive maintenance; close monitoring of the exposure levels for employees who work within the confines of radiation and diagnostic imaging services; and the safe and proper disposal of sharp and hazardous materials. In addition to this, on-site training and drills, such as fire and disaster drills, are also implemented to educate employees on how best to respond to emergency situations. Initiatives such as special parking for pregnant staff and ergonomic workstations too are giving our employees the confidence that we are looking out for them.

To keep abreast of the latest Occupational Safety and Health (OSH) practices and procedures, specific employees are sent for OSH training. The Group's contracted vendors and suppliers too are required to comply with all health and safety measures we have put in place, particularly at our hospitals. We also continue to conduct ongoing workplace safety inspections and offer our employees and their family members a Group Hospitalisation and Insurance Plan as well as medical coverage at our hospitals.

In the way of productivity improvements, KPJ observes the 5S process, which is one of the most fundamental and widely applied components of Total Quality Management at the workplace. In 2013, 15 of KPJ's hospitals underwent 5S certification by the Malaysia Productivity Corporation (MPC). The annual 5S audit will ensure the Group maintains a steadfast focus on productivity and keep its competitive edge.

Policy Implementation and its Effects

Effective policy reflects an organisation's culture and direction and guides the actions of managers, administrators and employees. At KPJ, we actively develop, review and administer policies in the area of people development and employment practices. In 2013, five new policies were implemented while one policy was revised in line with the growing requirements of the Group.

Among the new policies implemented were the Minimum Wage Policy, Maximum Retirement Age policy and the Whistle Blowing policy. The implementation of the Minimum Wage Act led to a 6% increase or an additional RM15 million in KPJ staff costs in 2013. Due to the escalation of costs, all Managers are to ensure that the productivity levels of employees increase in tandem with the higher wages. The implementation of the Minimum Retirement Age Act too is leading us to look at better ways to manage our senior workforce.

Manpower Planning For the Future

Moving forward, our aim is to gain better insights into the Group's current workforce and engage leaders within the Group to help ensure our talent pool is aligned with our strategic goals. By understanding our current workforce, we are better equipped to prepare for the future by ensuring we have the right mix of talent with the right skills to meet KPJ's goals.

Major initiatives includes the development of new programmes to support our workforce, streamlining processes to increase employees' satisfaction, developing new and enhancing existing policies to support and guide the actions of administrators and employees, as well as continuing to build the capacity of our technology. As we venture forth, our specific goals and priorities will include strengthening our KPIs with a focus on customer service; prioritising employee development programmes; enhancing service delivery and business processes; enhancing policies pertaining to employment practices and people development; and making enhancements to HR-related technology.

Team building by KPJ Puteri Specialist Hospital at Sibu.

OUR COMMITMENT TO SAFEGUARDING OUR ENVIRONMENT

The Group is committed to safeguarding the environment in which we operate in and this is reflected in the many green processes and programmes we are implementing to preserve our internal and external environment. From instituting the appropriate quality and safety framework, to implementing effective energy efficiency and 3R (Reduce, Reuse, Recycle) activities, to developing and tapping environmental-friendly technologies and practices that enhance productivity as well as reduce our operational impact on our surroundings, we are doing our bit to protect our planet.

Ensuring a Robust Quality and Safety Framework

Throughout KPJ's operations, the appropriate control measures have been introduced to minimise risks in clinical practices and processes while KPJ's Medical Advisory Committee and the various KPJ Clinical Governance Committees provide oversight of these.

KPJ's Health, Safety and the Environment (HSE) Policy mandates that we ensure total commitment to our stakeholders on all HSE matters. Under our HSE focus, several areas take precedence over others. These include activities to identify hazards, quantify or assess the risks in regard to hazards, prioritise these risks and control the impact of hazards.

All our hospitals ensure that they comply with the Integrated Management System (IMS) – a quality standard which encompasses the OHSAS 18001 (worker health and safety), EMS 14001 (environmental policies and standards), and the ISO 9001 (corporate governance and quality) standards. All our hospitals rigorously adhere to the necessary IMS-related procedures and policies and their compliance is verified on an annual basis by external auditors. KPJ's hospitals also carry out continuous checks and regular maintenance including proper calibration of equipment. Since 2008, the Seven Patient Safety Goal Framework (based on outlines provided by the World Health Organisation) has been in place.

We also have an obligation to ensure ongoing compliance with Department of Environment (DOE) regulations as well as the Atomic Energy Licensing Act 1984 (Act 304), Occupational and Safety Act 1994, Environmental Quality Act & Regulations 2005 and Akta Perkhidmatan BOMBA 1988, among others. KPJ also ensures strict compliance with the Standards of the Private Healthcare Act which relates to hospital infrastructure and the building of related facilities.

Energy Efficiency and 3R (Reduce, Reuse, Recycle) Initiatives

As an environmental-friendly Group, KPJ is making a conscious effort to reduce energy and dispose of waste in a proper manner throughout our operations. To this end, all KPJ's employees are made aware of the importance of preserving the environment and reducing waste. Throughout our host of facilities, we encourage staff to conserve energy and to maximise resources through the employment of more efficient methods. As such, the use of plastic bags and has been reduced while staff are encouraged to recycle regularly.

Nurses and hospital clinical support staff are educated on the procedures and right way to handle and dispose of waste. Where appropriate, non-clinical domestic waste, such as paper and other recyclable items, are recycled. This helps in cutting down on the production of waste, especially paper-based waste. Such efforts benefit the environment as well as make good business sense.

In line with our strict policies on waste management and HSE, we have arranged for the careful disposal of clinical waste, such as sharps/needles, samples and fluids by specially contracted and qualified vendors who abide by all safety clinical standards.

Gotong-royong activities by KPJ Ipoh Specialist Hospital in conjunction with the launching of Go Green initiative.

Nurses and hospital clinical support staff are **educated** on the procedures and **right way to handle** and **dispose of waste**.

Plans are in the offing for our upcoming hospital developments to use more **green building technology** that will further **save energy** and **reduce waste**.

Towards a Paperless Environment

As part of our greening initiatives, we continue to invest heavily in healthcare management technologies that centre on paperless and filmless integrated online systems. With the advent of these technologies, more and more of our hospitals have been able operate within a paperless environment, plus we are able to derive an increased level of productivity from a smaller amount of resources. The existing IT framework delivers precise information within the Group in a timely manner, thus directly reducing the possibility of human error and greatly improving patient safety. The integrated system has also contributed to the standardisation of operational procedures and performance measurement as well as facilitated more efficient decision making.

The integrated systems in place to date include the Hospital Information Technology System or HITS, which is an electronic and integrated system, covering the complete range of patient services processes, from patient registration to billing. HITS is closely interlinked with our financial and material management modules.

Our medical consultants and nursing professionals are tapping the KPJ Clinical Information System (KCIS) to automate clinical activities. The KCIS also facilitates seamless communication between doctors, nurses and other support services areas via e-ordering, clinical information, better nurse and doctor communication as well as results reporting.

Another technology in use is the Picture Archiving and Communication System (PACS) which involves e-ordering by consultants for radiology investigations which is captured and transmitted to radiology equipment. X-ray images and results will then be transmitted back online. The introduction of the e-pharmacy module has also enhanced communication between our medical consultants and the pharmacy.

Mitigating Air Pollution

All the air-conditioning systems at KPJ's hospitals utilise the HCFC Refrigerant (R22) which is less harmful to the ozone layer. The procurement of a new chiller at KPJ Ampang Puteri Specialist Hospital and commissioning works for the brand new air conditioning system at KPJ Penang Specialist Hospital will involve the use of the HFC refrigerant (R134a) which will not deplete the earth's protective ozone layer. All our hospitals also maintain a strict "No Smoking" policy.

Tapping Green Technology

Plans are in the offing for our upcoming hospital developments to use more green building technology that will further save energy and reduce waste. The KPJ Selangor Specialist Hospital spearheaded this initiative in 2013 by ensuring its expansion project lined up with the Green Building classifications. Apart from saving energy, the new extension is also ensuring waste reduction by making use of biodegradable plastic and processing the excess food into fertilisers.

Today, our sterilisation business arm, Sterile Services Sdn Bhd is leveraging on a first-of-its kind eco-friendly sterilisation service that sees medical instruments for hospitals being sterilised using wet steam instead of chemicals. As part of KPJ's commitment to creating a sustainable future for the coming generations, we will continue to invest in new ecological technologies.

MOVING FORWARD

Each and every year, KPJ's employees touch millions of lives across the nation for the better while our many CR initiatives deliver tangible and sustainable outcomes. Our commitment to instilling good CR practices within our operations is directed by KPJs senior management and involves all divisions within the Group. It also encompasses a supply chain of thousands of suppliers and business partners who share in our vision to operate in a responsible and sustainable manner.

As we venture forth, KPJ remains committed to ensuring a good balance between our business goals and our socially responsible and environmental friendly efforts. As we set our sights on rolling out tangible CR practices in the areas of the Community, Marketplace, Workplace and Environment, we commit to implementing responsible and sustainable corporate practices that reflect our commitment to "Care for Life" in a holistic manner and which uphold our culture of serving.

KPJ EduKATE Strengthening the quality of our Healthcare services offering

The KPJ Education and Knowledge Management Services or EduKATE continues to play a pivotal role in the cultivation of life long learning and knowledge sharing culture among the KPJ community. With the synergy within the Group, a culture of learning and knowledge sharing is firmly inculcated among the employees. Today, a wealth of intellectual property is being archived, ready to be used as a reference in training of future generations of managers and leaders. At the same time, data mining and processing is providing value added knowledge for strategic planning and effective decision making.

Since its inception in 2011, KPJ EduKATE has been focusing its efforts on creating a resource centre where the more than 30 years of the Group's knowledge and experience can be systematically and formally deposited and safeguarded for future reference. To this end, the KPJ Resource Centre was set up at KPJ Corporate Headquarters and officially launched by the Managing Director/President on 23 January 2014. The KPJ community now has physical access to the KPJ Resource Centre or can access its resources via the KPJ EduKATE portal.

In collaboration with Talent Management Services, KPJ EduKATE continues to look into the appropriateness, applicability, efficiency and effectiveness of training, in tandem with the Group's mission of being a learning organisation embracing continuous education, training and skills enhancement.

KPJ Healthcare University College – Continuing the Fine Tradition of Educational Excellence

KPJ Healthcare University College (KPJUC) continues to distinguish itself as a progressive and entrepreneurial institution of higher learning with an international vision. Since its inception in 1991, KPJUC has maintained its fine tradition of academic excellence and strengthened its reputation as the pioneer in the growth of nursing education in Malaysia.

In 2013, there was a significant increase in the number of approved programmes at KPJUC. These included the Bachelor of Pharmacy, Bachelor of Pharmaceutical Science with Health Sciences, Bachelor of Medical Imaging, Bachelor of Nursing as well as several Masters programmes in Medicine, Pharmacy and Health Sciences. This brings the total number of programmes offered at KPJUC to date to 28 programmes ranging from foundation to postgraduate at PhD level.

The introduction of the specialist training programme in Otorhinolaryngology - Head and Neck Surgery as well as the approval of the Master of Paediatric programme are significant milestones for both KPJUC's School of Medicine and the country. KPJUC has broadened the opportunities for students and graduates to pursue professional careers in the healthcare industry and will continue to strengthen its role in this area.

Steady Progress on the R&D and Conferences Fronts

Aside from its focus on academic programmes, KPJUC is strengthening its research and development (R&D) capability. The particular focus on clinical research at KPJUC will be particularly conducive for Masters and PhD students who are looking to further enhance their knowledge as well as clinical expertise. Not only are KPJUC's R&D programmes enjoying the strong backing of the KPJ Group, the university college continues to forge strong 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 strengthen alliances with universities abroad and leverage on the expertise of a cross-cultural academic team to bolster its R&D and other activities.

In 2013, KPJUC organised two major academic conferences. The International Conference on Trends, Challenges and Opportunities in Multidisciplinary Healthcare took place in May 2013, while the National Elderly Symposium took place in November 2013. These conferences proved opportune platforms for KPJUC's academic staff to present and discuss their research work as well as network with national and international experts. Throughout 2013, KPJUC organised more than 30 Continuous Professional Development programmes which were opened up to the public.

In line with the dynamic growth of the healthcare industry, and in response to the requirement for a larger pool of nurses and healthcare professionals to meet the needs of Malaysia's healthcare institutions, there has never been a better time than this for KPJUC to step forward to reinforce its standing as a pioneer in healthcare education. To date, KPJ Healthcare University College has produced almost 5,000 nurses and healthcare professionals with degree, diploma and post-diploma qualifications.

KPJ Resource Centre, Corporate Headquarters, Menara 238.

Strong Academic Collaboration and Support

Today, the fine tradition of academic excellence at KPJUC is being enhanced and galvanised by a team of dedicated, well qualified and experienced lecturers who inspire students to unleash their potential. As part of its efforts to enhance academic excellence, KPJUC continues to build strong international alliance with universities from Australia and the United Kingdom. To date, it has forged sound working relationships with the University of South Australia (1994) as well as Liverpool John Moores University (1997) and the University of Hertfordshire (2009), both in the United Kingdom. These successful alliances have provided KPJUC with a wealth of diverse, high calibre and professional resources and unique support.

Moving on in 2011, KPJUC collaborated with Universiti Kebangsaan Malaysia to develop new Medical Specialist programmes, one of the first of which was the Master in Otorhinolaryngology - Head and Neck Surgery. Two new programmes, namely the Masters of Surgery and Masters of Orthopaedics, are currently being finalised with UKM and will be offered in the 2014 academic year.

Bolstering Private-Public Partnerships

Being the leader in Malaysia's healthcare industry, KPJ Healthcare Berhad has many medical specialists serving its Group of Hospitals in various areas and sub-specialties. These untapped resources of knowledge and skills have helped KPJUC jumpstart and spearhead the first medical specialist programmes in Malaysia and they continue to do so. Being a leading healthcare provider in Malaysia, KPJ Healthcare Berhad is demonstrating its strong support towards the Malaysian Government's policy through active involvement in private-public partnerships. The Group is confident it has the capabilities and resources to become the Government's partner in promoting Malaysia as a leading healthcare hub in the world.

Purposeful Campus Expansion

In line with KPJUC's offer of a continuous stream of new academic programmes, its student population is expected to grow from 1,700 to 3,000 students by 2015.

Expansion of KPJUC University College, Nilai Campus

In anticipation of the expected increase in student numbers, expansion works began at the Nilai campus in 2011 and were completed by end of 2013. The second phase of the expansion programme for the Nilai campus involved construction of an eight-storey academic block to accommodate over 2,000 staff and students, alongside nursing, pharmacy and medical imaging skill laboratories. An 11-storey hostel with the capacity for 1,200 students was also completed in December 2013. The second phase expansion involved an investment of some RM50 million. Under Phase 3 of the expansion programme (2014 onwards), an additional RM150 million will be invested in hostel and academic blocks, a multi-purpose hall and a sports complex.

To support its vision of being a leading healthcare education provider, KPJUC aims to build a private teaching hospital at its campus in Nilai which will make this the first private hospital in the country built for academic purposes. This teaching hospital will be equipped with state of the art facilities to cater for private patients as well as for teaching and research. This integrated academic facility will enable KPJUC students from various medical and healthcare programmes to collaborate closely with each other and thus producing medical and healthcare experts who are adept in working as a team.

The development plan for the hospital is currently being finalised with development costs expected to be in the region of approximately RM70 million. The groundwork should start in the fourth quarter of 2014 once the hospital plan is approved by the Ministry of Health.

KPJ International College of Nursing and Health Sciences, Johor Bahru Campus

KPJ College, Johor Bahru which began operations in July 2008, occupies six floors of the Metropolis Tower. Currently, the college is offering the Diploma in Nursing programme and Post Basic Programme in Paediatric Nursing. The college is actively developing new post basic programmes to be offered in 2014 which include post basic programmes in nursing such as Neonatology, Orthopaedic and Renal Nursing.

KPJ International College of Nursing and Health Sciences, Penang Campus

KPJ College, Penang is located in the rapidly growing city of Bukit Mertajam and is only a five-minute drive from KPJ Penang Specialist Hospital. It started operations in January 2013 with new premises that can accommodate up to 600 students. The sprawling campus is equipped with nursing and pharmacy labs, spacious tutorial and classrooms, wireless internet and recreational facilities.

The first academic session at KPJ College, Penang commenced in May 2013 with the offering of the Diploma in Operating Department Practice (in collaboration with Liverpool John Moores University) and the Diploma in Pharmacy. The new academic programmes that will be offered in 2014 include post basic programmes in nursing including the Certificate in Teaching Methodology, Certificate in Renal Technician and Certificate in Obstetric Care.

Given the holistic hands-on approach that KPJUC accords its students, the graduates of KPJUC and the various colleges 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.

KPJ Healthcare University College has produced almost **5,000 nurses and healthcare professionals** with degree, diploma and post-diploma qualifications.

CURRENT APPROVED PROGRAMMES

As at the end of 2013, KPJUC offered 28 programmes approved by the Ministry of Education ranging from Foundation to Postgraduate at PhD level.

Current Programmes at KPJUC, Nilai

NO	PROGRAMME	INTAKE
	SCHOOL OF MEDICINE	
1	Master of Otorhinolaryngology - Head and Neck Surgery	1 - Nov
2	Master of Paediatrics	1 - June
	SCHOOL OF PHARMACY	
3	Master of Pharmacy (Research)	3 - Feb/Jun/Sep
4	Master of Sciences in Pharmaceutical Technology (Research)	3 - Feb/Jun/Sep
5	Bachelor of Pharmacy (Hons)	1 - Sep
6	Bachelor of Pharmaceutical with Health Sciences (Hons)	2 - Feb/Sep
7	Diploma in Pharmacy	3 - Feb/May/Sep
	SCHOOL OF NURSING	
8	Doctor of Philosophy in Nursing	3 - Feb/Jun/Sep
9	Master of Nursing (Research)	3 - Feb/Jun/Sep
10	Bachelor of Science in Nursing (Hons)	1 - Sep
11	Bachelor of Science (Hons) International Nursing (in collaboration with University of Hertfordshire, UK)	1 - Sep
12	Diploma in Nursing	3 - Feb/May/Sep
13	Certificate in Renal Nursing	2 - Apr/Sep
14	Certificate in Paediatric Nursing	2 - Apr/Sep
15	Professional Certificate in Education & Teaching for Nursing Professionals	1 - Apr
16	Advanced Diploma in Peri-operative Nursing 1+0 (in collaboration with Liverpool John Moores University, UK)	1 - Sep
17	Professional Certificate in Gerontology Nursing	1 - Jun
18	Professional Certificate in Critical Care Nursing	1 - Apr
19	Advanced Diploma in Midwifery Nursing	1 - Oct
	SCHOOL OF HEALTH SCIENCES	
20	Master of Medical Imaging (Research)	3 - Feb/Jun/Sep
21	Master of Physiotherapy (Research)	3 - Feb/Jun/Sep
22	Bachelor of Medical Imaging (Hons)	2 - May/Sep
23	Bachelor of Physiotherapy (Hons)	2 - May/Sep
24	Diploma in Medical Imaging	3 - Feb/May/Sep
25	Diploma in Physiotherapy	3 - Feb/May/Sep
	SCHOOL OF BUSINESS AND MANAGEMENT	
26	Diploma in Health Information Management	1 - May
27	Certificate in Health Information Management	1 - May
	SCHOOL OF BEHAVIOURAL SCIENCE AND HUMANITIES	
28	Foundation in Science	2 – May & Sep

Current Programmes at KPJ International College of Nursing and Health Sciences, Johor Bahru

NO	PROGRAMME	INTAKE
	SCHOOL OF NURSING	
1	Diploma in Nursing	2 - May/Sep
2	Post Basic Paediatric	1 - February
3	Post Basic Certificate in Renal Care Nursing	1 - March
4	Basic Care Course for Health Care Assistants	2 - Mar/Sep

Current Programmes at KPJ International College of Nursing and Health Sciences, Penang

NO	PROGRAMME	INTAKE
	SCHOOL OF PHARMACY	
1	Diploma in Pharmacy	2 - May/Sep
	SCHOOL OF HEALTH SCIENCES	
2	Diploma in Operating Department Practice (in collaboration with Liverpool John Moores University, UK)	1 - Sep

FUTURE PROGRAMMES

The following programmes are currently awaiting approval from the Ministry of Education and will tentatively be offered in 2014:

Future Programmes at KPJUC, Nilai

NO	PROGRAMME	TENTATIVE INTAKE
	SCHOOL OF MEDICINE	
1	Master of Radiology	1 - June
2	Master of Orthopaedics	1 - June
3	Master of Surgery	1 - June
	SCHOOL OF PHARMACY	
3	PhD in Pharmaceutical Sciences	3 - Feb/Jun/Sep
	SCHOOL OF NURSING	
4	Aged Health Carer Certificate	2 - Feb/Jun
	SCHOOL OF BEHAVIOURAL SCIENCE AND HUMANITIES	
5	BA (Hons) in Strategic Corporate Communication	1 - Sep

Future Programmes at KPJ International College of Nursing and Health Sciences, Johor Bahru

NO	PROGRAMME	INTAKE
	SCHOOL OF NURSING	**(TENTATIVE)**
1	Post Basic Certificate in Teaching Methodology	1 - May
2	Post Basic Certificate in Neonatology	1 - May
3	Post Basic Certificate in Orthopaedic	1 - May

Future Programmes at KPJ International College of Nursing and Health Sciences, Penang

NO	PROGRAMME	INTAKE
	SCHOOL OF HEALTH SCIENCES	**(TENTATIVE)**
1	Certificate in Teaching Methodology	2 - May/Sep
	SCHOOL OF NURSING	
2	Certificate in Renal Technician	2 - May/Sep
3	Certificate in Obstetric Care	2 - May/Sep

STUDENT ENROLMENT

As at end 2013, a total of 1,634 students were enrolled in various academic programmes at all three campuses:

S/N	PROGRAMME	TOTAL
	SCHOOL OF MEDICINE	
1.	Master of Otorhinolaryngology	5
	Total	**5**
	SCHOOL OF NURSING	
2.	Doctor of Philosophy in Nursing (PhD)	4
3.	Master of Nursing Science	4
4.	Bachelor of International Nursing - in collaboration with the Uni. of Hertfordshire	41
5.	Diploma in Nursing (Nilai)	474
6.	Diploma in Nursing (JB)	290
7.	Professional Certificate in Critical Care Nursing	0
8.	Certificate in Renal Care Nursing	10
9.	Certificate in Paediatric Nursing	13
10.	Professional Certificate in Nurse Education & Teaching for Nursing Professionals	12
11.	Advanced Diploma in Midwifery	11
	Total	**859**
	SCHOOL OF PHARMACY	
12.	Master of Science in Pharmaceutical Technology	5
13.	Bachelor of Pharmacy	24
14.	Bachelor of Pharmaceutical	40
15.	Diploma in Pharmacy (Nilai)	330
16.	Diploma in Pharmacy (Penang)	43
	Total	**442**
	SCHOOL OF HEALTH SCIENCES	
17.	Master of Physiotherapy	2
18.	Bachelor of Medical Imaging	17
19.	Diploma in Medical Imaging	103
20.	Diploma in Physiotherapy	123
21.	Diploma in Operating Department Practice	55
	Total	**300**

STUDENT ENROLMENT (CONT'D)

S/N	PROGRAMME	TOTAL
	SCHOOL OF BUSINESS AND MANAGEMENT	
22.	Diploma in Health Information Management	17
23.	Certificate Health Information Management	0
	Total	**17**
	SCHOOL OF BEHAVIOURAL SCIENCE AND HUMANITIES	
24.	Foundation in Sciences	11
	Total	**11**
	TOTAL STUDENTS	**1,634**

SUPPORT STAFF

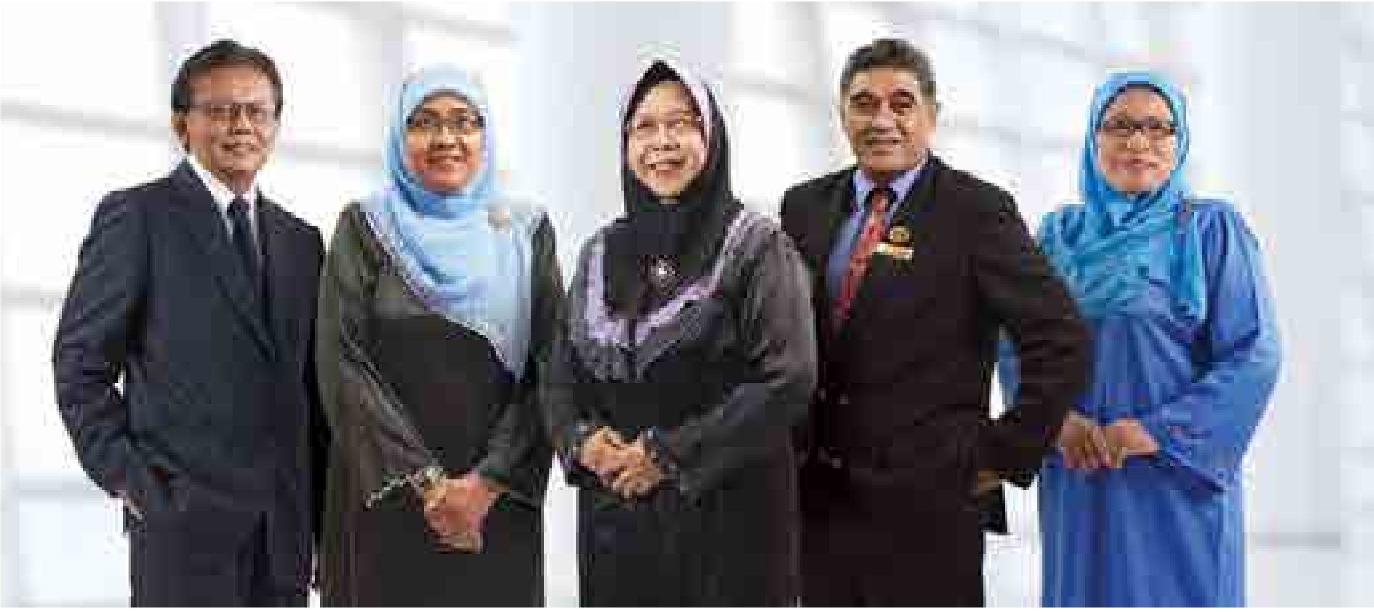
A total of 222 staff is employed to assist in the operations of the University and various colleges. The breakdown of this workforce as at end 2013 was as follows:

Year/Category	Total		Var A/B %
	2013	**2012**	
Academic Staff	134	132	1.52
Non-Academic Staff	88	82	7.32
Total	**222**	**214**	**3.73**

Faculty/Dept	No of Staff
Medicine	3
Pharmacy	21
Nursing	63
Health Sciences	22
Business & Management	3
Behavioural Science	21
Administrative	88
Total	**222**

Lecturers	Academic Qualification				
	Cert.	**Dip.**	**Deg.**	**Mast.**	**PhD**
Faculty					
Medicine	0	0	1	1	1
Pharmacy	0	2	8	6	4
Nursing	0	12	28	18	2
Health Sciences	0	2	10	10	0
Business & Management	0	0	20	2	1
Behavioural Science	0	0	12	8	0

KPJ Healthcare University College
Directors & Academic



From left to right:

1. Prof. Dato' Dr. Lokman Saim
President cum CEO
KPJ Healthcare University College

2. Jasimah Hassan
Vice President (I)
Business Operations, Education & Clinical Services
KPJ Healthcare Berhad

3. Datin Paduka Siti Sa'diah Sheikh Bakir
Director and Corporate Advisor
KPJ Healthcare Berhad

4. Ahmad Nasirruddin Harun
Senior General Manager - Group Strategic Transformation and Project Implementation
KPJ Healthcare Berhad

5. Prof. Dr. Durrishah Idrus
Vice President
KPJ Healthcare University College

From left to right:

11. Dato' Dr. N. Sivamohan
Medical Director
KPJ Klang Specialist Hospital

12. Dr. Mohd Hafetz Ahmad
Medical Director
KPJ Johor Specialist Hospital

13. Prof. Dato' Dr. Azizi Hj Omar
Medical Director
KPJ Damansara Specialist Hospital

14. Azizah Ahmad
General Manager
Academic Johor Corporation Sdn Bhd
Johor Corporation

15. Dr. Noor Hisham Mansor
Medical Director
KPJ Rawang Specialist Hospital

From left to right:

6. Dr. Ab Razak Samsudin
Medical Director
KPJ Pasir Gudang Specialist Hospital

7. Prof. (C) Dr. Wan Hazmy Che Hon
Medical Director
KPJ Seremban Specialist Hospital

8. Dato' Dr. Shahrudin Mohd Dun
Medical Director
KPJ Selangor Specialist Hospital

9. Dr. Mohd Harris Lu
Medical Director
Sentosa Medical Centre

10. Roziah Abu Bakar
Senior General Manager
Corporate Services
KFCH International College

From left to right:

16. Khairun Ahmad
Executive Director & Chief Executive
Puteri Specialist Hospital

17. Abdul Malek Talib
Vice President (I)
Project Management and Biomedical Services
KPJ Healthcare Berhad

18. Datin Sabariah Fauziah Jamaluddin
Senior General Manager -
Group Talent Management
KPJ Healthcare Berhad

19. Mohd Johar Ismail
Senior General Manager -
Group Operations
KPJ Healthcare Berhad

Jeta Gardens Delivering Value to the Golden Boomers

KPJ's foothold in the Aged Care and Retirement segment continues to grow from strength to strength. Via our 57% equity stake in Jeta Gardens (Qld) Pty Ltd, we have a majority shareholding in the ownership and interest of Jeta Gardens - Australia's first retirement village and aged care resort based on Eastern values located on a 68-acre property in Queensland, Australia. As our gateway to the retirement world, the Australian aged care and retirement model is helping us gain better insights into the provision of retirement care to the elderly which we plan to replicate for Malaysia's Golden Boomers. As patients move into their golden years, we will be well placed to meet their geriatric health and nursing needs. In delivering value to the elderly, we are ensuring the Group's long-term sustainability.

Jeta Gardens encompasses **33** independent living retirement villas, **32** retirement apartments and a **108-bed aged care facility.**

Developments To Date and Future Plans

The Jeta Gardens development sits on 68 acres of scenic parkland in Bethania with the Logan River at its backyard. To date, it encompasses 33 independent living retirement villas, 32 retirement apartments and a 108-bed aged care facility. Currently, Jeta Gardens is fully occupied with a long list of prospective clients waiting to enter the aged care facility. To cater for this pent-up demand and increase the capacity for aged care residents, construction of a 72-bed building has begun and is scheduled for completion by the second quarter of 2015.

Jeta Gardens is well suited for residents who plan to move into the villas and apartments while they are still fairly independent, and who will then move into the aged care facility when they become less independent and need care. All this is done within the same surroundings

and with familiar people around residents, be these their carers or fellow residents. This gives residents the assurance that they can live out their latter years comfortably among people whom they know and can trust.

In line with Jeta Gardens' long-term development programme, there are plans to develop up to 400 new retirement living villas and inter-generational apartments to meet the needs of a fast growing segment of retiring and aging Australia. To maximise returns on Jeta Gardens' remaining land bank, and to create the ultimate utopia for the retirement community, several other 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 with leading Australian universities.

Also in the pipeline is a child-minding centre for children of the staff and from the community, which will provide a platform for the older and younger generations to interact. Down the line, community retail and service amenities and 30 acres of riverside parklands will be developed. Ultimately, it is envisaged that the final Jeta Gardens development will house some 2,000 people (residents and patients) and employ between 800 to 900 staff.

Demand Drivers and Demographics

We envisage that the demand for retirement villages and aged care facilities in Australia will continue to grow, given Australia's escalating aged population. Residents aged 70 to 85 years are expected to reach 6.3 million and 1.8 million respectively by 2050 (in comparison to 2.1 million and 0.4 million respectively in 2010). 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. It is expected that over the next 40 years, the number of older Australians with an Asian heritage will increase exponentially. In light of this, there will be a progression toward a higher proportion of much older and culturally diverse Australians.

As such, the demand for retirement living and aged care services from now till 2050 is expected to increase. Of equal importance, 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 factors and demographics place Jeta Gardens in a very strong market position and bode well for the Group's Aged Care and Retirement business going forward.

Ancillary Services Augmenting Our Overall Service Offering

The Group's Ancillary Services segment incorporates a wide spectrum of integrated services that complement KPJ's overall healthcare services, offering and support the operations of our network of hospitals. This multi-dimensional interplay of services is doing much to help us keep our operating costs low while at the same time helping generate alternate streams of income for the Group.

The year saw revenue on the Ancillary Services front improving by 9% to RM752.7 million in 2013 from RM689.6 million in 2012. The segment's higher revenue was due to an upsurge in activities connected to the marketing and distribution of pharmaceutical, medical and surgical products, as well as higher demand for pathology and laboratory services. All these activities grew in tandem with the increased revenue from the Group's hospitals.

Fast Growing Laboratory Services Network

Lablink (M) Sdn Bhd is wholly owned by Kumpulan Perubatan (Johor) Sdn Bhd, a subsidiary of the Group. With over two decades of experience to its name, Lablink (M) Sdn Bhd is responsible for managing 20 KPJ hospital laboratories and the laboratory at Nilai Medical Centre. With a vision to be "The Preferred Healthcare Provider" in Malaysia, Lablink is focused on delivering superior laboratory services with greater efficiency and speed.

With all the Group's laboratories today under one central authority, we are reaping the benefits of having better bulk purchasing power as well as standardised systems and processes to ensure consistency and quality control. On top of this, we are deriving cost benefits from centralising certain tests, as well as ensuring speedier results by linking all our laboratories through the Laboratory Information System (LIS) network.

Today, Lablink continues to add to its comprehensive range of tests with its offer of haematology, biochemistry, immunoassay, microbiology, molecular testing, histopathology, cytopathology, allergy and auto-immune antibody tests as well as therapeutics drugs monitoring. Lablink is also tasked with developing, installing, maintaining and marketing the LIS software.

In 2013, Lablink recorded a total of 8.0 million test requests, a 9% increment over 2012's result. The bulk of Lablink's revenue came from higher requests mostly for microbiology and general tests which increased by 28.4% and 29.1% respectively.

As Lablink sets its sights on becoming a premier laboratory offering signature tests to customers within and outside the KPJ Group, it will look to further integrate the laboratories under its management as well as strengthen its list of accreditations. Today, Lablink is IS09001:2008 certified and is working towards adding the MS ISO 15189 laboratory accreditation standard. To strengthen its service offering, Lablink will add consultation services for all pathology disciplines to its service offering. Lablink's headquarters in Kuala Lumpur is undergoing major renovation to create a state-of-the-art medical laboratory. Once completed, this facility, Lablink Central, will serve as the reference centre for the KPJ laboratories and offer state-of-the-art technologies. This facility will include a Biosafety Level-3 Laboratory for highly infectious lab testing including tuberculosis testing.

In 2014, Lablink will extend its footprint by acquiring the laboratories at the Sri Manjung Specialist Centre, KPJ Puteri Specialist Hospital and KPJ Johor Specialist Hospital. It will also open new laboratories at the KPJ Rawang Specialist Hospital and KPJ Bandar Maharani Specialist Hospital.

Stronger Central Purchasing and Distribution Capability

The Group's hospitals continue to tap economies of scale through KPJ's central purchasing arm, Pharmaserv Alliances Sdn Bhd (PASB), a wholesaler and distributor of pharmaceuticals, medical and other hospital-related products, primarily for use by our own network of hospitals and companies. Today, PASB remains one of the largest buyers for pharmaceutical and medical disposable items after Malaysia's Ministry of Health. We are reaping the benefits of higher margins via PASB's volume purchases, while passing on these cost savings to our customers.

In 2013, PASB registered revenue of RM331.7 million, an 11.08% increment over 2012's figure. This was in tandem with the increase in the total number of hospitals within the Group's network.

PASB has officially been operating from its new premises at the Subang Hi-Tech Industrial Park in Shah Alam since the end of September 2013. This facility incorporates a spacious warehouse with modern facilities and is enabling the company to address its customers' specific needs in the areas of warehousing and distribution. At the same time, PASB is better equipped to manage consignment services within the Group's network to minimise our overall stockholdings. To facilitate more effective order processing, PASB is working on integrating the hospitals' disparate software systems.

PASB's commitment to achieving high quality standards is reflected in the ISO 9001:2008 (Quality Management System or QMS) certification. At the same time, PASB is committed to meeting the needs of customers through competitive pricing, excellent service and reliable delivery. To ensure an effective and profitable operation, PASB will move towards Good Distribution Practice for Medical Devices (GDPMD) certification by July 2014.

Going forward, PASB will continue to leverage on the common synergies, market knowledge and experience within the Group's network, as well as innovative technology and customised information systems, to fulfil customer demands amidst a highly competitive landscape.

Continuing to Pave the Way in Sterilisation Services

Quality patient care can be successfully delivered if the surgical instruments used to treat patients are well sterilised and returned to hospitals within 24 hours of their being sterilised. Today, KPJ is doing just this by successfully facilitating the provision of moist heat sterilisation services for medical instruments through the Centralised Sterilisation Service Centre (CSSC). The CSSC's success in attaining ISO 9001:2008, ISO 13485:2012 and ISO 17665-1:2006 certification is apt reflection of its commitment to ensuring high sterilisation standards throughout its operations.

By centralising all functions relating to the management, supply, collection and delivery of sterile goods to hospitals throughout the KPJ network, the CSSC in Rawang is helping KPJ's network of hospitals further improve our operational costs and efficiencies. While the CSSC currently provides services to KPJ's hospitals in the Klang Valley, this will eventually be extended to the Group's hospitals in other parts of the country as well as to other hospitals.

Nectur, quam id mo milia si velit lam nonem facit quibea ea corepta ectoe pedio occaest optat pore derumque quiant mi, conem ut in pos inimus etur, quiat harumendicit dolest, qui sitem as ea sequame sa volores trupta alitia nobis suntemporae vellab il molperferis sum delesti dollo vendunt isquati bus

Today, SSSB is working towards realising its vision of making the CSSC the leader in Malaysia's independent sterilisation and decontamination services sub-sector. At the same time, the medical industry in Malaysia is set to benefit as all hospitals will eventually be able to utilise the CSSC's cutting edge sterilisation technology.

Strengthening our Eye Care Capability

To enhance our specialist services offering and strengthen our foothold in the area of refractive eye surgery, KPJ has acquired the entire equity stake in KPJ EyeCare Specialist Sdn Bhd (formerly known as Sri Kota Refractive and Eye Centre Sdn Bhd). Today, we run an eye centre in Petaling Jaya called Pusat Pakar Mata Centre For Sight (CFS) and have CFS branches in Rawang and at the new Tawakkal Health Centre (THC) in Kuala Lumpur. The latter branch encompasses a 5,000 sq. ft. space with about RM7.0 million invested in cutting-edge eye care technology.

Through its various branches, CFS offers outpatient and day-care facilities for about 21,000 patients and performs over 1,900 procedures annually. Apart from providing standard medical and surgical eye care, CFS ophthalmologists also offer expertise in sub-specialties relating to cornea surgery, vitreo-retinal surgery, glaucoma, cataract, refractive surgery/lasik, oculoplastic surgery and paediatric ophthalmology.

CFS' operating theatres are equipped with state-of-the-art equipment which enable surgeons to perform the necessary surgical procedures in a safer and more controlled manner with better outcomes. This equipment includes the latest femtosecond laser vision correction technology, ReLEx® Smile, a bladeless, flapless and painless procedure performed using the Visumax machine, from Carl Zeiss, Germany. The invasive vision correction can be achieved in 15 minutes.

In 2013, CFS undertook 1,925 surgery cases, the majority of which were phaco monofocal and yag capsulotomy procedures. The centre also rolled out 20 external and 5 internal screenings over the course of 2013. Some of these screenings, carried out in conjunction with World Glaucoma Day 2013 and World Sight Day 2013, met with excellent public response.

Fast Expanding Hospital Project Management Capability

KPJ holds a 30% interest in Healthcare Technical Services Sdn Bhd (HTS) which plays the role of the project manager and hospital planning consultant for the Group's hospital projects. HTS' expertise covers Project Management, Hospital Planning, Construction Management, Green Building Facilitation, Contract Management, Facilities Engineering Management and Energy Management services. It is also involved in areas such as building/facilities audits, health and safety audits, and MSQH hospital accreditation audit services.

Today, HTS is managing new hospital development and expansion projects worth some RM1.0 billion. These comprise new hospital projects amounting to RM0.47 million as well as expansion and renovation works totalling RM0.57 million. In addition, HTS has been appointed as the maintenance manager for 22 of the hospitals under the Al-'Aqar Healthcare REIT and is the energy manager for 6 of KPJ's hospitals and a commercial centre.

Good Progress by Intrapreneur Companies

KPJ's Intrapreneur concept advocating "Shared Growth and Shared Prosperity" was introduced to help develop the entrepreneurial talent among our staff members. It continues to play a key part in spawning 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 admirably.

Teraju Farma

Teraju Farma Sdn Bhd's (TFSB) main business activities involve wholesaling and Bumiputera tendering for pharmaceuticals, as well as medical and healthcare related products and services for the Government sector. TFSB is also involved in warehousing and distribution facilities as well as new and expansion projects at government hospitals.

TFSB currently caters for majority of health institutions nationwide, in particular government hospitals, military and university hospitals. In the year in review, TFSB registered a total turnover of RM56.5 million, some 13.8% higher than 2012's turnover. By tapping the latest technology and relationships with major healthcare enterprises, TFSB continues build up its capabilities and provide excellent and high quality services to its customers.

Fabricare Laundry

Fabricare Laundry Sdn Bhd is involved in providing laundry services and linen rental in the state of Johor. Its internal customers are KPJ'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 is looking after the laundry and linen needs of the KPJ Johor Specialist Hospital and KPJ Puteri Specialist Hospital as well as the newly opened KPJ Pasir Gudang Specialist Hospital and KPJ Bandar Maharani Specialist Hospital in Muar.

Healthcare IT Solution

Healthcare IT Solution Sdn Bhd (HITSSB) is tasked with implementing and managing the healthcare IT system throughout KPJ's hospital network. The company has grown from strength to strength and is today a key player in healthcare IT solutions for the healthcare sector.

HITSSB continues to actively implement and enhance hardware and software solutions within KPJ's hospitals to strengthen the efficiency of the hospital information system. In 2013, the company was involved in incorporating new electronic clinical documentation and audit trail components into the Healthcare Information System (HITS). These enhancements are helping mitigate the risk of incorrect information while ensuring highly confidential patient data is kept secure.

HITSSB also began migrating the clinical information system to the enterprise-wide KPJ Cloud System by hosting a KPJ data centre serving all hospitals via the Internet.

Having provided accounting systems to the healthcare industry for over 15 years, HITSSB recently reinvented itself and moved from a client-based system to a web-based system.

This move will ensure the company keeps up with the times and is able to expand its development process. All in all, HITSSB"s efforts to strengthen the Group's centralised IT infrastructure and hardware is helping KPJ to optimise the cost of its technology investment as well as ensuring continuous improvements are made to clinical systems to ensure patient safety and care.

HITSSB also continues to offer healthcare IT services to external customers, locally and abroad. Today, it is beginning to expand its product chain by providing integrated multimedia systems which include videos, video walls, kiosks, queue management system and many other elements. The positive growth of the company in 2013 reflects HITSSB team's success in fending off stiff competition in this segment

Skop Yakin

Skop Yakin (M) Sdn Bhd was set up to leverage on bulk purchases relating to printing and stationery supplies so as to bring the Group's overall costs down. While Skop Yakin continues to face stiff competition from seasoned industry players in the East Coast (i.e. Kelantan and Terengganu), it is exploring opportunities in the Klang Valley to tap a ready market within KPJ's hospitals in the area.

Small Business Units Advancing Forward

In support of the Group's Intrapreneur programme, KPJ has identified several small business units (SBUs) or incubator companies which have good growth potential. Operating under the wing of the Group, these SBUs are focusing their efforts on laying strong foundations. Upon proving their business viability, they will be moved up into the Intrapreneur programme. The SBUs participating in the supply of perishables, ambulance services and event management services have showed significant progress to date and are expected to maintain their good momentum going forward.

Wellness and Lifestyle Programme Exceeds Expectations

The KPJ Wellness and Lifestyle Programme was created six years ago as a business opportunity to strengthen the revenues of all the Wellness Centres under the Group. By playing up the importance and the positive benefits derived from leading a healthy lifestyle, the programme has garnered very good response from its target audience of individuals, couples and family members.

This business experienced a healthy increment in sales and net profit margin for 2013. As at 31 December 2013, there were over 15,000 active subscribers to the programme with total sales amounting to almost RM138 million.

Currently, 10 KPJ hospitals are participating in the KPJ Wellness and Lifestyle 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)
- KPJ 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)
- Kuching Specialist Hospital (since May 2012)

Going forward, we expect the programme to attract participation from other KPJ hospitals while it will also gear up to tap the burgeoning medical tourism market.

Highlights in Pictures
Hospital Activities

KPJ Johor Specialist Hospital

28 September 2013
Larian Hari Jantung Sedunia

30 November 2013
World Diabetes Day

17 December 2013
Consultants' Charity Fund

KPJ Ipoh Specialist Hospital

6 July 2013
Laparoscopic Gynaecology Surgery Workshop

19 – 24 August 2013
World Breast Feeding Week

23 December 2013
Health Talk at Rumah Anak Yatim Jasa with Prudential

KPJ Ampang Puteri Specialist Hospital

29 April 2013
I LOVE MYSELF – Teenage Reproductive Health Programme

15 June 2013
World No Tobacco Day

25 June 2013
First "Real" Endoscopic Spine Surgery

KPJ Puteri Specialist Hospital

6 April 2013
Walking Parade 2013

11 May 2013
Healthy Lifestyle Campaign

23 June 2013
'Mesra Rakyat' Medical Camp

KPJ Perdana Specialist Hospital

1 January 2013
Blood Donation Campaign

13 April 2013
Anti Dengue Campaign collaboration with KWSN and Kota Bharu Municipal Council

KPJ Selangor Specialist Hospital

20 January 2013
Diabetes Awareness Campaign

10 March 2013
Orphanage Luncheon

KPJ Damansara Specialist Hospital

2 Feb 2013
CSR Programme - Visit to Rumah Pertubuhan Kanak-kanak Insan Istimewa Cemerlang

16 July 2013
Official Launch of Klinik Waqaf An-Nur Sungai Buloh

Kota Kinabalu Specialist Hospital

22 April 2013
CSR Programme with Pusat Anak Permata Negara (PAPN)

12 May 2013
Kinabalu Pink Ribbon in support of Breast Cancer Awareness

23 November 2013
World Children's Day

KPJ Klang Specialist Hospital

17 March 2013
KEC 10km Unity Run

23 March 2013
World Glaucoma Week

KPJ Tawakkal Specialist Hospital

20 April 2013
Tree Planting Programme

Taiping Medical Centre

30 April 2013
World Health Day 2013 Celebration & Blood Donation Campaign

12 May 2013
Gotong-Royong and Health Check Up at Rumah Anak-Anak Yatim & Miskin Nurul Iman Kamunting

10 October 2013
First Aider Stand By at Sekolah Pendidikan Khas, Taiping

Kedah Medical Centre

13 May 2013
Nurses Day 2013

19 May 2013
CSR Programme - Visit to Rumah Anak Yatim PERKIM Darul Aitam

31 May 2013
World NO Tobacco Day

Kuching Specialist Hospital

29 June 2013
Community Event for Mambong Residents

29 June 2013
Health Seminar

Kluang Utama Specialist Hospital

5 May 2013
CSR Programme with Pusat Anak PERMATA Negara

24 November 2013
Medical Camp in Muar

KPJ Kuantan Specialist Hospital

2 August 2013
World Breast Feeding Week

Sentosa Medical Centre

18 May 2013
CSR Programme - Visit to Kim Loo Ting Hong Ying Old Folks Home

Corporate Developments and Announcements

17 April 2013

KPJ entered into SPA with the shareholders of Rawang Specialist Hospital Sdn Bhd for the acquisition of 100% equity interest for a total cash consideration of RM50,630,164.00.

20 May 2013

KPJ Pasir Gudang Specialist Hospital was open for business with current capacity of 25 beds comprised of VIP suites, single, twin sharing & 4-bedded rooms. It is KPJ's 22nd hospital to operate in Malaysia.

23 May 2013

KPJ completed the acquisition of its 23rd hospital, Sri Manjung Specialist Centre. The hospital is 100% owned by KPJ.

11 June 2013

Resignation of Datuk Dr. Hussein Awang as Independent & Non-Executive Director.

18 July 2013

Appointment of Tan Sri Dato' Dr. Yahya Awang as Independent & Non-Executive Director.

26 Jul 2013

The Penawar Case
A Johor Bahru High Court Writ Summons was filed by Dr. Mohd Adnan Bin Sulaiman and Azizan Bin Sulaiman("plaintiffs") against KPJ ("defendant") wherein the Plaintiffs alleged that the Defendant had breached the Joint Venture Agreement Incorporating Shareholders' Agreement dated 30.5.1995.

KPJ announced that the Johor Bahru High Court allowed the Plaintiffs claim against the Defendant and awarded the sum of RM 70.486 million as damages and costs for the sum of RM 150,000.00.

KPJ instructed its solicitors, to file an Appeal at the Court of Appeal against the judgement.

29 Jul 2013

On behalf of the Board of Directors of KPJ, RHB Investment Bank Berhad announced the following:-

(i) Proposed bonus issue of up to 329,766,497 new ordinary shares of RM0.50 each in KPJ on the basis of 1 Bonus Share for every 2 existing KPJ Shares held

(ii) Proposed renounceable rights issue of up to 43,968,866 KPJ Shares on the basis of 1 Rights Share for every 15 existing KPJ Shares together with up to 87,937,732 free detachable new warrants 2013/2018 on the basis of 2 New Warrants for every 1 Rights Share subscribed

(iii) Proposed exemption under Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers 2010 to Johor Corporation and the parties acting in concert with it from the obligation to extend a mandatory take-over offer for the remaining KPJ Shares, Warrants 2010/2015 and New Warrants not already held by them pursuant to the Proposed Rights Issue

(iv) Proposed increase in the authorised share capital of KPJ from RM500,000,000 comprising 1,000,000,000 KPJ Shares to RM750,000,000 comprising 1,500,000,000 KPJ Shares, and

(v) Proposed amendments to the Memorandum and Articles of Association of KPJ

13 August 2013

Abd Razak Haron, Non-Independent & Non-Executive Director passed away.

27 September 2013

KPJ signed a Joint Venture Agreement with UTM Holdings Sdn Bhd for the purpose of designing, developing, building, completing and owning, and subsequently operating a private hospital on a portion of the leasehold land held under HSD 46692, Lot No, PTD No 95180, Mukim Kulaijaya, Johor.

30 Sept 2013

The Penawar Case
The Court of Appeal today granted a Stay of Execution of the judgment of the Johor Bahru High Court Suit No: 23NCVC-74-05/2012 dated 26 July 2013.

The appeal of the decision is now fixed for hearing on 12 December 2013.

17 October 2013

KPJ exercised its option to purchase Menara 238 and entered into a conditional sale and purchase agreement with Danaharta Hartanah Sdn Bhd(DHSB) on 16 October 2013.

KPJ and DHSB had entered into a tenancy agreement on 11 September 2012 whereby DHSB had granted upon KPJ the option to purchase Menara 238.

6 November 2013

KPJ entered into a conditional Share Sale Agreement with Usaha Cendera Sdn Bhd for the acquisition of 2 ordinary shares of RM1.00 each in BDC Specialist Hospital Sdn Bhd (BDCSHSB) which is equivalent to 100% of the equity for a total cash consideration of RM16,516,144.00.

BDCSHSB is the owner of a leasehold land described as Lot 18807 Block 11 Muara Tebas Land District located at Stampin, Kuching, Sarawak measuring approximately 1.918 hectares. Henry Butcher in their valuation report dated 11 December 2012 has valued the Land based on the market value of RM16,590,000.00.

19 November 2013

KPJ entered into a Deed of Agreement ("Agreement") with Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Trust to lease a 250-bed hospital building known as "Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital" located approximately 50 kilometres from Dhaka, Bangladesh. The Hospital Building was built by the Trust at a cost of Tk2.15 billion (equivalent to RM87.5 million).

KPJ will be the Licensed Operator of the Hospital with the proposal to lease the Hospital Building to run and operate the Hospital for an initial period of 10 years which is extendable for another 5 years.

KPJ intends to bring world class healthcare facility to Dhaka's doorstep by providing a comprehensive, multi-disciplined and focused hospital with Centres of Excellences in the following major disciplines such as Cardiac Services, Orthopaedic, Geriatrics, Obstetrics & Gynaecology (O&G), and Paediatric services.

12 December 2013

The Penawar Case

The Honourable Judges of the Court of Appeal unanimously allowed the appeal by KPJSB against the decision of the Johor Bahru High Court in Suit No: 23NCVC-74-05/2012 dated 26.7.2013 with costs of RM200,000.00. The decision of the Johor Bahru High Court was also set aside.

The Court of Appeal further gave Consequential Order that the monies in the sum of RM70.486 million together with the accrued interest in the Maybank Fixed Deposit account held in the joint names of the solicitors for the Respondents and the solicitors for KPJSB, "Adam Abdullah & Mani and Bodipalar Ponnudurai De Silva" be released to KPJSB.

26 December 2013

On behalf of the Board of Directors of KPJ, RHB Investment Bank Berhad announced the Abridged Prospectus of the proposed renounceable rights issue of up to 43,968,866 KPJ Shares on the basis of 1 Rights Share for every 15 existing KPJ Shares together with up to 87,937,732 free detachable new warrants 2013/2018 on the basis of 2 New Warrants for every 1 Rights Share subscribed.

27 December 2013

327,279,946 Bonus Shares and 2,451,551 additional warrants 2010/2015 consequential to the Bonus Issue on the basis of 1 bonus share for every 2 existing KPJ shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on Friday, 27 December 2013, marking the completion of the Bonus Issue.

31 December 2013

Appointment of Zulkifli Ibrahim and Aminudin Dawam as Non-Independent & Non-Executive Director.

Resignation of Hj Rozan Bin Mohd Sa'at as Non-Independent & Non-Executive due to internal restructuring in Johor Corporation Group.

31 December 2013

KPJ Sabah Specialist Hospital started its operation in Kota Kinabalu with current capacity of 48 beds, marked as KPJ's 24th hospital to operate in Malaysia.

FINANCIAL STATEMENTS

159 Directors' Report
164 Statement by Directors
164 Statutory Declaration
165 Independent Auditors' Report
167 Statements of Comprehensive Income
168 Statements of Financial Position
170 Consolidated Statement of Changes in Equity
172 Company Statement of Changes in Equity
173 Statements of Cash Flows
175 Notes to the Financial Statements
257 Supplementary Information

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 2013.

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 disclosed in Note 16 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

Results

	Group RM'000	Company RM'000
Profit net of tax	110,365	69,024
Profit attributable to:		
Owners of the Company	103,114	69,024
Non-controlling interests	7,251	-
	110,365	**69,024**

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 2012 were as follows:

	RM'000
In respect of the financial year ended 31 December 2012:	
Fourth interim single tier dividend of 4.0 sen per share on 650,349,886 ordinary shares, declared on 4 March 2013 and paid on 18 April 2013	26,014
In respect of the financial year ended 31 December 2013:	
First interim single tier dividend of 2.0 sen per share on 653,020,611 ordinary shares, declared on 22 May 2013 and paid on 19 July 2013	13,060
Second interim single tier dividend of 2.0 sen per share on 654,207,861 ordinary shares, declared on 30 August 2013 and paid on 18 October 2013	13,084
Third interim single tier dividend of 2.0 sen per share on 654,559,892 ordinary shares, declared on 3 December 2013 and paid on 10 January 2014	13,091
	65,249

The directors do not propose any final dividend for the financial year ended 31 December 2013.

Issue of shares

During the financial year, the Company increased its issued and paid-up share capital from RM323,091,000 to RM490,955,000 as follows:

(a) RM4,224,000 through the issuance of 8,448,000 ordinary shares of RM0.50 each by way of the conversion of warrants at an exercise price of RM1.70 per share.

(b) RM163,640,000 through the issuance of 327,280,000 bonus shares of RM0.50 each.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

Further details on change in the share capital during and subsequent to the financial year and up to the date of this report are set out in Note 30 to the financial statements.

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 bin Abu Kassim	(Chairman)
Amiruddin bin Abdul Satar	(Managing Director)
Datin Paduka Siti Sa'diah Sh Bakir	
Datuk Azzat bin Kamaludin	
Zainah binti Mustafa	
Hj Ahamad bin Mohamad	
Dr Kok Chin Leong	
Dr Yoong Fook Ngian	
Tan Sri Dato' Dr Yahya bin Awang	(Appointed on 18 July 2013)
Zulkifli bin Ibrahim	(Appointed on 1 January 2014)
Aminudin bin Dawam	(Appointed on 1 January 2014)
Datuk Dr Hussein bin Awang	(Resigned on 11 Jun 2013)
Hj Rozan bin Mohd Sa'at	(Resigned on 1 January 2014)
Abd Razak bin Haron	(Deceased on 13 August 2013)

In accordance with Article 96 of the Company's Articles of Association, Amiruddin bin Abdul Satar and Datuk Azzat bin Kamaludin, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 97 of the Company's Articles of Association, Tan Sri Dato' Dr Yahya bin Awang, Zulkifli bin Ibrahim and Aminudin bin Dawam, 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, Dr Yoong Fook Ngian, who is above the age of seventy (70) retires at the forthcoming Annual General Meeting and a resolution will be proposed for re-appointment as director 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.

Directors' benefits (continued)

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			
	1.1.2013	**Acquired**	**Sold**	**31.12.2013**
KPJ Healthcare Berhad				
Datin Paduka Siti Sa'diah Sh Bakir				
- Direct	308,250	784,125	-	1,092,375
- CimSec Noms (T) Sdn Bhd				
(A/C CIMB Bank for Siti Sa'diah Sh Bakir)	420,000	-	(420,000)	-
- Indirect (Amy Nadzlina binti Mohamed)	12,500	6,250	-	18,750
Amiruddin bin Abdul Satar	7,000	2,000	(3,000)	6,000
Datuk Azzat bin Kamaludin	60,000	30,000	-	90,000
Hj Ahamad bin Mohamad	750	375	-	1,125
Dr Kok Chin Leong	138,000	100,500	-	238,500
Dr Yoong Fook Ngian	280,000	140,000	-	420,000
Hj Rozan bin Mohd Sa'at	500	250	-	750
Kulim (M) Berhad				
Datin Paduka Siti Sa'diah Sh Bakir	278,000	-	-	278,000
Hj Ahamad bin Mohamad	963,400	-	-	963,400
Dr Kok Chin Leong	40,000	-	-	40,000
Dr Yoong Fook Ngian	20,000	-	-	20,000
Hj Rozan bin Mohd Sa'at	8,800	-	-	8,800

Directors' interests (continued)

	Number of ordinary shares of RM0.50 each			
	1.1.2013	Acquired	Sold	31.12.2013
Damansara Realty Berhad				
Datin Paduka Siti Sa'diah Sh Bakir	320	-	-	320
Hj Ahamad bin Mohamad	9,600	-	-	9,600
Hj Rozan bin Mohd Sa'at	20,000	-	-	20,000

	Number of warrants of 2010/2015			
	1.1.2013	Granted	Exercised	31.12.2013
KPJ Healthcare Berhad				
Hj Ahamad bin Mohamad	87	-	(87)	-
Hj Rozan bin Mohd Sa'at	125	62	-	187

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.

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 allowance for impairment of receivables and satisfied themselves that all known bad debts had been written off and that adequate allowance 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 allowance for impairment of receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and 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.

Other statutory information (continued)

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or 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 or 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 or 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 or 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 13 March 2014.

DATO' KAMARUZZAMAN BIN ABU KASSIM

AMIRUDDIN BIN ABDUL SATAR

Kuala Lumpur, Malaysia

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Kamaruzzaman bin Abu Kassim and Amiruddin bin 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 167 to 256 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 2013 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 42 to the financial statements on page 256 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 13 March 2014.

DATO' KAMARUZZAMAN BIN ABU KASSIM
CHAIRMAN

AMIRUDDIN BIN ABDUL SATAR
PRESIDENT/MANAGING DIRECTOR

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Mohd Sahir bin 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 167 to 256 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 bin Rahmat at
Kuala Lumpur in Federal Territory on 13 March 2014

MOHD SAHIR BIN RAHMAT
VICE PRESIDENT (I)
CORPORATE & FINANCIAL SERVICES

Before me,

Independent Auditors' Report
to the members of KPJ Healthcare Berhad
(Incorporated in Malaysia)

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 2013 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 167 to 256.

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 controls 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 controls. 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 2013 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.

Report on other legal and regulatory requirements (continued)

(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.

Other reporting responsibilities

The supplementary information set out in Note 42 of the financial statements on page 256 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

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
No.1664/10/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
13 March 2014

Statements of Comprehensive Income

For the financial year ended 31 December 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	4	2,331,648	2,096,097	144,846	141,195
Cost of sales		(1,634,209)	(1,439,663)	-	-
Gross profit		697,439	656,434	144,846	141,195
Administrative expenses		(578,355)	(512,894)	(55,563)	(38,054)
Other income		26,232	32,062	-	-
Other operating expenses		(4,422)	(5,036)	-	-
Operating profit		140,894	170,566	89,283	103,141
Finance income	5	10,570	12,535	-	-
Finance costs	5	(38,765)	(23,603)	(19,653)	(13,970)
Finance costs - net		(28,195)	(11,068)	(19,653)	(13,970)
Share of results of associates		46,858	37,397	-	-
Profit before zakat and tax	6	159,557	196,895	69,630	89,171
Zakat	9	(1,825)	(1,320)	(20)	(15)
Income tax (expense)/credit	10	(47,367)	(48,781)	(586)	202
Profit net of tax		**110,365**	**146,794**	**69,024**	**89,358**
Other comprehensive income:					
Translation of foreign subsidiaries		2,997	1,930	-	-
Revaluation surplus		-	8,916	-	-
Other comprehensive income for the year, net of tax		**2,997**	**10,846**	**-**	**-**
Total comprehensive income for the year		**113,362**	**157,640**	**69,024**	**89,358**
Profit attributable to:					
Owners of the Company		103,114	140,046	69,024	89,358
Non-controlling interests		7,251	6,748	-	-
		110,365	**146,794**	**69,024**	**89,358**
Total comprehensive income attributable to:					
Owners of the Company		106,424	146,216	69,024	89,358
Non-controlling interests		6,938	11,424	-	-
		113,362	**157,640**	**69,024**	**89,358**
Earnings per share attributable to ordinary equity holders of the Company:					
- Basic (sen)	12(a)	10.50	14.39		
- Diluted (sen)	12(b)	9.50	13.28		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	1,206,019	909,355	-	-
Other assets	14	22,031	15,680	-	-
Investment properties	15	62,746	53,118	-	-
Investments in subsidiaries	16	-	-	947,920	877,529
Investments in associates	17	475,536	479,243	-	-
Available-for-sale financial assets	18	554	3,074	-	-
Intangible assets	19	235,957	176,614	-	-
Deferred tax assets	21	25,678	15,601	-	-
		2,028,521	**1,652,685**	**947,920**	**877,529**
Current assets					
Inventories	22	52,837	57,552	-	-
Receivables	23	427,102	325,027	100,829	111,622
Tax recoverable		18,169	11,041	5,288	3,249
Deposits, cash and bank balances	24	312,965	201,460	8,955	1,931
		811,073	**595,080**	**115,072**	**116,802**
Non-current assets held for sale	25	2,013	2,013	-	-
		813,086	**597,093**	**115,072**	**116,802**
Total assets		**2,841,607**	**2,249,778**	**1,062,992**	**994,331**
Equity and liabilities					
Current liabilities					
Payables	26	489,963	409,161	85,964	187,036
Income tax payables		11,951	13,422	-	-
Borrowings					
- Bank overdrafts	27	8,140	1,046	-	-
- Others	27	350,482	205,581	275,000	120,000
Deferred revenue	28	62,177	61,133	-	-
Dividend payable		13,091	16,154	13,091	16,154
		935,804	**706,497**	**374,055**	**323,190**
Net current liabilities		**(122,718)**	**(109,404)**	**(258,983)**	**(206,388)**

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Non-current liabilities					
Deferred tax liabilities	21	47,153	43,857	-	-
Borrowings	27	668,870	385,469	-	-
Payables	26	-	-	174,282	174,282
Deposits	29	17,253	15,524	-	-
		733,276	**444,850**	**174,282**	**174,282**
Total liabilities		**1,669,080**	**1,151,347**	**548,337**	**497,472**
Net assets		**1,172,527**	**1,098,431**	**514,655**	**496,859**
Equity attributable to equity holders of the Company					
Share capital	30	490,955	323,091	490,955	323,091
Reserves	31	596,955	707,835	24,064	173,791
		1,087,910	1,030,926	515,019	496,882
Less: Treasury shares	30(a)	(364)	(23)	(364)	(23)
Non-controlling interests		84,981	67,528	-	-
Total equity		**1,172,527**	**1,098,431**	**514,655**	**496,859**
Total equity and liabilities		**2,841,607**	**2,249,778**	**1,062,992**	**994,331**

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 2013

	Attributable to owners of the Company									
	Non-distributable						Distributable			
	Share capital RM'000 (Note 30)	Share premium RM'000 (Note 31(a))	Treasury shares RM'000 (Note 30(a))	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))	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2013	323,091	142,266	(23)	(3,367)	(25)	50,415	518,546	1,030,903	67,528	1,098,431
Comprehensive income										
Profit net of tax	-	-	-	-	-	-	103,114	103,114	7,251	110,365
Other comprehensive income										
Translation of foreign subsidiaries	-	-	-	-	3,310	-	-	3,310	(313)	2,997
Total other comprehensive income	**-**	**-**	**-**	**-**	**3,310**	**-**	**-**	**3,310**	**(313)**	**2,997**
Total comprehensive income	**-**	**-**	**-**	**-**	**3,310**	**-**	**103,114**	**106,424**	**6,938**	**113,362**
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	10,262	10,262
Transaction with non-controlling interests	-	-	-	-	-	-	1,447	1,447	253	1,700
Issue of shares:										
- exercise of share warrants	4,224	10,138	-	-	-	-	-	14,362	-	14,362
Purchase of treasury shares	-	-	(341)	-	-	-	-	(341)	-	(341)
Bonus issue	163,640	(152,404)	-	-	-	-	(11,236)	-	-	-
Dividends on ordinary shares	-	-	-	-	-	-	(65,249)	(65,249)	-	(65,249)
At 31 December 2013	**490,955**	**-**	**(364)**	**(3,367)**	**3,285**	**50,415**	**546,622**	**1,087,546**	**84,981**	**1,172,527**

	Attributable to owners of the Company									
	Non-distributable						Distributable			
	Share capital RM'000 (Note 30)	Share premium RM'000 (Note 31(a))	Treasury shares RM'000 (Note 30(a))	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))	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012	292,492	68,830	(23)	(3,367)	(995)	45,215	485,780	887,932	103,898	991,830
Comprehensive income										
Profit net of tax	-	-	-	-	-	-	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**	**142,266**	**(23)**	**(3,367)**	**(25)**	**50,415**	**518,546**	**1,030,903**	**67,528**	**1,098,431**

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 2013

	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 2013	323,091	142,266	(23)	31,525	496,859
Profit net of tax, representing total comprehensive income for the year	-	-	-	69,024	69,024
Dividends on ordinary shares	-	-	-	(65,249)	(65,249)
Issue of shares:					
- exercise of share warrants	4,224	10,138	-	-	14,362
Purchase of treasury shares	-	-	(341)	-	(341)
Bonus issue	163,640	(152,404)	-	(11,236)	-
At 31 December 2013	**490,955**	**-**	**(364)**	**24,064**	**514,655**
At 1 January 2012	292,492	68,830	(23)	18,722	380,021
Profit net of tax, 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**

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 2013

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Operating activities				
Profit before zakat and tax	159,557	196,895	69,630	89,171
Adjustments for:				
Share of results of associates	(46,858)	(37,397)	-	-
Finance income	(10,570)	(12,535)	-	-
Finance costs				
- Interest expenses	38,765	23,603	19,653	13,970
- Accretion of interest	-	301	-	-
Dividend income	-	-	(105,322)	(106,039)
Impairment of trade receivables	8,238	5,536	-	-
Reversal of impairment loss of trade receivables	(1,754)	(124)	-	-
Gain on disposal of non-current assets held for sale	-	(149)	-	-
Gain on fair value on investment properties	(646)	(1,198)	-	-
Gain on disposal of shares in an associate	(1,306)	(11,380)	-	-
Loss on disposal of property, plant and equipment	104	808	-	-
Property, plant and equipment				
- Depreciation	93,061	77,896	-	-
- Written off	519	1,372	-	-
Inventories written off	157	33	-	-
Available-for-sale financial assets written off	2,520	-	-	-
Amortisation of intangible assets	1,049	650	-	-
Amortisation of deferred consultancy expenses	(309)	(250)	-	-
Operating profit/(loss) before working capital changes	**242,527**	**244,061**	**(16,039)**	**(2,898)**
Changes in working capital:				
Inventories	5,061	(10,258)	-	-
Receivables	(101,172)	(29,012)	294	212
Payables	58,350	63,800	1,375	263
Deferred revenue	1,044	-	-	-
Related companies	-	-	(162,338)	(169,283)
Cash flows generated from/(used in) operations	**205,810**	**268,591**	**(176,708)**	**(171,706)**
Interest received	10,570	12,535	-	-
Interest paid	-	-	(19,653)	(13,970)
Zakat paid	(1,825)	(1,300)	(20)	(15)
Income taxes refund	10,170	869	-	-
Income taxes paid	(70,642)	(56,083)	(943)	(1,662)
Net cash generated from/(used in) operating activities	**154,083**	**224,612**	**(197,324)**	**(187,353)**

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Investing activities				
Purchase of property, plant and equipment	(301,428)	(370,835)	-	-
Purchase of intangible assets	(15,574)	-	-	-
Purchase of investment properties	(8,982)	(25,697)	-	-
Purchase of other assets	(6,351)	-	-	-
Proceeds from disposal of property, plant and equipment	1,511	2,693	-	-
Proceeds from disposal of non-current assets held for sale	-	40,808	-	-
Acquisition of subsidiaries, net of cash acquired	(70,809)	(78,519)	-	-
Acquisition of shares in associates	-	(55,487)	-	-
Proceeds from disposal of shares in an associate	16,382	60,169	-	-
Dividends received	32,913	19,072	103,639	104,245
Net cash (used in)/generated from investing activities	**(352,338)**	**(407,796)**	**103,639**	**104,245**
Financing activities				
Issue of shares:				
- Exercise of share warrants	14,362	104,035	14,362	104,035
Purchase of treasury shares	(341)	-	(341)	-
Bank borrowings:				
- Drawdown	535,904	183,653	155,000	55,000
- Repayment	(145,561)	(56,575)	-	-
Interest paid	(38,765)	(23,603)	-	-
Dividends paid to shareholders	(68,312)	(75,024)	(68,312)	(76,555)
Net cash generated from financing activities	**297,287**	**132,486**	**100,709**	**82,480**
Net changes in cash and cash equivalents	99,032	(50,698)	7,024	(628)
Currency translation differences	5,379	173	-	-
Cash and cash equivalents at beginning of the financial year	200,414	250,939	1,931	2,559
Cash and cash equivalents at end of the financial year*	**304,825**	**200,414**	**8,955**	**1,931**

*** Cash and cash equivalents comprise the followings:**

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balances (Note 24)	312,965	201,460	8,955	1,931
Bank overdrafts (Note 27)	(8,140)	(1,046)	-	-
	304,825	**200,414**	**8,955**	**1,931**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2013

1. Corporate information

KPJ Healthcare Berhad ("the Company"), 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 Directors regard Johor Corporation, a body corporate established under the Johor Corporation Enactment (No. 4 of 1968) (as amended by Enactment No. 5 of 1995), as the ultimate holding corporation.

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are mainly the operation of specialist hospitals. The details of the principal activities of the subsidiaries are disclosed in Note 16. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 13 March 2014.

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 ("MFRS"), 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 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	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 (IAS 19 as amended by IASB in June 2011)	1 January 2013

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

Description	Effective for annual periods beginning on or after
MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	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
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and of the Company except as discussed below:

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements (MFRS 127) 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 investment 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. This new control model differs from how previously companies were assessed to be a subsidiary. Under MFRS 127, 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 that owns less than 50 per cent of the voting shares in an investee has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders. The application of MFRS 10 has no impact on the Group's financial position or performance.

MFRS 11 Joint Arrangements

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non-monetary Contributions by Venturers.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 11 Joint Arrangements (continued)

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method. The application of MFRS 11 has no impact on the Group's financial position or performance.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, 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.

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. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (such as net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (such as revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, joint controlled entities and associates in separate financial statements. This standard affects disclosures only and has no impact on the Group's financial position or performance.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 128 Investments in Associates and Joint Ventures

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates. This standard affects disclosures only and has no impact on the Group's financial position or performance.

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 Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
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
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

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:

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2. Summary of significant accounting policies (continued)

2.5 Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit and loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Business combinations involving entities under common control are accounted for by applying the merger method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the 'acquired' entity is reflected within equity as merger reserve/deficit. The profit or loss reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented if the entities had always been combined since the date the entities had come under common control.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss. The accounting policy for goodwill is disclosed in Note 2.9(a).

2. Summary of significant accounting policies (continued)

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 directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(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.

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. Summary of significant accounting policies (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

(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.

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.

2. Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

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 if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the profit or loss.

2.12 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

Subsidiaries are consolidated using the acquisition method of accounting except for Johor Specialist Hospital Sdn Bhd and Ipoh Specialist Hospital Sdn Bhd which were consolidated using the merger method of accounting as disclosed in Note 2.5.

2.13 Investments in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2. Summary of significant accounting policies (continued)

2.13 Investments in associates (continued)

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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.

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for 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.

2. Summary of significant accounting policies (continued)

2.14 Financial assets (continued)

(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.

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. Summary of significant accounting policies (continued)

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.

2. Summary of significant accounting policies (continued)

2.18 Financial liabilities (continued)

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.

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. Summary of significant accounting policies (continued)

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. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If 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. When 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.

2.23 Revenue

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, medical supplies and surgical products. 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.

2. Summary of significant accounting policies (continued)

2.23 Revenue (continued)

(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

Deferred management fees represent amounts owed to the group 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.

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 and associates, 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.

2. Summary of significant accounting policies (continued)

2.24 Income taxes (continued)

(b) Deferred tax (continued)

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 and associates, 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.

2.25 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 41, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. Summary of significant accounting policies (continued)

2.26 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.

2.30 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability, or

(ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participant act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. Summary of significant accounting policies (continued)

2.30 Fair value measurement (continued)

The Group uses valuation techniques that appropriate in circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets of liabilities

(ii) Level 2 – Valuation techniques for the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(iii) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purposes of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities and the level of the of fair value hierarchy as explained above.

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:

(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. Significant accounting judgements and estimates (continued)

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) 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 taxes

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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Hospital charges	874,018	773,540	-	-
Consultation fees	636,074	590,492	-	-
Sale of pharmaceutical, medical and surgical products	716,700	646,812	-	-
Other hospital revenue				
- Clinics rental	12,628	12,308	-	-
- Others	10,003	11,172	-	-
Wellness subscription fees	13,440	11,248	-	-
Tuition fees	29,342	30,711	-	-
Deferred management fees	1,802	2,168	-	-
Dividend income from subsidiaries	-	-	105,322	106,039
Interest income	-	-	4,040	2,370
Management fees	-	-	34,976	32,786
Other revenue	37,641	17,646	508	-
	2,331,648	**2,096,097**	**144,846**	**141,195**

5. Finance income and costs

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Finance costs				
Finance cost on Islamic facilities	-	756	-	-
Accretion of interest	278	326	-	-
Islamic financing:				
- Commercial papers	16,076	10,850	-	-
- Al-Ijarah	894	-	-	-
- Al-Amin	-	162	-	-
- Revolving credits	9,491	3,137	9,491	3,085
Interest expense:				
- Overdrafts	513	121	9,971	-
- Term loans	1,277	1,850	-	-
- Revolving credits	2,258	1,838	-	-
- Lease and hire purchase	1,272	707	-	-
- Others	6,706	3,856	191	10,885
	38,765	**23,603**	**19,653**	**13,970**
Finance income				
Interest income on short term deposits	10,570	12,535	-	-
Net finance costs	**28,195**	**11,068**	**19,653**	**13,970**

6. Profit before zakat and tax

The following amounts have been included in arriving at the profit before zakat and tax:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- Statutory audits	1,850	1,369	144	113
- Other services	271	-	-	-
Bad debts recovered	(72)	(99)	-	-
Bad debts written off	778	408	-	-
Impairment of trade receivables	8,238	5,536	-	-
Reversal of impairment loss of trade receivables	(1,754)	(124)	-	-
Contribution to Klinik Waqaf An-Nur	3,328	3,120	-	-
Directors' remuneration (Note 8)	2,909	3,299	2,723	3,031

6. Profit before zakat and tax (continued)

The following amounts have been included in arriving at the profit before zakat and tax (continued):

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Inventories written off	157	33	-	-
Professional fees	6,769	3,159	2,091	1,323
Repair and maintenance	26,431	27,074	525	374
Property, plant and equipment:				
- Depreciation	93,061	77,896	-	-
- Written off	519	1,372	-	-
Loss on disposal of property, plant and equipment	104	808	-	-
Gain on disposal of non-current assets held for sale	-	(149)	-	-
Gain on fair value of investment properties (Note 15)	(646)	(1,198)	-	-
Rental expense of land and buildings	109,509	102,602	3,094	446
Rental of equipment and vehicles	4,538	1,481	122	338
Employee benefits costs (Note 7)	486,874	382,847	22,618	10,072
Amortisation of deferred consultancy expenses	(309)	(250)	-	-
Amortisation of intangible assets (Note 19)	1,049	650	-	-
Available-for-sale financial assets written off (Note 18)	2,520	-	-	-
Gain on disposal of shares in an associate	(1,306)	(11,380)	-	-

7. Employee benefits costs

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Staff costs (excluding directors' remuneration):				
- Salaries, allowances and bonuses	442,996	346,454	20,101	8,992
- Contribution to defined contribution plan	43,878	36,393	2,517	1,080
	486,874	**382,847**	**22,618**	**10,072**

8. Directors' remuneration

The aggregate amount of emoluments received/receivable by directors of the Company during the financial year is as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration				
- Fees	765	1,267	601	999
- Salaries, allowances and bonuses	1,973	1,732	1,951	1,732
- Contribution to defined contribution plan	125	208	125	208
- Benefits-in-kind	46	92	46	92
	2,909	**3,299**	**2,723**	**3,031**

9. Zakat

Zakat expense is zakat provided and paid during the year.

10. Income tax expense/(credit)

Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the years ended 31 December 2013 and 2012 are:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	57,170	54,255	1,683	893
- Foreign income tax	633	-	-	-
- Overprovision in respect of previous years	(3,655)	(1,279)	(1,097)	(1,095)
	54,148	52,976	586	(202)
Deferred income tax:				
- Origination and reversal of temporary differences	(7,491)	(1,293)	-	-
- Under/(over) provision in respect of previous years	710	(2,902)	-	-
	(6,781)	(4,195)	-	-
Income tax expense/(credit) recognised in profit or loss	**47,367**	**48,781**	**586**	**(202)**

10. Income tax expense/(credit) (continued)

Major components of income tax expense/(credit) (continued)

The current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

Reconciliation between income tax expense/(credit) and accounting profit

The reconciliation of income tax expense/(credit) and the product of accounting profit multiplied by the applicable corporate rate for the years ended 31 December 2013 and 2012 is as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit before tax	**157,732**	**195,575**	**69,610**	**89,156**
Tax at statutory tax rate of 25%	39,433	48,894	17,403	22,289
Differences resulted in different tax rate	(161)	-	-	-
Income not subject to tax	(2,501)	(3,202)	(24,677)	(24,715)
Non-deductible expenses	19,088	10,524	6,442	3,319
Expenses qualified for double deduction	(146)	-	-	-
Share of results of associates	(1,932)	(2,570)	-	-
Benefits from previously unrecognised tax losses	(10,434)	(571)	-	-
Benefits from previously unrecognised temporary differences	(1,255)	(113)	-	-
(Over)/under provision in respect of previous years				
- Current tax	(3,655)	(1,279)	(1,097)	(1,095)
- Deferred tax	710	(2,902)	-	-
Current year deferred tax asset not recognised	8,220	-	2,515	-
Income tax expense/(credit)	**47,367**	**48,781**	**586**	**(202)**

11. Dividends

	Company	
	2013	2012
	RM'000	RM'000
Recognised during the financial year:		
Interim dividends to ordinary equity holders of the Company:		
- Interim single tier dividends of 12.2 sen per share	-	76,555
- Interim single tier dividends of 10.0 sen per share	65,249	-
	65,249	**76,555**

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 average number of ordinary shares in issue during the financial year.

	Group	
	2013	**2012**
Profit attributable to ordinary equity holders of the Company (RM'000)	103,114	140,046
Adjusted number of ordinary shares of RM0.50 each ('000)	981,840	973,452*
Basic earnings per share (sen)	10.50	14.39

* The bonus issue was without consideration and it is treated as if it had occurred before the beginning of 1 January 2012.

(b) Diluted earnings per share

For the diluted earnings per share calculation, the average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares for the Group 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	
	2013	**2012**
Profit attributable to equity holders of the Company (RM'000)	**103,114**	**140,046**
Number of ordinary shares in issue ('000)	981,840	973,452
Adjusted number of ordinary shares of RM0.50 each in issue and issuable ('000)	103,272	81,144
Number of ordinary shares for diluted earnings per share ('000)	**1,085,112**	**1,054,596**
Diluted earnings per share (sen)	**9.50**	**13.28**

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								
2013								
At 1 January								
- 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
Currency translation differences	-	-	(300)	(12)	(3,136)	(693)	-	(4,141)
Additions	19,152	10,673	7,526	20,515	80,383	34,096	136,652	308,997
Acquisition of subsidiaries								
- At cost	-	8,000	1,613	112	9,765	2,992	74,077	96,559
Disposals	-	-	(503)	-	(2,923)	(10,725)	-	(14,151)
Written off	-	-	-	(29)	(2,368)	(991)	-	(3,388)
Reclassification - cost	(1,369)	6,223	234,672	4,871	2,652	1,978	(249,027)	-
Transfer to intangible assets (Note 19)	-	-	-	-	-	(11,627)	-	(11,627)
	85,045	**81,056**	**262,845**	**128,213**	**631,797**	**305,010**	**245,402**	**1,739,368**
At 31 December								
- Cost	72,295	62,596	258,846	128,213	631,797	305,010	245,402	1,704,159
- Valuation	12,750	18,460	3,999	-	-	-	-	35,209
	85,045	**81,056**	**262,845**	**128,213**	**631,797**	**305,010**	**245,402**	**1,739,368**
Accumulated depreciation								
2013								
At 1 January	-	(501)	6,273	(29,003)	(281,291)	(153,243)	-	(457,765)
Currency translation differences	-	-	121	-	1,250	701	-	2,072
Charge for the financial year	-	(368)	(638)	(9,751)	(54,618)	(27,686)	-	(93,061)
Disposals	-	-	-	-	2,062	10,474	-	12,536
Written off	-	-	-	-	2,372	497	-	2,869
Reclassification	-	-	-	-	(2)	2	-	-
At 31 December	**-**	**(869)**	**5,756**	**(38,754)**	**(330,227)**	**(169,255)**	**-**	**(533,349)**
Net carrying amounts								
At 31 December 2013	**85,045**	**80,187**	**268,601**	**89,459**	**301,570**	**135,755**	**245,402**	**1,206,019**

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								
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 (Note 25)	-	(2,100)	-	-	-	117	-	(1,983)
Disposals	-	-	-	(327)	(3,440)	(2,579)	(1,016)	(7,362)
Written off	-	-	-	(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
Written off	-	-	-	1	4,955	1,392	-	6,348
Reclassification to non- current assets held for sale (Note 25)	-	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**

13. Property, plant and equipment (continued)

Certain freehold land and buildings stated at valuation were revalued by the directors on 31 December 2010 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	
	2013	**2012**
	RM'000	**RM'000**
Costs		
Freehold land	78,700	23,153
Buildings	5,300	15,990
	84,000	39,143
Accumulated depreciation		
Buildings	(591)	(2,228)
Net carrying amounts	**83,409**	**36,915**

The additions and net book value of assets under hire purchase and finance leases are as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Assets under hire purchase and finance leases:		
- Addition during the financial year (Note 32)	7,569	6,891
- Net book value at the end of financial year	17,396	15,976

The net book value of property, plant and equipment pledged for borrowing facility (Note 27) as at 31 December 2013 is RM168,362,000 (2012: RM6,016,000).

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 2013 RM'000	Group 2012 RM'000
At fair value:		
At 1 January	53,118	26,223
Additions	8,982	25,697
Gain on fair value (Note 6)	646	1,198
At 31 December	**62,746**	**53,118**

The fair value of the properties was estimated at RM62,746,000 (2012: RM53,118,000) based on valuations performed by 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.

16. Investments in subsidiaries

Investments in subsidiaries is made up as follows:

	Company 2013 RM'000	Company 2012 RM'000
Unquoted shares, at cost	222,631	222,631
Loans to subsidiaries	725,289	654,898
	947,920	**877,529**

During the financial year, the Company has reclassified amounts due from subsidiaries amounting to RM70.4 million (2012: RM7.5 million) to interest in subsidiaries. This reclassification, in compliance with MFRS 139, "Financial Instruments: Recognition and Measurement", is to reclassify balances when the intercompany advances are not of commercial nature, and are interest free with no fixed terms of repayment.

16. Investments in subsidiaries (continued)

The following are subsidiaries of the Company:

Name of company	Country of incorporation	Effective equity interest 2013 %	Effective equity interest 2012 %	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	Malaysia	100	100	To be operating as an international specialist hospital
Subsidiary of Ipoh Specialist Hospital Sdn Bhd				
Sri Manjung Specialist Centre Sdn Bhd ~	Malaysia	100	-	Operating as a specialist hospital
Subsidiary of Tawakal Holdings Sdn Bhd				
Pusat Pakar Tawakal Sdn Bhd +	Malaysia	100	100	Operating as a specialist hospital

16. Investments in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest 2013 %	2012 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd				
Bukit Mertajam Specialist Hospital Sdn Bhd	Malaysia	100	100	Dormant
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	100	65	Providing sterile services

16. Investments in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest 2013 %	Effective equity interest 2012 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Puteri Nursing College Sdn Bhd	Malaysia	100	100	Operating a private university college of nursing and allied health
Pharmaserv Alliances Sdn Bhd	Malaysia	100	100	Marketing and distribution of medical and pharmaceutical products
PT Khasanah Putera Jakarta Medica ~	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	100	Operating as a specialist hospital
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 (Qld) Pty Ltd ~	Australia	57	57	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	95	100	Providing business of laundry services
Teraju Farma Sdn Bhd	Malaysia	75	75	Distribution of medical and pharmaceutical products

16. Investments in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest 2013 %	2012 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Maharani Specialist Hospital Sdn Bhd	Malaysia	100	100	To be operating as a specialist hospital
Perlis Specialist Hospital Sdn Bhd ~	Malaysia	60	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	Operating as a specialist hospital
Pahang Specialist Hospital Sdn Bhd ~	Malaysia	70	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
Renal-Link Sentosa Sdn Bhd	Malaysia	100	100	Dormant
Sri Kota Refractive and Eye Centre Sdn Bhd	Malaysia	100	100	Providing medical profession and consultancy services

16. Investments in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest 2013 %	Effective equity interest 2012 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Advanced Health Care Solution Sdn Bhd ~	Malaysia	100	100	Providing healthcare information
Bima Galeksi Sdn Bhd ~	Malaysia	70	70	Dormant
Energy Excellent Sdn Bhd ~	Malaysia	100	100	Dormant
BDC Specialist Hospital Sdn Bhd ~ #	Malaysia	100	-	Dormant
Rawang Specialist Hospital Sdn Bhd ~	Malaysia	100	-	To be operating as a specialist hospital
Massive Hybrid Sdn Bhd ~ #	Malaysia	100	-	To be operating as a specialist hospital
PT Khidmat Perawatan Jasa Medika ~	Indonesia	80	-	Operating as a specialist hospital
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

16. Investments in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest 2013 %	2012 %	Principal activities
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
Subsidiaries of Jeta Gardens (Qld) Pty Ltd				
Jeta Gardens Aged Care (Qld) Pty Ltd ~	Australia	100	100	Operates and manages an aged care facility
Jeta Gardens Management (Qld) Pty Ltd ~	Australia	100	100	Providing payroll and other administration services

* Direct equity holding by the Company is 84 % (2012: 84%).
\+ Direct equity holding by the Company is 14 % (2012: 14%).
^ Direct equity holding by the Company is 10% (2012: 10%).
~ Audited by a firm other than Ernst & Young.
\# The acquisition of these subsidiaries have not material effect on the financial position and financial performance of the Group.

16. Investments in subsidiaries (continued)

(a) Acquisition of subsidiaries in 2013:

During the financial year, the Group completed its acquisition in new interests and increased its stake in several subsidiaries as follows:

	2013 RM'000
Subscription of right issue in subsidiaries (Note (iv) and (v))	18,516
Acquisition of interests in newly acquired subsidiaries (Note (i), (ii) and (iii))	80,720
	99,236
Less: Cash and cash equivalents of subsidiaries acquired	(9,911)
	89,325

(i) On 23 March 2012, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, acquired 80% equity interest in PT Khidmat Perawatan Jasa Medika ("PT KPJ Medika") for a total cash consideration of RM15,840,000. The acquisition was completed on 7 March 2013.

(ii) On 17 April 2013, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, acquired 100% equity interest in Rawang Specialist Hospital Sdn Bhd ("RSHSB") comprising 30,000,000 ordinary shares of RM1.00 each for an aggregate cash consideration of RM50,630,164. The acquisition was completed on 18 July 2013.

(iii) On 12 September 2012, Ipoh Specialist Hospital Sdn Bhd ("ISH"), a subsidiary of the Company, acquired 100% equity interest in Sri Manjung Specialist Centre Sdn Bhd ("SMSC") comprising 900,000 ordinary share of RM1.00 each for an aggregate cash consideration of RM14,250,000. The acquisition was completed on 7 March 2013.

(iv) On 25 March 2013, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, subscribed for a further 9,750,000 ordinary shares of RM1.00 each in Perlis Specialist Hospital Sdn Bhd by capitalising RM9,750,000 advances made to the company.

(v) On 15 January 2013, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, subsribed for a further 8,765,748 ordinary shares of RM1.00 each in Pahang Specialist Hospital Sdn Bhd by capitalising RM8,765,748 advances made to the company.

16. Investments in subsidiaries (continued)

(a) Acquisition of subsidiaries in 2013: (continued)

The effect of the acquisitions on the financial results of the Group in the current financial year is as follows:

	2013 **RM'000**
Revenue	23,836
Operating costs	(14,413)
Profit before tax	1,651
Income tax expense	(238)
Profit for the financial year	**1,413**

Had the acquisitions took effect at the beginning of the financial year, the revenue and profit of the Group would have been RM30,662,694 and RM1,311,725 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 2013, together with the consequential tax effect.

The net assets recognised in the 31 December 2013 financial statements were based on provisional assessments of fair value while the Group sought independent valuations for the acquisitions during the year.

The details of net assets acquired and cash flows arising from the acquisitions of the following significant subsidiaries are as follows:

PT Khidmat Perawatan Jasa Medika	**Acquiree's carrying amounts RM'000**	**Fair value RM'000**
Property, plant and equipment	2,382	2,382
Receivables, deposits and prepayments	4,352	4,352
Deposits, cash and bank balances	9,621	9,621
Payables	(1,119)	(1,119)
Income tax payable	(11)	(11)
Fair value of net assets acquired	**15,225**	**15,225**
Goodwill on acquisition		615
Purchase consideration settled in cash		15,840
Less: Cash and cash equivalents of subsidiaries acquired		(9,621)
Cash outflow of the Group on acquisition		**6,219**

16. Investments in subsidiaries (continued)

(a) Acquisition of subsidiaries in 2013: (continued)

Sri Manjung Specialist Centre Sdn Bhd	Acquiree's carrying amounts RM'000	Fair value RM'000
Property, plant and equipment	1,405	1,405
Receivables, deposits and prepayments	3,347	3,347
Deposits, bank and cash balances	288	288
Payables	(481)	(481)
Income tax payable	(225)	(225)
Borrowings	(841)	(841)
Deferred tax	(65)	(65)
Fair value of net assets acquired	**3,428**	**3,428**
Goodwill on acquisition		10,822
Purchase consideration settled in cash		14,250
Less: Cash and cash equivalents of subsidiaries acquired		(288)
Cash outflow of the Group on acquisition		**13,962**

Rawang Specialist Hospital Sdn Bhd	Acquiree's carrying amounts RM'000	Fair value RM'000
Property, plant and equipment	74,601	74,601
Receivables, deposits and prepayments	192	192
Deposits, cash and bank balances	2	2
Payables	(8,798)	(8,798)
Borrowings	(37,117)	(37,117)
Fair value of net assets acquired	**28,880**	**28,880**
Goodwill on acquisition		21,750
Purchase consideration settled in cash		50,630
Less: Cash and cash equivalents of subsidiaries acquired		(2)
Cash outflow of the Group on acquisition		**50,628**

16. Investments in subsidiaries (continued)

(a) Acquisition of subsidiaries in 2013: (continued)

A summary of the details of net assets acquired and cash flows arising from the acquisitions during the financial year are as follows:

	Acquiree's carrying amounts RM'000	Fair value RM'000
Property, plant and equipment	78,388	78,388
Receivables, deposits and prepayments	7,891	7,891
Deposits, cash and bank balances	9,911	9,911
Payables	(10,398)	(10,398)
Income tax payable	(236)	(236)
Borrowings	(37,958)	(37,958)
Deferred tax	(65)	(65)
Net assets acquired	**47,533**	**47,533**
Goodwill on acquisition (Note 18)		33,187
Purchase consideration settled in cash		80,720
Less: Cash and cash equivalents of subsidiaries acquired		(9,911)
Cash outflow of the Group on acquisition		**70,809**

(b) Acquisition of subsidiaries in 2012:

(i) On 17 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 17 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 17 August 2012 and 30 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.

16. Investments in subsidiaries (continued)

(c) Summarised financial information of Kuantan Specialist Hospital Sdn Bhd, Perdana Specialist Hospital Sdn Bhd and Sentosa Specialist Hospital Sdn Bhd which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests in respect of other subsidiaries are not material to the Group.

(i) Summarised statements of financial position

	Kuantan Specialist Hospital Sdn Bhd		Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current assets	54,941	53,929	41,053	38,934	98,508	91,032	194,502	183,895
Current assets	17,775	12,039	23,274	18,618	34,882	33,042	75,931	63,699
Total assets	**72,716**	**65,968**	**64,327**	**57,552**	**133,390**	**124,074**	**270,433**	**247,594**
Current liabilities	10,293	8,905	38,273	34,869	32,645	35,483	81,211	79,257
Non-current liabilities	1,380	1,427	1,345	2,142	8,029	3,608	10,754	7,177
Total liabilities	**11,673**	**10,332**	**39,618**	**37,011**	**40,674**	**39,091**	**91,965**	**86,434**
Net assets	**61,043**	**55,636**	**24,709**	**20,541**	**92,716**	**84,983**	**178,468**	**161,160**
Revaluation reserve	3,041	2,841	4,479	4,008	13,300	11,900	20,820	18,749
Net equity attributable	58,002	52,795	20,230	16,533	79,416	73,083	157,648	142,411
Equity attributable to owners of the Company	44,969	40,932	12,251	10,012	47,650	43,850	104,870	94,794
Non-controlling interests	13,033	11,863	7,979	6,521	31,766	29,233	52,778	47,617

16. Investments in subsidiaries (continued)

(c) (ii) Summarised statements of comprehensive income

	Kuantan Specialist Hospital Sdn Bhd		Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	58,986	55,677	75,542	66,889	133,926	126,597	268,454	249,163
Profit for the year	6,723	6,683	5,293	5,327	17,410	17,850	29,426	29,860
Profit attributable to the owners of the Company	5,212	5,181	3,205	3,226	10,446	10,710	18,863	19,117
Profit attributable to the non-controlling interests	1,511	1,502	2,088	2,101	6,964	7,140	10,563	10,743
Total comprehensive income	**6,723**	**6,683**	**5,293**	**5,327**	**17,410**	**17,850**	**29,426**	**29,860**
Total comprehensive income attributable to owners of the Company	5,212	5,181	3,205	3,226	10,446	10,710	18,863	19,117
Total comprehensive income attributable to the non-controlling interests	1,511	1,502	2,088	2,101	6,964	7,140	10,563	10,743
	6,723	**6,683**	**5,293**	**5,327**	**17,410**	**17,850**	**29,426**	**29,860**
Dividend paid to non-controlling interests	341	83	630	420	4,000	4,800	4,971	5,303

16. Investments in subsidiaries (continued)

(c) (iii) Summarised statements of cash flows

	Kuantan Specialist Hospital Sdn Bhd		Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net cash generated from/(used in) operating activities	1,096	(6,129)	8,580	6,713	21,558	16,929	31,234	17,513
Net cash generated from/(used in) investing activities	(114)	6,445	(1,541)	(2,702)	(9,519)	(23,905)	(11,174)	(20,162)
Net cash generated from/(used in) financing activities	(1,524)	(381)	(6,311)	(3,990)	(6,174)	993	(14,009)	(3,378)
Net changes in cash and cash equivalents	(542)	(65)	728	21	5,865	(5,983)	6,051	(6,027)
Cash and cash equivalents at the beginning of the year	1,184	1,249	3,193	3,172	4,973	10,956	9,350	15,377
Cash and cash equivalents at the end of the year	**642**	**1,184**	**3,921**	**3,193**	**10,838**	**4,973**	**15,401**	**9,350**

16. Investments in subsidiaries (continued)

(d) Disposal of equity interest in Perlis Specialist Hospital Sdn Bhd and Pahang Specialist Hospital Sdn Bhd without losing control

As at 31 December 2013, the Group disposed 40% interest in Perlis Specialist Hospital Sdn Bhd and 30% interest in Pahang Specialist Hospital Sdn Bhd for a total of consideration of RM6,500,000 and RM3,756,750 respectively. This resulted in an increase in non-controlling interests of RM6,500,000 and decrease in the equity attributable to owners of the Group of RM6,500,000 for Perlis Specialist Hospital Sdn Bhd and increase in non-controlling interests of RM3,756,750 and decrease in the equity attributable to owners of the Group of RM3,756,750 for Pahang Specialist Hospital Sdn Bhd. The effect of the changes in ownership interest in Perlis Specialist Hospital Sdn Bhd and Pahang Specialist Hospital Sdn Bhd are summarised below:

	Group	
	2013	2012
	RM'000	RM'000
Carrying amount of equity interest disposed	10,257	-
Consideration received	10,257	-
Gain on disposal	-	-
Changes in equity attributable to owners of the Group arising from disposal of interest in Perlis Specialist Hospital Sdn Bhd and Pahang Specialist Hospital Sdn Bhd without a loss of control	**10,257**	-

17. Investments in associates

	Group 2013 RM'000	Group 2012 RM'000
Quoted ordinary shares in Al-'Aqar Healthcare REIT, at cost	342,967	336,248
Additions	-	55,508
Disposal	(15,076)	(48,789)
	327,891	342,967
Group's share of post acquisition retained profits and reserves less losses	81,846	70,477
Unquoted ordinary shares, at cost	65,799	10,312
Additions	-	55,487
	475,536	**479,243**
Share of capital commitments for property, plant and equipment	**5,063**	**5,254**
Share of non-cancellable operating lease commitments	**553,440**	**618,119**
Market value of quoted ordinary shares in Al-'Aqar Healthcare REIT	**436,096**	**455,754**

The associates of the Group are as follows:

Name of company	Country of incorporation	Effective equity interest 2013 %	Effective equity interest 2012 %	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	23	International specialist hospital

^ Listed on the Main Market of Bursa Malaysia Securities Berhad.
* Audited by a firm other than Ernst & Young.

17. Investments in associates (continued)

The aggregate amount of revenue, profits, assets (excluding goodwill) and liabilities of the associates of the Group and the Group's material associate are set out as follows:

	Group		Al-'Aqar Healthcare REIT	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Revenue	409,719	389,122	107,419	103,398
Profit after tax	93,832	86,682	75,825	64,289
Non-current assets	1,684,345	1,655,354	1,483,685	1,464,010
Current assets	161,140	154,625	85,224	84,173
Current liabilities	(86,129)	(721,499)	(12,231)	(659,892)
Non-current liabilities	(791,692)	(142,513)	(741,783)	(88,162)
Net assets	**967,664**	**945,967**	**814,895**	**800,129**

18. Available-for-sale financial assets

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	3,074	3,074
Writen off (Note 6)	(2,520)	-
At 31 December	**554**	**3,074**
Analysed as follows:		
- Listed equity securities in Malaysia	8	8
- Unlisted equity securities in Malaysia	546	3,066

Available-for-sale financial assets are denominated in Ringgit Malaysia. None of these financial assets is impaired.

19. Intangible assets

2013

	Goodwill RM'000	Software development expenditure RM'000	Total RM'000
Cost			
At 1 January 2013	165,231	12,033	177,264
Transfer from property, plant and equipment (Note 13)	-	11,627	11,627
Additions	-	15,574	15,574
Acquisitions on subsidiaries	33,191	-	33,191
At 31 December 2013	**198,422**	**39,234**	**237,656**
Accumulated amortisation			
At 1 January 2013	-	650	650
Amortisation charge for the year (Note 6)	-	1,049	1,049
At 31 December 2013	**-**	**1,699**	**1,699**
Net carrying amount			
At 31 December 2013	**198,422**	**37,535**	**235,957**

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 property, plant and equipment (a)	(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 (Note 6)	-	650	650
At 31 December 2012	**-**	**650**	**650**
Net carrying amount			
At 31 December 2012	**165,231**	**11,383**	**176,614**

19. Intangible assets (continued)

(a) MFRS 3 Business Combinations requires that all identifiable assets and liabilities and contingent liabilities assumed in a business combination 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	6-Apr-11	1.2	0.8	0.8		-
Sibu Medical Centre Sdn Bhd	6-Apr-11	26.9	8.3	11.2	^^	2.9
Jeta Gardens Waterford Trust	30-Nov-11	19.0	11.3	11.3		-

^^ Arising from fair value of land and building.

20. Impairment of assets

Impairment tests for goodwill

	Group 2013 RM'000	Group 2012 RM'000
Hospitals		
- Malaysia	176,036	143,460
- Indonesia	1,675	1,060
Aged care facility	16,145	16,145
Support services	4,566	4,566
	198,422	**165,231**

20. Impairment of assets (continued)

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.

The key assumptions used in value-in-use calculations are as follows:

	2013	2012
	%	%
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 tax

Deferred tax assets and liabilities were offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown on the statements of financial position:

	Group	
	2013	2012
	RM'000	RM'000
Deferred tax assets	25,678	15,601
Deferred tax liabilities	(47,153)	(43,857)
At 31 December	**(21,475)**	**(28,256)**

21. Deferred tax (continued)

The movement in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follows:

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	(28,256)	(32,451)
(Charged)/credited to profit or loss (Note 10):		
- Property, plant and equipment	(966)	4,747
- Tax losses	7,448	(3,271)
- Provisions	299	2,719
	6,781	4,195
At 31 December	**(21,475)**	**(28,256)**
Subject to income tax		
Deferred tax assets (before offsetting)		
- Tax losses	26,598	6,996
- Property, plant and equipment	2,415	8,331
- Provisions	7,498	10,196
	36,511	25,523
Offsetting	(10,833)	(9,922)
Deferred tax assets (after offsetting)	**25,678**	**15,601**
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	(57,986)	(53,779)
Offsetting	10,833	9,922
Deferred tax liabilities (after offsetting)	**(47,153)**	**(43,857)**

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 statements of financial position are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deductible temporary differences	-	5,775	-	-
Unutilised capital allowance	5,097	15,118	-	-
Unutilised tax losses	17,037	23,689	3,379	863

21. Deferred tax (continued)

Unrecognised tax losses

At the reporting date, the Group has tax losses of approximately RM13,107,000 (2012: RM23,689,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

22. Inventories

	Group	
	2013	2012
	RM'000	RM'000
At cost:		
Pharmaceutical products	38,058	42,796
Medical supplies	12,210	11,608
Consumables and disposable items	1,661	2,501
Laboratory chemicals	498	495
Other supplies	410	152
	52,837	**57,552**

23. Receivables

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Trade receivables	296,783	261,461	-	-
Less: Impairment of trade receivables	(29,555)	(23,208)	-	-
Trade receivables - net	**267,228**	**238,253**	**-**	**-**
Amount due from ultimate holding corporation	212	541	-	-
Amounts due from subsidiaries	-	-	100,554	111,053
Amounts due from related companies	4,102	-	-	-
Amounts due from associates	3,886	36	37	36
Other receivables	35,855	49,472	-	251
Deposits	70,127	23,900	26	38
Prepayments	45,692	12,825	212	244
Total receivables	427,102	325,027	100,829	111,622
Add: Deposits, cash and bank balances (Note 24)	312,965	201,460	8,955	1,931
Less: Prepayments	(45,692)	(12,825)	(212)	(244)
Total loans and receivables	**694,375**	**513,662**	**109,572**	**113,309**

23. Receivables (continued)

Credit terms of trade receivables range from 0 to 60 days (2012: 0 to 60 days).

As at 31 December 2013, trade receivables of RM147,192,000 (2012: RM152,089,000) is neither past due nor impaired and RM120,036,000 (2012: RM86,164,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2013	2012
	RM'000	RM'000
Neither past due nor impaired	147,192	152,089
1 to 30 days past due not impaired	49,591	28,587
31 to 60 days past due not impaired	25,863	16,893
61 to 90 days past due not impaired	11,859	9,691
91 to 120 days past due not impaired	6,636	7,576
More than 121 days past due not impaired	26,087	23,417
	120,036	86,164
Impaired	29,555	23,208
	296,783	**261,461**

As at 31 December 2013, trade receivables of RM29,555,000 (2012: RM23,208,000) were impaired and provided for.

Movement in allowance accounts:

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	23,208	18,560
Charge for the year	8,238	5,536
Appropriation to consultant	1,129	378
Written off	(1,266)	(1,142)
Reversal of impairment loss	(1,754)	(124)
At 31 December	**29,555**	**23,208**

23. Receivables (continued)

The currency exposure profile of the receivables and deposits (excluding prepayments) are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	365,303	288,670	100,617	111,378
Singapore Dollar	5,071	2,815	-	-
Indonesian Rupiah	4,274	4,182	-	-
Australian Dollar	6,762	16,535	-	-
	381,410	**312,202**	**100,617**	**111,378**

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		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	157,972	71,588	6,421	-
Cash and bank balances	154,993	129,872	2,534	1,931
	312,965	**201,460**	**8,955**	**1,931**

Bank balances are deposits held at call with licensed banks and do not earn interest.

The fixed deposits of certain subsidiaries have been pledged to licensed banks for the following facilities:

	Group	
	2013	2012
	RM'000	RM'000
Performance bonds to Tenaga Nasional Berhad	5,639	4,059
As a security for:		
- Borrowing facilities	3,062	1,128
- Performance guarantee	-	112
	8,701	**5,299**

The weighted average interest rates of deposits with licensed banks of the Group during the financial year were 2.8% (2012: 3.1%) per annum.

24. Deposits, cash and bank balances (continued)

The currency exposure profile of deposits, cash and bank balances as at end of the reporting period is as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	287,278	186,066	8,955	1,931
Singapore Dollar	6,095	6,882	-	-
Indonesian Rupiah	12,762	497	-	-
Australian Dollar	6,830	8,015	-	-
	312,965	**201,460**	**8,955**	**1,931**

Deposits of the Group have an average maturity of 90 days (2012: 90 days).

25. Non-current assets held for sale

	Group	
	2013	2012
	RM'000	RM'000
Hospitals land and buildings		
At 1 January	2,013	94,291
Additions	-	117
Reclassification from property, plant and equipment (Note 13)	-	1,896
Disposals	-	(94,291)
At 31 December	**2,013**	**2,013**

On 17 July 2013, Puteri Specialist Hospital (Johor) Sdn Bhd ("PSH"), a subsidiary of the Company entered into an agreement to dispose two pieces of lands, both situated in the town of Johor Bahru to Al-'Aqar Healthcare REIT for a total consideration of RM3,590,000 to be fully satisfied in cash. The disposal is expected to be completed in the second quarter of 2014.

26. Payables

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Non-current				
Advances from subsidiaries	-	-	174,282	174,282
Current				
Trade payables	277,262	239,607	-	-
Other payables	95,519	46,932	1,464	26
Resident loans	46,289	42,480	-	-
Accruals	59,116	79,936	2,205	2,269
Amount due to ultimate holding corporation	167	206	199	199
Amounts due to subsidiaries	-	-	82,046	184,492
Amounts due to related companies	1,986	-	50	50
Amounts due to associates	9,624	-	-	-
Total current payables	489,963	409,161	85,964	187,036
Total payables	489,963	409,161	260,246	361,318
Add: Borrowings (Note 27)	1,027,492	592,096	275,000	120,000
Add: Deposits (Note 29)	17,253	15,524	-	-
Total financial liabilities carried at amortised cost	**1,534,708**	**1,016,781**	**535,246**	**481,318**

Advances given by subsidiaries amounting to RM174.3 million (2012: RM174.3 million) are unsecured, bearing effective weighted average interest rate of 3.70% (2012: 3.70%) per annum and shall be repaid within 7 years.

Amounts due to 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 (2012: 30 to 60 days).

The currency exposure profile of payables is as follows:

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Ringgit Malaysia	388,120	305,036	260,246	361,318
Singapore Dollar	9,226	12,523	-	-
Indonesian Rupiah	1,775	2,333	-	-
Australian Dollar	90,842	89,269	-	-
	489,963	**409,161**	**260,246**	**361,318**

27. Borrowings

	Group 2013 RM'000	Group 2012 RM'000
Current		
Term loans (secured)		
- Conventional	2,444	13,718
- Hiwalah	-	6,145
- Al-Ijarah	4,683	4,344
	7,127	24,207
Revolving credits (unsecured):		
- Conventional	55,900	70,000
- Al-Amin	277,027	105,900
	332,927	175,900
Hire purchase and finance lease liabilities:		
- Conventional	1,912	4,591
- Bai Al-Inah	8,516	883
	10,428	5,474
	350,482	205,581
Bank overdrafts (unsecured)	8,140	1,046
	358,622	**206,627**
Non-current		
Islamic commercial papers (unsecured)	499,000	349,000
Term loans (secured)		
- Conventional	51,561	4,755
- Hiwalah	77,048	11,305
- Al-Ijarah	8,305	12,588
	136,914	28,648
Hire purchase and finance lease liabilities:		
- Conventional	3,383	5,826
- Bai Al-Inah	29,573	1,995
	32,956	7,821
	668,870	**385,469**
Total		
Islamic commercial papers (unsecured)	499,000	349,000
Term loans (secured)		
- Conventional	54,005	18,473
- Hiwalah term loan (secured)	77,048	17,450
- Al-Ijarah	12,988	16,932
	144,041	52,855

27. Borrowings (continued)

	Group 2013 RM'000	Group 2012 RM'000
Revolving credits (unsecured):		
- Conventional	55,900	70,000
- Al-Amin	277,027	105,900
	332,927	175,900
Hire purchase and finance lease liabilities:		
- Conventional	5,295	10,417
- Bai Al-Inah	38,089	2,878
	43,384	13,295
Bank overdrafts (unsecured)	8,140	1,046
	1,027,492	**592,096**

	Company 2013 RM'000	Company 2012 RM'000
Current		
Revolving credits (unsecured):		
- Conventional	-	70,000
- Al-Amin	275,000	50,000
	275,000	**120,000**

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.

27. Borrowings (continued)

Islamic Commercial Papers/Islamic Medium Term Notes ("ICP/IMTN")

The ICP/IMTN is issued by 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 conventional Commercial Papers/Medium Term Notes ("CP/MTN") with the first issuance of Islamic Commercial Paper/Islamic Medium Term Notes ("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 subject to the management tenure, either 1, 2, 3, 6, 9 and 12 months and are mandatorily redeemed at nominal value upon maturity date.

(4) IMTN has a maturity of 1 year but not more than 7 years and on condition that the IMTN shall not mature beyond 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 2013, the unutilised amount of ICP/IMTN amounted to RM1.0 million (2012: RM151.0 million).

The ICP/IMTN used the Group's investment in its associate Al-'Aqar Healthcare REIT amounting to RM234,963,962 as underlying assets as required under the Islamic Facilities requirement.

The IMTN Facility, if utilised, will be secured by Memorandum of charge over designated account identified as Finance Service Reserve Account ("FSRA") and Corporate Guarantee Agreement issued by the Company in favour of the appointed trustee (known as "Security Trustee").

27. Borrowings (continued)

	Functional currency/ currency exposure	Interest rate/ profit	Effective interest rate/profit % per annum at the end of the period	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
2013										
Group										
Islamic commercial papers (unsecured)	RM/RM	Floating	3.66	499,000	-	-	-	-	499,000	-
Term loans (secured):										
- Conventional	RM/RM	Floating	4.40	54,005	2,444	3,829	3,058	3,125	3,227	38,322
- Hiwalah	RM/RM	Fixed	5.21	77,048	-	8,989	15,410	15,410	15,410	21,829
- Al-Ijarah	RM/RM	Fixed	2.83	12,988	4,683	3,377	3,227	1,701	-	-
Revolving credits (unsecured):										
- Conventional	RM/RM	Floating	3.25	55,900	55,900	-	-	-	-	-
- Al-Amin	RM/RM	Floating	4.38	277,027	277,027	-	-	-	-	-
Hire purchase and finance lease liabilities:										
- Conventional	RM/RM	Fixed	3.28	5,295	1,912	1,781	1,260	152	152	38
- Bai Al-Inah	RM/RM	Fixed	3.55	38,089	8,516	8,834	6,868	6,819	4,856	2,196
Bank overdrafts (unsecured)	RM/RM	Floating	7.56	8,140	8,140	-	-	-	-	-
				1,027,492	**358,622**	**26,810**	**29,823**	**27,207**	**522,645**	**62,385**
Company										
Revolving credits (unsecured):										
- Al-Amin	RM/RM	Floating	4.30	275,000	275,000	-	-	-	-	-

27. Borrowings (continued)

	Functional currency/ currency exposure	Interest rate/ profit	Effective interest rate/profit % per annum at the end of the period	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										
Islamic commercial papers (unsecured)	RM/RM	Floating	3.70	349,000	-	-	-	-	-	349,000
Term loans (secured):										
- Conventional	RM/RM	Floating	3.28	18,473	13,718	1,562	640	678	720	1,155
- Hiwalah	RM/RM	Fixed	6.32	17,450	6,145	885	625	653	682	8,460
- Al-Ijarah	RM/RM	Fixed	2.95	16,932	4,345	4,590	3,286	3,152	1,559	-
Revolving credits (unsecured):										
- Conventional	RM/RM	Floating	3.73	70,000	70,000	-	-	-	-	-
- Al-Amin	RM/RM	Floating	4.00	105,900	105,900	-	-	-	-	-
Hire purchase and finance lease liabilities:										
- Conventional	RM/RM	Fixed	3.55	10,417	4,590	2,575	2,293	959	-	-
- Bai Al-Inah	RM/RM	Fixed	2.72	2,878	883	936	935	124	-	-
Bank overdrafts (unsecured)	RM/RM	Floating	7.56	1,046	1,046	-	-	-	-	-
				592,096	**206,627**	**10,548**	**7,779**	**5,566**	**2,961**	**358,615**
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**	-	-	-	-	-

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	Later than 5 years RM'000	Total RM'000
Group							
2013							
Hire purchase and finance lease liabilities:							
- Conventional	2,155	1,846	1,834	160	160	40	6,195
- Bai Al-Inah	10,134	10,086	10,720	6,764	4,724	379	42,807
	12,289	**11,932**	**12,554**	**6,924**	**4,884**	**419**	**49,002**
Less: Future finance charges:							
- Conventional							(900)
- Bai Al-Inah							(4,718)
							(5,618)
							43,384
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

28. Deferred revenue

	Group 2013 RM'000	Group 2012 RM'000
At 1 January	61,133	53,591
Additions	44,458	48,278
Earned during the financial year	(43,414)	(40,736)
At 31 December	**62,177**	**61,133**
Represented by:		
Fees received in advance		
- Students' fees	3,462	2,414
- Accommodation fees	641	658
- Others	267	-
KPJ Wellness Subscription Fees	57,807	58,061
	62,177	**61,133**

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 2013 RM'000	Group 2012 RM'000
Represented by:		
Refundable practicing deposits	8,709	8,601
Deferred consultancy expenses	8,544	6,923
	17,253	**15,524**

30. Share capital

	Group/Company	
	2013	2012
	RM'000	RM'000
Authorised ordinary shares of RM0.50 each		
At 1 January/31 December	750,000	500,000
Issued and fully paid ordinary shares of RM0.50 each		
At 1 January	323,091	292,492
Issued during the financial year:		
- Exercise of share warrants	4,224	30,599
- Issuance of bonus share	163,640	-
	490,955	**323,091**

(a) Treasury shares

On 11 June 2013, 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.

The Company has bought back 75,000 units of KPJ Healthcare Berhad shares from the open market, listed on the Main Market of Bursa Listed Securities Berhad, at an average buy-back price of RM3.47 per share between the period of 13 January 2014 to 21 January 2014. The total consideration paid for share buy-back, including transaction cost, was RM260,050 and was financed by internally generated fund. The shares were retained as treasury shares.

(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 Share for every four (4) shares held by the entitled share holders 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.

30. Share capital (continued)

(b) Share Split, Bonus Issue and Free Warrants (continued)

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:

Issuance date	Expiry date	Exercise price RM/share	Number of warrants 2010/2015 1.1.2013 '000	Additional '000	Exercised '000	31.12.2013 '000
15 January 2010	14 January 2015	1.14*	**13,351**	**2,452**	**(8,448)**	**7,355**

* Adjustment was made to the exercise price of the outstanding warrants 2011/2015 from RM1.70 to RM1.14 as a result of the Bonus Issue and Free Warrants on 27 December 2013.

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 2013 '000	2012 '000
1 January 2013 to 31 December 2013	3.00 - 7.36	1.14	**8,448**	**61,198**

Details relating to warrants exercised during the year are as follows:

	Group/Company 2013 RM'000	2012 RM'000
Ordinary share capital - at par	4,224	30,599
Share premium	10,138	73,436
Proceeds from exercise of warrants	**14,362**	**104,035**
Fair value at exercise date of shares issued	**43,761**	**336,889**

30. Share capital (continued)

(b) Share Split, Bonus Issue and Free Warrants (continued)

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.

(c) Proposed Combination of New Issue of Securities

On 28 November 2013, the shareholders of the Company approved the combination of new issues of securities at the Extraordinary General Meeting as follows:

(i) Bonus Issue of up to 329,766,497 new ordinary shares of RM0.50 each in the Company on the basis of one (1) bonus share for every two (2) existing shares held.

On 27 December 2013, 327,279,946 Bonus Shares and 2,451,551 additional warrants 2010/2015 consequential to the Bonus Issue were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

(ii) Renounceable Rights Issue of up to 43,968,866 new shares on the basis of one (1) rights share for every fifteen (15) existing shares held, together with up to 87,937,732 free detachable New Warrants 2013/2018 on the basis of two new (2) warrants for every one (1) rights share subscribed.

On 29 January 2014, 43,637,326 Rights Shares and 87,274,652 New Warrants as well as 96,098 additional warrants 2010/2015 consequential to the Rights Issue were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

The issue price of RM2.80 for the Right Shares are arrived based on a discount of approximately thirty percent (30%) over the theoretical ex-all price of the shares (after taking into account the Proposed Bonus Issue) based on the five (5)-day volume weighted average market price ("VWAP") of the shares immediately preceding the price fixing date.

(iii) Increase in the authorised share capital of the Company from RM500,000,000 to RM750,000,000 by way of issuance of 500,000,000 ordinary shares of RM0.50 each.

The new shares issued arising from the Bonus Issue, Rights Issue and Free Warrants exercised shall upon issue and allotment, rank pari passu in all respects.

31. Reserves

		Group		Company	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Non-distributable reserves:					
Share premium	(a)	-	142,266	-	142,266
Merger reserve	(b)	(3,367)	(3,367)	-	-
Exchange reserve	(c)	3,285	(25)	-	-
Revaluation reserve	(d)	50,415	50,415	-	-
		50,333	189,289	-	142,266
Distributable reserve:					
Retained earnings	(e)	546,622	518,546	24,064	31,525
		596,955	**707,835**	**24,064**	**173,791**

(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.

(d) Revaluation reserve (non-distributable)

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	50,415	45,215
Revaluation surplus, net of tax	-	5,200
At 31 December	**50,415**	**50,415**

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 2013 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 2013, the Company has fully utilised its Section 108 balance.

32. Non-cash transactions

The principal non-cash transaction during the financial year is the acquisition of property, plant and equipment of which RM7,569,000 (2012: RM6,891,000) is by means of hire purchase and finance lease.

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 2013 RM'000	Company 2012 RM'000
Paid/payable to/ (received/receivable from) subsidiaries			
Ampang Puteri Specialist Hospital Sdn Bhd	Management fees	(2,907)	(2,905)
	Advances received/paid	(13,364)	(18,350)
	Interest expense	755	1,665
	Dividend received (net)	(21,000)	(21,000)
Damansara Specialist Hospital Sdn Bhd	Management fees	(2,820)	(2,561)
	Interest expense	466	1,085
	Advances received	(27,800)	(12,850)
	Dividend received (net)	(21,000)	(21,000)
Ipoh Specialist Hospital Sdn Bhd	Management fees	(3,591)	(3,336)
	Interest expense	2,051	1,651
	Dividend received (net)	(1,519)	(1,329)
Johor Specialist Hospital Sdn Bhd	Management fees	(3,155)	(3,050)
	Dividend received (net)	(21,273)	(21,273)
	Interest expense	1,533	3,471
Kuching Specialist Hospital Sdn Bhd	Interest income	(45)	(20)
	Management fees	(1,009)	(1,014)
Kumpulan Perubatan (Johor) Sdn Bhd	Interest income	(1,236)	(2,129)
	Dividend received (net)	(25,200)	(25,200)
Kuantan Specialist Hospital Sdn Bhd	Management fees	(892)	(836)
	Interest expense	1,491	1,836
	Advances received	(3,700)	(26,802)
Pharmaserv Alliances Sdn Bhd	Management fees	(3,984)	(3,593)
	Interest income	(116)	(462)

33. Significant related party disclosures (continued)

(a) Significant related party transactions (continued)

	Type of transactions	Company 2013 RM'000	2012 RM'000
Paid/payable to/ (received/receivable from) subsidiaries (continued)			
Puteri Nursing College Sdn Bhd	Management fees	(1,200)	(1,200)
Perdana Specialist Hospital Sdn Bhd	Interest income	(46)	(660)
	Management fees	(1,145)	(1,001)
Puteri Specialist Hospital (Johor) Sdn Bhd	Management fees	(2,196)	(2,089)
	Corporate Fees	-	(97)
	Dividend received (net)	(10,114)	(10,114)
	Interest expense	707	225
Pusat Pakar Tawakal Sdn Bhd	Management fees	(2,631)	(2,243)
	Dividend received (net)	(447)	(640)
Penang Specialist Hospital Sdn Bhd	Management fees	(1,528)	(1,411)
	Expenses Recharged	-	(4)
	Repayment of Advances	3,000	960
Selangor Specialist Hospital Sdn Bhd	Management fees	(1,962)	(1,823)
	Interest expense	150	322
Sentosa Medical Centre Sdn Bhd	Management fees	(888)	(887)
	Advances Received	(4,000)	(6,200)
	Interest expense	695	690
Seremban Specialist Hospital Sdn Bhd	Management fees	(1,813)	(1,728)
SMC Healthcare Sdn Bhd	Management fees	(811)	(876)
Tawakal Holdings Sdn Bhd	Dividend received (net)	(2,979)	(3,688)
Kajang Specialist Hospital Sdn Bhd	Management fees	(1,487)	(1,292)

33. Significant related party disclosures (continued)

(a) Significant related party transactions (continued)

	Type of transactions	Company 2013 RM'000	Company 2012 RM'000
Paid/payable to/ (received/receivable from) subsidiaries (continued)			
Lablink (M) Sdn Bhd	Management fees	(150)	(150)
	Advances Received	(11,610)	(1,025)
Teraju Farma Sdn Bhd	Management fees	(120)	(120)
Taiping Medical Centre Sdn Bhd	Interest Expense	-	333
	Management fees	(252)	(233)
Pusat Pakar Kluang Utama Sdn Bhd	Management fees	(434)	(368)
	Advances Received	-	(3,629)
Point Zone (M) Sdn Bhd	Interest expense	1,724	217
Received/receivable from an associate			
Al-'Aqar Healthcare REIT	Disposal of building	-	(96,500)
	Disposal of land	-	(3,590)
Paid/payable to a related party			
JCorp Hotels and Resorts Sdn Bhd	Purchase of service apartments	-	1,935
Paid/payable ultimate corporation			
Johor Corporation	Acquisition of subsidiary	15,840	-
	Acquisition of land	-	45,000

33. Significant related party disclosures (continued)

(a) Significant related party transactions (continued)

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 Notes 23 and 26.

(b) Key management personnel compensation

	Group/Company	
	2013	**2012**
	RM'000	**RM'000**
Salaries, allowances and bonus	3,087	3,144
Contribution to defined contribution plan	520	680
	3,607	**3,824**

The Directors of the Group and of the Company are the key management personnel of the Group and of the Company. The details of directors' remuneration are disclosed in Note 8.

34. Non-cancellable operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Represented by:		
Not later than 1 year	81,704	71,527
Later than 1 year but not later than 2 years	118,751	71,457
Later than 2 years but not later than 5 years	233,073	248,031
Later than 5 years	428,879	479,790
	862,407	**870,805**

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.

35. Material litigation

On 26 July 2013, the Johor Bahru High Court had allowed the claim by Dr Mohd Adnan bin Sulaiman and Azizan Sulaiman (collectively the "Plaintiffs") against KPJSB ("Defendant") wherein the Plaintiffs had alleged that the Defendant had breached the Joint Venture Agreement Incorporating Shareholders' Agreement dated 30 May 1995 whereby the said High Court had awarded the sum of RM70.4 million and costs for the sum of RM150,000 against the Defendant ("Judgement").

KPJSB has instructed its solicitors, Messrs. Bodipalar Ponnudurai De Silva to file an appeal at the Court of Appeal against the said Judgement.

On 12 December 2013, Honourable Court of Appeal Judges, YA Datuk Zaharah binti Ibrahim, YA Dato' Mohamad Arif bin Md Yusof and YA Dato Mah Weng Kwai unanimously allowed the appeal by KPJSB against the decision of the Johor Bahru High Court in Suit No: 23NCVC-74-05/2012 dated 26 July 2013 with costs of RM200,000 ("Court of Appeal Judgement").

On 13 January 2014, the Plaintiffs have filed an application for leave to appeal to the Federal Court against the Court of Appeal's judgement. The hearing date for the said application has yet to be fixed by the Federal Court.

36. Significant events

(a) Acquisition by Pahang Specialist Hospital Sdn Bhd ("PSHSB") of leasehold land

On 22 June 2011, PSHSB, a wholly-owned subsidiary of Kumpulan Perubatan (Johor) Sdn Bhd ("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 was completed on 3 March 2013.

(b) Acquisition by Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") of 80% equity interest in PT Khidmat Perawatan Jasa Medika ("PT KPJ Medika").

On 23 March 2012, KPJSB accepted the offer to acquire of up to 80% equity interest in PT Khidmat Perawatan Jasa Medika PT KPJ Medika from Johor Corporation for a total cash consideration of RM15,840,000.

On 9 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.

(c) Acquisition by Pharmaserv Alliances Sdn Bhd ("PASB") of a 3 Storey Office Building together with a Single Storey Warehouse

On 1 June 2012, PASB, a wholly owned subsidiary of Kumpulan Perubatan (Johor) Sdn Bhd ("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 16 January 2013.

36. Significant events (continued)

(d) Disposal by Puteri Specialist Hospital (Johor) Sdn Bhd ("PSH") of two (2) pieces of land

On 8 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 by second quarter of 2014.

(e) Acquisition by Ipoh Specialist Hospital Sdn Bhd ("ISH") of 100% equity interest in Sri Manjung Specialist Centre ("SMSC")

On 12 September 2012, ISH, a subsidiary of the Company, proposed to acquire 100% equity interest in 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 was completed on 23 May 2013.

(f) Joint Venture between Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") and UTM Holdings Sdn Bhd ("UTM Holdings")

On 27 September 2013, KPJSB signed a Joint Venture Agreement ("JVA") with UTM Holdings Sdn Bhd for the purpose of designing, developing, building, completing and owning, and subsequently operating a private hospital on a portion of the leasehold land held under HSD 46692, Lot No. PTD No 95180, Mukim Kulaijaya, Johor.

(g) Acquisition by Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") of Land and Menara 238 ("Property") from Danaharta Hartanah Sdn Bhd ("DHSB")

On 11 September 2012, KPJSB and DHSB entered into a tenancy agreement whereby DHSB granted KPJSB the option to purchase the Property for a total cash consideration of RM206,000,000.

On 16 October 2013, KPJSB exercised its option to purchase and therefore entered into a conditional sale and purchase agreement ("SPA") with DHSB pursuant to the proposed acquisition.

The proposed acquisition was completed on 10 February 2014.

(h) Acquisition by Kumpulan Perubatan (Johor) Sdn Bhd of 100% equity in BDC Specialist Hospital Sdn Bhd ("BDCSHB")

On 6 November 2013, KPJSB entered into a conditional Share Sale Agreement with Usaha Cendera Sdn Bhd (formerly known as Usaha Cendera Cerah Sdn Bhd) for the acquisition of 2 ordinary shares of RM1.00 each in BDCSHSB which is equivalent to 100% of the equity of BDCSHSB for a total cash consideration of RM16,516,144.

BDCSHSB is the registered owner of all that parcel of leasehold land described as Lot 18807 Block 11, Muara Tebas Land District located at Stampin, Kuching, Sarawak measuring approximately 1.918 hectares. Henry Butcher in their valuation report dated 11 December 2012 has valued the Land based on the market value of RM16,590,000.

Upon the completion of the Proposed Acquisition, BDCSHSB will be a wholly-owned subsidiary of KPJSB.

The proposed acquisition is expected to complete in the first quarter of 2014.

36. Significant events (continued)

(i) Proposed Business between Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") and Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Trust

On 18 November 2013, KPJSB entered into a Deed of Agreement with Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Trust to lease a 250-bed hospital building known as "Sheikh Fazilatunnessa Mujib Memorial KPJ Specialist Hospital" erected on a piece of land located approximately 50 kilometres from Dhaka, Bangladesh ("the Land")(collectively "Hospital Building"). The Hospital Building was built at a cost of Tk2.15 billion (equivalent to RM87.5 million).

Pursuant to the Agreement, KPJSB or its nominee company, KPJ Healthcare (Bangladesh) Private Limited, a subsidiary of KPJSB in Bangladesh, will be the license operator of the said Hospital. KPJ Healthcare (Bangladesh) Private Limited will be incorporated upon the fulfillment of the Conditions Precedent .

The proposed business is expected to commence in the second quarter of 2014.

37. Capital commitments

Capital expenditure not provided for in the financial statements is as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Approved by the directors and contracted	191,557	163,475
Approved by the directors but not contracted	298,759	267,441
	490,316	**430,916**
Analysed as follows:		
- Leasehold land	1,500	5,700
- Buildings	342,209	253,314
- Medical equipment	68,479	24,199
- Other property, plant and equipment	78,128	147,703
	490,316	**430,916**

The Group's interest in capital commitments of the associates is disclosed in Note 17.

38. Fair value of financial instruments

(a) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	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.

(b) Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for asset as at 31 December 2013:

Fair value disclosures	Date of valuation	Carrying amount RM'000	Fair value RM'000
Investment properties (Note 15)	31 December 2013	44,660	62,746

Fair value disclosure of investment properties are categorised in Level 2 within the fair value hierarchy.

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 the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

39. Financial risk management objectives and policies (continued)

(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.

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.

39. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2013				
Group				
Payables	489,963	-	-	489,963
Borrowings	358,622	700,659	65,288	1,124,568
Deposits	17,253	-	-	17,253
Total undiscounted financial liabilities	**865,838**	**700,659**	**65,288**	**1,631,784**
Company				
Payables	85,964	174,282	-	260,246
Borrowings	275,000	-	-	275,000
Total undiscounted financial liabilities	**360,964**	**174,282**	**-**	**535,246**
2012				
Group				
Payables	409,161	-	-	409,161
Borrowings	206,627	82,093	372,101	660,821
Deposits	2,273	5,812	8,743	16,828
Total undiscounted financial liabilities	**618,061**	**87,905**	**380,844**	**1,086,810**
Company				
Payables	187,036	60,763	113,519	361,318
Borrowings	-	-	-	-
Total undiscounted financial liabilities	**187,036**	**60,763**	**113,519**	**361,318**

39. Financial risk management objectives and policies (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their 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 RM826,940 (2012: RM471,571) 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 or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has three subsidiaries abroad; a hospital 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 gross gearing ratio, which is total borrowings divided by shareholders' funds.

The Group's gross gearing ratios as at 31 December 2013 and 2012 were as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current borrowings	358,622	206,627	275,000	120,000
Non-current borrowings	668,870	385,469	-	-
Total	1,027,492	592,096	275,000	120,000
Shareholders' funds	1,087,546	1,030,903	514,655	496,859
Gearing ratio	**0.94**	**0.57**	**0.53**	**0.24**

41. 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 university college of nursing and allied health.

	Hospitals				Aged care facilities	Support services, corporate	Adjustments and	
	Malaysia	Indonesia	Thailand	Total	Australia	and others	eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Year ended 31 December 2013								
Revenue								
Total segment revenue	2,054,299	33,545	-	2,087,844	27,971	779,978	(564,145)	2,331,648
Inter-segment revenue	-	-	-	-	-	(37,933)	37,933	-
Revenue from external customers	**2,054,299**	**33,545**	**-**	**2,087,844**	**27,971**	**742,045**	**(526,212)**	**2,331,648**
Results								
Share of results of associates	33,626	-	3,216	36,842	4,028	5,988	-	46,858
Adjusted EBITDA*	295,825	(3,764)	3,216	295,277	(5,083)	148,324	(146,086)	292,432
Depreciation and amortisation	(83,864)	(2,759)	-	(86,623)	(466)	(7,021)	-	(94,110)
Finance cost	(11,890)	(432)	-	(12,322)	(515)	(30,830)	4,902	(38,765)
Profit before zakat and tax	200,071	(6,955)	3,216	196,332	(6,064)	110,473	(141,184)	159,557
Zakat	(1,678)	-	-	(1,678)	-	(147)	-	(1,825)
Income tax expense	(45,648)	-	-	(45,648)	(452)	(6,253)	4,986	(47,367)
Profit for the year	**152,745**	**(6,955)**	**3,216**	**149,006**	**(6,516)**	**104,073**	**(136,198)**	**110,365**
Total assets	**1,902,378**	**42,379**	**-**	**1,944,757**	**100,107**	**3,983,710**	**(3,186,967)**	**2,841,607**
Investment in associates	402,368	-	55,487	457,855^	48,201	10,312	(40,832)	475,536
Total liabilities	954,276	33,536	-	987,812	95,708	3,214,571	(2,629,011)	1,669,080

* Earnings before interest, taxation, depreciation and amortisation ("EBITDA").
^ Related to investment of an associate in Thailand.

41. Segmental reporting (continued)

	Hospitals				Aged care facilities	Support services, corporate	Adjustments and	
	Malaysia	Indonesia	Thailand	Total	Australia	and others	eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Year ended 31 December 2012								
Revenue								
Total segment revenue	1,878,958	22,134	-	1,901,092	30,783	684,652	(520,430)	2,096,097
Inter-segment revenue	-	-	-	-	-	(37,851)	37,851	-
Revenue from external customers	**1,878,958**	**22,134**	**-**	**1,901,092**	**30,783**	**646,801**	**(482,579)**	**2,096,097**
Results								
Share of results of associates	27,890	-	179	28,069	4,039	5,289	-	37,397
Adjusted EBITDA*	271,221	(6,869)	179	264,531	(4,352)	191,876	(153,011)	299,044
Depreciation and amortisation	(69,741)	(2,360)	-	(72,101)	-	(6,445)	-	(78,546)
Finance cost	(8,496)	(550)	-	(9,046)	(654)	(32,098)	18,195	(23,603)
Profit before zakat and tax	192,984	(9,779)	179	183,384	(5,006)	153,333	(134,816)	196,895
Zakat	(1,295)	-	-	(1,295)	-	(25)	-	(1,320)
Income tax expense	(43,823)	-	-	(43,823)	-	(9,575)	4,617	(48,781)
Profit for the year	**147,866**	**(9,779)**	**179**	**138,266**	**(5,006)**	**143,733**	**(130,199)**	**146,794**
Total assets	1,623,513	20,861	-	1,644,374	111,781	2,838,800	(2,345,177)	2,249,778
Investment in associates	398,066	-	55,487	453,553^	49,160	10,312	(33,782)	479,243
Total liabilities	697,061	29,399	-	726,460	96,739	2,162,460	(1,834,312)	1,151,347

* Earnings before interest, taxation, depreciation and amortisation ("EBITDA").

^ Related to investment of an associate in Thailand.

42. 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	
	2013 RM'000	2012 RM'000
Total retained earnings of KPJ Healthcare Berhad and its subsidiaries:		
- Realised	537,549	564,638
- Unrealised	(21,902)	(26,808)
	515,647	537,830
Total share of retained earnings from associates:		
- Realised	82,664	71,226
- Unrealised	(2,644)	(1,125)
	595,667	607,931
Less: Consolidation adjustments	(49,045)	(89,385)
Total Group retained earnings	**546,622**	**518,546**

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 2013 amounting to RM24,064,000 (31 December 2012: RM31,525,000) is fully realised.

Shareholdings
Statistics
As at 30 April 2014

Authorised Share Capital	:	RM500,000,000
Issued & Fully Paid-Up Capital	:	RM513,270,441.50 less RM1,328,500 Treasury Shares = RM511,941,941.50
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	166	2.86	6,061	-
100 – 1000	920	15.83	533,894	0.05
1,001 – 10,000	3,433	59.09	14,340,533	1.40
10,001 – 100,000	997	17.16	30,052,969	2.94
100,001 to less than 5 of Issued Capital	289	4.97	339,858,032	33.19
5 and above of Issued Capital	5	0.09	639,092,394	62.42
TOTAL	**5,810**	**100.00**	**1,023,883,883**	**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	Johor Corporation	236,946,682	23.14
2	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	128,279,295	12.53
3	Lembaga Tabung Haji	106,347,563	10.39
4	Johor Corporation	94,374,945	9.22
5	Waqaf An-Nur Corporation Berhad	73,143,909	7.14
6	RHB Noms (T) Sdn Bhd - A/C Johor Corporation (3rd Party)	28,927,197	2.83
7	Kumpulan Wang Persaraan (Diperbadankan)	20,935,400	2.04
8	RHB Noms (T) Sdn Bhd - A/C Johor Corporation	17,500,000	1.71
9	AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	17,070,593	1.67
10	AmanahRaya Trustees Berhad - A/C Public Islamic Dividend Fund	11,126,310	1.09
11	HSBC Noms (A) Sdn Bhd - A/C TNTC for Mondrian Emerging Markets Small Cap Equity Fund, L.P.	9,901,286	0.97
12	Johor Corporation	8,641,312	0.84
13	HSBC Noms (A) Sdn Bhd - A/C HSBC-FS I for Best Investment Corporation (Deutsche Asia)	7,325,380	0.72
14	AmanahRaya Trustees Berhad - A/C Public Islamic Select Enterprises Fund	6,705,646	0.65
15	AmanahRaya Trustees Berhad - A/C Public Islamic Equity Fund	6,666,636	0.65
16	DB (Malaysia) Nom (A) Sdn Bhd - A/C SSBT Fund W4B3 for Wasatch Emerging Markets Small Cap Fund	6,144,734	0.60
17	HSBC Noms (A) Sdn Bhd - A/C Exempt An for The Bank of New York Mellon (Mellon Acct)	5,741,259	0.56
18	Maybank Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Family PRF EQ)	5,596,916	0.55
19	HSBC Noms (A) Sdn Bhd - A/C Exempt An for Morgan Stanley & Co. LLC (Client)	4,907,618	0.48
20	HSBC Noms (A) Sdn Bhd - A/C BBH and Co Boston for Matthews Asia Small Companies Fund	4,885,493	0.48
21	HSBC Noms (A) Sdn Bhd - A/C Exempt An for JPMorgan Chase Bank, National Association (Norges BK Lend)	4,790,801	0.47
22	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	4,741,025	0.46
23	Citigroup Noms (A) Sdn Bhd - A/C CBNY for DFA Emerging Markets Small Cap Series	4,740,525	0.46
24	HSBC Noms (A) Sdn Bhd - A/C Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)	4,358,026	0.43
25	AmanahRaya Trustees Berhad - A/C Public Islamic Sector Select Fund	4,224,986	0.41

Top Thirty Securities Account Holders
(Without aggregating the securities from different securities accounts belonging to the same depositor) (continued)

	Name	No. of Shares	%
26	Kulim (Malaysia) Berhad	3,595,500	0.35
27	CIMB Commerce Trustee Berhad - A/C Public Focus Select Fund	3,399,666	0.33
28	Zalaraz Sdn Bhd	3,142,800	0.31
29	Maybank Noms (T) Sdn Bhd - A/C Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	2,900,000	0.28
30	DB (Malaysia) Nom (A) Sdn Bhd - A/C SSBT Fund WTAU for Wisdomtree Emerging Markets Smallcap Dividend Fund	2,803,341	0.27

Substantial Shareholders

	Name	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1	Johor Corporation - 4 a/cs	340,037,939	33.21	123,797,773	12.09
2	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board – 2 a/cs	130,502,865	12.75	-	-
3	Lembaga Tabung Haji	106,347,563	10.39	-	-
4	Waqaf An-Nur Corporation Berhad	73,143,909	7.14	-	-

Analysis of Shareholders

		No. of Shareholders	%	No. of Shares	%
Malaysian	- Bumiputra	1,306	22.48	723,866,081	70.70
	- Others	4,310	74.18	201,923,177	19.72
Foreigners		194	3.34	98,094,625	9.58
TOTAL		**5,810**	**100.00**	**1,023,883,883**	**100.00**

Directors' Shareholding as at 30 April 2014

	Name	No. of Shares	%
1	Kamaruzzaman bin Abu Kassim	-	-
2	Amiruddin bin Abdul Satar	6,266	-
3	YB Datin Paduka Siti Sa'diah Sheikh Bakir - 2 a/cs	1,147,124	0.11%
	- Indirect (Amy Nadzlina binti Mohamed)	19,583	-
4	Dr Yoong Fook Ngian	438,666	0.04%
5	Dr Kok Chin Leong	249,100	0.02%
6	Datuk Azzat bin Kamaludin	94,000	0.01%
7	Ahamad bin Mohamad	1,125	-
8	Aminudin bin Dawam	750	-
9	Tan Sri Dato' Dr Yahya bin Awang	-	-
10	Zainah bte Mustafa	-	-
11	Zulkifli bin Ibrahim	-	-

Warrantholdings Statistics

As at 30 April 2014 (KPJWA)

Break down of Warrantholdings

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
Less than 100	358	29.49	11,704	0.18
100 – 1000	358	29.49	289,819	4.49
1,001 – 10,000	396	32.62	1,472,445	22.80
10,001 – 100,000	91	7.50	2,455,306	38.03
100,001 to less than 5% of Issued Capital	9	0.74	1,469,908	22.76
5% and above of Issued Capital	2	0.16	757,850	11.74
TOTAL	**1,214**	**100.00**	**6,457,032**	**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	CimSec Noms (T) Sdn Bhd - A/C CIMB Bank for Mohammed Amin bin Mahmud (MM1004)	427,934	6.63
2	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	329,916	5.11
3	Lee Thian Chai	295,528	4.58
4	Mediqas Sdn Bhd	207,996	3.22
5	Maybank Noms (T) Sdn Bhd - A/C Maybank Trustees Berhad for CIMB-Principal Strategic Bond Fund (290077)	182,353	2.82
6	Ravindran a/l P.M Menon	164,790	2.55
7	Sukhjit Kaur Bhathal	161,762	2.51
8	Joginder Kaur Bhathal	123,879	1.92
9	Fadzli bin Abdullah @ Cheah Kow Chye	112,308	1.74
10	Persatuan Kebajikan Darul Hanan, Johor Bahru, Johor	112,071	1.74
11	Nottath Ramachandran a/l S.Rajamani Iyer	109,221	1.69
12	Maybank Noms (T) Sdn Bhd - A/C Lew Choon Hong	80,539	1.25
13	CimSec Noms (T) Sdn Bhd - A/C CIMB Bank for Rahimah Stephens (MM1078)	75,980	1.18
14	Yahaya bin Hassan	66,483	1.03
15	Chong Kok Chiat	59,417	0.92
16	Ignatius Chirayil a/l A.A Chirayil	58,694	0.91
17	Sappany a/l Arnachalam	52,236	0.81
18	Lee Hau Hian	52,236	0.81
19	Tham Sek Cheong	51,667	0.80
20	Roslan bin Arshad	50,634	0.78
21	Foo Loke Weng	47,488	0.74
22	Lee Kim Siea	45,588	0.71
23	HLB Noms (T) Sdn Bhd - A/C Md Shahrom bin Ujang	41,976	0.65
24	Ooi Tek Kooi	37,990	0.59
25	Abd Wahab Bin Abd Ghani	37,990	0.59
26	Kamil Bin Noordin	37,990	0.59
27	Hari Rajah a/l Selvadurai	37,990	0.59
28	Bajit Kor a/p Teja Singh	37,990	0.59
29	G Ruslan Nazaruddin bin Simanjuntak	37,990	0.59
30	Muhammed Ali Noor bin Muhd Abdul Ghani	37,990	0.59

Warrantholdings
Statistics
As at 30 April 2014 (KPJWA)
(continued)

Substantial Warrantholders

	Name	No. of Warrants	%
1	CimSec Noms (T) Sdn Bhd - A/C CIMB Bank for Mohammed Amin bin Mahmud (MM1004)	427,934	6.63
2	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	329,916	5.11

Analysis of Warrantholders

		No. of Warrantholders	%	No. of Warrants	%
Malaysian	- Bumiputra	332	27.35	2,601,360	40.29
	- Others	858	70.67	3,709,637	57.45
Foreigners		24	1.98	146,035	2.26
TOTAL		**1,214**	**100.00**	**6,457,032**	**100.00**

Directors' Warrantholding as at 30 April 2014

	Name	No. of Warrants	%
1	Kamaruzzaman bin Abu Kassim	-	-
2	Amiruddin bin Abdul Satar	-	-
3	YB Datin Paduka Siti Sa'diah Sheikh Bakir	-	-
4	Dr Yoong Fook Ngian	-	-
5	Dr Kok Chin Leong	-	-
6	Datuk Azzat bin Kamaludin	-	-
7	Ahamad bin Mohamad	132	0.00%
8	Aminudin bin Dawam	10,447	0.16%
9	Tan Sri Dato' Dr Yahya bin Awang	-	-
10	Zainah bte Mustafa	-	-
11	Zulkifli bin Ibrahim	-	-

Warrantholdings
Statistics

As at 30 April 2014 (KPJWB)

Break down of Warrantholdings

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
Less than 100	69	2.53	3,593	-
100 – 1000	1,544	56.54	699,629	0.80
1,001 – 10,000	779	28.52	3,286,060	3.77
10,001 – 100,000	293	10.73	8,834,716	10.12
100,001 to less than 5% of Issued Capital	43	1.57	22,727,266	26.04
5% and above of Issued Capital	3	0.11	51,723,388	59.27
TOTAL	**2,731**	**100.00**	**87,274,652**	**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	RHB Noms (T) Sdn Bhd - A/C Johor Corporation (3rd Party)	32,790,394	37.57
2	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	10,508,368	12.04
3	Lembaga Tabung Haji	8,424,626	9.65
4	Kulim (Malaysia) Berhad	4,355,200	4.99
5	Johor Corporation	3,629,100	4.16
6	Waqaf An-Nur Corporation Berhad	1,625,012	1.86
7	Amanahraya Trustees Berhad - A/C Public Islamic Select Treasures Fund	1,412,986	1.62
8	Amanahraya Trustees Berhad - A/C Public Islamic Dividend Fund	946,920	1.08
9	CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank for Liew Jun Kuan (MY0750)	703,000	0.81
10	HSBC Noms (A) Sdn Bhd - A/C TNTC for Mondrian Emerging Markets Small Cap Equity Fund, L.P.	656,372	0.75
11	HSBC Noms (A) Sdn Bhd - A/C Exempt An for JPMorgan Chase Bank, National Association (Norges BK Lend)	645,702	0.74
12	HSBC Noms (A) Sdn Bhd - A/C HSBC-FS I for Best Investment Corporation (Deutsche Asia)	623,436	0.71
13	Amanahraya Trustees Berhad - A/C Public Islamic Select Enterprises Fund	570,692	0.65
14	Amanahraya Trustees Berhad - A/C Public Islamic Equity Fund	567,372	0.65
15	Amanahraya Trustees Berhad - A/C Dana Johor	477,332	0.55
16	Maybank Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Family PRF EQ)	476,332	0.55
17	CIMSec Noms (T) Sdn Bhd - A/C CIMB for Tan Kok Pin @ Kok Khong (PB)	425,000	0.49
18	HSBC Noms (A) Sdn Bhd - A/C BBH and Co Boston for Matthews Asia Small Companies Fund	415,786	0.48
19	HSBC Noms (A) Sdn Bhd - A/C Exempt An for Morgan Stanley & Co. LLC (Client)	405,836	0.47
20	HSBC Noms (A) Sdn Bhd - A/C Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	346,104	0.40
21	HSBC Noms (A) Sdn Bhd - A/C Exempt An for The Bank Of New York Mellon (Mellon Acct)	332,880	0.38
22	Maybank Noms (T) Sdn Bhd - A/C Ng Kow Chai	316,800	0.36
23	Zalaraz Sdn Bhd	300,600	0.34
24	CIMB Commerce Trustee Berhad - A/C Public Focus Select Fund	289,332	0.33
25	Citigroup Noms (A) Sdn Bhd - A/C CBNY for Old Westbury Small & Mid Cap Fund	201,026	0.23
26	Chieng Leh Liew	201,000	0.23
27	Lee Thiam Yew	180,000	0.21
28	Maybank Noms (T) Sdn Bhd - A/C Razali bin Mohammad	173,100	0.20
29	CIMSec Noms (T) Sdn Bhd - A/C CIMB for Ahmad Fuad Bin Md Ali (PB)	171,500	0.20
30	Chue Ching Wen	170,000	0.19

Warrantholdings
Statistics
As at 30 April 2014 (KPJWB)
(continued)

Substantial Warrantholders

	Name	No. of Warrants	%
1	RHB Noms (T) Sdn Bhd - A/C Johor Corporation (3rd Party)	32,790,394	37.57
2	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	10,508,368	12.04
3	Lembaga Tabung Haji	8,424,626	9.65

Analysis of Warrantholders

		No. of Warrantholders	%	No. of Warrants	%
Malaysian	- Bumiputra	710	26.00	62,618,429	71.75
	- Others	1,939	71.00	19,932,811	22.84
Foreigners		82	3.00	4,723,412	5.41
TOTAL		**2,731**	**100.00**	**87,274,652**	**100.00**

Directors' Warrantholding as at 30 April 2014

	Name	No. of Warrants	%
1	Kamaruzzaman bin Abu Kassim	-	-
2	Amiruddin bin Abdul Satar	532	-
3	YB Datin Paduka Siti Sa'diah Sheikh Bakir - 2 a/cs	109,498	0.13%
4	Dr Yoong Fook Ngian	37,332	0.04%
5	Dr Kok Chin Leong	21,200	0.02%
6	Datuk Azzat bin Kamaludin	8,000	0.01%
7	Ahamad bin Mohamad	-	-
8	Aminudin bin Dawam	-	-
9	Tan Sri Dato' Dr Yahya bin Awang	-	-
10	Zainah bte Mustafa	-	-
11	Zulkifli bin Ibrahim	-	-

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 RM449.0 million raised from the Islamic Commercial Papers/Islamic Medium Term Notes Programme have been fully utilised in the following manner:

ICP/IMTN	RM'000
At start of the financial year	349,000
Issued during the financial year for working capital purposes	150,000
At end of financial year	**449,000**

2. **Treasury Shares**
   During the financial year, 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.

3. **Options, Warrants or Convertible Securities**
   During the financial year, 8,448,306 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 RM1.14 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 paid RM186,530 in relations to corporate exercise.

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 11 June 2013, 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 May 2013 to date of next AGM RM'000	Frequency of transactions
Metro Parking (M) Sdn Bhd	Rental Income for renting of land for car park	1,483	Monthly
Teraju Fokus Sdn Bhd	Security services fees payable	3,911	Monthly
HC Duraclean Sdn Bhd	Housekeeping contract fees payable	9,204	Monthly
Pro Corporate Management Services Sdn Bhd	Secretarial and Registrar fees payable	245	Monthly
Healthcare Technical Services Sdn Bhd	Fees payable for Project Management and Maintenance of non-medical equipment	11,164	Contract Basis
TMR Urusharta (M) Sdn Bhd	Fees payable for Project Management and Maintenance of lab premises payable	114	Contract Basis
MIT Insurance Brokers Sdn Bhd	Insurance Coverage	3,757	Contract Basis
		29,878	

Listing of Properties

Location	Description	Market value 2013 (RM million)	Tenure & A Expiry Date	Area (in sq metre)
Tawakal Hospital Lot No. 523, Seksyen 85A, Jalan Pahang Barat, Kuala Lumpur.	Car Park	10.6	Term in Perpetuity	4,048
Kumpulan Perubatan (Johor) Sdn Bhd Unit No. 14-5-1, The Palladium Condominium, Jalan Gurney 2, Kuala Lumpur.	Condominium	0.4	Freehold	114
No. 5 & 7, Persiaran Titiwangsa 3, Kuala Lumpur.	Land	3.9	Term in Perpetuity	981
No. 3 Lorong San Ah Wing, Off Lorong Gurney, Kuala Lumpur.	Land and bungalow	4.4	Term in Perpetuity	1,282
Mukim of Klang District of Klang State of Selangor	Vacant Land	24.5	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	3.2	Leasehold 99 years expiring 2092	1,650
Bangunan Pharmacare, Jalan Pahang Barat, Off Jalan Pahang, Kuala Lumpur.	Office Building	7.8	Term in Perpetuity	1,204
KPJ Damansara Specialist Hospital Lot No. PT 12058, Jalan SS 20/17, Damansara Utama, Petaling Jaya, Selangor.	Vacant Land	1.9	Freehold	945
No. 131, Jalan SS 20/10, Damansara Utama, Petaling Jaya, Selangor.	Land and double storey detached house	2.9	Freehold	916
KPJ Johor Specialist Hospital 24-N & 24-P, Jalan Tarom, Johor Bahru, Johor.	Nurse Hostel	2.0	Freehold	2,027
No. 38B, Jalan Abdul Samad, Johor Bahru, Johor.	Land under development	1.6	Freehold	1,002
Hospital Pusrawi Building No. 19, Jalan USJ 9/3F, Subang Jaya, Petaling Jaya, Selangor.	Clinic and office building	0.5	Freehold	149

Location	Description	Market value 2013 (RM million)	Tenure & A Expiry Date	Area (in sq metre)
Kota Kinabalu Specialist Hospital Lot 1, Lorong Pokok Tepus 1, Kota Kinabalu, Sabah	Vacant Land	1.0	Leasehold 99 years expiring 2073	797
Selangor Specialist Hospital Lot 2, Jalan 18/24, Seksyen 18, Shah Alam, Selangor	Vacant Land	8.0	Leasehold 99 years expiring 2106	15,484
Pasir Gudang Specialist Hospital Lot PTD 204781, Mukim Plentong, Johor Bahru, Johor.	Land and building	55.7	Leasehold 99 years expiring 2053	13,142
Maharani Specialist Hospital Building Lot 2024, Bandar Maharani, Muar Johor.	Land and building under development	54.9	Freehold	6,944

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE TWENTY FIRST (21ST) ANNUAL GENERAL MEETING ("AGM") OF KPJ HEALTHCARE BERHAD ("KPJ" OR THE "COMPANY") WILL BE HELD AT THE PERMATA BALLROOM, LEVEL B2, THE PUTERI PACIFIC HOTEL, JALAN ABDULLAH IBRAHIM, 80000 JOHOR BAHRU, JOHOR, ON TUESDAY 10 JUNE 2014 AT 12.00 NOON 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 2013 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) Amiruddin Abdul Satar (Article 96) **(Resolution 2)**
   (ii) Datuk Azzat Kamaludin (Article 96) **(Resolution 3)**
   (iii) Tan Sri Dato' Dr Yahya Awang (Article 97) **(Resolution 4)**
   (iv) Zulkifli Ibrahim (Article 97) **(Resolution 5)**
   (v) Aminudin Dawam (Article 97) **(Resolution 6)**

3. To consider, and if thought fit, to pass the following resolutions pursuant to Section 129(6) of the Companies Act 1965:-
   (i) "That Dr Yoong Fook Ngian, who is above the age of seventy (70), be and is hereby re-appointed as Director and to hold office until the next AGM of the Company." **(Resolution 7)**

4. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2013. **(Resolution 8)**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**

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 DIRECTOR

   "**THAT**, subject to the passing of Resolution 3, 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 of the Company 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 for the time being 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; or
   (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)

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 19 May 2014 ("Circular") with the Related Parties as described in 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 21st 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 2014. Depositors whose names appear on the ROD as at 3 June 2014 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 :19 May 2014

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 18, Lot 1B, Podium 1, 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 Resolution 10 if passed, will enable Datuk Azzat Kamaludin to continue to act as Independent Director notwithstanding that he had served the Board as Independent Non-Executive Director for a term of more than 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 Datuk Azzat's length of service does not interfere with the exercise of independent judgment and ability to act in the best interests of the shareholders. In addition, the Board believes that his detailed knowledge of the Group's business and his proven commitment, experience and competence will greatly benefit the Company. The Director concerned had declared his independence and his desire to continue as Independent Non-Executive Director 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 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 RM14,362,000.00
    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 19 May 2014 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) Amiruddin Abdul Satar (Article 96)
   (ii) Datuk Azzat Kamaludin (Article 96)

2. The Directors who are retiring pursuant to Article 97 of the Company's Articles of Association are as follows:-
   (iii) Tan Sri Dato' Dr Yahya Awang (Article 97)
   (iv) Zulkifli Ibrahim (Article 97)
   (v) Aminudin Dawam (Article 97)

3. The Directors who are standing for re-appointment under Section 129(6) of the Companies Act, 1965 are:-
   (vi) Dr Yoong Fook Ngian

4. A total of six (6) Board Meetings were held during the financial year ended 31 December 2013. Details of attendance of Directors at Board Meetings held during the financial year ended 31 December 2013 are as follows:-

	4 March 2013	20 May 2013	11 June 2013	26 July 2013	30 Sept 2013	28 Nov 2013
Non-Independent Non-Executive Director						
Dato' Kamaruzzaman Abu Kassim	√	√	√	√	√	√
Ahamad Mohamad	√	√	√	√	√	√
Rozan Mohd Sa'at	√	√	√	√	√	√
Abdul Razak Haron	√	√	√	√	-	-
Non-Independent Non-Executive Director/Corporate Advisor						
Datin Paduka Siti Sa'diah Sheikh Bakir	√	√	√	√	√	√
Independent Non-Executive Directors						
Zainah Mustafa	√	√	√	√	√	X
Datuk Azzat Kamaludin	X	√	√	√	√	X
Datuk Dr Hussein Awang	√	√	X	-	-	-
Tan Sri Dato Dr Yahya Awang	-	-	-	√	√	√
Dr Kok Chin Leong	√	√	√	√	√	√
Dr Yoong Fook Ngian	√	√	√	√	X	√
Executive/Managing Director						
Amiruddin Abdul Satar	√	√	√	√	√	√

Date of Meeting	**Description**	**Venue**
4 March 2013	70th Board Of Directors Meeting	KPJ Johor Specialist Hospital, Johor
20 May 2013	71st Board Of Directors Meeting	Pasir Gudang Specialist Hospital, Johor
11 June 2013	Special Board of Directors Meeting	Persada Johor, Johor
26 July 2013	Special Board of Directors Meeting	Menara 238, Kuala Lumpur
30 September 2013	72nd Board Of Directors Meeting	Persada Johor, Johor
28 November 2013	73rd Board Of Directors Meeting	KPJ Johor Specialist Hospital, Johor

5. Particulars of Directors seeking re-election at the Annual General Meeting are set out in the Directors' Profile appearing in pages 42 - 52 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 Twenty First (21st) Annual General Meeting of the Company to be held at the Permata Ballroom, Level B2, The Puteri Pacific Hotel, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on Tuesday 10 June 2014 at 12.00 noon 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	AMIRUDDIN ABDUL SATAR		
3	DATUK AZZAT KAMALUDIN		
4	TAN SRI DATO' DR YAHYA AWANG		
5	ZULKIFLI IBRAHIM		
6	AMINUDIN DAWAM		
	TO RE-APPOINT :		
7	DR YOONG FOOK NGIAN		
8	TO APPROVE DIRECTORS' FEE		
9	TO RE-APPOINT AUDITORS		
10	**ANY OTHER BUSINESS** **PROPOSED DIRECTOR TO CONTINUE AS INDEPENDENT NON-EXECUTIVE DIRECTOR:** DATUK AZZAT KAMALUDIN		
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 ______________ 2014

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 18, Lot 1B, Podium 1, 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 18, Lot 1B
Podium 1
Menara Ansar
65 Jalan Trus
80000 Johor Bahru
Johor

1st fold here

www.kpjhealth.com.my

Level 12, Menara 238, 238 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.
Tel : (603) 2681 6222 Fax : (603) 2681 6888
Email : kpj@kpjhealth.com.my

Table of **Contents**

02 Vision & Mission
03 Core Values
04 Corporate Directory
08 Corporate Information
09 Corporate Profile
10 Corporate Structure
12 Network of KPJ Hospitals and Companies
14 Financial and Operational Highlights
16 Summary of Financial Statements
- Statement of Comprehensive Income
- Statement of Financial Position

18 Corporate History
20 Awards and Achievements
22 Media Highlights
26 Statement to Shareholders
40 Board and Management
- Board of Directors
- Directors' Profiles
- Executive Committee
- Hospital Medical Directors
- Hospital Management Committee
- Divisional Committee

66 Corporate Governance
- Statement on Corporate Governance
- Statement on Internal Control and Risk Management
- Audit Committee Report
- Medical Advisory Committee Report

100 Business Review
- Hospital Operations
- New Hospital Developments
- Medical Tourism
- Biomedical Services
- Service Quality Management
- Corporate Responsibility
- EduKATE - KPJ Healthcare University College
- Aged Care & Retirement Village
- Ancillary Services
- Highlights in Pictures

156 Corporate Developments and Announcements

158 Financial Statements
- Directors' Report
- Statement by Directors
- Statutory Declaration
- Independent Auditors' Report
- Statements of Comprehensive Income
- Statements of Financial Position
- Consolidated Statement of Changes in Equity
- Company Statement of Changes in Equity
- Statements of Cash Flows
- Notes to the Financial Statements

257 Statistics and Notice of Annual General Meeting
- Shareholdings Statistics
- Warrantholdings Statistics
- Compliance Information
- Listing of Properties
- Notice of Annual General Meeting
- Statement Accompanying Notice of Annual General Meeting

Form of Proxy

Vision & Mission

KPJ Healthcare Berhad (KPJ or the Group) has certainly grown from strength to strength and from success to success since our beginnings as a single hospital in Johor Bahru some 33 years ago. The Group continues to strengthen its presence, acquiring new ground-breaking technologies as well as tap dynamic partnerships driven by a shared aspiration to build healthier communities and a unwavering commitment to "Care for Life". Today, KPJ is firmly entrenched as Malaysia's largest network with 24 private specialist hospitals with a presence in almost every state. Coupled with our strategic investments in Indonesia, Australia,Thailand and Bangladesh, KPJ remains an attractive, well-rounded proposition for shareholders.

24

private specialist hospitals with a presence in almost every state.

Coupled with our strategic investments in Indonesia, Australia, Thailand and Bangladesh.

Our **Vision is** being

THE PREFERRED HEALTHCARE PROVIDER

to our patients as we endeavour to be their lifelong companion throughout their healthcare journey. To this end, we offer a continuum of highly sought after specialised medical solutions that transcend borders and cultures while covering the entire patient lifecycle from pre-natal to geriatric care.

As we go all out to implement our **Mission** of

DELIVERING QUALITY HEALTHCARE SERVICES,

we remain committed to delivering world-class patient care with professionalism and an undivided compassion to the countless communities that we serve. At the same time, we continue to keep a keen eye on the provision of quality healthcare services through continuous improvements in patient care and outcomes.

In all that we do, we are supported by our loyal team of over 10,000 dedicated employees who have passionately embraced the Group's culture of excellence and are empowered with the skills to enhance patient care throughout our network of hospitals.

10,000 employees

Core Values

Ensuring **Safety**

Exercising **Professionalism** At All Times

Delivering Service With **Courtesy**

Striving For **Continuous Improvement**

Performing Duties With **Integrity**

The KPJ 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.

By working closely together, embracing our Core Values, and prioritising patient safety and quality medical care, we are confident of gaining our patients' confidence, strengthening our reputation as a key player in the healthcare sector, and delivering sustainable value to all shareholders.

Corporate Directory

BANGLADESH
Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College, Dhaka

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

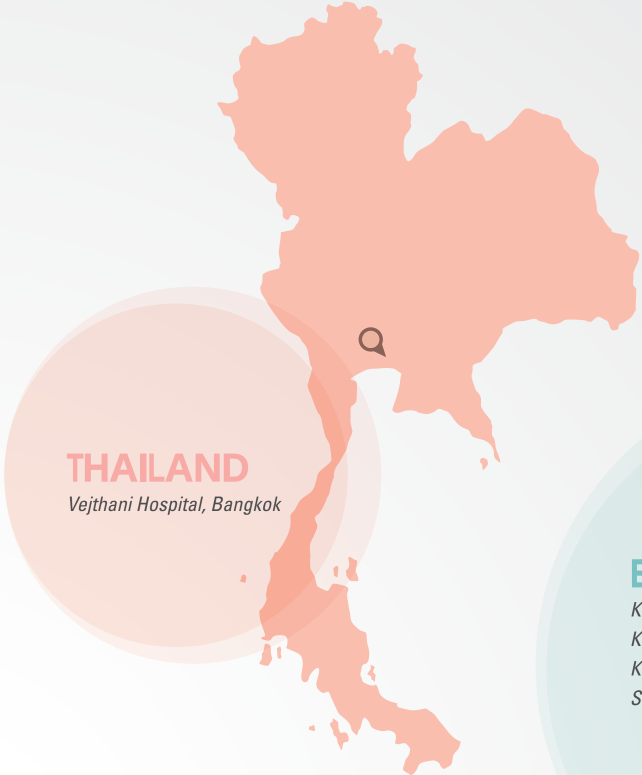
EAST COAST
KPJ Perdana Specialist Hospital
KPJ Kuantan Specialist Hospital
*KPJ Pahang Specialist Hospital **

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
KPJ Rawang Specialist Hospital

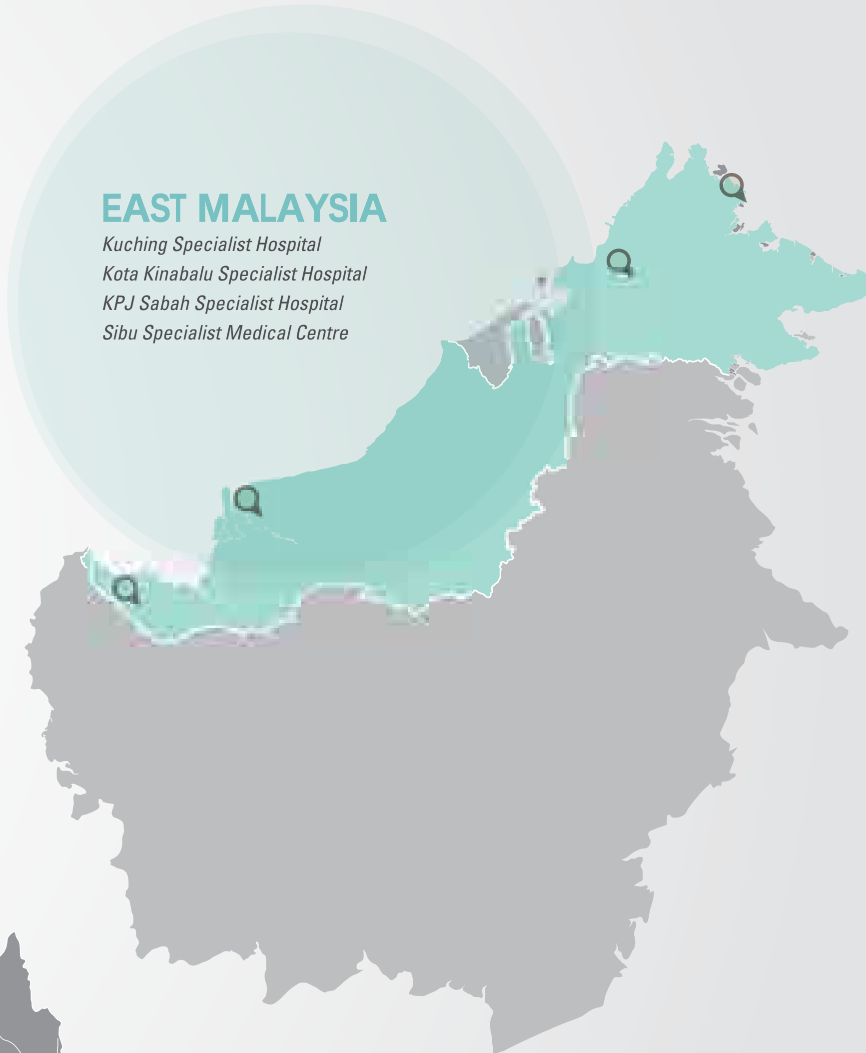
SOUTHERN
KPJ Johor Specialist Hospital
KPJ Puteri Specialist Hospital
KPJ Seremban Specialist Hospital
Kluang Utama Specialist Hospital
KPJ Pasir Gudang Specialist Hospital
*KPJ Bandar Maharani Specialist Hospital **
*KPJ Bandar Dato' Onn Specialist Hospital **

INDONESIA
RS Medika Permata Hijau, Jakarta
RS Medika Bumi Serpong Damai, Jakarta

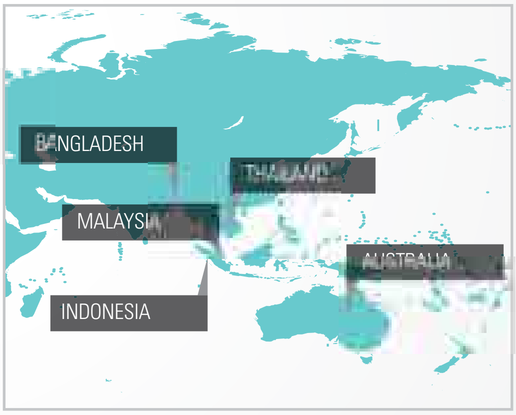
* *Hospitals under development.*

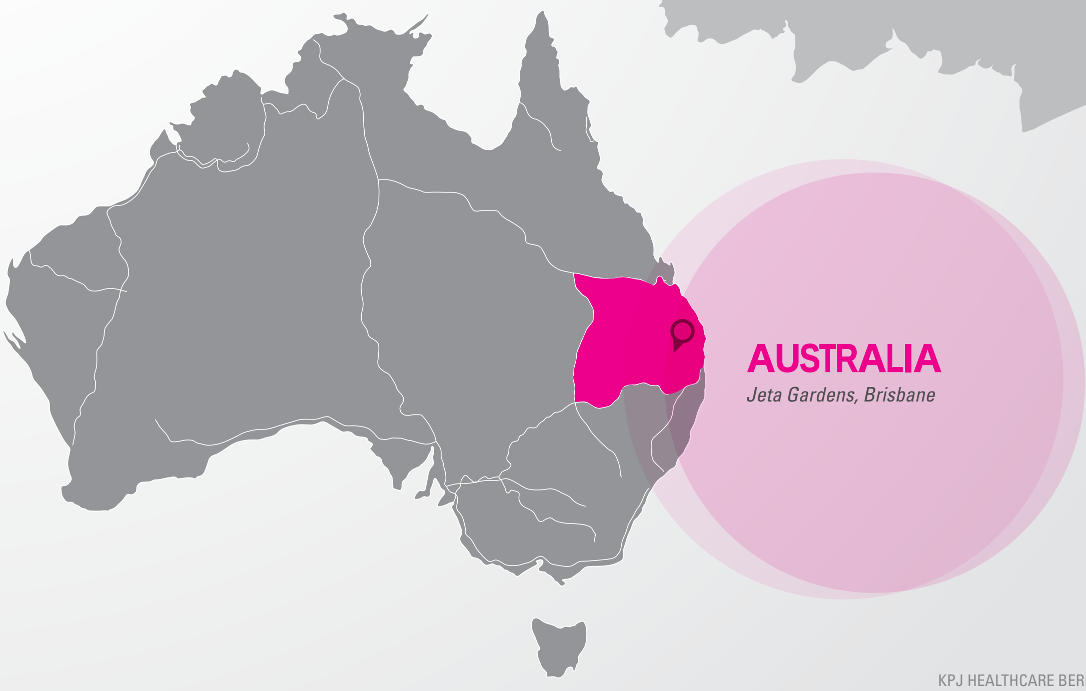


THAILAND
Vejthani Hospital, Bangkok



EAST MALAYSIA
Kuching Specialist Hospital
Kota Kinabalu Specialist Hospital
KPJ Sabah Specialist Hospital
Sibu Specialist Medical Centre





AUSTRALIA
Jeta Gardens, Brisbane

Our **Technology-Driven** Investments

Being a progressive healthcare provider, KPJ is committed to investing in state-of-the-art medical technology and facilities to ensure patient safety and care. To date we have made substantial investments in well-equipped laboratories, cutting edge biomedical equipment as well as innovative integrated information systems and green hospitals. As we future-proof our network today, we are ensuring our sustainable growth tomorrow.

Corporate Information

REGISTERED OFFICE

KPJ Healthcare Berhad
Suite 18, Lot 1B,
Podium 1,
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

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.

COMPANY SECRETARIES

Salmah Abd Wahab
(LS 0002140)

Hana Ab Rahim @ Ali
(MAICSA 7064336)

REGISTRAR

Pro Corporate Management Services Sdn Bhd
Suite 18, Lot 1B,
Podium 1,
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.

STOCK EXCHANGE LISTING

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

Corporate Profile

KPJ Healthcare Berhad (KPJ) is listed on the Main Market of Bursa Malaysia Securities Berhad and is today the leading healthcare service provider in Malaysia. Operating the country's largest private healthcare network with 24 private specialist hospitals, we also have strategic investments via two hospitals in Jakarta, Indonesia; one hospital in Bangkok, Thailand; a hospital in Dhaka, Bangladesh; and an aged care and retirement resort in Brisbane, Australia.

As the healthcare arm of Johor Corporation (JCorp), the Johor state-owned development corporation, KPJ has now served the community for more than 33 years since the opening of our first hospital in Johor Bahru in 1981. Today, our network of hospitals spans almost every state in Malaysia and has a combined bed capacity of almost 3,000 operating beds. Our hospitals serve more than 2.6 million patients annually, and in 2013 alone treated over 2.4 million outpatients and more than 260,000 inpatients.

KPJ's workforce today comprises more than 10,000 employees who support the services provided by more than 1,000 medical consultants specialising in various disciplines.

As a progressive healthcare provider, the Group is committed to investing in leading edge equipment and state-of-the-art medical technology in our effort to provide positive patient experiences as well as enhance medical and surgical outcomes.

Through KPJ Healthcare University College (KPJUC), we are fulfilling the academic and career ambitions of individuals as well as fulfilling the healthcare industry's requirements for medical specialists, skilled nurses and allied healthcare professionals.

Our commitment to quality and compassionate care has also attracted many local and foreign patients from all over the globe. KPJ's foray into the medical tourism segment continues to gain solid ground on the back of aggressive marketing strategies in Asia, the Middle East, Australia and more recently, East Africa.

Customer trust in KPJ is evidence of the Group's good operational performance and quality initiatives.

In fiscal 2007, KPJ successfully earned its first annual billion-ringgit turnover (with revenue totalling RM1.11 billion that year). New record highs were achieved in subsequent years, with revenue rising to RM1.27 billion, RM1.46 billion, RM1.65 billion and RM1.91 billion in 2008, 2009, 2010 and 2011 respectively. In 2012, we surpassed the RM2.0 billion mark for the first time ever with revenue reaching a high of RM2.10 billion. In 2013, KPJ's revenue reached an all-time high of RM2.33 billion while we turned in profit before zakat and tax of RM159.5 million, marking the continuation of our sterling track record.

For this relentless pursuit of operational excellence and high standards of healthcare, as well as our commitment to forging good stakeholder relationships, we were accorded several awards and accolades in 2013. These included the Best Managed Company Awards (Best Small Cap Company) from *AsiaMoney*, the Global Excellence in Management Awards (Excellence in Healthcare Management) from the Malaysian Institute of Management; the Corporate Governance Industry Excellence Award for Healthcare from the Minority Shareholders Watchdog Group; and the Malaysia Excellence Awards (Healthcare Service Provider) from Frost & Sullivan; and a Corporate Social Responsibility award from *Advertising + Marketing Magazine's* inaugural Marketing Excellence Awards 2013.

Another key focus area is the emphasis on patient safety throughout the length and breadth of our operations. To date, KPJ's hospitals have received recognition from accreditation bodies such as the Malaysian Society for Quality in Health (MSQH) and Joint Commission International (JCI). Our hospitals also continue to obtain certifications such as the 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, as well as ISO, and SIRIM certification.

To date, 14 KPJ hospitals have been accredited by the MSQH while 4 hospitals have received JCI accreditation.

As a responsible corporate citizen, KPJ also reaches out to the community through public health screening sessions, health talks and other events. We continue to touch the lives of the impoverished and underprivileged in communities through our management of the Klinik Wakaf An-Nur (KWAN) initiative which has served more than 960,000 patients since the inception of the first KWAN charity clinic in Johor in 1998. Today, the KWAN network encompasses 1 hospital in Johor, 19 clinics throughout Malaysia, as well as 2 mobile clinics in Johor and Selangor.

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**
- 100% **Puteri Specialist Hospital (Johor) Sdn Bhd** (KPJ Puteri Specialist Hospital)
- 100% **Kumpulan Perubatan (Johor) Sdn Bhd**

100%	**Ampang Puteri Specialist Hospital Sdn Bhd** (KPJ Ampang Puteri Specialist Hospital)	100%	**Pasir Gudang Specialist Hospital Sdn Bhd** (KPJ Pasir Gudang Specialist Hospital)
100%	**Damansara Specialist Hospital Sdn Bhd** (KPJ Damansara Specialist Hospital)	97%	**Kota Kinabalu Specialist Hospital Sdn Bhd** (Kota Kinabalu Specialist Hospital)
100%	**Seremban Specialist Hospital Sdn Bhd** (KPJ Seremban Specialist Hospital)	77%	**Kuantan Specialist Hospital Sdn Bhd** (KPJ Kuantan Specialist Hospital)
100%	**Kajang Specialist Hospital Sdn Bhd** (KPJ Kajang Specialist Hospital)	70%	**Kuching Specialist Hospital Sdn Bhd** (Kuching Specialist Hospital)
100%	**Penang Specialist Hospital Sdn Bhd** (KPJ Penang Specialist Hospital)	61%	**Perdana Specialist Hospital Sdn Bhd** (KPJ Perdana Specialist Hospital)
100%	**Sentosa Medical Centre Sdn Bhd** (Sentosa Medical Centre)	60%	**Selangor Specialist Hospital Sdn Bhd** (KPJ Selangor Specialist Hospital) — 51% **Hospital Pusrawi SMC Sdn Bhd**
100%	**Pusat Pakar Kluang Utama Sdn Bhd** (Kluang Utama Specialist Hospital)	46%	**Kedah Medical Centre Sdn Bhd** (Kedah Medical Centre)
100%	**Taiping Medical Centre Sdn Bhd** (Taiping Medical Centre)	30%	**Hospital Penawar Sdn Bhd** (Hospital Penawar)
100%	**Bandar Baru Klang Specialist Hospital Sdn Bhd** (KPJ Klang Specialist Hospital)	75%	**PT Khasanah Putera Jakarta Medica** (RS Medika Bumi Serpong Damai, Jakarta)
100%	**Sibu Medical Centre Corporation Sdn Bhd** (Sibu Specialist Medical Centre)	57%	**Jeta Gardens (Qld) Pte Ltd** (Jeta Gardens Retirement Village and Aged Care, Brisbane, Australia) — 100% **Jeta Gardens Aged Care (Qld) Pty Ltd**; 100% **Jeta Gardens Management (Qld) Pty Ltd**
100%	**Sibu Geriatric Health & Nursing Centre Sdn Bhd** (Love Care Centre)	80%	**PT Khidmat Perawatan Jasa Medika** (RS Medika Permata Hijau, Jakarta)
100%	**SMC Healthcare Sdn Bhd** (KPJ Sabah Specialist Hospital) — 100% **Amity Development Sdn Bhd**	23%	**Vejthani Public Company Limited** (Vejthani Hospital, Thailand)
100%	**Rawang Specialist Hospital Sdn Bhd** (KPJ Rawang Specialist Hospital)		

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%	Sri Manjung Specialist Centre Sdn Bhd (Sri Manjung Specialist Centre)
100%	Point Zone (M) Sdn Bhd
49%	Al-'Aqar Healthcare REIT (Formerly known as Al-'Aqar KPJ REIT)

70%	Pahang Specialist Hospital Sdn Bhd (KPJ Pahang Specialist Hospital)
100%	Maharani Specialist Hospital Sdn Bhd (KPJ Bandar Maharani Specialist Hospital)
60%	Perlis Specialist Hospital Sdn Bhd (KPJ Perlis Specialist Hospital)
70%	Bima Galeksi Sdn Bhd (KPJ Miri Specialist Hospital)
100%	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
80%	Freewell Sdn Bhd
55%	Bayan Baru Specialist Hospital Sdn Bhd
100%	BDC Specialist Hospital Sdn Bhd

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%	KPJ Eyecare Specialist Sdn Bhd (formerly known as Sri Kota Refractive and Eye Centre Sdn Bhd)
100%	Sterile Services Sdn Bhd
30%	Healthcare Technical Services Sdn Bhd
100%	KPJ Education Services Sdn Bhd
100%	Massive Hybrid Sdn Bhd

95%	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 IPOH SPECIALIST HOSPITAL
W : www.kpjipoh.com

KPJ DAMANSARA SPECIALIST HOSPITAL
W : www.kpjdamansara.com

KPJ SELANGOR SPECIALIST HOSPITAL
W : www.kpjselangor.com

KPJ PERDANA SPECIALIST HOSPITAL
W : www.kpjperdana.com

KPJ KAJANG SPECIALIST HOSPITAL
W : www.kpjkajang.com

KEDAH MEDICAL CENTRE
W : www.kmc.kpjhealth.com.my

KPJ TAWAKKAL SPECIALIST HOSPITAL
W : www.tawakal.kpjhealth.com.my

KPJ PUTERI SPECIALIST HOSPITAL
W : www.kpjputeri.com

KPJ KUANTAN SPECIALIST HOSPITAL
W : www.ksh.kpjhealth.com.my

SENTOSA MEDICAL CENTRE
W : www.kpjsentosa.com

Hospitals Accredited by MSQH and the Joint Commission International (JCI)

KPJ AMPANG PUTERI SPECIALIST HOSPITAL
W : www.kpjampang.com

KPJ SEREMBAN SPECIALIST HOSPITAL
W : www.kpjseremban.com

KPJ PENANG SPECIALIST HOSPITAL
W : www.kpjpenang.com

KPJ JOHOR SPECIALIST HOSPITAL
W : www.kpjjohor.com

KPJ International Network

Indonesia

RS MEDIKA PERMATA HIJAU, JAKARTA
W : www.rsmph.co.id

RS MEDIKA BUMI SERPONG DAMAI, JAKARTA
W : www.rs-medikabsd.co.id

Thailand

VEJTHANI HOSPITAL
W : www.vejthani.com

Bangladesh

SHEIKH FAZILATUNNESSA MUJIB MEMORIAL KPJ SPECIALIZED HOSPITAL & NURSING COLLEGE

Moving Towards Accreditation

TAIPING MEDICAL CENTRE
W : www.kpjtaiping.com

KOTA KINABALU SPECIALIST HOSPITAL
W : www.dsc.kpjhealth.com.my

KUCHING SPECIALIST HOSPITAL
W : www.kcsh.kpjhealth.com.my

KLUANG UTAMA SPECIALIST HOSPITAL
W : www.kpjkluang.com

KPJ SABAH SPECIALIST HOSPITAL
W : www.kpjsabah.com

SIBU SPECIALIST MEDICAL CENTRE
W : www.kpjsibu.com

KPJ KLANG SPECIALIST HOSPITAL
W : www.kpjklang.com

KPJ PASIR GUDANG SPECIALIST HOSPITAL
W : www.kpjpgsh.com

KPJ RAWANG SPECIALIST HOSPITAL
W : www.kpjrawang.com

SRI MANJUNG SPECIALIST CENTRE

Australia

JETA GARDENS RETIREMENT AND AGED CARE RESORT
W : www.jetagardens.com

Healthcare Related Companies

KPJ HEALTHCARE UNIVERSITY COLLEGE (KPJUC)

Main Campus (Nilai, Negeri Sembilan)
T : 1300 88 5758/(606) 794 2629
F : (606) 794 2662

Branch Campus (Johor Bahru, Johor)
T : (607) 335 2692
F : (607) 333 6392

Branch Campus (Penang)
T : (604) 538 2692
F : (604) 530 8695
E : info@kpjiuc.edu.my
W : www.kpjuc.edu.my

PHARMASERV ALLIANCES SDN BHD
W : www.kpjpharmaserv.com

LABLINK (M) SDN BHD
W : www.lablink.com.my

PUSAT PAKAR MATA CENTRE FOR SIGHT
W : www.kpjcfs.com

STERILE SERVICES SDN BHD
W : www.kpjsterile.com

HEALTHCARE TECHNICAL SERVICES SDN BHD
W : www.hts.kpjhealth.com.my

TAWAKKAL HEALTH CENTRE
W : www.kpjhealthcentre.com

Intrapreneur Companies

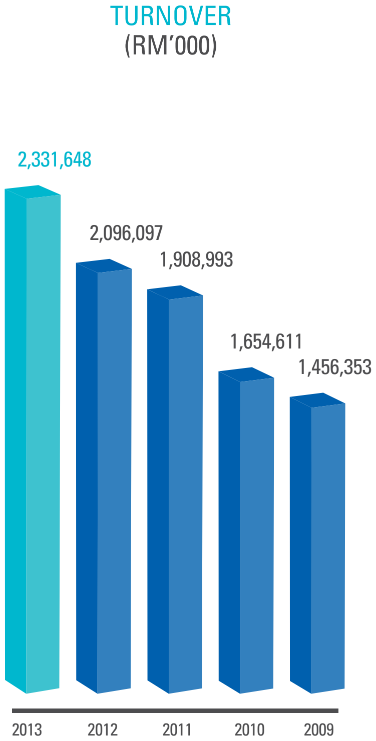
HEALTHCARE IT SOLUTIONS SDN BHD
T : (603) 2681 6222
F : (603) 2681 6888

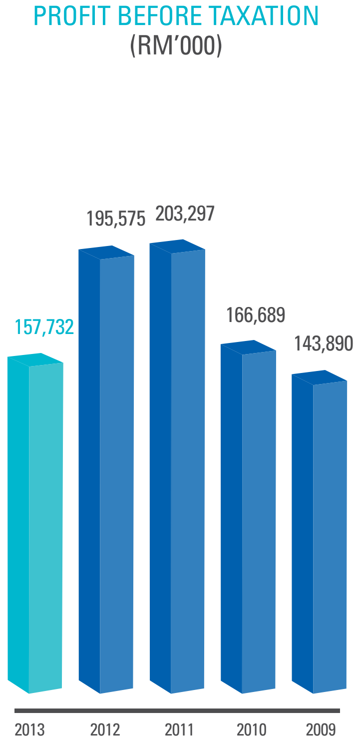
SKOP YAKIN (M) SDN BHD
T : (603) 2681 6222
F : (603) 2681 6888

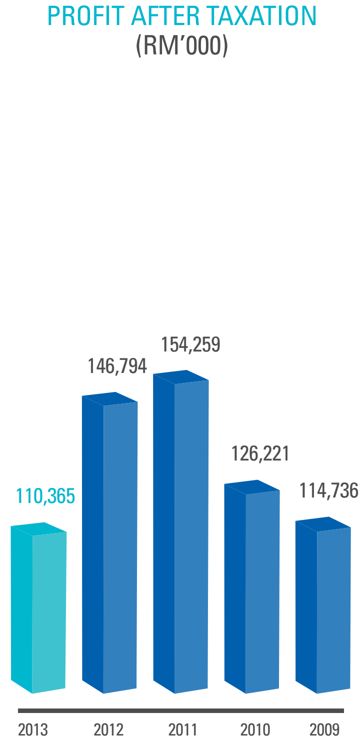
TERAJU FARMA SDN BHD
T : (603) 5632 2692
F : (603) 5624 1330

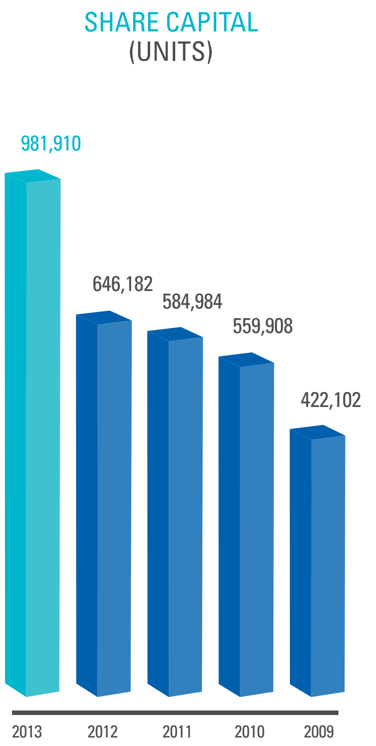
FABRICARE LAUNDRY SDN BHD
T : (607) 232 7233
F : (607) 232 7235

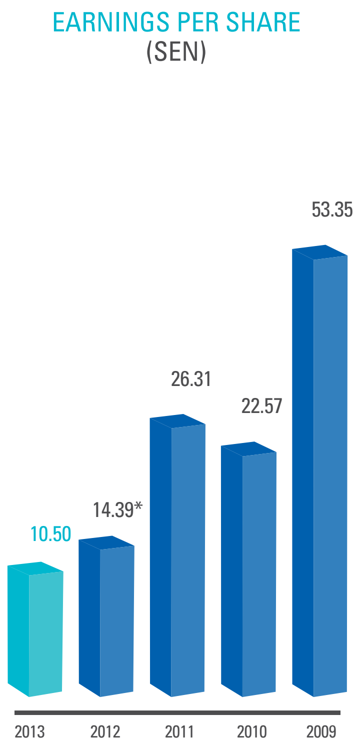
Financial And Operational Highlights

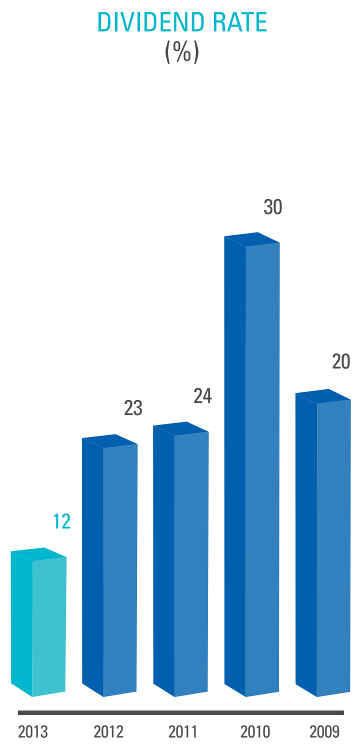








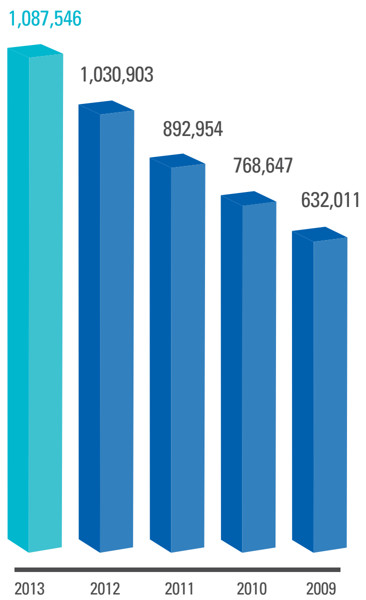




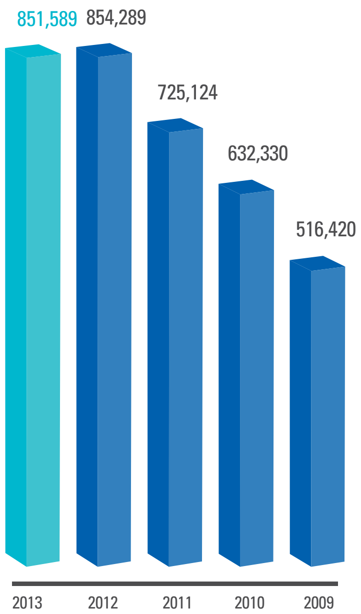
* The bonus issue was without consideration and it is treated as if it had occured before the beginning of 1 January 2012.

* The dividend rate in 2013 includes issuance of bonus shares of 327,279,946 from corporate exercise in 2013.

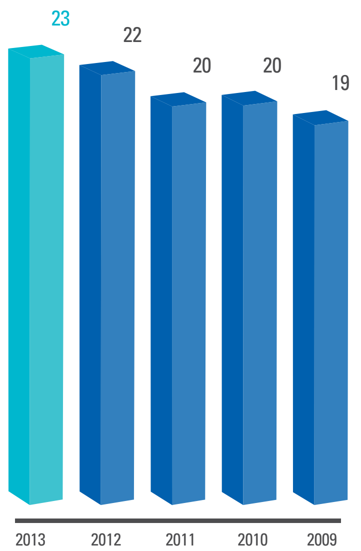
SHAREHOLDERS' FUNDS
(RM'000)



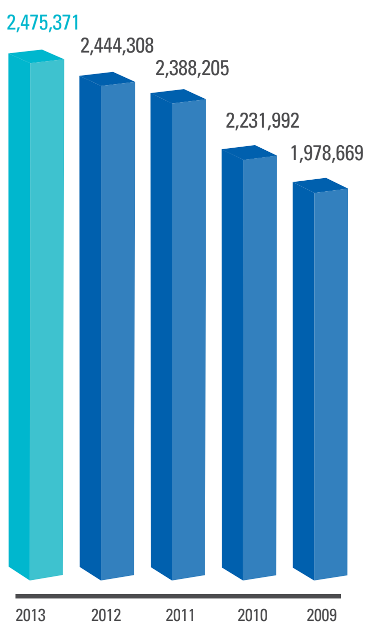
NET TANGIBLE ASSETS
(RM'000)



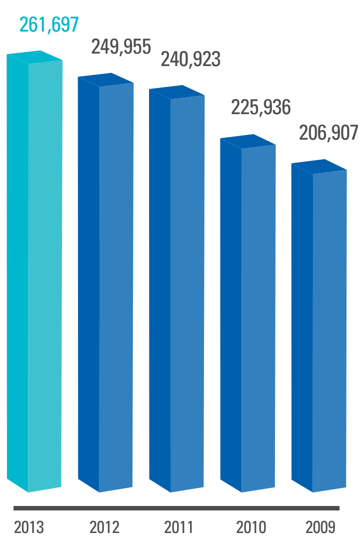
NO. OF HOSPITALS IN MALAYSIA



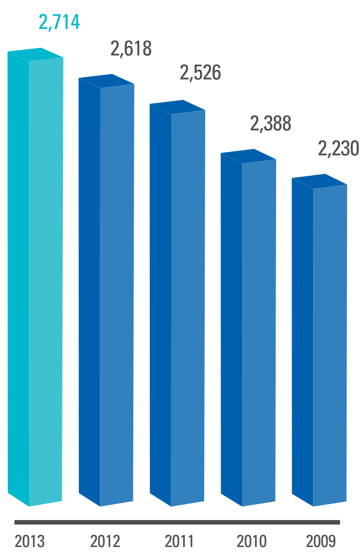
OUTPATIENTS



INPATIENTS



NO. OF BEDS



Summary of
Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2009 - 2013

YEAR	2013	2012	2011	2010	2009
GROUP (RM'000)					
Revenue	2,331,648	2,096,097	1,908,993	1,654,611	1,456,353
Gross Profit	697,439	656,434	601,857	503,895	419,089
Profit from operations	140,894	170,566	159,165	144,019	140,467
Finance income	10,570	12,535	10,295	7,157	2,651
Finance cost	(38,765)	(23,603)	(19,688)	(13,597)	(16,721)
Share of results from associates	46,858	37,397	54,825	23,919	18,888
Others	-	-	-	6,460	-
Profit before zakat and tax	159,557	196,895	204,597	167,958	145,285
Zakat	(1,825)	(1,320)	(1,300)	(1,269)	(1,395)
Profit before taxation	157,732	195,575	203,297	166,689	143,890
Taxation	(47,367)	(48,781)	(49,038)	(40,468)	(29,154)
Net profit for year	**110,365**	**146,794**	**154,259**	**126,221**	**114,736**
Profit attributable to:					
Equity holders of company	103,114	140,046	143,670	118,894	110,880
Non-controlling interests	7,251	6,748	10,589	7,327	3,856
	110,365	**146,794**	**154,259**	**126,221**	**114,736**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009 - 2013

	2013	2012	2011	2010	2009
GROUP (RM'000)					
Non-current assets	2,028,521	1,652,685	1,252,530	1,024,563	842,246
Current assets	811,073	595,080	612,443	549,502	426,111
Non-current assets held for sale	2,013	2,013	94,291	105,974	103,765
Current liabilities	(577,182)	(499,870)	(456,743)	(362,242)	(290,332)
Non-current liabilities	(64,406)	(59,381)	(62,198)	(54,986)	(35,556)
Borrowings	(1,027,492)	(592,096)	(443,471)	(399,423)	(368,796)
TOTAL	**1,172,527**	**1,098,431**	**996,852**	**863,388**	**677,438**
Share capital	490,955	323,091	292,492	279,954	211,051
Reserve	596,955	707,835	600,485	488,716	420,960
Less: Treasury shares	(364)	(23)	(23)	-	(1,886)
Shareholders' funds	1,087,546	1,030,903	892,954	768,647	632,011
Non-controlling interests	84,981	67,528	103,898	94,741	45,427
TOTAL	**1,172,527**	**1,098,431**	**996,852**	**863,388**	**677,438**

Corporate History

1979

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

1981

Opening of KPJ Johor Specialist Hospital.

1988

Acquisition of Tawakkal Hospital

1989

Acquisition of KPJ Ipoh Specialist Hospital by KPJ Healthcare.

1990

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

Acquired Kuantan Specialist Hospital.

1991

Acquired Kedah Medical Centre

Set up the first Nursing College to offer Diploma in Nursing, Puteri Nursing College

1992

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

1993

Acquired Puteri Specialist Hospital.

1994

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

1995

KPJ Ampang Puteri Specialist Hospital was opened.

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.

1997

KPJ Damansara Specialist Hospital was opened.

2000

Acquired Bukit Mertajam Specialist Hospital

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

KPJ Healthcare Berhad held its first Medical Conference.

2003

Opening of Kuching Specialist Hospital

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

2005

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.

2006

KPJ Healthcare acquired KPJ Selangor Specialist Hospital, Sentosa Medical Centre, KPJ Kajang Specialist Hospital and Kota Kinabalu Specialist Centre.

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.

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

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.

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.

2007

Acquired Taiping Medical Centre.

2008

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.

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

Acquired Kluang Utama Specialist Hospital

2009

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

YABhg Tun Dato' Seri Utama (Dr) Abdul Rahman Abbas, the Tuan Yang Terutama Negeri Pulau Pinang, officially opened KPJ Penang Specialist Hospital.

2010

Acquired Sabah Medical Centre and opening of KPJ Tawakkal Specialist Hospital.

2011

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

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

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.

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

2012

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

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.

KPJ Ampang Puteri and KPJ Seremban Specialist Hospital are the first two KPJ hospitals to received the Joint Commission International (JCI) Accreditation.

KPJ Healthcare moved to its New Corporate Office at Menara 238, Kuala Lumpur.

2013

Soft launch of KPJ Pasir Gudang Specialist Hospital, officiated by the Chairman of KPJ Healthcare, YB Dato' Kamaruzzaman Abu Kassim.

KPJ launched the first mobile clinical information system in Malaysia at KPJ Puteri Specialist Hospital. The event marked another milestone to KPJ's commitment in the advancement of technology in the healthcare. The event was graced by Chairman of KPJ, YB Dato' Kamaruzzaman Abu Kassim.

KPJ via its wholly owned subsidiary Kumpulan Perubatan (Johor) Sdn Bhd signed a Joint Venture agreement with UTM Holdings Sdn Bhd for the purpose of designing, developing, building, completing and owning, and subsequently operating a private hospital on a portion of a leasehold land in Mukim Kulaijaya, Johor.

KPJ Penang Specialist Hospital received their first time Joint Commission International (JCI) Accreditation.

Signing Lease Agreement for setting up of Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College in Bangladesh. This is a joint-collaboration between Malaysia and Bangladesh and was launched by Prime Minister YAB Datuk Seri Najib Tun Razak.

KPJ Healthcare Conference officiated by YAB Datuk Seri Mohamed Khalid Nordin, Menteri Besar of Johor.

Awards and Achievements

1. AsiaMoney – Best Managed Company Awards – Best Small Cap Company for KPJ Healthcare Berhad
2. Advertising & Marketing Magazine – Marketing Excellence in Corporate Social Responsibility for KPJ Healthcare Berhad
3. Frost & Sullivan Malaysia Excellence Awards – Healthcare Service Provider for KPJ Healthcare Berhad
4. The Asia Pacific Brands Foundation – The BrandLaureate Awards - Corporate Branding for Best Brands in Healthcare for KPJ Healthcare Berhad
5. CHT Network – CHT Awards – CHT Lifetime Achievement for Datin Paduka Siti Sa'diah Sheikh Bakir
6. CHT Network – CHT Awards – CHT Pursuit of Excellence (Medical) of the Year 2013 for KPJ Healthcare Berhad
7. Human Resources Magazine – Human Resources Excellence Awards for Excellence in HR Technology of the Year 2013 for KPJ Healthcare Berhad
8. Malaysian Institute of Management (MIM) – Global Excellence in Management Awards for Excellence in Healthcare Management for KPJ Healthcare Berhad
9. MOSHPA OSH National Award – 2nd OHS Management in Hospital and Healthcare for KPJ Ampang Puteri Specialist Hospital
10. MOSHPA OSH National Award – 2nd OHS Management in Hospital and Healthcare for KPJ Ipoh Specialist Hospital
11. World Confederation of Businesses – Biz World Award for KPJ Ampang Puteri Specialist Hospital

1

2

3

4

5

6

7

8

9

12. Malaysia Productivity Corporation (MPC) – Gold Award in National Quality Environment QE/5S Convention 2013 for KPJ Ampang Puteri Specialist Hospital

13. Majlis Negara bagi Keselamatan dan Kesihatan Perkerjaan (Kementerian Sumber Manusia) – Anugerah Cemerlang Keselamatan dan Kesihatan Pekerjaan Kebangsaan 2013 for KPJ Damansara Specialist Hospital

14. 2013 Merdeka Award – Health, Science & Technology Category for YBhg Tan Sri Dato' Dr. Yahya Awang

15. Malaysia Institute Human Resource Management – Bronze under Employer of Choice in MIHRM Award for KPJ Selangor Specialist Hospital

16. Minority Shareholders Watchdog Group (MSWG) – Corporate Governance Industry Excellence Award – Healthcare of the Year 2013 for KPJ Healthcare Berhad

17. SME Magazine - Small Medium Enterprise 100 Award Malaysia's Fast Moving Companies for KPJ Healthcare Berhad

18. Accredited by the Malaysian Society for Quality in Health (MSQH) – Klinik Waqaf An-Nur, Bukit Indah Ampang – KPJ Ampang Puteri Specialist Hospital

19. Accredited by the Malaysian Society for Quality in Health (MSQH) – Klinik Waqaf An-Nur, Ijok Kuala Selangor – KPJ Selangor Specialist Hospital

20. Accredited by the Joint Commission International (JCI) – KPJ Penang Specialist Hospital


10


11


13


14


15


16


17


20

Media Highlights

KPJ keen on overseas expansion

KPJ bina hospital kelima di Muar

KPJ-UTM Holdings JV in line with Mukim Kulaijaya

Pursuant to the JV, UTM Holdings shall lease the land from Universiti Teknologi Malaysia (UTM) and sub-lease a portion of the land to the JVC for a period of 30 years with an option for a further lease of 30 years.

KPJ Healthcare to run RM87.5m hospital in Dhaka

> Deal to lease 250-bed facility for 10 years, with option for 5-year extension

PETALING JAYA: KPJ Healthcare Bhd has secured a contract to operate and manage an RM87.5 million specialist hospital in Dhaka, Bangladesh, for 10 years, with the option to extend for five years, as part of plans to become one of the top healthcare providers in South Asia.

KPJ, the country's largest listed healthcare group, currently manages two hospitals in Jakarta, Indonesia, and a retirement village in Brisbane, Australia. Last year, it acquired a 23.9% stake in Vejthani PCL which operates Vejthani Hospital in Bangkok, Thailand.

KPJ, via its unit Kumpulan Perubatan (Johor) Sdn Bhd (KPJSB), on Monday signed an agreement with Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Trust, which is chaired by Bangladeshi Prime Minister Sheikh Hasina Wajed, to lease the 250-bed hospital known as Sheikh Fazilatunnessa Mujib Memorial KPJ Specialist Hospital. Under the deal, the Trust agreed to let the hospital to KPJSB's unit KPJ Healthcare (Bangladesh) Pte Ltd, which is the licence operator, without any payment for the first five years.

"However, upon the sixth year, the Trust agrees that the lease consideration will be 10% of the net profit and any other deductions from the hospital and the nursing college operations while the remaining 90% will be retained by KPJ Healthcare (Bangladesh)," said KPJ in a filing with Bursa Malaysia yesterday.

"The preliminary aim of the proposed business is to enhance the capacity and ability of the hospital to operate profitably," it added.

KPJ said it intends to bring world class healthcare facility to Dhaka's doorstep by providing a comprehensive, multi-disciplined and focused hospital with centres of excellence in major disciplines such as cardiac services, orthopaedic, geriatrics, obstetrics and gynaecology, and paediatric services.

"Operating and managing Sheikh Fazilatunnessa Mujib Memorial KPJ Specialist Hospital is a remarkable step to take for KPJ to have hands-on experience as a new player in the Bangladeshi healthcare industry," it said.

KPJ expects to start operating the hospital in the second quarter of 2014.

A NOSTALGIC JOURNEY PAGE 19

KPJ Healthcare's expansions on track

KPJ spends RM16.5m to grow capacity in Sarawak

KPJ to open 5 more hospitals in the next two years

KPJ sees 10pc revenue growth

KPJ Healthcare mampu tingkat perolehan

KPJ Healthcare hospital pertama guna sistem KCIS

Our **Customer-Centric** Approach

As KPJ undertakes the business of caring for life, we do so with a passion and professionalism that serves to delight our patients every time, all the time. All our employees are trained to be customer-oriented by having a **"**listening heart**"**, demonstrating compassion and exhibiting courtesy in all interactions. By meeting our customers' immediate needs, we are building enduring relationships.

Statement to Shareholders

Sitting:
Dato' Kamaruzzaman Abu Kassim
Chairman

Standing:
Amiruddin Abdul Satar
President & Managing Director

DEAR SHAREHOLDERS,

We are delighted to announce that KPJ Healthcare Berhad (KPJ or the Group) delivered a commendable performance in 2013, recording the highest ever revenue in the history of KPJ. This result is all the more noteworthy given that it was achieved amidst a challenging operating environment in a highly competitive market. Now into its 33rd year of operations, KPJ has entrenched itself as Malaysia's largest private healthcare network with 24 private specialist hospitals throughout Malaysia supported by over 1,000 professional medical consultants and 10,000 highly trained support staff. Coupled with strategic investments in Indonesia, Australia, Thailand and Bangladesh, KPJ remains an attractive, well-rounded value proposition for shareholders.

> The KPJ Group continues to leverage on a shared vision to build healthier communities and an unwavering commitment to **"**Care for Life**"**.

AN UNWAVERING COMMITMENT TO CARE FOR LIFE

Today, as the KPJ Group makes strong advances forward, it continues to leverage on a shared vision to build healthier communities and an unwavering commitment to "Care for Life". Through the Group's continuum of highly specialised medical solutions, which cover the entire patient lifecycle from pre-natal to geriatric care, KPJ is transcending borders and bridging cultures.

KPJ's commitment to "Care for Life" is reflected in the world class patient care, professionalism and undivided compassion that its people show to the communities that they serve. On top of this, the Group ensures the quality of its healthcare offering through continuous improvements in patient care and clinical outcomes.

The Group's over 10,000 dedicated employees, who have embraced KPJ's culture of excellence, are also empowered with the skills and know-how to enhance patient care. In all that they do, KPJ's people hold true to KPJ's Core Values of Safety, Courtesy, Integrity, Professionalism and Continuous Improvement.

As KPJ focuses its efforts on expanding regionally to strengthen its presence and capabilities, it is also bolstering its operational efficiencies, building up its human capital, as well as adopting new skills, processes and technologies. The Group's commitment to upholding high clinical standards and a strong track record of patient safety is reflected in the many quality certifications that it holds.

Several marketplace opportunities today are helping to drive the Group's profitability and sustainable growth. The continuing demand for private healthcare services, the growing middle-income population in key markets, the escalating growth of medical tourism activities, as well as ongoing expansion programmes, all bode well for the Group and are helping to drive demand for its unique brand of healthcare services.

On behalf of the Board of Directors, we are delighted to share with you the key financial and operational highlights of KPJ Healthcare Berhad for the financial year ended 31 December 2013, as well as some insights into the Group's plans going forward.

TRAVERSING A TOUGH OPERATING ENVIRONMENT

The global economy grew at a modest 2.9% in 2013 amidst an uneven growth environment across economies. Despite the weaker external environment, the Malaysian economy expanded by 4.7% in 2013 (2012: 5.6%), driven by the continued strong growth in domestic demand.

On the healthcare services front, competition intensified due to continuously high demand for quality private healthcare services, competition from new hospitals and competition for staff. The entry of many healthcare service providers into the Malaysian healthcare market led to a more competitive environment. With a wide range of hospitals to choose from, customers were spoilt for choice.

At the same time, the domestic healthcare sector benefitted from growth opportunities in line with the catalyst activities being implemented under the Malaysian Government's Economic Transformation Programme (ETP). The year saw more investor-friendly policies being brought into play as the Malaysian Government sought to improve the competitiveness of domestic service industries by introducing a variety of incentives and programmes.

Healthcare service providers are encouraged to adopt a patient-centric approach by emphasising a shift from a "pay-for-service" model to a "pay-per-outcome" model. There was also a stronger focus on preventative and promotive care, while Malaysia's health tourism sector saw strong growth as healthcare service providers moved to capitalise on this lucrative segment.

Going forward, as advancements in healthcare technology for both practitioners and patients reshape the way care is delivered, healthcare players need to look for ways to reinvent themselves as well as continuously review how they can improve their service delivery.

DELIVERING GOOD FINANCIAL PERFORMANCE

Group Financial Highlights

We are pleased to report that the Group turned in a healthy 11% growth in revenue to RM2.33 billion in 2013 in comparison to revenue of RM2.10 billion in 2012. This, KPJ's highest revenue to date, comes on the back of organic growth as well as an increase in income from newly completed projects and acquisitions.

The Group's profit before zakat and tax (PBZT), however, registered a 19% drop to RM159.5 million as compared to a PBZT of RM196.9 million in the preceding year. The lower PBZT stemmed from start-up losses of newly operating hospitals and higher operating costs.

For 2013, the Group registered a marginal 25% reduction in net profit to RM110.4 million as compared to net profit of RM146.8 million in the previous year.

Segmental Financial Highlights

The bulk of the Group's 2013 revenue was derived from the Malaysian operations which contributed 88% of total revenue. Revenue from local operations rose 9% year-on-year (YoY) to RM2.054 billion from RM1.88 billion previously on the back of higher revenue from existing hospitals and newly opened hospitals within the Group.

The Group's hospitals in Indonesia continued to make good progress, turning in a 52% hike in revenue to RM33.5 million from RM22.1 million previously. This increase in revenue was mainly attributable to the revenue contributed by RS Medika Permata Hijau during the financial year.

The Aged Care Facility Services segment recorded revenue of RM28.0 million in 2013, some 9% lower than 2012's revenue of RM30.8 million. The decrease in the revenue is due to the reclassification of unrealised gains in foreign exchange to other comprehensive income.

Revenue from KPJ's Ancillary Services segment improved by 14.0% to RM780.0 million in 2013 from RM684.7 million previously. The higher revenue was attributable to growth in activities connected to the marketing and distribution of pharmaceuticals, medical and surgical products, as well as higher demand for pathology and laboratory services. These activities grew in tandem with the increased revenue from the Group's hospitals.

CREATING GOOD SHAREHOLDER VALUE

Dividend Payments

While the Group has never been committed to a formal dividend policy, for the past 16 consecutive quarters, it has been paying out a quarterly dividend of between 45% and 50% of net profit to Shareholders. In respect of the financial year ended 31 December 2013, the Group declared and paid the following interim payments:

- On 22 May 2013, the Directors declared a first interim single tier dividend of 2.0 cents per share on 653,020,611 ordinary shares amounting to RM13,060,412. The dividend was fully paid on 19 July 2013.

- On 30 August 2013, the Directors declared a second interim single tier dividend of 2.0 cents per share on 654,207,861 ordinary shares amounting to RM13,084,157. The dividend was fully paid on 18 October 2013.

- On 28 November 2013, the Directors declared a third interim single tier dividend of 2.0 cents per share on 654,559,892 ordinary shares amounting to RM13,091,198. The dividend was fully paid on 10 January 2014.

- The Directors did not declare a fourth and final dividend for the financial year ended 31 December 2013.

All in all, in respect of financial year 2013, KPJ will have paid out a total dividend of 6.0 sen per share amounting to RM39.2 million in dividends (in comparison to a total dividend payment of 11.5 sen per share amounting to RM73.7 million in 2012).

Proposed Combination of New Issue of Securities

On 28 November 2013, the shareholders of the Company approved the combination of new issues of securities at the Extraordinary General Meeting as follows:

(i) Bonus Issue of up to 329,766,497 new ordinary shares of RM0.50 each in the Company on the basis of one bonus share for every two existing shares held.

27 December 2013 saw 327,279,946 Bonus Shares and 2,451,551 additional warrants 2010/2015 consequential to the Bonus Issue being listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

(ii) Renounceable Rights Issue of up to 43,968,866 new shares on the basis of one rights share for every 15 existing shares held, together with up to 87,937,732 free detachable New Warrants 2013/2018 on the basis of two new warrants for every one rights share subscribed.

29 January 2014 saw 43,637,326 Rights Shares and 87,274,652 New Warrants as well as 96,098 additional warrants 2010/2015 consequential to the Rights Issue being listed and quoted on the Main Market of Bursa Malaysia Securities Berhad. The issue price of RM2.80 for the Right Shares were arrived based on a discount of approximately 30% over the theoretical ex-all price of the shares (after taking into account the Proposed Bonus Issue) based on the five-day volume weighted average market price (VWAP) of the shares immediately preceding the price fixing date.

(iii) Increase in the authorised share capital of the Company from RM500,000,000 to RM750,000,000 by way of issuance of 500,000,000 ordinary shares of RM0.50 each.

The new shares issued arising from the Bonus Issue, Rights Issue and Free Warrants exercised shall upon issue and allotment, rank pari passu in all respects.

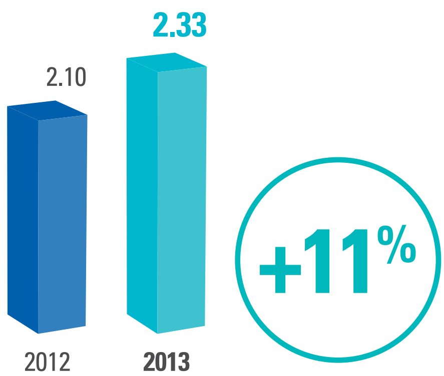
Share Price Performance, Market Capitalisation and Gearing

In 2013, trading of KPJ's shares remained active with its share price reaching an all-time high in July. The year saw KPJ's shares opening at RM5.74 on 2 January 2013 and continuing to gain a significant upward momentum over the subsequent months to hit a high of RM7.36 on 25 July 2013. However, by the close of the market on 31 December 2013, KPJ's share price had fallen to RM3.88 due to price adjustment after completion of corporate exercises.

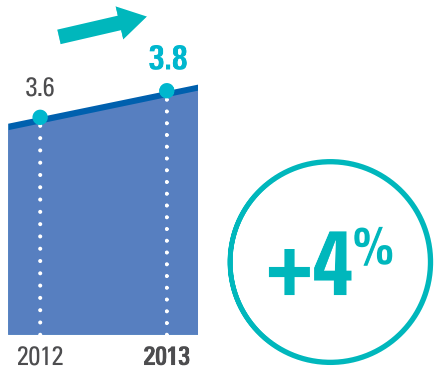
Nevertheless, by 31 December 2013, the Group's market capitalisation had increased by 4% to RM3.8 billion as compared to RM3.6 billion in 2012.

The Group's gearing ratio increased slightly to 0.9 times in 2013 as compared to 0.6 times in 2012 due to our new projects as well as expansion and acquisition exercises. We are of the view that our gearing ratio is at a level which is still attractive to investors.

Revenue
RM (Billion)



Group's market capitalisation
RM (Billion)



KPJ remains committed to **carrying out timely** and **transparent corporate disclosure activities** to strengthen investor confidence.

The Group continued to embark on several initiatives to **fortify its leading position** in the **marketplace**.

KPJ will take on **9 new development projects** over 4 years adding another **1,373 beds** to the Group's total number of operating beds.

Stakeholder Engagement Activities

KPJ remains committed to carrying out timely and transparent corporate disclosure activities to strengthen investor confidence and bolster ties with the investing community. In 2013, the Group undertook several measures to reinforce KPJ's standing among investors and facilitate coverage by more research houses.

Throughout the year, KPJ's management and investor relations team met with various analysts and fund managers to provide updates on the current and future developments undertaken by KPJ. The Group held meetings with more than 79 analysts and investors as well as participated in 10 conference calls and 12 conferences held by investment banks and analysts. The Group was able to leverage on these platforms to communicate openly with audiences as well as establish ties with new fund managers and other parties interested in the Group.

The year also saw the Group continuing to communicate its plans and hold beneficial discussions with shareholders during the Annual General Meeting, as well as hold dialogues with shareholders and other parties such as the Minority Shareholders Watchdog Group (MWSG). In line with KPJ's commitment to ensuring the timely and equitable dissemination of information to all stakeholders, it continued to post public announcements on KPJ's and Bursa Malaysia's websites in accordance with good disclosure practices.

Awards and Accolades

The year in review saw KPJ continuing to garner a host of awards and accolades which underscored its pursuit of operational excellence and high standards of healthcare as well as its commitment to forging good stakeholder relationships and elevating communities.

We are pleased to report that for its strong business management skills, KPJ picked up the Best Managed Company Awards – Best Small Cap Company from *AsiaMoney* and the Global Excellence in Management Awards - Excellence in Healthcare Management from the Malaysian Institute of Management. For upholding good governance practices, KPJ received the Corporate Governance Industry Excellence Award for Healthcare from the MSWG. For its commitment to demonstrating excellence in healthcare, KPJ received the Malaysia Excellence Awards - Healthcare Service Provider from Frost & Sullivan.

For its innovative use of technology throughout its operations, KPJ was accorded the Human Resources Excellence Awards - Excellence in HR Technology by Human Resources Magazine, while the Group's information technology (IT) subsidiary received the Small Medium Enterprise 100 Award 2013 Malaysia's Fast Moving Companies from SME Magazine.

In recognition of its branding and marketing prowess, KPJ was a recipient of The BrandLaureate Awards - Corporate Branding for Best Brands in Healthcare from The Asia Pacific Brands Foundation, and was also recognised for its Marketing Excellence in Corporate Social Responsibility by Advertising & Marketing Magazine.

The many awards and accolades in such diverse areas are apt reflection of the fact that KPJ is making solid inroads as it looks to develop its capabilities from a holistic perspective. While these awards have certainly helped reinforce KPJ's standing as Malaysia's foremost private healthcare provider, rest assured that the Group will not rest on our laurels but will continue to set higher benchmarks for itself going forward.

THE YEAR'S KEY INITIATIVES

The Group has certainly come a long way these last 33 years and continues to grow from success to success. Over the course of 2013, the Group continued to embark on several initiatives to fortify its leading position in the marketplace and ensure a sustainable pathway for KPJ in a highly competitive healthcare sector.

The Group entered into collaborative agreements for new areas of opportunity, undertook expansion and opened new hospitals, optimised its resources and empowered its people. The Group also tapped new skills, processes and technologies as well as complied rigorously with regulatory and industry standards. While these efforts did much to extend its footprint and capabilities, more importantly, they enabled the Group to render high quality services to all its customers and serve them with compassion and an undivided attention to patient safety, so that KPJ's philosophy "Care for Life" was truly reflected throughout the Group's operations.

Collaborative Ventures

To grow KPJ's business and extend its footprint, the Group continued to look for new areas of opportunity. The year in review saw the Group entering into joint venture agreements and hospital management agreements.

On 27 September 2013, KPJ signed a joint venture agreement (JVA) with UTM Holdings Berhad (UTM) for the purpose of developing and operating a private hospital in Kulaijaya in the state of Johor. This proposed JVA will operate through a joint venture company of which KPJ will hold 60% equity interest while UTM will hold the remainder. The 500-bed capacity KPJ-UTM hospital will offer multi-disciplined services with the first phase of 150 beds expected to cost some RM128.0 million. Under the agreement, KPJ will provide RM17.97 million in cash while UTM will provide the land for the hospital.

On 18 November 2013, KPJ signed an agreement with the Sheikh Mujibur Rahman Memorial Trust to lease and operate the Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College, in Dhaka, Bangladesh. This hospital will be a multi-disciplined and focused hospital encompassing centres of excellences in the areas of cardiac, orthopaedic, geriatrics, paediatric as well as obstetrics and gynaecology (O&G) services. A qualified and experienced team of hospital managers, comprising a Chief Executive Officer, Chief Finance Officer and Chief Nursing Officer will be stationed in Dhaka to operate the hospital. The hospital is expected to receive its first patients by the second quarter of 2014.

Hospital Developments in Malaysia

KPJ continues to make significant investments in hospital projects on the domestic and international fronts to create long-term value for shareholders. In Malaysia, the year 2013 saw the Group completing the acquisition of one hospital, adding two new purpose-built hospitals to its existing network of 22 hospitals, and gearing up for further growth.

The Prime Minister of Malaysia officiating the launching of Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College.

The Group completed the acquisition of a 100% stake in its 22nd hospital, Sri Manjung Specialist Centre Sdn Bhd (Sri Manjung) in May 2013. Sri Manjung, which presently has a total capacity of 30 beds, is strategically positioned for long-term growth with an additional 90 beds to be added on through future expansion on an adjacent piece of land. The hospital has been in operation since 2004 and is a profitable venture. Following the completion of the acquisition, the Sri Manjung operation is expected to contribute fully to KPJ's earnings going forward.

The KPJ Pasir Gudang Specialist Hospital, opened to the public in the same month, making it the 23rd operating hospital for the Group in Malaysia. While this hospital has a total capacity of 120 beds, only the first phase comprising 25 beds is currently open. Located strategically within the residential area adjacent to the Pasir Gudang, industrial area, we expect this hospital to receive good response from the surrounding community due to the sizeable working population in the area, plus the expatriate community within the vicinity. The hospital is expected to undergo a gestation period of two to three years before turning profitable.

The year also saw KPJ Sabah Specialist Hospital successfully completing its relocation with an expanded range of services. This hospital offers general and specialist services, boasts 86 consultants in total and has a total capacity of 282 beds. Its specialist offerings include medical, surgery, orthopaedic, O&G, paediatric, ophthalmology, anaesthesiology, radiology as well as ear, nose and throat services. The RM200 million hospital began operating in December 2013.

More recently, the KPJ Rawang Specialist Hospital began operations in March 2014, while the KPJ Bandar Maharani Specialist Hospital in Muar, Johor is set to commence operations in 2014. These two hospitals will add another 96 beds in total to KPJ's current capacity and by the end of 2014, KPJ's capacity will have risen to 3,229 beds from 2,720 currently.

Going forward, KPJ will take on 9 new development projects over 4 years. The plan is to roll out a minimum of two new hospitals per annum to meet high market demand and we expect this plan to evolve in tandem with market demand.

Come 2015, KPJ Perlis Specialist Hospital and the Pahang Specialist Hospital (a 70:30 joint venture between KPJ and PASDEC Corp, a subsidiary of the Pahang State Government), will open. This will be followed by the opening of the Bandar Dato Onn Specialist Hospital in 2016 and the opening of our new JV hospital in Johor, KPJ-UTM, in the same year. By 2017, the KPJ Miri International Specialist Hospital, KPJ Klang Bayuemas Specialist Hospital and another facility in Nilai are targeted to commence operations. Plans are in the offing to construct one hospital facility in Port Dickson and another in Melaka by 2018. All in all, these 9 developments will add another 1,373 beds to KPJ's total number of operating beds.

Hospital Developments Abroad

Today, KPJ has strategic investments abroad by way of its equity stakes in hospitals in Indonesia and Thailand. KPJ's presence in Indonesia comes by way of a 75% equity stake in PT Khasanah Putera Jakarta Medica (which own RS Medika Bumi Serpong Damai in Jakarta) and an 80% equity stake in PT Khidmat Perawatan Jasa Medika (which owns RS Medika Permata Hijau in Jakarta). The Group also has a foothold in Thailand via our 23.4% equity stake in Vejthani Public Company Limited which owns the 263-bed Vejthani Hospital.

On 7 March 2013, KPJ completed its acquisition of RS Medika Permata Hijau. Where previously KPJ operated the hospital on behalf of our parent company, JCorp, and earned a hospital management fee, going forward KPJ will be able to fully recognise the revenue and earnings from these hospital operations. However, the Group expects its overall Indonesian operation to continue to incur losses for the next few years due to the fact that its other Indonesian hospital, RS Medika Bumi Serpong Damai, is still facing intense competition from private hospital providers in the area.

In Bangladesh, the 250-bed international-standard Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital and 50-seat nursing college was launched on November 18 by Bangladeshi Prime Minister, the Honourable Sheikh Hasina in the presence of Malaysian Prime Minister YAB Dato' Sri Mohd Najib bin Tun Abdul Razak. Set up on 2.45 hectares of land at a cost of Tk2.15 billion and involving the Ministry of Social Welfare under a Public Private Partnership (PPP) initiative, the hospital serves as a good PPP model for Bangladesh. Offering world class medical service at an affordable cost, it is expected to create healthy competition among the country's healthcare service providers.

Medical Tourism Activities

In 2013, revenue from the medical tourism segment brought in 4% of KPJ's revenues. Given the dynamic demand from this fast growing segment, we envisage that this business will contribute some 25% of KPJ's revenues by the year 2020. The year saw the Group continuing to tap the wealth of opportunities presented by the medical tourism market and aggressively stepping up the number of marketing and promotional activities in existing and new target markets. Aside from activities throughout Asia, the Middle East and Australia, the Group also took the opportunity to venture into the East African countries, in particular Somalia.

KPJ Healthcare participating in the Arabian Travel Mart (ATM) in Dubai.

Over the course of the year, KPJ actively participated in local and international exhibitions, trade expositions, road shows and health talks. All of these certainly helped reinforce Malaysia's position as an excellent and cost-effective destination for medical care as well as strengthened KPJ's brand reputation among target audiences.

The Group's overall efforts led to an 8.83% 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 RM67.1 million in revenue in 2013 and we anticipate that the number of medical tourists will increase as the Group ramps up its marketing and promotional activities which are targeted at potential patients from Indonesia, Middle East and North Africa among others.

Aged Care Facility Services

KPJ is involved in Australia's first retirement and aged care resort incorporating Eastern values by virtue of a 57% equity stake in Jeta Gardens in Brisbane. As the Group's gateway to the retirement world, Jeta Gardens is helping KPJ gain better insights into the provision of retirement care to the elderly. This is coming in handy as KPJ explores avenues to create a new lifestyle for Golden Boomers in Malaysia.

Even as KPJ's patients move into their golden years, the Group will be well placed to meet their needs through geriatric health and nursing activities. In delivering value to the elderly, the Group is helping ensure its long-term sustainability.

To date, the Jeta Gardens facility is fully occupied and there is a long list of prospective elderly clients waiting to make it their home. To cater to this pent-up demand, Jeta Gardens has started construction of a 72-bed building to increase its capacity and construction of this facility is scheduled to be completed by second quarter of 2015. We remain confident about KPJ's venture into aged care facility services given the growing ageing population in Australia (which is expected to reach 1.8 million people by 2050 as compared to 0.4 million people in 2010) and the fact that the business model can be replicated elsewhere in the region.

Education Business

Via KPJ Healthcare University College (KPJUC), KPJ is fulfilling the academic and career aspirations of professionals in the healthcare industry as well as developing their knowledge and skills. Today, KPJUC offers the entire spectrum of academic programmes, from diploma and bachelor to post-graduate programmes. In 2013, there was a significant increase in the number of approved home-grown programmes which included the Bachelor of Pharmacy, Bachelor of Pharmaceutical Science with Health Sciences, Bachelor of Medical Imaging, Bachelor of Nursing and Bachelor of Physiotherapy. At a higher level, another advanced medical degree was approved at the School of Medicine i.e. the Master of Radiology. At other schools, approvals were obtained for the Masters in Pharmacy, Nursing, Pharmaceutical Technology, Medical Imaging and Physiotherapy. A two-year full-time PhD in Nursing was also approved. This brings the total number of programmes currently offered at KPJUC to 28 programmes.

Apart from its academic programmes, KPJUC continues to bolster its research and development (R&D) capability as well as forge strong international alliance with universities from Australia and the United Kingdom. At the national-level KPJUC has strengthened its collaboration with Universiti Kebangsaan Malaysia (UKM) particularly in the way of developing new Medical Specialist programmes. Following the groundbreaking Master in Otorhinolaryngology - Head and Neck Surgery programme, two new programmes, namely the Masters in Surgery and Masters in Orthopaedics, are currently being finalised with UKM and will be offered in the 2014 academic year. By the end of 2014, another 13 new programmes will have been added to KPJUC's academic offering.

As KPJUC ramps up its academic programme offering, its student population is expected to grow from 1,700 to 3,000 students by 2015. To cater to the expected increase in student numbers, the Nilai campus underwent its second phase of expansion works (at a cost of RM50 million) and brought this to completion by the end of 2013. The third phase of the expansion programme in Nilai (from 2014 onwards), will see an additional RM150 million invested in hostel and academic blocks, a multi-purpose hall and a sports complex. Plans are also underway for a private teaching hospital to be built at the Nilai campus which will make this the first private hospital in the country built for academic purposes.

Meanwhile, both the Johor Bahru and Bukit Mertajam campuses of KPJ International College of Nursing and Health Sciences (KPJ College) continue to make good progress. The Johor Bahru campus is actively developing new post basic programmes in neonatology, orthopaedic and renal sciences, while the Bukit Mertajam campus (which began operations in January 2013) has a line-up of programmes that include the Diploma in Operating Department Practice and the Diploma in Pharmacy, and is fast expanding its programmes .

As KPJUC and KPJ College venture forward, they will continue to forge strategic alliances, enhance the knowledge and skills of their academic teams, and continue providing invaluable hands-on training and clinical practices to ensure their graduates are competent and competitive in the fast growing globalised market.

Technological Advancements

As a progressive organisation, KPJ continues to leverage on technological innovations to ensure more efficient operations. The widespread and accelerated use of IT at the Group's hospitals is certainly helping strengthen patient safety even as the possibility of errors is mitigated and coordination and efficiency is enhanced.

The KPJ Clinical Information System (KCIS) is one such example. Introduced some five years ago and currently deployed at nine hospitals, this secure clinical system now incorporates electronic clinical documentation and an audit trail functionality to mitigate the risk of incorrect information. At the same time, it secures highly confidential patient data as per the user's role and responsibility as a caregiver. More and more doctors and medical staff are tapping the integrated environment that KCIS offers for their day-to-day operations. By the end of 2014, KCIS will be deployed to four to six more hospitals, with two to four more scheduled to migrate onto KCIS in 2015.

As part of the Group's efforts to continuously improve its integrated information systems infrastructure, it launched its pioneer Mobile Clinical Information System in mid-2013. This is enabling users to access the KCIS in a more convenient and instantaneous manner. In addition to this, the Group has begun migrating its clinical information system to the enterprise-wide KPJ Cloud System by hosting a KPJ data centre serving all hospitals via the Internet. This secure private cloud is dedicated to providing core systems with data security services to ensure cloud computing is enabled within a shared and safe environment. The Group's centralised IT infrastructure and hardware is helping it optimise the cost of its technology investment and ensuring continuous improvements are made to clinical systems to ensure patient safety and care.

Innovation Culture

The first quarter of 2013, saw Agensi Inovasi Malaysia (AIM) undertaking a survey of the KPJ Group as part of the National Corporate Innovation Index (NCII). The NCII aims to help companies embrace innovation and to accelerate wealth and value creation by leveraging on the National Corporate Innovation Scorecard and NCII Report. The index helps companies measure where they are in terms of innovation as well as uncover ways to improve their innovation performance.

Launch of the first Mobile Clinical Information System by YB Dato Kamaruzzaman Abu Kasim, President of Johor Corporation cum Chairman, KPJ Healthcare Berhad.

2013's NCII scorecard results showed that innovation is a very high priority within KPJ and as a result of the good alignment between KPJ's innovation strategy and its impact, the Group has been able to increase its market share, meet customers' expectations and increase its revenue. All in all, the key findings demonstrate that KPJ's innovation culture is quite strong and is supporting its reputation as a global innovator.

Moving forward, the Group will continue to pursue a strategy of widespread IT adoption and innovation to safeguard its operations and patients, improve customer service levels, and reinforce its reputation as a progressive healthcare player.

Patient Care and the Customer Experience

KPJ's philosophy of "Care for Life" rests on the shared commitment to give its best to patients and customers at all times. This need to ensure that the customer experience and patient safety remain top priorities is all the more important even as KPJ's rapidly-developing network of hospitals expands its range of facilities and services. KPJ remains committed to achieving this by facilitating the smooth assimilation of core procedures and processes and ensuring a high level of professional and compassionate care throughout the Group's hospitals.

The Group's hospitality and service offerings reflect who KPJ is. Today, the Group continues to advocate the development of a strong service-oriented culture within KPJ to ensure consistency and high standards across all its hospitals. The Service Excellence -The KPJ Way (SE - KPJ Way) initiative involves the implementation of core customer-centric procedures and processes throughout KPJ's hospitals and the delivery of a high level of professional and compassionate care. It demonstrates the Group's commitment to deliver high-quality customer experiences by constantly touching patients' hearts across all touch-points, from entry to exit.

This 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 SE - KPJ Way initiative aims to raise service levels and standardise the quality of the service delivery throughout KPJ's network of hospitals. It focuses on communication skills, emphasises empathy and urges caregivers to go beyond the expectations of customers. Since its inception, 10 hospitals have implemented the SE - KPJ Way with a definitive positive impact on customer satisfaction levels measured through customer service indexing (CSI). Over time, the SE - KPJ Way initiative will be introduced to the Group's other hospitals.

In line with the Group's commitment to undertake continuous service improvements, it established the Service Quality Management (SQM) Division in March 2013. The SQM Division has been tasked with developing programmes to ensure KPJ can deliver the highest possible level of care to the communities the Group serves. The division has placed a priority on several key areas to achieve this task including the areas of customer service training, customer service management, process mapping, process improvements and quality assurance. In 2013, the SQM Division kicked off an initiative to develop and internalise customer service training and coaching, which saw frontline personnel being trained as customer service coaches.

Quality of Services

KPJ's ultimate goal is to provide customers with safe care and excellent services and to this end the Group is committed to adopting best-in-class quality systems and processes. To date, KPJ's hospitals have received recognition from accreditation bodies such as the Malaysian Society for Quality in Health (MSQH) and Joint Commission International (JCI). KPJ's hospitals also continue to obtain certifications such as the Integrated Management System (IMS) certification (which includes Occupational Safety and Health as well as Environmental Management System elements), as well as ISO, and SIRIM certification.

To date, 14 KPJ hospitals have been accredited by MSQH while the total of JCI-accredited hospitals within the KPJ Group is 4. In 2014, 2 hospitals will undergo their latest MSQH accreditation surveys, namely KPJ Kota Kinabalu Specialist Hospital and KPJ Klang Specialist Hospital.

To ensure all KPJ's hospitals strictly comply with all regulations and adhere to international best practices, their clinical conduct is governed by the Group's clinical policies and procedures. At the same time, the Medical Advisory Committee and other Clinical Committees at both the Group and hospital levels monitor their processes. The Group also abides by the policies and practices outlined in the Private Healthcare Facilities and Services Act 1998 and complies with MOH regulations. On top of this, through their exposure to continuous learning at KPJUC, KPJ's staff are able to demonstrate and maintain high quality standards throughout the Group's operations.

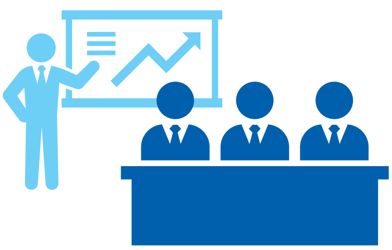
Human Capital Development

KPJ's workforce is undoubtedly its greatest asset and the reason for the Group's success. As a people-centric organisation, the Group continues to prioritise human capital development to strengthen its workforce, ensure a ready pipeline of talent for its rapidly expanding hospital network, and ensure sustainable business growth.

Today, over 10,000 highly-trained individuals support KPJ's operations. This number encompasses more than 1,834 highly trained clinical staff who have been trained by KPJUC; 150 internally-trained managers with some 30 plus years of experience in managing hospitals; as well as over 1,000 medical consultants who specialise in various medical disciplines. Even as KPJ ensures a seamless coordination and cooperation among its team of caregivers, it is ensuring that patient safety and customer care are given the highest priority.

As part of the Group's efforts to develop its employees through transformational leadership, motivation, and training, it spends as much as RM5.5 million 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. The Group also organises the KPJ Healthcare Conference, Medical Workshop and Nursing Convention on an annual basis so that its medical consultants, nurses and allied health staff have specific platforms where they can deliberate and discuss medical and clinical issues relating to their practices.

KPJ spends as much as **RM5.5 million** annually to **finance employees'** further **education**, on-the-job **training** and other **skill enhancement** programmes.



KPJ's on-the-go medical consultants continue to do their part to keep abreast of the latest medical developments by participating in conferences and seminars. At the same time, they share their knowledge and experiences with others via various speaking platforms in the domestic and international arenas. KPJ's nurses are encouraged to further their studies either by taking up a Degree in Nursing or the Masters in Science (Nursing) through collaboration with foreign universities. They also have the opportunity to take up post basic courses in operation theatre, ICU, CICU, renal and midwifery to enhance their knowledge and skills.

KPJ is also committed to empowering its people with the confidence and skills required to lead and guide others. The Group's efforts extend to transforming ordinary individuals into extraordinary high performers through transformational leadership. To ensure the continuity of the Group's operations and management standards, capable individuals with high potential are identified for management positions within the Group under the Talent Management programme which also forms part of KPJ's Succession Development Plan. Following the sponsorship of eligible executives for a Master in Business Administration (Healthcare Management) programme, five of these executives obtained their MBAs from the University of East London and Universiti Teknologi Malaysia in 2013.

As an Equal Opportunity Employer, KPJ is keen to provide its people opportunities to better themselves and vie for positions of higher responsibility based on their ability and performance. By leveraging on measurable processes such as the Staff Performance Appraisal Review (SPAR), KPJ is able to identify and promote competent employees while strengthening the skills set of others through targeted training programmes. All of these, among other initiatives, are helping KPJ to attract and retain a strong pool of talented employees.

KPJ is also on target to achieve the Government's policy of having 30% women on board in key decision-making positions as per the legislation for the corporate sector which will come into effect in 2016.

RESPONSIBLE CORPORATE PRACTICES

Corporate Governance

KPJ's Board of Directors remains committed to upholding the tenets of integrity, transparency and accountability and to implementing the highest standards of corporate governance and risk management practices throughout the organisation. The Group also continues to ensure strict compliance with Bursa Malaysia's listing and disclosure requirements under the Malaysian Code of Corporate Governance 2012 (2nd Edition) and undertakes other governance measures to ensure the protection of shareholders' wealth and KPJ's corporate reputation, as well as the sustainability of its businesses.

Several committees are in place to monitor the relevant operational processes within the Group's hospitals. These include 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), which has oversight over the Group's clinical activities, develops and monitors clinical governance activities and guidelines to ensure the best clinical governance activities are being implemented throughout the Group. At the individual hospital level, each Hospital MAC under the chairmanship of a medical director, facilitates the implementation and oversees compliance with clinical governance through various clinical sub-committees.

Between May and June 2013, the Malaysian Institute of Integrity conducted a Corporate Integrity Assessment on KPJ's hospitals and companies. This exercise involved some 220 employees from throughout the Group comprising Top Management, Heads of Services, Managers and Executives. Under the Corporate Integrity System Malaysia (CISM) dimensions benchmark, KPJ scored an average of 50% to 75% for 12 specific dimensions. KPJ's highest score at 73.4% was for the dimension 12 pertaining to Corporate Social Responsibility.

Three dimensions were required to be enhanced, namely Infrastructure, Measurement, Research and Assessment and Ethics, Training and Education. There are plans in the offing to make improvements to these three areas to attain a higher integrity benchmark.

These developments will bring about a new vitality to KPJ's operations, strengthen the governance of the Group and enable its businesses to grow in a sustainable manner. The details of these governance measures and risk management practices are spelt out in the relevant sections of this Annual Report.

Corporate Responsibility

As a conscientious corporate citizen, KPJ is committed to making good progress on the financial and operational fronts while undertaking responsible practices that underscore its commitment to "Care for Life". The year in review saw the Group demonstrating its commitment to profiting in a responsible manner as it implemented tangible corporate responsibility (CR) initiatives in the areas of the Community, Workplace, Marketplace and Environment.

While KPJ's overall CR efforts to date are highlighted in the Corporate Responsibility section of this Annual Report, we want to touch upon the effective work the Group is doing on the Community front, particularly by way of its flagship CR initiative, the Klinik Waqaf An-Nur (KWAN). The KWAN initiative aims to help the impoverished and underprivileged in communities by providing them access to a chain of charity clinics. Through these clinics, patients are able to take advantage of basic medical care for a nominal fee of only RM5 for normal outpatient care and around RM90 for dialysis services so they can lead healthier lives.

The KWAN initiative has its roots in 1998, when together with JCorp, KPJ kick-started the project with one small clinic in Johor Bahru. Today, the KWAN initiative spans 1 hospital in Johor, 19 clinics (including 5 site clinics and 6 dialysis centres) throughout Malaysia, as well as 2 mobile clinics in Johor and Selangor. From KWAN's inception until the end of 2013, KPJ has had the opportunity to be of service to more than 961,000 patients. The Group also continues to provide clinical resources as well as medication to patients via KWAN, and is investing more than RM2 million annually to support KWAN activities.

PROSPECTS AND STRATEGIES GOING FORWARD

The Malaysian economy is expected to remain on a steady growth path in 2014, expanding by 4.5%-5.5%. Domestic demand will remain the key driver of growth, albeit at a more moderate pace.

KPJ's President & Managing Director receiving a mock key of the Mobile Clinic from Lembaga Zakat Selangor Board of Trustee, Dato' Siti Maslamah Osman.

Where in 2013, it was evident that the demand for healthcare services increased in line with strong population growth, better life expectancy, a rapidly ageing population and a rising middle income group, these market dynamics are expected to continue driving the demand for healthcare in 2014. The strong double digit growth enjoyed by the medical tourism segment in 2013 too, is expected to be replicated in 2014.

Going forward, the private healthcare sector is expected to register continuous growth as a result of the abovementioned market dynamics, the growing awareness of healthcare standards and an overloaded public healthcare system. All these developments bode well for KPJ and the Group will continue to put the necessary elements in place to deliver sustainable, long-term growth.

To fully leverage on the many opportunities before it, the Group is setting its sights on a bold agenda. This agenda calls for KPJ to focus its efforts on continuous strategic growth that is primarily centred on the expansion of the Group's hospital business, both at home and abroad. KPJ's Malaysian operations will remain the mainstay of its business going forward and the Group will continue to make the necessary investments to strengthen this segment. We anticipate that revenue will continue to grow in 2014 as KPJ undertakes expansion programmes at existing hospitals, makes enhancements to its service offering and undertakes continued growth of existing greenfield hospitals.

While we are excited about the opening of the new KPJ Sabah Specialist Hospital and KPJ Rawang Specialist Hospital as well as the up-coming KPJ Bandar Maharani Specialist Hospital and Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College, these new hospitals will only truly help the Group grow its revenue once their initial gestation period (between three to five years) is over. The plan to roll out two new hospitals per annum augurs well for KPJ and will ensure a steady stream of revenue while reinforcing its market leadership position.

The Group will also continue to undertake a strategy of growing its international footprint within the region, mainly by leveraging on strategic alliances with third parties. Rest assured the Group will undertake the necessary due diligence as its explores new opportunities in new markets. In tandem with the Group's efforts to grow the revenue contributions from the medical tourism business segment to 25% in six years' time, it will also intensify its efforts in this area.

As the Group ramps up its capacity building and service expansion activities, it expects patient numbers on both the domestic and international fronts to increase steadfastly in the medium to long-term.

As KPJ ventures forth to capitalise on new opportunities, there will definitely be challenges ahead for the Group. We are confident that the Group can overcome these challenges with the unflinching support of its dedicated management team, employees and medical consultants. On KPJ's part, we commit to providing our people the necessary tools and a conducive work environment to get the job done. This will allow KPJ's employees to give their complete attention to the needs of their patients while upholding KPJ's philosophy of "Care for Life".

As the Group's people work together as a team, stays true to KPJ's Core Values, prioritise patient safety and quality medical care, as well as undertake aggressive business strategies, we are confident of gaining patient confidence and strengthening KPJ's reputation as a key player in the healthcare sector. Going forward, the Board is confident that KPJ will continue to deliver a good performance in 2014 while creating enduring value for its shareholders.

ACKNOWLEDGEMENTS

KPJ's good progress in 2013 is owing to the worthy efforts of several parties and we wish to acknowledge them for their efforts. We would like to convey our utmost gratitude to you, our Shareholders, for your unwavering trust and continued confidence in us. As we venture forth, we will continue to work hard to deliver a strong performance on all fronts and ensure the creation of sustainable shareholder value.

We are indeed grateful to all our customers for their kind support and continuing trust in KPJ. We are also deeply indebted to the many communities we operate in who have come to the fore to support our corporate responsibility activities. With the strong backing and encouragement of communities, we are truly motivated to continue upholding our commitment to "Care for Life" and to make a tangible difference in their lives.

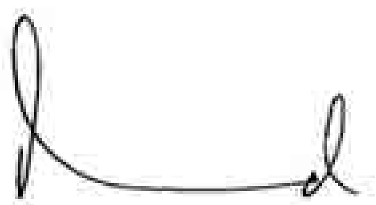
Our sincere appreciation goes to the Government and authorities for their steadfast cooperation and guidance, and to KPJ's business partners for their unrelenting support. Our sincere gratitude also goes to all medical consultants within the KPJ Group who have worked diligently to deliver the highest quality of care to our patients. Our heartfelt gratitude also goes to the management team and staff of KPJ, for their hard work, dedication, professionalism and commitment to excellence in every aspect of their service and care for customers.

We convey our deep appreciation to our colleagues on the Board, as well as the Executive, Audit and Clinical Committees who have all worked together with us to propel KPJ forward on the pathway to prosperity. We are grateful for their guidance and wise counsel as well as their continuing support as we undertake various initiatives for the good of the Group.

The KPJ Board underwent several changes during the year under review. We were greatly suddened by the passing of Tuan Haji Abdul Razak Haron, who served as a Director of KPJ from 2011 to 2013. We also take this opportunity to acknowledge the contributions of Datuk Dr. Hussein Awang, an Independent Non-Executive Director, who announced his retirement on 11 June 2013, and Tuan Haji Rozan Md. Saat, a Non-Independent Non-Executive Director and the CEO of the Hospitality Division of JCorp, who resigned on 1 January 2014. We thank these gentlemen for their worthy contributions and wish them every success in their future undertakings.

Subsequently in early 2014, we appointed two very experienced leaders who we believe will be able to contribute positively to the Board and bring the Group to higher levels of excellence. We welcome on board Tuan Haji Aminudin Dawam and Tuan Haji Zulkifli Ibrahim, both Non-Independent Non-Executive Directors who assumed their positions on 1 January 2014. Their appointment further strengthens KPJ's Board and ensures our bench is consistently well balanced with experienced professionals that include renowned specialist doctors. Our Board members are constantly providing input and advice to our management and helping the Group stay the course. We certainly look forward to more of this.

Moving forward, the Group will continue to maintain a firm commitment to delivering the highest standards of operational excellence and world class patient care with professionalism and an undivided compassion. As all of us at KPJ renew our commitment to "Care for Life" and pursue the Group's vision of becoming "The Preferred Healthcare Provider", we call upon all stakeholders to work together with us as we pursue new heights of success. Thank you.



Dato' Kamaruzzaman Abu Kassim
Chairman

Amiruddin Abdul Satar
President & Managing Director

Our
Care For **Life**

Today, the teams in KPJ are guided by the Group's Core Values which underscore our commitment to "Care for Life". These values 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. As every employee adopts these values, we are instilling a culture of caring which will endure for a lifetime.

Board Of Directors

First row from left:

1. Amiruddin Abdul Satar
   President & Managing Director

2. Dato' Kamaruzzaman Abu Kassim
   Chairman

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

Second row from left:

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

5. Zulkifli Ibrahim
   Non-Independent / Non Executive Director

6. Tan Sri Dato' Dr. Yahya Awang
Independent / Non-Executive Director

7. Aminudin Dawam
Non-Independent / Non-Executive Director

8. Datuk Azzat Kamaludin
Independent / Non-Executive Director

9. Zainah Mustafa
Independent / Non-Executive Director

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

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

Directors' Profiles

DATO' KAMARUZZAMAN ABU KASSIM
Chairman

Aged 50, Dato' Kamaruzzaman Abu Kassim was appointed as a Non-Independent Non-Executive Director of 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 embarked 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 1989. In December 1992, he left the firm and joined Perbadanan Kemajuan Ekonomi Negeri Johor (currently known as Johor Corporation) as a Deputy Manager in the Corporate Finance Department and later promoted to General Manager in 1999.

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

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

AMIRUDDIN ABDUL SATAR
President & Managing Director

Amiruddin Abdul Satar, aged 50, has helmed KPJ Healthcare Group as its President and Managing Director since 1 January 2013.

An accountant by training, Amiruddin graduated with the Association of Chartered Certified Accountants (ACCA). In 2010, he obtained his Masters in Business Administration (MBA) from the Henley Business School (formerly known as Henley Management College), University of Reading, United Kingdom.

He gained significant experience in finance and management through his capacity as the Accountant and Finance Manager of several large and reputable organisations in the country. Since joining KPJ in 1993, Amiruddin has been involved in the areas of hospital operations, finance and various senior management functions such as strategic planning and investment decisions.

He also holds directorships in several KPJ hospitals as the Chairman.

Amiruddin contributes actively to the development of the Malaysian healthcare sector through his involvement with the Association of Private Hospitals of Malaysia (APHM), where he sits as a Board member, a position he has held since 1996.

DATIN PADUKA SITI SA'DIAH SHEIKH BAKIR

Non-Independent Non-Executive Director and Corporate Advisor

Datin Paduka Siti Sa'diah Sheikh Bakir, aged 61, is the Non-Independent Non-Executive Director and Corporate Advisor of KPJ, appointed since 1 January 2013. She is also the Chairman and Pro Chancellor of KPJ Healthcare University College (KPJUC) since 1 August 2011. She served as the Managing Director of KPJ from 1 March 1993 until her retirement on 31 December 2012.

She graduated with a Bachelor of Economics from University of Malaya and holds an MBA from Henley Management College (currently known as Henley Business School), University of Reading, London, United Kingdom.

Datin Paduka's career with Johor Corporation (JCorp) commenced in 1974 and had been directly involved in 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. During her tenure as the Managing Director, Datin Paduka was directly involved in developing and implementing the transformational strategies that made KPJ Malaysia's leading private healthcare services provider with 24 hospitals nationwide, 4 hospitals and 1 aged care facility overseas, as well as more in the making. Datin Paduka is the Chairman of Jeta Gardens (Qld) Pty Ltd, a company involved in managing the Jeta Gardens and Residential Aged Care Facility, in Brisbane, Australia,

Datin Paduka currently sits as a Director of Kulim (Malaysia) Berhad and Damansara REIT Managers Sdn Berhad, the Manager for Al-'Aqar Healthcare REIT. She was a Board member of KFC (Holdings) Bhd and QSR Brands from 2010 until they were privatized and delisted from Bursa Malaysia in February 2013. 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.

Committed to promoting excellence in healthcare, Datin Paduka is the President of the Malaysian Society for Quality in Health (MSQH), the national accreditation body for healthcare services, elected since its inception in 1997 to date. Currently, she also sits on many other councils and committees at the national level.

In 2010, Datin Paduka was named the 'CEO of the Year 2009' by the New Straits Times Press and the American Express. She has also received many more awards and accolades from 2011 to 2014, due to her contributions to the healthcare industry in Malaysia.

Datin Paduka had also launched her book entitled "Siti Sa'diah : Driven by Vision, Mission and Passion", penned by Professor Rokiah Talib, Penerbitan Universiti Kebangsaan Malaysia in 2013.

In February 2014, Datin Paduka was appointed both as a Member of the Academic Committee of the Razak School of Government (RSOG), and as a Member of the University of Reading Malaysia (UoRM) Advisory Board.

In April 2014, she was appointed as a member of the Centre for University-Industry Collaboration (CUIC) Advisory Council of Universiti Utara Malaysia (UUM).

ZAINAH MUSTAFA
Independent Non-Executive Director

Zainah Mustafa, aged 59, 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 Berhad 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 obtained her Association of Chartered Certified Accountants (ACCA) United Kingdom in 1976.

She is now a Fellow of Association of Certified Chartered Accountant (FCCA). She joined JCorp in October 1978 and rose through the ranks to the Group Chief Financial Officer before retiring on 31 October 2002.

TAN SRI DATO' DR. YAHYA AWANG
Independent Non-Executive Director

Tan Sri Dato' Dr. Yahya Awang, aged 63, is a Director of KPJ and was appointed to the Board of KPJ on 18 July 2013. He is an Independent Non-Executive Director of KPJ and was appointed as a member of the Audit Committee since 26 July 2013 and is presently a member of the KPJ Medical Advisory Committee.

He is also currently a member of the Board of Governor, International Medical University, Kuala Lumpur since July 1995, Foundation Fellow of the Academy of Science Malaysia since 1995, Visiting Consultant Surgeon, Division of Cardiothoracic Surgery, Department of Surgery, Medical Faculty, Hospital Universiti Kebangsaan Malaysia, Cheras, Kuala Lumpur since 1 September 2005, Chairman, Board of Governors, International Medical University, Kuala Lumpur since 26 September 2005, Adjunct Professor of Medical Faculty, Universiti Teknologi MARA (UiTM), Shah Alam, Selangor Darul Ehsan since 1 November 2005, Panel of Board Members, Post Graduate Cardiothoracic Surgery Programme, Universiti of Kebangsaan Malaysia since 2006, Honorary Member of Special Committee for Development of National Transplant Policy since 2006, Pro-Chancellor Universiti Teknologi Malaysia (UTM) since 2011, Head of Unit General OT/Cardiac OT and Medical Ward, KPJ Damansara Specialist Hospital since 2 January 2012, Member of Malaysian Medical Association, Member of Editorial Board "Asian Cardiovascular and Thoracic Annals" and Council Member of International Society of Cardiothoracic Surgeons.

He received his Bachelor of Medicine and Bachelor of Surgery (MBBS) from the Monash University, Melbourne, Australia in 1974. He was conferred a Fellow of the Royal College of Surgeons and Physicians of Glasgow, Scotland in January 1980.

He was the Senior Surgical Resident at the Department of Cardiothoracic Surgery Brompton Hospital, London from July 1981 to December 1982 and became the Surgical Registrar to Mr SC Lennox (FRCS) / Mr M Paneth (FRCS) the Department of Cardiothoracic Surgery Brompton Hospital, London from January 1982 to November 1983.

Tan Sri joined the General Hospital, Kuala Lumpur as the Cardiothoracic Surgeon, Department of Cardiothoracic Surgery from December 1983 to June 1985 and was the Head and Senior Consultant Cardiothoracic Surgeon from July 1985 to June 1992. He became the Founding President of Malaysian Society of Thoracic and Cardiovascular in 1991, Council member of the Association of Thoracic & Cardiovascular Surgeons of Asia (1992 – 1995)and the President of Asian Society of Thoracic and Cardiovascular Surgeons from 1993 to 1995.

He pioneered the establishment of Institut Jantung Negara (IJN), Kuala Lumpur as the Executive Director and as Head and Senior Consultant Cardiothoracic Surgeon of IJN in June 1992 to March 2004 and the Medical Director of IJN from October 1998 to October 2002. In mid March 2004, Tan Sri joined KPJ Damansara Specialist Hospital as the Consultant Cardiothoracic Surgeon, Damansara Heart Centre until to-date.

Tan Sri is also a Director/Chairman of Multi-Purpose Insurance Berhad and Tokio Marine Insurance (M) Berhad, Director /Trustee of Wah Seong Foundation, Chairman/ Board of Governors, International Medical University, Kuala Lumpur and a Director for several other companies.

Tan Sri was conferred the Darjah Paduka Mahkota Johor (DPMJ) in 1990, Darjah Sultan Ahmad Shah (DSAP) in 2000 and Panglima Setia Mahkota (PSM) which carries the title Tan Sri in 2003. He was also conferred the Honorary Doctor of Medicine by Universiti Kebangsaan Malaysia in 2006, Anugerah Maulidur Rasul Peringkat Kebangsaan in 2008, Ijazah Kehormat Doktor Sains Perubatan, Universiti Sains Malaysia in 2009 and Honorary Doctor of Medicine in 2012.

He successfully operated on the 1st Heart Transplant Recipient – Mr Sathrugnan a/l Ramakrishnan in December 1997.

Tan Sri has also been active in writing articles/journals and presenting papers especially on cardiothoracic surgery.

DATUK AZZAT KAMALUDIN

Independent Non-Executive Director

Datuk Azzat Kamaludin, aged 68, was appointed to the Board of KPJ on 1 September 1994. He is currently an Independent Non-Executive Director and is also a member of the Audit Committee and Nomination & Remuneration 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, Boustead Holdings Berhad, BHIC Berhad and Axiata Group Berhad.

DR. YOONG FOOK NGIAN

Independent Non-Executive Director

Dr. Yoong Fook Ngian, aged 72, is a Director of KPJ and was appointed to the Board of KPJ on 7 July 2005. He is an Independent Non-Executive Director of KPJ, the Chairman of the Medical Advisory Committee and member of the Building Committee.

He received his Bachelor of Medicine and Bachelor of Surgery (MBBS) from University of Sydney in 1966. He obtained his post-graduate qualification in Otolaryngology in 1972 and was conferred 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. His last posting with the Ministry of Health was as the Head of ENT Surgery in General Hospital Kuala Lumpur before venturing into private practice in 1975. He has been the Resident ENT Consultant in Ipoh Specialist Hospital since 1983 and is one of its founding doctors. He was the Medical Director of Ipoh Specialist Hospital from 1994 to December 2006.

He is also 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.

AHAMAD MOHAMAD

Non-Independent Non-Executive Director

Ahamad Mohamad, aged 60, was appointed to the Board of KPJ on 1 January 2005. He is currently a Non-Independent 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, prefabricated housing project and the Kotaraya Complex in Johor Bahru.

At present, he is the Chief Executive of 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.

ZULKIFLI IBRAHIM

Non-Executive Non-Independent Director

Zulkifli Ibrahim, aged 55, was appointed to the Board of KPJ on 1 January 2014. He is also the Chairman of the KPJ Tender Board Committee. He is currently the Senior Vice President/Chief Operating Officer of Johor Corporation.

He is a Fellow of the ACCA, United Kingdom and a member of the Malaysian Institute of Accountants since 1992.

After serving various companies in the private sector since his graduation in 1983, he joined JCorp Group in 1990 as the Financial Controller of Sindora Berhad. In 1996, he was appointed as the Managing Director of Antara Steel Mills Sdn Bhd until 2000 before joining PJB Pacific Capital Group in 2001 as the Chief Operating Officer. He joined Kulim as the Chief Operating Officer in 2003. He is also the Chairman and Director of several other companies within the JCorp Group.

DR. KOK CHIN LEONG

Independent Non-Executive Director

Dr. Kok Chin Leong, aged 56, was appointed to the Board of KPJ on 7 July 2005. He is an Independent Non-Executive Director of KPJ and a member of the KPJ Clinical Governance Policy Committee since 2001 and presently the Chairman for the Committee since 2005 and the Advisor for KPJ's Clinical Information System since January 2003.

He presently sits in the Executive Committee of the Malaysian Paediatric Association (MPA) since 2009, and is the President of MPA from 2013 to 2015. He is also the President-Elect for Asean Paediatric Federation.

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 a Fellow of the Royal College of Physician of United Kingdom in 1990 and registered as full medical practitioner with the Malaysian Medical Council in 1983.

His medical career started in 1986 at Kuala Lumpur General Hospital in Clinical Paediatrics, worked as Senior House Officer/ Registrar at Derby Children's Hospital, United Kingdom in 1990. He served as the Clinical Specialist in Paediatrics at Hospital Sultanah Aminah, Johor Bahru from 1991 to 1992 and 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 the Project Coordinator/Chairman for the Batu Pahat Rotary Club Haemodialysis Centre from 1992 to 1993 and was the Southern Representative for MPA from 2000 to 2004 and the Southern Coordinator for Infant Touch Therapy. He was a Board Member in Association of Private Hospital Malaysia (APHM) from 2008 to 2010. He was a Board member for MSQH from 2011 to 2013. He has been the Resident Consultant Paediatrician at 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.

AMINUDIN DAWAM

Non-Independent Non-Executive Director

Aminudin Dawam, aged 50, was appointed to the Board of KPJ on 1 January 2014. He is also a member of the KPJ Tender Board Committee and Building Committee. He is currently the Vice President (Property & Business Development Division) of Johor Corporation since September 2013.

He graduated with a Bachelor of Business Administration from Sam Houston State University, Huntsville, Texas, USA in 1986 and completed his Master degree at the same university in 1988. He received Post Graduate Diploma in Health Services & Hospital Management at South Bank University, London, United Kingdom in 1997.

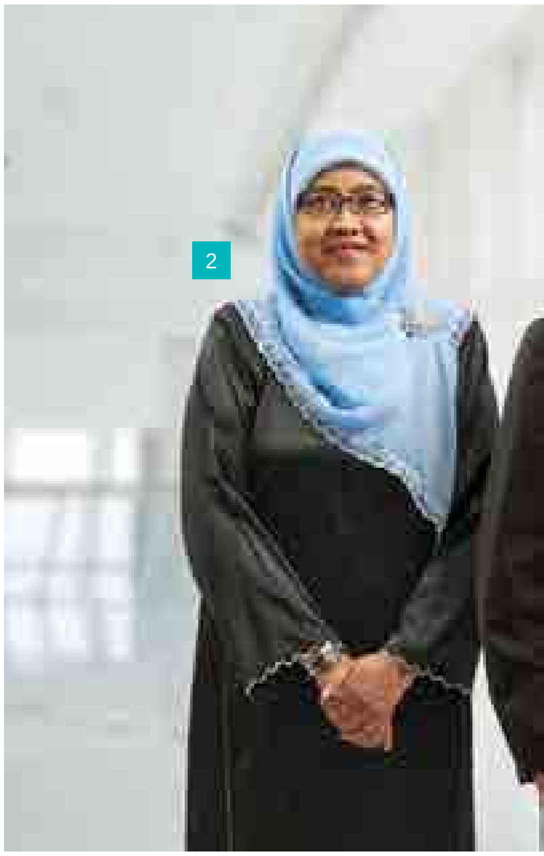
He joined KPJ in 1998 and has managed various companies and hospitals within the KPJ Group. He has also served as Commissioning Director for United Hospital Limited, Dhaka, Bangladesh.

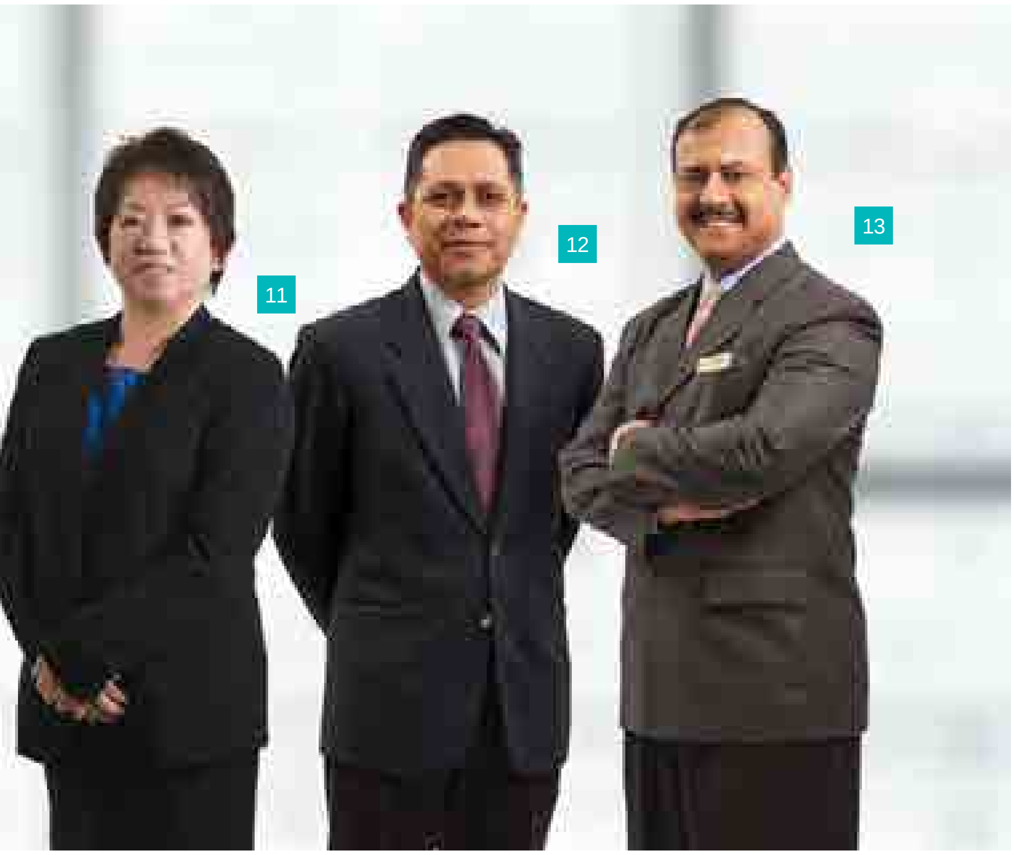
His last post in KPJ was the Group General Manager until January 2011. He later resigned from KPJ to join Pantai Holdings Berhad as the Chief Operating Officer, Malaysia Operations until August 2013.

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' Meeting of the Company as stipulated by the Listing Requirements for the financial year ended 31 December 2013.

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 levels.

Executive 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. Norhaizam Mohammad
   Senior General Manager -
   Group Finance

7. Datin Sabariah Fauziah Jamaluddin
   Senior General Manager -
   Group Talent Management

8. Ahmad Nasirruddin Harun
   Senior General Manager -
   Group Strategic Transformation & Project Implementation

9. Mohd Johar Ismail
   Senior General Manager -
   Group Operations

10. Rafeah Ariffin
    Senior General Manager -
    Group Marketing & Corporate Communications

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

12. Mohd Nasir Mohamed
    Senior General Manager -
    Group Operations

13. Dr. Mubbashir Iftikhar
    Chief Information Officer
    Information Technology Services

Hospital
Medical Directors

From left to right:

1. Dr. Mohd Hafetz Ahmad
KPJ Johor Specialist Hospital

2. Prof Dato' Dr. Azizi Hj Omar
KPJ Damansara Specialist Hospital

3. Amiruddin Abdul Satar
President & Managing Director

4. *Committee Chairman*
Datuk Dr. Hussein Awang
Tawakkal Health Centre

5. Dato' Dr. Hj Fadzli Cheah Abdullah
KPJ Ipoh Specialist Hospital

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

From left to right:

7. Dr. Rajoo Padmanathan
KPJ Penang Specialist Hospital

8. Dr. Balakrishnan Subramaniam
KPJ Kajang Specialist Hospital

9. Dr. Mahayidin Muhamad
KPJ Perdana Specialist Hospital

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

11. Dato' Dr. Shahrudin Mohd Dun
KPJ Selangor Specialist Hospital

12. Dato' Dr. Ismail Yaacob
Kedah Medical Centre

13. Dr. G Ruslan Nazaruddin
KPJ Tawakkal Specialist Hospital

From left to right:

14. Dr. David Ling Sheng Tee
Kuching Specialist Hospital

15. Dr. Khaled Mat Hassan
KPJ Kuantan Specialist Hospital

16. Dr. Saharudin Abdul Jalal Ajma'in
KPJ Puteri Specialist Hospital

17. Dr. Mohd Harris Lu
Sentosa Medical Centre

18. Dr. Lim Keok Tang
Kota Kinabalu Specialist Hospital

19. Dr. Ahmad Farid Daud
Kluang Utama Specialist Hospital

20. Dr. Ong Boon Teik @ Taik
Taiping Medical Centre

From left to right:

21. Dato Dr. N. Sivamohan
KPJ Klang Specialist Hospital

22. Dr. Wong Chya Wei
Sibu Specialist Medical Centre

23. Dr. Choong Yean Yaw
Pusat Pakar Mata
Centre for Sight

24. Datuk Dr. Ajaz Ahmad Nabijan
KPJ Sabah Specialist Hospital

25. Dr. Ab Razak Samsudin
KPJ Pasir Gudang Specialist Hospital

26. Dr. Noor Hisham Mansor
KPJ Rawang Specialist Hospital

27. Dr. Lee Min Chuang
Sri Manjung Specialist Centre

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

9. **Mohd Johar Ismail**
Senior General Manager -
Group Operations

10. **Rafeah Ariffin**
Senior General Manager -
Group Marketing & Corporate Communications

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

12. **Mohd Nasir Mohamed**
Senior General Manager -
Group Operations

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

18. **Dr. Munirah Khudri**
Chief Executive Officer
KPJ Ampang Puteri Specialist Hospital

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

20. **Maisarah Omar**
Chief Executive Officer
KPJ Seremban Specialist Hospital

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

6. **Norhaizam Mohammad**
Senior General Manager -
Group Finance

7. **Datin Sabariah Fauziah Jamaluddin**
Senior General Manager -
Group Talent Management

8. **Ahmad Nasirruddin Harun**
Senior General Manager -
Group Strategic Transformation & Project Implementation

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

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

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

16. **Khairun Ahmad**
Executive Director
KPJ Puteri Specialist Hospital
KPJ Bandar Maharani Specialist Hospital

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

22. **Zaharah Osman**
Chief Executive Officer
KPJ Damansara Specialist Hospital

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

24. **Noor Haslina Harun**
Chief Executive Officer
KPJ Kajang Specialist Hospital

Hospital
Management Committee

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

26. **Mohd Farid Salim**
Chief Executive Officer
KPJ Tawakkal Specialist Hospital
Tawakkal Health Centre

27. **Rosnani Ismail**
General Manager
KPJ Klang Specialist Hospital

28. **Norhalida Abdullah**
General Manager
KPJ Selangor Specialist Hospital

33. **Fawziah Muhammad**
General Manager
Kluang Utama Specialist Hospital

34. **Mohamad Sofian Ismail**
General Manager
Taiping Medical Centre

35. **Denis Saving Boniface**
General Manager
Sibu Specialist Medical Centre

39. **Muhammad Gunasingam**
Executive Director
Jeta Gardens, Brisbane
Australia

40. **Saezahnoor Hanafi**
Chief Executive Officer
Sheikh Fazilatunnessa Mujib Memorial
KPJ Specialized Hospital & Nursing College
Dhaka, Bangladesh

41. **Yusmah Salleh**
General Manager
RS Medika Bumi Serpong Damai, Jakarta
Indonesia

42. **Feirulsha Mohd Khalid**
General Manager
RS Medika Permata Hijau, Jakarta
Indonesia

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

30. **Mohamad Hafiz Zaini**
General Manager
Kuching Specialist Hospital

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

32. **Nor Azlina Jemain**
General Manager
Kota Kinabalu Specialist Hospital

36. **Muhammad Badri Hussin**
General Manager
KPJ Kuantan Specialist Hospital

37. **Haliza Khalid**
General Manager
KPJ Pasir Gudang Specialist Hospital

38. **Zaiton Sulaiman**
General Manager
KPJ Rawang Specialist Hospital

43. **Cheow Jen Hurn**
General Manager
Sri Manjung Specialist Centre

44. **Rafidah Ahmad**
General Manager
KPJ Bandar Maharani Specialist Hospital

45. **Ibrahim Abdullah**
Operation Manager
Pusrawi Specialist Medical Centre

Divisional
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

9. **Mohd Johar Ismail**
Senior General Manager -
Group Operations

10. **Rafeah Ariffin**
Senior General Manager -
Group Marketing &
Corporate Communications

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

12. **Mohd Nasir Mohamed**
Senior General Manager -
Group Operations

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

18. **Iskandar Baharuddin**
General Manager
Project Development Services

19. **Noreen Abdul Rashid**
General Manager
President & Managing Director's Office

23. **Hanida Mohd Hassan**
Deputy Manager
Service Quality Management Services

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

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

6. **Norhaizam Mohammad**
Senior General Manager -
Group Finance

7. **Datin Sabariah Fauziah Jamaluddin**
Senior General Manager -
Group Talent Management

8. **Ahmad Nasirruddin Harun**
Senior General Manager -
Group Strategic Transformation & Project Implementation

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

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

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

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

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

21. **Elman Mustafa El-Bakri**
Senior Corporate Manager
Bio-Medical Engineering Services

22. **Andrew William Burr**
Senior Corporate Manager
Service Quality Management Services

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

26. **Khairul Annuar Azizi**
General Manager
Risk, Compliance and Investor Relations Services

Our **Focus** on **Quality & Safety**

In KPJ, our customer-centric approach is complemented by a robust clinical governance framework, a rigorous risk management mechanism and industry best practices. All these are helping to ensure that quality care and patient safety are continuously upheld throughout our operations. As we set high benchmarks today, we are reinforcing our reputation as a provider of quality and safe patient care as well as laying down strong foundations for tomorrow.

Statement on Corporate Governance

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

Ensuring the Highest Standards of Corporate Governance

The Board of Directors of KPJ Healthcare Berhad (KPJ) subscribes to and supports the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") as a minimum basis for practices on corporate governance and continued to ensure that the highest standards of corporate governance have been upheld in accordance with 8 Principles stated in MCCG2012.

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 2013 is as follows:

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT

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 President & Managing Director in ensuring the smooth running of the Group's business and operations.

The roles of nine (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 President & Managing Director of the Company.

Amiruddin Abdul Satar, President & Managing Director is responsible for the implementation of broad policies approved by the Board and is obliged to report and discuss at the Board meetings all material matters currently or potentially affecting the Group and its performance, including strategic projects and developments.

The Board has also developed and approved the corporate objectives for 2014, for which the President & Managing Director is responsible to achieve.

Board Structure, Composition and Balance

During the financial year, there have been changes in the composition of the Board of Directors of KPJ from the previous year. Abd Razak Haron deceased on 13 August 2013. Dato' Dr. Hussein Awang resigned from his post as Independent Non-Executive Director on 11 June 2013 and Tan Sri Dato' Dr. Yahya Awang was appointed as Independent Non-Executive Director on 18 July 2013.

On 1 January 2014, Rozan Mohd Sa'at resigned from his post as Non-Independent Non-Executive Director of the Company and Aminudin Dawam and Zulkifli Ibrahim have been appointed as Non-Independent Non-Executive Directors.

The composition of the Board of Directors is as follows:

1. 1 Non-Independent Non-Executive Chairman
2. 4 Non-Independent Non-Executive Directors
3. 5 Independent Non-Executive Directors
4. 1 President & 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 calibre, credibility, skill and experience of each Board Member, are disclosed on pages 42 to 52 of this Annual Report.

The Company's Chairman is Non-Independent Non-Executive Director and there are five (5) Independent Non-Executive Directors out of eleven (11) Board members. The Board believes that the interests of shareholders are best served 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 Board believes that the current Chairman and Board members comprise a well-balanced and made up of professionals with wide range of knowledge and experience in business, operations, clinical and finance, which are relevant to the vision and mission of the Group, who will act collectively in the best overall interests of the shareholders.

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 Non-Executive Directors, and fulfills the criteria of independence as defined under paragraph 1.01 of the Main LR. The high number 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.

This Board composition complied with the Bursa Malaysia Securities Berhad's Listing Requirements.

Board Duties and Responsibilities

KPJ recognise the value of good governance and the reason for that the Company committed to promoting and sustaining a strong culture of corporate governance. With that, KPJ has embarked on a journey to continuously improve its corporate governance framework by gradually adopting the recommendations in the MCCG 2012, emphasising:-

a. Clarify the role of the Board
b. Enhance Board effectiveness
c. Encourage corporate disclosure policy
d. Safeguard the integrity of financial reporting
e. Emphasise the importance of risk management and internal controls

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 2014 – 2018 was tabled, discussed and approved by the Board at its meeting on 28 November 2013. Additionally, on an ongoing basis as the need arises, the Board will assess whether projects, purchases and sales 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 managed**
  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 91 to 98. Building Committee and Tender Board 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 pages 128 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 pages 79 to 81 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 with regards 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 and Audit Committee report 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 Independent Non-Executive 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.

The Directors adhere to the Code of Ethics which is contained in the Board Policy Manual, the important aspects of which are as follows:

- Members must represent non-conflicted loyalty to the interests of the Group;
- Members must avoid conflict of interest with respect to their fiduciary responsibility;
- Members may not attempt to exercise individual authority over the Group except as explicitly set forth in Board Policy; and
- Members will respect the confidentiality appropriate to issues of a sensitive nature.

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 are 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 President & Managing Director meets regularly with the Chairman and other Board Member to keep them abreast of current developments of the Group.

The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries support the Board in managing the Group Governance Model, ensuring it is effective and relevant.

The Company Secretaries safeguard all statutory books and records of the Group are maintained in the statutory register of the Group. Company Secretaries also ensures all board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded. The Company Secretary 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.

Board Charter

A Board Charter has been adopted in 2014. It captures and formalizes governance practices, Board policies and guidelines subsisting throughout the Company onto one formal document in providing clear guidance to all stakeholders.

The Charter will be reviewed regularly to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives.

2. STRENGTHENED COMPOSITION

Establishment of a Nomination and Remuneration Committee

The Board of Directors of the Company established its own Nomination and Remuneration Committee ("NRC") in accordance to the Best Practices of Corporate Governance.

The NRC is accountable to the Board of the Company and not to the executive management of the Company.

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; and
- Ensure an appropriate framework and plan for Board succession.
- Assess the quality of performance and training needs are addressed

b) Remuneration
- Provide assistance to the Board in determining the remuneration of President & Managing Director and Senior Management. In fulfilling these responsibilities, the NRC is to ensure that President & Managing Director and applicable senior management of the Company:
  - Are fairly rewarded for their individual contribution to overall performance;
  - Are compensated reasonably in light of the Company's objectives; and
  - Are compensated similar to other companies.
- Establish the President & Managing Director's goals and objectives; and
- Review the President & 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-Independent Non-Executive Director/Corporate Advisor
d) Datuk Azzat Kamaludin – Independent Non-Executive Director

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.

The Board believes that the current composition of NRC (comprises the Chairman and three other Board members) is capable to act collectively in the best overall interests of shareholders with reference to nomination and remuneration of Board members.

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:
  - 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;
  - 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; and
  - Boardroom diversity by ensuring that women candidates are sought as part of its recruitment exercises.
- 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:
  - 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;
  - The effectiveness of the Committees of the Board; and
  - The effectiveness of the Board as a whole.
- To recommend to the Board:
  - Whether Directors who are retiring by rotation should be put forward for re-election; and
  - 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.
- 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 President & Managing Director, 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 programmes 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 28 November 2013 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 President & Managing Director has an underlying objective of attracting and retaining Director needed to run the Company successfully. Remuneration packages of President & Managing 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-Independent Non-Executive Director					
Dato' Kamaruzzaman Abu Kassim (a)		115,000			115,000
Ahamad Mohamad (a)		59,000			59,000
Rozan Mohd Sa'at (a)		60,200			60,200
Abdul Razak Haron (a)*		37,972			37,972
Non-Independent Non-Executive Director/ Corporate Advisor					
Datin Paduka Siti Sa'diah Sheikh Bakir	633,450	60,200	47,000	24,375	765,025
Independent Non-Executive Directors					
Zainah Mustafa		70,000			70,000
Datuk Azzat Kamaludin (b)		66,500	15,000		81,500
Datuk Dr. Hussein Awang (c)**		66,061	15,000		81,061
Tan Sri Dato Dr. Yahya Awang***		39,939	30,000		69,939
Dr. Kok Chin Leong (d)		150,600	10,000		160,600
Dr. Yoong Fook Ngian (e)		277,900			277,900
President & Managing Director					
Amiruddin Abdul Satar	978,539	84,000	47,000	21,250	1,130,789
Total	**1,611,989**	**1,087,372**	**164,000**	**45,625**	**2,908,986**

(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

* Deceased on 13 August 2013
** Retired on 11 June 2013
*** Appointed on 18 July 2013

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.

Board Performance Evaluation

The effectiveness of the Board is vital to the success of the Group. For that reason, a large portion of the Board Policy Manual is devoted to explaining and outlining the format and procedure for evaluating Board Members performance. The availability of the structured format for Board Members evaluation assists the members in discharging their duties effectively and efficiently.

The Board, through its Nomination Committee, undertakes a rigorous evaluation each year in order to assess how well the Board, its Committees, the Directors and the Chairman are performing, including assessing the independence of Independent Directors which taking into account the individual Director's capability to exercise independent judgement at all times. The evaluation covers the Board's composition, skills mix, experience, communication, roles and responsibilities, effectiveness as well as conduct. All Directors complete a questionnaire regarding the Board and Committees' processes, their effectiveness and where improvements may be considered. The process also includes a peer review in which Directors assess their fellow Directors' performance against set criteria, including the skills they bring to the Group and the contribution they make. The Company Secretary reported the outcome of the evaluation exercise to the Nomination Committee and then to the Board for review.

Following the performance evaluation process for 2013, which was conducted in February 2014, the Directors have concluded that the Board and its Committees operate effectively. Additionally, the Chairman has concluded that each Director continues to make an effective contribution to the work of the Board, is well prepared and informed concerning items to be considered by the Board, has a good understanding of the Group's business and their commitment to the role remains strong.

3. REINFORCE INDEPENDENCE

Assessment of Independence Annually

The independence of all Directors, including the Non-Independent Non-Executive 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 Non-Executive 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 one (1) existing Director who had served in that capacity for more than nine (9) years. Datuk Azzat Kamaludin (appointed on 01.09.1994) 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 Datuk Azzat Kamaludin as Independent Board Members be retained subject to the shareholders' approval at the forthcoming Annual General Meeting (AGM) due to his professional competency as practicing lawyer and vast experience in the healthcare industry and corporate world.

Separate Positions of the Chairman and CEO

The Group have the position of the Chairman and President & Managing 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 2013 the meetings were fixed in December 2012. During the year ended 31 December 2013, the Board convened six (6) meetings on the following dates and venues:

Date of Meeting	Description	Venue	Attendance
4 March 2013	70th Board Of Directors Meeting	KPJ Johor Specialist Hospital	10/11
20 May 2013	71st Board Of Directors Meeting	KPJ Pasir Gudang Specialist Hospital	11/11
11 June 2013	Special Board of Directors Meeting	Persada Johor	10/11
26 July 2013	Special Board of Directors Meeting	Menara 238, KL	11/11
30 September 2013	72nd Board Of Directors Meeting	Persada Johor	9/10
28 November 2013	73rd Board Of Directors Meeting	KPJ Johor Specialist Hospital	8/10

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	6/6
2	Amiruddin Abdul Satar	Members	6/6
3	Datin Paduka Siti Sa'diah Sheikh Bakir	Members	6/6
4	Tan Sri Dato Dr. Yahya Awang*	Members	3/3
5	Datuk Azzat Kamaludin	Members	4/6
6	Datuk Dr. Hussein Awang**	Members	2/3
7	Zainah Mustafa	Members	5/6
8	Ahamad Mohamad	Members	6/6
9	Dr. Kok Chin Leong	Members	6/6
10	Dr. Yoong Fook Ngian	Members	5/6
11	Abdul Razak Haron***	Members	4/4
12	Rozan Mohd Sa'at	Members	6/6

* Appointed on 18 July 2013
** Retired on 11 June 2013
*** Deceased on 13 August 2013

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 programme for new Board Members. Directors also receive further training from time to time through Continuous Education Programmes (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 organised by external parties:

No	Name of Workshop	Date	Venue	Name of Organiser	Name of Directors
1	Director Duties, Regulatory Updates and Governance Seminar for Directors of PLCs 2013.	29 January 2013	Kuala Lumpur	Malaysian Institute of Corporate Governance	i. Dr. Kok Chin Leong ii. Dr. Yoong Fook Ngian
2	The 15th Malaysia Strategic Outlook Conference 2013	31 January 2013	Kuala Lumpur	Asian Strategy & Leadership Institute	i. Zulkifli Ibrahim
3	International Forum on Quality and Safety in Healthcare	16 - 19 April 2013	London	Institute for Healthcare Improvement & BMJ Publishing Group, USA	i. Datin Paduka Siti Sa'diah Sheikh Bakir ii. Dr. Kok Chin Leong
4	Financial Institution Directors Education Programme	5 - 6 June 2013	Kuala Lumpur	The ICLIF Leadership & Governance Centre	i. Tan Sri Dato Dr. Yahya Awang
5	International Corporate Governance Seminar	6 June 2013	Kuala Lumpur	Securities Commissions Malaysia	i. Datuk Azzat Kamaludin
6	4th Asian Vaccine Conference	12 - 15 June 2013	Cebu, Philippines	Asian Vaccine Group	i. Dr. Kok Chin Leong
7	Special Presentation on ASEAN Corporate Governance Scored 2013	19 June 2013	Kuala Lumpur	Minority Shareholder Watchdog Group	i. Datuk Azzat Kamaludin
8	35th Annual Malaysian Paediatric Association Congress	27 - 30 June 2013	Pahang	Malaysian Paediatric Association	i. Dr. Kok Chin Leong
9	Natural Economic Development & Challenges – Minda Breakfast Talk TS. Dr. Sulaiman Mahbub	1 July 2013	Kuala Lumpur	Malaysian Directors Academy	i. Datuk Azzat Kamaludin
10	APHM Conference "Technology – An Enabler to Better Healthcare"	2 - 4 July 2013	Kuala Lumpur	Association of Private Hospitals of Malaysia(APHM)	i. Amiruddin Abdul Satar ii. Datin Paduka Siti Sa'diah Sheikh Bakir iii. Dr. Kok Chin Leong iv. Dr. Yoong Fook Ngian
11	Breakfast Talk with Linda Price – What the Board Needs and Asks about IT	8 July 2013	Kuala Lumpur	Malaysian Directors Academy	i. Datuk Azzat Kamaludin
12	International Paediatric Congress	24 - 29 August 2013	Australia	International Paediatric Association	i. Dr. Kok Chin Leong

13	MSQH & MOH Conference & Exhibition: Engaging in The Delivery of Care: Patient for Patients Safety	3 - 4 September 2013	Putrajaya	Malaysian Society for Quality in Health & Ministry of Health(MOH)	i. Datin Paduka Siti Sa'diah Sheikh Bakir ii. Dr. Yoong Fook Ngian
14	Leadership Development Workshop on Transformational Leadership by Mr Michael Wagner	6 September 2013	Kuala Lumpur	The Advisory Board Company, USA	i. Datin Paduka Siti Sa'diah Sheikh Bakir ii. Amiruddin Abdul Satar
15	MOH National Paediatrician Meeting	9 - 11 September 2013	Sarawak	Ministry of Health (MOH)	i. Dr. Kok Chin Leong
16	APAC Conference	26 - 27 September 2013	Auckland	KPJ Healthcare Berhad	i. Dr. Yoong Fook Ngian
17	ISQUA Conference – Quality & Safety in Population Health and Healthcare	13 - 16 October 2013	Edinburgh, UK	International Society for Quality In Healthcare (ISQua)	i. Datin Paduka Siti Sa'diah Sheikh Bakir
18	9th World Islamic Economic Forum – Changing World: New Relationships	29 - 31 October 2013	London	World Islamic Economic Forum (WIEF), London	i. Datin Paduka Siti Sa'diah Sheikh Bakir
19	KPJ Healthcare Conference & Exhibition 2013: Transforming Healthcare – Reaching New Heights	6 - 8 November 2013	Kuala Lumpur	KPJ Healthcare Berhad	i. Datin Paduka Siti Sa'diah Sheikh Bakir ii. Amiruddin Abdul Satar iii. Dr. Kok Chin Leong iv. Dr. Yoong Fook Ngian
20	Interpretation Malaysian Financial Reporting Standard & GST	15 November 2013	Kuala Lumpur	Ernst & Young	i. Tan Sri Dato Dr. Yahya Awang
21	Directors Conference 2013: Unleashing Potential, Shaping the Future	26 - 27 November 2013	Johor	Johor Corporation	i. Dato' Kamaruzzaman Abu Kassim ii. Datin Paduka Siti Sa'diah Sheikh Bakir v. Amiruddin Abdul Satar vi. Dr. Kok Chin Leong vii. Dr. Yoong Fook Ngian viii. Ahamad Mohamad ix. Aminudin Dawam x. Zulkifli Ibrahim xi. Rozan Mohd Sa'at
22	Directors Liabilities and Its Impact To Business	9 December 2013	Kuala Lumpur	Smart Focus Business Consulting	i. Zainah Mustafa
23	Leadership Development Workshop on Transformational Leadership by Mr Michael Wagner: Problem Solving & Innovation	9 December 2013	Kuala Lumpur	The Advisory Board Company, USA	i. Datin Paduka Siti Sa'diah Sheikh Bakir ii. Dr. Yoong Fook Ngian

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 the Companies Act 1965 to prepare financial statements for each financial year which have been made in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and so as to give a true and fair view of the financial position 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 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(15) 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 three out of five Audit Committee Meetings which were held on these dates 14 February 2013, 20 August 2013 and 14 November 2013 and they also attended the 20th Annual General Meeting held on 11 June 2013. Separate sessions were also conducted on 14 February 2013, 14 November 2013 and 17 February 2014.

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
- Tender Board Committee

The Management Committees comprises of one main Committee:

- Executive Committee
- Tender Evaluation Committee

Board Committees

Audit Committee (AC)

The Audit Committee is chaired by Zainah Mustafa and comprises of 2 other members, Datuk Azzat Kamaludin and Tan Sri Dato' Dr. Yahya 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 42 to 52 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 86 to 90 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 Datin Paduka Siti Sa'diah Sheikh Bakir and comprises 3 other members, Amiruddin Abdul Satar, Dr. Yoong Fook Ngian and Aminudin Dawam. 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 is 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 91 to 94 of this Annual Report.

Tender Board Committee (TBC)

In effort to achieve high standards of corporate governance, the Board had on February 2014 resolved to establish the TBC. The main purpose of the Committee is to evaluate the purchases, acquisitions or disposals of assets, awards of contracts and appointments of consultants/advisors for the Group.

Members of the Committee are:

a) Zulkifli Ibrahim (Chairman) – Non-Independent Non-Executive Director
b) Amiruddin Abdul Satar – Non-Independent President & Managing Director
c) Datuk Azzat Kamaludin – Independent Non-Executive Director
d) Aminudin Dawam – Non-Independent Non-Executive Director
e) Dr. Yoong Fook Ngian - Independent Non-Executive Director

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:
   - manage the Group in all aspects of business;
   - implement strategic business plans and policies as approved by the Board of Directors; and
   - identify, formulate and prioritise strategic issues as well as chart strategic directions for action by Management and staff.

2. **Members**
   - President & Managing Director
   - Vice President (I) – Corporate & Financial Services
   - Vice President (I) – Business Operations, Education & Clinical Services
   - Vice President (I) – Project Management & Biomedical Services
   - Vice President (II) – Business Development
   - Senior General Manager – Group Talent Management
   - Senior General Manager – Group Strategic Transformation & Project Implementation
   - Senior General Manager – Group Operations
   - Senior General Manager – Group Finance
   - Senior General Manager – Group Marketing & Corporate Communication
   - Senior General Manager – Group Clinical & Quality
   - Chief Information Officer – Information Technology Services

3. **Meeting**

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

Tender Evaluation Committee (TEC)

In effort to achieve high standards of corporate governance, the Board had on February 2014 resolved to establish the Tender Evaluation Committee. The main purpose of the Committee is to evaluate and make recommendation to the Tender Board Committee on the purchases, acquisitions or disposals of assets, awards of contracts and appointments of consultants/advisors for the Group.

The members of the TEC are:

a) Mohd Sahir Rahmat (Chairman) – Vice President (I), Corporate & Financial Services
b) Jasimah Hassan – Vice President (I), Business Operations, Education & Clinical Services
c) Abd Malek Talib – Vice President (I), Project Management & Biomedical Services
d) Ahmad Nasirruddin Harun – Senior General Manager – Group Strategic Transformation & Project Implementation
e) Mohd Johar Ismail – Senior General Manager, Group Operations

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. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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 quarterly result announcements, Annual Reports, changes to shareholding and press releases are published concurrently with Bursa Malaysia website. This website also sends out alerts to all investors for any announcement made in relation to the Company.

8. STRENGTHEN RELATIONSHIP WITH THE SHAREHOLDERS

Shareholder Participation at Annual 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 President & 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.

Encourage Poll Voting

The Board encourages poll voting for the specific resolutions which requires a poll vote for example reappointment of Directors whom are above the age of 70 years old and also the Related Party Transactions. The Chairman of the AGM will inform the shareholders prior to the specific resolution.

The recurrent related party transactions for the financial year ended 31 December 2013 are set out in the notes to the financial statements on pages 243 to 246 of the Annual Report.

At the 20th Annual General Meeting held on 11 June 2013, 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 263. 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 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. This website also sends out alerts to all investors for any announcement made in relation to the Company.

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, Japan, United Kingdom and United States. In the year 2013, the following activities were conducted with the investors:

Types of Meeting	No of Meetings
Investors meetings	79
Conference Calls	10
Foreign road shows	12

Below are some of the major events and conferences that KPJ participated during year 2013:

No	Events	Date	Venue
1	CIMB 5th Annual Malaysia Corporate Day	7 January 2013	Hilton Kuala Lumpur
2	Standard Chartered London Non-Deal Roadshow	29 - 30 Januray 2013	London
3	Visit from Thailand Delegates (Thailand Stock Exchange, Money Channel Business TV & Maybank Kim Eng)	26 March 2013	KPJ Tawakkal Specialist Hospital
4	Macquarie Asean Conference 2013	18 - 19 April 2013	Mandarin Oriental Hong Kong
5	RHB Asean Corporate Day	25 April 2013	Hilton Kuala Lumpur
6	Citi ASEAN Investor Conference 2013	6 - 7 June 2013	Ritz Carlton Millenia Singapore
7	CLSA Asean Access Day 2013	20 - 21 June 2013	Island Shangri-La Hong Kong & The Fullerton Singapore
8	Invest Malaysia KL 2013	13 - 14 June 2013	Shangri-La Kuala Lumpur
9	CLSA Asean Access Day	21 June 2013	Singapore
10	EPF CEO visit to KPJ Healthcare Berhad	1 July 2013	KPJ Healthcare Berhad, Menara 238
11	Macquarie Asean Conference 2013	27 - 29 August 2013	The Fullerton Singapore
12	BAML: Singapore/Malaysia Corporate Day	2 September 2013	BAML Client Centre, Singapore
13	UOB Kay Hian Asian Gems Conference	8 October 2013	The Fullerton Singapore
14	Invest Malaysia Hong Kong 2013	17 October 2013	Island Shangri-La Hong Kong
15	UBS London & UOB Kay Hian London Non-Deal Roadshow	16 - 26 October 2013	London
16	Standard Chartered Double in 3 Triple in 5 Emerging Corporate Day	31 October – 1 November 2013	Ritz Carlton Millenia Singapore
17	JP Morgan Corporate Access Asia Pacific 2013	18 - 26 November 2013	Kuala Lumpur, Singapore, Hong Kong & Tokyo

The 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
Raja Syahiran Raja Ahmad Supian	Deputy Manager - Investor Relations

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 Annual Report for its readers.

Chief Executive Officer (CEO) of EPF, Datuk Shahril Ridza Ridzuan posing a group photo with EPF and KPJ Management team on 1 July 2013.

KPJ Management during Q&A Session with Thailand Delegates on 26 March 2013.

Compliance Statement

Pursuant to Paragraph 15.26 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 rationalised and provided justifications for any 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 13 March 2014.

Dato' Kamaruzzaman Abu Kassim
Chairman

Amiruddin Abdul Satar
President & Managing Director

Statement on Internal Control and Risk Management

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

Continuously 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 and risk management of the Group for the financial year ended 31 December 2013, which has been prepared in accordance with Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia and the Statement on Risk Management & Internal Control – Guidelines for Directors of Listed Issuers. 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.

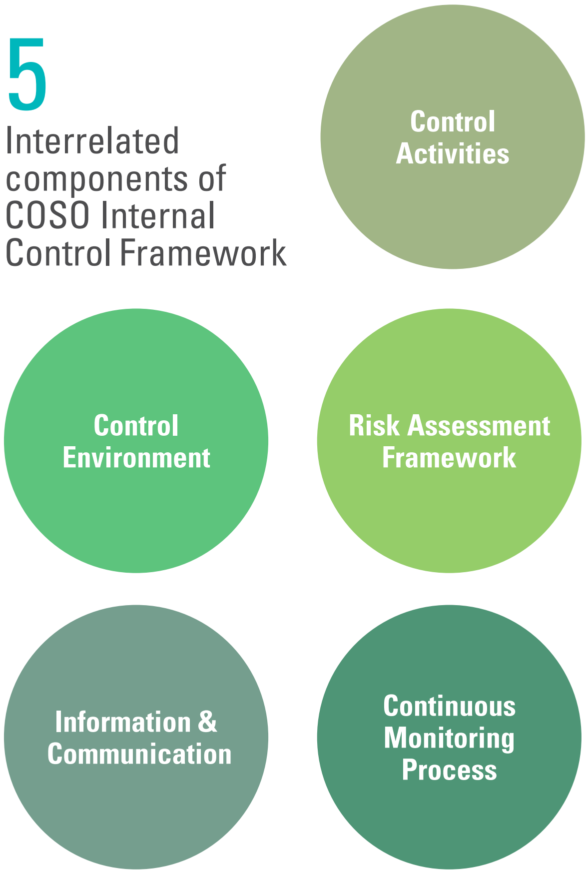
BOARD RESPONSIBILITIES

The Board is committed to ensuring 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 Managing Director and Management are to assist in the design and implementation of the Board's policies on the internal control system, identify and evaluate the risks faced by the Group, and formulate related policies and procedures to manage these risks.

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

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

5
Interrelated components of COSO Internal Control Framework



The likelihood of achievement of the Group's objectives is affected by limitations inherent in any internal control systems. 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
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 any misconduct or unethical behaviour committed by any staff of the Group directly to the Managing Director through the Borang Peradaban declaration.

The Group has also been a signatory to the Malaysian Corporate Integrity Pledge since 2011. Introduced by the Malaysian Institute of Integrity (MII), the Pledge supports the Government's 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, 14 hospitals in the Group have received their accreditation certification from the Malaysian Society for Quality in Health (MSQH). Four of the Accredited Hospitals namely KPJ Seremban Specialist Hospital, KPJ Ampang Puteri Specialist Hospital, KPJ Penang Specialist Hospital and KPJ Johor Specialist Hospital have also received Joint-Commission International (JCI) Accreditation.

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

To promote continuous learning and the upgrading of skills, the Group sponsors eligible executives to further their studies and obtain a Master in Business Administration (Healthcare Management) degree. In 2013, five executives 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 organises the KPJ Healthcare Conference and Exhibition, Medical Workshop and Nursing Convention yearly for medical consultants, nurses and allied health staff to deliberate and discuss medical and clinical issues related to their practices to promote patient safety and standardisation of practices.

ORGANISATION STRUCTURE

The Managing Director is assisted by three Vice Presidents (1) for the following functions:
- Business Operations and Clinical Services;
- Corporate and Financial Services; and
- Project Management and Biomedical Services.

All the hospitals within the Group have been clustered into five zones, whereby one hospital in each cluster will act as the holding company of the other hospitals within the cluster. Each zone has an Executive Director who is responsible for managing and supervising the operations of the hospitals in his zone.

Each hospital's Executive Director and the Chief Executive Officer or General Manager is assisted by a Medical Director, who oversees and manages all clinical matters in the hospital. 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 the Group's operations as well as strategic issues pertaining to the delivery of services and the future direction of the Group. Major purchases are discussed and deliberated on by the EXCO before they are tabled at the respective hospital's Board meetings. The objective is to ensure Group synergy, standardisation and cost effectiveness.

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 practices of medical consultants.

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

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

3. **Tender Evaluation Committee**
   Responsible for evaluating all tenders for purchases, acquisitions or disposals of assets, award of contracts and appointment of consultants/advisors for the Group. This committee, which was formed in February 2014, is to make the appropriate recommendations to the Tender Board Committee.

RISK ASSESSMENT FRAMEWORK AND PROCESS

Company-Wide Objectives

The Board has established an organisational structure with clearly defined lines of accountability and responsibility to support a cohesive control environment. The Audit Committee's responsibilities have been expanded to include an assessment of the effectiveness of the internal control system and risk management framework.

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. An Enterprise-wide Risk Management system has been implemented across the Group through Risk Coordinators who have been appointed at each hospital to co-ordinate and monitor the implementation of risk management activities. All hospitals and companies are required to identify and mitigate relevant risks that may affect the achievement of the Group's objectives and to report this to their respective Boards.

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

CONTROL ACTIVITIES

Policies and Procedures
Policies and procedures are documented comprehensively and 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 undertaken to address and minimise risks as well as to ensure the continuity of business functions in the event of a crisis.

Regular fire drills at our hospitals and companies, ranging from basic fire safety to mass evacuation drills, are conducted with the assistance of 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 by the Board to 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, donations and approval of general and operational expenses. Similarly, cheque signatories and authority limits are clearly defined and enforced. As a measure to curb and reduce the incidence of fraud and error, duties and tasks are properly segregated between different members of staff, especially those in finance and purchasing services.

INFORMATION AND COMMUNICATION PROCESS

The Group recognises the importance of securing its information technology assets against potential threats to ensure their confidentiality, integrity and availability. Apart from complying with information security laws, regulations and international standards, the Group has developed its own Policies and Standard Operating Manual.

The KPJ Clinical Information System (KCIS) is currently deployed at nine hospitals and plans are underway for it to be commissioned at another four to six hospitals in 2014. It is a secure clinical system enhanced with electronic clinical documentation and audit trail to mitigate the risks of incorrect information. It secures highly confidential patient data by limiting access according to the user's role and responsibility as a care giver.

The Group has started migrating clinical information system to the enterprise-wide KPJ Cloud System by hosting a KPJ data centre serving all hospitals via the Internet. This secure private cloud is dedicated to providing core systems with data security services to ensure cloud computing is enabled in a shared and safe environment. The Group's centralised IT infrastructure and hardware system is a key driver in optimising the cost of investment, without neglecting the need for continuous improvements in clinical systems for quality care and patient safety.

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 surprise audit visits to ensure compliance. Any discrepancy and irregularity will be reported to Management for correction and improvement. Management also monitors the performance of the hospitals and companies through regular meetings and reports.

Separate Evaluations
All hospitals with MSQH certification and JCI accreditation have to undergo stringent surveillance audits by the respective surveyors and audit teams to ensure compliance with accreditation standards and requirements before certificates can be renewed, usually every three years.

ASSURANCE

The Board is of the view that the system of internal controls and risk management instituted throughout the Group is sound and effective and provides a level of confidence on which the Board can rely on for assurance. In the year under review and up to the date of approval of this statement, 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 has received assurance from the Managing Director and Chief Financial Officer that the internal controls and risk management system is adequate, appropriate and effective for the Group's operations.

Audit Committee
Report

Upholding Integrity of Financial Reporting

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

The Board of Directors of KPJ Healthcare Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2013.

1. COMPOSITION AND ATTENDANCE

1.1 COMPOSITION

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

Name of Member	Status of Directorship	Attendance at Meetings
Zainah Mustafa *Chairman*	Independent Non-Executive Director	5 out of 5
Datuk Azzat Kamaludin *Member*	Independent Non-Executive Director	5 out of 5
Datuk Dr. Hussein Awang *Member* (Resigned as Member on 11 June 2013)	Independent Non-Executive Director	2 out of 2*
Tan Sri Dato' Dr. Yahya Awang *Member* (Appointed as Member on 26 July 2013)	Independent Non-Executive Director	2 out of 2**

Note:
* Reflects the number of meetings attended upon his tenure as the Committee member
** Reflects the number of meetings attended upon his appointment as the Committee member

From left to right:

Datuk Azzat Kamaludin
Member

Zainah Mustafa
Chairman

Tan Sri Dato' Dr. Yahya Awang
Member

The Chairman of the Committee, Zainah Mustafa meets the requirement of Section 15.09 (1) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements which stipulates at least one of the Committee members fulfilling the financial expertise requisite.

1.2 ATTENDANCE

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.

The quorum for all five (5) meetings held during financial year 2013 was fulfilled. The meetings were held on 14 February 2013, 13 May 2013, 26 July 2013, 20 August 2013 and 14 November 2013 respectively.

Subsequent to each meeting, the Chairman of the Committee 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 2013, the External Auditors attended three out of five meetings which were held on 14 February 2013, 20 August 2013 and 14 November 2013. Separate sessions were also conducted on 14 February 2013, 14 November 2013 and 17 February 2014 respectively.

The President & Managing Director, Vice Presidents (I), Vice President (II), senior management team as well as the Head of Internal Audit and representatives of the External Auditors shall normally attend the meetings. Other Directors, Executive Directors of the hospitals and employees of the Company and/ or Group may attend any particular meeting upon invitation where appropriate. All issues discussed and deliberated during the Committee meetings were minuted by the Company Secretary.

2. TERMS OF REFERENCE

2.1 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.

2.2 MEMBERSHIP

a) Committee members 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 Main Market Listing Requirements.

b) The Chairman of the Committee, elected from amongst the 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 terms of office and performance of the Committee members are reviewed by the Board yearly and may be re-nominated and appointed by the Board.

2.3 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.

2.4 MEETINGS AND ATTENDANCE

a) At a minimum, the Committee shall meet at least four times a year, i.e. on a quarterly basis, to properly carry out its duties and ensure effective discharge of its responsibilities. Additional meetings may be called at any time at the Chairman's discretion.

b) The external auditor shall normally be invited to attend the meeting to present their findings and opinion on the financial statements.

c) The Committee has the right to convene separate meetings with the internal auditors, external auditors or both, without the attendance of the Management.

d) The Company Secretary is the secretary of the Committee meeting. The Secretary plays important role in organising and providing assistance for the meetings. The meeting agenda shall be drawn up in consultation with the Chairman of the Committee. The minutes shall be circulated to and confirmed by the Committee before disseminating to the Board.

2.5 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 functions of the Committee have been expanded to include matters specified in the Malaysian Code of Corporate Governance 2012, 2nd Edition (MCCG 2012, 2nd Edition) as follows:

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 as well as 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 the 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.

The Committee has obtained written assurance from the external auditors confirming their independence throughout the conduct of audit engagement in accordance with the terms of all relevant professional and regulatory requirements. This is in line with the recommendation stipulated in the MCCG 2012, 2nd Edition.

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 authorised by the Board.

4. SUMMARY OF ACTIVITIES

During the year 2013, 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 Listing Requirements of Bursa Malaysia, Malaysian Financial Reporting Standards 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 the major initiatives having significant impact on the business.

c) Internal Audit

i) Review and approve the annual audit plan for the year 2012/2013 to ensure adequate scope and comprehensive coverage over the audit activities;

ii) Deliberate on the Internal Audit Reports that were tabled and appraised the adequacy of the Management's responsiveness to the audit findings and recommendations;

iii) Evaluate the results of scheduled follow-ups, investigations and special audits; and

iv) Assess the status of audit activities as compared to the approved annual audit plan.

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.

e) Related Party Transactions

Review the recurrent related party transactions entered into by the Group.

f) Other Matters

i) Review and recommend the Audit Committee Report, Statement on Corporate Governance as well as Statement on Risk and Internal Control for inclusion in the Company's Annual Report, prior to Board approval.

ii) Review management's quarterly reports on new laws and regulations, material litigation, regulatory matters and risk management.

5. INTERNAL AUDIT FUNCTION

5.1 ROLES AND RESPONSIBILITIES

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

The Head of IAS reports directly to the Committee and is guided by its Internal Audit Charter. 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. The high risk activities are given due attention on a more regular basis while the others are prioritised accordingly to an assessment of the potential risk exposure and impact.

5.2 AUDIT RESOURCES

The total staff strength in IAS is 16 staff as at 31 December 2013. The total costs incurred for the internal audit function covering the manpower and incidental costs such as traveling and training cost for the financial year ended 31 December 2013 was approximately RM1.3 million. Various training programmes and courses are provided to the staff members in enhancing the desired competency level. The training programmes, comprising in-house and externally sourced training, focuses on functional and development needs of the staff members.

5.3 AUDIT ACTIVITIES

The IAS within its terms and reference carried out the following activities for the period:

i) 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;
ii) 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;
iii) Ascertain the level of compliance with Group's plans, policies, procedures and adherence to laws and regulations;
iv) Appraise the effectiveness of administrative and financial controls applied and the reliability and integrity of data that is produced within the Group;
v) Perform follow-up reviews of previous audit reports to ensure appropriate actions are implemented to address control weaknesses highlighted;
vi) Carry out investigations and special reviews requested by the Committee and/or Management; and
vii) Prepare the Audit Committee Report for the Company's Annual Report 2013.

During the financial year ended 31 December 2013, IAS accomplished a total of 191 audits comprising scheduled financial and operational audits at the hospitals and support companies including due diligence, special audits and ad hoc assignments. Reviews on compliance with the established procedures, guidelines and statutory obligations are also performed.

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.

All findings resulting from the audits were reported to the Committee, Senior Management and relevant Management of operating hospitals and support companies. Management of the operating hospitals and support companies are accountable to ensure proper rectification of the audit issues and implementation of action plans within the timeframe specified. Follow up by IAS on the actions taken is updated in the subsequent audits.

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	Directors Liabilities and its Impact to Business	9 December 2013
2	Interpretation Malaysian Financial Reporting Standard and GST	15 November 2013
3	Khazanah Megatrends Forum 2013	30 September 2013
4	What the Board Needs and Ask About IT	8 July 2013
5	Natural Economic Development and Challenges	1 July 2013
6	Special presentation on ASEAN Corporate Governance Score 2013	19 June 2013
7	International Corporate Governance Seminar	6 June 2013
8	Financial Institutions Directors' Education Programme	5 - 6 June 2013

Medical Advisory Committee Report

Enhancing Our Clinical Governance Framework

Clinical Governance is defined as "a framework through which the organisation is accountable for continually improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish".

To this end, the KPJ Group is committed to continuously enhancing 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. Whereas 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 as outlined in Figure 1:

Figure 1: Hospital Clinical Governance Committees 2013
Hospital Medical Advisory Committee
Credential Privileging; Peer Reviews, Ethics & Audit; Medical Education
Infection Control
Medical Records
Morbidity & Mortality Review
Pharmacy & Therapeutics
Surgical & Medical Intervention
Blood Transfusion Committee

The Group MAC has oversight for several of the KPJ Group's Clinical Governance Committees. These include 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) as well as Research and Development Committee (R&DC). The frequency at which these committees meet over the course of a year is outlined in Figure 2:

Figure 2: Frequency of Clinical Committee Meeting in 2013

Committees	Frequency 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)	Biannual
Clinical Ethics Committee (CEC)	Quarterly
Medical Directors' Meeting	Biannual

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

The hospitals that have received MSQH and JCI accreditation are spelt out in Figure 3:

Figure 3: Hospitals in the KPJ Group with MSQH and JCI Accreditation

No.	Name of hospital	MSQH Accreditation Cycle - 2013	JCI Accreditation
1.	KPJ Ampang Puteri Specialist Hospital	Completed 5th cycle	JCI Accredited in 2012
2.	KPJ Johor Specialist Hospital	Completed 3rd Cycle	JCI Accredited in 2014
3.	KPJ Ipoh Specialist Hospital	Completed 4th cycle	-
4.	KPJ Damansara Specialist Hospital	Completed 4th cycle	-
5.	KPJ Selangor Specialist Hospital	Completed 3rd cycle	-
6.	KPJ Seremban Specialist Hospital	Completed 2nd cycle	JCI Accredited in 2012
7.	KPJ Kajang Specialist Hospital	Completed 2nd cycle	-
8.	Kedah Medical Centre	Completed 2nd cycle	-
9.	KPJ Perdana Specialist Hospital	Completed 2nd cycle	-
10.	KPJ Penang Specialist Hospital	Completed 2nd cycle	JCI Accredited in 2013
11.	KPJ Tawakkal Specialist Hospital	Completed 1st cycle	-
12	KPJ Puteri Specialist Hospital	Completed 1st cycle	-
13	KPJ Kuantan Specialist Hospital	Completed 1st cycle in 2014	-
14	Sentosa Medical Centre	Completed 1st cycle in 2014	-

Two hospitals in the Group, namely KPJ Johor and KPJ Penang, commenced preparations to undergo JCI accreditation in 2012. The initiative proved successful when KPJ Penang was awarded the full three (3) years JCI accreditation in 2013 and KPJ Johor was awarded the full three (3) years JCI accreditation in 2014.

Two Klinik Wakaf An-Nur from KPJ Ampang and KPJ Selangor were awarded MSQH certification for medical clinics in 2013, while three Klinik Wakaf An-Nur, two from KPJ Damansara and one from KPJ Johor have been identified to undergo the process for MSQH Medical Clinic certification in 2014.

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 respective hospitals' Quality Committee or Quality Officer are discussed during the various hospital meetings and presented at the Hospital Board of Directors Meetings. The statistics and trends are reported to the Group MAC which meets every quarter.

Since 2002, the MAC has endorsed several quality and safety programmes for the Group's hospitals. The following is the report on the various patient safety programmes implemented for the year 2013:

i. **Patient Safety**

To strengthen patient safety standards, all the KPJ Group of Hospitals continuously monitor the six 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; and
6. Reduce the risk of patient harm resulting from falls.

Various safety strategic measures have been undertaken to ensure compliance to the six IPSGs. Clinical Survey and Compliance Officers have been appointed to constantly monitor the patient safety compliance levels at their respective hospitals. The status of compliance is reported to the Group MAC at various clinical governance platforms and success stories are shared amongst the Group.

Following the launch of the 13 National Patient Safety Goals by Datuk Dr. Noor Hisham Abdullah, the Director General of the Ministry of Health Malaysia, the KPJ Group of Hospitals has initiated data collection for an additional seven goals (on top of the six IPSGs) for online submission under an initiative titled "e-goals patient safety".

13 Patient Safety Goals (http://patientsafety.moh.gov.my)

1. To implement clinical governance;
2. To implement the 1st Global Patient Safety Challenge: "Clean Care is Safer Care";
3. To implement the 2nd Global Patient Safety Challenge: "Safe Surgery Saves Lives";
4. To implement the 3rd Global Patient Safety Challenge: "Tackling Antimicrobial Resistance";
5. To improve the accuracy of patient identification;
6. To ensure the safety of transfusions of blood and blood products;
7. To improve medication safety;
8. To improve clinical communication by implementing critical value programmes;
9. To reduce patient falls;
10. To reduce the incidence of health care associated pressure ulcers;
11. To reduce Catheter Related Bloodstream Infection (CRBSI);
12. To reduce Ventilator Associated Pneumonia (VAP); and
13. To implement the Patient Safety Incident Reporting and Learning System.

Prevention and Control of Infection (PCI)

In 2013, there were 19 Infection Control Officers/Infection Control Nurses (ICOs/ICNs) in the Group. All the accredited and non-accredited hospitals comply with the regulatory requirements of having dedicated ICOs/ ICNs. These ICOs/ICNs are supported by a total of 260 Link Nurses and personnel to facilitate and implement the PCI programme at the hospitals.

Monitoring and Surveillance on Hospital Acquired Infections (HAI)

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

Antibiogram and Antibiotic Usage

Antibiogram, antibiotic resistance patterns and antibiotic usage of specific micro-organisms are closely monitored and reported to the Infection Control and Pharmaceutical and Therapeutic Committees. Continuous monitoring is being carried out in order to ensure that the resistance patterns remain below the stipulated range. The compiled data from all hospitals is discussed among the Group MAC.

ii. Incident Reporting

The Group began reporting incidents since 2006 using a standardised format based on the ICPS Classification for Patient Safety recommended by WHO. The common incidents and all sentinel events are further analysed using the Root Cause Analysis (RCA) method. These incidents are discussed during the CRMC meetings. The corrective actions and improvement measures from the RCA findings are disseminated to the hospitals in the Group as part of their quality Improvement activities.

Monitoring of Medication Error / Adverse Events

The CRMC and Group MAC have placed an emphasis on reporting medication errors including near-miss incidents. In 2013, several brainstorm and learning sessions were conducted throughout the KPJ Group with many new initiatives and innovations implemented. These measures have increased vigilance amongst staff and encouraged more effective voluntarily reporting of near-miss incidents to ensure improvements are continuously made.

In total, there was a 12% decrease in the number of medication errors in 2013 as compared to the year 2012. There was also a marked reduction in dispensing/preparation-related errors by as much as 14% and in administration-related errors by 11% over 2013.

Medical Directors Meeting

The Medical Directors Meeting, held in April 2013, serves as an avenue for all Medical Directors of the hospitals within 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

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

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

3. Amiruddin Abdul Satar
President & Managing Director

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

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

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

7. Dato' Dr. Hussein Awang
Hospital Medical Directors Committee Chairman
Medical Director
Consultant Urologist
Tawakkal Health Centre

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

9. Jasimah Hassan
Vice President (I)
Business Operations, Education & Clinical Services

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

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

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

13. Dr. Aliza Jamaluddin
Senior Corporate Manager
Clinical & Quality Services

Clinical Governance
Policy Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

Clinical Governance
Action Committee

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

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

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

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

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

6. **Dr. Noor Hisham Mansor**
Medical Director
KPJ Rawang Specialist Hospital
Consultant Physician
KPJ Tawakkal Specialist Hospital

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

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

9. **Prof. (C) Dr. Primuharsa Putra Sabir**
Consultant Ear, Nose, Throat, Head & Neck Surgeon
KPJ Seremban Specialist Hospital

10. **Mah Lai Heng**
Senior General Manager -
Group Clinical & Quality

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

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

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

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

Clinical Risk Management Committee

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

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

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

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

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

6. **Dr. Rajoo Padmanathan**
Medical Director
Consultant Surgeon
KPJ Penang Specialist Hospital

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

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

9. **Dr. Mohammad Iqbal Mohammad Sawar**
Consultant Neonatologist
KPJ Damansara Specialist Hospital

10. **Mah Lai Heng**
Senior General Manager -
Group Clinical & Quality

11. **Khairul Annuar Azizi**
General Manager
Risk, Compliance and Investor Relations

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

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

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

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

Clinical
Ethics Committee

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

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

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

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

5. **Dr. Chan Kheng Khim**
Consultant Physician
KPJ Tawakkal Specialist Hospital

6. **Dr. S. P. Singaram**
Consultant ENT
KPJ Ampang Puteri Specialist Hospital

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

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

9. **Dr. Jamal Azmi Mohamed**
Consultant Orthopaedic Surgeon
KPJ Selangor Specialist Hospital

10. **Mah Lai Heng**
Senior General Manager -
Group Clinical & Quality

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

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

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

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

The **KPJ Group** is committed to **continuously enhancing clinical governance** as the main thrust for **improving the quality** of care, **ensuring patient safety** and **developing the capacity** to maintain high standards.

Hospital Operations Continued Growth in 2013

In 2013, KPJ's Hospital Operations segment continued to experience steady growth on the back of the opening of new hospitals as well as an expansion of bed capacity in several of the existing hospitals.

The Group's Malaysian operations contributed the bulk or some **88%** of 2013's revenue with segmental revenue rising 9% year-on-year (YoY) to **RM2.05 billion.**

Robust Malaysian Operations

The Group's Malaysian operations contributed the bulk or some 88% of 2013's revenue with segmental revenue rising 9% year-on-year (YoY) to RM2.05 billion from RM1.88 billion previously. Aside from the higher revenue from existing hospitals, three new hospitals helped boost revenue. These included KPJ Klang Specialist Hospital which commenced operations in May 2012, KPJ Pasir Gudang Specialist Hospital which opened its doors to the public in May 2013, and the Sri Manjung Specialist Centre in Perak, the acquisition of which was completed in May 2013.

As at the time of writing, the Group has a network of 24 hospitals in Malaysia, of which two new hospitals were added in 2013. The year in review saw improvements across the network of KPJ hospitals.

Despite strong revenue growth for the period under review, the Hospital segment's profit before tax (PBT) recorded a marginal 7.0% rise to RM196.3 million from RM183.4 million in 2012. This was principally due to higher operating and administration costs for three newly opened hospitals, namely the KPJ Klang Specialist Hospital, KPJ Pasir Gudang Specialist Hospital and Tawakkal Health Centre.

Rising Patient Confidence

KPJ's commitment to quality service, compassionate care and patient safety continues to play a significant role in ensuring high patient confidence in our hospital operations. This commitment also serves as a strong attraction to patients and helps promote patient loyalty as evident by the growing number of patients across our hospital network.

In 2013, the total number of patients grew by 1.9% to more than 2.74 million from a total of some 2.69 million in 2012. Total outpatients for the Group rose by 1.3% to a record 2,475,371 patients compared to 2,444,308 in 2012. For the period under review, KPJ Ipoh Specialist Hospital recorded the highest number of outpatients at 264,244 outpatients followed by KPJ Damansara Specialist Hospital and KPJ Ampang Puteri Specialist Hospital. The Group registered a 4.7% growth in inpatient numbers to 261,697 inpatients in 2013, from some 249,955 inpatients in 2012. There was also an increase in the number of surgical cases by 2.8% to 89,567 surgical cases in 2013 in comparison to 87,130 cases in the preceding year. The total bed capacity within KPJ's hospital network increased to 2,714 as at 31 December 2013, while the occupancy rate at our hospital improved to an average 66% occupancy rate.

The strategically located new hospitals, the ongoing improvements to existing facilities and services, as well as aggressive marketing and promotional activities, all contributed to the higher number of patients in 2013. The further strengthening of our relationships with corporate clients and insurers, who are major supporters of our hospitals, also played an important role in improving our patient load.

Good Inroads in Indonesia

Despite experiencing very challenging operating environment in 2013, our Indonesian Hospital segment continued to make good progress, registering a 52% increase in revenue to RM33.5 million from RM22.1 million previously. The higher revenue came on the back of revenue contributions from RS Medika Permata Hijau.

While our two Indonesian operations are expected to face intense competition in coming years and will find it a challenge to sustain their performance as per the previous years, the Group is still optimistic about the long-term prospects of the Indonesian market. Further upgrading of the facilities and services at our Indonesian hospitals are currently being undertaken to attract more patients, especially those from the more affluent echelons of society.

Total outpatients for the Group rose by **1.3%** to a record **2,475,371** patients

Our Indonesian Hospital segment continued to make good progress, registering a **52%** increase in revenue to **RM33.5 million.**

Anti-Gravity Machine at Tawakkal Healthcare Centre for Physio Therapy treatment.

Strong Ancillary Services Growth

In 2013, revenue from the Group's Ancillary Services segment improved by 14% to RM780.0 million in comparison to revenue of RM684.7 million previously. As per the previous year, the higher revenue was mainly due to a growth in activities relating the marketing and distribution of pharmaceutical, medical and surgical products, as well as higher demand for pathology and laboratory services, all of which grew in tandem with the increased revenue from the Group's hospitals.

Within the Ancillary Services segment incorporating Pharmaserv Alliances Sdn Bhd and Lablink Sdn Bhd, KPJ's intrapreneur companies and other subsidiaries also contributed positively towards the Group's 2013 performance.

Key Strategic Developments

In 2013, the Group embarked on a number of strategic moves to strengthen our position in the region.

We brought the acquisition of a 100% stake in Sri Manjung Specialist Centre Sdn Bhd (Sri Manjung) to a close in May 2013 to effectively strengthen our foothold in the area. Plans to add another 90 beds to Sri Manjung's existing 30 through future expansion will strategically position this hospital for long-term growth.

May 2013 also saw KPJ Pasir Gudang Specialist Hospital opening its doors to the public. It is expected to draw a good response from the surrounding community given its strategic location within the Pasir Gudang industrial area as well as the area's substantial working population.

The relocation of the KPJ Sabah Specialist Hospital to a new building is also expected to extend our footprint in East Malaysia. The new facility began operating in December 2013 with an 70-bed capacity and is expected to be a strong draw to communities in the area given its range of specialist services and the expertise of its consultants.

Back in December 2012, the KPJ Group relocated its headquarters to Menara 238 along Jalan Tun Razak, Kuala Lumpur with an option to purchase the building. On 16 October 2013, KPJSB exercised its option to purchase the property and entered into a conditional sale and purchase agreement for a total cash consideration of RM206 million. The acquisition was completed on 10 February 2014. The Group's hospitals and subsidiaries continue to take advantage of support and advice more readily with the Group's back-end support services all under one roof.

In 2013, the Group also intensified efforts to review, streamline and standardise its operational processes. We are continuously monitoring enhancements to operational efficiency, the effectiveness of implementation as well as compliance with standardised practices as part of our commitment to developing a stronger service excellence culture within the Group.

March 2014 saw the KPJ Rawang Specialist Hospital in Selangor kick-starting its operations. The acquisition of the KPJ Rawang Specialist Hospital in Selangor is a strategic move which will allow the Group to seize the good potential from the massive economic development in the area.

3 new hospitals helped boost revenue: KPJ Klang Specialist Hospital, KPJ Pasir Gudang Specialist Hospital and Sri Manjung Specialist Centre.

SPECIALIST SERVICES

- Anesthetics Services
- Cardiology including Coronary Angiogram & Angioplasty
- Audiology
- Bariatric Surgery
- Cancer & Chemotherapy Services
- Cardiothoracic Surgery
- Child Psychiatry
- Clinical 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.
- Haematology
- Immunisation &Vaccination Services
- Interventional Chronic Pain Management Services/Centre
- In-vitro Fertilisation (IVF)
- Joint Replacement and Reconstructive Surgery
- Laparoscopic Surgery
- Neurology including Electrodiagnostic Studies (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
- Pharmacy & Laboratory Services
- Radiotherapy & Oncology
- Reconstructive & Spinal Surgery
- Respiratory Medicine Services
- Restorative Dentistry & Endodontics
- Rheumatology
- Sleep Disorder Centre
- Urology
- Vascular Surgery

New Hospital Developments Ensuring Sustainable Growth

As demand for both quality care and quality hospitals ramps up, we continue to focus our efforts on growing the existing KPJ hospital network and expanding existing capacity to meet the escalating needs of local communities and medical tourists. At the same time, we are strengthening our lead as a key healthcare services provider and ensuring a sustainable pathway for the Group amidst a highly competitive playing field.

We plan to roll out a **minimum of 2 new hospitals per annum** to meet high market demand.

Continued Growth on the New Hospitals Front

In May 2013, the 120-bed capacity KPJ Pasir Gudang Specialist Hospital opened its doors to the public offering 25 beds, 18 clinics and the expertise of 24 consultants. The hospital is today offering general services in orthopaedic, surgery, medical, obstetrics and gynaecology, paediatric, ophthalmology, anaesthesiology, radiology as well as ear, nose and throat care. This development will enable us to provide a comprehensive range of medical care to both the local community and international patients. Some RM70 million has been invested in land, building and equipment costs and the hospital is expected to generate approximately 424 jobs opportunities including nursing and support services positions.

2013 saw the relocation of the KPJ Sabah Specialist Hospital from its premises rented from Queen Elizabeth Hospital in Luyang, Kota Kinabalu to a new building with an expanded service offering. The new 282-bed capacity facility began operating in December 2013 with 70 beds offering general services in medical, surgery, orthopaedic, obstetrics and gynaecology, paediatric, ophthalmology, anaesthesiology, radiology and ear, nose and

throat care. It will also be equipped with a state of the art Cardiac Catheterization Laboratory, a dedicated Cardio-Thoracic Operation Theatre, Cyto-toxic Drug Reconstitution (CDR) Isolator, and Radiotherapy Linear Accelerator (Elekta Linac Machine) for Oncology Services. The facilities for Cardiac Surgeries and Radiation Therapies will make KPJ Sabah the only private hospital in the whole of Sabah to provide tertiary care in Cardiology/Cardiothoracic surgery and Radiation Oncology.

This RM200 million hospital accommodates 86 consultants, incorporates the latest equipment and facilities for patient comfort and better clinical outcomes, and has 500 parking bays to ensure easy accessibility to the facilities.

In March 2014, the 159-bed KPJ Rawang Specialist Hospital began operations. This new purpose built hospital is the only private hospital in Rawang district and nearby areas. Rawang town is one of the fastest growing townships in Selangor (it had an estimated population of 120,500 in 2012) and this facility is expected to serve the surrounding townships of Kuala Kubu Baru, Bukit Beruntung, Batang Berjuntai, Sungai Choh, Selayang, and as far as Tanjung Malim in Perak and Tanjung Karang in Selangor. The total population in these areas is approximately 415,000 people, mostly from the middle and upper-middle classes. This area is fast developing and more developments are planned which will lead to increased economic activities in this area, all of which bode well for our operation in Rawang.

By the first half of 2014, the KPJ Bandar Maharani Specialist Hospital (KPJ Muar Specialist Hospital) in Muar, Johor is set to commence operations. This development project began when KPJ first acquired a partially completed seven-storey building situated along Jalan Stadium in Muar, Johor for RM22 million in 2010. The hospital building has been completed at a cost of around RM26 million. The KPJ Bandar Maharani Specialist Hospital will comprise more than 100 beds on a floor space of more than 200,000 sq. ft. and almost 200 car park bays. It will offer general services in orthopaedic, surgery, medical, obstetrics and gynaecology, paediatric, ophthalmology, anaesthesiology, radiology and haemodialysis treatment.

Our hospitals in Rawang and Muar are of international standard and will go a long way in meeting the expected upsurge in demand from medical tourism activities that the Malaysia Healthcare Tourism Council (MHTC) envisages will reach 1.9 billion patients by 2020. Together these two hospitals will add another 259 beds in total to our current capacity and by the end of 2014, KPJ's capacity will have risen to 3,229 beds from 2,720 currently.

Expanding Our Network, Strengthening Capacity

For the long-term, we plan to roll out a minimum of two new hospitals per annum to meet high market demand and plans are in the pipeline to roll out another nine hospitals over the next four years. This plan is expected to evolve in tandem with market demand. 3 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 KPJ's performance going forward, particularly on the medical tourism front.

Come 2015, KPJ Perlis Specialist Hospital and the KPJ Pahang Specialist Hospital will open.

The KPJ Perlis Specialist Hospital will be KPJ's maiden foray into the northern most state of Peninsular Malaysia. KPJ is jointly developing the hospital in cooperation with Yayasan Islam Perlis on a 4-acre plot of land in Kangar, Perlis where it is expected to serve a population of around 250,000 as well as patients from throughout the state of Perlis and southern Thailand. Built at an initial development cost of around RM30 million, the first phase of the development will enable the hospital to provide 60 operating beds with allowance to raise the capacity to a total of 90 beds at a later stage. The new facility will feature some of the latest diagnostic imaging facilities and medical equipment, and will also be equipped with operation theatres alongside an intensive care unit, labour room and more than 30 medical consultant suites. Other services that will be extended to patients, when the hospital is completed, are physiotherapy, haemodialysis, 24-hour accident and emergency services and outpatient services.

KPJ is set to expand its presence in Pahang via the development of the KPJ Pahang Specialist Hospital at Tanjung Lumpur, Kuantan. This development, which will complement the services of the existing KPJ Kuantan Specialist Hospital in Pahang, is being developed together with PASDEC Corp, a subsidiary of Pahang State Development Corporation via a 70-30 joint venture. The upcoming facility will comprise 154 beds and 18 clinics while some 24 consultants will offer general services in orthopaedic, surgery, medical, obstetrics and gynaecology, paediatric, ophthalmology, anaesthesiology, radiology as well as ear, nose and throat care.

This will be followed by the opening of the KPJ Bandar Dato' Onn Specialist Hospital in 2016 and the opening of our new JV hospital in Johor, KPJ-UTM, in the same year.

The KPJ Bandar Dato' Onn Specialist Hospital will be located at Bandar Dato' Onn, a new township located within the Iskandar Development Region in Johor. The new 510-bed capacity hospital will be developed in two phases with the first phase encompassing a built-up area of approximately 280,000 sq. ft. and a 150-bed capacity. The new flagship hospital will provide six well equipped, cutting edge centres of excellence namely a heart centre, geriatric centre, cancer centre, woman and child centre, cosmetic centre as well as an orthopaedic and related surgery centre. The hospital's international-standard offering and its strategic location would be a draw to foreign patients especially from neighbouring Singapore and Indonesia.

Come 2017, the KPJ Miri Specialist Hospital, KPJ Klang Bayuemas Specialist Hospital and another facility in Nilai are set to commence their operations. Plans are also underway to construct a hospital facility in Port Dickson by 2018 and another in Melaka in the same year. These nine hospitals scheduled for development between 2015 and 2018 will certainly do much to bolster the Group's domestic footprint as well as strengthen our standing as the largest network of private specialist hospitals in Malaysia.

KPJ Klang Bayuemas
Specialist Hospital

KPJ Miri
Specialist Hospital

Other Strategic Developments

Tawakkal Health Centre (THC) is the Group's first ambulatory care centre. It complements KPJ's main hospital services offering by catering to our existing patients and new patients who require outpatient treatment only. In early 2013, THC rolled out its dental centre and dialysis services to the public and followed through on this with a host of other facilities and services over the course of the year. Today, the 123,000 sq. ft. THC also incorporates 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 offer general x-rays and OPG (for dental) services. On top of these, THC also offers consultant specialist clinics; a minor operation theatre that supports the dental centre; and a Lasik and eye centre.

To date, THC's professional teams comprise 5 resident consultant specialists, 9 sessional consultant specialists, 4 visiting consultant specialists, 31 clinical staff and 27 non-clinical staff. THC also offers a wide range of other commercial facilities such as a retail pharmacy, café, optometrist and a convenience shop under one roof for the convenience of patients and visitors.

THC will launch the Tawakkal Senior Living Care Centre, a venture that will cater to senior citizens, especially those needing assistive care services. Drawing from our Jeta Gardens experience we are looking to open up a home-like environment at THC which will provide quality care to all residents regardless of ethnicity, social status, religion, belief or political affiliation. Our medical, nursing and other healthcare professionals and providers will provide comprehensive, efficient and effective care with a focus on empathy and compassion. We began renovations in October 2013 for 45 beds of the first phase and expect to launch our operations by June 2014. The centre will be supported by our other established services at THC.

Tawakkal Health Centre

In 2013, THC continued to make strong strides forward, posting 20% growth in its revenue while outpatient numbers soared to 23,431 from 13,998 previously. The bulk of THC's 2013's revenue was from its rehabilitation centre followed by the dental centre. Apart from its clinical services offering, THC also set aside space as retail space for health related businesses, among others.

In another strategic development, the Group has been appointed to manage the new 250-bed international standard hospital Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College and related 50-seat nursing college in Dhaka, Bangladesh. The facility will incorporate KPJ's stringent policies and procedures as well as comply with all domestic healthcare regulations and the specific needs of the local population.

This hospital will cater to the communities around Gazipur as well as nearby districts such as Cittagong, Sylhet, Tangail, Manikgonj, Ranjpur and Bogra, among others. In time, we will explore opportunities in neighbouring countries. Outpatient treatment at the hospital began in March 2014, while inpatient treatment will begin in June 2014. The Tk2.15 billion hospital is targeted to commence full operations by the end of 2014. With its offer of world class medical services at an affordable cost, it is expected to create healthy competition among Bangladesh's healthcare service providers.

Sustainability through Organic Growth

As KPJ ventures forth, we will adapt our existing plans in tandem with market demand to ensure we meet the needs of local and international patients as well as ensure a sustainable growth pathway for ourselves.

Medical Tourism Tremendous Growth Potential

Although the bulk of KPJ's business today comes from the domestic market, the Group recognises the potential of the rapidly expanding medical tourism market and continues to implement the necessary measures to capture a bigger slice of this market and ensure a pathway to sustainable growth.

Revenue from the Medical Tourism segment currently accounts for **4%** of KPJ's revenue and the plan is to grow this to **25%** of the Group's revenues **by 2020.**

Malaysia's Burgeoning Medical Tourism Market

Malaysia is today a much sought after destination for medical tourism given its cutting-edge facilities and well qualified specialists. In its 2014 Global Retirement Index, *International Living* ranked Malaysia as No. 3 worldwide destination for its healthcare system. This is evident from the rising number of medical tourists that have sought medical care in Malaysia these last few years. In 2011, Malaysia played host to some 583,000 medical tourists and this number rose to 671,000 and 768,000 in 2012 and 2013 respectively. Among the popular treatment and procedures sought by medical tourists in 2013 were health screenings, cardiac procedures, cancer treatments, orthopaedic procedures and fertility treatments.

The Malaysian healthcare sector continues to enjoy strong growth even as catalyst activities implemented under the Malaysian Government's Economic Transformation Programme (ETP) continue to drive this growth momentum. As one of the 12 National Key Economic Areas (NKEAs) under the ETP, the healthcare sector is expected to tap into private-sector growth to generate between RM35 billion and RM50 billion in incremental gross national income (GNI) by 2020. This growth is expected to come mainly on the back of pharmaceuticals, medical technology products and health travel.

The medical tourism sector is expected to grow 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 bode well for the medical tourism sector. Moreover, with organisations like the Malaysia Healthcare Tourism Council (MHTC) continuing their collaboration with the Association of Private Hospitals of Malaysia, the Ministry of Tourism Malaysia as well as a host of healthcare facilitators and government agencies, medical tourism activities in Malaysia are set to take off.

Promotional Activities

Revenue from the Medical Tourism segment currently accounts for 4% of KPJ's revenue and the plan is to grow this to 25% of the Group's revenue by 2020. To make the most of the abundant opportunities presented by the medical tourism market, the Group continues to undertake a host of marketing and promotional activities in existing and new target markets throughout Asia, the Middle East and Australia. In 2013, we also took the opportunity to venture into the East African countries, in particular Somalia.

Through KPJ's participation in local and international exhibitions, trade expositions, road shows and health talks organised by the MHTC, the Ministry of Health, the Ministry of Tourism, the Malaysia External Trade Development Corporation (MATRADE) and others, we are building up awareness about Malaysia as an excellent and cost-effective destination for medical care as well as reinforcing the KPJ brand's standing among target audiences.

2013 saw us making strong advances forward and extending our footprint across many ASEAN nations as well as the People's Republic of China, the Middle East and East Africa.

Indonesia

Indonesia continues to be an important market for the Group as it is contributing almost a third of our international patients and is set to grow further. Over the course of 2013, we took part in several strategic initiatives that had a positive effect on medical tourist numbers from Indonesia. These included our participation in the 2nd Indonesia Wellness and Medical Tourism Fair in Jakarta, the 5th Annual Women's Health Expo & Bazaar 2013, the Astindo Fair 2013, the 5th Indonesia MICE & Corporate Travel Mart, the Majapahit Travel Fair 2013 and Pekan Kebudayaan Acheh, among other events.

We also participated in the MotoGP Expo 2013 as well as undertook sales visits to Dumai to create awareness about KPJ and promote KPJ University College's nursing courses. There are plans to participate in the Dumai Expo 2014, one of the biggest local attractions along Sumatera's East coast. KPJ also participated in several roadshows under the banner of the International Health Tourism Expo as well as took part in the Asita Travel Fair 2013 and the Malaysia Healthcare Exhibition. We also participated in the MHX Solo together with the MHTC.

Throughout 2013, KPJ teams visited our five representatives offices in Indonesia namely in Surabaya, Padang, Pekan Baru, Medan and Acheh to strengthen business ties and promote our hospitals and services. We also undertook corporate sales visits to major banks, among other organisations, which certainly helped bring KPJ to the attention of a larger Indonesian audience. On the Malaysian front, we brought over a delegation of 40 Indonesian doctors to visit our hospitals and hosted two media familiarisation visits. All in all, these activities did much to bring KPJ to the attention of neighbouring Indonesia.

Group Photo during China - Japan friendly Hospital visit.

China

In the year in review, our medical tourism team worked hard to enhance KPJ's presence in highly populated countries such as the People's Republic of China, where the healthcare sector is developing in an exponential manner.

China'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") spurred by the nation's on-going healthcare reforms which are expected to create vast opportunities for the private healthcare sector. In the past, a healthcare provider needed a minimum of 30% Chinese ownership to operate; now foreign investors are allowed 100% ownership.

With the traditional Chinese healthcare system coming under intense competition from more innovative forms of healthcare and advanced management systems, coupled with the pressures on China's overcrowded hospitals and its limited number of doctors and nurses, opportunities are opening up for players like KPJ who have advanced experience in healthcare management. All this is being bolstered by improvements in healthcare infrastructure, the broadening of insurance coverage, and significant government support for innovation.

In order to capture a bigger slice of China's medical tourism market, KPJ continues to position itself in a strategic manner and undertake a variety of activities. In 2013, KPJ together with the MHTC took part in the inaugural Shanghai Medical & Healthcare Tourism Show which served as a platform for international hospitals to showcase their healthcare facilities and services to their increasingly affluent Chinese clients. KPJ also took part in the Malaysia Healthcare Seminar in Jinan organised by the MHTC and garnered strong interest in collaborative ventures.

The KPJ team also took the opportunity to conduct marketing visits to our international insurance business clients and various local hospitals in Beijing, the capital city of China, to explore the healthcare dynamics in China and to gain better insights into the daily operations and management of the China's hospitals. While there, the KPJ team also visited Visa Malaysia (Window Malaysia) a one-stop centre which facilitates visa application processing for visitors from China to Malaysia as well as promotes Malaysia as a hub for medical tourism, among other things.

In conjunction with the 2nd Malaysia International Healthcare Travel Expo (MIHTE) 2012 organised by the MHTC, a six-member media team from the privately-owned Health TV Guangzhou was invited on a media familiarisation trip to visit and conduct video shoots at selected hospitals in Malaysia. Several key personnel from KPJ Ipoh Specialist Hospital were chosen to be interviewed.

KPJ also took part in the 3rd Malaysia-China Entrepreneur Conference (MCEC) in Putrajaya which gave us a platform to engage with Chinese entrepreneurs both domestically and internationally to promote the KPJ brand.

Indochina

The year also saw KPJ making inroads into the Indochina region comprising Vietnam, Myanmar and Cambodia. Today, more and more people in the Indochina region are expressing increasing confidence in the services of Malaysian healthcare providers. They mostly seek out medical services and treatment in the areas of In Vitro Fertilization (IVF) services, cardiology, orthopaedics, gastroenterology, neurology, oncology and digestive and respiratory care.

The KPJ team conducted various marketing visits to companies, agencies and local clinics in Ho Chi Minh City and Phnom Penh to network and seek out potential prospects and business partners to promote health tourism initiatives.

Meanwhile, the MHTC organised various health seminars and workshops to promote Malaysia as a regional healthcare destination. KPJ participated for the first time in monthly health workshops in Hanoi and Yangon. Our consultants gave talks on cardiovascular diseases that could impact the vascular system and on laparoscopic colorectal surgery related to colon cancer. These sessions did much to educate participants and created awareness of the treatments available in Malaysia.

15 delegates of Media Group from the Indochina region, making a trip to KPJ Johor Specialist Hospital.

Attracting nearly 200 local participants from the public sector and private companies, the workshops were considered an overwhelming success.

In Cambodia, on-going activities such as medical talks and free consultations for patients were implemented to explore the potential market. We also participated in the Malaysia Healthcare Seminar-cum-Press Conference and International Health & Beauty Exhibition. These activities aimed to promote Malaysia' MRI Cardiac services and beauty, plastic and reconstructive surgeries as alternatives to similar treatments in Singapore or Thailand.

Subsequently, a group of 15 delegates from the Indochina region, representing various media channels as well as travel and tour companies, reciprocated by making a trip to KPJ Johor Specialist Hospital as part of an MHTC media familiarisation initiative to promote health tourism to private hospitals in the Southern region. The media delegates spent time discussing KPJ's IVF services and orthopaedic surgery offerings.

Bangladesh

Together with the MHTC, we have been exploring opportunities in Dhaka, Bangladesh since 2011. The year in review saw us taking part in MATRADE's 3rd Showcase Malaysia Expo in Dhaka where we distributed over 1,000 Bengali language brochures and organised health talks at clubs to spread the word about the KPJ brand. In 2013, MHSL Dhaka and Health4U introduced a new membership card exclusively for AMEX City Bank Dhaka card members to promote Malaysia's healthcare facilities among high-end card members.

In June, 10 orthopaedic doctors from Bangladesh were invited to attend the inaugural Annual Orthopaedic Update Seminar and tour the KPJ Tawakkal Specialist Hospital and KPJ Klang Specialist Hospital. As we venture forth, our Klang Valley hospitals have been identified as the best platforms to cater to the needs of medical tourists from Bangladesh.

Dr. Ahmad Fauzi screening a patient's eyes during the Dhaka Showcase 2013.

KPJ took part in the First International Medical Tourism Conference and Exhibition 2013 (IMTEC) in Oman to showcase our services.

The Middle East

The Middle East region is a promising one for KPJ, given its strong growth potential. Taking into account the similarities in culture and customs between Malaysia and the Middle East, as well as our good track record in managing hospitals in Saudi Arabia, KPJ is strongly-positioned to attract medical tourists from this region. In 2013, we implemented several marketing activities abroad and locally which helped grow our patient numbers from the Middle East, which led to a hike in related medical tourism revenue.

We took part in the IMTEC 2013 event in Oman which targeted all aspects of the health and wellness industry including health products, services and facilities, opportunities for new developments and trends, as well as trade and investment. It is the first event in Oman for the health and medical sector and is considered one of the biggest healthcare exhibitions in the whole Middle East region.

The Medical Tourism team also travelled to Dubai in the United Arab Emirates (UAE) to participate in one major exhibitions, namely the Arabian Travel Market 2013 (ATM). The former event promotes and introduces the latest medical technology products and solutions, and is the only international healthcare exhibition of its kind in the UAE. There were several enquiries from this event.

On the domestic front, we organised the KPJ Malaysia-Arab Community Day 2013 at Bangunan Seri Utama, Kompleks Kraf in Kuala Lumpur. This event sought to demonstrate the Group's appreciation of the Arab community who have been ardent supporters of KPJ and an important customer segment for quite a while now. Some 300 members of the Arab community as well as ambassadors and high commissioners attended the day's celebration together with their families and friends. This opportune platform helped highlight the differences and similarities between the cultures, built goodwill, as well as strengthened ties.

We also organised a familiarisation tour and presentation for Oman Government delegates to demonstrate KPJ's Customer Service values. A Health Day in collaboration with the Al-Basirah School was also organised with some 370 students and 40 teachers in attendance.

East Africa

In line with our aim of extending our medical tourism foothold, we began focusing on the East African countries in 2013, especially Somalia, as well as Ethiopia, Kenya, Sudan, South Sudan, Tanzania, and the countries around the region. In March 2013, the Medical Tourism team travelled to Hargeisa in Somaliland and Adis Ababa in Ethiopia for sales visits and by the year's end, sales visit were made to Hargeisa and Mogadishu in Somalia.

On the home front, we paid a visit to the new Somali ambassador to Malaysia, H.E. Mr. Nour Farah, to introduce the KPJ Group of Hospitals. The activities abroad were well matched with activities at home in Malaysia. Visits were made to prominent Somalis, while health screenings were undertaken where there was a concentration of Somali communities in Malaysia. These activities have helped strengthen our ties with the Somali communities many of whom now opt for KPJ's hospitals as their hospital of choice.

Complementary Activities

2013's marketing and promotional efforts did much to solidify the KPJ Group's position as a major healthcare player and create an attractive patient proposition in our target markets. We believe that a higher number of medical tourists will be drawn in by the attractive, competitively priced packages for international-standard medical care that we are offering. Going forward, we intend to maintain the momentum of our current marketing strategies given the positive influx of patients within all our target markets.

The domestic private healthcare industry is expected to **turn in healthy demand growth** of between **8%** and **10% per annum.**

To provide excellent patient experiences for medical tourists, we will maintain our premier wards and bolster our special services capability by hiring patient liaison officers who are well versed in a variety of foreign languages. We believe this will help put foreign patients at ease and ensure the smooth delivery of our services.

The Group also continues to customise treatments and services in accordance with the culture and beliefs of our patients. Brochures with important patient information have been published to help answer queries from foreign visitors. In some of our major medical tourism markets, coordinators and KPJ representatives have been appointed to promote the Group's hospitals more aggressively and to aid in the smooth transition of medical tourists from their countries to KPJ's hospitals.

By signing MoUs with various organisations for long-term collaboration, we are ensuring 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.

KPJ continues to invest in new medical equipment and facilities featuring the latest technologies. All these are helping ensure 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.

Ramping Up for Further Growth

The domestic private healthcare industry is expected to turn in healthy demand growth of between 8% and 10% per annum mainly as a result of growing awareness of healthcare standards and an overloaded public healthcare system. These developments bode well for KPJ and we are putting the relevant building blocks in place to tap the potential of this lucrative market segment.

Going forward, the KPJ Group will continue to allocate the necessary resources to make the most of the potential in the medical tourism sector while charting a sustainable pathway to growth.

During a visit to KPJ agent office at Hargeisa, Somaliland.

Biomedical Services
Maximising The Medical Equipment Lifecycle

KPJ's Biomedical Services team continues to play an effective support role in coordinating investment and maintenance activities relating to medical equipment for all KPJ hospitals.

The team's **more than 25 Biomedical personnel** Group-wide have a wealth of experience and expertise in Biomedical engineering and management services.

Today, our Biomedical team is implementing high standards of safety and reliability into the entire process and providing ongoing support to our hospitals. This ensures investments are made cost effectively and that every single piece of medical equipment is utilised in an optimal manner. At the same time, the team also manages and coordinates thousands of preventive and corrective maintenance activities per calendar year throughout the Group's operations, all of which are rolled out in accordance with specific manufacturers' recommendations and in compliance with international safety standards.

The team's more than 25 Biomedical personnel Group-wide have a wealth of experience and expertise in Biomedical engineering and management services and are able to effectively manage the medical equipment life cycle from-cradle-to-grave for more than 10,000 pieces of registered medical equipment. They are technically involved right from the start with regards to the planning, purchasing, delivery, installation, commissioning, operation and maintenance of this medical equipment, until the decommissioning stage.

Even as continuous investments are made to procure state-of-the-art equipment in tandem within KPJ's fast expanding hospital network, the team is ensuring the safety, reliability and cost effectiveness of each investment across a wide range of disciplines and services throughout the Group.

Over the course of 2013, the team installed a host of new, advanced state-of-the-art equipment at various KPJ hospitals:

System : SIEMENS - 1.5 TESLA MAGNETIC RESONANCE IMAGING (MRI) SCANNER
Venue : KPJ Sabah Specialist Hospital

Special Features

Magnetic Resonance Imaging (MRI) is an image-guided process for displaying structures inside the body. The latest high-speed 48-channel Siemens-1.5 Tesla MRI system, installed at the newly opened KPJ Sabah Specialist Hospital, comes equipped with productivity and image quality enhancements to its MRI suite. This system delivers a higher resolution and allows greater flexibility, thereby making it easier to customise and provide uniquely tailored, optimised scans which are configurable to a patient's condition.

Through the groundbreaking integration of Tim 4G and Dot technologies, the MAGNETOM Aera scanner sets a new standard of efficiency and care and helps healthcare practitioners harness a new level of productivity. A full range of applications and a patient-centered design make this the top-of-the-line choice for a 1.5T system. When combined, all these technologies enable practitioners to perform up to 30% more exams per day. Featuring a 70-cm open bore and short magnet, the system also make exams more patient-friendly, especially for claustrophobic and paediatric patients. Moreover, it accommodates a large variety of body sizes, shapes and conditions.

System : TOSHIBA 160-SLICE COMPUTED TOMOGRAPHY (CT) SCANNER
Venue : KPJ Sabah Specialist Hospital

Special Features

The new 160-slice Multi Slice CT Scanner installed at KPJ Sabah Specialist Hospital incorporates the latest technologies for clinicians to perform a wide variety of clinical examinations. It also enables advanced applications in a streamlined workflow so that clinical images of maximum quality and with a minimal amount of radiation can be obtained. The use of advanced dose reduction technologies (AIDR with Active Collimator) provides excellent image quality with only a low radiation dose.

The system comes equipped with high-speed reconstruction capabilities which can be carried out in tandem with high-speed scanning. This allows images to be instantly available for review even as the patient is leaving the scanning room. The combination of the new quantum detector, 0.35s gantry rotation speed, and state-of-the-art reconstruction technology allows many examinations to be performed in mere seconds. This lends to improved patient care, especially for trauma and paediatric patients.

The system's ultra-thin 0.5 mm-wide detector with 160-slice images enables scanning of organs at a higher resolution within a shorter scanning time, resulting in multi-planar and 3D images demonstrating perfect continuity along the Z-axis. In addition, ultrafast scan times allow the contrast medium dose and exposure dose to be reduced. The 780 mm wide bore in the new evolution gantry is 60 mm larger than its predecessor. The wide bore is designed to facilitate better patient access and more flexible positioning especially for critically ill patients and during interventional procedures.

System : TOSHIBA - FULL DIGITAL ANGIOGRAPHY SYSTEM
Venue : KPJ Sabah Specialist Hospital

Special Features

With the advent of new technologies, an all-new angiography system has been constructed with a flat panel detector image intensifier that is more user-friendly and which produces better image resolution. The system, which can detect small blood vessel abnormalities in the heart, enables cardiologists to make quick decisions as to whether to proceed with a treatment or not.

The superiority of this system supports clear fluoroscopy and radiography and enables patient examinations and treatments 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.

System : SIEMENS - FULL FIELD DIGITAL MAMMOGRAPHY SYSTEM
Venue : KPJ Damansara Specialist Hospital
KPJ Ipoh Specialist Hospital

Special Features

The Full-field Digital Mammography (FFDM) uses digital technology and x-rays to capture an image on a digital computer system as opposed to an analogue mammography which captures an image on traditional film.

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 : SIEMENS - FULL DIGITAL GENERAL X-RAY SYSTEM
Venue : KPJ Damansara Specialist Hospital

Special Features

In today's busy radiography departments, speed and throughput are of the highest importance. The Siemens Ysio's digital radiography system installed at the KPJ Damansara Specialist Hospital offers a unique and simultaneous fast movement in 6 different axes as well as maximum patient comfort and outstanding images. This fully digital and one-stop system brings together the entire radiography workflow including registration, examination, post processing and documentations in an effective manner.

Through its offer of unique system positioning, the system always provides the most direct way to the image in a faster, shorter, safer and more accurate manner. Intuitive and convenient, all key image parameters, including the order of examinations, can be changed directly from the tube for a more flexible approach and improved efficiency.

System : HITACHI - 0.3 TESLA MAGNETIC RESONANCE IMAGING (MRI)
Venue : KPJ Pasir Gudang Specialist Hospital

Special Features

The Open Magnetic Resonance Imaging (MRI) System continues to evolve into a more advanced and sophisticated technology. The Hitachi – 0.3T system's boasts an open architecture with a wide opening on the right and left. This not only places patients, who feel uneasy with closed places or who are claustrophobic, more at ease, but it has considerable merit in that it can cater to small children and elderly patients.

The systems' advanced imaging capabilities with high definition imaging technology enable a precise diagnosis to be made in a relatively short time. Quality imaging is acquired by adopting the permanent vertical magnetic field method that uses solenoid type receiver coils. The MRI signals from these are higher than those of the horizontal magnetic field MRI system. The procedure is made smoother by adopting a large screen monitor display and comprehensive interface. The at-a-glance ability to confirm the examination status, lends to higher workflow efficiency.

System : GE 16-SLICE CT SCANNER SYSTEM
Venue : KPJ Pasir Gudang Specialist Hospital

Special Features

The GE Optima system is the next generation, intelligent 16-slice CT Scanner that sets a new standard for clinical excellence and diagnostic versatility. Within its modern design, customer-inspired enhancements include superb image quality with advance dose-optimising features.

This GE Optima system is designed to reduce electricity consumption with an energy savings of more than 60% in comparison to earlier GE CT Scan systems. Built on reliable and proven technology, this system combines advanced clinical capacity with economic value.

SERVICE QUALITY MANAGEMENT

KPJ has long supported the core values that drive quality service delivery and is committed to further raising the bar on healthcare excellence.

KPJ believes that it takes **good people** to build a **successful organisation.**

The "Service with Care" Journey

Healthcare in its most basic sense involves people caring for people. It is KPJ's sincere aspiration to continuously uphold the tenets of excellent care delivery by continuously exceeding our patients' and stakeholders' expectations. It is this commitment towards continuous service improvement that led to the establishment of the Service Quality Management (SQM) Division in March of 2013.

The SQM Division has been tasked with developing programmes to ensure KPJ delivers the highest possible level of care to the communities it serves. The SQM division places an emphasis on key areas to achieve this task, specifically the areas of customer service training, customer service management, process mapping and improvement, as well as quality assurance.

The "People" Asset

KPJ has long believed that it takes good people to build a successful organisation. KPJ's employees and caregivers are at the core of this belief and it is vital that KPJ continues to cultivate and develop our People asset.

In 2013, the SQM Division began an initiative to enhance and internalise customer service training and coaching. This initiative began by identifying key personnel within the Group with the purpose of transforming them into customer service coaches. Having achieved expectations and growing as coaches over the course of the training process, all of our coaches received certification at the end of 2013.

At the same time, the SQM Division developed high-level content for the coaches to deliver effective customer service training. Four modules were developed on the following topics: customer service strategy development; developing customer service teams; implementing customer service standards; and managing customer interactions.

The first two modules target heads of services (HoS) and hospital management. These particular modules discuss issues such as the service cycle, customer profiling, integrated customer service strategy, developing work teams, the SMART approach and customer service coaching. The other two modules are meant for all levels of staff and focus on areas such as the customer service value proposition, the customer service ecosystem, the customer experience and quality, effective communication and methods, building customer loyalty as well as Customer Relationship Management (CRM).

The coaches have begun to deliver the modules and there has been positive participant feedback thus far. Through this initiative to internalise customer service training competencies, the SQM Division intends to deliver training and cultivate customer service best practices throughout the Group.

Strengthening the "Care" Culture

One of the key contributing factors to KPJ's success to date is the focus on an organisational culture of continuous improvement. The 'Care' culture that KPJ and the SQM Division strive for is one that focuses on both the customer and the caregiver.

In 2006, KPJ had already embarked on a cultural transformation by establishing the Standard People Practice (SPP) with the intention of standardising the quality and consistency of service delivery throughout the KPJ Group of Hospitals. Focusing on communication skills, emphasising empathy and motivating caregivers to go beyond the expectations of customers, the SPP is set to raise service levels throughout the Group. Since its inception, 10 hospitals have implemented the SPP programme with definitive positive impact on customer satisfaction levels measured through Customer Service Indexing (CSI).

A culture of excellence: Certified KPJ Coaches

The SQM Division has continued this journey by providing customer service coaches the necessary knowledge and methodology to instil a sustainable 'care' culture within the KPJ Group of Hospitals by leveraging on SPP implementation. KPJ's customer service coaches are not only tasked with carrying out training, but also with ensuring that successful SPP implementation can be cascaded down throughout the entire KPJ Group.

Spurred by our commitment to being advocates for patient-centered care, two of KPJ's hospitals have implemented the Planetree delivery model since 2013. Implementation of Planetree-proposed initiatives are overseen by 10 Component Committees at the hospital level.

With this in place, KPJ aims to ultimately become a "Designated Planetree Hospital", to create an environment where patients feel respected and can truly engage with us in their recovery.

The Care Process and Delivery

KPJ's long history and experience in healthcare has allowed it to continuously develop, refine and improve the various service processes. In 2010, the KPJ Talent Management Division began the Service Excellence, Group Alignment & Re-engineering (SEGAR) project, which aimed to actively unify and redevelop the various processes within the KPJ Group of Hospitals.

In 2013, the SQM Division was tasked with carrying this initiative forward and conducted numerous workshops for the purpose of identifying, mapping and optimising the various processes throughout KPJ. The active pursuit of continuous service improvement will ensure that the various caregivers and support staff not only focus on achieving superior customer satisfaction when delivering processes and services, but that they also focus on deriving greater efficiencies when implementing tasks.

SEGAR Workshop on dietetic services.

SEGAR Workshop on Diagnostic Imaging Services.

Management of Quality

Fundamental to the SQM Division is the overall monitoring and management of quality. In order to achieve this, the SQM Division began comprehensive centralised customer service indexing or CSI reporting in order to benchmark the broad range of services offered throughout the Group. Through analysis of complaint levels and quantitative and qualitative feedback received, the Division was able to pinpoint areas of opportunity for service enhancement throughout KPJ.

The SQM Division also identified the overall service environment as a key area for monitoring. To facilitate active monitoring in this area, the Division developed the Aesthetic and Amenity Review (AAR) and the Service Presence Report (SPR). The AAR and SPR serves as reviews of all the various service areas of the hospitals in terms of their state of repair, overall appearance, and expected services that should be provided to the customers. These critical areas of monitoring allow the hospitals to better determine items that may require improvement or enhancement to provide a better service experience to customers.

2014 and Beyond

The SQM Division has embarked on a long-term journey to enhance and transform the services provided by KPJ. In 2014, the SQM Division will launch an enhanced unified CSI for the KPJ group modelled on the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) utilised in the United States and the CSI systems utilised in the Australian Healthcare System. Further quality assurance measurements, such a mystery shopping and various qualitative customer studies, will allow KPJ to further monitor the effectiveness of the services provided and offer an opportunity for continued improvement.

The SQM Division will also strive to implement a Customer Competency Management System (CCMS) in 2014. Such a system will allow the Division to better improve the customer service acumen of caregivers throughout KPJ and prioritise training based on their knowledge and skills levels. It will also help support the monitoring of training conducted through comparative analysis of pre and post-training participant scores. In the years to come, training and competency management can grow to include skills-based learning and job knowledge assessment.

Employee recognition programmes are also a high priority under the SQM initiative for 2014. By identifying and rewarding staff who set a high standard of customer care, the ‘care’ culture that KPJ is aiming for will be further embedded within our organisation.

The SQM Division remains committed to the long-standing KPJ Healthcare mission of “Delivering Quality Healthcare Services”. Mindful of KPJ’s rich history, the Group’s presence of mind for its customers, and with an eye on a future committed towards service quality management, the SQM Division will ensure KPJ continues to achieve new heights of service excellence in a consistent manner.

Our Commitment To Responsible Corporate Practices

As the KPJ Group makes strong advances on the business front, we are committed to remaining profitable in a responsible manner. To this end, we continue to roll out responsible and sustainable corporate practices that reflect our commitment to "Care for Life" and which uphold our culture of serving.

We **remain committed** to undertaking tangible Corporate Responsibility (CR) initiatives in the areas of the **Community**, **Marketplace**, **Workplace** and the **Environment.**

The last 3 decades have seen us implementing socially responsible activities in several areas and today we remain committed to undertaking tangible Corporate Responsibility (CR) initiatives in the areas of the Community, Marketplace, Workplace and the Environment. In fact, we do not regard our CR strategies as being any different from our overall business strategies, and do all we can to ensure good CR practices are embedded within our operations.

The year 2013 saw us continuing to build upon existing CR initiatives as well as roll out new ones with an emphasis on the following five areas:

Community engagement - our objective of developing healthier communities was accomplished through various health-related awareness programmes that educated the public and led them to embrace a healthier lifestyle;

Community outreach - we continued to touch the lives of the underprivileged by rendering financial assistance and by providing literacy, health and volunteer support;

Accountability - our strong focus on accountability ensured that widespread measures were taken to ensure that only the best practices that prioritised patient care were executed, and that stakeholder trust and confidence were upheld;

Empowering people - via training and development programmes as well as coaching and transformational leadership, we continued to strengthen our greatest asset - our workforce;

Environmental protection - by identifying and implementing effective green practices, we continued to proactively safeguard our environment for our future generations.

OUR COMMITMENT TO CARING FOR COMMUNITIES

We have always believed that good CR practices should bring us closer to the communities we operate in and make healthcare affordable for everyone. As such, our community CR initiatives focus primarily on the provision of healthcare services, as this is what is closest to our hearts.

Our "Care for Life" philosophy is underscored by our focus on community care and the wellbeing of individuals. We are committed to elevating communities and continue to demonstrate the spirit of caring and serving via several initiatives. These include delivering basic health screening at a minimal cost or for free; organising public health talks and campaigns that advocate healthy lifestyles and good hygiene; assistance in cash or kind to orphanages, homes for the aged and the underprivileged; as well as making zakat contributions and donations.

KWAN - KPJ's Flagship CR Initiative

Our flagship CR initiative to help communities, particularly the impoverished and underprivileged in urban communities, is via our involvement in the chain of charity outpatient clinics and dialysis centres under the Klinik Waqaf An-Nur (KWAN) initiative. Under KWAN, patients are charged a minimal blanket fee of only RM5 each time for normal outpatient treatment or around RM90 for dialysis services. All treatment is rendered by qualified medical doctors and includes the cost of the medicines prescribed.

The KWAN initiative began with one small clinic in Johor Bahru in 1998 through a collaboration between KPJ and parent company, JCorp. Following the success of the initiative and the overwhelming response from the community, the KWAN network has grown and to date encompasses the Waqaf An-Nur Hospital and 19 clinics (including 5 site clinics and 6 dialysis centres throughout Malaysia). In addition, KPJ also operates two mobile clinics today. The first has been operating in the state of Johor since 2012 while the second in Selangor, has been in operation since 2013.

KPJ received the mobile clinic in Selangor from Lembaga Zakat Selangor (LZS) in June 2013. Housed in a refurbished van, the mobile clinic is making it easier for KWAN to serve the communities around Selangor in line with KPJ's aim to be close to its patients. The mobile clinic comes under the ambit of both KPJ Kajang Specialist Hospital and KPJ Selangor Specialist Hospital. A third mobile clinic, the result of collaboration between Waqaf Selangor Muamalat (WSM) and KPJ, will be in operation soon in Selangor. This mobile clinic will operate in areas not already under the purview of the existing mobile clinic in the Selangor.

Since KWAN's inception until the end of 2013, the Group has had the opportunity to be of service to a total of some 961,148 patients, of which some 69,690 cases have been non-Muslim patients. The Group continues to provide clinical resources and medication to KWAN patients as well as contribute more than RM2 million annually in support of KWAN activities. Our goal is to continue extending a helping hand to needy patients throughout Malaysia by expanding KWAN's reach.

Prime Minister witnessed the exchange of token of appreciation between KPJ and Yayasan Seputeh on future collaboration in CSR programmes.

The following is the list of facilities within the KWAN network to date:

NO.	CLINIC/ HOSPITAL	LOCATION	DATE OPENED
1.	Klinik Waqaf An-Nur Kotaraya	Johor Bahru, Johor	01.11.1998
2.	Hospital Waqaf An-Nur Pasir Gudang	Pasir Gudang, Johor	16.06.2006
3.	Klinik Waqaf An-Nur Batu Pahat	Batu Pahat, Johor	16.03.2001
4.	Klinik Waqaf An-Nur Senawang	Seremban, Negeri Sembilan	06.10.2003
5.	Klinik Waqaf An-Nur Sungai Buloh, Selangor	Sungai Buloh, Selangor	23.06.2006
6.	Klinik Waqaf An-Nur Muar	Muar, Johor	01.08.2007
7.	Klinik Waqaf An-Nur Kluang	Kluang, Johor	01.08.2007
8.	Klinik Waqaf An-Nur Ijok, Kuala Selangor	Ijok, Selangor	01.11.2007
9.	Klinik Waqaf An-Nur Kuching, Sarawak	Kuching, Sarawak	19.02.2008
10.	Klinik Waqaf An-Nur Samariang, Sarawak	Kuching, Sarawak	23.12.2009
11.	Klinik Waqaf An-Nur Bukit Indah, Ampang	Ampang, Selangor	24.12.2009
12.	Klinik Waqaf An-Nur Larkin Sentral	Johor Bahru, Johor	29.12.2009
13.	Klinik Waqaf An-Nur Manjoi, Perak	Ipoh, Perak	15.01.2010
14.	Klinik Waqaf An-Nur Pekan Kajang, Selangor (Cabin)	Kajang, Selangor	31.12.2010
15.	Klinik Waqaf An-Nur Rembau, Masjid Jamek Rembau Negeri Sembilan (Cabin)	Rembau, Negeri Sembilan	01.11.2011
16.	Klinik Waqaf An-Nur Masjid Al-Syakirin, Jalan Gombak Selangor (Cabin)	Gombak, Selangor	01.12.2011
17.	Klinik Waqaf An-Nur Masjid Al-Amaniah, Taman Selayang, Batu Cave, Selangor (Cabin)	Batu Caves, Selangor	01.01.2012
18.	Klinik Waqaf An-Nur Masjid Al-Falah USJ9 Subang Jaya, Selangor	Subang Jaya, Selangor	10.10.2012
19.	Klinik Waqaf An-Nur Masjid Seberang Jaya, Pulau Pinang (Cabin)	Seberang Jaya, Pulau Pinang	01.03.2013
20.	Klinik Waqaf An-Nur Taman Bukit Tiram	Johor Bahru, Johor	17.07.2013

KPJ provides management and medical expertise to the run KWAN's 19 clinics spread out across several states and the Waqaf An-Nur Hospital located in Pasir Gudang, Johor. The clinics are located in strategic locations which are readily accessible to communities such as in the compounds of mosques or in shop-houses located near homes. This accessibility to high-value, low-priced clinics and dialysis centres helps ensure that members of the public have the medical care and attention they require despite the rising cost of healthcare today.

Meanwhile, the dialysis centres that operate alongside these clinics offer subsidised dialysis treatment, with many patients also benefiting from free treatments through the financial support of NGOs and the respective Islamic Religious Baitul Mal Funds mobilised for that purpose.

Continuing to Empower Communities

We are committed to empowering communities through sharing knowledge and good practices in order to elevate lives and strengthen the wellbeing of communities. Through urban and rural community outreach programmes, KPJ's medical consultants, 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.

These platforms typically involve health talks on 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 organise exhibitions and distribute information to promote healthy lifestyles. Our efforts to date have included blood donation drives, health camps, anti-Aedes campaigns, as well as in-house screenings at our Centre For Sight (CFS). Activities such as these have always received encouraging public response and our caregivers continue to leverage on these platforms to gain a better understanding of the needs of the communities they work among.

We also 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. Our activities extend to sponsorship of the television programme, *Baby Boo*. This educational programme for pregnant mothers, covering all aspects from conception to birth, is helping position KPJ as the preferred provider of complete care to mothers and babies.

To establish stronger and more enduring community ties, we are continuously committed to working hand-in-hand with communities to build a healthier nation. To curb the spread of communicable diseases, KPJ conducts joint community clean-up or *gotong royong* activities with community associations. 2013 saw teams from our headquarters and hospitals rallying together to provide support to flood-stricken communities in Pahang.

In Support of Pusat Anak Permata Negara

In collaboration with Permata Negara, 15 of KPJ's hospitals have adopted one Pusat Anak Permata Negara each. The participating hospitals are to provide medical care and implement CR programmes for the children at these 15 national early childhood education and care centres located throughout Malaysia.

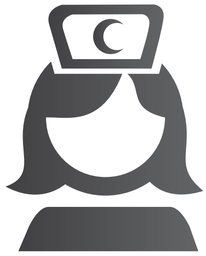
CSR programmes with Pusat Anak PERMATA Negara.

The following centres come under the care of the respective hospitals:

NO.	PUSAT ANAK PERMATA NEGARA	PARTICIPATING HOSPITALS
1.	Pusat Anak PERMATA Negara Batu Pahat	KPJ Johor Specialist Hospital
2.	Pusat Anak PERMATA Negara Kulai	KPJ Johor Specialist Hospital
3.	Pusat Anak PERMATA Negara Pasir Gudang	KPJ Puteri Specialist Hospital
4.	Pusat Anak PERMATA Negara Tenggaroh	Kluang Utama Specialist Hospital
5.	Pusat Anak PERMATA Negara Dengkil	KPJ Ampang Puteri Specialist Hospital
6.	Pusat Anak PERMATA Negara Subang Jaya	KPJ Selangor Specialist Hospital
7.	Pusat Anak PERMATA Negara Bercham	KPJ Ipoh Specialist Hospital
8.	Pusat Anak PERMATA Negara Besout	KPJ Ipoh Specialist Hospital
9.	Pusat Anak PERMATA Negara Raja Alias	KPJ Seremban Specialist Hospital
10.	Pusat Anak PERMATA Negara Pasir Mas	KPJ Perdana Specialist Hospital
11.	Pusat Anak PERMATA Negara Nibong Tebal	KPJ Penang Specialist Hospital
12.	Pusat Anak PERMATA Negara Bera	KPJ Kuantan Specialist Hospital
13.	Pusat Anak PERMATA Negara Kota Samarahan	Kuching Specialist Hospital
14.	Pusat Anak PERMATA Negara Kota Belud	Kota Kinabalu Specialist Hospital
15.	Pusat Anak PERMATA Negara Parit Buntar	Taiping Medical Centre

Sentosa Specialist Hospital visited to old folks home in conjunction with Nurses Day Celebration.

Our annual **Nurses Day Celebration** is another opportunity for nursing professionals to play a part in **caring for life** and to **build stronger rapport** with the community.



Our commitment to caring for the community extends to **saving unwanted new-born babies** by **building baby hatches** at KPJ hospitals.

Our Nurses and Consultants Play their Part

Our annual Nurses Day Celebration is another opportunity for nursing professionals from the Group's hospitals to play a part in caring for life and to build stronger rapport with the community. This event sees our nurses spending their day outside our hospitals by carrying out community activities at orphanages, old folks' homes and among the underprivileged.

Our medical consultants too continue to play a part in caring for life through the Consultants Charity Fund. On top of this, a number of them are championing various humanitarian causes and supporting fund raising activities for the needy. KPJ's medical consultants also support the Group's CR efforts by providing free surgery to selected patients and offering their assistance to the community in times of calamity.

Going forward, we will continue to harness the wealth of experience and expertise of our medical consultants and nurses to reinforce our standing in the community.

Committed to Saving New-borns

Our commitment to caring for the community extends to saving unwanted new-born babies by building baby hatches at KPJ hospitals. Without these baby hatches, many new-born babies may otherwise face a tragic fate. In support of efforts to rescue unwanted babies, 10 baby hatches had been built at KPJ hospitals in various locations with the support of the Ministry of Women, Family and Community Development and the Ministry of Health. By offering this facility, mothers will be able to leave their unwanted new-born babies anonymously, thereby saving these new-borns' lives.

NO.	HOSPITALS WITH BABY HATCHES
1.	KPJ Kuantan Specialist Hospital
2.	KPJ Damansara Specialist Hospital
3.	KPJ Tawakkal Specialist Hospital
4.	KPJ Johor Specialist Hospital
5.	KPJ Perdana Specialist Hospital
6.	KPJ Seremban Specialist Hospital
7.	KPJ Ipoh Specialist Hospital
8.	KPJ Penang Specialist Hospital
9.	Kota Kinabalu Specialist Hospital
10.	Kuching Specialist Hospital

OUR COMMITMENT TO GOOD MARKETPLACE PRACTICES

KPJ is committed to upholding the trust and confidence of our various stakeholders, and to this end we continue to implement good marketplace ethics and practices that uphold the tenets of 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.

Upholding Safe Care and Excellent Services

Our ultimate goal is to provide our customers with safe care and excellent services and this 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 (ISQua). On top of these, 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 accreditations underscore the Group's commitment to adopting best-in-class quality systems and processes throughout our network of hospitals.

To further ensure strict compliance with all regulations as well as observance of international best practices, clinical conduct at all KPJ's hospitals is governed by the Group's clinical policies and procedures. At the same time, the Medical Advisory Committee and other Clinical Committees at both the Group and hospital levels monitor the processes. Built upon years of valuable 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. Our 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 MOH. Moreover, via exposure to continuous learning at KPJ Healthcare University College, we are able to maintain high quality standards among our staff.

Ensuring Medical Accountability

Being a major healthcare provider, KPJ is committed to delivering the best quality care possible to our patients. Our annual reviews and our policy on continuous education enable us to keep our focus on this goal. The annual reviews of our policies and practices are conducted with the sole purpose of keeping our teams abreast of the latest global practices as well as the latest medical developments. Accomplished through Committee meetings and biannual medical workshops, the discussions and dialogues among the clinical teams in the Group provide strong foundations for us to achieve new standards of healthcare excellence.

In line with KPJ's belief that "we must evolve along with the changing needs of the patients and be even more receptive to clinical and quality excellence," we are always seeking new avenues in which to develop our reservoir of knowledge. From sharing clinical knowledge among the Group's members via medical workshops and talks, to participating in seminars and conferences locally and abroad, we continue in our pursuit of knowledge. Our efforts in these areas are most evident in the good progress made by our caregivers and the high percentage of effective medical and surgical outcomes that are recorded.

Our annual KPJ Healthcare Conference and Exhibition, Medical Workshop and Nursing Convention for medical consultants, nurses and allied health staff, serve as opportune platforms for our teams to deliberate and discuss medical and clinical issues related to their practices as well as promote patient safety and standardisation of practices.

Upholding Good Governance Practices

KPJ's Board of Directors remains committed to implementing the highest standards of corporate governance and risk management practices as well as to upholding the tenets of integrity, transparency and accountability. The Board's strict compliance with Bursa Malaysia's listing and disclosure requirements under the revised Malaysian Code of Corporate Governance 2012, underscore this commitment.

Our efforts in this area are also reflected in the host of on-going best management practices we implement. These include efforts to enhance the Group's 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.

Our commitment to upholding the Group's whistle-blowing policy too is certainly strengthening marketplace ethics within our organisation. September 2013 marked a major policy milestone for KPJ even as the Whistle Blowing Policy was formally approved. The creation of this policy supports KPJ's legal and ethical commitment to maintaining an environment which understands and respects the integrity of our workplace programmes and practices.

This abovementioned policy also complements KPJ's efforts to enhance corporate integrity. We take the Malaysian Corporate Integrity Pledge for public listed companies each year. Earlier in the year under review, a Corporate Integrity Assessment was conducted throughout the Group's hospitals and companies involving 220 employees comprising Senior Management, Head of Services, Managers and Executives. KPJ's prerequisite that all suppliers and business partners comply with the Corporate Integrity Agreement, further reflects our dedication to promoting transparency and kerbing corruption in all our dealings. As part of our commitment to ensuring an environment where all employees are respected, we delivered education sessions on our Sexual Harassment Policy to all hospitals within the Group.

OUR COMMITMENT TO EFFECTIVE WORKPLACE PRACTICES

Our workforce is undoubtedly our greatest asset and the backbone of KPJ. As such, we are committed to bolstering and nurturing our employees' talents and capabilities to ensure they can be the best they can be so that we can maintain our competitive edge.

KPJ's Workforce

As at 31 December 2013, the KPJ workforce Group-wide totalled 10,442 employees – a 5.3% increase over the total 9,908 employees registered in 2012. The increase in manpower came mainly on the back of the opening of KPJ Pasir Gudang Specialist Hospital; increased manpower requirements for both KPJ Klang and Tawakkal Health Centre (20% and 36% respectively); as well as recruitment activities for KPJ Bandar Maharani and KPJ Rawang Specialist Hospital. The increment in manpower is in tandem with the 4% increase in bed capacity for the year (an increase to 2,714 beds as at end 2013 in comparison to 2,618 beds in 2012). The manpower to bed ratio was 1:4 in 2013.

Overall, there was a 1% increase in professional manpower to 3,924 employees at end 2013 in comparison to 3,884 employees in the previous year. The rise in physiotherapist positions (14%), was the highest for the year due to manpower requirements for new hospitals within the Group.

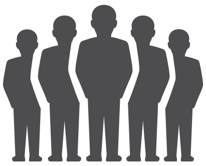
Out of KPJ's over 10,000 employees, 26% are women managers. KPJ is in line to achieve the Malaysian government's policy of having 30% women on board in key decision making positions for the corporate sector.

The Gen Y segment remains the largest age group of employees at 57% of total manpower, with other generations making up the balance. As there are more Gen Y staff on board, the groundwork is being laid to ensure that our policies and strategies reflect the changing times. At the same time, we need to ensure that the needs of other generations are also met as they have contributed greatly towards the organisation's success. Having a multi-generational workforce compels us to work towards developing policies that balance the different needs of each generation.

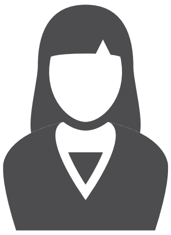
Talent Management in KPJ

At KPJ our unique human capital needs are managed by our Talent Management arm. We firmly believe that the right people with the right talents will determine the growth of our organisation. There are very few industries that employ personnel with as wide a range of diversified expertise as healthcare. Physicians, nurses, technicians, and semi-skilled employees work interdependently to care for patient. This is particularly important since hospitals are labour-intensive and thus vulnerable to shortages. The increase in the types of services we offer coupled with technological changes, further complicates the demand for different types of personnel.
Selection strategies, training programmes, compensation systems and career development programmes need to be developed properly to

The **KPJ workforce** group-wide totalled **10,442** employees.



Out of KPJ's over **10,000** employees, **26%** are **women managers**.



Group photo of participants of the KPJ Kaplan Leadership Programme.

Project presentation during KPJ Executive Development Programme.

attract and retain the workforce. To do this we seek to maximise our employees' full potential through strategies that focus on continuous learning, skills upgrading, the broadening of employee experiences, and fostering employee engagement which contributes towards the building of their overall competencies.

From discussing the needs of a service and advising on recruitment strategies, to participating in the selection of the right candidate, through to checking references and making job offers, our team is committed to recruiting strong internal and external candidates. Our presence at education and career fairs provides us the opportunity to help attract the right candidates as well as promote ourselves as an employer of choice.

Of the 1,599 recruitments that took place in 2013, 8% were internal applicants while approximately 88% were external applicants. We recognise that the successful recruitment of potential employees is critical to maintaining a vibrant workforce and we continue to explore ways to improve and leverage our recruitment technology in order to reach future talent. We also recognise the need to capture further analytics surrounding our recruitment efforts to enable us to understand our workforce needs, levels and the effectiveness of our recruitment strategies.

Our human resource strategies have led KPJ to win a number of awards for the past three years. The most recent award we clinched was the Bronze Award for Excellence in HR Technology Award 2013 from *Human Resource Excellence Magazine*.

Continuous Learning and Skills Upgrading

KPJ's long-term success is dependent on ensuring our workforce has the right skills and abilities. At KPJ, we have a multi-tiered training approach that caters to the specific needs of each category of staff i.e. Manager, Executive or Executive Assistant.

We support the development of our employees through both internal and external training opportunities and our learning and development professionals oversee a wealth of targeted developmental programmes. As at 31 December 2013, our total training expense was RM5.48 million (2012: RM5.42 million). The marginal 1% increment was due in part to most hospitals conducting in-house training as some of the hospitals key personnel have been certified as trainers under PSMB.

Training expenses represent 1% of our total emolument. As at end 2013, the HRDF utilisation was 84% for the Group as compared to 87% the previous year, partly due to increased contribution by new hospitals. In 2013, the Group also fulfilled JCorp's 30 man-hours training per employee policy, recording an average of 34 man-hours training per employee.

To support online learning opportunities, Talent Management has developed the e-learning portal for all newly appointed employees. This e-learning conducted via the Employee Self Service (ESS) allows new employees to continuously assess their knowledge on all aspects of KPJ. This is a unique offering as it provides new employees accessibility to more information on KPJ. We are continuing to improve and further develop this portal to include other learning programmes in order to enhance employees' knowledge.

In 2013, Talent Management in collaboration with TalentCorp introduced the KPJ Structured Internship Programme (SIP). This partnership enables budding talent within KPJ to be interned at the KPJ Corporate Office and within any of our hospitals or companies. This initiative is providing an opportunity for graduating students to become a member of the KPJ family, albeit temporarily. At the same time it is providing us access to a broader pool of potential talent.

KPJ Healthcare University College remains the institution of choice for our nurses and other professionals to undergo post basic programmes. The total number of enrolments continues to increase every year. To date, a total of 1,018 employees have graduated from various post basic programmes.

Building Our Leadership Pipeline

Since 2002, we have been encouraging eligible employees to pursue graduate qualifications, namely the MBA and Masters in Nursing. To date, 78 sponsored employees have graduated from these programmes, four of them in 2013.

In 2013, six critical leadership programmes were conducted as part of our Succession Planning Programme. Programme participants ranged from Executive-level to Senior Management-level candidates. The year's key leadership programmes included the following:

- JCorp Leadership Programme;
- "Leadership in Times of Crisis" by Dr Andrew White, Oxford University;
- Leadership Innovation Strategy (LIS) organised by GE Crotonville; and
- "Transformational Leadership" by Michael Wagner, Advisory Board Company, USA.

The Executive Development Programme for Executive-level participants (developed by Talent Management) was conducted for the second time with around 16 employees graduating from the programme. In a smart partnership with AMG, we co-developed the AMG-KPJ Leadership Development Programme which was also conducted for the second time with some 23 employees.

In support of having on board 30% women as directors, four of our women directors participated in the 2013 Women Directors' programme organised by LPPKN. To date, a total of 10 women directors from KPJ have participated in the programme.

The aforementioned leadership programmes serve as platforms for our Succession Development Programme (SDP). Following their participation in leadership training, a number of our employees have been identified as successors. Under the 4th Succession Planning Cycle carried out in 2013, the Group and its hospitals have identified 519 employees who are qualified to move to the next level, with 68 ready to move immediately.

Ensuring Competitiveness as an Employer of Choice

Our total compensation package is the key to the success of our recruitment and retention activities. As an employer, we provide a strong mix of direct compensation and benefits within a supportive environment. To ensure that our compensation package is competitive, KPJ participated in two Healthcare Salary Surveys in 2013 – the AON Hewitt Healthcare Salary Survey 2013 and the Hay Group Salary Survey for the Healthcare Industry 2013. These salary surveys enabled us to ensure that our salary scales were in alignment with healthcare industry norms. It also highlighted how KPJ's salaries were positioned in comparison to the market.

Nevertheless, we acknowledge that the value of a total compensation package (i.e. cash compensation, benefits and health and wellness initiatives) is difficult to quantify and not currently fully communicated in a meaningful way to staff. Further efforts are required to determine, measure and explain the true value of working at KPJ. We are currently reviewing and standardising salaries throughout the Group to ensure consistency and appropriateness. The outcomes of these reviews will be communicated and assessed as warranted. It is expected that the first series review will be completed by end of the first quarter of 2014 and the formal results announced thereafter.

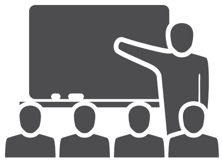
Performance Management Appraisal

In 2013, a series of workshops were conducted to reinforce the Staff Performance Appraisal (SPAR) exercise for all Heads of Services (HOS) throughout the Group and to get them to set the KPIs for the annual SPAR. Currently, the targets are not set in accordance with the Company's KPIs (except for standardised KPI e.g. Accountants, Pharmacists, etc.). This exercise will also serve as a platform to evaluate and obtain feedback on the use of e-SPAR from the HOS while teaching new HOS how to set KPIs for their subordinates. Following the SPAR exercise, 79 employees were awarded for outstanding performance in 2013 while a total of 111 employees will be promoted in 2014.

Promoting Work-Life Balance – The KPJ Way

KPJ is committed to promoting a healthy work-life balance through policy, wellness initiatives and wellness promotion so that our employees achieve success with their life goals. For 2013, over 5,407 employees participated in our Body Mass Index (BMI) programme. This programme is a continuation from previous years where employees voluntarily participate in various healthy living lifestyle activities. Overall there has been a decrease of 5% for employees in weight categories Pre-obese, Obese I, Obese II and Obese III categories, with an increase of 2.5% in the Normal weight and Underweight category. As an indirect outcome of this, that total medical expenses for 2013 decreased by 2% as compared to the preceding year.

6 critical **leadership programmes** were conducted as part of our Succession Planning Programme.



79 employees were **awarded for outstanding performance** in 2013 while a total of 111 employees will be promoted in 2014.

Offering programmes aimed at increasing physical activity is just one element of building a healthy workplace. Our plans for the future include providing programmes that help employees and their families effectively manage physical, financial and mental health.

KPJ is also active in promoting various employee engagement activities and this message resonates throughout the Group. Several noticeable activities include safety campaigns and well-wishing messages during festivities, birthday messages, wedding announcements and congratulatory wishes for new-born babies. Last year, we also participated in the 1 Million Women Purple Walk 2013 held in conjunction with International Women's Day, which aims to show solidarity with the Government in its commitment to empowering women in Malaysia and to celebrating the successes of Malaysian women in various sectors.

Ensuring a Safe and Productive Working Environment

The Group has always implemented effective measures to ensure all our facilities provide a safe and conducive working environment for our employees and we continue to make this a priority. Our measures to date include strict policies on planned preventive maintenance; close monitoring of the exposure levels for employees who work within the confines of radiation and diagnostic imaging services; and the safe and proper disposal of sharp and hazardous materials. In addition to this, on-site training and drills, such as fire and disaster drills, are also implemented to educate employees on how best to respond to emergency situations. Initiatives such as special parking for pregnant staff and ergonomic workstations too are giving our employees the confidence that we are looking out for them.

To keep abreast of the latest Occupational Safety and Health (OSH) practices and procedures, specific employees are sent for OSH training. The Group's contracted vendors and suppliers too are required to comply with all health and safety measures we have put in place, particularly at our hospitals. We also continue to conduct ongoing workplace safety inspections and offer our employees and their family members a Group Hospitalisation and Insurance Plan as well as medical coverage at our hospitals.

In the way of productivity improvements, KPJ observes the 5S process, which is one of the most fundamental and widely applied components of Total Quality Management at the workplace. In 2013, 15 of KPJ's hospitals underwent 5S certification by the Malaysia Productivity Corporation (MPC). The annual 5S audit will ensure the Group maintains a steadfast focus on productivity and keep its competitive edge.

Policy Implementation and its Effects

Effective policy reflects an organisation's culture and direction and guides the actions of managers, administrators and employees. At KPJ, we actively develop, review and administer policies in the area of people development and employment practices. In 2013, five new policies were implemented while one policy was revised in line with the growing requirements of the Group.

Among the new policies implemented were the Minimum Wage Policy, Maximum Retirement Age policy and the Whistle Blowing policy. The implementation of the Minimum Wage Act led to a 6% increase or an additional RM15 million in KPJ staff costs in 2013. Due to the escalation of costs, all Managers are to ensure that the productivity levels of employees increase in tandem with the higher wages. The implementation of the Minimum Retirement Age Act too is leading us to look at better ways to manage our senior workforce.

Manpower Planning For the Future

Moving forward, our aim is to gain better insights into the Group's current workforce and engage leaders within the Group to help ensure our talent pool is aligned with our strategic goals. By understanding our current workforce, we are better equipped to prepare for the future by ensuring we have the right mix of talent with the right skills to meet KPJ's goals.

Major initiatives includes the development of new programmes to support our workforce, streamlining processes to increase employees' satisfaction, developing new and enhancing existing policies to support and guide the actions of administrators and employees, as well as continuing to build the capacity of our technology. As we venture forth, our specific goals and priorities will include strengthening our KPIs with a focus on customer service; prioritising employee development programmes; enhancing service delivery and business processes; enhancing policies pertaining to employment practices and people development; and making enhancements to HR-related technology.

Team building by KPJ Puteri Specialist Hospital at Sibu.

OUR COMMITMENT TO SAFEGUARDING OUR ENVIRONMENT

The Group is committed to safeguarding the environment in which we operate in and this is reflected in the many green processes and programmes we are implementing to preserve our internal and external environment. From instituting the appropriate quality and safety framework, to implementing effective energy efficiency and 3R (Reduce, Reuse, Recycle) activities, to developing and tapping environmental-friendly technologies and practices that enhance productivity as well as reduce our operational impact on our surroundings, we are doing our bit to protect our planet.

Ensuring a Robust Quality and Safety Framework

Throughout KPJ's operations, the appropriate control measures have been introduced to minimise risks in clinical practices and processes while KPJ's Medical Advisory Committee and the various KPJ Clinical Governance Committees provide oversight of these.

KPJ's Health, Safety and the Environment (HSE) Policy mandates that we ensure total commitment to our stakeholders on all HSE matters. Under our HSE focus, several areas take precedence over others. These include activities to identify hazards, quantify or assess the risks in regard to hazards, prioritise these risks and control the impact of hazards.

All our hospitals ensure that they comply with the Integrated Management System (IMS) – a quality standard which encompasses the OHSAS 18001 (worker health and safety), EMS 14001 (environmental policies and standards), and the ISO 9001 (corporate governance and quality) standards. All our hospitals rigorously adhere to the necessary IMS-related procedures and policies and their compliance is verified on an annual basis by external auditors. KPJ's hospitals also carry out continuous checks and regular maintenance including proper calibration of equipment. Since 2008, the Seven Patient Safety Goal Framework (based on outlines provided by the World Health Organisation) has been in place.

We also have an obligation to ensure ongoing compliance with Department of Environment (DOE) regulations as well as the Atomic Energy Licensing Act 1984 (Act 304), Occupational and Safety Act 1994, Environmental Quality Act & Regulations 2005 and Akta Perkhidmatan BOMBA 1988, among others. KPJ also ensures strict compliance with the Standards of the Private Healthcare Act which relates to hospital infrastructure and the building of related facilities.

Energy Efficiency and 3R (Reduce, Reuse, Recycle) Initiatives

As an environmental-friendly Group, KPJ is making a conscious effort to reduce energy and dispose of waste in a proper manner throughout our operations. To this end, all KPJ's employees are made aware of the importance of preserving the environment and reducing waste. Throughout our host of facilities, we encourage staff to conserve energy and to maximise resources through the employment of more efficient methods. As such, the use of plastic bags and has been reduced while staff are encouraged to recycle regularly.

Nurses and hospital clinical support staff are educated on the procedures and right way to handle and dispose of waste. Where appropriate, non-clinical domestic waste, such as paper and other recyclable items, are recycled. This helps in cutting down on the production of waste, especially paper-based waste. Such efforts benefit the environment as well as make good business sense.

In line with our strict policies on waste management and HSE, we have arranged for the careful disposal of clinical waste, such as sharps/needles, samples and fluids by specially contracted and qualified vendors who abide by all safety clinical standards.

Gotong-royong activities by KPJ Ipoh Specialist Hospital in conjunction with the launching of Go Green initiative.

Nurses and hospital clinical support staff are **educated** on the procedures and **right way to handle** and **dispose of waste**.

Plans are in the offing for our upcoming hospital developments to use more **green building technology** that will further **save energy** and **reduce waste**.

Towards a Paperless Environment

As part of our greening initiatives, we continue to invest heavily in healthcare management technologies that centre on paperless and filmless integrated online systems. With the advent of these technologies, more and more of our hospitals have been able operate within a paperless environment, plus we are able to derive an increased level of productivity from a smaller amount of resources. The existing IT framework delivers precise information within the Group in a timely manner, thus directly reducing the possibility of human error and greatly improving patient safety. The integrated system has also contributed to the standardisation of operational procedures and performance measurement as well as facilitated more efficient decision making.

The integrated systems in place to date include the Hospital Information Technology System or HITS, which is an electronic and integrated system, covering the complete range of patient services processes, from patient registration to billing. HITS is closely interlinked with our financial and material management modules.

Our medical consultants and nursing professionals are tapping the KPJ Clinical Information System (KCIS) to automate clinical activities. The KCIS also facilitates seamless communication between doctors, nurses and other support services areas via e-ordering, clinical information, better nurse and doctor communication as well as results reporting.

Another technology in use is the Picture Archiving and Communication System (PACS) which involves e-ordering by consultants for radiology investigations which is captured and transmitted to radiology equipment. X-ray images and results will then be transmitted back online. The introduction of the e-pharmacy module has also enhanced communication between our medical consultants and the pharmacy.

Mitigating Air Pollution

All the air-conditioning systems at KPJ's hospitals utilise the HCFC Refrigerant (R22) which is less harmful to the ozone layer. The procurement of a new chiller at KPJ Ampang Puteri Specialist Hospital and commissioning works for the brand new air conditioning system at KPJ Penang Specialist Hospital will involve the use of the HFC refrigerant (R134a) which will not deplete the earth's protective ozone layer. All our hospitals also maintain a strict "No Smoking" policy.

Tapping Green Technology

Plans are in the offing for our upcoming hospital developments to use more green building technology that will further save energy and reduce waste. The KPJ Selangor Specialist Hospital spearheaded this initiative in 2013 by ensuring its expansion project lined up with the Green Building classifications. Apart from saving energy, the new extension is also ensuring waste reduction by making use of biodegradable plastic and processing the excess food into fertilisers.

Today, our sterilisation business arm, Sterile Services Sdn Bhd is leveraging on a first-of-its kind eco-friendly sterilisation service that sees medical instruments for hospitals being sterilised using wet steam instead of chemicals. As part of KPJ's commitment to creating a sustainable future for the coming generations, we will continue to invest in new ecological technologies.

MOVING FORWARD

Each and every year, KPJ's employees touch millions of lives across the nation for the better while our many CR initiatives deliver tangible and sustainable outcomes. Our commitment to instilling good CR practices within our operations is directed by KPJs senior management and involves all divisions within the Group. It also encompasses a supply chain of thousands of suppliers and business partners who share in our vision to operate in a responsible and sustainable manner.

As we venture forth, KPJ remains committed to ensuring a good balance between our business goals and our socially responsible and environmental friendly efforts. As we set our sights on rolling out tangible CR practices in the areas of the Community, Marketplace, Workplace and Environment, we commit to implementing responsible and sustainable corporate practices that reflect our commitment to "Care for Life" in a holistic manner and which uphold our culture of serving.

KPJ EduKATE Strengthening the quality of our Healthcare services offering

The KPJ Education and Knowledge Management Services or EduKATE continues to play a pivotal role in the cultivation of life long learning and knowledge sharing culture among the KPJ community. With the synergy within the Group, a culture of learning and knowledge sharing is firmly inculcated among the employees. Today, a wealth of intellectual property is being archived, ready to be used as a reference in training of future generations of managers and leaders. At the same time, data mining and processing is providing value added knowledge for strategic planning and effective decision making.

Since its inception in 2011, KPJ EduKATE has been focusing its efforts on creating a resource centre where the more than 30 years of the Group's knowledge and experience can be systematically and formally deposited and safeguarded for future reference. To this end, the KPJ Resource Centre was set up at KPJ Corporate Headquarters and officially launched by the Managing Director/President on 23 January 2014. The KPJ community now has physical access to the KPJ Resource Centre or can access its resources via the KPJ EduKATE portal.

In collaboration with Talent Management Services, KPJ EduKATE continues to look into the appropriateness, applicability, efficiency and effectiveness of training, in tandem with the Group's mission of being a learning organisation embracing continuous education, training and skills enhancement.

KPJ Healthcare University College – Continuing the Fine Tradition of Educational Excellence

KPJ Healthcare University College (KPJUC) continues to distinguish itself as a progressive and entrepreneurial institution of higher learning with an international vision. Since its inception in 1991, KPJUC has maintained its fine tradition of academic excellence and strengthened its reputation as the pioneer in the growth of nursing education in Malaysia.

In 2013, there was a significant increase in the number of approved programmes at KPJUC. These included the Bachelor of Pharmacy, Bachelor of Pharmaceutical Science with Health Sciences, Bachelor of Medical Imaging, Bachelor of Nursing as well as several Masters programmes in Medicine, Pharmacy and Health Sciences. This brings the total number of programmes offered at KPJUC to date to 28 programmes ranging from foundation to postgraduate at PhD level.

The introduction of the specialist training programme in Otorhinolaryngology - Head and Neck Surgery as well as the approval of the Master of Paediatric programme are significant milestones for both KPJUC's School of Medicine and the country. KPJUC has broadened the opportunities for students and graduates to pursue professional careers in the healthcare industry and will continue to strengthen its role in this area.

Steady Progress on the R&D and Conferences Fronts

Aside from its focus on academic programmes, KPJUC is strengthening its research and development (R&D) capability. The particular focus on clinical research at KPJUC will be particularly conducive for Masters and PhD students who are looking to further enhance their knowledge as well as clinical expertise. Not only are KPJUC's R&D programmes enjoying the strong backing of the KPJ Group, the university college continues to forge strong 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 strengthen alliances with universities abroad and leverage on the expertise of a cross-cultural academic team to bolster its R&D and other activities.

In 2013, KPJUC organised two major academic conferences. The International Conference on Trends, Challenges and Opportunities in Multidisciplinary Healthcare took place in May 2013, while the National Elderly Symposium took place in November 2013. These conferences proved opportune platforms for KPJUC's academic staff to present and discuss their research work as well as network with national and international experts. Throughout 2013, KPJUC organised more than 30 Continuous Professional Development programmes which were opened up to the public.

In line with the dynamic growth of the healthcare industry, and in response to the requirement for a larger pool of nurses and healthcare professionals to meet the needs of Malaysia's healthcare institutions, there has never been a better time than this for KPJUC to step forward to reinforce its standing as a pioneer in healthcare education. To date, KPJ Healthcare University College has produced almost 5,000 nurses and healthcare professionals with degree, diploma and post-diploma qualifications.

KPJ Resource Centre, Corporate Headquarters, Menara 238.

Strong Academic Collaboration and Support

Today, the fine tradition of academic excellence at KPJUC is being enhanced and galvanised by a team of dedicated, well qualified and experienced lecturers who inspire students to unleash their potential. As part of its efforts to enhance academic excellence, KPJUC continues to build strong international alliance with universities from Australia and the United Kingdom. To date, it has forged sound working relationships with the University of South Australia (1994) as well as Liverpool John Moores University (1997) and the University of Hertfordshire (2009), both in the United Kingdom. These successful alliances have provided KPJUC with a wealth of diverse, high calibre and professional resources and unique support.

Moving on in 2011, KPJUC collaborated with Universiti Kebangsaan Malaysia to develop new Medical Specialist programmes, one of the first of which was the Master in Otorhinolaryngology - Head and Neck Surgery. Two new programmes, namely the Masters of Surgery and Masters of Orthopaedics, are currently being finalised with UKM and will be offered in the 2014 academic year.

Bolstering Private-Public Partnerships

Being the leader in Malaysia's healthcare industry, KPJ Healthcare Berhad has many medical specialists serving its Group of Hospitals in various areas and sub-specialties. These untapped resources of knowledge and skills have helped KPJUC jumpstart and spearhead the first medical specialist programmes in Malaysia and they continue to do so. Being a leading healthcare provider in Malaysia, KPJ Healthcare Berhad is demonstrating its strong support towards the Malaysian Government's policy through active involvement in private-public partnerships. The Group is confident it has the capabilities and resources to become the Government's partner in promoting Malaysia as a leading healthcare hub in the world.

Purposeful Campus Expansion

In line with KPJUC's offer of a continuous stream of new academic programmes, its student population is expected to grow from 1,700 to 3,000 students by 2015.

Expansion of KPJUC University College, Nilai Campus

In anticipation of the expected increase in student numbers, expansion works began at the Nilai campus in 2011 and were completed by end of 2013. The second phase of the expansion programme for the Nilai campus involved construction of an eight-storey academic block to accommodate over 2,000 staff and students, alongside nursing, pharmacy and medical imaging skill laboratories. An 11-storey hostel with the capacity for 1,200 students was also completed in December 2013. The second phase expansion involved an investment of some RM50 million. Under Phase 3 of the expansion programme (2014 onwards), an additional RM150 million will be invested in hostel and academic blocks, a multi-purpose hall and a sports complex.

To support its vision of being a leading healthcare education provider, KPJUC aims to build a private teaching hospital at its campus in Nilai which will make this the first private hospital in the country built for academic purposes. This teaching hospital will be equipped with state of the art facilities to cater for private patients as well as for teaching and research. This integrated academic facility will enable KPJUC students from various medical and healthcare programmes to collaborate closely with each other and thus producing medical and healthcare experts who are adept in working as a team.

The development plan for the hospital is currently being finalised with development costs expected to be in the region of approximately RM70 million. The groundwork should start in the fourth quarter of 2014 once the hospital plan is approved by the Ministry of Health.

KPJ International College of Nursing and Health Sciences, Johor Bahru Campus

KPJ College, Johor Bahru which began operations in July 2008, occupies six floors of the Metropolis Tower. Currently, the college is offering the Diploma in Nursing programme and Post Basic Programme in Paediatric Nursing. The college is actively developing new post basic programmes to be offered in 2014 which include post basic programmes in nursing such as Neonatology, Orthopaedic and Renal Nursing.

KPJ International College of Nursing and Health Sciences, Penang Campus

KPJ College, Penang is located in the rapidly growing city of Bukit Mertajam and is only a five-minute drive from KPJ Penang Specialist Hospital. It started operations in January 2013 with new premises that can accommodate up to 600 students. The sprawling campus is equipped with nursing and pharmacy labs, spacious tutorial and classrooms, wireless internet and recreational facilities.

The first academic session at KPJ College, Penang commenced in May 2013 with the offering of the Diploma in Operating Department Practice (in collaboration with Liverpool John Moores University) and the Diploma in Pharmacy. The new academic programmes that will be offered in 2014 include post basic programmes in nursing including the Certificate in Teaching Methodology, Certificate in Renal Technician and Certificate in Obstetric Care.

Given the holistic hands-on approach that KPJUC accords its students, the graduates of KPJUC and the various colleges 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.

KPJ Healthcare University College has produced almost **5,000 nurses and healthcare professionals** with degree, diploma and post-diploma qualifications.

CURRENT APPROVED PROGRAMMES

As at the end of 2013, KPJUC offered 28 programmes approved by the Ministry of Education ranging from Foundation to Postgraduate at PhD level.

Current Programmes at KPJUC, Nilai

NO	PROGRAMME	INTAKE
	SCHOOL OF MEDICINE	
1	Master of Otorhinolaryngology - Head and Neck Surgery	1 - Nov
2	Master of Paediatrics	1 - June
	SCHOOL OF PHARMACY	
3	Master of Pharmacy (Research)	3 - Feb/Jun/Sep
4	Master of Sciences in Pharmaceutical Technology (Research)	3 - Feb/Jun/Sep
5	Bachelor of Pharmacy (Hons)	1 - Sep
6	Bachelor of Pharmaceutical with Health Sciences (Hons)	2 - Feb/Sep
7	Diploma in Pharmacy	3 - Feb/May/Sep
	SCHOOL OF NURSING	
8	Doctor of Philosophy in Nursing	3 - Feb/Jun/Sep
9	Master of Nursing (Research)	3 - Feb/Jun/Sep
10	Bachelor of Science in Nursing (Hons)	1 - Sep
11	Bachelor of Science (Hons) International Nursing (in collaboration with University of Hertfordshire, UK)	1 - Sep
12	Diploma in Nursing	3 - Feb/May/Sep
13	Certificate in Renal Nursing	2 - Apr/Sep
14	Certificate in Paediatric Nursing	2 - Apr/Sep
15	Professional Certificate in Education & Teaching for Nursing Professionals	1 - Apr
16	Advanced Diploma in Peri-operative Nursing 1+0 (in collaboration with Liverpool John Moores University, UK)	1 - Sep
17	Professional Certificate in Gerontology Nursing	1 - Jun
18	Professional Certificate in Critical Care Nursing	1 - Apr
19	Advanced Diploma in Midwifery Nursing	1 - Oct
	SCHOOL OF HEALTH SCIENCES	
20	Master of Medical Imaging (Research)	3 - Feb/Jun/Sep
21	Master of Physiotherapy (Research)	3 - Feb/Jun/Sep
22	Bachelor of Medical Imaging (Hons)	2 - May/Sep
23	Bachelor of Physiotherapy (Hons)	2 - May/Sep
24	Diploma in Medical Imaging	3 - Feb/May/Sep
25	Diploma in Physiotherapy	3 - Feb/May/Sep
	SCHOOL OF BUSINESS AND MANAGEMENT	
26	Diploma in Health Information Management	1 - May
27	Certificate in Health Information Management	1 - May
	SCHOOL OF BEHAVIOURAL SCIENCE AND HUMANITIES	
28	Foundation in Science	2 – May & Sep

Current Programmes at KPJ International College of Nursing and Health Sciences, Johor Bahru

NO	PROGRAMME	INTAKE
	SCHOOL OF NURSING	
1	Diploma in Nursing	2 - May/Sep
2	Post Basic Paediatric	1 - February
3	Post Basic Certificate in Renal Care Nursing	1 - March
4	Basic Care Course for Health Care Assistants	2 - Mar/Sep

Current Programmes at KPJ International College of Nursing and Health Sciences, Penang

NO	PROGRAMME	INTAKE
	SCHOOL OF PHARMACY	
1	Diploma in Pharmacy	2 - May/Sep
	SCHOOL OF HEALTH SCIENCES	
2	Diploma in Operating Department Practice (in collaboration with Liverpool John Moores University, UK)	1 - Sep

FUTURE PROGRAMMES

The following programmes are currently awaiting approval from the Ministry of Education and will tentatively be offered in 2014:

Future Programmes at KPJUC, Nilai

NO	PROGRAMME	TENTATIVE INTAKE
	SCHOOL OF MEDICINE	
1	Master of Radiology	1 - June
2	Master of Orthopaedics	1 - June
3	Master of Surgery	1 - June
	SCHOOL OF PHARMACY	
3	PhD in Pharmaceutical Sciences	3 - Feb/Jun/Sep
	SCHOOL OF NURSING	
4	Aged Health Carer Certificate	2 - Feb/Jun
	SCHOOL OF BEHAVIOURAL SCIENCE AND HUMANITIES	
5	BA (Hons) in Strategic Corporate Communication	1 - Sep

Future Programmes at KPJ International College of Nursing and Health Sciences, Johor Bahru

NO	PROGRAMME	INTAKE
	SCHOOL OF NURSING	**(TENTATIVE)**
1	Post Basic Certificate in Teaching Methodology	1 - May
2	Post Basic Certificate in Neonatology	1 - May
3	Post Basic Certificate in Orthopaedic	1 - May

Future Programmes at KPJ International College of Nursing and Health Sciences, Penang

NO	PROGRAMME	INTAKE
	SCHOOL OF HEALTH SCIENCES	**(TENTATIVE)**
1	Certificate in Teaching Methodology	2 - May/Sep
	SCHOOL OF NURSING	
2	Certificate in Renal Technician	2 - May/Sep
3	Certificate in Obstetric Care	2 - May/Sep

STUDENT ENROLMENT

As at end 2013, a total of 1,634 students were enrolled in various academic programmes at all three campuses:

S/N	PROGRAMME	TOTAL
	SCHOOL OF MEDICINE	
1.	Master of Otorhinolaryngology	5
	Total	**5**
	SCHOOL OF NURSING	
2.	Doctor of Philosophy in Nursing (PhD)	4
3.	Master of Nursing Science	4
4.	Bachelor of International Nursing - in collaboration with the Uni. of Hertfordshire	41
5.	Diploma in Nursing (Nilai)	474
6.	Diploma in Nursing (JB)	290
7.	Professional Certificate in Critical Care Nursing	0
8.	Certificate in Renal Care Nursing	10
9.	Certificate in Paediatric Nursing	13
10.	Professional Certificate in Nurse Education & Teaching for Nursing Professionals	12
11.	Advanced Diploma in Midwifery	11
	Total	**859**
	SCHOOL OF PHARMACY	
12.	Master of Science in Pharmaceutical Technology	5
13.	Bachelor of Pharmacy	24
14.	Bachelor of Pharmaceutical	40
15.	Diploma in Pharmacy (Nilai)	330
16.	Diploma in Pharmacy (Penang)	43
	Total	**442**
	SCHOOL OF HEALTH SCIENCES	
17.	Master of Physiotherapy	2
18.	Bachelor of Medical Imaging	17
19.	Diploma in Medical Imaging	103
20.	Diploma in Physiotherapy	123
21.	Diploma in Operating Department Practice	55
	Total	**300**

STUDENT ENROLMENT (CONT'D)

S/N	PROGRAMME	TOTAL
	SCHOOL OF BUSINESS AND MANAGEMENT	
22.	Diploma in Health Information Management	17
23.	Certificate Health Information Management	0
	Total	**17**
	SCHOOL OF BEHAVIOURAL SCIENCE AND HUMANITIES	
24.	Foundation in Sciences	11
	Total	**11**
	TOTAL STUDENTS	**1,634**

SUPPORT STAFF

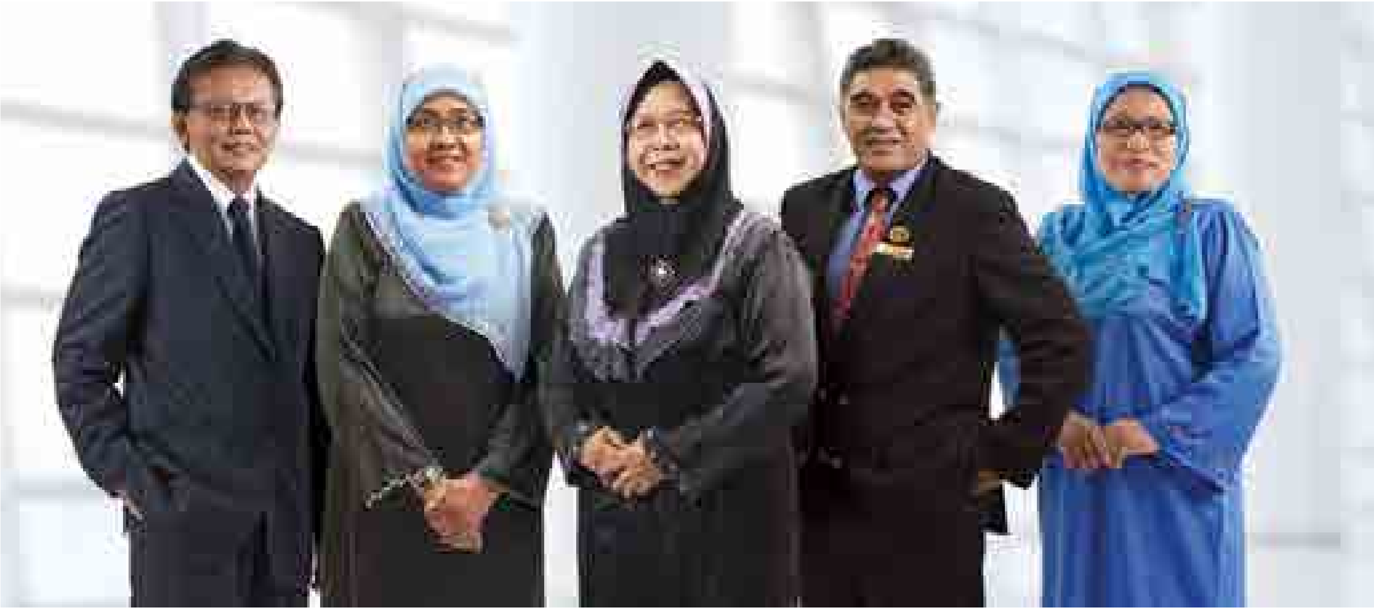
A total of 222 staff is employed to assist in the operations of the University and various colleges. The breakdown of this workforce as at end 2013 was as follows:

Year/Category	Total		Var A/B %
	2013	**2012**	
Academic Staff	134	132	1.52
Non-Academic Staff	88	82	7.32
Total	**222**	**214**	**3.73**

Faculty/Dept	No of Staff
Medicine	3
Pharmacy	21
Nursing	63
Health Sciences	22
Business & Management	3
Behavioural Science	21
Administrative	88
Total	**222**

Lecturers	Academic Qualification				
	Cert.	**Dip.**	**Deg.**	**Mast.**	**PhD**
Faculty					
Medicine	0	0	1	1	1
Pharmacy	0	2	8	6	4
Nursing	0	12	28	18	2
Health Sciences	0	2	10	10	0
Business & Management	0	0	20	2	1
Behavioural Science	0	0	12	8	0

KPJ Healthcare University College
Directors & Academic



From left to right:

1. Prof. Dato' Dr. Lokman Saim
President cum CEO
KPJ Healthcare University College

2. Jasimah Hassan
Vice President (I)
Business Operations, Education & Clinical Services
KPJ Healthcare Berhad

3. Datin Paduka Siti Sa'diah Sheikh Bakir
Director and Corporate Advisor
KPJ Healthcare Berhad

4. Ahmad Nasirruddin Harun
Senior General Manager -
Group Strategic Transformation and Project Implementation
KPJ Healthcare Berhad

5. Prof. Dr. Durrishah Idrus
Vice President
KPJ Healthcare University College

From left to right:

11. Dato' Dr. N. Sivamohan
Medical Director
KPJ Klang Specialist Hospital

12. Dr. Mohd Hafetz Ahmad
Medical Director
KPJ Johor Specialist Hospital

13. Prof. Dato' Dr. Azizi Hj Omar
Medical Director
KPJ Damansara Specialist Hospital

14. Azizah Ahmad
General Manager
Academic Johor Corporation Sdn Bhd
Johor Corporation

15. Dr. Noor Hisham Mansor
Medical Director
KPJ Rawang Specialist Hospital

From left to right:

6. Dr. Ab Razak Samsudin
Medical Director
KPJ Pasir Gudang Specialist Hospital

7. Prof. (C) Dr. Wan Hazmy Che Hon
Medical Director
KPJ Seremban Specialist Hospital

8. Dato' Dr. Shahrudin Mohd Dun
Medical Director
KPJ Selangor Specialist Hospital

9. Dr. Mohd Harris Lu
Medical Director
Sentosa Medical Centre

10. Roziah Abu Bakar
Senior General Manager
Corporate Services
KFCH International College

From left to right:

16. Khairun Ahmad
Executive Director & Chief Executive
Puteri Specialist Hospital

17. Abdul Malek Talib
Vice President (I)
Project Management and Biomedical Services
KPJ Healthcare Berhad

18. Datin Sabariah Fauziah Jamaluddin
Senior General Manager -
Group Talent Management
KPJ Healthcare Berhad

19. Mohd Johar Ismail
Senior General Manager -
Group Operations
KPJ Healthcare Berhad

Jeta Gardens Delivering Value to the Golden Boomers

KPJ's foothold in the Aged Care and Retirement segment continues to grow from strength to strength. Via our 57% equity stake in Jeta Gardens (Qld) Pty Ltd, we have a majority shareholding in the ownership and interest of Jeta Gardens - Australia's first retirement village and aged care resort based on Eastern values located on a 68-acre property in Queensland, Australia. As our gateway to the retirement world, the Australian aged care and retirement model is helping us gain better insights into the provision of retirement care to the elderly which we plan to replicate for Malaysia's Golden Boomers. As patients move into their golden years, we will be well placed to meet their geriatric health and nursing needs. In delivering value to the elderly, we are ensuring the Group's long-term sustainability.

Jeta Gardens encompasses **33** independent living retirement villas, **32** retirement apartments and a **108-bed aged care facility.**

Developments To Date and Future Plans

The Jeta Gardens development sits on 68 acres of scenic parkland in Bethania with the Logan River at its backyard. To date, it encompasses 33 independent living retirement villas, 32 retirement apartments and a 108-bed aged care facility. Currently, Jeta Gardens is fully occupied with a long list of prospective clients waiting to enter the aged care facility. To cater for this pent-up demand and increase the capacity for aged care residents, construction of a 72-bed building has begun and is scheduled for completion by the second quarter of 2015.

Jeta Gardens is well suited for residents who plan to move into the villas and apartments while they are still fairly independent, and who will then move into the aged care facility when they become less independent and need care. All this is done within the same surroundings

and with familiar people around residents, be these their carers or fellow residents. This gives residents the assurance that they can live out their latter years comfortably among people whom they know and can trust.

In line with Jeta Gardens' long-term development programme, there are plans to develop up to 400 new retirement living villas and inter-generational apartments to meet the needs of a fast growing segment of retiring and aging Australia. To maximise returns on Jeta Gardens' remaining land bank, and to create the ultimate utopia for the retirement community, several other 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 with leading Australian universities.

Also in the pipeline is a child-minding centre for children of the staff and from the community, which will provide a platform for the older and younger generations to interact. Down the line, community retail and service amenities and 30 acres of riverside parklands will be developed. Ultimately, it is envisaged that the final Jeta Gardens development will house some 2,000 people (residents and patients) and employ between 800 to 900 staff.

Demand Drivers and Demographics

We envisage that the demand for retirement villages and aged care facilities in Australia will continue to grow, given Australia's escalating aged population. Residents aged 70 to 85 years are expected to reach 6.3 million and 1.8 million respectively by 2050 (in comparison to 2.1 million and 0.4 million respectively in 2010). 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. It is expected that over the next 40 years, the number of older Australians with an Asian heritage will increase exponentially. In light of this, there will be a progression toward a higher proportion of much older and culturally diverse Australians.

As such, the demand for retirement living and aged care services from now till 2050 is expected to increase. Of equal importance, 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 factors and demographics place Jeta Gardens in a very strong market position and bode well for the Group's Aged Care and Retirement business going forward.

Ancillary Services Augmenting Our Overall Service Offering

The Group's Ancillary Services segment incorporates a wide spectrum of integrated services that complement KPJ's overall healthcare services, offering and support the operations of our network of hospitals. This multi-dimensional interplay of services is doing much to help us keep our operating costs low while at the same time helping generate alternate streams of income for the Group.

The year saw revenue on the Ancillary Services front improving by 9% to RM752.7 million in 2013 from RM689.6 million in 2012. The segment's higher revenue was due to an upsurge in activities connected to the marketing and distribution of pharmaceutical, medical and surgical products, as well as higher demand for pathology and laboratory services. All these activities grew in tandem with the increased revenue from the Group's hospitals.

Fast Growing Laboratory Services Network

Lablink (M) Sdn Bhd is wholly owned by Kumpulan Perubatan (Johor) Sdn Bhd, a subsidiary of the Group. With over two decades of experience to its name, Lablink (M) Sdn Bhd is responsible for managing 20 KPJ hospital laboratories and the laboratory at Nilai Medical Centre. With a vision to be "The Preferred Healthcare Provider" in Malaysia, Lablink is focused on delivering superior laboratory services with greater efficiency and speed.

With all the Group's laboratories today under one central authority, we are reaping the benefits of having better bulk purchasing power as well as standardised systems and processes to ensure consistency and quality control. On top of this, we are deriving cost benefits from centralising certain tests, as well as ensuring speedier results by linking all our laboratories through the Laboratory Information System (LIS) network.

Today, Lablink continues to add to its comprehensive range of tests with its offer of haematology, biochemistry, immunoassay, microbiology, molecular testing, histopathology, cytopathology, allergy and auto-immune antibody tests as well as therapeutics drugs monitoring. Lablink is also tasked with developing, installing, maintaining and marketing the LIS software.

In 2013, Lablink recorded a total of 8.0 million test requests, a 9% increment over 2012's result. The bulk of Lablink's revenue came from higher requests mostly for microbiology and general tests which increased by 28.4% and 29.1% respectively.

As Lablink sets its sights on becoming a premier laboratory offering signature tests to customers within and outside the KPJ Group, it will look to further integrate the laboratories under its management as well as strengthen its list of accreditations. Today, Lablink is ISO9001:2008 certified and is working towards adding the MS ISO 15189 laboratory accreditation standard. To strengthen its service offering, Lablink will add consultation services for all pathology disciplines to its service offering. Lablink's headquarters in Kuala Lumpur is undergoing major renovation to create a state-of-the-art medical laboratory. Once completed, this facility, Lablink Central, will serve as the reference centre for the KPJ laboratories and offer state-of-the-art technologies. This facility will include a Biosafety Level-3 Laboratory for highly infectious lab testing including tuberculosis testing.

In 2014, Lablink will extend its footprint by acquiring the laboratories at the Sri Manjung Specialist Centre, KPJ Puteri Specialist Hospital and KPJ Johor Specialist Hospital. It will also open new laboratories at the KPJ Rawang Specialist Hospital and KPJ Bandar Maharani Specialist Hospital.

Stronger Central Purchasing and Distribution Capability

The Group's hospitals continue to tap economies of scale through KPJ's central purchasing arm, Pharmaserv Alliances Sdn Bhd (PASB), a wholesaler and distributor of pharmaceuticals, medical and other hospital-related products, primarily for use by our own network of hospitals and companies. Today, PASB remains one of the largest buyers for pharmaceutical and medical disposable items after Malaysia's Ministry of Health. We are reaping the benefits of higher margins via PASB's volume purchases, while passing on these cost savings to our customers.

In 2013, PASB registered revenue of RM331.7 million, an 11.08% increment over 2012's figure. This was in tandem with the increase in the total number of hospitals within the Group's network.

PASB has officially been operating from its new premises at the Subang Hi-Tech Industrial Park in Shah Alam since the end of September 2013. This facility incorporates a spacious warehouse with modern facilities and is enabling the company to address its customers' specific needs in the areas of warehousing and distribution. At the same time, PASB is better equipped to manage consignment services within the Group's network to minimise our overall stockholdings. To facilitate more effective order processing, PASB is working on integrating the hospitals' disparate software systems.

PASB's commitment to achieving high quality standards is reflected in the ISO 9001:2008 (Quality Management System or QMS) certification. At the same time, PASB is committed to meeting the needs of customers through competitive pricing, excellent service and reliable delivery. To ensure an effective and profitable operation, PASB will move towards Good Distribution Practice for Medical Devices (GDPMD) certification by July 2014.

Going forward, PASB will continue to leverage on the common synergies, market knowledge and experience within the Group's network, as well as innovative technology and customised information systems, to fulfil customer demands amidst a highly competitive landscape.

Continuing to Pave the Way in Sterilisation Services

Quality patient care can be successfully delivered if the surgical instruments used to treat patients are well sterilised and returned to hospitals within 24 hours of their being sterilised. Today, KPJ is doing just this by successfully facilitating the provision of moist heat sterilisation services for medical instruments through the Centralised Sterilisation Service Centre (CSSC). The CSSC's success in attaining ISO 9001:2008, ISO 13485:2012 and ISO 17665-1:2006 certification is apt reflection of its commitment to ensuring high sterilisation standards throughout its operations.

By centralising all functions relating to the management, supply, collection and delivery of sterile goods to hospitals throughout the KPJ network, the CSSC in Rawang is helping KPJ's network of hospitals further improve our operational costs and efficiencies. While the CSSC currently provides services to KPJ's hospitals in the Klang Valley, this will eventually be extended to the Group's hospitals in other parts of the country as well as to other hospitals.

Nectur, quam id mo milia si velit lam nonem facit quibea ea corepta ectoe pedio occaest optat pore derumque quiant mi, conem ut in pos inimus etur, quiat harumendicit dolest, qui sitem as ea sequame sa volores trupta alitia nobis suntemporae vellab il molperferis sum delesti dollo vendunt isquati bus

Today, SSSB is working towards realising its vision of making the CSSC the leader in Malaysia's independent sterilisation and decontamination services sub-sector. At the same time, the medical industry in Malaysia is set to benefit as all hospitals will eventually be able to utilise the CSSC's cutting edge sterilisation technology.

Strengthening our Eye Care Capability

To enhance our specialist services offering and strengthen our foothold in the area of refractive eye surgery, KPJ has acquired the entire equity stake in KPJ EyeCare Specialist Sdn Bhd (formerly known as Sri Kota Refractive and Eye Centre Sdn Bhd). Today, we run an eye centre in Petaling Jaya called Pusat Pakar Mata Centre For Sight (CFS) and have CFS branches in Rawang and at the new Tawakkal Health Centre (THC) in Kuala Lumpur. The latter branch encompasses a 5,000 sq. ft. space with about RM7.0 million invested in cutting-edge eye care technology.

Through its various branches, CFS offers outpatient and day-care facilities for about 21,000 patients and performs over 1,900 procedures annually. Apart from providing standard medical and surgical eye care, CFS ophthalmologists also offer expertise in sub-specialties relating to cornea surgery, vitreo-retinal surgery, glaucoma, cataract, refractive surgery/lasik, oculoplastic surgery and paediatric ophthalmology.

CFS' operating theatres are equipped with state-of-the-art equipment which enable surgeons to perform the necessary surgical procedures in a safer and more controlled manner with better outcomes. This equipment includes the latest femtosecond laser vision correction technology, ReLEx® Smile, a bladeless, flapless and painless procedure performed using the Visumax machine, from Carl Zeiss, Germany. The invasive vision correction can be achieved in 15 minutes.

In 2013, CFS undertook 1,925 surgery cases, the majority of which were phaco monofocal and yag capsulotomy procedures. The centre also rolled out 20 external and 5 internal screenings over the course of 2013. Some of these screenings, carried out in conjunction with World Glaucoma Day 2013 and World Sight Day 2013, met with excellent public response.

Fast Expanding Hospital Project Management Capability

KPJ holds a 30% interest in Healthcare Technical Services Sdn Bhd (HTS) which plays the role of the project manager and hospital planning consultant for the Group's hospital projects. HTS' expertise covers Project Management, Hospital Planning, Construction Management, Green Building Facilitation, Contract Management, Facilities Engineering Management and Energy Management services. It is also involved in areas such as building/facilities audits, health and safety audits, and MSQH hospital accreditation audit services.

Today, HTS is managing new hospital development and expansion projects worth some RM1.0 billion. These comprise new hospital projects amounting to RM0.47 million as well as expansion and renovation works totalling RM0.57 million. In addition, HTS has been appointed as the maintenance manager for 22 of the hospitals under the Al-'Aqar Healthcare REIT and is the energy manager for 6 of KPJ's hospitals and a commercial centre.

Good Progress by Intrapreneur Companies

KPJ's Intrapreneur concept advocating "Shared Growth and Shared Prosperity" was introduced to help develop the entrepreneurial talent among our staff members. It continues to play a key part in spawning 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 admirably.

Teraju Farma

Teraju Farma Sdn Bhd's (TFSB) main business activities involve wholesaling and Bumiputera tendering for pharmaceuticals, as well as medical and healthcare related products and services for the Government sector. TFSB is also involved in warehousing and distribution facilities as well as new and expansion projects at government hospitals.

TFSB currently caters for majority of health institutions nationwide, in particular government hospitals, military and university hospitals. In the year in review, TFSB registered a total turnover of RM56.5 million, some 13.8% higher than 2012's turnover. By tapping the latest technology and relationships with major healthcare enterprises, TFSB continues build up its capabilities and provide excellent and high quality services to its customers.

Fabricare Laundry

Fabricare Laundry Sdn Bhd is involved in providing laundry services and linen rental in the state of Johor. Its internal customers are KPJ'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 is looking after the laundry and linen needs of the KPJ Johor Specialist Hospital and KPJ Puteri Specialist Hospital as well as the newly opened KPJ Pasir Gudang Specialist Hospital and KPJ Bandar Maharani Specialist Hospital in Muar.

Healthcare IT Solution

Healthcare IT Solution Sdn Bhd (HITSSB) is tasked with implementing and managing the healthcare IT system throughout KPJ's hospital network. The company has grown from strength to strength and is today a key player in healthcare IT solutions for the healthcare sector.

HITSSB continues to actively implement and enhance hardware and software solutions within KPJ's hospitals to strengthen the efficiency of the hospital information system. In 2013, the company was involved in incorporating new electronic clinical documentation and audit trail components into the Healthcare Information System (HITS). These enhancements are helping mitigate the risk of incorrect information while ensuring highly confidential patient data is kept secure.

HITSSB also began migrating the clinical information system to the enterprise-wide KPJ Cloud System by hosting a KPJ data centre serving all hospitals via the Internet.

Having provided accounting systems to the healthcare industry for over 15 years, HITSSB recently reinvented itself and moved from a client-based system to a web-based system.

This move will ensure the company keeps up with the times and is able to expand its development process. All in all, HITSSB"s efforts to strengthen the Group's centralised IT infrastructure and hardware is helping KPJ to optimise the cost of its technology investment as well as ensuring continuous improvements are made to clinical systems to ensure patient safety and care.

HITSSB also continues to offer healthcare IT services to external customers, locally and abroad. Today, it is beginning to expand its product chain by providing integrated multimedia systems which include videos, video walls, kiosks, queue management system and many other elements. The positive growth of the company in 2013 reflects HITSSB team's success in fending off stiff competition in this segment

Skop Yakin

Skop Yakin (M) Sdn Bhd was set up to leverage on bulk purchases relating to printing and stationery supplies so as to bring the Group's overall costs down. While Skop Yakin continues to face stiff competition from seasoned industry players in the East Coast (i.e. Kelantan and Terengganu), it is exploring opportunities in the Klang Valley to tap a ready market within KPJ's hospitals in the area.

Small Business Units Advancing Forward

In support of the Group's Intrapreneur programme, KPJ has identified several small business units (SBUs) or incubator companies which have good growth potential. Operating under the wing of the Group, these SBUs are focusing their efforts on laying strong foundations. Upon proving their business viability, they will be moved up into the Intrapreneur programme. The SBUs participating in the supply of perishables, ambulance services and event management services have showed significant progress to date and are expected to maintain their good momentum going forward.

Wellness and Lifestyle Programme Exceeds Expectations

The KPJ Wellness and Lifestyle Programme was created six years ago as a business opportunity to strengthen the revenues of all the Wellness Centres under the Group. By playing up the importance and the positive benefits derived from leading a healthy lifestyle, the programme has garnered very good response from its target audience of individuals, couples and family members.

This business experienced a healthy increment in sales and net profit margin for 2013. As at 31 December 2013, there were over 15,000 active subscribers to the programme with total sales amounting to almost RM138 million.

Currently, 10 KPJ hospitals are participating in the KPJ Wellness and Lifestyle 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)
- KPJ 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)
- Kuching Specialist Hospital (since May 2012)

Going forward, we expect the programme to attract participation from other KPJ hospitals while it will also gear up to tap the burgeoning medical tourism market.

Highlights in Pictures
Hospital Activities

KPJ Johor Specialist Hospital

28 September 2013
Larian Hari Jantung Sedunia

30 November 2013
World Diabetes Day

17 December 2013
Consultants' Charity Fund

KPJ Ipoh Specialist Hospital

6 July 2013
Laparoscopic Gynaecology Surgery Workshop

19 – 24 August 2013
World Breast Feeding Week

23 December 2013
Health Talk at Rumah Anak Yatim Jasa with Prudential

KPJ Ampang Puteri Specialist Hospital

29 April 2013
I LOVE MYSELF – Teenage Reproductive Health Programme

15 June 2013
World No Tobacco Day

25 June 2013
First "Real" Endoscopic Spine Surgery

KPJ Puteri Specialist Hospital

6 April 2013
Walking Parade 2013

11 May 2013
Healthy Lifestyle Campaign

23 June 2013
'Mesra Rakyat' Medical Camp

KPJ Perdana Specialist Hospital

1 January 2013
Blood Donation Campaign

13 April 2013
Anti Dengue Campaign collaboration with KWSN and Kota Bharu Municipal Council

KPJ Selangor Specialist Hospital

20 January 2013
Diabetes Awareness Campaign

10 March 2013
Orphanage Luncheon

KPJ Damansara Specialist Hospital

2 Feb 2013
CSR Programme - Visit to Rumah Pertubuhan Kanak-kanak Insan Istimewa Cemerlang

16 July 2013
Official Launch of Klinik Waqaf An-Nur Sungai Buloh

Kota Kinabalu Specialist Hospital

22 April 2013
CSR Programme with Pusat Anak Permata Negara (PAPN)

12 May 2013
Kinabalu Pink Ribbon in support of Breast Cancer Awareness

23 November 2013
World Children's Day

KPJ Klang Specialist Hospital

17 March 2013
KEC 10km Unity Run

23 March 2013
World Glaucoma Week

KPJ Tawakkal Specialist Hospital

20 April 2013
Tree Planting Programme

Taiping Medical Centre

30 April 2013
World Health Day 2013 Celebration & Blood Donation Campaign

12 May 2013
Gotong-Royong and Health Check Up at Rumah Anak-Anak Yatim & Miskin Nurul Iman Kamunting

10 October 2013
First Aider Stand By at Sekolah Pendidikan Khas, Taiping

Kedah Medical Centre

13 May 2013
Nurses Day 2013

19 May 2013
CSR Programme - Visit to Rumah Anak Yatim PERKIM Darul Aitam

31 May 2013
World NO Tobacco Day

Kuching Specialist Hospital

29 June 2013
Community Event for Mambong Residents

29 June 2013
Health Seminar

Kluang Utama Specialist Hospital

5 May 2013
CSR Programme with Pusat Anak PERMATA Negara

24 November 2013
Medical Camp in Muar

KPJ Kuantan Specialist Hospital

2 August 2013
World Breast Feeding Week

Sentosa Medical Centre

18 May 2013
CSR Programme - Visit to Kim Loo Ting Hong Ying Old Folks Home

Corporate Developments and Announcements

17 April 2013

KPJ entered into SPA with the shareholders of Rawang Specialist Hospital Sdn Bhd for the acquisition of 100% equity interest for a total cash consideration of RM50,630,164.00.

20 May 2013

KPJ Pasir Gudang Specialist Hospital was open for business with current capacity of 25 beds comprised of VIP suites, single, twin sharing & 4-bedded rooms. It is KPJ's 22nd hospital to operate in Malaysia.

23 May 2013

KPJ completed the acquisition of its 23rd hospital, Sri Manjung Specialist Centre. The hospital is 100% owned by KPJ.

11 June 2013

Resignation of Datuk Dr. Hussein Awang as Independent & Non-Executive Director.

18 July 2013

Appointment of Tan Sri Dato' Dr. Yahya Awang as Independent & Non-Executive Director.

26 Jul 2013

The Penawar Case

A Johor Bahru High Court Writ Summons was filed by Dr. Mohd Adnan Bin Sulaiman and Azizan Bin Sulaiman("plaintiffs") against KPJ ("defendant") wherein the Plaintiffs alleged that the Defendant had breached the Joint Venture Agreement Incorporating Shareholders' Agreement dated 30.5.1995.

KPJ announced that the Johor Bahru High Court allowed the Plaintiffs claim against the Defendant and awarded the sum of RM 70.486 million as damages and costs for the sum of RM 150,000.00.

KPJ instructed its solicitors, to file an Appeal at the Court of Appeal against the judgement.

29 Jul 2013

On behalf of the Board of Directors of KPJ, RHB Investment Bank Berhad announced the following:-

(i) Proposed bonus issue of up to 329,766,497 new ordinary shares of RM0.50 each in KPJ on the basis of 1 Bonus Share for every 2 existing KPJ Shares held

(ii) Proposed renounceable rights issue of up to 43,968,866 KPJ Shares on the basis of 1 Rights Share for every 15 existing KPJ Shares together with up to 87,937,732 free detachable new warrants 2013/2018 on the basis of 2 New Warrants for every 1 Rights Share subscribed

(iii) Proposed exemption under Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers 2010 to Johor Corporation and the parties acting in concert with it from the obligation to extend a mandatory take-over offer for the remaining KPJ Shares, Warrants 2010/2015 and New Warrants not already held by them pursuant to the Proposed Rights Issue

(iv) Proposed increase in the authorised share capital of KPJ from RM500,000,000 comprising 1,000,000,000 KPJ Shares to RM750,000,000 comprising 1,500,000,000 KPJ Shares, and

(v) Proposed amendments to the Memorandum and Articles of Association of KPJ

13 August 2013

Abd Razak Haron, Non-Independent & Non-Executive Director passed away.

27 September 2013

KPJ signed a Joint Venture Agreement with UTM Holdings Sdn Bhd for the purpose of designing, developing, building, completing and owning, and subsequently operating a private hospital on a portion of the leasehold land held under HSD 46692, Lot No, PTD No 95180, Mukim Kulaijaya, Johor.

30 Sept 2013

The Penawar Case

The Court of Appeal today granted a Stay of Execution of the judgment of the Johor Bahru High Court Suit No: 23NCVC-74-05/2012 dated 26 July 2013.

The appeal of the decision is now fixed for hearing on 12 December 2013.

17 October 2013

KPJ exercised its option to purchase Menara 238 and entered into a conditional sale and purchase agreement with Danaharta Hartanah Sdn Bhd(DHSB) on 16 October 2013.

KPJ and DHSB had entered into a tenancy agreement on 11 September 2012 whereby DHSB had granted upon KPJ the option to purchase Menara 238.

6 November 2013

KPJ entered into a conditional Share Sale Agreement with Usaha Cendera Sdn Bhd for the acquisition of 2 ordinary shares of RM1.00 each in BDC Specialist Hospital Sdn Bhd (BDCSHSB) which is equivalent to 100% of the equity for a total cash consideration of RM16,516,144.00.

BDCSHSB is the owner of a leasehold land described as Lot 18807 Block 11 Muara Tebas Land District located at Stampin, Kuching, Sarawak measuring approximately 1.918 hectares. Henry Butcher in their valuation report dated 11 December 2012 has valued the Land based on the market value of RM16,590,000.00.

19 November 2013

KPJ entered into a Deed of Agreement ("Agreement") with Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Trust to lease a 250-bed hospital building known as "Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital" located approximately 50 kilometres from Dhaka, Bangladesh. The Hospital Building was built by the Trust at a cost of Tk2.15 billion (equivalent to RM87.5 million).

KPJ will be the Licensed Operator of the Hospital with the proposal to lease the Hospital Building to run and operate the Hospital for an initial period of 10 years which is extendable for another 5 years.

KPJ intends to bring world class healthcare facility to Dhaka's doorstep by providing a comprehensive, multi-disciplined and focused hospital with Centres of Excellences in the following major disciplines such as Cardiac Services, Orthopaedic, Geriatrics, Obstetrics & Gynaecology (O&G), and Paediatric services.

12 December 2013

The Penawar Case

The Honourable Judges of the Court of Appeal unanimously allowed the appeal by KPJSB against the decision of the Johor Bahru High Court in Suit No: 23NCVC-74-05/2012 dated 26.7.2013 with costs of RM200,000.00. The decision of the Johor Bahru High Court was also set aside.

The Court of Appeal further gave Consequential Order that the monies in the sum of RM70.486 million together with the accrued interest in the Maybank Fixed Deposit account held in the joint names of the solicitors for the Respondents and the solicitors for KPJSB, "Adam Abdullah & Mani and Bodipalar Ponnudurai De Silva" be released to KPJSB.

26 December 2013

On behalf of the Board of Directors of KPJ, RHB Investment Bank Berhad announced the Abridged Prospectus of the proposed renounceable rights issue of up to 43,968,866 KPJ Shares on the basis of 1 Rights Share for every 15 existing KPJ Shares together with up to 87,937,732 free detachable new warrants 2013/2018 on the basis of 2 New Warrants for every 1 Rights Share subscribed.

27 December 2013

327,279,946 Bonus Shares and 2,451,551 additional warrants 2010/2015 consequential to the Bonus Issue on the basis of 1 bonus share for every 2 existing KPJ shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on Friday, 27 December 2013, marking the completion of the Bonus Issue.

31 December 2013

Appointment of Zulkifli Ibrahim and Aminudin Dawam as Non-Independent & Non-Executive Director.

Resignation of Hj Rozan Bin Mohd Sa'at as Non-Independent & Non-Executive due to internal restructuring in Johor Corporation Group.

31 December 2013

KPJ Sabah Specialist Hospital started its operation in Kota Kinabalu with current capacity of 48 beds, marked as KPJ's 24th hospital to operate in Malaysia.

FINANCIAL STATEMENTS

159	Directors' Report
164	Statement by Directors
164	Statutory Declaration
165	Independent Auditors' Report
167	Statements of Comprehensive Income
168	Statements of Financial Position
170	Consolidated Statement of Changes in Equity
172	Company Statement of Changes in Equity
173	Statements of Cash Flows
175	Notes to the Financial Statements
257	Supplementary Information

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 2013.

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 disclosed in Note 16 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

Results

	Group RM'000	Company RM'000
Profit net of tax	110,365	69,024
Profit attributable to:		
Owners of the Company	103,114	69,024
Non-controlling interests	7,251	-
	110,365	**69,024**

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 2012 were as follows:

	RM'000
In respect of the financial year ended 31 December 2012:	
Fourth interim single tier dividend of 4.0 sen per share on 650,349,886 ordinary shares, declared on 4 March 2013 and paid on 18 April 2013	26,014
In respect of the financial year ended 31 December 2013:	
First interim single tier dividend of 2.0 sen per share on 653,020,611 ordinary shares, declared on 22 May 2013 and paid on 19 July 2013	13,060
Second interim single tier dividend of 2.0 sen per share on 654,207,861 ordinary shares, declared on 30 August 2013 and paid on 18 October 2013	13,084
Third interim single tier dividend of 2.0 sen per share on 654,559,892 ordinary shares, declared on 3 December 2013 and paid on 10 January 2014	13,091
	65,249

The directors do not propose any final dividend for the financial year ended 31 December 2013.

Issue of shares

During the financial year, the Company increased its issued and paid-up share capital from RM323,091,000 to RM490,955,000 as follows:

(a) RM4,224,000 through the issuance of 8,448,000 ordinary shares of RM0.50 each by way of the conversion of warrants at an exercise price of RM1.70 per share.

(b) RM163,640,000 through the issuance of 327,280,000 bonus shares of RM0.50 each.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

Further details on change in the share capital during and subsequent to the financial year and up to the date of this report are set out in Note 30 to the financial statements.

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 bin Abu Kassim	(Chairman)
Amiruddin bin Abdul Satar	(Managing Director)
Datin Paduka Siti Sa'diah Sh Bakir	
Datuk Azzat bin Kamaludin	
Zainah binti Mustafa	
Hj Ahamad bin Mohamad	
Dr Kok Chin Leong	
Dr Yoong Fook Ngian	
Tan Sri Dato' Dr Yahya bin Awang	(Appointed on 18 July 2013)
Zulkifli bin Ibrahim	(Appointed on 1 January 2014)
Aminudin bin Dawam	(Appointed on 1 January 2014)
Datuk Dr Hussein bin Awang	(Resigned on 11 Jun 2013)
Hj Rozan bin Mohd Sa'at	(Resigned on 1 January 2014)
Abd Razak bin Haron	(Deceased on 13 August 2013)

In accordance with Article 96 of the Company's Articles of Association, Amiruddin bin Abdul Satar and Datuk Azzat bin Kamaludin, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 97 of the Company's Articles of Association, Tan Sri Dato' Dr Yahya bin Awang, Zulkifli bin Ibrahim and Aminudin bin Dawam, 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, Dr Yoong Fook Ngian, who is above the age of seventy (70) retires at the forthcoming Annual General Meeting and a resolution will be proposed for re-appointment as director 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.

Directors' benefits (continued)

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			
	1.1.2013	Acquired	Sold	31.12.2013
KPJ Healthcare Berhad				
Datin Paduka Siti Sa'diah Sh Bakir				
- Direct	308,250	784,125	-	1,092,375
- CimSec Noms (T) Sdn Bhd (A/C CIMB Bank for Siti Sa'diah Sh Bakir)	420,000	-	(420,000)	-
- Indirect (Amy Nadzlina binti Mohamed)	12,500	6,250	-	18,750
Amiruddin bin Abdul Satar	7,000	2,000	(3,000)	6,000
Datuk Azzat bin Kamaludin	60,000	30,000	-	90,000
Hj Ahamad bin Mohamad	750	375	-	1,125
Dr Kok Chin Leong	138,000	100,500	-	238,500
Dr Yoong Fook Ngian	280,000	140,000	-	420,000
Hj Rozan bin Mohd Sa'at	500	250	-	750
Kulim (M) Berhad				
Datin Paduka Siti Sa'diah Sh Bakir	278,000	-	-	278,000
Hj Ahamad bin Mohamad	963,400	-	-	963,400
Dr Kok Chin Leong	40,000	-	-	40,000
Dr Yoong Fook Ngian	20,000	-	-	20,000
Hj Rozan bin Mohd Sa'at	8,800	-	-	8,800

Directors' interests (continued)

	Number of ordinary shares of RM0.50 each			
	1.1.2013	Acquired	Sold	31.12.2013
Damansara Realty Berhad				
Datin Paduka Siti Sa'diah Sh Bakir	320	-	-	320
Hj Ahamad bin Mohamad	9,600	-	-	9,600
Hj Rozan bin Mohd Sa'at	20,000	-	-	20,000

	Number of warrants of 2010/2015			
	1.1.2013	Granted	Exercised	31.12.2013
KPJ Healthcare Berhad				
Hj Ahamad bin Mohamad	87	-	(87)	-
Hj Rozan bin Mohd Sa'at	125	62	-	187

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.

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 allowance for impairment of receivables and satisfied themselves that all known bad debts had been written off and that adequate allowance 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 allowance for impairment of receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and 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.

Other statutory information (continued)

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or 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 or 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 or 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 or 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 13 March 2014.

DATO' KAMARUZZAMAN BIN ABU KASSIM

AMIRUDDIN BIN ABDUL SATAR

Kuala Lumpur, Malaysia

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Kamaruzzaman bin Abu Kassim and Amiruddin bin 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 167 to 256 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 2013 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 42 to the financial statements on page 256 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 13 March 2014.

DATO' KAMARUZZAMAN BIN ABU KASSIM
CHAIRMAN

AMIRUDDIN BIN ABDUL SATAR
PRESIDENT/MANAGING DIRECTOR

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Mohd Sahir bin 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 167 to 256 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 bin Rahmat at
Kuala Lumpur in Federal Territory on 13 March 2014

MOHD SAHIR BIN RAHMAT
VICE PRESIDENT (I)
CORPORATE & FINANCIAL SERVICES

Before me,

COMMISSIONER FOR OATHS
No. W 420
FARIDAH BINTI
ABDUL MAJID
MALAYSIA

Independent Auditors' Report
to the members of KPJ Healthcare Berhad
(Incorporated in Malaysia)

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 2013 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 167 to 256.

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 controls 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 controls. 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 2013 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.

Report on other legal and regulatory requirements (continued)

(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.

Other reporting responsibilities

The supplementary information set out in Note 42 of the financial statements on page 256 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

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
No.1664/10/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
13 March 2014

Statements of Comprehensive Income

For the financial year ended 31 December 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	4	2,331,648	2,096,097	144,846	141,195
Cost of sales		(1,634,209)	(1,439,663)	-	-
Gross profit		697,439	656,434	144,846	141,195
Administrative expenses		(578,355)	(512,894)	(55,563)	(38,054)
Other income		26,232	32,062	-	-
Other operating expenses		(4,422)	(5,036)	-	-
Operating profit		140,894	170,566	89,283	103,141
Finance income	5	10,570	12,535	-	-
Finance costs	5	(38,765)	(23,603)	(19,653)	(13,970)
Finance costs - net		(28,195)	(11,068)	(19,653)	(13,970)
Share of results of associates		46,858	37,397	-	-
Profit before zakat and tax	6	159,557	196,895	69,630	89,171
Zakat	9	(1,825)	(1,320)	(20)	(15)
Income tax (expense)/credit	10	(47,367)	(48,781)	(586)	202
Profit net of tax		**110,365**	**146,794**	**69,024**	**89,358**
Other comprehensive income:					
Translation of foreign subsidiaries		2,997	1,930	-	-
Revaluation surplus		-	8,916	-	-
Other comprehensive income for the year, net of tax		**2,997**	**10,846**	**-**	**-**
Total comprehensive income for the year		**113,362**	**157,640**	**69,024**	**89,358**
Profit attributable to:					
Owners of the Company		103,114	140,046	69,024	89,358
Non-controlling interests		7,251	6,748	-	-
		110,365	**146,794**	**69,024**	**89,358**
Total comprehensive income attributable to:					
Owners of the Company		106,424	146,216	69,024	89,358
Non-controlling interests		6,938	11,424	-	-
		113,362	**157,640**	**69,024**	**89,358**
Earnings per share attributable to ordinary equity holders of the Company:					
- Basic (sen)	12(a)	10.50	14.39		
- Diluted (sen)	12(b)	9.50	13.28		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	1,206,019	909,355	-	-
Other assets	14	22,031	15,680	-	-
Investment properties	15	62,746	53,118	-	-
Investments in subsidiaries	16	-	-	947,920	877,529
Investments in associates	17	475,536	479,243	-	-
Available-for-sale financial assets	18	554	3,074	-	-
Intangible assets	19	235,957	176,614	-	-
Deferred tax assets	21	25,678	15,601	-	-
		2,028,521	**1,652,685**	**947,920**	**877,529**
Current assets					
Inventories	22	52,837	57,552	-	-
Receivables	23	427,102	325,027	100,829	111,622
Tax recoverable		18,169	11,041	5,288	3,249
Deposits, cash and bank balances	24	312,965	201,460	8,955	1,931
		811,073	**595,080**	**115,072**	**116,802**
Non-current assets held for sale	25	2,013	2,013	-	-
		813,086	**597,093**	**115,072**	**116,802**
Total assets		**2,841,607**	**2,249,778**	**1,062,992**	**994,331**
Equity and liabilities					
Current liabilities					
Payables	26	489,963	409,161	85,964	187,036
Income tax payables		11,951	13,422	-	-
Borrowings					
- Bank overdrafts	27	8,140	1,046	-	-
- Others	27	350,482	205,581	275,000	120,000
Deferred revenue	28	62,177	61,133	-	-
Dividend payable		13,091	16,154	13,091	16,154
		935,804	**706,497**	**374,055**	**323,190**
Net current liabilities		**(122,718)**	**(109,404)**	**(258,983)**	**(206,388)**

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Non-current liabilities					
Deferred tax liabilities	21	47,153	43,857	-	-
Borrowings	27	668,870	385,469	-	-
Payables	26	-	-	174,282	174,282
Deposits	29	17,253	15,524	-	-
		733,276	**444,850**	**174,282**	**174,282**
Total liabilities		**1,669,080**	**1,151,347**	**548,337**	**497,472**
Net assets		**1,172,527**	**1,098,431**	**514,655**	**496,859**
Equity attributable to equity holders of the Company					
Share capital	30	490,955	323,091	490,955	323,091
Reserves	31	596,955	707,835	24,064	173,791
		1,087,910	1,030,926	515,019	496,882
Less: Treasury shares	30(a)	(364)	(23)	(364)	(23)
Non-controlling interests		84,981	67,528	-	-
Total equity		**1,172,527**	**1,098,431**	**514,655**	**496,859**
Total equity and liabilities		**2,841,607**	**2,249,778**	**1,062,992**	**994,331**

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 2013

	Attributable to owners of the Company									
	Non-distributable						Distributable			
	Share capital RM'000 (Note 30)	Share premium RM'000 (Note 31(a))	Treasury shares RM'000 (Note 30(a))	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))	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2013	323,091	142,266	(23)	(3,367)	(25)	50,415	518,546	1,030,903	67,528	1,098,431
Comprehensive income										
Profit net of tax	-	-	-	-	-	-	103,114	103,114	7,251	110,365
Other comprehensive income										
Translation of foreign subsidiaries	-	-	-	-	3,310	-	-	3,310	(313)	2,997
Total other comprehensive income	**-**	**-**	**-**	**-**	**3,310**	**-**	**-**	**3,310**	**(313)**	**2,997**
Total comprehensive income	**-**	**-**	**-**	**-**	**3,310**	**-**	**103,114**	**106,424**	**6,938**	**113,362**
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	10,262	10,262
Transaction with non-controlling interests	-	-	-	-	-	-	1,447	1,447	253	1,700
Issue of shares:										
- exercise of share warrants	4,224	10,138	-	-	-	-	-	14,362	-	14,362
Purchase of treasury shares	-	-	(341)	-	-	-	-	(341)	-	(341)
Bonus issue	163,640	(152,404)	-	-	-	-	(11,236)	-	-	-
Dividends on ordinary shares	-	-	-	-	-	-	(65,249)	(65,249)	-	(65,249)
At 31 December 2013	**490,955**	**-**	**(364)**	**(3,367)**	**3,285**	**50,415**	**546,622**	**1,087,546**	**84,981**	**1,172,527**

	Attributable to owners of the Company									
	Non-distributable						Distributable			
	Share capital RM'000 (Note 30)	Share premium RM'000 (Note 31(a))	Treasury shares RM'000 (Note 30(a))	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))	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012	292,492	68,830	(23)	(3,367)	(995)	45,215	485,780	887,932	103,898	991,830
Comprehensive income										
Profit net of tax	-	-	-	-	-	-	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**	**142,266**	**(23)**	**(3,367)**	**(25)**	**50,415**	**518,546**	**1,030,903**	**67,528**	**1,098,431**

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 2013

	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 2013	323,091	142,266	(23)	31,525	496,859
Profit net of tax, representing total comprehensive income for the year	-	-	-	69,024	69,024
Dividends on ordinary shares	-	-	-	(65,249)	(65,249)
Issue of shares:					
- exercise of share warrants	4,224	10,138	-	-	14,362
Purchase of treasury shares	-	-	(341)	-	(341)
Bonus issue	163,640	(152,404)	-	(11,236)	-
At 31 December 2013	**490,955**	**-**	**(364)**	**24,064**	**514,655**
At 1 January 2012	292,492	68,830	(23)	18,722	380,021
Profit net of tax, 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**

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 2013

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Operating activities				
Profit before zakat and tax	159,557	196,895	69,630	89,171
Adjustments for:				
Share of results of associates	(46,858)	(37,397)	-	-
Finance income	(10,570)	(12,535)	-	-
Finance costs				
- Interest expenses	38,765	23,603	19,653	13,970
- Accretion of interest	-	301	-	-
Dividend income	-	-	(105,322)	(106,039)
Impairment of trade receivables	8,238	5,536	-	-
Reversal of impairment loss of trade receivables	(1,754)	(124)	-	-
Gain on disposal of non-current assets held for sale	-	(149)	-	-
Gain on fair value on investment properties	(646)	(1,198)	-	-
Gain on disposal of shares in an associate	(1,306)	(11,380)	-	-
Loss on disposal of property, plant and equipment	104	808	-	-
Property, plant and equipment				
- Depreciation	93,061	77,896	-	-
- Written off	519	1,372	-	-
Inventories written off	157	33	-	-
Available-for-sale financial assets written off	2,520	-	-	-
Amortisation of intangible assets	1,049	650	-	-
Amortisation of deferred consultancy expenses	(309)	(250)	-	-
Operating profit/(loss) before working capital changes	**242,527**	**244,061**	**(16,039)**	**(2,898)**
Changes in working capital:				
Inventories	5,061	(10,258)	-	-
Receivables	(101,172)	(29,012)	294	212
Payables	58,350	63,800	1,375	263
Deferred revenue	1,044	-	-	-
Related companies	-	-	(162,338)	(169,283)
Cash flows generated from/(used in) operations	**205,810**	**268,591**	**(176,708)**	**(171,706)**
Interest received	10,570	12,535	-	-
Interest paid	-	-	(19,653)	(13,970)
Zakat paid	(1,825)	(1,300)	(20)	(15)
Income taxes refund	10,170	869	-	-
Income taxes paid	(70,642)	(56,083)	(943)	(1,662)
Net cash generated from/(used in) operating activities	**154,083**	**224,612**	**(197,324)**	**(187,353)**

Statements of Cash Flows

For the financial year ended 31 December 2013
(continued)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Investing activities				
Purchase of property, plant and equipment	(301,428)	(370,835)	-	-
Purchase of intangible assets	(15,574)	-	-	-
Purchase of investment properties	(8,982)	(25,697)	-	-
Purchase of other assets	(6,351)	-	-	-
Proceeds from disposal of property, plant and equipment	1,511	2,693	-	-
Proceeds from disposal of non-current assets held for sale	-	40,808	-	-
Acquisition of subsidiaries, net of cash acquired	(70,809)	(78,519)	-	-
Acquisition of shares in associates	-	(55,487)	-	-
Proceeds from disposal of shares in an associate	16,382	60,169	-	-
Dividends received	32,913	19,072	103,639	104,245
Net cash (used in)/generated from investing activities	**(352,338)**	**(407,796)**	**103,639**	**104,245**
Financing activities				
Issue of shares:				
- Exercise of share warrants	14,362	104,035	14,362	104,035
Purchase of treasury shares	(341)	-	(341)	-
Bank borrowings:				
- Drawdown	535,904	183,653	155,000	55,000
- Repayment	(145,561)	(56,575)	-	-
Interest paid	(38,765)	(23,603)	-	-
Dividends paid to shareholders	(68,312)	(75,024)	(68,312)	(76,555)
Net cash generated from financing activities	**297,287**	**132,486**	**100,709**	**82,480**
Net changes in cash and cash equivalents	99,032	(50,698)	7,024	(628)
Currency translation differences	5,379	173	-	-
Cash and cash equivalents at beginning of the financial year	200,414	250,939	1,931	2,559
Cash and cash equivalents at end of the financial year*	**304,825**	**200,414**	**8,955**	**1,931**

*** Cash and cash equivalents comprise the followings:**

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balances (Note 24)	312,965	201,460	8,955	1,931
Bank overdrafts (Note 27)	(8,140)	(1,046)	-	-
	304,825	**200,414**	**8,955**	**1,931**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2013

1. Corporate information

KPJ Healthcare Berhad ("the Company"), 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 Directors regard Johor Corporation, a body corporate established under the Johor Corporation Enactment (No. 4 of 1968) (as amended by Enactment No. 5 of 1995), as the ultimate holding corporation.

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are mainly the operation of specialist hospitals. The details of the principal activities of the subsidiaries are disclosed in Note 16. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 13 March 2014.

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 ("MFRS"), 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 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	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 (IAS 19 as amended by IASB in June 2011)	1 January 2013

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

Description	Effective for annual periods beginning on or after
MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	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
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and of the Company except as discussed below:

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements (MFRS 127) 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 investment 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. This new control model differs from how previously companies were assessed to be a subsidiary. Under MFRS 127, 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 that owns less than 50 per cent of the voting shares in an investee has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders. The application of MFRS 10 has no impact on the Group's financial position or performance.

MFRS 11 Joint Arrangements

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non-monetary Contributions by Venturers.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 11 Joint Arrangements (continued)

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method. The application of MFRS 11 has no impact on the Group's financial position or performance.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, 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.

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. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (such as net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (such as revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, joint controlled entities and associates in separate financial statements. This standard affects disclosures only and has no impact on the Group's financial position or performance.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 128 Investments in Associates and Joint Ventures

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates. This standard affects disclosures only and has no impact on the Group's financial position or performance.

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 Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
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
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

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:

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2. Summary of significant accounting policies (continued)

2.5 Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit and loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Business combinations involving entities under common control are accounted for by applying the merger method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the 'acquired' entity is reflected within equity as merger reserve/deficit. The profit or loss reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented if the entities had always been combined since the date the entities had come under common control.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss. The accounting policy for goodwill is disclosed in Note 2.9(a).

2. Summary of significant accounting policies (continued)

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 directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(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.

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. Summary of significant accounting policies (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

(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.

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.

2. Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

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 if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the profit or loss.

2.12 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

Subsidiaries are consolidated using the acquisition method of accounting except for Johor Specialist Hospital Sdn Bhd and Ipoh Specialist Hospital Sdn Bhd which were consolidated using the merger method of accounting as disclosed in Note 2.5.

2.13 Investments in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2. Summary of significant accounting policies (continued)

2.13 Investments in associates (continued)

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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.

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for 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.

2. Summary of significant accounting policies (continued)

2.14 Financial assets (continued)

(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.

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. Summary of significant accounting policies (continued)

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.

2. Summary of significant accounting policies (continued)

2.18 Financial liabilities (continued)

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.

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. Summary of significant accounting policies (continued)

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. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If 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. When 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.

2.23 Revenue

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, medical supplies and surgical products. 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.

2. Summary of significant accounting policies (continued)

2.23 Revenue (continued)

(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

Deferred management fees represent amounts owed to the group 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.

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 and associates, 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.

2. Summary of significant accounting policies (continued)

2.24 Income taxes (continued)

(b) Deferred tax (continued)

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 and associates, 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.

2.25 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 41, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. Summary of significant accounting policies (continued)

2.26 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.

2.30 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability, or

(ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participant act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. Summary of significant accounting policies (continued)

2.30 Fair value measurement (continued)

The Group uses valuation techniques that appropriate in circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets of liabilities

(ii) Level 2 – Valuation techniques for the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(iii) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purposes of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities and the level of the of fair value hierarchy as explained above.

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:

(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. Significant accounting judgements and estimates (continued)

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) 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 taxes

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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Hospital charges	874,018	773,540	-	-
Consultation fees	636,074	590,492	-	-
Sale of pharmaceutical, medical and surgical products	716,700	646,812	-	-
Other hospital revenue				
- Clinics rental	12,628	12,308	-	-
- Others	10,003	11,172	-	-
Wellness subscription fees	13,440	11,248	-	-
Tuition fees	29,342	30,711	-	-
Deferred management fees	1,802	2,168	-	-
Dividend income from subsidiaries	-	-	105,322	106,039
Interest income	-	-	4,040	2,370
Management fees	-	-	34,976	32,786
Other revenue	37,641	17,646	508	-
	2,331,648	**2,096,097**	**144,846**	**141,195**

5. Finance income and costs

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Finance costs				
Finance cost on Islamic facilities	-	756	-	-
Accretion of interest	278	326	-	-
Islamic financing:				
- Commercial papers	16,076	10,850	-	-
- Al-Ijarah	894	-	-	-
- Al-Amin	-	162	-	-
- Revolving credits	9,491	3,137	9,491	3,085
Interest expense:				
- Overdrafts	513	121	9,971	-
- Term loans	1,277	1,850	-	-
- Revolving credits	2,258	1,838	-	-
- Lease and hire purchase	1,272	707	-	-
- Others	6,706	3,856	191	10,885
	38,765	**23,603**	**19,653**	**13,970**
Finance income				
Interest income on short term deposits	10,570	12,535	-	-
Net finance costs	**28,195**	**11,068**	**19,653**	**13,970**

6. Profit before zakat and tax

The following amounts have been included in arriving at the profit before zakat and tax:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- Statutory audits	1,850	1,369	144	113
- Other services	271	-	-	-
Bad debts recovered	(72)	(99)	-	-
Bad debts written off	778	408	-	-
Impairment of trade receivables	8,238	5,536	-	-
Reversal of impairment loss of trade receivables	(1,754)	(124)	-	-
Contribution to Klinik Waqaf An-Nur	3,328	3,120	-	-
Directors' remuneration (Note 8)	2,909	3,299	2,723	3,031

6. Profit before zakat and tax (continued)

The following amounts have been included in arriving at the profit before zakat and tax (continued):

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Inventories written off	157	33	-	-
Professional fees	6,769	3,159	2,091	1,323
Repair and maintenance	26,431	27,074	525	374
Property, plant and equipment:				
- Depreciation	93,061	77,896	-	-
- Written off	519	1,372	-	-
Loss on disposal of property, plant and equipment	104	808	-	-
Gain on disposal of non-current assets held for sale	-	(149)	-	-
Gain on fair value of investment properties (Note 15)	(646)	(1,198)	-	-
Rental expense of land and buildings	109,509	102,602	3,094	446
Rental of equipment and vehicles	4,538	1,481	122	338
Employee benefits costs (Note 7)	486,874	382,847	22,618	10,072
Amortisation of deferred consultancy expenses	(309)	(250)	-	-
Amortisation of intangible assets (Note 19)	1,049	650	-	-
Available-for-sale financial assets written off (Note 18)	2,520	-	-	-
Gain on disposal of shares in an associate	(1,306)	(11,380)	-	-

7. Employee benefits costs

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Staff costs (excluding directors' remuneration):				
- Salaries, allowances and bonuses	442,996	346,454	20,101	8,992
- Contribution to defined contribution plan	43,878	36,393	2,517	1,080
	486,874	**382,847**	**22,618**	**10,072**

8. Directors' remuneration

The aggregate amount of emoluments received/receivable by directors of the Company during the financial year is as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration				
- Fees	765	1,267	601	999
- Salaries, allowances and bonuses	1,973	1,732	1,951	1,732
- Contribution to defined contribution plan	125	208	125	208
- Benefits-in-kind	46	92	46	92
	2,909	**3,299**	**2,723**	**3,031**

9. Zakat

Zakat expense is zakat provided and paid during the year.

10. Income tax expense/(credit)

Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the years ended 31 December 2013 and 2012 are:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	57,170	54,255	1,683	893
- Foreign income tax	633	-	-	-
- Overprovision in respect of previous years	(3,655)	(1,279)	(1,097)	(1,095)
	54,148	52,976	586	(202)
Deferred income tax:				
- Origination and reversal of temporary differences	(7,491)	(1,293)	-	-
- Under/(over) provision in respect of previous years	710	(2,902)	-	-
	(6,781)	(4,195)	-	-
Income tax expense/(credit) recognised in profit or loss	**47,367**	**48,781**	**586**	**(202)**

10. Income tax expense/(credit) (continued)

Major components of income tax expense/(credit) (continued)

The current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

Reconciliation between income tax expense/(credit) and accounting profit

The reconciliation of income tax expense/(credit) and the product of accounting profit multiplied by the applicable corporate rate for the years ended 31 December 2013 and 2012 is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before tax	**157,732**	**195,575**	**69,610**	**89,156**
Tax at statutory tax rate of 25%	39,433	48,894	17,403	22,289
Differences resulted in different tax rate	(161)	-	-	-
Income not subject to tax	(2,501)	(3,202)	(24,677)	(24,715)
Non-deductible expenses	19,088	10,524	6,442	3,319
Expenses qualified for double deduction	(146)	-	-	-
Share of results of associates	(1,932)	(2,570)	-	-
Benefits from previously unrecognised tax losses	(10,434)	(571)	-	-
Benefits from previously unrecognised temporary differences	(1,255)	(113)	-	-
(Over)/under provision in respect of previous years				
- Current tax	(3,655)	(1,279)	(1,097)	(1,095)
- Deferred tax	710	(2,902)	-	-
Current year deferred tax asset not recognised	8,220	-	2,515	-
Income tax expense/(credit)	**47,367**	**48,781**	**586**	**(202)**

11. Dividends

	Company	
	2013 RM'000	2012 RM'000
Recognised during the financial year:		
Interim dividends to ordinary equity holders of the Company:		
- Interim single tier dividends of 12.2 sen per share	-	76,555
- Interim single tier dividends of 10.0 sen per share	65,249	-
	65,249	**76,555**

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 average number of ordinary shares in issue during the financial year.

	Group	
	2013	**2012**
Profit attributable to ordinary equity holders of the Company (RM'000)	103,114	140,046
Adjusted number of ordinary shares of RM0.50 each ('000)	981,840	973,452*
Basic earnings per share (sen)	10.50	14.39

* The bonus issue was without consideration and it is treated as if it had occurred before the beginning of 1 January 2012.

(b) Diluted earnings per share

For the diluted earnings per share calculation, the average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares for the Group 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	
	2013	**2012**
Profit attributable to equity holders of the Company (RM'000)	**103,114**	**140,046**
Number of ordinary shares in issue ('000)	981,840	973,452
Adjusted number of ordinary shares of RM0.50 each in issue and issuable ('000)	103,272	81,144
Number of ordinary shares for diluted earnings per share ('000)	**1,085,112**	**1,054,596**
Diluted earnings per share (sen)	**9.50**	**13.28**

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								
2013								
At 1 January								
- 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
Currency translation differences	-	-	(300)	(12)	(3,136)	(693)	-	(4,141)
Additions	19,152	10,673	7,526	20,515	80,383	34,096	136,652	308,997
Acquisition of subsidiaries								
- At cost	-	8,000	1,613	112	9,765	2,992	74,077	96,559
Disposals	-	-	(503)	-	(2,923)	(10,725)	-	(14,151)
Written off	-	-	-	(29)	(2,368)	(991)	-	(3,388)
Reclassification - cost	(1,369)	6,223	234,672	4,871	2,652	1,978	(249,027)	-
Transfer to intangible assets (Note 19)	-	-	-	-	-	(11,627)	-	(11,627)
	85,045	**81,056**	**262,845**	**128,213**	**631,797**	**305,010**	**245,402**	**1,739,368**
At 31 December								
- Cost	72,295	62,596	258,846	128,213	631,797	305,010	245,402	1,704,159
- Valuation	12,750	18,460	3,999	-	-	-	-	35,209
	85,045	**81,056**	**262,845**	**128,213**	**631,797**	**305,010**	**245,402**	**1,739,368**
Accumulated depreciation								
2013								
At 1 January	-	(501)	6,273	(29,003)	(281,291)	(153,243)	-	(457,765)
Currency translation differences	-	-	121	-	1,250	701	-	2,072
Charge for the financial year	-	(368)	(638)	(9,751)	(54,618)	(27,686)	-	(93,061)
Disposals	-	-	-	-	2,062	10,474	-	12,536
Written off	-	-	-	-	2,372	497	-	2,869
Reclassification	-	-	-	-	(2)	2	-	-
At 31 December	**-**	**(869)**	**5,756**	**(38,754)**	**(330,227)**	**(169,255)**	**-**	**(533,349)**
Net carrying amounts								
At 31 December 2013	**85,045**	**80,187**	**268,601**	**89,459**	**301,570**	**135,755**	**245,402**	**1,206,019**

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								
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 (Note 25)	-	(2,100)	-	-	-	117	-	(1,983)
Disposals	-	-	-	(327)	(3,440)	(2,579)	(1,016)	(7,362)
Written off	-	-	-	(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
Written off	-	-	-	1	4,955	1,392	-	6,348
Reclassification to non- current assets held for sale (Note 25)	-	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**

13. Property, plant and equipment (continued)

Certain freehold land and buildings stated at valuation were revalued by the directors on 31 December 2010 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	
	2013	**2012**
	RM'000	**RM'000**
Costs		
Freehold land	78,700	23,153
Buildings	5,300	15,990
	84,000	39,143
Accumulated depreciation		
Buildings	(591)	(2,228)
Net carrying amounts	**83,409**	**36,915**

The additions and net book value of assets under hire purchase and finance leases are as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Assets under hire purchase and finance leases:		
- Addition during the financial year (Note 32)	7,569	6,891
- Net book value at the end of financial year	17,396	15,976

The net book value of property, plant and equipment pledged for borrowing facility (Note 27) as at 31 December 2013 is RM168,362,000 (2012: RM6,016,000).

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 2013 RM'000	Group 2012 RM'000
At fair value:		
At 1 January	53,118	26,223
Additions	8,982	25,697
Gain on fair value (Note 6)	646	1,198
At 31 December	**62,746**	**53,118**

The fair value of the properties was estimated at RM62,746,000 (2012: RM53,118,000) based on valuations performed by 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.

16. Investments in subsidiaries

Investments in subsidiaries is made up as follows:

	Company 2013 RM'000	Company 2012 RM'000
Unquoted shares, at cost	222,631	222,631
Loans to subsidiaries	725,289	654,898
	947,920	**877,529**

During the financial year, the Company has reclassified amounts due from subsidiaries amounting to RM70.4 million (2012: RM7.5 million) to interest in subsidiaries. This reclassification, in compliance with MFRS 139, "Financial Instruments: Recognition and Measurement", is to reclassify balances when the intercompany advances are not of commercial nature, and are interest free with no fixed terms of repayment.

16. Investments in subsidiaries (continued)

The following are subsidiaries of the Company:

Name of company	Country of incorporation	Effective equity interest 2013 %	2012 %	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	Malaysia	100	100	To be operating as an international specialist hospital
Subsidiary of Ipoh Specialist Hospital Sdn Bhd				
Sri Manjung Specialist Centre Sdn Bhd ~	Malaysia	100	-	Operating as a specialist hospital
Subsidiary of Tawakal Holdings Sdn Bhd				
Pusat Pakar Tawakal Sdn Bhd +	Malaysia	100	100	Operating as a specialist hospital

16. Investments in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest 2013 %	2012 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd				
Bukit Mertajam Specialist Hospital Sdn Bhd	Malaysia	100	100	Dormant
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	100	65	Providing sterile services

16. Investments in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest 2013 %	2012 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Puteri Nursing College Sdn Bhd	Malaysia	100	100	Operating a private university college of nursing and allied health
Pharmaserv Alliances Sdn Bhd	Malaysia	100	100	Marketing and distribution of medical and pharmaceutical products
PT Khasanah Putera Jakarta Medica ~	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	100	Operating as a specialist hospital
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 (Qld) Pty Ltd ~	Australia	57	57	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	95	100	Providing business of laundry services
Teraju Farma Sdn Bhd	Malaysia	75	75	Distribution of medical and pharmaceutical products

16. Investments in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest 2013 %	2012 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Maharani Specialist Hospital Sdn Bhd	Malaysia	100	100	To be operating as a specialist hospital
Perlis Specialist Hospital Sdn Bhd ~	Malaysia	60	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	Operating as a specialist hospital
Pahang Specialist Hospital Sdn Bhd ~	Malaysia	70	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
Renal-Link Sentosa Sdn Bhd	Malaysia	100	100	Dormant
Sri Kota Refractive and Eye Centre Sdn Bhd	Malaysia	100	100	Providing medical profession and consultancy services

16. Investments in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest 2013 %	2012 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Advanced Health Care Solution Sdn Bhd ~	Malaysia	100	100	Providing healthcare information
Bima Galeksi Sdn Bhd ~	Malaysia	70	70	Dormant
Energy Excellent Sdn Bhd ~	Malaysia	100	100	Dormant
BDC Specialist Hospital Sdn Bhd ~ #	Malaysia	100	-	Dormant
Rawang Specialist Hospital Sdn Bhd ~	Malaysia	100	-	To be operating as a specialist hospital
Massive Hybrid Sdn Bhd ~ #	Malaysia	100	-	To be operating as a specialist hospital
PT Khidmat Perawatan Jasa Medika ~	Indonesia	80	-	Operating as a specialist hospital
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

16. Investments in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest 2013 %	2012 %	Principal activities
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
Subsidiaries of Jeta Gardens (Qld) Pty Ltd				
Jeta Gardens Aged Care (Qld) Pty Ltd ~	Australia	100	100	Operates and manages an aged care facility
Jeta Gardens Management (Qld) Pty Ltd ~	Australia	100	100	Providing payroll and other administration services

* Direct equity holding by the Company is 84 % (2012: 84%).
\+ Direct equity holding by the Company is 14 % (2012: 14%).
^ Direct equity holding by the Company is 10% (2012: 10%).
~ Audited by a firm other than Ernst & Young.
\# The acquisition of these subsidiaries have not material effect on the financial position and financial performance of the Group.

16. Investments in subsidiaries (continued)

(a) Acquisition of subsidiaries in 2013:

During the financial year, the Group completed its acquisition in new interests and increased its stake in several subsidiaries as follows:

	2013 RM'000
Subscription of right issue in subsidiaries (Note (iv) and (v))	18,516
Acquisition of interests in newly acquired subsidiaries (Note (i), (ii) and (iii))	80,720
	99,236
Less: Cash and cash equivalents of subsidiaries acquired	(9,911)
	89,325

(i) On 23 March 2012, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, acquired 80% equity interest in PT Khidmat Perawatan Jasa Medika ("PT KPJ Medika") for a total cash consideration of RM15,840,000. The acquisition was completed on 7 March 2013.

(ii) On 17 April 2013, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, acquired 100% equity interest in Rawang Specialist Hospital Sdn Bhd ("RSHSB") comprising 30,000,000 ordinary shares of RM1.00 each for an aggregate cash consideration of RM50,630,164. The acquisition was completed on 18 July 2013.

(iii) On 12 September 2012, Ipoh Specialist Hospital Sdn Bhd ("ISH"), a subsidiary of the Company, acquired 100% equity interest in Sri Manjung Specialist Centre Sdn Bhd ("SMSC") comprising 900,000 ordinary share of RM1.00 each for an aggregate cash consideration of RM14,250,000. The acquisition was completed on 7 March 2013.

(iv) On 25 March 2013, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, subscribed for a further 9,750,000 ordinary shares of RM1.00 each in Perlis Specialist Hospital Sdn Bhd by capitalising RM9,750,000 advances made to the company.

(v) On 15 January 2013, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, subsribed for a further 8,765,748 ordinary shares of RM1.00 each in Pahang Specialist Hospital Sdn Bhd by capitalising RM8,765,748 advances made to the company.

16. Investments in subsidiaries (continued)

(a) Acquisition of subsidiaries in 2013: (continued)

The effect of the acquisitions on the financial results of the Group in the current financial year is as follows:

	2013 RM'000
Revenue	23,836
Operating costs	(14,413)
Profit before tax	1,651
Income tax expense	(238)
Profit for the financial year	**1,413**

Had the acquisitions took effect at the beginning of the financial year, the revenue and profit of the Group would have been RM30,662,694 and RM1,311,725 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 2013, together with the consequential tax effect.

The net assets recognised in the 31 December 2013 financial statements were based on provisional assessments of fair value while the Group sought independent valuations for the acquisitions during the year.

The details of net assets acquired and cash flows arising from the acquisitions of the following significant subsidiaries are as follows:

PT Khidmat Perawatan Jasa Medika	Acquiree's carrying amounts RM'000	Fair value RM'000
Property, plant and equipment	2,382	2,382
Receivables, deposits and prepayments	4,352	4,352
Deposits, cash and bank balances	9,621	9,621
Payables	(1,119)	(1,119)
Income tax payable	(11)	(11)
Fair value of net assets acquired	**15,225**	**15,225**
Goodwill on acquisition		615
Purchase consideration settled in cash		15,840
Less: Cash and cash equivalents of subsidiaries acquired		(9,621)
Cash outflow of the Group on acquisition		**6,219**

16. Investments in subsidiaries (continued)

(a) Acquisition of subsidiaries in 2013: (continued)

Sri Manjung Specialist Centre Sdn Bhd	Acquiree's carrying amounts RM'000	Fair value RM'000
Property, plant and equipment	1,405	1,405
Receivables, deposits and prepayments	3,347	3,347
Deposits, bank and cash balances	288	288
Payables	(481)	(481)
Income tax payable	(225)	(225)
Borrowings	(841)	(841)
Deferred tax	(65)	(65)
Fair value of net assets acquired	**3,428**	**3,428**
Goodwill on acquisition		10,822
Purchase consideration settled in cash		14,250
Less: Cash and cash equivalents of subsidiaries acquired		(288)
Cash outflow of the Group on acquisition		**13,962**

Rawang Specialist Hospital Sdn Bhd	Acquiree's carrying amounts RM'000	Fair value RM'000
Property, plant and equipment	74,601	74,601
Receivables, deposits and prepayments	192	192
Deposits, cash and bank balances	2	2
Payables	(8,798)	(8,798)
Borrowings	(37,117)	(37,117)
Fair value of net assets acquired	**28,880**	**28,880**
Goodwill on acquisition		21,750
Purchase consideration settled in cash		50,630
Less: Cash and cash equivalents of subsidiaries acquired		(2)
Cash outflow of the Group on acquisition		**50,628**

16. Investments in subsidiaries (continued)

(a) Acquisition of subsidiaries in 2013: (continued)

A summary of the details of net assets acquired and cash flows arising from the acquisitions during the financial year are as follows:

	Acquiree's carrying amounts RM'000	Fair value RM'000
Property, plant and equipment	78,388	78,388
Receivables, deposits and prepayments	7,891	7,891
Deposits, cash and bank balances	9,911	9,911
Payables	(10,398)	(10,398)
Income tax payable	(236)	(236)
Borrowings	(37,958)	(37,958)
Deferred tax	(65)	(65)
Net assets acquired	**47,533**	**47,533**
Goodwill on acquisition (Note 18)		33,187
Purchase consideration settled in cash		80,720
Less: Cash and cash equivalents of subsidiaries acquired		(9,911)
Cash outflow of the Group on acquisition		**70,809**

(b) Acquisition of subsidiaries in 2012:

(i) On 17 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 17 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 17 August 2012 and 30 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.

16. Investments in subsidiaries (continued)

(c) Summarised financial information of Kuantan Specialist Hospital Sdn Bhd, Perdana Specialist Hospital Sdn Bhd and Sentosa Specialist Hospital Sdn Bhd which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests in respect of other subsidiaries are not material to the Group.

(i) Summarised statements of financial position

	Kuantan Specialist Hospital Sdn Bhd		Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current assets	54,941	53,929	41,053	38,934	98,508	91,032	194,502	183,895
Current assets	17,775	12,039	23,274	18,618	34,882	33,042	75,931	63,699
Total assets	**72,716**	**65,968**	**64,327**	**57,552**	**133,390**	**124,074**	**270,433**	**247,594**
Current liabilities	10,293	8,905	38,273	34,869	32,645	35,483	81,211	79,257
Non-current liabilities	1,380	1,427	1,345	2,142	8,029	3,608	10,754	7,177
Total liabilities	**11,673**	**10,332**	**39,618**	**37,011**	**40,674**	**39,091**	**91,965**	**86,434**
Net assets	**61,043**	**55,636**	**24,709**	**20,541**	**92,716**	**84,983**	**178,468**	**161,160**
Revaluation reserve	3,041	2,841	4,479	4,008	13,300	11,900	20,820	18,749
Net equity attributable	58,002	52,795	20,230	16,533	79,416	73,083	157,648	142,411
Equity attributable to owners of the Company	44,969	40,932	12,251	10,012	47,650	43,850	104,870	94,794
Non-controlling interests	13,033	11,863	7,979	6,521	31,766	29,233	52,778	47,617

16. Investments in subsidiaries (continued)

(c) (ii) Summarised statements of comprehensive income

	Kuantan Specialist Hospital Sdn Bhd		Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue	58,986	55,677	75,542	66,889	133,926	126,597	268,454	249,163
Profit for the year	6,723	6,683	5,293	5,327	17,410	17,850	29,426	29,860
Profit attributable to the owners of the Company	5,212	5,181	3,205	3,226	10,446	10,710	18,863	19,117
Profit attributable to the non-controlling interests	1,511	1,502	2,088	2,101	6,964	7,140	10,563	10,743
Total comprehensive income	**6,723**	**6,683**	**5,293**	**5,327**	**17,410**	**17,850**	**29,426**	**29,860**
Total comprehensive income attributable to owners of the Company	5,212	5,181	3,205	3,226	10,446	10,710	18,863	19,117
Total comprehensive income attributable to the non-controlling interests	1,511	1,502	2,088	2,101	6,964	7,140	10,563	10,743
	6,723	**6,683**	**5,293**	**5,327**	**17,410**	**17,850**	**29,426**	**29,860**
Dividend paid to non-controlling interests	341	83	630	420	4,000	4,800	4,971	5,303

16. Investments in subsidiaries (continued)

(c) (iii) Summarised statements of cash flows

	Kuantan Specialist Hospital Sdn Bhd		Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash generated from/(used in) operating activities	1,096	(6,129)	8,580	6,713	21,558	16,929	31,234	17,513
Net cash generated from/(used in) investing activities	(114)	6,445	(1,541)	(2,702)	(9,519)	(23,905)	(11,174)	(20,162)
Net cash generated from/(used in) financing activities	(1,524)	(381)	(6,311)	(3,990)	(6,174)	993	(14,009)	(3,378)
Net changes in cash and cash equivalents	(542)	(65)	728	21	5,865	(5,983)	6,051	(6,027)
Cash and cash equivalents at the beginning of the year	1,184	1,249	3,193	3,172	4,973	10,956	9,350	15,377
Cash and cash equivalents at the end of the year	**642**	**1,184**	**3,921**	**3,193**	**10,838**	**4,973**	**15,401**	**9,350**

16. Investments in subsidiaries (continued)

(d) Disposal of equity interest in Perlis Specialist Hospital Sdn Bhd and Pahang Specialist Hospital Sdn Bhd without losing control

As at 31 December 2013, the Group disposed 40% interest in Perlis Specialist Hospital Sdn Bhd and 30% interest in Pahang Specialist Hospital Sdn Bhd for a total of consideration of RM6,500,000 and RM3,756,750 respectively. This resulted in an increase in non-controlling interests of RM6,500,000 and decrease in the equity attributable to owners of the Group of RM6,500,000 for Perlis Specialist Hospital Sdn Bhd and increase in non-controlling interests of RM3,756,750 and decrease in the equity attributable to owners of the Group of RM3,756,750 for Pahang Specialist Hospital Sdn Bhd. The effect of the changes in ownership interest in Perlis Specialist Hospital Sdn Bhd and Pahang Specialist Hospital Sdn Bhd are summarised below:

	Group	
	2013	2012
	RM'000	RM'000
Carrying amount of equity interest disposed	10,257	-
Consideration received	10,257	-
Gain on disposal	-	-
Changes in equity attributable to owners of the Group arising from disposal of interest in Perlis Specialist Hospital Sdn Bhd and Pahang Specialist Hospital Sdn Bhd without a loss of control	**10,257**	-

17. Investments in associates

	Group 2013 RM'000	Group 2012 RM'000
Quoted ordinary shares in Al-'Aqar Healthcare REIT, at cost	342,967	336,248
Additions	-	55,508
Disposal	(15,076)	(48,789)
	327,891	342,967
Group's share of post acquisition retained profits and reserves less losses	81,846	70,477
Unquoted ordinary shares, at cost	65,799	10,312
Additions	-	55,487
	475,536	**479,243**
Share of capital commitments for property, plant and equipment	**5,063**	**5,254**
Share of non-cancellable operating lease commitments	**553,440**	**618,119**
Market value of quoted ordinary shares in Al-'Aqar Healthcare REIT	**436,096**	**455,754**

The associates of the Group are as follows:

Name of company	Country of incorporation	Effective equity interest 2013 %	Effective equity interest 2012 %	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	23	International specialist hospital

^ Listed on the Main Market of Bursa Malaysia Securities Berhad.
* Audited by a firm other than Ernst & Young.

17. Investments in associates (continued)

The aggregate amount of revenue, profits, assets (excluding goodwill) and liabilities of the associates of the Group and the Group's material associate are set out as follows:

	Group		Al-'Aqar Healthcare REIT	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Revenue	409,719	389,122	107,419	103,398
Profit after tax	93,832	86,682	75,825	64,289
Non-current assets	1,684,345	1,655,354	1,483,685	1,464,010
Current assets	161,140	154,625	85,224	84,173
Current liabilities	(86,129)	(721,499)	(12,231)	(659,892)
Non-current liabilities	(791,692)	(142,513)	(741,783)	(88,162)
Net assets	**967,664**	**945,967**	**814,895**	**800,129**

18. Available-for-sale financial assets

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	3,074	3,074
Writen off (Note 6)	(2,520)	-
At 31 December	**554**	**3,074**
Analysed as follows:		
- Listed equity securities in Malaysia	8	8
- Unlisted equity securities in Malaysia	546	3,066

Available-for-sale financial assets are denominated in Ringgit Malaysia. None of these financial assets is impaired.

19. Intangible assets

2013

	Goodwill RM'000	Software development expenditure RM'000	Total RM'000
Cost			
At 1 January 2013	165,231	12,033	177,264
Transfer from property, plant and equipment (Note 13)	-	11,627	11,627
Additions	-	15,574	15,574
Acquisitions on subsidiaries	33,191	-	33,191
At 31 December 2013	**198,422**	**39,234**	**237,656**
Accumulated amortisation			
At 1 January 2013	-	650	650
Amortisation charge for the year (Note 6)	-	1,049	1,049
At 31 December 2013	**-**	**1,699**	**1,699**
Net carrying amount			
At 31 December 2013	**198,422**	**37,535**	**235,957**

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 property, plant and equipment (a)	(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 (Note 6)	-	650	650
At 31 December 2012	**-**	**650**	**650**
Net carrying amount			
At 31 December 2012	**165,231**	**11,383**	**176,614**

19. Intangible assets (continued)

(a) MFRS 3 Business Combinations requires that all identifiable assets and liabilities and contingent liabilities assumed in a business combination 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	6-Apr-11	1.2	0.8	0.8		-
Sibu Medical Centre Sdn Bhd	6-Apr-11	26.9	8.3	11.2	^^	2.9
Jeta Gardens Waterford Trust	30-Nov-11	19.0	11.3	11.3		-

^^ Arising from fair value of land and building.

20. Impairment of assets

Impairment tests for goodwill

	Group 2013 RM'000	Group 2012 RM'000
Hospitals		
- Malaysia	176,036	143,460
- Indonesia	1,675	1,060
Aged care facility	16,145	16,145
Support services	4,566	4,566
	198,422	**165,231**

20. Impairment of assets (continued)

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.

The key assumptions used in value-in-use calculations are as follows:

	2013	2012
	%	%
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 tax

Deferred tax assets and liabilities were offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown on the statements of financial position:

	Group	
	2013	2012
	RM'000	RM'000
Deferred tax assets	25,678	15,601
Deferred tax liabilities	(47,153)	(43,857)
At 31 December	**(21,475)**	**(28,256)**

21. Deferred tax (continued)

The movement in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follows:

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	(28,256)	(32,451)
(Charged)/credited to profit or loss (Note 10):		
- Property, plant and equipment	(966)	4,747
- Tax losses	7,448	(3,271)
- Provisions	299	2,719
	6,781	4,195
At 31 December	**(21,475)**	**(28,256)**
Subject to income tax		
Deferred tax assets (before offsetting)		
- Tax losses	26,598	6,996
- Property, plant and equipment	2,415	8,331
- Provisions	7,498	10,196
	36,511	25,523
Offsetting	(10,833)	(9,922)
Deferred tax assets (after offsetting)	**25,678**	**15,601**
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	(57,986)	(53,779)
Offsetting	10,833	9,922
Deferred tax liabilities (after offsetting)	**(47,153)**	**(43,857)**

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 statements of financial position are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deductible temporary differences	-	5,775	-	-
Unutilised capital allowance	5,097	15,118	-	-
Unutilised tax losses	17,037	23,689	3,379	863

21. Deferred tax (continued)

Unrecognised tax losses

At the reporting date, the Group has tax losses of approximately RM13,107,000 (2012: RM23,689,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

22. Inventories

	Group	
	2013	2012
	RM'000	RM'000
At cost:		
Pharmaceutical products	38,058	42,796
Medical supplies	12,210	11,608
Consumables and disposable items	1,661	2,501
Laboratory chemicals	498	495
Other supplies	410	152
	52,837	**57,552**

23. Receivables

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Trade receivables	296,783	261,461	-	-
Less: Impairment of trade receivables	(29,555)	(23,208)	-	-
Trade receivables - net	**267,228**	**238,253**	**-**	**-**
Amount due from ultimate holding corporation	212	541	-	-
Amounts due from subsidiaries	-	-	100,554	111,053
Amounts due from related companies	4,102	-	-	-
Amounts due from associates	3,886	36	37	36
Other receivables	35,855	49,472	-	251
Deposits	70,127	23,900	26	38
Prepayments	45,692	12,825	212	244
Total receivables	427,102	325,027	100,829	111,622
Add: Deposits, cash and bank balances (Note 24)	312,965	201,460	8,955	1,931
Less: Prepayments	(45,692)	(12,825)	(212)	(244)
Total loans and receivables	**694,375**	**513,662**	**109,572**	**113,309**

23. Receivables (continued)

Credit terms of trade receivables range from 0 to 60 days (2012: 0 to 60 days).

As at 31 December 2013, trade receivables of RM147,192,000 (2012: RM152,089,000) is neither past due nor impaired and RM120,036,000 (2012: RM86,164,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2013 RM'000	2012 RM'000
Neither past due nor impaired	147,192	152,089
1 to 30 days past due not impaired	49,591	28,587
31 to 60 days past due not impaired	25,863	16,893
61 to 90 days past due not impaired	11,859	9,691
91 to 120 days past due not impaired	6,636	7,576
More than 121 days past due not impaired	26,087	23,417
	120,036	86,164
Impaired	29,555	23,208
	296,783	**261,461**

As at 31 December 2013, trade receivables of RM29,555,000 (2012: RM23,208,000) were impaired and provided for.

Movement in allowance accounts:

	Group	
	2013 RM'000	2012 RM'000
At 1 January	23,208	18,560
Charge for the year	8,238	5,536
Appropriation to consultant	1,129	378
Written off	(1,266)	(1,142)
Reversal of impairment loss	(1,754)	(124)
At 31 December	**29,555**	**23,208**

23. Receivables (continued)

The currency exposure profile of the receivables and deposits (excluding prepayments) are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	365,303	288,670	100,617	111,378
Singapore Dollar	5,071	2,815	-	-
Indonesian Rupiah	4,274	4,182	-	-
Australian Dollar	6,762	16,535	-	-
	381,410	**312,202**	**100,617**	**111,378**

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		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits with licensed banks	157,972	71,588	6,421	-
Cash and bank balances	154,993	129,872	2,534	1,931
	312,965	**201,460**	**8,955**	**1,931**

Bank balances are deposits held at call with licensed banks and do not earn interest.

The fixed deposits of certain subsidiaries have been pledged to licensed banks for the following facilities:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Performance bonds to Tenaga Nasional Berhad	5,639	4,059
As a security for:		
- Borrowing facilities	3,062	1,128
- Performance guarantee	-	112
	8,701	**5,299**

The weighted average interest rates of deposits with licensed banks of the Group during the financial year were 2.8% (2012: 3.1%) per annum.

24. Deposits, cash and bank balances (continued)

The currency exposure profile of deposits, cash and bank balances as at end of the reporting period is as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	287,278	186,066	8,955	1,931
Singapore Dollar	6,095	6,882	-	-
Indonesian Rupiah	12,762	497	-	-
Australian Dollar	6,830	8,015	-	-
	312,965	**201,460**	**8,955**	**1,931**

Deposits of the Group have an average maturity of 90 days (2012: 90 days).

25. Non-current assets held for sale

	Group	
	2013	2012
	RM'000	RM'000
Hospitals land and buildings		
At 1 January	2,013	94,291
Additions	-	117
Reclassification from property, plant and equipment (Note 13)	-	1,896
Disposals	-	(94,291)
At 31 December	**2,013**	**2,013**

On 17 July 2013, Puteri Specialist Hospital (Johor) Sdn Bhd ("PSH"), a subsidiary of the Company entered into an agreement to dispose two pieces of lands, both situated in the town of Johor Bahru to Al-'Aqar Healthcare REIT for a total consideration of RM3,590,000 to be fully satisfied in cash. The disposal is expected to be completed in the second quarter of 2014.

26. Payables

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Non-current				
Advances from subsidiaries	-	-	174,282	174,282
Current				
Trade payables	277,262	239,607	-	-
Other payables	95,519	46,932	1,464	26
Resident loans	46,289	42,480	-	-
Accruals	59,116	79,936	2,205	2,269
Amount due to ultimate holding corporation	167	206	199	199
Amounts due to subsidiaries	-	-	82,046	184,492
Amounts due to related companies	1,986	-	50	50
Amounts due to associates	9,624	-	-	-
Total current payables	489,963	409,161	85,964	187,036
Total payables	489,963	409,161	260,246	361,318
Add: Borrowings (Note 27)	1,027,492	592,096	275,000	120,000
Add: Deposits (Note 29)	17,253	15,524	-	-
Total financial liabilities carried at amortised cost	**1,534,708**	**1,016,781**	**535,246**	**481,318**

Advances given by subsidiaries amounting to RM174.3 million (2012: RM174.3 million) are unsecured, bearing effective weighted average interest rate of 3.70% (2012: 3.70%) per annum and shall be repaid within 7 years.

Amounts due to 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 (2012: 30 to 60 days).

The currency exposure profile of payables is as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	388,120	305,036	260,246	361,318
Singapore Dollar	9,226	12,523	-	-
Indonesian Rupiah	1,775	2,333	-	-
Australian Dollar	90,842	89,269	-	-
	489,963	**409,161**	**260,246**	**361,318**

27. Borrowings

	Group	
	2013	2012
	RM'000	RM'000
Current		
Term loans (secured)		
- Conventional	2,444	13,718
- Hiwalah	-	6,145
- Al-Ijarah	4,683	4,344
	7,127	24,207
Revolving credits (unsecured):		
- Conventional	55,900	70,000
- Al-Amin	277,027	105,900
	332,927	175,900
Hire purchase and finance lease liabilities:		
- Conventional	1,912	4,591
- Bai Al-Inah	8,516	883
	10,428	5,474
	350,482	205,581
Bank overdrafts (unsecured)	8,140	1,046
	358,622	**206,627**
Non-current		
Islamic commercial papers (unsecured)	499,000	349,000
Term loans (secured)		
- Conventional	51,561	4,755
- Hiwalah	77,048	11,305
- Al-Ijarah	8,305	12,588
	136,914	28,648
Hire purchase and finance lease liabilities:		
- Conventional	3,383	5,826
- Bai Al-Inah	29,573	1,995
	32,956	7,821
	668,870	**385,469**
Total		
Islamic commercial papers (unsecured)	499,000	349,000
Term loans (secured)		
- Conventional	54,005	18,473
- Hiwalah term loan (secured)	77,048	17,450
- Al-Ijarah	12,988	16,932
	144,041	52,855

27. Borrowings (continued)

	Group 2013 RM'000	Group 2012 RM'000
Revolving credits (unsecured):		
- Conventional	55,900	70,000
- Al-Amin	277,027	105,900
	332,927	175,900
Hire purchase and finance lease liabilities:		
- Conventional	5,295	10,417
- Bai Al-Inah	38,089	2,878
	43,384	13,295
Bank overdrafts (unsecured)	8,140	1,046
	1,027,492	**592,096**

	Company 2013 RM'000	Company 2012 RM'000
Current		
Revolving credits (unsecured):		
- Conventional	-	70,000
- Al-Amin	275,000	50,000
	275,000	**120,000**

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.

27. Borrowings (continued)

Islamic Commercial Papers/Islamic Medium Term Notes ("ICP/IMTN")

The ICP/IMTN is issued by 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 conventional Commercial Papers/Medium Term Notes ("CP/MTN") with the first issuance of Islamic Commercial Paper/Islamic Medium Term Notes ("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 subject to the management tenure, either 1, 2, 3, 6, 9 and 12 months and are mandatorily redeemed at nominal value upon maturity date.

(4) IMTN has a maturity of 1 year but not more than 7 years and on condition that the IMTN shall not mature beyond 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 2013, the unutilised amount of ICP/IMTN amounted to RM1.0 million (2012: RM151.0 million).

The ICP/IMTN used the Group's investment in its associate Al-'Aqar Healthcare REIT amounting to RM234,963,962 as underlying assets as required under the Islamic Facilities requirement.

The IMTN Facility, if utilised, will be secured by Memorandum of charge over designated account identified as Finance Service Reserve Account ("FSRA") and Corporate Guarantee Agreement issued by the Company in favour of the appointed trustee (known as "Security Trustee").

27. Borrowings (continued)

	Functional currency/ currency exposure	Interest rate/ profit	Effective interest rate/profit % per annum at the end of the period	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
2013										
Group										
Islamic commercial papers (unsecured)	RM/RM	Floating	3.66	499,000	-	-	-	-	499,000	-
Term loans (secured):										
- Conventional	RM/RM	Floating	4.40	54,005	2,444	3,829	3,058	3,125	3,227	38,322
- Hiwalah	RM/RM	Fixed	5.21	77,048	-	8,989	15,410	15,410	15,410	21,829
- Al-Ijarah	RM/RM	Fixed	2.83	12,988	4,683	3,377	3,227	1,701	-	-
Revolving credits (unsecured):										
- Conventional	RM/RM	Floating	3.25	55,900	55,900	-	-	-	-	-
- Al-Amin	RM/RM	Floating	4.38	277,027	277,027	-	-	-	-	-
Hire purchase and finance lease liabilities:										
- Conventional	RM/RM	Fixed	3.28	5,295	1,912	1,781	1,260	152	152	38
- Bai Al-Inah	RM/RM	Fixed	3.55	38,089	8,516	8,834	6,868	6,819	4,856	2,196
Bank overdrafts (unsecured)	RM/RM	Floating	7.56	8,140	8,140	-	-	-	-	-
				1,027,492	**358,622**	**26,810**	**29,823**	**27,207**	**522,645**	**62,385**
Company										
Revolving credits (unsecured):										
- Al-Amin	RM/RM	Floating	4.30	275,000	275,000	-	-	-	-	-

27. Borrowings (continued)

	Functional currency/ currency exposure	Interest rate/ profit	Effective interest rate/profit % per annum at the end of the period	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										
Islamic commercial papers (unsecured)	RM/RM	Floating	3.70	349,000	-	-	-	-	-	349,000
Term loans (secured):										
- Conventional	RM/RM	Floating	3.28	18,473	13,718	1,562	640	678	720	1,155
- Hiwalah	RM/RM	Fixed	6.32	17,450	6,145	885	625	653	682	8,460
- Al-Ijarah	RM/RM	Fixed	2.95	16,932	4,345	4,590	3,286	3,152	1,559	-
Revolving credits (unsecured):										
- Conventional	RM/RM	Floating	3.73	70,000	70,000	-	-	-	-	-
- Al-Amin	RM/RM	Floating	4.00	105,900	105,900	-	-	-	-	-
Hire purchase and finance lease liabilities:										
- Conventional	RM/RM	Fixed	3.55	10,417	4,590	2,575	2,293	959	-	-
- Bai Al-Inah	RM/RM	Fixed	2.72	2,878	883	936	935	124	-	-
Bank overdrafts (unsecured)	RM/RM	Floating	7.56	1,046	1,046	-	-	-	-	-
				592,096	**206,627**	**10,548**	**7,779**	**5,566**	**2,961**	**358,615**
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**	**-**	**-**	**-**	**-**	**-**

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	Later than 5 years RM'000	Total RM'000
Group							
2013							
Hire purchase and finance lease liabilities:							
- Conventional	2,155	1,846	1,834	160	160	40	6,195
- Bai Al-Inah	10,134	10,086	10,720	6,764	4,724	379	42,807
	12,289	**11,932**	**12,554**	**6,924**	**4,884**	**419**	**49,002**
Less: Future finance charges:							
- Conventional							(900)
- Bai Al-Inah							(4,718)
							(5,618)
							43,384
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

28. Deferred revenue

	Group 2013 RM'000	Group 2012 RM'000
At 1 January	61,133	53,591
Additions	44,458	48,278
Earned during the financial year	(43,414)	(40,736)
At 31 December	**62,177**	**61,133**
Represented by:		
Fees received in advance		
- Students' fees	3,462	2,414
- Accommodation fees	641	658
- Others	267	-
KPJ Wellness Subscription Fees	57,807	58,061
	62,177	**61,133**

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 2013 RM'000	Group 2012 RM'000
Represented by:		
Refundable practicing deposits	8,709	8,601
Deferred consultancy expenses	8,544	6,923
	17,253	**15,524**

30. Share capital

	Group/Company	
	2013	2012
	RM'000	RM'000
Authorised ordinary shares of RM0.50 each		
At 1 January/31 December	750,000	500,000
Issued and fully paid ordinary shares of RM0.50 each		
At 1 January	323,091	292,492
Issued during the financial year:		
- Exercise of share warrants	4,224	30,599
- Issuance of bonus share	163,640	-
	490,955	**323,091**

(a) Treasury shares

On 11 June 2013, 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.

The Company has bought back 75,000 units of KPJ Healthcare Berhad shares from the open market, listed on the Main Market of Bursa Listed Securities Berhad, at an average buy-back price of RM3.47 per share between the period of 13 January 2014 to 21 January 2014. The total consideration paid for share buy-back, including transaction cost, was RM260,050 and was financed by internally generated fund. The shares were retained as treasury shares.

(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 Share for every four (4) shares held by the entitled share holders 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.

30. Share capital (continued)

(b) Share Split, Bonus Issue and Free Warrants (continued)

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:

Issuance date	Expiry date	Exercise price RM/share	Number of warrants 2010/2015 1.1.2013 '000	Additional '000	Exercised '000	31.12.2013 '000
15 January 2010	14 January 2015	1.14*	13,351	2,452	(8,448)	7,355

* Adjustment was made to the exercise price of the outstanding warrants 2011/2015 from RM1.70 to RM1.14 as a result of the Bonus Issue and Free Warrants on 27 December 2013.

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 2013 '000	2012 '000
1 January 2013 to 31 December 2013	3.00 - 7.36	1.14	8,448	61,198

Details relating to warrants exercised during the year are as follows:

	Group/Company 2013 RM'000	2012 RM'000
Ordinary share capital - at par	4,224	30,599
Share premium	10,138	73,436
Proceeds from exercise of warrants	14,362	104,035
Fair value at exercise date of shares issued	43,761	336,889

30. Share capital (continued)

(b) Share Split, Bonus Issue and Free Warrants (continued)

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.

(c) Proposed Combination of New Issue of Securities

On 28 November 2013, the shareholders of the Company approved the combination of new issues of securities at the Extraordinary General Meeting as follows:

(i) Bonus Issue of up to 329,766,497 new ordinary shares of RM0.50 each in the Company on the basis of one (1) bonus share for every two (2) existing shares held.

On 27 December 2013, 327,279,946 Bonus Shares and 2,451,551 additional warrants 2010/2015 consequential to the Bonus Issue were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

(ii) Renounceable Rights Issue of up to 43,968,866 new shares on the basis of one (1) rights share for every fifteen (15) existing shares held, together with up to 87,937,732 free detachable New Warrants 2013/2018 on the basis of two new (2) warrants for every one (1) rights share subscribed.

On 29 January 2014, 43,637,326 Rights Shares and 87,274,652 New Warrants as well as 96,098 additional warrants 2010/2015 consequential to the Rights Issue were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

The issue price of RM2.80 for the Right Shares are arrived based on a discount of approximately thirty percent (30%) over the theoretical ex-all price of the shares (after taking into account the Proposed Bonus Issue) based on the five (5)-day volume weighted average market price ("VWAP") of the shares immediately preceding the price fixing date.

(iii) Increase in the authorised share capital of the Company from RM500,000,000 to RM750,000,000 by way of issuance of 500,000,000 ordinary shares of RM0.50 each.

The new shares issued arising from the Bonus Issue, Rights Issue and Free Warrants exercised shall upon issue and allotment, rank pari passu in all respects.

31. Reserves

		Group		Company	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Non-distributable reserves:					
Share premium	(a)	-	142,266	-	142,266
Merger reserve	(b)	(3,367)	(3,367)	-	-
Exchange reserve	(c)	3,285	(25)	-	-
Revaluation reserve	(d)	50,415	50,415	-	-
		50,333	189,289	-	142,266
Distributable reserve:					
Retained earnings	(e)	546,622	518,546	24,064	31,525
		596,955	**707,835**	**24,064**	**173,791**

(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.

(d) Revaluation reserve (non-distributable)

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	50,415	45,215
Revaluation surplus, net of tax	-	5,200
At 31 December	**50,415**	**50,415**

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 2013 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 2013, the Company has fully utilised its Section 108 balance.

32. Non-cash transactions

The principal non-cash transaction during the financial year is the acquisition of property, plant and equipment of which RM7,569,000 (2012: RM6,891,000) is by means of hire purchase and finance lease.

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 2013 RM'000	Company 2012 RM'000
Paid/payable to/ (received/receivable from) subsidiaries			
Ampang Puteri Specialist Hospital Sdn Bhd	Management fees	(2,907)	(2,905)
	Advances received/paid	(13,364)	(18,350)
	Interest expense	755	1,665
	Dividend received (net)	(21,000)	(21,000)
Damansara Specialist Hospital Sdn Bhd	Management fees	(2,820)	(2,561)
	Interest expense	466	1,085
	Advances received	(27,800)	(12,850)
	Dividend received (net)	(21,000)	(21,000)
Ipoh Specialist Hospital Sdn Bhd	Management fees	(3,591)	(3,336)
	Interest expense	2,051	1,651
	Dividend received (net)	(1,519)	(1,329)
Johor Specialist Hospital Sdn Bhd	Management fees	(3,155)	(3,050)
	Dividend received (net)	(21,273)	(21,273)
	Interest expense	1,533	3,471
Kuching Specialist Hospital Sdn Bhd	Interest income	(45)	(20)
	Management fees	(1,009)	(1,014)
Kumpulan Perubatan (Johor) Sdn Bhd	Interest income	(1,236)	(2,129)
	Dividend received (net)	(25,200)	(25,200)
Kuantan Specialist Hospital Sdn Bhd	Management fees	(892)	(836)
	Interest expense	1,491	1,836
	Advances received	(3,700)	(26,802)
Pharmaserv Alliances Sdn Bhd	Management fees	(3,984)	(3,593)
	Interest income	(116)	(462)

33. Significant related party disclosures (continued)

(a) Significant related party transactions (continued)

	Type of transactions	Company 2013 RM'000	Company 2012 RM'000
Paid/payable to/ (received/receivable from) subsidiaries (continued)			
Puteri Nursing College Sdn Bhd	Management fees	(1,200)	(1,200)
Perdana Specialist Hospital Sdn Bhd	Interest income	(46)	(660)
	Management fees	(1,145)	(1,001)
Puteri Specialist Hospital (Johor) Sdn Bhd	Management fees	(2,196)	(2,089)
	Corporate Fees	-	(97)
	Dividend received (net)	(10,114)	(10,114)
	Interest expense	707	225
Pusat Pakar Tawakal Sdn Bhd	Management fees	(2,631)	(2,243)
	Dividend received (net)	(447)	(640)
Penang Specialist Hospital Sdn Bhd	Management fees	(1,528)	(1,411)
	Expenses Recharged	-	(4)
	Repayment of Advances	3,000	960
Selangor Specialist Hospital Sdn Bhd	Management fees	(1,962)	(1,823)
	Interest expense	150	322
Sentosa Medical Centre Sdn Bhd	Management fees	(888)	(887)
	Advances Received	(4,000)	(6,200)
	Interest expense	695	690
Seremban Specialist Hospital Sdn Bhd	Management fees	(1,813)	(1,728)
SMC Healthcare Sdn Bhd	Management fees	(811)	(876)
Tawakal Holdings Sdn Bhd	Dividend received (net)	(2,979)	(3,688)
Kajang Specialist Hospital Sdn Bhd	Management fees	(1,487)	(1,292)

33. Significant related party disclosures (continued)

(a) Significant related party transactions (continued)

	Type of transactions	Company 2013 RM'000	2012 RM'000
Paid/payable to/ (received/receivable from) subsidiaries (continued)			
Lablink (M) Sdn Bhd	Management fees	(150)	(150)
	Advances Received	(11,610)	(1,025)
Teraju Farma Sdn Bhd	Management fees	(120)	(120)
Taiping Medical Centre Sdn Bhd	Interest Expense	-	333
	Management fees	(252)	(233)
Pusat Pakar Kluang Utama Sdn Bhd	Management fees	(434)	(368)
	Advances Received	-	(3,629)
Point Zone (M) Sdn Bhd	Interest expense	1,724	217
Received/receivable from an associate			
Al-'Aqar Healthcare REIT	Disposal of building	-	(96,500)
	Disposal of land	-	(3,590)
Paid/payable to a related party			
JCorp Hotels and Resorts Sdn Bhd	Purchase of service apartments	-	1,935
Paid/payable ultimate corporation			
Johor Corporation	Acquisition of subsidiary	15,840	-
	Acquisition of land	-	45,000

33. Significant related party disclosures (continued)

(a) Significant related party transactions (continued)

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 Notes 23 and 26.

(b) Key management personnel compensation

	Group/Company	
	2013	2012
	RM'000	RM'000
Salaries, allowances and bonus	3,087	3,144
Contribution to defined contribution plan	520	680
	3,607	**3,824**

The Directors of the Group and of the Company are the key management personnel of the Group and of the Company. The details of directors' remuneration are disclosed in Note 8.

34. Non-cancellable operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2013	2012
	RM'000	RM'000
Represented by:		
Not later than 1 year	81,704	71,527
Later than 1 year but not later than 2 years	118,751	71,457
Later than 2 years but not later than 5 years	233,073	248,031
Later than 5 years	428,879	479,790
	862,407	**870,805**

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.

35. Material litigation

On 26 July 2013, the Johor Bahru High Court had allowed the claim by Dr Mohd Adnan bin Sulaiman and Azizan Sulaiman (collectively the "Plaintiffs") against KPJSB ("Defendant") wherein the Plaintiffs had alleged that the Defendant had breached the Joint Venture Agreement Incorporating Shareholders' Agreement dated 30 May 1995 whereby the said High Court had awarded the sum of RM70.4 million and costs for the sum of RM150,000 against the Defendant ("Judgement").

KPJSB has instructed its solicitors, Messrs. Bodipalar Ponnudurai De Silva to file an appeal at the Court of Appeal against the said Judgement.

On 12 December 2013, Honourable Court of Appeal Judges, YA Datuk Zaharah binti Ibrahim, YA Dato' Mohamad Arif bin Md Yusof and YA Dato Mah Weng Kwai unanimously allowed the appeal by KPJSB against the decision of the Johor Bahru High Court in Suit No: 23NCVC-74-05/2012 dated 26 July 2013 with costs of RM200,000 ("Court of Appeal Judgement").

On 13 January 2014, the Plaintiffs have filed an application for leave to appeal to the Federal Court against the Court of Appeal's judgement. The hearing date for the said application has yet to be fixed by the Federal Court.

36. Significant events

(a) Acquisition by Pahang Specialist Hospital Sdn Bhd ("PSHSB") of leasehold land

On 22 June 2011, PSHSB, a wholly-owned subsidiary of Kumpulan Perubatan (Johor) Sdn Bhd ("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 was completed on 3 March 2013.

(b) Acquisition by Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") of 80% equity interest in PT Khidmat Perawatan Jasa Medika ("PT KPJ Medika").

On 23 March 2012, KPJSB accepted the offer to acquire of up to 80% equity interest in PT Khidmat Perawatan Jasa Medika PT KPJ Medika from Johor Corporation for a total cash consideration of RM15,840,000.

On 9 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.

(c) Acquisition by Pharmaserv Alliances Sdn Bhd ("PASB") of a 3 Storey Office Building together with a Single Storey Warehouse

On 1 June 2012, PASB, a wholly owned subsidiary of Kumpulan Perubatan (Johor) Sdn Bhd ("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 16 January 2013.

36. Significant events (continued)

(d) Disposal by Puteri Specialist Hospital (Johor) Sdn Bhd ("PSH") of two (2) pieces of land

On 8 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 by second quarter of 2014.

(e) Acquisition by Ipoh Specialist Hospital Sdn Bhd ("ISH") of 100% equity interest in Sri Manjung Specialist Centre ("SMSC")

On 12 September 2012, ISH, a subsidiary of the Company, proposed to acquire 100% equity interest in 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 was completed on 23 May 2013.

(f) Joint Venture between Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") and UTM Holdings Sdn Bhd ("UTM Holdings")

On 27 September 2013, KPJSB signed a Joint Venture Agreement ("JVA") with UTM Holdings Sdn Bhd for the purpose of designing, developing, building, completing and owning, and subsequently operating a private hospital on a portion of the leasehold land held under HSD 46692, Lot No. PTD No 95180, Mukim Kulaijaya, Johor.

(g) Acquisition by Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") of Land and Menara 238 ("Property") from Danaharta Hartanah Sdn Bhd ("DHSB")

On 11 September 2012, KPJSB and DHSB entered into a tenancy agreement whereby DHSB granted KPJSB the option to purchase the Property for a total cash consideration of RM206,000,000.

On 16 October 2013, KPJSB exercised its option to purchase and therefore entered into a conditional sale and purchase agreement ("SPA") with DHSB pursuant to the proposed acquisition.

The proposed acquisition was completed on 10 February 2014.

(h) Acquisition by Kumpulan Perubatan (Johor) Sdn Bhd of 100% equity in BDC Specialist Hospital Sdn Bhd ("BDCSHB")

On 6 November 2013, KPJSB entered into a conditional Share Sale Agreement with Usaha Cendera Sdn Bhd (formerly known as Usaha Cendera Cerah Sdn Bhd) for the acquisition of 2 ordinary shares of RM1.00 each in BDCSHSB which is equivalent to 100% of the equity of BDCSHSB for a total cash consideration of RM16,516,144.

BDCSHSB is the registered owner of all that parcel of leasehold land described as Lot 18807 Block 11, Muara Tebas Land District located at Stampin, Kuching, Sarawak measuring approximately 1.918 hectares. Henry Butcher in their valuation report dated 11 December 2012 has valued the Land based on the market value of RM16,590,000.

Upon the completion of the Proposed Acquisition, BDCSHSB will be a wholly-owned subsidiary of KPJSB.

The proposed acquisition is expected to complete in the first quarter of 2014.

36. Significant events (continued)

(i) Proposed Business between Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") and Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Trust

On 18 November 2013, KPJSB entered into a Deed of Agreement with Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Trust to lease a 250-bed hospital building known as "Sheikh Fazilatunnessa Mujib Memorial KPJ Specialist Hospital" erected on a piece of land located approximately 50 kilometres from Dhaka, Bangladesh ("the Land")(collectively "Hospital Building"). The Hospital Building was built at a cost of Tk2.15 billion (equivalent to RM87.5 million).

Pursuant to the Agreement, KPJSB or its nominee company, KPJ Healthcare (Bangladesh) Private Limited, a subsidiary of KPJSB in Bangladesh, will be the license operator of the said Hospital. KPJ Healthcare (Bangladesh) Private Limited will be incorporated upon the fulfillment of the Conditions Precedent .

The proposed business is expected to commence in the second quarter of 2014.

37. Capital commitments

Capital expenditure not provided for in the financial statements is as follows:

	Group	
	2013	2012
	RM'000	RM'000
Approved by the directors and contracted	191,557	163,475
Approved by the directors but not contracted	298,759	267,441
	490,316	**430,916**
Analysed as follows:		
- Leasehold land	1,500	5,700
- Buildings	342,209	253,314
- Medical equipment	68,479	24,199
- Other property, plant and equipment	78,128	147,703
	490,316	**430,916**

The Group's interest in capital commitments of the associates is disclosed in Note 17.

38. Fair value of financial instruments

(a) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	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.

(b) Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for asset as at 31 December 2013:

Fair value disclosures	Date of valuation	Carrying amount RM'000	Fair value RM'000
Investment properties (Note 15)	31 December 2013	44,660	62,746

Fair value disclosure of investment properties are categorised in Level 2 within the fair value hierarchy.

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 the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

39. Financial risk management objectives and policies (continued)

(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.

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.

39. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2013				
Group				
Payables	489,963	-	-	489,963
Borrowings	358,622	700,659	65,288	1,124,568
Deposits	17,253	-	-	17,253
Total undiscounted financial liabilities	**865,838**	**700,659**	**65,288**	**1,631,784**
Company				
Payables	85,964	174,282	-	260,246
Borrowings	275,000	-	-	275,000
Total undiscounted financial liabilities	**360,964**	**174,282**	**-**	**535,246**
2012				
Group				
Payables	409,161	-	-	409,161
Borrowings	206,627	82,093	372,101	660,821
Deposits	2,273	5,812	8,743	16,828
Total undiscounted financial liabilities	**618,061**	**87,905**	**380,844**	**1,086,810**
Company				
Payables	187,036	60,763	113,519	361,318
Borrowings	-	-	-	-
Total undiscounted financial liabilities	**187,036**	**60,763**	**113,519**	**361,318**

39. Financial risk management objectives and policies (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their 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 RM826,940 (2012: RM471,571) 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 or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has three subsidiaries abroad; a hospital 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 gross gearing ratio, which is total borrowings divided by shareholders' funds.

The Group's gross gearing ratios as at 31 December 2013 and 2012 were as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current borrowings	358,622	206,627	275,000	120,000
Non-current borrowings	668,870	385,469	-	-
Total	1,027,492	592,096	275,000	120,000
Shareholders' funds	1,087,546	1,030,903	514,655	496,859
Gearing ratio	**0.94**	**0.57**	**0.53**	**0.24**

41. 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 university college of nursing and allied health.

	Hospitals				Aged care facilities Australia	Support services, corporate and others	Adjustments and eliminations	Consolidated
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Total RM'000	RM'000	RM'000	RM'000	RM'000
Year ended 31 December 2013								
Revenue								
Total segment revenue	2,054,299	33,545	-	2,087,844	27,971	779,978	(564,145)	2,331,648
Inter-segment revenue	-	-	-	-	-	(37,933)	37,933	-
Revenue from external customers	**2,054,299**	**33,545**	**-**	**2,087,844**	**27,971**	**742,045**	**(526,212)**	**2,331,648**
Results								
Share of results of associates	33,626	-	3,216	36,842	4,028	5,988	-	46,858
Adjusted EBITDA*	295,825	(3,764)	3,216	295,277	(5,083)	148,324	(146,086)	292,432
Depreciation and amortisation	(83,864)	(2,759)	-	(86,623)	(466)	(7,021)	-	(94,110)
Finance cost	(11,890)	(432)	-	(12,322)	(515)	(30,830)	4,902	(38,765)
Profit before zakat and tax	200,071	(6,955)	3,216	196,332	(6,064)	110,473	(141,184)	159,557
Zakat	(1,678)	-	-	(1,678)	-	(147)	-	(1,825)
Income tax expense	(45,648)	-	-	(45,648)	(452)	(6,253)	4,986	(47,367)
Profit for the year	**152,745**	**(6,955)**	**3,216**	**149,006**	**(6,516)**	**104,073**	**(136,198)**	**110,365**
Total assets	**1,902,378**	**42,379**	**-**	**1,944,757**	**100,107**	**3,983,710**	**(3,186,967)**	**2,841,607**
Investment in associates	402,368	-	55,487	457,855^	48,201	10,312	(40,832)	475,536
Total liabilities	954,276	33,536	-	987,812	95,708	3,214,571	(2,629,011)	1,669,080

* Earnings before interest, taxation, depreciation and amortisation ("EBITDA").
^ Related to investment of an associate in Thailand.

41. Segmental reporting (continued)

	Hospitals							
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Total RM'000	Aged care facilities Australia RM'000	Support services, corporate and others RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
Year ended 31 December 2012								
Revenue								
Total segment revenue	1,878,958	22,134	-	1,901,092	30,783	684,652	(520,430)	2,096,097
Inter-segment revenue	-	-	-	-	-	(37,851)	37,851	-
Revenue from external customers	**1,878,958**	**22,134**	**-**	**1,901,092**	**30,783**	**646,801**	**(482,579)**	**2,096,097**
Results								
Share of results of associates	27,890	-	179	28,069	4,039	5,289	-	37,397
Adjusted EBITDA*	271,221	(6,869)	179	264,531	(4,352)	191,876	(153,011)	299,044
Depreciation and amortisation	(69,741)	(2,360)	-	(72,101)	-	(6,445)	-	(78,546)
Finance cost	(8,496)	(550)	-	(9,046)	(654)	(32,098)	18,195	(23,603)
Profit before zakat and tax	192,984	(9,779)	179	183,384	(5,006)	153,333	(134,816)	196,895
Zakat	(1,295)	-	-	(1,295)	-	(25)	-	(1,320)
Income tax expense	(43,823)	-	-	(43,823)	-	(9,575)	4,617	(48,781)
Profit for the year	**147,866**	**(9,779)**	**179**	**138,266**	**(5,006)**	**143,733**	**(130,199)**	**146,794**
Total assets	1,623,513	20,861	-	1,644,374	111,781	2,838,800	(2,345,177)	2,249,778
Investment in associates	398,066	-	55,487	453,553^	49,160	10,312	(33,782)	479,243
Total liabilities	697,061	29,399	-	726,460	96,739	2,162,460	(1,834,312)	1,151,347

* Earnings before interest, taxation, depreciation and amortisation ("EBITDA").

^ Related to investment of an associate in Thailand.

42. 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	
	2013	**2012**
	RM'000	**RM'000**
Total retained earnings of KPJ Healthcare Berhad and its subsidiaries:		
- Realised	537,549	564,638
- Unrealised	(21,902)	(26,808)
	515,647	537,830
Total share of retained earnings from associates:		
- Realised	82,664	71,226
- Unrealised	(2,644)	(1,125)
	595,667	607,931
Less: Consolidation adjustments	(49,045)	(89,385)
Total Group retained earnings	**546,622**	**518,546**

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 2013 amounting to RM24,064,000 (31 December 2012: RM31,525,000) is fully realised.

Shareholdings
Statistics

As at 30 April 2014

Authorised Share Capital	:	RM500,000,000
Issued & Fully Paid-Up Capital	:	RM513,270,441.50 less RM1,328,500 Treasury Shares = RM511,941,941.50
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	166	2.86	6,061	-
100 – 1000	920	15.83	533,894	0.05
1,001 – 10,000	3,433	59.09	14,340,533	1.40
10,001 – 100,000	997	17.16	30,052,969	2.94
100,001 to less than 5 of Issued Capital	289	4.97	339,858,032	33.19
5 and above of Issued Capital	5	0.09	639,092,394	62.42
TOTAL	**5,810**	**100.00**	**1,023,883,883**	**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	Johor Corporation	236,946,682	23.14
2	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	128,279,295	12.53
3	Lembaga Tabung Haji	106,347,563	10.39
4	Johor Corporation	94,374,945	9.22
5	Waqaf An-Nur Corporation Berhad	73,143,909	7.14
6	RHB Noms (T) Sdn Bhd - A/C Johor Corporation (3rd Party)	28,927,197	2.83
7	Kumpulan Wang Persaraan (Diperbadankan)	20,935,400	2.04
8	RHB Noms (T) Sdn Bhd - A/C Johor Corporation	17,500,000	1.71
9	AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	17,070,593	1.67
10	AmanahRaya Trustees Berhad - A/C Public Islamic Dividend Fund	11,126,310	1.09
11	HSBC Noms (A) Sdn Bhd - A/C TNTC for Mondrian Emerging Markets Small Cap Equity Fund, L.P.	9,901,286	0.97
12	Johor Corporation	8,641,312	0.84
13	HSBC Noms (A) Sdn Bhd - A/C HSBC-FS I for Best Investment Corporation (Deutsche Asia)	7,325,380	0.72
14	AmanahRaya Trustees Berhad - A/C Public Islamic Select Enterprises Fund	6,705,646	0.65
15	AmanahRaya Trustees Berhad - A/C Public Islamic Equity Fund	6,666,636	0.65
16	DB (Malaysia) Nom (A) Sdn Bhd - A/C SSBT Fund W4B3 for Wasatch Emerging Markets Small Cap Fund	6,144,734	0.60
17	HSBC Noms (A) Sdn Bhd - A/C Exempt An for The Bank of New York Mellon (Mellon Acct)	5,741,259	0.56
18	Maybank Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Family PRF EQ)	5,596,916	0.55
19	HSBC Noms (A) Sdn Bhd - A/C Exempt An for Morgan Stanley & Co. LLC (Client)	4,907,618	0.48
20	HSBC Noms (A) Sdn Bhd - A/C BBH and Co Boston for Matthews Asia Small Companies Fund	4,885,493	0.48
21	HSBC Noms (A) Sdn Bhd - A/C Exempt An for JPMorgan Chase Bank, National Association (Norges BK Lend)	4,790,801	0.47
22	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	4,741,025	0.46
23	Citigroup Noms (A) Sdn Bhd - A/C CBNY for DFA Emerging Markets Small Cap Series	4,740,525	0.46
24	HSBC Noms (A) Sdn Bhd - A/C Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)	4,358,026	0.43
25	AmanahRaya Trustees Berhad - A/C Public Islamic Sector Select Fund	4,224,986	0.41

Top Thirty Securities Account Holders
(Without aggregating the securities from different securities accounts belonging to the same depositor) (continued)

	Name	No. of Shares	%
26	Kulim (Malaysia) Berhad	3,595,500	0.35
27	CIMB Commerce Trustee Berhad - A/C Public Focus Select Fund	3,399,666	0.33
28	Zalaraz Sdn Bhd	3,142,800	0.31
29	Maybank Noms (T) Sdn Bhd - A/C Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	2,900,000	0.28
30	DB (Malaysia) Nom (A) Sdn Bhd - A/C SSBT Fund WTAU for Wisdomtree Emerging Markets Smallcap Dividend Fund	2,803,341	0.27

Substantial Shareholders

	Name	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1	Johor Corporation - 4 a/cs	340,037,939	33.21	123,797,773	12.09
2	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board – 2 a/cs	130,502,865	12.75	-	-
3	Lembaga Tabung Haji	106,347,563	10.39	-	-
4	Waqaf An-Nur Corporation Berhad	73,143,909	7.14	-	-

Analysis of Shareholders

		No. of Shareholders	%	No. of Shares	%
Malaysian	- Bumiputra	1,306	22.48	723,866,081	70.70
	- Others	4,310	74.18	201,923,177	19.72
Foreigners		194	3.34	98,094,625	9.58
TOTAL		**5,810**	**100.00**	**1,023,883,883**	**100.00**

Directors' Shareholding as at 30 April 2014

	Name	No. of Shares	%
1	Kamaruzzaman bin Abu Kassim	-	-
2	Amiruddin bin Abdul Satar	6,266	-
3	YB Datin Paduka Siti Sa'diah Sheikh Bakir - 2 a/cs	1,147,124	0.11%
	- Indirect (Amy Nadzlina binti Mohamed)	19,583	-
4	Dr Yoong Fook Ngian	438,666	0.04%
5	Dr Kok Chin Leong	249,100	0.02%
6	Datuk Azzat bin Kamaludin	94,000	0.01%
7	Ahamad bin Mohamad	1,125	-
8	Aminudin bin Dawam	750	-
9	Tan Sri Dato' Dr Yahya bin Awang	-	-
10	Zainah bte Mustafa	-	-
11	Zulkifli bin Ibrahim	-	-

Warrantholdings Statistics

As at 30 April 2014 (KPJWA)

Break down of Warrantholdings

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
Less than 100	358	29.49	11,704	0.18
100 – 1000	358	29.49	289,819	4.49
1,001 – 10,000	396	32.62	1,472,445	22.80
10,001 – 100,000	91	7.50	2,455,306	38.03
100,001 to less than 5% of Issued Capital	9	0.74	1,469,908	22.76
5% and above of Issued Capital	2	0.16	757,850	11.74
TOTAL	**1,214**	**100.00**	**6,457,032**	**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	CimSec Noms (T) Sdn Bhd - A/C CIMB Bank for Mohammed Amin bin Mahmud (MM1004)	427,934	6.63
2	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	329,916	5.11
3	Lee Thian Chai	295,528	4.58
4	Mediqas Sdn Bhd	207,996	3.22
5	Maybank Noms (T) Sdn Bhd - A/C Maybank Trustees Berhad for CIMB-Principal Strategic Bond Fund (290077)	182,353	2.82
6	Ravindran a/l P.M Menon	164,790	2.55
7	Sukhjit Kaur Bhathal	161,762	2.51
8	Joginder Kaur Bhathal	123,879	1.92
9	Fadzli bin Abdullah @ Cheah Kow Chye	112,308	1.74
10	Persatuan Kebajikan Darul Hanan, Johor Bahru, Johor	112,071	1.74
11	Nottath Ramachandran a/l S.Rajamani Iyer	109,221	1.69
12	Maybank Noms (T) Sdn Bhd - A/C Lew Choon Hong	80,539	1.25
13	CimSec Noms (T) Sdn Bhd - A/C CIMB Bank for Rahimah Stephens (MM1078)	75,980	1.18
14	Yahaya bin Hassan	66,483	1.03
15	Chong Kok Chiat	59,417	0.92
16	Ignatius Chirayil a/l A.A Chirayil	58,694	0.91
17	Sappany a/l Arnachalam	52,236	0.81
18	Lee Hau Hian	52,236	0.81
19	Tham Sek Cheong	51,667	0.80
20	Roslan bin Arshad	50,634	0.78
21	Foo Loke Weng	47,488	0.74
22	Lee Kim Siea	45,588	0.71
23	HLB Noms (T) Sdn Bhd - A/C Md Shahrom bin Ujang	41,976	0.65
24	Ooi Tek Kooi	37,990	0.59
25	Abd Wahab Bin Abd Ghani	37,990	0.59
26	Kamil Bin Noordin	37,990	0.59
27	Hari Rajah a/l Selvadurai	37,990	0.59
28	Bajit Kor a/p Teja Singh	37,990	0.59
29	G Ruslan Nazaruddin bin Simanjuntak	37,990	0.59
30	Muhammed Ali Noor bin Muhd Abdul Ghani	37,990	0.59

Warrantholdings
Statistics
As at 30 April 2014 (KPJWA)
(continued)

Substantial Warrantholders

	Name	No. of Warrants	%
1	CimSec Noms (T) Sdn Bhd - A/C CIMB Bank for Mohammed Amin bin Mahmud (MM1004)	427,934	6.63
2	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	329,916	5.11

Analysis of Warrantholders

		No. of Warrantholders	%	No. of Warrants	%
Malaysian	- Bumiputra	332	27.35	2,601,360	40.29
	- Others	858	70.67	3,709,637	57.45
Foreigners		24	1.98	146,035	2.26
TOTAL		**1,214**	**100.00**	**6,457,032**	**100.00**

Directors' Warrantholding as at 30 April 2014

	Name	No. of Warrants	%
1	Kamaruzzaman bin Abu Kassim	-	-
2	Amiruddin bin Abdul Satar	-	-
3	YB Datin Paduka Siti Sa'diah Sheikh Bakir	-	-
4	Dr Yoong Fook Ngian	-	-
5	Dr Kok Chin Leong	-	-
6	Datuk Azzat bin Kamaludin	-	-
7	Ahamad bin Mohamad	132	0.00%
8	Aminudin bin Dawam	10,447	0.16%
9	Tan Sri Dato' Dr Yahya bin Awang	-	-
10	Zainah bte Mustafa	-	-
11	Zulkifli bin Ibrahim	-	-

Warrantholdings Statistics

As at 30 April 2014 (KPJWB)

Break down of Warrantholdings

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
Less than 100	69	2.53	3,593	-
100 – 1000	1,544	56.54	699,629	0.80
1,001 – 10,000	779	28.52	3,286,060	3.77
10,001 – 100,000	293	10.73	8,834,716	10.12
100,001 to less than 5% of Issued Capital	43	1.57	22,727,266	26.04
5% and above of Issued Capital	3	0.11	51,723,388	59.27
TOTAL	**2,731**	**100.00**	**87,274,652**	**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	RHB Noms (T) Sdn Bhd - A/C Johor Corporation (3rd Party)	32,790,394	37.57
2	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	10,508,368	12.04
3	Lembaga Tabung Haji	8,424,626	9.65
4	Kulim (Malaysia) Berhad	4,355,200	4.99
5	Johor Corporation	3,629,100	4.16
6	Waqaf An-Nur Corporation Berhad	1,625,012	1.86
7	Amanahraya Trustees Berhad - A/C Public Islamic Select Treasures Fund	1,412,986	1.62
8	Amanahraya Trustees Berhad - A/C Public Islamic Dividend Fund	946,920	1.08
9	CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank for Liew Jun Kuan (MY0750)	703,000	0.81
10	HSBC Noms (A) Sdn Bhd - A/C TNTC for Mondrian Emerging Markets Small Cap Equity Fund, L.P.	656,372	0.75
11	HSBC Noms (A) Sdn Bhd - A/C Exempt An for JPMorgan Chase Bank, National Association (Norges BK Lend)	645,702	0.74
12	HSBC Noms (A) Sdn Bhd - A/C HSBC-FS I for Best Investment Corporation (Deutsche Asia)	623,436	0.71
13	Amanahraya Trustees Berhad - A/C Public Islamic Select Enterprises Fund	570,692	0.65
14	Amanahraya Trustees Berhad - A/C Public Islamic Equity Fund	567,372	0.65
15	Amanahraya Trustees Berhad - A/C Dana Johor	477,332	0.55
16	Maybank Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Family PRF EQ)	476,332	0.55
17	CIMSec Noms (T) Sdn Bhd - A/C CIMB for Tan Kok Pin @ Kok Khong (PB)	425,000	0.49
18	HSBC Noms (A) Sdn Bhd - A/C BBH and Co Boston for Matthews Asia Small Companies Fund	415,786	0.48
19	HSBC Noms (A) Sdn Bhd - A/C Exempt An for Morgan Stanley & Co. LLC (Client)	405,836	0.47
20	HSBC Noms (A) Sdn Bhd - A/C Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	346,104	0.40
21	HSBC Noms (A) Sdn Bhd - A/C Exempt An for The Bank Of New York Mellon (Mellon Acct)	332,880	0.38
22	Maybank Noms (T) Sdn Bhd - A/C Ng Kow Chai	316,800	0.36
23	Zalaraz Sdn Bhd	300,600	0.34
24	CIMB Commerce Trustee Berhad - A/C Public Focus Select Fund	289,332	0.33
25	Citigroup Noms (A) Sdn Bhd - A/C CBNY for Old Westbury Small & Mid Cap Fund	201,026	0.23
26	Chieng Leh Liew	201,000	0.23
27	Lee Thiam Yew	180,000	0.21
28	Maybank Noms (T) Sdn Bhd - A/C Razali bin Mohammad	173,100	0.20
29	CIMSec Noms (T) Sdn Bhd - A/C CIMB for Ahmad Fuad Bin Md Ali (PB)	171,500	0.20
30	Chue Ching Wen	170,000	0.19

Warrantholdings
Statistics
As at 30 April 2014 (KPJWB)
(continued)

Substantial Warrantholders

	Name	No. of Warrants	%
1	RHB Noms (T) Sdn Bhd - A/C Johor Corporation (3rd Party)	32,790,394	37.57
2	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	10,508,368	12.04
3	Lembaga Tabung Haji	8,424,626	9.65

Analysis of Warrantholders

		No. of Warrantholders	%	No. of Warrants	%
Malaysian	- Bumiputra	710	26.00	62,618,429	71.75
	- Others	1,939	71.00	19,932,811	22.84
Foreigners		82	3.00	4,723,412	5.41
TOTAL		**2,731**	**100.00**	**87,274,652**	**100.00**

Directors' Warrantholding as at 30 April 2014

	Name	No. of Warrants	%
1	Kamaruzzaman bin Abu Kassim	-	-
2	Amiruddin bin Abdul Satar	532	-
3	YB Datin Paduka Siti Sa'diah Sheikh Bakir - 2 a/cs	109,498	0.13%
4	Dr Yoong Fook Ngian	37,332	0.04%
5	Dr Kok Chin Leong	21,200	0.02%
6	Datuk Azzat bin Kamaludin	8,000	0.01%
7	Ahamad bin Mohamad	-	-
8	Aminudin bin Dawam	-	-
9	Tan Sri Dato' Dr Yahya bin Awang	-	-
10	Zainah bte Mustafa	-	-
11	Zulkifli bin Ibrahim	-	-

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 RM449.0 million raised from the Islamic Commercial Papers/Islamic Medium Term Notes Programme have been fully utilised in the following manner:

ICP/IMTN	RM'000
At start of the financial year	349,000
Issued during the financial year for working capital purposes	150,000
At end of financial year	**449,000**

2. **Treasury Shares**
   During the financial year, 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.

3. **Options, Warrants or Convertible Securities**
   During the financial year, 8,448,306 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 RM1.14 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 paid RM186,530 in relations to corporate exercise.

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 11 June 2013, 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 May 2013 to date of next AGM RM'000	Frequency of transactions
Metro Parking (M) Sdn Bhd	Rental Income for renting of land for car park	1,483	Monthly
Teraju Fokus Sdn Bhd	Security services fees payable	3,911	Monthly
HC Duraclean Sdn Bhd	Housekeeping contract fees payable	9,204	Monthly
Pro Corporate Management Services Sdn Bhd	Secretarial and Registrar fees payable	245	Monthly
Healthcare Technical Services Sdn Bhd	Fees payable for Project Management and Maintenance of non-medical equipment	11,164	Contract Basis
TMR Urusharta (M) Sdn Bhd	Fees payable for Project Management and Maintenance of lab premises payable	114	Contract Basis
MIT Insurance Brokers Sdn Bhd	Insurance Coverage	3,757	Contract Basis
		29,878	

Listing of Properties

Location	Description	Market value 2013 (RM million)	Tenure & A Expiry Date	Area (in sq metre)
Tawakal Hospital Lot No. 523, Seksyen 85A, Jalan Pahang Barat, Kuala Lumpur.	Car Park	10.6	Term in Perpetuity	4,048
Kumpulan Perubatan (Johor) Sdn Bhd Unit No. 14-5-1, The Palladium Condominium, Jalan Gurney 2, Kuala Lumpur.	Condominium	0.4	Freehold	114
No. 5 & 7, Persiaran Titiwangsa 3, Kuala Lumpur.	Land	3.9	Term in Perpetuity	981
No. 3 Lorong San Ah Wing, Off Lorong Gurney, Kuala Lumpur.	Land and bungalow	4.4	Term in Perpetuity	1,282
Mukim of Klang District of Klang State of Selangor	Vacant Land	24.5	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	3.2	Leasehold 99 years expiring 2092	1,650
Bangunan Pharmacare, Jalan Pahang Barat, Off Jalan Pahang, Kuala Lumpur.	Office Building	7.8	Term in Perpetuity	1,204
KPJ Damansara Specialist Hospital Lot No. PT 12058, Jalan SS 20/17, Damansara Utama, Petaling Jaya, Selangor.	Vacant Land	1.9	Freehold	945
No. 131, Jalan SS 20/10, Damansara Utama, Petaling Jaya, Selangor.	Land and double storey detached house	2.9	Freehold	916
KPJ Johor Specialist Hospital 24-N & 24-P, Jalan Tarom, Johor Bahru, Johor.	Nurse Hostel	2.0	Freehold	2,027
No. 38B, Jalan Abdul Samad, Johor Bahru, Johor.	Land under development	1.6	Freehold	1,002
Hospital Pusrawi Building No. 19, Jalan USJ 9/3F, Subang Jaya, Petaling Jaya, Selangor.	Clinic and office building	0.5	Freehold	149

Location	Description	Market value 2013 (RM million)	Tenure & A Expiry Date	Area (in sq metre)
Kota Kinabalu Specialist Hospital Lot 1, Lorong Pokok Tepus 1, Kota Kinabalu, Sabah	Vacant Land	1.0	Leasehold 99 years expiring 2073	797
Selangor Specialist Hospital Lot 2, Jalan 18/24, Seksyen 18, Shah Alam, Selangor	Vacant Land	8.0	Leasehold 99 years expiring 2106	15,484
Pasir Gudang Specialist Hospital Lot PTD 204781, Mukim Plentong, Johor Bahru, Johor.	Land and building	55.7	Leasehold 99 years expiring 2053	13,142
Maharani Specialist Hospital Building Lot 2024, Bandar Maharani, Muar Johor.	Land and building under development	54.9	Freehold	6,944

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE TWENTY FIRST (21ST) ANNUAL GENERAL MEETING ("AGM") OF KPJ HEALTHCARE BERHAD ("KPJ" OR THE "COMPANY") WILL BE HELD AT THE PERMATA BALLROOM, LEVEL B2, THE PUTERI PACIFIC HOTEL, JALAN ABDULLAH IBRAHIM, 80000 JOHOR BAHRU, JOHOR, ON TUESDAY 10 JUNE 2014 AT 12.00 NOON 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 2013 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) Amiruddin Abdul Satar (Article 96) **(Resolution 2)**
   (ii) Datuk Azzat Kamaludin (Article 96) **(Resolution 3)**
   (iii) Tan Sri Dato' Dr Yahya Awang (Article 97) **(Resolution 4)**
   (iv) Zulkifli Ibrahim (Article 97) **(Resolution 5)**
   (v) Aminudin Dawam (Article 97) **(Resolution 6)**

3. To consider, and if thought fit, to pass the following resolutions pursuant to Section 129(6) of the Companies Act 1965:-
   (i) "That Dr Yoong Fook Ngian, who is above the age of seventy (70), be and is hereby re-appointed as Director and to hold office until the next AGM of the Company." **(Resolution 7)**

4. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2013. **(Resolution 8)**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**

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 DIRECTOR

   "**THAT**, subject to the passing of Resolution 3, 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 of the Company 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 for the time being 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; or
    (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)

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 19 May 2014 ("Circular") with the Related Parties as described in 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 21st 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 2014. Depositors whose names appear on the ROD as at 3 June 2014 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 :19 May 2014

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 18, Lot 1B, Podium 1, 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 Resolution 10 if passed, will enable Datuk Azzat Kamaludin to continue to act as Independent Director notwithstanding that he had served the Board as Independent Non-Executive Director for a term of more than 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 Datuk Azzat's length of service does not interfere with the exercise of independent judgment and ability to act in the best interests of the shareholders. In addition, the Board believes that his detailed knowledge of the Group's business and his proven commitment, experience and competence will greatly benefit the Company. The Director concerned had declared his independence and his desire to continue as Independent Non-Executive Director 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 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 RM14,362,000.00
    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 19 May 2014 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) Amiruddin Abdul Satar (Article 96)
   (ii) Datuk Azzat Kamaludin (Article 96)

2. The Directors who are retiring pursuant to Article 97 of the Company's Articles of Association are as follows:-
   (iii) Tan Sri Dato' Dr Yahya Awang (Article 97)
   (iv) Zulkifli Ibrahim (Article 97)
   (v) Aminudin Dawam (Article 97)

3. The Directors who are standing for re-appointment under Section 129(6) of the Companies Act, 1965 are:-
   (vi) Dr Yoong Fook Ngian

4. A total of six (6) Board Meetings were held during the financial year ended 31 December 2013. Details of attendance of Directors at Board Meetings held during the financial year ended 31 December 2013 are as follows:-

	4 March 2013	20 May 2013	11 June 2013	26 July 2013	30 Sept 2013	28 Nov 2013
Non-Independent Non-Executive Director						
Dato' Kamaruzzaman Abu Kassim	√	√	√	√	√	√
Ahamad Mohamad	√	√	√	√	√	√
Rozan Mohd Sa'at	√	√	√	√	√	√
Abdul Razak Haron	√	√	√	√	-	-
Non-Independent Non-Executive Director/Corporate Advisor						
Datin Paduka Siti Sa'diah Sheikh Bakir	√	√	√	√	√	√
Independent Non-Executive Directors						
Zainah Mustafa	√	√	√	√	√	X
Datuk Azzat Kamaludin	X	√	√	√	√	X
Datuk Dr Hussein Awang	√	√	X	-	-	-
Tan Sri Dato Dr Yahya Awang	-	-	-	√	√	√
Dr Kok Chin Leong	√	√	√	√	√	√
Dr Yoong Fook Ngian	√	√	√	√	X	√
Executive/Managing Director						
Amiruddin Abdul Satar	√	√	√	√	√	√

Date of Meeting	Description	Venue
4 March 2013	70th Board Of Directors Meeting	KPJ Johor Specialist Hospital, Johor
20 May 2013	71st Board Of Directors Meeting	Pasir Gudang Specialist Hospital, Johor
11 June 2013	Special Board of Directors Meeting	Persada Johor, Johor
26 July 2013	Special Board of Directors Meeting	Menara 238, Kuala Lumpur
30 September 2013	72nd Board Of Directors Meeting	Persada Johor, Johor
28 November 2013	73rd Board Of Directors Meeting	KPJ Johor Specialist Hospital, Johor

5. Particulars of Directors seeking re-election at the Annual General Meeting are set out in the Directors' Profile appearing in pages 42 - 52 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 Twenty First (21st) Annual General Meeting of the Company to be held at the Permata Ballroom, Level B2, The Puteri Pacific Hotel, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on Tuesday 10 June 2014 at 12.00 noon 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	AMIRUDDIN ABDUL SATAR		
3	DATUK AZZAT KAMALUDIN		
4	TAN SRI DATO' DR YAHYA AWANG		
5	ZULKIFLI IBRAHIM		
6	AMINUDIN DAWAM		
	TO RE-APPOINT :		
7	DR YOONG FOOK NGIAN		
8	TO APPROVE DIRECTORS' FEE		
9	TO RE-APPOINT AUDITORS		
	ANY OTHER BUSINESS		
10	**PROPOSED DIRECTOR TO CONTINUE AS INDEPENDENT NON-EXECUTIVE DIRECTOR:** DATUK AZZAT KAMALUDIN		
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 ______________ 2014

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 18, Lot 1B, Podium 1, 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 18, Lot 1B
Podium 1
Menara Ansar
65 Jalan Trus
80000 Johor Bahru
Johor

1st fold here