



KPJ HEALTHCARE BERHAD
(247079-M)

Advancing Continuous Caring

Annual Report 2009

What drives **KPJ**?

The common needs of people to sustain their health and well-being are the very factors that drive KPJ to keep making advancements in providing continuous patient care, generating innovative measures in its positioning and branding Groupwide.



For the last 28 years, KPJ has touched the lives of many people by providing the best of healthcare services. KPJ has cared for the first and second generations and wants to care for the next generations for many more years to come. The relationship with patients have been built on trust and this is the very essence for everything KPJ does. This is well embedded in KPJ's BUSINESS JIHAD philosophy:

- **Integrity**
- **Uprightness**
- **Community spirit**

KPJ's spirit of Jihad, which is adherence to right conduct and ethics to achieve business excellence, and always giving its best back to the community and society that have nurtured it, has inspired trust and accountability. Being accountable involves obtaining deep insights into the health concerns of people who put their trust in KPJ to provide effective healthcare solutions. KPJ is also able to tap on its resources to deliver its services safely while fulfilling the needs and expectations of its patients.

Additionally, KPJ's actions are guided by its own CORE VALUES:

- **Ensuring SAFETY**
- **Delivering service with COURTESY**
- **Performing duties with INTEGRITY**
- **Exercising PROFESSIONALISM at all times**
- **Striving for CONTINUOUS IMPROVEMENT**

These core values underpin KPJ's CORPORATE MISSION:

"Delivering quality healthcare services to our customers"

With the firm commitment of its team that comprises professional managers, doctors, nurses, support staff and stakeholders to carry out this key mission, KPJ is able to focus on achieving its CORPORATE VISION of becoming...

"The preferred provider in healthcare services"

All KPJ hospitals have this similar commitment, and thus together the Group has contributed towards the well-being of society by continuously embracing its culture of safety and quality as well as advancing KPJ's legacy of:

- **Warmth and Caring**
- **Wellness and Healing**

KPJ remains wholly committed to the values that have made it what it is today:

"A leader in healthcare management and services"

This is not mere rhetoric. The many major milestones, awards and accolades as well as certifications and accreditation status KPJ has received over the years are testimony to its success and leading position. A major breakthrough in 2009 was when KPJ made it for the first time onto the list of MALAYSIA'S TOP 100 COMPANIES, based on its market capitalisation reaching up to more than RM1.3 billion. The most defining recognition of all was when KPJ's Managing Director and CEO, Datin Paduka Siti Sa'diah Sheikh Bakir, was awarded Malaysia's CEO of the Year for 2009, which was presented by Malaysia's Prime Minister, Dato' Sri Mohd Najib Tun Abdul Razak, at a ceremony on 12 March 2010.

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Advancing Continuous Caring

At KPJ, people matter, regardless of their age, status or creed. KPJ's team of personnel aims to bring smiles to patients' faces and happiness in their hearts with genuine care, concern and a desire to give the best healthcare services. KPJ has touched the lives of many who have entered its doors to seek treatment and medical advice, ultimately enhancing their health and well-being. The culture of trust, safety and quality that KPJ has built over the years extends beyond the individual to reach the communities throughout the nation. As the Group advances with its legacy of providing continuous care from generation to generation, KPJ will be growing from strength to strength, allowing it to make a difference with the KPJ BRAND OF SERVICE EXCELLENCE, wherever it goes.

Corporate Profile

Excellence is A Journey

KPJ Healthcare Berhad (KPJ), a healthcare division of Johor Corporation (JCorp), continues to strive towards service excellence so as to maintain its position as a leader in Malaysia's challenging healthcare service industry. Since the establishment of its first hospital in 1981, KPJ has grown to be the country's largest healthcare provider focusing on hospital management and offering a comprehensive range of medical services.

As the first healthcare provider listed on the Main Board of the then Kuala Lumpur Stock Exchange in 1994, KPJ has progressed rapidly, including achieving more than RM1.0 billion revenue since 2007, and being among Malaysia's Top 100 Companies with a market cap of more than RM1.3 billion as at December 2009.

Standing firmly behind its corporate vision, "The Preferred Provider in Healthcare Services", KPJ continuously seeks to have presence in new territories and explore opportunities to stay ahead of its competitors. KPJ's achievements and commendable performance are largely the

result of its firm corporate philosophy of inspiring excellence, harnessing strategic synergy and instilling high integrity and entrepreneurial spirit to be at the forefront of national and international healthcare delivery and development.

This commitment is further strengthened through its corporate mission, "Deliver Quality Healthcare Services to Our Customers", in line with its five core values: Safety, Courtesy, Integrity, Professionalism and Continuous Improvement.

KPJ's extensive network now includes 21 private specialist hospitals consisting of 19 in Malaysia and 2 in Indonesia. It has 680 medical consultants and a total of 6,978 staff members (consisting of 4,396 nursing and allied health personnel and 2,582 support staff) who had served more than 2 million patients in 2009 alone. KPJ has also reached out to more than 500,000 needy patients through 12 charity clinics and 1 charity hospital under the Waqaf An'Nur initiative.



Corporate Information

REGISTERED OFFICE

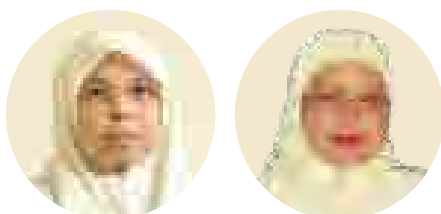
Level 2, Persada Johor International Convention Centre,
Jalan Abdullah Ibrahim,
80000 Johor Bahru, Johor.
Tel: (607) 219 2692
Fax: (607) 223 3175
Email: pdnjohor@jcorp.com.my

CORPORATE OFFICE

7, Persiaran Titiwangsa 3,
53200 Kuala Lumpur,
Wilayah Persekutuan.
Tel: (603) 4022 6222
Fax: (603) 4022 7237
Email: kpj@kpjhealth.com.my

COMPANY SECRETARIES

- * Salmah Abd Wahab (LS 02140)
- * Rohaya Jaafar (LS 08376)



REGISTRAR

PRO CORPORATE MANAGEMENT
SERVICES SDN BHD
Suite 2, 17th Floor, KOMTAR,
Jalan Wong Ah Fook,
80000 Johor Bahru, Johor.
Postal Address: KB No 735, 80990
Johor Bahru, Johor
Tel: (607) 222 5044 / 222 4044
Fax: (607) 222 3044

AUDITOR

PRICEWATERHOUSECOOPERS
Level 10, 1 Sentral, Jalan Travers,
Kuala Lumpur Sentral,
P.O. Box 10192,
50706 Kuala Lumpur,
Wilayah Persekutuan.

PRINCIPAL BANKERS

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

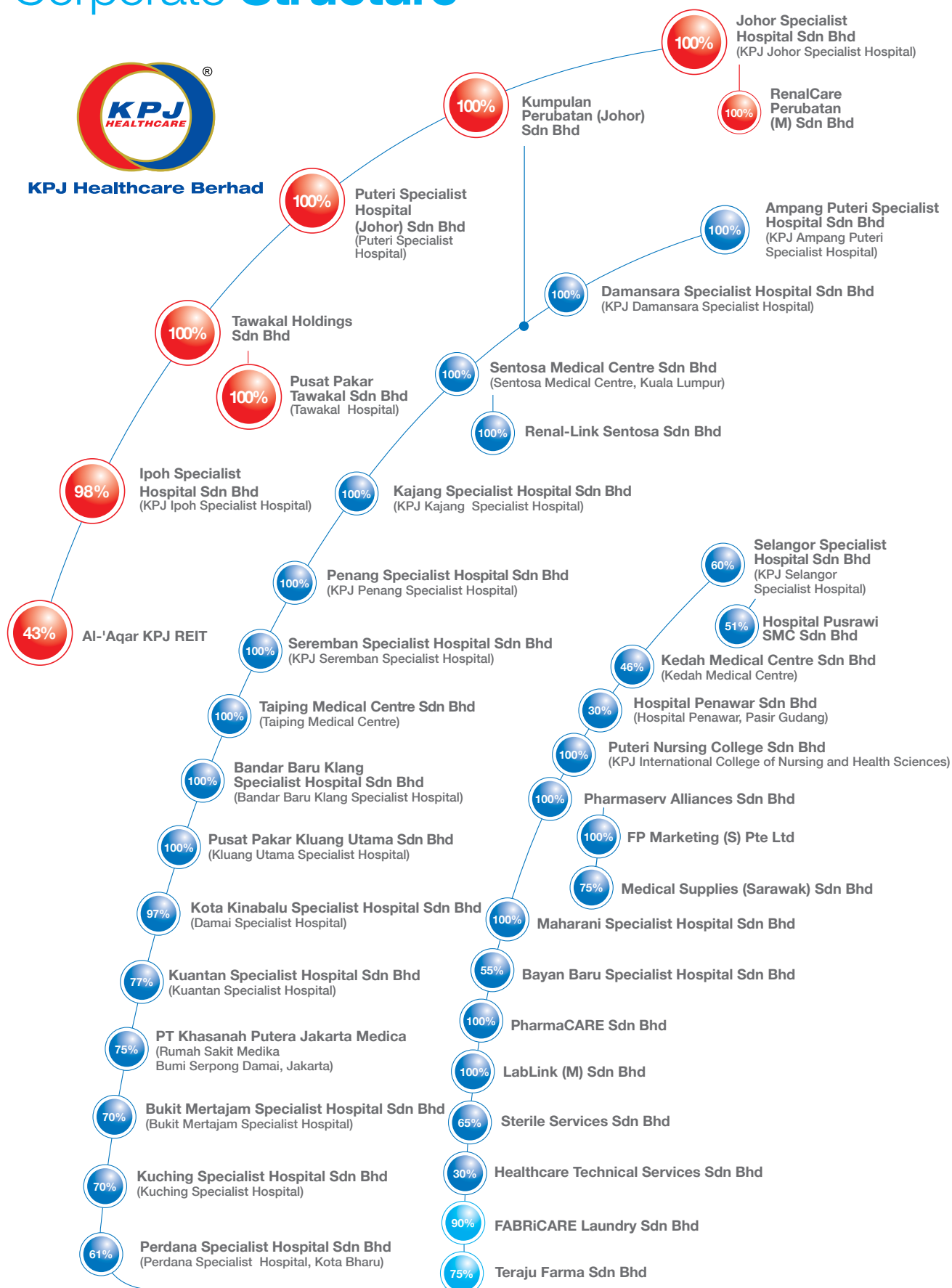
CIMB Bank Berhad
Ground Floor, No 338, Bangunan AMAL,
Jalan Tuanku Abdul Rahman,
50100 Kuala Lumpur,
Wilayah Persekutuan.

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

STOCK EXCHANGE LISTING

BURSA MALAYSIA SECURITIES BERHAD
Main Market
(Since 29 November 1994)

Corporate Structure



KPJ's Network of Hospitals

MALAYSIA

HOSPITALS ACCREDITED BY MALAYSIAN SOCIETY FOR QUALITY IN HEALTH (MSQH)



KPJ JOHOR SPECIALIST HOSPITAL

Website: www.jsh.kpjhealth.com.my
Email: jsh@jsh.kpjhealth.com.my



KPJ IPOH SPECIALIST HOSPITAL

Website: www.ish.kpjhealth.com.my
Email: ish@ish.kpjhealth.com.my



KPJ DAMANSARA SPECIALIST HOSPITAL

Website: www.dsh.kpjhealth.com.my
Email: dsh@dsh.kpjhealth.com.my



KPJ AMPANG PUTERI SPECIALIST HOSPITAL

Website: www.apsh.kpjhealth.com.my
Email: apsh@apsh.kpjhealth.com.my



KPJ SEREMBAN SPECIALIST HOSPITAL

Website: www.ssh.kpjhealth.com.my
Email: ssh@ssh.kpjhealth.com.my



KPJ SELANGOR SPECIALIST HOSPITAL

Website: www.kpjselangor.kpjhealth.com.my
Email: kpjselangor@kpjselangor.kpjhealth.com.my

HEALTHCARE RELATED COMPANIES

KPJ INTERNATIONAL COLLEGE OF NURSING AND HEALTH SCIENCES

Email: pnc@kpjic.edu.my
Website: www.kpjic.edu.my

LABLINK (M) SDN BHD

Email: lablink@lablink.com.my
Website: www.lablink.com.my

PHARMASERV ALLIANCES SDN BHD

Email: pasb@pasb.kpjhealth.com.my
Website: www.pasb.kpjhealth.com.my

HEALTHCARE TECHNICAL SERVICES SDN BHD

Email: htssb@tm.net.my
Website: www.hts.kpjhealth.com.my

INTRAPRENEUR COMPANIES

TERAJU FARMA SDN BHD

Tel: (603) 7874 4212
Fax: (603) 7874 4126

FABRICARE LAUNDRY SDN BHD

Tel: (607) 232 7231/3
Fax: (607) 232 7235

HEAD OFFICE

KPJ HEALTHCARE BERHAD (Company No: 247079 M)

7, Persiaran Titiwangsa 3, 53200 Kuala Lumpur.

Tel: (603) 4022 6222 Fax: (603) 4022 7237/4024 4812

Email: kpj@kpjhealth.com.my Website: www.kpjhealth.com.my

MOVING TOWARDS ACCREDITATION



PERDANA SPECIALIST HOSPITAL

Website: www.perdana.kpjhealth.com.my
Email: perdana@perdana.kpjhealth.com.my



KPJ KAJANG SPECIALIST HOSPITAL

Website: www.kpj Kajang.kpjhealth.com.my
Email: kpj Kajang@kpj Kajang.kpjhealth.com.my



KPJ PENANG SPECIALIST HOSPITAL

Website: www.kpjpenang.kpjhealth.com.my
Email: kpjpenang@kpjpenang.kpjhealth.com.my



KEDAH MEDICAL CENTRE

Website: www.kmc.kpjhealth.com.my
Email: kmc@kedahmedical.com.my



TAWAKAL HOSPITAL

Website: www.tawakal.kpjhealth.com.my
Email: tawakal@tawakal.kpjhealth.com.my



PUTERI SPECIALIST HOSPITAL

Website: www.psh.kpjhealth.com.my
Email: psh@psh.kpjhealth.com.my



KUANTAN SPECIALIST HOSPITAL

Website: www.ksh.kpjhealth.com.my
Email: ksh@ksh.kpjhealth.com.my



TAIPING MEDICAL CENTRE

Website: www.tmc.kpjhealth.com.my
Email: tmc@tmc.kpjhealth.com.my



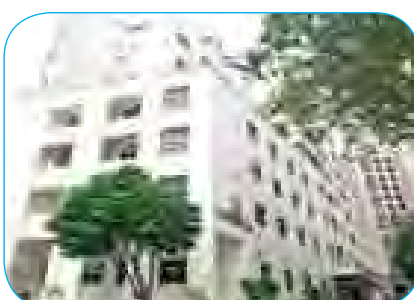
DAMAI SPECIALIST HOSPITAL

Website: www.dsc.kpjhealth.com.my
Email: dsc@dsc.kpjhealth.com.my



KUCHING SPECIALIST HOSPITAL

Website: www.kcsh.kpjhealth.com.my
Email: kcsh@kcsh.kpjhealth.com.my



SENTOSA MEDICAL CENTRE

Website: www.sentosa.kpjhealth.com.my
Email: sentosa@sentosa.kpjhealth.com.my



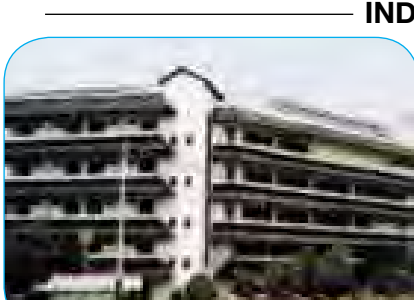
KLANG UTAMA SPECIALIST HOSPITAL

Email: utamaklu@streamyx.com



BUKIT MERTAJAM SPECIALIST HOSPITAL

Website: www.bmsh.kpjhealth.com.my
Email: bmsh@bmsh.kpjhealth.com.my



RS MEDIKA PERMATA HIJAU

Website: www.rsmph.co.id



RS BUMI SERPONG DAMAI

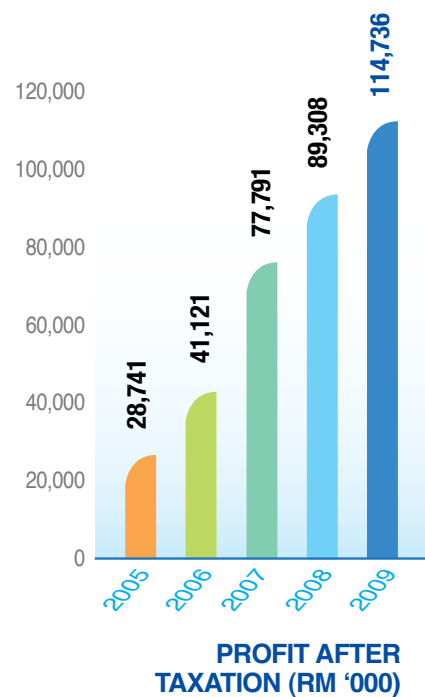
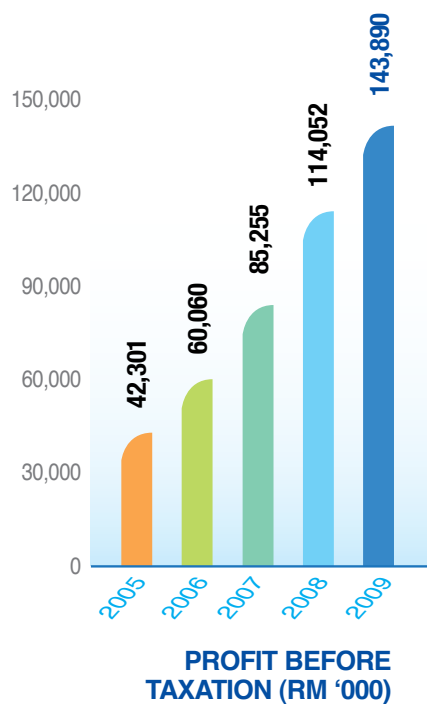
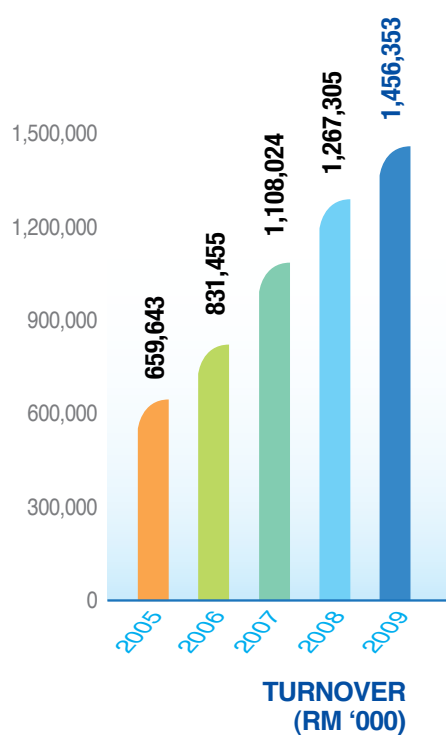
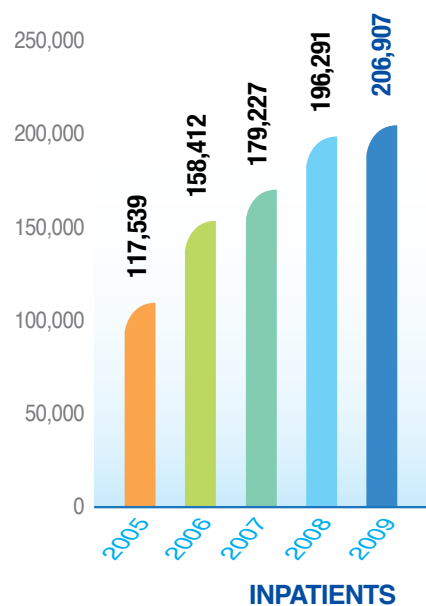
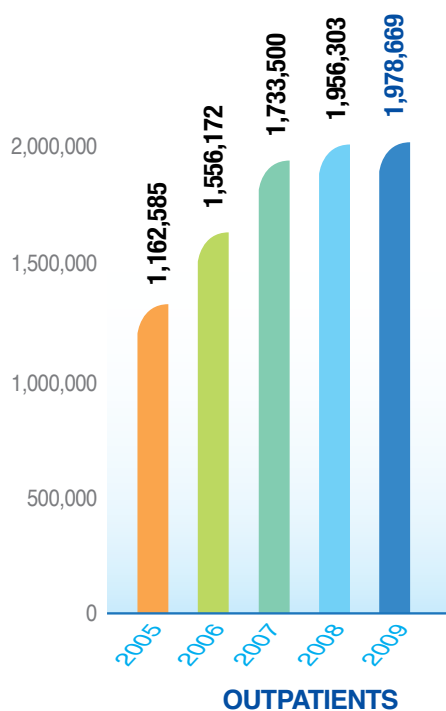
Website: www.rs-medikabsd.co.id

INDONESIA

Key Performance Statistics

Year	2005	2006	2007	2008	2009
No. of Hospitals in Malaysia	15	17	17	19	19
Outpatients	1,162,585	1,556,172	1,733,500	1,956,303	1,978,669
Inpatients	117,539	158,412	179,227	196,291	206,907
Turnover (RM'000)	659,643	831,455	1,108,024	1,267,305	1,456,353
Profit Before Taxation (RM'000)	42,301	60,060	85,255	114,052	143,890
Profit After Taxation (RM'000)	28,741	41,121	77,791	89,308	114,736
Net Profit Attributable to Equity Holders (RM'000)	32,657	40,962	74,237	85,644	110,880
Earnings per Share (sen)	16.25	20.30	36.02	41.41	53.35
Dividend Rate (%)	11	14	20	38	20
Share Capital (RM'000)	201,050	203,999	207,745	209,461	211,051
Shareholders' Fund (RM'000)	410,292	442,590	508,828	581,041	632,011
Net Tangible Assets (RM'000)	343,536	342,068	398,877	470,797	516,420
Economic Value Added (RM Million)	5.6	9.1	23.4	43.2	52.2





Achievements: Awards & Recognition



A memorable moment for Datin Paduka Siti Sa diah Sheikh Bakir who was awarded Malaysia's CEO of the Year 2009



ASEAN Business Award 2008/2009 for CSR category



NAfMA Certificate of Merit (National Award for Management Accounting 2009)



KPJ Johor Specialist Hospital receiving its accreditation from MSQH for the third consecutive year



CEO MSQH handing over the Accreditation Certificate to KPJ Seremban Specialist Hospital



Some of the awards and certificates received in 2009



Health Industry Recognition Award by Ministry of Health



Asia Pacific Super Excellent Brand Award 2009



Libur Best Medical Tourism Programme



Malaysia Independence Award 1957

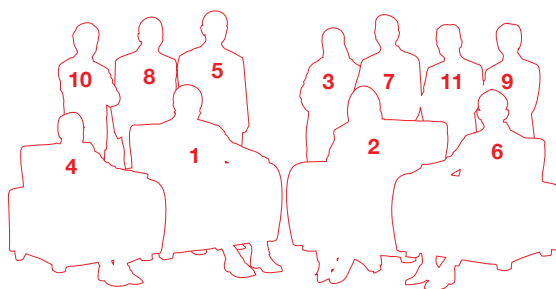


MyBranded Service Award 2009



Malaysia HR Award for HR Excellence Category (Bronze)

Leadership for Excellence



CHAIRMAN

❶ Tan Sri Dato' Muhammad Ali Hashim

MANAGING DIRECTOR

❷ Datin Paduka Siti Sa'diah Sheikh Bakir

Board of Directors



BOARD MEMBERS

- | | | |
|---|--|---|
| 3 Zainah Mustafa
<i>Independent Non-Executive Director</i> | 6 Tan Sri Dato' Dr
Abu Bakar Suleiman
<i>Independent Non-Executive Director</i> | 9 Dr Yoong Fook Ngian
<i>Independent Non-Executive Director</i> |
| 4 Tan Sri Datuk Arshad Ayub
<i>Independent Non-Executive Director</i> | 7 Datuk Azzat Kamaludin
<i>Independent Non-Executive Director</i> | 10 Dr Kok Chin Leong
<i>Independent Non-Executive Director</i> |
| 5 Datuk Dr Hussein Awang
<i>Independent Non-Executive Director</i> | 8 Ahamad Mohamad
<i>Non-Independent Non-Executive Director</i> | 11 Rozan Mohd Sa'at
<i>Non-Independent Non-Executive Director</i> |



TAN SRI DATO' MUHAMMAD ALI HASHIM

Aged 63, Tan Sri Dato' Muhammad Ali Hashim was appointed the Non-Independent Non-Executive Chairman of KPJ Healthcare Berhad (KPJ) on 15 September 1993. Tan Sri is the President and CEO of Johor Corporation (JCorp), the ultimate holding company of KPJ, and has held that position since January 1982.

He graduated from the University of Malaya with a Bachelor of Economics (Honours) Degree in 1969 and participated in the Senior Executive Programme, Stanford University, United States of America, in 1985. Tan Sri was conferred the Honorary Doctorate of Management by Universiti Teknologi Malaysia on 19 August 2000; Honorary Doctorate in Entrepreneurship by Universiti Teknologi MARA on 24 May 2007; and Honorary Doctorate in Technology Management by Universiti Tun Hussein Onn Malaysia on 2 September 2007. Most recently in 2010, Tan Sri was accorded the Honorary Doctorate (Entrepreneurship) by Universiti Utara Malaysia.

Tan Sri's tenacity, business acumen and entrepreneurial leadership has enabled JCorp to grow into one of Malaysia's leading conglomerates with more than 280 companies, 7 of which are listed on Bursa Malaysia and another on the London Stock Exchange. Market capitalisation of JCorp's portion of PLC shares stood at RM10.4 billion at the end of 2009. This highly diversified Group offers meaningful career opportunities to more than 50,000 employees.

As President and CEO of JCorp Group, Tan Sri has also successfully steered the Group through extreme business challenges, especially when the JCorp Group was hit hard by the 1997 Asian Financial Crisis. In 2006 – 2007, JCorp, through Kulim (Malaysia) Berhad, acquired two PLCs namely QSR Brands Bhd and KFC Holdings (Malaysia) Bhd, overcoming a protracted hostile challenge. This had led to the exercise becoming one of Malaysia's landmark corporate acquisitions.

JCorp has also successfully managed Malaysia's one and only 'market-driven' local authority, namely the Pasir Gudang Local Authority now known as Pasir Gudang Municipal Council (PGMC), with Tan Sri as President with mayorial responsibilities from January 1982 to July 2008. JCorp was the single most important agency responsible for Pasir Gudang's development into one of Malaysia's vibrant and dynamic industrial townships. PGMC made history by becoming the first business-driven local authority in Malaysia to issue a Mudharabah Bond rated triple 'A' by Rating Agency Malaysia Berhad. After 32 years, JCorp has since ceased to manage the Pasir Gudang township.

Tan Sri is the Chairman of Kulim (Malaysia) Berhad, QSR Brands Bhd, KFC Holdings (Malaysia) Bhd, Sindora Berhad and Damansara Realty Berhad, which are JCorp's subsidiaries listed on the Main Board of Bursa Malaysia. Tan Sri is also active as a Council Member of the Malaysian Industrial Development Authority, President of the Malaysian Kite Council, President of Malaysian Yachting Association, Vice-President of the Malaysian Islamic Chamber of Commerce (MICC), Chairman of the MICC Corporate Bureau, and Chairman of Waqaf An-Nur Corporation Berhad, an Islamic endowment institution that spearheads JCorp Group's Corporate Responsibility programmes, including the unique Corporate Waqaf Concept initiated by JCorp.

Directors' Profile



DATIN PADUKA SITI SA DIAH SHEIKH BAKIR

Aged 57, Datin Paduka Siti Sa'diah Sheikh Bakir has served as the Managing Director of KPJ Healthcare Berhad (KPJ) since 1 March 1993. She graduated with a Bachelor of Economics degree from the University of Malaya in 1974 and holds an MBA from Henley Management College, London, United Kingdom.

Datin Paduka began her career with Johor Corporation (JCorp) in 1974 and has been directly involved with JCorp's Healthcare Division since 1978. She held the post of Chief Executive of Kumpulan Perubatan (Johor) Sdn Bhd from 1989 until the listing of KPJ in November 1994.

She currently sits as the Chairman of various companies and hospitals in the KPJ Group. She is also a Director of Kulim (Malaysia) Berhad, KFC Holdings (Malaysia) Bhd, QSR Brands Bhd, Puteri Hotels Sdn Bhd as well as a Director of Waqaf An-Nur Corporation Berhad, a non-governmental organisation dedicated to the provision of healthcare services to the less fortunate.

Committed to promoting excellence in healthcare, Datin Paduka is the President of the Malaysian Society for Quality in Health, elected since its inception in 1997 to date.

Datin Paduka is also a Board member of MATRADE since 1999, a member of the Malaysia Productivity Council Consultative Panel on Healthcare since 2001, and a member of the National Patient Safety Council, Ministry of Health (MOH) since 2003.

Datin Paduka is an Independent Non-Executive Director of Bursa Malaysia, elected since 2004. In 2009, Datin Paduka was appointed as a member of the Malaysian Healthcare Travel Council, under the MOH.

On 12 March 2010, Datin Paduka was named the CEO of the Year 2009 by the New Straits Times Press and American Express. The award was presented by YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak, the Prime Minister of Malaysia.



ZAINAH MUSTAFA

Aged 56, Zainah has served as a Director of KPJ since 21 February 1994 and is also a member of the KPJ Audit Committee. She has been an Independent Non-Executive Director since 1 December 2004. She also sits on the board of four other companies in the JCorp Group of Companies namely Damansara Realty Berhad, Puteri Hotels Sdn Bhd, 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 (now UiTM). She obtained her accounting qualification from the Association of Chartered Certified Accountants United Kingdom in 1976. She joined JCorp in October 1978 and rose through the ranks to become the Group Chief Financial Officer before retiring on 31 October 2002.



TAN SRI DATUK ARSHAD AYUB

Aged 82, Tan Sri Datuk Arshad Ayub was appointed to the Board of KPJ on 1 September 1994. He is currently an Independent Non-Executive Director and Chairman of the Audit Committee of KPJ.

Tan Sri graduated with a Diploma in Agriculture in 1954 from Serdang Agricultural College, Selangor, and a Bachelor of Science (Honours) in Economics and Statistics in 1958 from University College of Wales Aberystwyth, United Kingdom. He graduated with a post-graduate Diploma in Business Administration from IMEDE, now IMD Lausanne, Switzerland.

He has had a distinguished career in the Malaysian Civil Service, serving as Deputy Governor of Bank Negara Malaysia (1975 – 1977), Deputy Director General in the Economics Planning Unit of the Prime Minister's Department (1977 – 1978) and as Secretary General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979 – 1981) and Ministry of Land and Regional Development (1981 – 1983).

He also holds directorships in Kulim (Malaysia) Berhad, Sindora Berhad, LBI Capital Berhad, Tomypak Holdings Berhad, Top Glove Corporation Berhad, and Malayan Flour Mills Berhad. Tan Sri is the Chairman and/or director of several other non-listed companies including Bata Sdn Bhd, CSR Building Materials Sdn Bhd, Pelaburan Johor Berhad, Bistari Johor Berhad, PFM Capital Holdings Sdn Bhd, AmanahRaya JMF Asset Management Sdn Bhd, Land Rover (M) Sdn Bhd, Sato Amoy Sdn Bhd, Johmewah Maju Paper Mills Sdn Bhd, Nakagawa Rubber Industries Sdn Bhd and Zalaraz Sdn Bhd.

He is currently the President of the Malaysian Rubber Products Manufacturers Association. He is the Chairman of the Board of Directors of University of Malaya and PINTAR Board of Trustees, Governor of Tuanku Jaafar College, member of Board of Cooperative College of Malaysia, Tun Razak Foundation, Pak Rashid Foundation, Lung Foundation of Malaysia, Malaysian Malay Businessmen and Industrialists Association, Pro Chancellor of UiTM and Patron of Yayasan Arshad Ayub.



DATUK DR HUSSEIN AWANG

Aged 70, Datuk Dr Hussein Awang was appointed to the Board of KPJ on 21 February 1994 and was appointed as a member of the Audit Committee on 12 December 2005.

He received his Bachelor of Medicine and Bachelor of Surgery (MBBS) in 1964 from University of Melbourne, Australia. He was made a Fellow of the Australasian College of Surgeons in 1972. He was the Senior Consultant Urological Surgeon and Head of Department of Urology, General Hospital, Kuala Lumpur, from 1976 to 1984. He was also the Honorary Professor of Surgery (Urology), Department of Surgery, Universiti Kebangsaan Malaysia, Selangor, from 1978 to May 1984. Datuk is a Foundation Fellow of the Academy of Science Malaysia.

He is currently the Consultant Urological Surgeon and Medical Director at Hospital Tawakal, a position he has held since May 1984.

His directorships in other public listed companies include Hong Leong Islamic Bank Berhad and Hong Leong Assurance Berhad.

Directors' Profile



TAN SRI DATO' DR ABU BAKAR SULEIMAN

Aged 66, Tan Sri Dato' Dr Abu Bakar Suleiman was appointed to the Board of KPJ on 15 March 2001. He is currently an Independent Non-Executive Director of KPJ. He is also the Chairman of CCM Duopharma Biotech Berhad and is on the Board of Chemical Corporation of Malaysia Berhad.

A medical practitioner by profession, he obtained his Bachelor of Medicine and Bachelor of Surgery from Monash University, Australia in 1968 and a Master of Medicine from University of Singapore in 1974. He is a member of the Royal Australasian College of Physicians and an Honorary Fellow of the American College of Physicians.

He began his career as a Medical Officer with the Ministry of Health in 1969 and subsequently completed training in Internal Medicine before he became a Consultant Physician with the Department of Nephrology of Hospital Kuala Lumpur.

In 1975, he served as Visiting Fellow to the Division of Nephrology of Georgetown University Hospital, Washington DC as well as Prince Henry's Hospital of Melbourne, Australia. In 1976, he returned to be the Consultant Nephrologist and Head of The Department of Nephrology of Hospital Kuala Lumpur. In 1987, he held the position of Director of Medical Services of the Ministry of Health and became Deputy Director General of Health in 1989 before rising to the rank of Director General of Health of the Ministry in 1991 to 2001. He attended the advanced management course in Harvard Business School in 1991. Upon his official retirement, he was appointed the President of the International Medical University.

Tan Sri is also currently the President of the Malaysian Health Informatics Association, President of the National Kidney Foundation, Chairman of the Consultative Panel on Healthcare, Malaysia Productivity Corporation, Chairman of the Ministry of Health Committee on Living Unrelated Donor Transplantation, a Member of the National Health Welfare Fund and a Committee Member of the Malaysia-Indonesia Business Council.

He is also currently the Chairman of the Medical Advisory Committee of KPJ.



DATUK AZZAT KAMALUDIN

Aged 64, Datuk Azzat Kamaludin was appointed to the Board of Directors of KPJ on 1 September 1994. He is currently an Independent Non-Executive Director and also a member of the Audit Committee of KPJ.

A lawyer by training, he was admitted as an advocate and solicitor of the High Court in 1979 and has been in practice since then as partner of Azzat and Izzat, a law firm. Prior to that, from 1970 to 1979, he served as an administrative and diplomatic officer with the Ministry of Foreign Affairs. He currently serves as a director of several public-listed companies, namely, Visdynamics Holdings Berhad, Affin Holdings Berhad, Pulau Springs Berhad, Boustead Holdings Berhad, BHIC Berhad and Axiata Group Berhad.



AHAMAD MOHAMAD

Aged 56, Ahamad Mohamad was appointed to the Board of KPJ on 1 January 2005. He is currently a Non-Independent and Non-Executive Director of KPJ.

He graduated with a Bachelor of Economics (Honours) degree in 1976 from the University of Malaya. He joined JCorp in 1976 as 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 the Palm Oil Division of JCorp. He is currently the Managing Director of Kulim (Malaysia) Berhad, Deputy Chairman of QSR Brands Bhd and KFC Holdings (Malaysia) Bhd, a director of New Britain Palm Oil Limited (Papua New Guinea) as well as several other companies within the JCorp Group.



DR YOONG FOOK NGIAN

Aged 68, Dr Yoong Fook Ngian 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 and a member of the Medical Advisory Committee and Chairman of the Clinical Governance Action Committee of KPJ.

He received his Bachelor of Medicine and Bachelor of Surgery from the 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. During this period, he worked as a Medical Officer in the field of Anaesthesiology, Accident and Emergency Medicine, General Surgery and as Registrar in Ear, Nose and Throat (ENT) Surgery. He left for Britain in 1970 for further training in ENT Surgery.

In 1972, he established the ENT Department in Hospital Ipoh. His last posting with the Ministry of Health was as Head of ENT Surgery in General Hospital Kuala Lumpur before venturing into private practice in 1975. In private practice, he was ENT Consultant at Our Lady's Hospital in Ipoh from 1975 to 1982. He has been Resident ENT Consultant in KPJ Ipoh Specialist Hospital since 1983 and is one of its founding-doctors. He had been the Medical Director of KPJ Ipoh Specialist Hospital from 1994 until December 2006.

He is a Life Member of the Malaysian Medical Association and a Past-Chairman of its Perak branch. He is also a Past-President of the Perak Medical Practitioners' Society.

He is an active member of the Rotary Club of Greentown and a Past-President of the club. Dr Yoong is a Trustee of the Hope Haemodialysis Society, an NGO which provides subsidised haemodialysis for poor patients.

In 1997, Dr Yoong was conferred the Perak State Award of Darjah Paduka Mahkota Perak.

Directors' Profile



DR KOK CHIN LEONG

Aged 53, Dr Kok Chin Leong 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, a member of the KPJ Clinical Governance Policy Committee since 2001, Chairman of the Committee since 2005 and the Advisor for KPJ's Clinical Information System since January 2003.

He received his Bachelor of Medicine and Bachelor of Surgery in 1982 from University of Malaya and completed his post-graduate 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 a full medical practitioner with the Malaysian Medical Council in 1983. His medical career started in 1986 at the Kuala Lumpur General Hospital in Clinical Paediatrics, and he has 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 Co-ordinator/Chairman for the Batu Pahat Rotary Club Haemodialysis Centre from 1992 to 1993, the Southern Representative for the Malaysian Paediatric Association from 2000 to 2004 and the Southern Co-ordinator for Infant Touch Therapy. He was elected Exco Member of the Malaysian Pediatrics Association from 2009 till present, and Board Member of the Association of Private Hospitals Malaysia from 2008 till present.

He has been the Resident Consultant Paediatrician at Puteri Specialist Hospital since 1994 and was appointed the Medical Director from February 2000 to June 2006. His main interests are delivering Healthcare via Information and Communication Technology (ICT), Patient Safety and Physicians' Performance and Appraisal Assessment.



ROZAN MOHD SA'AT

Aged 49, Rozan Mohd Sa'at is a Director of KPJ and was appointed to the Board of KPJ on 1 January 2009. He is a Non-Independent Non-Executive Director of KPJ. He is the Managing Director of Sindora Berhad.

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

From 1987 to 1988, he served in the Corporate Communications Department, JCorp, as an Administrative Officer. From 1988 to 1993, he was the Executive Director of several subsidiaries in JCorp Group. In 1994, he was appointed the General Manager of JCorp's Tourism Division before assuming the post of Chief Executive of the same Division on 15 June 1996, a post which he held until his appointment as the General Manager, Business Development, JCorp, beginning January 1999.

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

Note:

Other than as disclosed, all directors do not have any family relationships with any director and/or major shareholder of the Company. All directors have no personal interest in any business arrangements involving KPJ. All directors have not been convicted for any offence and have attended all or the majority of the Board of Directors' Meetings of the Company as stipulated by the listing requirements for the financial year ended 31 December 2009.

KPJ in the News



Bisnes

KPJ Healthcare buka 2 hospital setahun

KUALA LUMPUR, 14 Januari — KPJ Healthcare membuka dua hospital baharu di Kuala Lumpur dan Klang, menambah kepada 12 hospital yang sedia ada di seluruh negara.



Menyambut kelahiran dua hospital baharu, KPJ Healthcare berikhtisarkan bahawa ia telah berjaya membuka dua hospital baharu di Kuala Lumpur dan Klang, menambah kepada 12 hospital yang sedia ada di seluruh negara.

Hospital Pakar Perdana tingkat kesedaran H1N1



Dr. [Name] berkata kesedaran mengenai H1N1 di Hospital Pakar Perdana telah meningkat sejak ia mengumumkan bahawa ia telah menerima 100 pesakit dengan H1N1.

Cheering patients with CNY delights



Business Times

KPJ Healthcare on expansion trail



Hospital pakar lancar tabung Gaza

Klinik Pakar Perdana telah melancarkan tabung penggalangan dana untuk Gaza, bertujuan untuk membantu rakyat Palestin yang terjejas akibat konflik di sana.

World's Best Mother-in-Malaysia



MALAYSIA'S CEO OF THE YEAR 2009



DATIN HADIZA SITI LATIFAH
CHIEF EXECUTIVE
OFFICER (CEO) OF KPJ

Statement to Shareholders

KPJ Healthcare Berhad (KPJ) has an “amanah” (trust) to deliver its services to its stakeholders to the best of its abilities, harnessing in particular the latest information and technological developments to provide quality healthcare. In so doing, KPJ strives to strengthen that amanah by giving back to society through the talents and capabilities within the organisation. It is with this central premise that KPJ is Advancing Continuous Caring, the theme of the Group’s 2009 Annual Report.



Right: Tan Sri Dato Muhammad Ali Hashim (*Chairman*)
Left: Datin Paduka Siti Sa diah Sheikh Bakir (*Managing Director*)

The year 2009 was globally one of consolidation as economies around the world worked to put their financial markets in order. Countries continued to experience various degrees of economic contraction during the year. The Malaysian Government was zealous in maintaining confidence in the marketplace through a number of measures, creating a climate that enabled the business community to go forward with cautious optimism.

It was within this environment that KPJ continued to make further headway in its industry, not only nationally but also regionally. On behalf of the Board, we are pleased to present KPJ's significant developments in this Annual Report and Financial Statements for the year ended 31 December 2009.

KPJ'S AMANAH

For an organisation to have business longevity and be valued by the communities it serves, it must be guided by principles that go beyond the bottom-line. KPJ is mindful of its financial obligations to its shareholders and has succeeded in meeting, if not exceeding, their expectations through a strong adherence to the amanah it holds. This is a trust placed upon KPJ to be sincere in its relationships with all parties, maintain high integrity to keep its promises to its customers, and to accord mutual respect in its relationships with others. It is with faith and trust that KPJ has been able to maintain its position of leadership in the healthcare industry to this day.

Serving through Business Jihad

KPJ's positive business performance is guided by the principles of Business Jihad, which underlie the vision set by its parent holding company, Johor Corporation (JCorp). Business Jihad, based on the concept of a shared destiny, aims to serve customers in a way that enhances the community through business and consequently benefit all levels of society. It also implies undertaking business pursuits by creating value on a sustainable, holistic basis, taking into full account of the long-term interests of future generations. Thus, in KPJ, good ethics, practices and conduct are of paramount importance in providing customers excellent care through the 'KPJ Experience' – the ultimate in quality healthcare services associated with the KPJ brand.



A caring touch that bears the hallmark of KPJ healthcare

The practice of Business Jihad within KPJ is complemented by the Group's key corporate governance principles: compliance with the law and commercial legitimacy; fair treatment of employees and business partners; responsibility to the environment and the community in which it operates; and probity, integrity and business ethics in operational practices. With these forces motivating its initiatives, KPJ has been able to continually deliver on its financial and operational performance, enabling it to achieve major milestones from year to year. This has been evident even during challenging periods, including the year 2009.

The Malaysian economy in 2009

The impact of the 2008 global financial downturn continued to affect Malaysia in 2009. Globally, the decline was expected to be -1.1% for the year. Regional GDP growth, as forecasted by the Asian Development Bank (ADB) was a positive 3.4%, underpinned by China's robust economy. At the end of 2009, Malaysia recorded a GDP contraction of -1.7%.

The Malaysian economy showed signs of a rebound in the manufacturing, construction and services sector in 2009 and there are strong indicators pointing towards a positive GDP growth of 4.5% to 5.5% in 2010 according to the Bank Negara projection. Regionally, ADB has indicated a growth rate of 7.0% in 2010, while globally, the International Monetary Fund is anticipating an expansion of 4.1%.

Private healthcare in Malaysia

In Malaysia, where the Government is striving to achieve developed economy status by 2020, the services sector is seen as the main driver of growth. The services sector is expected to expand by 3.6% in 2010 and within this sector, the Government has identified healthcare travel as one of the potential service sub-sectors to generate national economic growth.



The Launching of KPJ Penang Specialist Hospital in November 2009 by TYT Yang Di Pertua Negeri, Tun Abdul Rahman Abbas

Towards this end, the Malaysia Healthcare Travel Council (MHTC) was established to bring together the industry's significant players, both in the public and private sectors, to drive growth to a higher level. The Council is responsible for formulating strategic plans to promote healthcare travel services and spearheading promotional activities for the Malaysian healthcare travel industry. The Ministry of Health has implemented various programmes to help generate revenue from healthcare travel while measures, including tax incentives, are being offered to boost health travel. Agencies are being set up for projects, advertising guidelines are being reviewed to enable greater promotion of health travel, and steps are being taken to enhance the capacity of private hospitals and encourage their accreditation. KPJ already has the capacity and quality needed to play a large role in such national healthcare developments.

Having fully established itself as a leader in the private healthcare industry in Malaysia, KPJ's aspirations have extended regionally over the past few years. The next step will be global recognition. KPJ is therefore attuned to international developments in healthcare, such as increasing costs and the greater utilisation of information and clinical technology, which have brought technology and telecommunication companies into healthcare services. In terms of healthcare practices, KPJ observed that emphasis

worldwide is on preventive care and provision of patient-centred outcomes while alternatives are being sought to deliver healthcare services beyond the physicians' offices and hospitals. Community health is increasingly becoming a social responsibility, especially with the outbreak of global epidemics such as H1N1.

FINANCIAL PERFORMANCE IN 2009

KPJ continued its sterling financial performance in year 2009, thereby strengthening the Group's position in the industry.

This came on the back of such major milestones as achieved in 2007, when the Group passed its first billion ringgit benchmark, for the first time, with a turnover of RM1.1 billion. The financial year 2008 had also been a significant one for KPJ as it crossed the one-hundred-million ringgit profit-before-tax benchmark with a figure of RM114.1 million. Such sterling performance continued into 2009 with a profit-before-tax of RM143.9 million on a turnover of RM1.4 billion.

The growth in the number of outpatients being treated in KPJ's network of hospitals has been steady, with the number rising from 1,956,303 in 2008 to 1,978,669 in 2009. The number of inpatients also saw an increase from 196,291 in 2008 to 206,907 in 2009.

KPJ made it onto the list of Malaysia's Top 100 Companies through the continuing increase of its share price resulting in enlarged market capitalisation.



The Signing Ceremony of Joint Venture Agreement between KPJ and Pasdec Corporation in July 2009

KPJ created an Economic Value Added (EVA) of RM52.2 million for the financial year ended 2009, an increase of RM9.0 million or 20.8% over the RM43.2 million in 2008.

Major milestone ~ Among the 100 Top Companies in Malaysia

Another major milestone was attained in KPJ's corporate development during the financial year 2009. KPJ made it to the list of Malaysia's Top 100 Companies in Bursa Malaysia through the continuing increase of its share price and resulting in enlarged market capitalisation. As at 31 December 2009, the Group was ranked 91st out of 100 companies, with a share price of RM6.51 and market capitalisation of RM1.4 billion.

KPJ's market position was further enhanced and its shares were made more marketable with the completion of its corporate exercise in January 2010 involving the subdivision of one ordinary KPJ share into two shares, a 1-for-4 bonus issue and a 1-for-4 free warrant issue. This scheme has increased the number of shares of the company from 211 million shares of RM1 each to 528 million shares of RM0.50 each, thus improving the liquidity of the KPJ counter. After the full conversion of warrants issued, the number of shares of the company will further increase to 660 million shares of RM0.50 each. It had also been designed to show the Group's appreciation to the shareholders who had given their continuous support over the years.

Dividend

For the financial year ended 31 December 2009, KPJ has declared a cash dividend of 20 (sen) in cash

(2008: 7 sen), totalling 42.1 million, which resulted in an increase of 186%. For the year 2009, there was no dividend in specie declared (2008: 31 sen).

Investor Relations

Being a leader in the Malaysian private healthcare industry listed on Bursa Malaysia, KPJ is monitored by both local and international investment houses. KPJ strives to maintain good rapport with these houses and help them better understand the Group's corporate role in the industry through its Investor Relationship Programme. In addition, investors may learn more with regards to the Group's corporate developments through interviews of top management featured in major business magazines and newspapers, as well as postings on KPJ's website.

Al-'Aqar KPJ Real Estate Investment Trust (REIT)

KPJ had already scored a number of 'firsts' in the capital market with the launch of its Al-'Aqar KPJ REIT in 2006. With the launch, the Group was the first healthcare organisation in Malaysia to set up a REIT. Al-'Aqar was the first healthcare REIT in Asia, the first global Islamic REIT and the first Islamic healthcare REIT.

At end-December 2008, KPJ had been able to unlock total assets worth RM651.1 million through two injection exercises, initially with six hospitals and then five hospitals. The third injection was completed in September 2009, which unlocked a further RM292.0 million worth of assets from nine properties – Seremban Specialist Hospital, Taiping Medical Centre, Damai Specialist Hospital in Kota Kinabalu, Bukit Mertajam Specialist Hospital, KPJ Penang Specialist Hospital, the current Tawakkal Hospital and the new KPJ Tawakkal Specialist Hospital.

Plans are underway for a fourth exercise. This will comprise the Kluang Utama Specialist Hospital building, Bandar Baru Klang Specialist Hospital building, as well as the Rumah Sakit Bumi Serpong Damai building in Jakarta, Indonesia.

The REIT was launched to enable the Group to capitalise on the assets' value and use the proceeds to reduce overall gearing. This key strategic

initiative also provides KPJ with a distinct competitive advantage, allowing it to leverage upon investment opportunities that may come its way and upgrade current facilities. For investors, the Al-'Aqar REIT gives them great value due to the resilience of the healthcare industry.

KPJ'S BUSINESS

KPJ leads the Malaysian private healthcare industry with a network of 19 hospitals that span the length and breadth of the country. These hospitals are supported by a number of subsidiary companies providing ancillary pharmaceutical, laboratory and laundry services. Regionally, the Group continues to manage two hospitals in Jakarta, Indonesia. The Group is also actively involved in the medical education sector through the KPJ International College of Nursing and Health Sciences.

In the context of greater global uncertainties and economic volatility, KPJ undertook a total review of its business interests and strategic positions in healthcare investments outside Malaysia. Taking sovereign, currency and other risk factors into account as well as KPJ's overall strategic corporate position, a decision was taken to totally review KPJ investments and managerial commitments to hospitals in Saudi Arabia and Bangladesh.

To ensure that KPJ maintains its industry leadership position in the countries that it operates, initiatives are in place to enhance the Group's financial and operations management as well as the level of excellence and innovativeness of its clinical services. Attention is also accorded to risk management practices. At the same time, strategic and cohesive marketing programmes are underway to create better understanding of the KPJ brand nationally and abroad.

Extending the hospital network

Always mindful of the amanah entrusted upon it as the preferred provider in the industry, KPJ aims to make its healthcare services available to as many areas of the country as possible. During the year under review, a number of new hospitals were being developed



The launching of Kuching Specialist Hospital in March 2009 by Chief Minister of Sarawak YAB Pehin Sri Haji Abdul Taib Mahmud

to extend KPJ's services to other cities and towns, namely Bandar Baru Klang in Selangor, Tanjung Lumpur in Pahang as well as Muar in Johor.

On 11 March 2009, Kuching Specialist Hospital held its official opening ceremony, which was graced by the Chief Minister of Sarawak, YAB Pehin Sri Haji Abdul Taib Mahmud. Also on 1 August 2009, the Group opened its new KPJ Penang Specialist Hospital in Bandar Perda, Bukit Mertajam, to serve the northern region. Built at a cost of RM45.0 million and with a built-up area of about 200,000 sq ft, the five-storey hospital has a total capacity of 236 beds and 20 consultant suites, with the latest in equipment and facilities. KPJ Penang Specialist Hospital was officially launched by TYT YDP of Penang, Tun Dato' Seri Utama (Dr) Haji Abdul Rahman Haji Abbas on 23 November 2009. At the regional level, KPJ held the soft launch of RS Medika Bumi Serpong Damai in Jakarta on 7 December of the year.

As new hospitals are planned, built and acquired, those already in the KPJ network continue to be refurbished and expanded. At KPJ Johor Specialist Hospital, a new block is under construction to meet the growing demands of the local population as well as international patients. The hospital will also be upgrading most of its existing wards to keep up with the expectations of its discerning customers. Renovation and upgrading work also commenced at Kedah Medical Centre for the benefit of the hospital's customers and patients.

KPJ is therefore in a continual cycle of development and improvement in realising its commitment to offer patients from Malaysia and other parts of the world healthcare services up to international standards.

Managing KPJ's human capital

For KPJ to deliver the best services to all patients, the hospitals need to be ably supported by teams that include management, administrative staff and other support services. Relationships between the various groups are therefore continuously maintained to strengthen the team spirit within the Group. To ensure the consistently high service levels, performance of individuals is evaluated based on key performance indicators and the balanced scorecard concept. Utmost attention is therefore given throughout KPJ to human capital management and development.

As at end-2009, KPJ has 680 medical consultants offering a full range of medical and surgical services from all disciplines. A total of 6,978 staff members consisting of 4,396 nursing and allied health personnel and 2,582 support staff ensure the delivery of efficient and quality services to the Group's customers.

Training and developing team members

KPJ regards itself as a learning organisation that encourages continuous learning and personal development. This strengthens the Group's ability to sustain itself as a market leader. KPJ also embraces the values of Transformational Leadership, advocating that 'leaders and followers must raise one another to higher levels' by creatively shaping members of its team from being 'ordinary' to 'extraordinary'. To raise the bar, enhancement of knowledge is vital as it will create value for the human capital of the company and the country.

KPJ creatively shapes members of its team from being 'ordinary' to 'extraordinary'



KPJ International College of Nursing and Health Sciences Convocation at PWTC

Thus, once individuals become team members, they are provided with learning opportunities to improve themselves, their knowledge and competencies. In 2009, the Group spent a total of RM7.5 million in human capital development. A target has been set for each staff member to receive a minimum of 30 hours of training per year, which has been achieved on the average. Staff members undergo formal and on-the-job training experiences, including participation in seminars and conferences organised within and outside the Group, to enhance their potential and personal capabilities. In addition, a system is in place to identify those who are particularly talented so that they may obtain additional academic qualifications through professional programmes.

To increase KPJ's intellectual capital as well as to promote the Group's healthcare expertise, medical consultants offer to share their knowledge through speaking invitations at conferences and forums, especially those aimed at international audiences. Many also publish their analytical works in national and international medical journals. Within the Group, the KPJ Healthcare Conference and Workshop is an annual event that is fast becoming a tradition that brings together the Group's medical professionals and managers to discuss and deliberate on pertinent issues relating to clinical and customer excellence.

A career within KPJ

Recruiting capable individuals and training them to their fullest potential are steps towards retaining

valuable expertise within the Group. There is a diverse range of career paths in KPJ and a talent management programme has been developed to identify staff members who will be mentored and coached for future leadership positions.

The leadership paradigm in KPJ is that of transformation. Thus, management is geared towards shaping the attitudes and aptitudes of staff towards achieving corporate goals, striving for cohesiveness within the Group and creating ever higher standards of personal excellence.

Nurses for the world

Nurses are the unsung heroes of the medical profession. They are there beside the doctors and alongside the patients. The nursing profession has evolved into one that is highly skilled and knowledgeable, and the demand for well-trained and experienced nurses is growing.

KPJ is a major provider of nursing and health personnel for its own hospitals as well as others through the KPJ International College of Nursing and Health Sciences (KPJIC), which was set up in 1991. It was the first nursing institution in Malaysia to be named a 'college' and the first to provide the Diploma in Nursing programme recognised by the Ministry of Health. Since its formation, the College has produced 3,200 nursing and other allied health graduates. Nurses working in KPJ's hospitals are regularly assessed on theory and practice to ensure their continued competency. In August 2009, a Mentor-Mentee programme was implemented for novice nurses to help them provide better nursing care.

The College has moved on to offer nursing degrees in collaboration with overseas universities, including the University of South Australia, as well as Liverpool John Moores University and the University of Hertfordshire in the United Kingdom.

The success of these collaborative efforts has motivated the College to apply for university status. In anticipation of increased enrolments in the future, plans are underway to expand the College's campus in Kota Seriemas, Nilai, Negeri Sembilan, with the purchase of 6.8 hectares of adjacent land. A branch will be set up in

Pulau Pinang to complement the one that was opened in Johor Bahru, Johor. KPJIC will eventually be able to train 10,000 nurses and allied health students, possibly making it the region's largest nursing and health sciences educational centre.

Delivering excellence in customer service

Through the SEGAR initiative (Service Excellence (SE) – KPJ Way Group Alignment and Re-engineering), KPJ propagates 'Service Excellence – the KPJ Way'. Under SEGAR, Standard Operating Procedures are issued to provide guidelines, policies and procedures, Standard People Practice and Quality Objectives with the purpose of developing Core Processes for all services. SEGAR emphasises on having unit-based guidelines with a focused point of entry and the enhancement of the autonomy of staff in performing their daily tasks. Nine core processes, mainly for finance services, have so far been developed, followed next by the development of core processes for Allied Health and Support Services. The development of all SEGAR core processes is steered by a working committee consisting of Chief Executive Officers of six accredited hospitals – KPJ Ipoh Specialist Hospital, KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Johor Specialist Hospital, KPJ Selangor Specialist Hospital and KPJ Seremban Specialist Hospital, each of whom reports to the KPJ Executive Committee.

With the SEGAR initiative, the Group is putting forth a strong message on its commitment towards delivering healthcare services of high quality to its customers that are on par with international standards. The KPJ



KPJIC contributing to Malaysia's healthcare education and manpower

As at December 2009, six of KPJ's hospitals have been awarded MSQH accreditation, with 12 hospitals heading towards accreditation.

name is being repositioned and promoted as a brand that is synonymous with excellent and innovative patient care.

As a corporate entity, KPJ needs to ensure that it continues to be a profitable business and it is successfully managing its customer relationships. To remain competitive in terms of the services being offered, hospitals within the Group's network conduct regular surveys of other hospitals for comparative analysis. Action is taken to adapt to shifts in market trends and customer preferences.

Establishing quality and maintaining standards

The Government's serious attention accorded to healthcare is reflected in the Government's Private Healthcare Facilities and Services Act 2006. KPJ is continually reviewing and improving its Group policies and practices to be in line with current regulations and schedules.

As the Government pushes forward with its healthcare travel agenda, the Ministry of Health would like to ensure that healthcare services offered by hospitals in the country meet international standards. Towards this end, the Ministry wants all hospitals to be accredited by the Malaysian Society for Quality in Health (MSQH), the national accreditation body for hospitals.



Service with a smile in KPJ hospitals



KPJ Ampang Puteri Specialist Hospital in Selangor

Fifty-seven government hospitals and twenty-three private hospitals have been accredited by MSQH.

As at December 2009, six of KPJ's hospitals have been awarded MSQH accreditation, with 12 hospitals heading towards accreditation. To amplify the Group's commitment towards quality and excellence standards, all KPJ hospitals have implemented the Seven Patient Safety Goals that were introduced by the World Health Organisation to ensure patients' safety and health at all times.

In 2009, accreditation was accorded under MSQH's new third edition Hospital Accreditation Standards. KPJ Johor Specialist Hospital was awarded its second cycle of accreditation effective 29 July 2009, while KPJ Seremban Specialist Hospital was accredited its first cycle with effect from 1 December 2009. KPJ Ampang Puteri Specialist Hospital has the distinction of being the first hospital in Malaysia to achieve a full three-year accreditation for four consecutive cycles with effect from 15 October 2009.

Such accreditation is in addition to various other quality achievements and benchmarks earned by KPJ hospitals, such as MS ISO 9001:2000, ISO 14001, ISO/IEC Guide 62:1996, OHSAS 18001, SIRIM Quality System, Hazard Analysis Critical Control Points for Food Safety and the Integrated Management System for quality, environmental safety and health management. In this regard, Sentosa Medical Centre became the first KPJ hospital to undergo a comprehensive scope of total patient care

under ISO 9001:2008, the latest standards by Moody International Certification for 'Provision of Healthcare Services'. The hospital achieved the status with full compliance.

Receiving recognition

The Group's commitment to excellent healthcare services has its reward in the diverse range of awards presented to its hospitals from year to year. Amongst these was the ASEAN Business Award 2008 under the Corporate Social Responsibility category won by KPJ Ampang Puteri Specialist Hospital. Presented on 27 February 2009 in Bangkok, Thailand, by the ASEAN Business Advisory Council, the award reaffirms that fulfilling a company's responsibilities to society can lead to sustainable profits.

The Asia Pacific Super Excellent Brand Awards are presented by the Asia Entrepreneur Alliance Worldwide to organisations that have produced high quality services on a regional level. These organisations are assessed on criteria such as quality, value, trustworthiness, credible image, customer satisfaction and brand management. During the year under review, two of the award recipients were KPJ Ampang Puteri Specialist Hospital and KPJ Damansara Specialist Hospital.

KPJ Damansara Specialist Hospital had the honour of being a recipient of the first and only 'Malaysia



Managing Director, Datin Paduka Siti Sa'diah Sheikh Bakir receiving her Malaysia's CEO of the Year 2009 award from Prime Minister Dato' Sri Mohd Najib Tun Abdul Razak

Independence Awards 1957' on 14 August 2009. The awards acknowledged contributors to nation-building and were given in conjunction with the 52nd year of Malaysia's independence. The hospital was the winner of the Star Company category presented by the Selangor Petaling Business and Industry Association.

The Group's achievement for the year culminated with a major recognition awarded to KPJ's Managing Director whose leadership has seen KPJ become one of Malaysia's leading home-grown healthcare group and whose contribution has helped put the nation on the world map as the preferred healthcare service destination. Datin Paduka Siti Sa'diah Sheikh Bakir was named Malaysia's CEO of the Year 2009. Chosen from a field of 118 nominees from 16 different industries, she is the first woman to clinch the award since it was established 15 years ago. The prestigious annual award, jointly organised by Business Times and Malayan Banking Berhad with American Express, was presented by Prime Minister Dato' Sri Mohd Najib Tun Abdul Razak on 12 March 2010.





Health Minister, Datuk Liow Tiong Lai, at the KPJ booth during the Association of Private Hospital Malaysia International Healthcare Conference and Exhibition

Information Technology

As KPJ advances continuous caring in realising its vision, the emphasis will be on encouraging innovation and maximising technology.

The Group is already a heavy user of information technology in its hospitals with the implementation of various electronic systems. A notable development is Picture Archiving and Communications System (PACS), a paperless and filmless system that will set a new benchmark in the utilisation of technology for greater efficiency in hospitals as well as in pushing forward the 'go green' agenda for the environment.

Attracting health travellers

In 2009, the Health Ministry identified 35 private hospitals to promote healthcare travel and in the first half of the year, these hospitals recorded 165,095 foreign patients. On 9 June 2009, the Ministry recognised Tawakal Hospital, KPJ Selangor Specialist Hospital and Sentosa Medical Centre as Healthcare Facilities Promoting the Health Tourism Industry. These hospitals join others in the KPJ network, which include KPJ Johor Specialist Hospital, KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Ipoh Specialist Hospital, and Puteri Specialist Hospital. At present, foreign patients in KPJ's hospitals come from Southeast Asia, Japan, South Korea, Australia, the Middle East and the United Kingdom.

KPJ, being a leader in its field in Malaysia and with a presence regionally, is set to capitalise further on this business opportunity through the positioning and marketing of the KPJ brand to establish global competitiveness. In this respect, much effort is directed

towards getting more hospitals within the Group accredited by MSQH. At the same time, processes and practices are being reengineered for greater efficiency and the expertise of the Group's medical consultants and their services are being promoted through, amongst others, collaboration with other parties as well as advertising in publications that are placed in more than 30,000 hotel rooms in Kuala Lumpur. A proposal is being considered to set up Centres of Excellence for Health Tourism in KPJ hospitals in areas such as cardiology, oncology, and plastic and reconstructive surgery.

The Government's active support of health travel is certainly benefiting KPJ in the Group's drive towards exporting its expertise and services, while also creating improved levels of care to the all important local market, which is the foundation of KPJ's success over the years.

Giving back and caring for the community

An essential aspect of Business Jihad as practised within KPJ is the Group's strong sense of corporate responsibility. An organisation is part of the community, derives its livelihood and earnings from the community and therefore has an obligation to give back to the community that has helped to sustain its very existence.



One of KPJ's community outreach programmes implemented in 2009



KPJ staff at the Service Enhancement Challenge 2009

KPJ offers its medical and professional support to the community primarily through the charity clinics under JCorp's Klinik Wakaf An-Nur (KWAN). Launched in 1998, KWAN's clinics provide patients earning less than RM1,000 a month with medical care (including doctor consultation and medicine) at a rate of only RM5.00. There are currently 12 clinics located in Johor, Negeri Sembilan, Selangor, Sarawak and Perak as well as one Hospital Waqaf (HWAN) under the KWAN programme, which in total have to-date treated more than half-a-million patients. From January to December 2009, the number of patients for HWAN increased by 6% from 13,229 patients in the first half of the year to 14,137 in the second half. The opening of new clinics in Ampang (Selangor), Larkin Sentral (Johor), Gugusan Manjoi, Ipoh (Perak) and Samariang (Sarawak) enable KPJ to reach out more to those in need. Four new locations, four in Johor, four in Penang, one in Negeri Sembilan and one in Perak, have been approved for the setting up of KWAN clinics, while a plan is afoot to establish one clinic each in Kelantan and Penang. The expansion will see KWAN reaching out to more people requiring medical services which are rendered as part of KPJ's major community care programme especially to help the very poor.

Community outreach programmes are another channel by which KPJ gives back to society. The programmes include medical camps, various health campaigns, such as anti-dengue campaigns, H1N1 campaigns and wellness initiatives. Each hospital also has special Health Days while the Group's medical consultants have set up the KPJ Consultants' Charity Fund to finance projects beneficial to the community. During the year under review, assistance was given to

people suffering in the Gaza military conflict through the Humanitarian Aid Fund for Palestine which was launched at Kluang Utama Specialist Hospital.

The At-Tijarah television programme is a community initiative to raise awareness about the role of commerce in creating better relationships between the public and business community. Already in its fifth season, the programme is a collaborative effort between JCorp and Jabatan Kemajuan Islam Malaysia. KPJ's participation is by sponsoring medical treatment to needy patients throughout the programme and contributing to the fund managed by JCorp for such purposes.

Other such JCorp programmes are Mutiara Mesra Alam, Mawar community activities and Darul Hanan charity initiatives. KPJ actively participates in these ongoing programmes in addition to other NGOs and charity organisations' activities.

Through actions such as these, KPJ is going beyond giving back and caring for the community. In so doing, it has increased the morale of its team members who take pride and pleasure in helping the unfortunate and underprivileged.

INTO THE FUTURE

There will be challenges to face as KPJ moves forward into the future. Customers will experience the pressure of rising healthcare costs, which will likely result in increasing consumer activism. There will be greater emphasis on health, safety and the environment to protect consumer and community interests. In line with this, more governance and compliance requirements, regulations and benchmarks can be expected.



The new KPJ Tawakkal Specialist Hospital building

The healthcare industry will be contending with an increasing population growth rate coupled with an ageing population that will require hospitals to shift according to such demographic and epidemiological

changes. Old diseases appear to be on the comeback and the borderless world makes it ever more imperative that hospitals are prepared for epidemics on a large scale.

KPJ is well prepared to meet these challenges. Its infrastructure is in place and still growing. Its medical expertise is available and increasing into more and newer areas of specialisation. Its reputation is second-to-none in the provision of quality healthcare.

It has taken 26 years for KPJ to become a company with a RM1.1 billion turnover in 2007. The objective now is for the Group to achieve a turnover of RM2.0 billion by 2012.

It aims to do so through prudent strategic measures to build capacity and expand the number of hospitals in its network. KPJ will continue to be opportunity driven and will not hesitate to capitalise on viable ventures presented to it, if they meet investment criteria set and are aligned with the Group's overall strategic direction. There will be greater attention to increasing the Group's international visibility by expanding into new markets through healthcare travel and strategic alliances.

KPJ will further add value through creative, innovative ideas and initiatives. The Group will continuously utilise its resources to boost the competitiveness, productivity and efficiency of its hospitals. It will also develop niche service centres of excellence that are capable of providing high margins, high volumes of business and high quality of healthcare service.

SHOWING APPRECIATION

Gratitude is expressed to the various Ministries, government agencies and authorities for enabling KPJ to conduct business to the best of its abilities. Not to be forgotten are KPJ's business partners and associates whose belief in the Group has brought everyone nearer to their goals.

KPJ would like to thank each of the individuals and parties whose significant contributions have enabled



Radiologist reports and results are available online and linked with clinics, wards, A&E and OT

KPJ to attain its vision of being the preferred provider in healthcare services, as well as its shareholders for their trust in the company's management and faith in its future.

Special appreciation is given to all members of the Board of Directors, for their expertise and wisdom that have helped to bring the Group to higher levels of achievement.

Particular mention needs to be made of the Audit Committee, chaired by Y Bhg Tan Sri Datuk Arshad Ayub, for ensuring that KPJ continues to comply with regulatory frameworks, and of the Medical Advisory Committee, led by Y Bhg Tan Sri Dato' Dr Abu Bakar Suleiman, and its sub-committees for safeguarding the hospitals' high standards of clinical excellence.

Appreciation also goes to the medical teams for their professional contributions and to all colleagues, managers, executives and employees of KPJ for their commitment and dedication towards delivering KPJs brand of excellent customer care.

KPJ is grateful to all patients and customers who have walked through the doors of its hospitals. Their trust has helped KPJ to be where it is today. The Group has extended care to its first and second generation of customers and looks forward to caring for the third and subsequent generations.

Tan Sri Dato' Muhammad Ali Hashim
Chairman

Datin Paduka Siti Sa'diah Sheikh Bakir
Managing Director

A Strong **Team of Leaders**



left to right :

Aminudin Dawam, Amiruddin Abdul Satar,
Datin Paduka Siti Sa diah Sheikh Bakir, Alvin Lee
Swee Hee, Jasimah Hassan, Norhaizam Mohammad,
Yusof Ismail, Mohd Sahir Rahmat, Abdol Wahab
Baba and Datin Sabariah Fauziah Jamaluddin

Executive Committee



CHAIRMAN

Datin Paduka Siti Sa'diah Sheikh Bakir
Managing Director

Alvin Lee Swee Hee
Chief Financial Officer

Amiruddin Abdul Satar
Chief Operating Officer

Jasimah Hassan
Senior Group General Manager Clinical & Professional Services

Aminudin Dawam
Group General Manager Business Development (International) & Marketing

Mohd Sahir Rahmat
Group General Manager Business Development (Malaysia) & Intrapreneur

Abdol Wahab Baba
Group General Manager Risk Management

Yusof Ismail
General Manager KPJ College

Datin Sabariah Fauziah Jamaluddin
Senior Corporate Manager Human Capital Management Services

Norhaizam Mohammad
Senior Finance Manager

Divisional Committee



From left to right

Andrew William Burr
Corporate Manager Group Marketing

Khairul Badariah Basiron
Senior Corporate Manager Internal Audit

Abdul Wahab Baba
Group General Manager Risk Management

Amiruddin Abdul Satar
Chief Operating Officer

CHAIRMAN

Datin Paduka Siti Sa'diah Sheikh Bakir
Managing Director

Mohd Sahir Rahmat
Group General Manager Business Development (Malaysia) and Intrapreneur

Aminudin Dawam
Group General Manager Business Development (International) & Marketing

Rafeah Ariffin
Senior Corporate Manager Business Development & Corporate Communications

Noreen Abdul Rashid
Corporate Manager Legal Services

Hanida Mohd Hassan
Deputy Manager Customer Service



From left to right

Zaharah Osman
Corporate Manager Clinical & Professional Services

Dr. K V Anitha
Corporate Manager Clinical & Professional Services

Marhalis Hasan
Deputy Manager Clinical & Professional Services

Datin Sabariah Fauziah Jamaluddin
Senior Corporate Manager Human Capital Management Services

Norhaizam Mohammad
Senior Finance Manager

Alvin Lee Swee Hee
Chief Financial Officer

Jasimah Hassan
Senior Group General Manager Clinical & Professional Services

Yusof Ismail
Group CEO KPJ International College of Nursing and Health Sciences

Naziah Ismail
Senior Corporate Manager KPJ International College of Nursing and Health Sciences

Elman Mustafa El Bakri
Corporate Manager Biomedical Engineering

Hospital Medical Directors



Sitting from left to right

Dato' Dr Shahrudin Mohd Dun
Medical Director
KPJ Selangor Specialist Hospital

Dato' Dr S Jenagaratnam
Chairman
Clinical Risk Management Committee

Dr Yoong Fook Ngian
Chairman
Clinical Governance Action Committee

Tan Sri Dato' Dr Abu Bakar Suleiman
Chairman Medical Advisory Committee

Datin Paduka Siti Sa'diah Sheikh Bakir
Managing Director

Dr Kok Chin Leong
Chairman
Clinical Governance Policy Committee

Dr Mohd Hafetz Ahmad
Medical Director
KPJ Johor Specialist Hospital

Dato' Dr Azizi Hj Omar
Medical Director
KPJ Damansara Specialist Hospital

Dato' Dr Ngun Kok Weng
Medical Director
Kuantan Specialist Hospital

Standing from left to right

Dr Mahayidin Muhamad
Medical Director
Perdana Specialist Hospital

Dr Ab Razak Samsudin
Medical Director
Puteri Specialist Hospital

Dr David Ling Sheng Tee
Medical Director
Kuching Specialist Hospital

Dr Balakrishnan Subramaniam
Medical Director
KPJ Kajang Specialist Hospital

Dato' Dr Ismail Yaacob
Medical Director
Kedah Medical Centre

Dato' Dr Hj Fadzli Cheah
Medical Director
KPJ Ipoh Specialist Hospital

Dr Wan Hazmy Che Hon
Medical Director
KPJ Seremban Specialist Hospital

Datuk Dr Hussein Awang
Chairman Hospital Medical
Directors Committee
Medical Director - Tawakal Hospital

Dr Mohd Harris Lu
Medical Director
Sentosa Medical Centre

Dr Ong Boon Teik @ Taik
Medical Director
Taiping Medical Centre

Dr Ewe Khay Guan
Medical Director
KPJ Penang Specialist Hospital

Dr Lim Keok Tang
Medical Director
Damai Specialist Hospital

Dato' Dr Mohd Rani Jusoh
Medical Director
KPJ Ampang Puteri Specialist Hospital

Dr Neo Chee Beng
Medical Director
Kluang Utama Specialist Hospital

Jasimah Hassan
Senior Group General Manager
Clinical & Professional Services



From left to right

Ahmad Nasiruddin Harun
Director-in-Charge Taiping Medical Centre
Chief Executive Officer – KPJ Ipoh
Specialist Hospital

Mohd Johar Ismail
Chief Executive Officer – KPJ Selangor
Specialist Hospital

Roslan Ahmad
Chief Executive Officer – KPJ Johor
Specialist Hospital

CHAIRMAN

Datin Paduka Siti Sa'diah Sheikh Bakir
Managing Director

Amiruddin Abdul Satar
Chief Operating Officer

Mohd Taufik Ismail
Chief Executive Officer – KPJ Damansara
Specialist Hospital

Mohd Nasir Mohamed
Chief Executive Officer – KPJ Ampang
Puteri Specialist Hospital

Abdul Aziz Abdul Rahman
Chief Executive Officer – KPJ Seremban
Specialist Hospital



From left to right

Maisarah Omar
General Manager KPJ Kajang Specialist
Hospital

Asmadi Mohd Bakri
General Manager Perdana Specialist
Hospital

Mohd Sahir Rahmat
Executive Director KPJ Johor Specialist
Hospital, KPJ Ipoh Specialist Hospital,
Puteri Specialist Hospital and Kluang
Utama Specialist Hospital

Alvin Lee Swee Hee
Chief Financial Officer

Norhaizam Mohammad
Senior Finance Manager

Khairun Ahmad
General Manager Kedah Medical Centre

Mah Lai Heng
General Manager KPJ Penang Specialist
Hospital

Dr. Munirah Khudri
General Manager Tawakal Hospital

Hospital Management Committee



From left to right

Alice Liu Ghee Voon
General Manager Damai Specialist
Hospital

Mahazan Khamis
General Manager Taiping Medical Centre

Mohd Farid Salim
Chief Executive Officer – Puteri Specialist
Hospital

Jasimah Hassan
Director-in-Charge Indonesia Hospitals

Yusof Ismail
Executive Director KPJ Kajang Specialist
Hospital and KPJ Seremban Specialist
Hospital

R Gunasingam
General Manager Kuantan Specialist
Hospital

Yasser Arafat Ishak
General Manager Kuching Specialist
Hospital

Gunavathy Kalee
General Manager Sentosa Medical Centre



From left to right

Mohd Azhar Abdullah
Chief Executive Officer – Sabah Medical
Centre

Zaiton Sulaiman
General Manager Kluang Utama
Specialist Hospital

Datin Sabariah Fauziah Jamaluddin
Director-in-Charge Sentosa Medical
Centre

Aminudin Dawam
Executive Director KPJ Ampang Puteri
Specialist Hospital, KPJ Damansara
Specialist Hospital and Tawakal Hospital

Abdol Wahab Baba
Executive Director KPJ Penang Specialist
Hospital, Kuantan Specialist Hospital,
Perdana Specialist Hospital, Kuching
Specialist Hospital and Damai Specialist
Hospital

Zabidi Abdul Razak
General Manager RS Selasih, Padang
Indonesia

Mohammad Badri Hussin
General Manager RS Bumi Serpong
Damai

Hazarul Azly Hamzah
General Manager RS Medika Permata
Hijau

Ahead in the **Healthcare Business**



Leading Malaysia's healthcare industry

Through an expansion strategy of building new hospitals as well as acquiring existing ones, KPJ has grown to become the largest private healthcare service provider in Malaysia with a network of 19 hospitals that reaches out to almost every part of the country. These hospitals are staffed with the optimum level of medical consultants and equipped with the latest equipment to enable them to provide the best medical care for their customers. This is further strengthened by adherence to standards which ensure that KPJ provides not only the best services and facilities but also enables the Group to give assurance and build confidence among all patients.

Kuching Specialist Hospital was officially opened by the Chief Minister of Sarawak, YAB Pehin Sri Haji Abdul Taib Mahmud, on 11 March 2009. Located within the Tabuan Stutong Commercial Centre, the hospital is a one-stop medical centre offering a wide range of specialist disciplines and health screening packages. It currently operates with a capacity of 73 beds, which will be increased to 100 beds in the near future, with a variety of rooms from VIP suites to three-bedded rooms.

On 1 August 2009, the new KPJ Penang Specialist Hospital was opened after two years of construction

work. The five-storey hospital in Bandar Perda, Bukit Mertajam, was built at a cost of RM45.0 million and has a built-up area of about 200,000 sq ft. It has a total capacity of 236 beds with 20 consultant suites. As much as RM25.0 million has been spent on equipping the hospital with the latest facilities such as a 1.5 Tesla Magnetic Resonance Imaging (MRI) facility, 64-Slice Computer Tomography Scanner, Catheterisation Laboratory and fully equipped operating rooms. Other services include a 24-hour Accident and Emergency, haemodialysis and medical dietetics, while specialities available cover areas such as cardiology, urology and rheumatology.

On 20 July 2009, a joint venture agreement was signed with Pasdec Corporation Sdn Bhd to build a new 180-bed hospital in Tanjung Lumpur in Kuantan, Pahang. Upon completion, KPJ will lease the hospital building from the joint venture company and manage the hospital operations. Another new hospital will be coming up in Klang, Selangor, with the signing of a conditional sale and purchase agreement on 29 July 2009 to buy the partially completed building of Bandar Baru Klang Medical Centre for RM38.0 million. A further RM70.0 million will be spent on the development of the hospital, which will be completed by 2011.





A team of dedicated medical professionals

As new hospitals are planned and developed, existing ones are upgrading their facilities and equipment to meet the needs of their customers. During the year under review, KPJ Selangor Specialist Hospital began operating its new 37-bed VIP Ward. The elegantly furnished rooms provide patients with optimum privacy, security and comfort. KPJ Damansara Specialist Hospital opened its new Oncology Day Care Suite on 5 September 2009 with 11 treatment bays as well as consultant's clinics. Patients undergoing chemotherapy sessions at the hospital are treated in private bays in an environment of comfort and relaxation. In October, Puteri Specialist Hospital opened its Premier Ward that offers patients with comfortable and specialised services. Renovation works are underway at Kedah Medical Centre and its equipment will also be upgraded, including the installation of a new 1.5 Tesla MRI facility to replace the existing 0.5 Tesla machine.

In all its hospitals, KPJ has teams of dedicated medical consultants, well-trained nurses and health professionals to provide excellent healthcare to their patients. There are currently a total of 680 medical consultants, 4,396 nursing and allied health staff engaged in serving KPJ's customers across the country. The majority of medical consultants have obtained their qualifications and training from reputed international institutions in the United Kingdom, Ireland and Australia, amongst others.

KPJ's nursing staff are mostly home-grown and locally trained through its nursing college, KPJ International

College of Nursing and Health Sciences. Since its establishment in 1991, the College has produced over 3,200 nurses to meet its own needs and that of other hospitals. Having been accredited by the National Accreditation Board in 2003, the College has also been training international students who come from countries such as China, Nigeria, Indonesia and the United Kingdom.

As Malaysia's leading healthcare provider, KPJ is conscious of the importance of research and development (R&D) in moving the industry beyond the mere provision of world-class facilities. A mechanism is in place within the Group to encourage R&D. A significant number of its medical consultants serve and teach in universities, contribute to medical research and present papers at international conferences. KPJ also publishes the KPJ Medical Digest and KPJ Medical Journal to document research studies. The latter publication is an annual publication that is already in its fifth year.

KPJ will continue to leverage on its managerial and clinical experience and expertise to seek opportunities within Malaysia and abroad. The Group is already managing the operations of two hospitals in Indonesia and it has been approached to extend its excellent brand of healthcare to countries throughout the world. With further expansion, KPJ seeks to attain economies of scale and achieve synergies for all the hospitals within its network.



State-of-the-art 64 slices CT scan at work

Enhancing health tourism and business processes

KPJ has been attracting health travellers from various parts of the world to its hospitals over the years. Many of KPJ's hospitals have been recognised as Healthcare

Facilities Promoting the Health

Tourism Industry by the Ministry of Health. With this recognition, these hospitals will be among the select group identified by the Ministry of Health to be promoted globally as they have achieved some high level of quality care internationally. To help health tourism patients in its hospitals, KPJ Ampang Puteri Specialist Hospital and KPJ Damansara Specialist Hospital have specially engaged liaison officers and employees conversant in languages that include Japanese, Korean, Arabic and Mandarin.

In 2009, the health tourism sector received a boost with the launching of the MHTC by the Prime Minister of Malaysia. The Council is vital to galvanise collective efforts to drive the growth of this industry further. When launching the establishment of the Council, the Prime Minister commented that Malaysia's private healthcare industry is a hidden jewel that has a strong potential to compete successfully and to be a foreign exchange earner.

In this respect, KPJ continued to undertake many initiatives to expand its health tourism market segment in 2009. KPJ took part in numerous international exhibitions and trade missions in the effort to grow and strengthen the relationships with international facilitators and overseas insurance providers. KPJ began evaluating various locations for the introduction of patient referral centres. These locations include Aceh and Jakarta in Indonesia,

Yanggon in Myanmar and the Middle East. Currently KPJ operates patient referral centres in Batam, Tanjung Balai and Pontianak in Indonesia.

In addition to the expansion of patient referral centres, KPJ is actively enhancing its presence in online media in order to reach new markets and support existing business partners through further content enrichment.

Growth in the health tourism business sector of KPJ has been very encouraging, with the number of patients seeking treatment in KPJ's hospitals in 2009 reaching more than 15,000.

To tap this lucrative market, KPJ is actively positioning its brand for greater recognition overseas and employing a variety of strategies to market its hospitals to potential customers. These include getting all its existing and new hospitals accredited and putting all processes particularly those involving the Group's business re-engineering SEGAR programme in place and properly implemented. Additionally, the Group will ensure that its Seven Patient Safety Goals are met successfully. With safety being the number one core value of KPJ, it will leave no stone unturned to ensure patient safety, which is one of the key factors that will render its health tourism initiative a success. This is supported by widespread creation of awareness through workshops for doctors and nurses; implementation of an IT system that improves efficiency and cost-effectiveness; and overall adherence to safe and correct procedures. Another initiative involves further human capital development with emphasis on training to be carried out at every level of staff totalling some 6,978 members. Training also extends to the 680 doctors within the Group. KPJ spent RM7.5 million on human capital development alone, reflecting the Group's commitment to service excellence.

KPJ aspires to be the role model for other hospitals to follow. Being already in the leading position in the country, KPJ is strengthening its regional and world position by bringing experts into the country, with the government opening doors for the entry of these foreign experts. KPJ international assets will be injected into its REIT for better resource management. It will also forge stronger working relations with industry practitioners and players, including insurance companies, who are critical in providing healthcare coverage, as well as with leaders of MHTC to help make Malaysia a haven for healthcare.

"Malaysia's private healthcare industry is a hidden jewel that has a strong potential to compete successfully and to be a foreign exchange earner."

*- Dato' Sri Mohd Najib Tun Abdul Razak,
Prime Minister of Malaysia*

Delivery of Healthcare Services

Setting the Standards



Establishing a high level of clinical governance

To fulfil the amanah or trust placed upon KPJ by its customers, the Group endeavours to achieve best operational practices with a focus that is always on patients satisfaction and safety. KPJ has established a clinical governance framework to ensure the provision of the highest standards of safety and appropriate patient care in all its hospitals. Specific and stringent guidelines are put in place to manage clinical risks and build a culture of safety and quality.

Clinical governance in the KPJ network is based on the concepts and principles of clinical governance in the National Health Service of the United Kingdom. To ensure that it is practised to the highest level, KPJ has a system of introducing and formulating operational clinical policies and procedures, proper credentialing and privileging process, the setting up of a broad framework for clinical audit, continuous reviewing and monitoring, quality assurance activities as well as the establishment of evidence-based best practices. The Medical Director of each hospital oversees, guides, and leads the implementation of clinical governance policies and procedures at the hospital level.

Central to these efforts within KPJ is the implementation of the Seven Patient Safety Goals advocated by the World Alliance for Patient Safety. These goals are to improve the safety of using medicine; identify patients properly; communicate effectively with patients; eliminate wrong site, wrong patient and wrong procedure; reconcile medicine accurately and completely throughout the continuum of care; improve hand hygiene to prevent healthcare-associated infection; and reduce the risk of patient harm from falls. Begun in 2008, the aim is to have these goals fully implemented in all KPJ hospitals by 2010.

Enhancing quality standards

Healthcare and hospital accreditation is about improving how care is given to patients and the quality

of care that they receive. In order to be accredited, an organisation has to fulfil certain standards and criteria set by national and international professional accreditation bodies.

KPJ has embarked upon many quality initiatives, both internally and externally, and has developed several measures to continuously strive to improve the quality of healthcare services delivered to patients. Since the first certification of a KPJ Healthcare hospital in 1996, to-date, most of the hospitals within the Group have been certified with MS ISO 9001:2000.

Accreditation Initiatives

The Group continues to emphasise in having its hospitals accredited by the Malaysian Society for Quality in Health (MSQH), the national accreditation body for hospitals. Other than ensuring that KPJ's hospitals meet international accreditation standards, the programme is in line with the Government's health tourism objective. Six of KPJ's hospitals are MSQH-accredited as at December 2009 and 12 more are in the process. During the year, KPJ Seremban Specialist Hospital achieved its first full three-year accreditation cycle and KPJ Johor Specialist Hospital was awarded its second full cycle of accreditation. KPJ Ampang Puteri Specialist Hospital has the distinction of being the first hospital in Malaysia to achieve a full three-year accreditation for four consecutive cycles.

As an organisation committed to quality, KPJ has received various awards and accolades for its healthcare services as well as management and governing standards. KPJ Selangor Specialist Hospital was amongst the many in the Group that was recognised in a number of ways in 2009. It received two industry recognition awards during the year. One was the Asian Hospital Management Award presented in Ho Chi Minh City, Vietnam, on 14 August 2009 and the other was from the Ministry of Health for Healthcare Facility Promoting the Health Industry and Providing Approved Services on 9 June 2009. The hospital was also presented with the Most Entertaining 5-Star Service Award on 15 April 2009 from Focus Learning, an organisational learning corporation. On 20 August 2009, the hospital was amongst the Best Ten at the National ICC/QCC Convention organised by the Malaysian Productivity Centre and Ministry of International Trade and Industry.

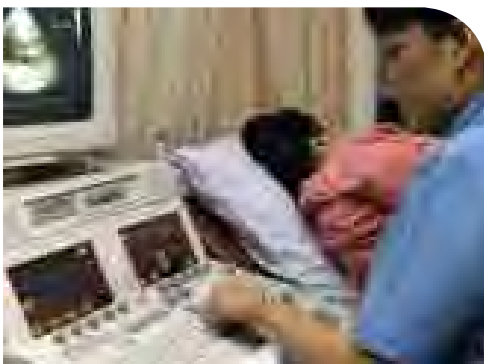
State-of-the-Art Facilities and Specialist Services

STATE-OF-THE-ART FACILITIES

- 24-hour Accident & Emergency Unit
- 24-hour Ambulance Services
- 3-D / 4-D Ultrasound
- Bone Densitometer
- Coronary Intensive Care Unit (CICU)
- Coronary Care Unit (CCU)
- Cardiothoracic Centre
- Convalescent Centre/Home Nursing
- Diagnostic Imaging-MRI / Mammogram/ Multi-slice CT Scan/ X-Ray
- Diagnostic / Screening Centre
- Dental X-Ray
- Day Care Ward
- Haemodialysis Centre
- High Dependency Unit (HDU) / Neonatal HDU
- Intensive Care Unit (ICU) / Neonatal ICU
- Laboratory
- Lithotripsy Centre
- Operation Theatre & Cardiac Operation Theatre
- Oncology & Radiotherapy Centre / Linear Accelerator
- Ophthalmic Laser
- Picture Archiving and Communications System (PACS)
- Pharmacy
- Physiotherapy & Rehabilitative Centre
- Private Delivery Rooms
- Special Care Nursery
- Specialist Outpatient Clinics
- Treadmill Stress Test
- Women & Baby Centre

SPECIALIST SERVICES

- Anaesthesiology
- Angiogram
- Audiology
- Bariatric Surgery
- Cancer & Chemotherapy Services
- Cardiology & Cardiothoracic Surgery
- Child Psychiatry
- Clinic Pathology
- Cochlear Transplant Surgery
- Colorectal Surgery
- Cornea Transplant Surgery
- Diet Counselling
- Dermatology (Skin)
- Day Surgery
- Ear, Nose & Throat (ENT)
- Endochronology
- Foetal Maternal Medicine
- General Surgery
- General / Internal Medicine
- Gastroscopy / Colonoscopy / Endoscopy Services / ERCP
- Haematology
- Immunisation & Vaccination Services
- Interventional Angioplasty
- Interventional Chronic Pain Management Services / Centre
- In-vitro Fertilisation (IVF)
- Laparoscopic Surgery
- Neurology (EEG & EMG)
- Neurosurgery
- Neonatology
- Nephrology
- Occupational Health Services
- Orthopaedic & Trauma Surgery
- Ophthalmic (Eye) Laser
- Ophthalmic (Eye) Surgery
- Ophthalmology
- Orthodontic & Maxillofacial Surgery
- Obstetrics & Gynaecology (O&G)
- Outpatient Treatment
- Paediatric Surgery/Urology
- Plastic Surgery/Plastic & Reconstructive Surgery
- Physiotherapy, Rehabilitative & Occupational Therapy Services
- Psychiatry
- Pharmacy & Laboratory Services
- Radiotherapy & Oncology
- Reconstructive & Spinal Surgery
- Respiratory Medicine Services
- Restorative Dentistry & Endodontics
- Rheumatology
- Sleep Disorder Centre
- Sports Medicine
- Spinal Surgery
- Stem Cell Therapy
- Urology
- Vascular Surgery



Advancing continuous caring

With over 28 years experience in providing healthcare services to Malaysia, KPJ has grown in terms of healthcare quality and standards. Measuring itself against global standards, KPJ has continually extended its capacity, improved its physical infrastructure, upgraded its facilities and equipment to be state-of-the-art and, just as importantly, developed the skills and knowledge of all levels of staff as well as professionals in efforts to advance continuous care for all patients. In advancing continuous care, KPJ has also modernised its facilities so as to bring greater comfort to patients. KPJ is also presently giving greater emphasis on maximising the use of high technology instruments and information technology (IT) to bring healthcare to the next level.

KPJ is on a group-wide programme to eliminate obsolete and non-relevant systems, applications and practices as it increases the use of IT in hospital management and patient care. All hospitals are part of KPJ's E-system and Corporate Network. A human resource system, HRIS, is being employed across the Group while K-CIS, an integrated clinical information system, is set to be implemented in six hospitals in 2010. The system is aimed at meeting operational needs and requirements that will place high consideration on patient safety. It will ensure that all personnel and doctors deliver efficiency and quality services by leveraging on IT through the assistance of automation and system integration of healthcare services.

Puteri Specialist Hospital, Johor Bahru, was chosen as the pilot hospital for implementation of K-CIS involving the development and customisation of all the standard needs and requirements. In the last five years, the project underwent various stages of implementation, continuous programme modifications, customisation, user training and documentation before implementation and deployment to other KPJ hospitals.

The implementation started with delivering basic outpatient features and functionalities; making diagnosis, on-line ordering (for laboratory, X-Ray and physiotherapy requirements); digital imaging and prescription, electronic reportings; and

having all automated charges so as to achieve some form of paper-less clinical operation. The system will encompass patient care by doctors, nurses and other personnel.

K-CIS is now at the mature stage of implementation and rollout to all KPJ hospitals to enable them to migrate towards IT automation and system integration.

Another progress under IT development is the successful implementation of the Picture Archiving and Communications System (PACS) in the radiology departments of all hospitals. PACS is a paper-less and film-less system of digital images, results and reports, which contributes towards improving cost and operational efficiency. KPJ Damansara Specialist Hospital, KPJ Ampang Specialist Hospital and Puteri Specialist Hospital have implemented PACS with the rest of the Group to follow.

KPJ has gone another step further in its commitment to IT with the acquisition of the CIS application database and will have the distribution rights in Malaysia and Indonesia.

With all improvement and advancement measures in place, KPJ is set to create a greater presence in world healthcare, bringing the spotlight to Malaysia whose health services are comparable to some of the best in the world.



Corporate Responsibility

Care for the Nation



Healthcare – a major contributor to the nation's well-being

Malaysians are fortunate to have one of the best healthcare systems in the region. Health has continually been featured in the country's development plans, and in the Ninth Malaysia Plan 2006-2010 (9MP), the Government aims to consolidate healthcare services, enhance human resource development and optimise resource utilisation. The Ministry of Health has developed the Strategic Plan for Health 2006-2010 in line with the 9MP, one that will help bring the country closer towards realising Vision 2020. The Strategic Plan for Health will strive to make Malaysia "a nation of healthy individuals, families and communities through a health system that is equitable, affordable, efficient, technologically appropriate, environmentally adaptable and consumer-friendly, with emphasis on quality, innovation, health promotion and respect for human dignity and which promotes individual responsibility and community participation towards an enhanced quality of life".



While the Strategic Plan for Health encompasses plans and actions to be undertaken by the public health sector, the private healthcare industry also has a responsibility to contribute to the better health of Malaysians through its medical services as well as its community programmes. KPJ as a private entity provides its healthcare services on the premise that health adds value to human life. Health is an asset individuals possess that enables them to achieve their full potential during their lifetime. While being healthy has intrinsic value as a source of well-being, it also has an instrumental value as health affects economic growth through employee productivity. A healthy employee means an increase in productivity and a reduction in production losses arising from worker illness. The impact on productivity will extend to future generations of workers and, when healthcare efforts are extended to the wider community, the effect on the nation at large is monumental.

The range of healthcare services also opens up employment opportunities from positions created in professional medical fields, such as nursing and allied services. With employment comes the need for training, which by itself opens more job opportunities for trainers and support staff. The KPJ International College of Nursing and Health Sciences, for example, has produced hundreds of graduates who are in continuous demand. Training strengthens human capital development in nursing, an essential component in healthcare industry.

The Malaysian healthcare industry, which includes products and equipment, is valued at more than RM10.0 billion and is still growing. One of the sectors with high growth potential is health or medical tourism, with the potential to generate foreign exchange and multiplier effects on the local economy. The global healthcare travel market has been projected to grow from US\$20.0 billion in 2005 to between US\$40.0 to US\$60.0 billion in 2010. Taking into consideration global trends and Malaysia's domestic capacity, KPJ has identified health tourism as one of its sources of growth. This is also in line with the Malaysian Government's greater emphasis on the services sector, including health tourism. The Third Industrial Master Plan launched in 2006 has identified health tourism as one of the potential services sub-sectors to generate national economic growth. There is no doubt Malaysia is fast-gaining recognition as a preferred destination for healthcare travellers. The country, with its comparatively reasonable cost of living and competitive medical care costs, currently ranks amongst the top three health tourism destinations in the region and is highly regarded for highly-trained and skilled medical professionals and personnel, state-of-the-art medical equipment, modern facilities and infrastructure, all of which are available at KPJ. The Group is very much a part of Malaysia's private healthcare industry, which has a strong potential to compete successfully and to be a significant earner



KPJ staff taking part in Relay for Life in June 2009

of foreign exchange by attracting foreign medical tourists to the country.

Promoting healthy living for the nation's well-being

The private healthcare industry in Malaysia complements the Government's efforts of promoting 'Healthcare for All' by providing its services to a discerning public that is willing to pay for healthcare. There are 224 private hospitals in the country with about 10,000 beds. These hospitals employ about 18,000 doctors and 68,000 nurses.

KPJ leads the industry with a network of 19 hospitals located in major cities and towns nationwide. In addition, the Group manages two hospitals in Jakarta, Indonesia. In 2009, KPJ has treated a total of 1,978,669 outpatients and 206,907 inpatients at its various hospitals. While it is at the forefront in providing a wide range of specialised medical services to those with illnesses and other medical conditions, KPJ believes in taking a more proactive stance in healthcare by promoting healthy living thus helping to ensure the well-being of the people. The promotion of a healthy lifestyle will mean a more productive population that can contribute towards national economic growth.

To promote a healthy lifestyle, the KPJ Wellness and Lifestyle Programme was initiated with the setting up of Wellness Centres in some of the Group's hospitals.

These centres provide a soothing and supportive environment to help customers in managing their own health through regular check-ups and tests. Among them are Wellness Centres in KPJ Ampang Puteri Specialist Hospital and KPJ Damansara Specialist Hospital, with plans to extend the programme to more hospitals. Selected hospitals have also established Obesity Centres to address obesity, a fast-growing medical condition in Malaysia, and its associated problems. At KPJ Damansara Specialist Hospital, its Obesity Centre helped a 210-kg patient to lose 50 kg of weight in 14 weeks.

Walking the talk, KPJ is also checking obesity within its own network. At KPJ Ampang Puteri Specialist Hospital, for example, a Healthy Living Programme with the tagline, 'A Healthier Weight, A Healthier Me', was launched on 24 February 2009. All employees, including management, joined in a mass five-day weighing assessment and each employee was given a card to monitor his or her progress. Talks as well as after-work fitness sessions were held for employees twice a week over a ten-month period.

Hospitals in the KPJ network regularly organise talks for the public aimed at creating greater awareness on health issues such as stress management, healthy eating and cancer. These talks are part of KPJ's ongoing public health education efforts to promote a better lifestyle amongst Malaysians.

Responsibility to the Community and Country

As part of its Business Jihad philosophy, the Group believes in the importance of giving back to society in gratitude for the amanah or trust that the public has bestowed upon it. It is thanks to this amanah that KPJ leads in Malaysia's healthcare sector. Thus, KPJ strives to uphold its corporate responsibility through using the resources available to it. In the process, KPJ's brand, reputation and standing within the community are further strengthened.

Promoting a healthy lifestyle for the eventual economic good of the country is just one of the ways that KPJ contributes to the community. In 2009, KPJ continued to extend help to special groups through its Community Outreach programmes. Medical screening and nutritional counselling sessions were provided to Orang Asli communities, the elderly and the physically challenged, amongst others. KPJ also partnered with external organisations in undertaking community activities, holding medical camps and providing patient support services and medical assistance. In October 2009, for example, KPJ provided medical assistance at the 'Walk the Talk, Be the Movement' charity walkathon organised by QSR Brands. The Chairman of KPJ, Tan Sri Dato' Muhammad Ali Hashim, who officiated at the event also participated in the walk together with other KPJ staff.



During Ramadhan in the year under review, KPJ's hospitals held breaking-of-fast activities with orphans and other less fortunate members of society, during which donations of food and cash were also distributed. These activities, which are a regular feature of KPJ's corporate responsibility projects, provide opportunities for health education, with talks given on simple topics such as proper hand-washing. The major festivals are likewise celebrated with the underprivileged.

A significant community project during the month of Ramadhan was the At-Tijarah series of television programmes aired during the fasting month by Radio Television Malaysia. The series showcased community leaders and business personalities in discussions on the contribution of trade and commerce to the prosperity of individuals, families, communities and nations. The series is part of At-Tijarah Ramadhan, which is now in its fifth season. It is a collaborative venture between KPJ's parent company, Johor Corporation (JCorp), and the Malaysian Islamic Development Department (Jabatan Kemajuan Islam Malaysia or JAKIM). Designed to help the needy, KPJ's involvement is through sponsorship of medical treatment and contribution to a fund managed by JCorp to assist patients requiring medical attention.



KPJ Ampang Puteri Specialist Hospital's senior management team presenting a cheque to Pondok Penyayang Raudah, Gombak



KPJ Kuantan Specialist Hospital's free health screening at Karnival Zakat



Tawakal Hospital celebrating World Heart Day

At the various hospitals within the Group's network, health-related activities were organised for the public in 2009, particularly on designated Health Days such as World Health Day, World Heart Day and World Breastfeeding Day. There were displays of information and booths providing free services that included blood test and blood pressure screening. The Health Days were also occasions to assist the national blood bank through blood donation drives. Other activities included the 'Back to Basic' seminar organised by the School of Physiotherapy of the KPJ International College of Nursing and Healthcare Sciences. Residents from the Nilai neighbourhood and nearby residential areas participated in talks and discussions on proper back care. While the event brought students closer to the community, they also gained in enhancing their interaction and communication skills with the public.

KPJ's medical consultants are themselves very involved in helping the community. They participate as speakers in health-related events organised by public bodies as well as private companies and accept invitations to talk on health issues on television and radio talk shows. A major ongoing initiative is the Consultants' Charity Fund that seeks to contribute to needy cases. The consultants have also been at the forefront in raising funds for humanitarian causes such as the Palestinian Humanitarian Fund.

Care for the environment is part of caring for life. Humans have a symbiotic relationship with their natural surroundings and a deteriorating environment will eventually have a disastrous impact on the

survival of humankind. As a healthcare leader, KPJ is conscious of the importance of conservation and endeavours to incorporate 'green' principles into its policies, processes and practices at its hospitals as far as possible. At the basic level, this has meant raising staff awareness on issues such as waste reduction and the need to recycle as well as encouraging them to help save the environment through personal actions. On a wider scale, KPJ is utilising information technology with the implementation of systems that cut down on paperwork while increasing efficiency and effectiveness. One of these systems is PACS, a paperless and filmless system that takes KPJ further forward in going 'green'.



Caring, warm and friendly – KPJ Healthcare nurses with a patient

KWAN – healthcare for the needy

It is generally agreed that income levels affect health, that is, poverty is associated with poor health. The underprivileged are more likely to suffer from illnesses than the more affluent for reasons such as less access to safe housing, inadequate nutrition and problems obtaining appropriate healthcare.

KPJ's main corporate responsibility initiative is its involvement in JCorp's Klinik Waqaf An-Nur (KWAN) programme, which aims to help the underprivileged obtain medical care that would normally be beyond their reach. KWAN provides medical assistance to patients earning less than RM1,000 a month at a flat rate of just RM5.00.

Begun in 1998, KWAN's network of 12 clinics (six in Johor, one in Negeri Sembilan, three in Selangor, one in Kuala Lumpur and one in Sarawak) was increased to 13 when the Klinik Waqaf An-Nur Samariang at Jalan Tengah, Kuching, Sarawak, became operational in October 2009. KWAN operates one hospital in Pasir Gudang, Johor, which was set up in December 1999. Since its inception, KWAN has helped more than half-a-million needy patients.

KPJ's main corporate responsibility initiative is its involvement in JCorp's Klinik Waqaf An-Nur (KWAN) programme, which aims to help the underprivileged obtain medical care that would normally be beyond their reach.



Highlights in Pictures: Events and Activities

17 January 2009
 KPJ Ipoh Specialist Hospital, cardiac surgery and nursing team with their 1,000th patient, Yee Teck Meng ▶



7 February 2009
 Chinese New Year celebration at KPJ Ampang Puteri Specialist Hospital ▼



◀ **12 May 2009**
 Kedah Medical Centre celebrating Nurses Day



23 May 2009
 KPJ Kajang Specialist Hospital celebrating Nurses Day ▼



16 May 2009 ▶
 Sentosa Medical Centre Nurses Day celebration



4 July 2009
 KPJ Johor Specialist Hospital's pioneer consultant, Dato Dr Lim Kee Jin and Datin with the farewell gift they received on the occasion of his retirement ▼



▲ **26 May 2009**
 Bangladeshi doctors' visit to KPJ Seremban Specialist Hospital

16 May 2009 ▶
 Cake Cutting Ceremony on Nurses Day at KPJ Seremban Specialist Hospital



5-11 August 2009
Sentosa Medical Centre taking part in an exhibition
at Aceh Cultural Festival in Indonesia ▼



▲ **9 September 2009**
Taiping Medical Centre's Staff Nurse Rahayu and
Mazlinda handing over a hamper to 09.09.09 baby's
mother Ms. Ng Sio Mui

1 September 2009 ▶
Kuching Specialist
Hospital General
Manager, Yasser Arafat
Ishak with Merdeka
baby and parents



3 November 2009
Children's Day celebration
at Puteri Specialist
Hospital ▼



9 September 2009
09.09.09 Babies Day held specially for babies born
▼ on that special day at KPJ Ipoh Specialist Hospital



◀ **3 October 2009**
Tawakal Hospital
celebrating World
Heart Day 2009



14 December 2009
KPJ Selangor Specialist
Hospital PR manager,
Hudza Mohamad live
on Selamat Pagi
Malaysia (RTM1) ▼



▲ **10 November 2009**
Perdana Specialist Hospital launching
Healthy Lifestyle Campaign in Kota Bharu



Highlights in Pictures: Corporate Responsibility

28 February 2009

KPJ Ipoh Specialist Hospital's Blood Donation Drive held at Tesco Station 18, Pengkalan ▶



13-14 March 2009

KPJ Ipoh Specialist Hospital and Abbot's free public health screening programme ▼



10-11 March 2009

Kedah Medical Centre providing free medical screening for the public at Langkawi Airport ◀



16 May 2009

KPJ Seremban Specialist Hospital Executive Director, Yusoff Ismail giving prizes to winners of Golf Amal KWAN in collaboration with Kulim (M) Bhd ▼



12 May 2009 ▶

KPJ Nurses' Day celebration at an orphanage home, Rumah Amal Limpahan Kasih in Puchong, Selangor



22 May 2009

Kluang Utama Specialist Hospital General Manager, Zaiton Sulaiman distributing cup cakes to elderly residents at Mirian Home, Kluang



20 June 2009

Puteri Specialist Hospital displaying recycling bins on World Environmental Day ▼



16 May 2009

KPJ Ampang Puteri Specialist Hospital, Chief Executive Officer, Mohd Nasir Mohamed, planting a tree commemorating Environmental Day ▼



11 September 2009

Chief Executive Officer KPJ Selangor Specialist Hospital, Mohd Johar
▼ Ismail at the breaking of fast with Al-Ijabah Orphanage, Subang Jaya



29 September 2009 ▲

Damai Specialist Hospital General Manager, Alice Liu's visit to Rumah Bukit Harapan Orphanage

5-11 August 2009 ►

Dr. Khaled M. Hassan from Kuantan Specialist Hospital going live on Doktor di Radio Pahang programme

31 September 2009

General Manager, Mah Lai Heng and Dr Zaidi Zakaria from KPJ Penang Specialist Hospital at Rumah Budi Yan, Kedah for Community Outreach Project ▼



14 November 2009 ▲

Mothers massaging babies at Infant Massage Baby Therapy at Puteri Specialist Hospital

3 October 2009

Launching of Padang Indonesia Earthquake Fund by Kluang Utama Specialist Hospital ▼



◀ **31 October 2009**

KPJ Damansara Specialist Hospital collaborating with Pride Foundation in promoting Breast Cancer Awareness Campaign



19-31 December 2009

Damai Specialist Hospital's participation in a Toy Donation Campaign ▼



Highlights in Pictures: Learning Organisation

6 January 2009 ▶

Managing Director
Datin Paduka
explaining the
concept of Business
Jihad at KPJ Group
Pedoman 2009



25-28 February 2009

Infection Control seminar
at KPJ Ampang Puteri
Specialist Hospital ▼



◀ 31 January
2009

Pedoman 2009
at Puteri
Specialist
Hospital



3 February 2009

Pedoman 2009 at Perdana
Specialist Hospital ▼



▶ 19 February 2009
Pedoman 2009 at
KPJ Seremban
Specialist Hospital



6-8 April 2009

ISO Audit Course at
Kedah Medical Centre ▼



▲ 27-28 February 2009

KPJ Group Workshop on Strategic
Direction and Business Transformation

15 April 2009 ▶

KPJ Ampang Puteri Specialist
Hospital staff participating in
Standard People Practice
(SPP) programme



21 May 2009 ▲ First session of Positive Image Training by Kluang Utama Specialist Hospital staff ▼



28 May 2009 ▲ Body Mass Index Talk with Dr Wahab Ghani at KPJ Ampang Puteri Specialist Hospital ▼



19-21 June 2009 ▲ KPJ Group Medical Workshop on Cascading Strategic Direction & Culture Framework ▼



29 October 2009 ► Medical Education Talk by Dr Abd Rahman from Kedah Medical Centre ▼



3 December 2009 ▲ CPR Training at Kluang Utama Specialist Hospital ▼

22-24 July 2009

▼ Safety and Fire Academy (SAFA) Training



◀ **3 November 2009**
13th KPJ Quality Convention 2009



2-4 December 2009
Staff of Perdana Specialist Hospital with their awards on Hari Mekar ▼



Ensuring Trust and **Accountability**



Statement on Corporate Governance

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

The Board of KPJ Healthcare Berhad (KPJ) is pleased to report to the shareholders in particular and other stakeholders that good corporate governance has been continuously practised and upheld in accordance with the Principles as set out in Part 1 of the Malaysian Code on Corporate Governance (The Code). The Board, to the best of their knowledge, confirms that the Group has complied with the Best Practices as set out in Part 2 of the Code throughout the year ended 31 December 2009.

The Board recognises the importance of Corporate Governance and conscientiously applies good 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.

BOARD OF DIRECTORS

BOARD STRUCTURE, COMPOSITION AND BALANCE

The Board of Directors plays a key role in the governance process through its review and approval of the Group's direction and strategy. 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 the financial year 2009, there have been no changes in the composition of the Board of Directors of KPJ from the previous year. The present size and composition is 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 of Board Members are on pages 16 to 21 of this Annual Report.

The Board of Directors comprises one (1) Non-Executive Chairman and two (2) Non-Executive Directors as representatives of the majority shareholder, seven (7) Independent Non-Executive Directors and one (1) Managing Director. This is consistent with the requirement of the Bursa Malaysia Main Market Listing Requirements. Whilst the Company has a significant and majority shareholder (Johor Corporation), the investment of minority shareholders is fairly reflected through Board representation of Independent Non-Executive Directors and all of them have fulfilled the criteria of independence as defined in the Bursa Malaysia Main Market Listing Requirements.

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 judgement 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 responsibility between the Chairman, Tan Sri Dato' Muhammad Ali Hashim, and the Managing Director, Datin Paduka Siti Sa'diah Sheikh Bakir, are clearly divided to ensure that there is a balance of power and authority.

The Chairman carries with him a wide range of experience and expertise and his principal responsibility is to lead the Board of Directors and ensure effective running of the Board, independent of the management. The current Chairman has never held the position of Managing Director of the Company.

The Managing Director has the principal responsibility of implementing the policies and decisions approved by the Board and progressively reports and communicates all strategic and operational matters to the Board for decision-making purposes. The Board has also developed and approved the corporate objectives for 2010, for which the Managing Director is responsible to achieve.

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 Tan Sri Datuk Arshad Ayub, the Senior Independent Non-Executive Director, to whom concerns pertaining to the Group may be conveyed by shareholders and other stakeholders.

BOARD RESPONSIBILITY

In discharging their duties and responsibilities, the Board ensures that all decisions made are in the best interests of the Company and stakeholders. The key duties of the Board include the following:

- Review and adopt the business strategic plans for the Group.

The strategic and business plan for the period 2010 – 2014 was tabled, discussed and approved by the Board at its meeting on 23 November 2009. Additionally, on an ongoing basis as need arises, the Board will assess whether projects, purchases and sale of equity as well as other strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans.

- Oversee 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 and the functions of each committee are disclosed in pages 68 to 70.

- 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 Human Resources Services. An overview of the Group Human Resource and its importance to the Group are mentioned on page 29 of this Annual Report.

- Develop and implement investors' relations programmes or shareholder communications policy for the Group.

The Group has introduced many activities with regards to communication with investors. Details of investors' activities are disclosed on page 71 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.

In ensuring the effectiveness of the Board's functions, various committees were established and these committees will report their findings on a regular basis. The Internal Audit Services are independent of the management and their findings from the audit of operational effectiveness will be reported directly to the respective committees as set up at Board level.

The Board is also responsible to ensure smooth functioning of core processes, board governance, business value and ethical oversight, whilst the Non-Executive Independent Directors will further provide an

independent and objective view with effective check and balance in deliberating the above mentioned.

BOARD MEETINGS AND SUPPLY OF INFORMATION

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 2010 the meetings were fixed in December 2009. During the year ended 31 December 2009, the Board convened four meetings on the following dates and venues:

Date of Meeting	Description	Venue	Attendance
25 February 2009	54 th Board Of Directors Meeting	Persada Johor International Convention Centre, Johor Bahru, Johor	9/11
20 May 2009	55 th Board Of Directors Meeting	Persada Johor International Convention Centre, Johor Bahru, Johor	11/11
25 August 2009	56 th Board Of Directors Meeting	KPJ Damansara Specialist Hospital, Damansara Utama, Selangor	10/11
23 November 2009	57 th Board Of Directors Meeting	KPJ Penang Specialist Hospital, Bukit Mertajam, Pulau Pinang	11/11

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

No	Name	BOD	Attendance
1	Tan Sri Dato' Muhammad Ali Hashim	C	4/4
2	Datin Paduka Siti Sa'diah Sheikh Bakir	M	4/4
3	Tan Sri Datuk Arshad Ayub	M	4/4
4	Tan Sri Dato' Dr Abu Bakar Suleiman	M	3/4
5	Datuk Dr Hussein Awang	M	4/4
6	Datuk Azzat Kamaludin	M	3/4
7	Zainah Mustafa	M	4/4
8	Ahamad Mohamad	M	4/4
9	Dr Kok Chin Leong	M	4/4
10	Dr Yoong Fook Ngian	M	3/4
11	Rozan Mohd Sa'at	M	4/4

C - Chairman

M - Member

Prior to each 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 their 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.

All Directors are also entitled to have access to the advice and services of the Company Secretary.

In between meetings, the Managing Director meets regularly with the Chairman and other Board Members to keep them abreast of current developments of the Group.

DIRECTORS' TRAINING

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:

SEMINARS / CONFERENCES ATTENDED BY DIRECTORS

No	Name of Workshop/Conference/Seminar	Date
1.	Kongres Yayasan Pembangunan Ekonomi Islam Malaysia: Peranan Agensi Awam & GLC dalam Mewujudkan dan Memperkasa Usahawan Baru yang Kompeten dan Berdaya Saing – Suatu Gagasan & Cabaran Masa Hadapan	13 January 2009
2.	Kongres Islam Sarawak 2009: Globalisasi Ekonomi & Landskap Baru Ekonomi Dunia – Ruang & Peluang bagi Pembangunan & Pertumbuhan Ekonomi di Malaysia	11 February 2009
3.	Strategic Direction and Business Transformation	27 February 2009
4.	Culture Re-engineering and Leadership	29-31 March 2009
5.	Round Table Discussion (RTD) on Mitigating the Impact of the Global Crisis	2 April 2009
6.	Seminar on Quality in Research Supervision	12 June 2009
7.	MSQH/ISQua Accreditation Council Seminar – Global Trends in Accreditation of Healthcare and Services	15 June 2009
8.	APHM/ASQua/ISQua International Healthcare Conference & Exhibition 2009	21 July 2009
9.	High Performance Leadership	4 August 2009
10.	3 rd Annual Series – Asia Healthcare 2009 – Charting a Blueprint for Your Healthcare Businesses and Services in Asia	17 August 2009
11.	8 th Ministry of Health-Academy of Medicine of Malaysia Scientific Meeting	18 August 2009
12.	Duty & Responsibility	25 August 2009
13.	Main Market Listing Requirements	25 August 2009
14.	Key Differences on Roles, Duties & Responsibilities of Directors in Malaysia, Indonesia & Sri Lanka – A Comparative Perspective	25 August 2009
15.	Khazanah Nasional Berhad K9 Roadshow	25 August 2009
16.	Khazanah Megatrends Forum	5-6 October 2009
17.	Corporate Governance Guide – Towards Boardroom Excellence	7 October 2009
18.	The International Society for Quality in Healthcare Conference	11-14 October 2009
19.	Workshop on Main Market & ACE Market Listing Framework and Proposed Enhancement to Enforcement Processes	28 October 2009
20.	Multilateral Trading Facility, Alternative Trading System and Dark Pools Challenges and Opportunities	29 October 2009
21.	Eminent Persons Lecture by Datuk Sreenevasan on 'Bilateral Renal Calculi: Revisiting My Hunterian Lecture	12 November 2009
22.	Kuala Lumpur International Trade Forum	12 November 2009
23.	Inaugural Malaysia - Arab Business Forum: Women in Business Forging New Partnerships	30 November 2009
24.	KPJ Healthcare Medical Conference: Commitment to Patient Safety Initiative	12 December 2009
25.	Asean Women Leaders' Forum 2009: Expanding Possibilities, Scaling New Heights	15 December 2009
26.	Shaping The Future / Implementation of FRS 139 – What Directors Should Know	30 December 2009

BOARD COMMITTEES

The Board as part of its leadership role coordinates and delegates specific responsibilities to three working Committees (Audit Committee, Medical Advisory Committee and Options Committee). 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 Nomination and Remuneration Committee (NRC) for all listed subsidiaries of Johor Corporation (JCorp) are centralised at the holding corporation level. Hence, in line with this practice, the functions and responsibilities of the Company's NRC are vested with JCorp's Group NRC. This approach in centralising NRC functions at the Group's Centre is not an uncommon practice among top global companies and leading Multi-National Corporations.

AUDIT COMMITTEE

The Audit Committee is chaired by Tan Sri Datuk Arshad Ayub and comprises 4 members of whom all are Independent Non-Executive Directors. The Committee meets on a scheduled basis at least 4 times a year. The terms of reference, functions and activities carried out by the Committee are set out under the Audit Committee Report on pages 78 to 81 of this Annual Report.

MEDICAL ADVISORY COMMITTEE

The Committee's role is to ensure that the best clinical governance activities and guidelines are being practised by the Group. The Committee meets on a scheduled basis at least 4 times a year. The functions and activities carried out by the Committee are set out under the Medical Advisory Committee Report on pages 82 to 85 of this annual report.

OPTIONS COMMITTEE

The Options Committee was set up in conjunction with

the establishment of the Employee Share Options Scheme (ESOS) in 2004. The Committee supervised the allocation of share options to employees under the Group's ESOS in accordance to the Bye Laws. Details of the ESOS are set out in the Notes to the financial statements.

The scheme expired on 12 July 2009, therefore there were no meetings during the year under review.

NOMINATION AND REMUNERATION COMMITTEE

PROCEDURE

In line with the holding corporation's practice, the functions and responsibilities of the NRC are represented at JCorp Group level. A group level committee allows wider access and greater reach to a much larger pool of talent, skills and expertise as well as benchmark remuneration on a group-wide basis. The Committee will establish and implement processes for assessing the effectiveness of the Board of Public Listed Companies (PLCs) as a whole, the committees of the Board and for assessing the contribution of each Director.

The Company is directly represented at the JCorp Group NRC by its Chairman, Tan Sri Dato' Muhammad Ali Hashim, Managing Director, Datin Paduka Siti Sa'diah Sheikh Bakir, and Senior Independent Non-Executive Director, Tan Sri Datuk Arshad Ayub, and two Non-Executive Directors, En Ahamad Mohamad and En Rozan Mohd Sa'at, who are respectively the Chairman and official members of the JCorp Group NRC. The JCorp NRC members are as follows:

KPJ HEALTHCARE DIRECTORS

1. Tan Sri Dato' Muhammad Ali Hashim – Chairman
2. Tan Sri Datuk Arshad Ayub
3. Datin Paduka Siti Sa'diah Sheikh Bakir
4. Ahamad Mohamad
5. Rozan Mohd Sa'at

NON KPJ HEALTHCARE DIRECTORS

1. Jamaludin Md Ali
2. Kamaruzzaman Abu Kassim
3. A.F.M Shafiquel Hafiz

The Committee had its annual meeting on 22 December 2009.

TERMS OF REFERENCE

The terms of reference of the NRC are as follows:

PURPOSE

Nomination

The NRC was established primarily to identify and recommend candidates for directorships of PLCs, evaluate the effectiveness of the Board, assess the contribution of each individual director and ensure an appropriate framework and succession planning for PLC Boards.

Remuneration

The NRC will provide assistance and inputs in determining the remuneration of Managing Directors, Chief Executive Officers, Executive Directors, other Directors and senior management. The NRC will establish their goals and objectives, review their performance and ensure they are fairly rewarded and compensated for their contributions to the Group.

MEMBERSHIP

The NRC shall consist of at least the representatives of JCorp and other directors of the PLCs. The appointment of NRC members will terminate when the member ceases to be a director of PLCs or as determined by the Board of JCorp. The NRC shall have no executive powers. In the event of equality of votes, the Chairperson of the NRC shall have a casting vote.

MEETINGS AND SUPPLY OF INFORMATION

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 meetings, keeping of minutes and administration. The NRC shall have access to information and advice, both from within

the Group and externally, as and when necessary or appropriate in accordance with the procedures determined by JCorp. The secretary of the NRC shall be appointed by the NRC.

Prior to each meeting, all reports and previous minutes of meetings will be circulated to members at least seven days before the meeting. The NRC will then report to the Board of PLCs at the next Board of Directors' meeting to assist the Board of PLCs in making disclosures in the Annual Report.

SCOPE OF ACTIVITIES

APPOINTMENTS TO THE BOARD

Nomination

In the event of a need to appoint new member(s) of the Board, JCorp, as the ultimate holding corporation in its NRC, will nominate a qualified candidate with the required core competencies to effectively discharge his/her role as a Director of the Company. In any case, the appointment of the Board Member(s) is effected only after official approval by the Board. In nominating a candidate, the NRC member will consider the Best Practices of the Code Part 2 AAIII, which stipulates the main characteristics of a director.

The NRC will also evaluate and propose to the Board the appointment of senior executive positions, including Managing Director or Chief Executive Officer, and to further consider additional training and orientation of new directors with respect to the business, structure and management of the Group.

Re-Election

The number and composition of Board membership is reviewed on a regular basis to ensure the effectiveness of the Board for the long-term interests of the Group. In accordance with the Company's Articles of Association, all Directors are subject to election by shareholders at the first opportunity after their appointment. The Articles provide that one-third or the number nearest to one-third of the Directors is subjected to re-election by rotation at each Annual General Meeting. The Managing Director shall retire from office at least once every three years but shall be eligible for re-election.

DIRECTORS' REMUNERATION

The Committee is responsible for making recommendations on the framework, policy and procedures in reviewing and determining the specific remuneration package of the Managing Director/Chief Executive Officer, Executive Directors and senior management employed in the Group. The objectives are:

- to ensure that individual rewards and incentives relate fairly to the performance of the individual, the Group and the interests of shareholders; and
- to attract and retain the most qualified and experienced senior executives.

The Committee, where appropriate, seeks independent advice and also has access to pooled information on the latest remuneration and compensation packages practised in the market.

The performance of the Managing Director is evaluated under the Performance Management Framework based on the achievement of certain key performance indicators (KPI) set by the Board. This performance evaluation is conducted by the Remuneration Committee annually and recommended to the Board.

The details of the remuneration of each Director during the year are as follow:

	Salary and Other Remuneration RM 000	Allowances and Fees RM 000	Fees from Subsidiary RM 000	Benefit In Kind RM 000	Total RM 000
Non-Executive Director					
Tan Sri Dato' Muhammad Ali Hashim (a)		90.0		23.7	113.7
Ahamad Mohamad (a)		46.0			46.0
Rozan Mohd Sa'at (a)		46.0			46.0
Independent Non-Executive Directors					
Tan Sri Datuk Arshad Ayub		56.0			56.0
Tan Sri Dato' Dr Abu Bakar Suleiman (b)		232.2			232.2
Zainah Mustafa		52.0			52.0
Datuk Azzat Kamaludin (c)		49.0	32.0		81.0
Datuk Dr Hussein Awang (d)		50.5	64.0		114.5
Dr Kok Chin Leong (e)		108.0			108.0
Dr Yoong Fook Ngian (c)		44.5	6.0		50.5
Executive / Managing Director					
Datin Paduka Siti Sa'diah Sheikh Bakir	854.6	66.0	90.0	70.6	1,081.2
Total	854.6	840.2	192.0	94.3	1,981.1

(a) Representatives of majority shareholders.

(b) Received allowances for professional advisory services as Medical Advisory Chairman.

(c) Received allowances for appointment as Independent Director of subsidiary hospitals.

(d) Received allowances for professional advisory services as Medical Director of subsidiary hospitals.

(e) Received allowances for professional advisory services on implementation of KPJ Clinical Information System (K-CIS).

SHAREHOLDERS

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 Managing Director, the Chairman of the Audit Committee and other Board Members are available to respond to shareholders' questions during the meeting. Where appropriate, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered at the meeting. Other than the Board Chairman and Managing Director, the shareholders or any stakeholders may convey any concerns that they may have to Tan Sri Datuk Arshad Ayub, 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.

DIALOGUE BETWEEN COMPANIES AND INVESTORS

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.

The Chairman and Managing Director 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, half-yearly and annual results announcements and press releases are also posted on the Group's website immediately after announcements are made on the Bursa Malaysia's website. Other than the website, the Group continues to produce and enhance its Annual Report to provide sufficient details to the shareholders and stakeholders. From time to time, the Group will conduct meetings, teleconferencing and briefings either upon request by the shareholders and investors or as part of the Group's annual activities. In the year 2009, the following activities were conducted with the investors:

Types of Meeting	No of Times
Investors meetings	34
Conference calls	5
Foreign road shows	2

Senior management personnel involved in Investor Relations activities are:

Personnel Name	Designation
Datin Paduka Siti Sa'diah Sheikh Bakir	Managing Director
Alvin Lee Swee Hee	Chief Financial Officer
Amiruddin Abdul Satar	Chief Operating Officer
Norhaizam Mohammad	Senior Finance Manager
Maria Khong	Manager, Investor Relations

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

In presenting the annual financial statements and quarterly announcements to shareholders, the Directors aim 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 activities.

The Audit Committee reviews both annual financial statements and quarterly announcements to ensure reports are accurate and the preparation is consistent with the accounting policies adopted by the Group.

STATEMENT OF DIRECTORS RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility for preparing the annual audited accounts and for ensuring that the Company keeps accounting records, which disclose with reasonable accuracy the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 1965.

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.

INTERNAL CONTROL

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. An overview of the state of internal control is set out in the Statement on Internal Control on pages 73 to 77 of this Annual Report.

RELATIONSHIP WITH THE 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 a year. The External Auditor has attended 3 Audit Committee Meetings in 2009 (17 February 2009, 17 August 2009 and 17 November 2009) and the 16th Annual General Meeting held on 20 May 2009.

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

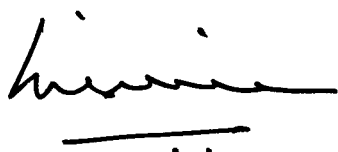
RELATED PARTY TRANSACTIONS

The significant related party transactions for the financial year ended 31 December 2009 are set out in the notes to the financial statements on pages 148 to 150 of the Annual Report.

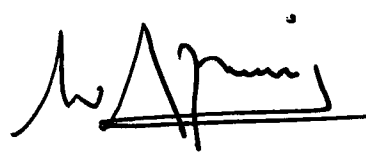
At the 16th Annual General Meeting held on 20 May 2009, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions as set out in the Notes of the Compliance Information on pages 158 and 159.

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.

Signed on behalf of the Board of Directors in accordance with its resolution dated 26 March 2010.



Tan Sri Dato Muhammad Ali Hashim
Chairman



Datin Paduka Siti Sa diah Sheikh Bakir
Managing Director

Statement on Internal Control

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

The Board of Directors of KPJ Healthcare Berhad (KPJ) is pleased to provide the following statement on the state of internal controls of the Group for the financial year ended 31 December 2009, which has been prepared in accordance with Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia and the Statement on Internal Control – Guidance for Directors of Public Listed Companies. The system of internal controls is designed to manage the likelihood and consequences of risks to an acceptable level within the context of the business environment throughout the Group.



BOARD RESPONSIBILITY

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

The internal controls are designed to manage and reduce risks rather than eliminate them. As such internal controls 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.
- compliance with applicable laws and regulations.

The likelihood of achievement is affected by limitations inherent in any internal control systems. The Management therefore needs to consider the cost of implementation of internal controls against the expected benefits 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 process and Continuous Monitoring process.

CONTROL ENVIRONMENT

INTEGRITY AND ETHICAL VALUES

The Management is committed to enforce ethical behaviour in employees and medical consultants. At the annual staff assembly or “Pedoman” (Perhimpunan, Dialog dan Anugerah Tahunan Anggota Pekerja), new staff take an oath and sign a “Service Pledge” declaration form. All employees and medical consultants are reminded during the Pedoman 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, consistent with the spirit of Business Jihad which promotes high ethical values. All employees are encouraged to report directly to the Managing Director of any misconduct or unethical behaviour committed by any staff of the Group through the Borang Peradaban declaration.

The Group has implemented the policy on “Code of Ethics and Business Conduct” to emphasise the commitment of the Group towards ethical values.

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. Some of the hospitals in the Group received their accreditation certification from the Malaysian Society for Quality in Health (MSQH) for the first, second, third and fourth cycles. The focus of the MSQH certification is on patient safety and quality of care.

To improve efficiency and effectiveness of services, the Group allocated 1% of the remuneration as training cost and each employee is expected to undergo at least 30 hours of training per year. Training on work related areas such as customer services, fire safety and corporate culture are done either internally or through external moderators. The Group has initiated training on Customer Services called “Service Excellence the KPJ

Way” by using the “Standard People Practice” as a tool. KPJ Ampang Puteri Specialist Hospital has pioneered the training, followed by KPJ Damansara Specialist Hospital, KPJ Johor Specialist Hospital and KPJ Ipoh Specialist Hospital. Other hospitals will also embark on the same training in the next phase.

To promote continuous learning and upgrading of knowledge, the Group had sponsored 16 eligible executives to further their studies in Master in Business Administration (Healthcare Management). In 2009, 16 of these executives have graduated and obtained their MBAs from the University Technology Malaysia. Nurses are encouraged to further their studies either for the Degree in Nursing or Masters in Science (Nursing) through collaboration with foreign universities. They are also encouraged 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 Medical Conference, Medical Workshop and Nursing Convention yearly for the medical consultants, nurses and allied health staff to deliberate and discuss medical and clinical issues related to their practices to promote patient safety.

New and creative ideas are encouraged through suggestion schemes and Innovative Circle Committee competitions, held yearly, whereby the winner of these events will represent KPJ at the higher level of competition at JCorp, the ultimate holding corporation. For the reporting period, the Group has also introduced Lean Management, a tool to monitor process flows, identify wastages and improve operations.

The Board of Directors reviews the operational and financial performance of the Group through regular quarterly meetings and approves appropriate amendments to the Group policies in relation to internal control effectiveness.

The Audit Committee also reviews and holds discussions with the Management quarterly on the actions taken on internal control issues identified by the internal and external auditors, and reports back to the Board. To ensure independence, the Audit Committee meets the External Auditor in the absence of the Management team.

ORGANISATIONAL STRUCTURE

The organisation structure of the Group, headed by the Managing Director, is divided into three (3) main divisions: Financial, Professional Services and Operation. For the day-to-day operations, the hospitals within the Group are managed by the General Manager and supervised by the Executive Directors, who hold corporate responsibilities as well.

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

ASSIGNMENT OF AUTHORITY AND RESPONSIBILITY

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

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

1. Medical Advisory Committee
Responsible for monitoring the ethical and good medical practice of medical consultants.
2. Clinical Governance Committee
 - a. Responsible for the establishment of framework for all the clinicians within the Group to:
 - i. Continuously improve service quality.
 - ii. Ensure high standard of care.
 - iii. Create an environment that promotes excellence in clinical care.
 - b. There are various sub-committees under the Clinical Governance Committee; namely Clinical Governance Policy Committee, Clinical Governance Action Committee and Clinical Risk Management Committee.

3. Procurement /Tender Committee

- a. Ensures that purchases of equipment and tender of projects are made in accordance with the standard operating procedures as well as leveraging on bulk discounts.
- b. Coordinates the standardisation of equipment and medical supplies purchased.

RISK ASSESSMENT FRAMEWORK AND PROCESS

COMPANY-WIDE OBJECTIVES

Enterprise-Wide Risk Management has been implemented across the Group through Risk Coordinators, appointed at each hospital to co-ordinate and monitor the implementation of risk management activities. All hospitals and companies are encouraged to identify and mitigate relevant risks that may affect the achievement of the Group's Key Performance Indicators and report to their respective Board.

During the year under review, the Group focused its Risk Management activities on incident reporting, root cause analysis, developing and adopting the Seven Patient Safety Goals of the World Health Organization and monitoring activities that depart from best practices. This is to ensure that every incident is investigated and root cause identified to prevent future recurrence and ensure patient safety is given top priority.

The Seven Patient Safety Goals to be fully implemented in the year 2010 are:

1. Identify Patient Correctly
2. Improve the Effectiveness of Communication among Caregivers
3. Improve the Safety of Using Medication
4. Accurately and Completely Reconcile Medication across the Continuum of Care
5. Ensure Correct-Site, Correct-Procedure, Correct-Patient Surgery
6. Improve Hand Hygiene to Prevent Health Care-Associated Infection
7. Reduce the Risk of Patient Harm Resulting from Falls

CONTROL ACTIVITIES

POLICIES AND PROCEDURES

For the reporting period, the Group has taken initiatives to standardise the Standard Operating Procedures under a project called “SEGAR”, which means Service Excellence Group Alignment and Re-engineering. Currently, policies and procedures are documented comprehensively in the MSQH accreditation standards as well as the MS ISO 9001:2000 standard operating procedure manuals, which are updated from time to time. These policies and procedures help to ensure management directives are carried out and necessary actions are taken to address and minimise risks. All hospitals in the Group are targeted to obtain the MSQH Accreditation certification. Currently the following hospitals have been certified with the MSQH Accreditation certification and re-branded as KPJ accredited hospitals: KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Ipoh Specialist Hospital, KPJ Johor Specialist Hospital, KPJ Selangor Specialist Hospital and KPJ Seremban Specialist Hospital, who attained the first cycle of accreditation certification in 2009. In 2009, KPJ Ampang Puteri Specialist Hospital and KPJ Johor Specialist Hospital have received their renewal for the fourth and second cycle respectively. For 2010, the following hospitals are going for the MSQH Accreditation certification, i.e. Perdana Specialist Hospital, Kedah Medical Centre, KPJ Penang Specialist Hospital and KPJ Kajang Specialist Hospital.

The other hospitals are certified with the MS ISO 9001:2000 certification and the integrated ISO certification.

SEGREGATION OF DUTIES

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

INFORMATION AND COMMUNICATION PROCESS

KPJ has successfully implemented the KPJ Clinical Information System (KCIS) in KPJ Penang Specialist Hospital and Puteri Specialist Hospital. New modules introduced include the Medical Care Solution for patient management, Nursing Care Solution catering for nursing care plan and management, Pharmacy with interface to a drugs database decision support system and also Picture Archiving and Communications System for the imaging department and medical records.

Currently efforts are being made to implement KCIS in KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital and KPJ Johor Specialist Hospital to enhance healthcare delivery. Ultimately all hospitals within the Group would be connected to the same system. By implementing and utilising this system, all patient activities from the point of registration until discharge will be recorded electronically. The system also captures follow-up information and future requests for services and facilities in the hospitals.

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 Auditors and Quality Auditors, who make both scheduled and surprise audit visits to ensure compliance. Any discrepancy and irregularity will be reported to the Management for correction and improvement. The Management also monitors the performance of the hospitals and companies through regular meetings and reports.

SEPARATE EVALUATIONS

All hospitals certified with the MSQH accreditation have to undergo stringent surveillance audit by the respective surveyors and audit teams to ensure compliance. Standards set by MSQH place emphasis on patient safety and infection control issues.

For those certified with MS ISO 9001:2000 certifications, the audit team will ensure the hospitals comply with their own standards based on certain

generic elements. As such the audit will focus on documentation and work processes.

The Group's Internal Auditors also visit the hospitals from time to time to monitor and evaluate their activities and performance and report back to the Audit Committee quarterly.

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

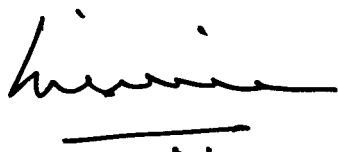
ASSURANCE

The Board is of the view that the system of internal controls instituted throughout the Group is sound and effective and provides a level of confidence on

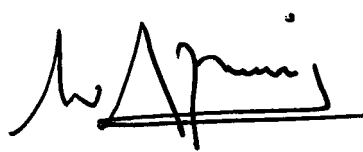
which the Board relies for assurance. In the year under review, there was no significant control failure or weakness that would result in any material losses, contingencies or uncertainties that would require separate disclosure in the Annual Report. The Board ensures that the internal controls system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

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

Signed on behalf of the Board of Directors in accordance with its resolution dated 26 March 2010.



Tan Sri Dato Muhammad Ali Hashim
Chairman



Datin Paduka Siti Sa diah Sheikh Bakir
Managing Director

Audit Committee



Audit Committee

left to right: Datuk Dr Hussein Awang, Tan Sri Datuk Arshad Ayub (Chairman), Zainah Mustafa and Datuk Azzat Kamaludin

TERMS OF REFERENCE

PURPOSE

The primary objective of the Audit Committee (the Committee) is to assist the Board of Directors (the Board) in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

COMPOSITION

- a) The Committee Members shall be appointed by the Board amongst its number, who fulfil the following requirements:
 - i) comprised no fewer than three (3) members;
 - ii) all members must be Non-Executive Directors; and
 - iii) all members should be financially literate and at least one must be a member of the Malaysian Institute of Accountants or having the relevant qualifications and experience as specified in the Listing Requirements of Bursa Malaysia.

- b) The Chairman of the Committee, elected from amongst the Audit Committee Members, shall be approved by the Board and shall be an Independent Director.
- c) The term of office and performance of the Committee Members are reviewed by the Board yearly and may be re-nominated and appointed by the Board.

REPORTING RESPONSIBILITIES

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

ATTENDANCE AT MEETINGS

- a) The Managing Director, Chief Financial Officer, Chief Operating Officer, senior management team, Executive Directors of the hospitals as well as the Senior Internal Audit Manager and representatives of the External Auditor shall normally attend the meetings.

- b) Other directors and employees of the Company and/or Group may attend any particular meeting upon invitation where appropriate.
- c) The Company Secretary shall be the secretary of the meeting.

FREQUENCY OF MEETINGS

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

The Committee held four (4) meetings at various hospitals during the financial year ended 31 December 2009. The meetings were held at KPJ Damansara Specialist Hospital, KPJ Selangor Specialist Hospital, KPJ Penang Specialist Hospital and KPJ Johor Specialist Hospital. This is to give the members the opportunity to have first-hand views of operations at the respective hospitals. The details of attendance of the members are as follows:

Composition of Committee	Date of Meeting 2009 / Venue			
	17 Feb (KPJ DSH)	11 May (KPJ Selangor)	17 Aug (KPJ Penang)	17 Nov (KPJ Johor)
Tan Sri Datuk Arshad Ayub (Chairman)	✓	✓	✓	✓
Datuk Azzat Kamaludin	✓	✗	✓	✓
Datuk Dr Hussein Awang	✓	✓	✓	✗
Zainah Mustafa (*)	✓	✓	✓	✓

(*) A member of the Malaysian Institute of Accountants

(✓) present (✗) absent

The Committee shall meet a minimum of twice a year with the External Auditor in separate sessions without the presence of executive Board Members or management of the Company.

OBJECTIVES

The objectives of the Committee are:

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

- to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- 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
- to maintain open lines of communication between the Board and the External and Internal Auditors.

AUTHORITY

The Committee is empowered by the Board to:

- investigate any matter within its terms of reference or as directed by the Board;
- determine and obtain the resources which are required to perform its duties;
- have full and unrestricted access to any information pertaining to the Group;
- have direct communication channels with the External and Internal Auditors; and
- obtain external legal and other independent professional advice.

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee shall be:

a) Financial Reporting Review

To 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 the Listing Requirements of Bursa Malaysia and other legal and statutory requirements.

b) Risk Management

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

c) Internal Audit

- i) To review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- ii) To review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
- iii) To approve any appointment or dismissal of the Senior Internal Audit Manager; and
- iv) To review any appraisal or assessment of the performance of members of the internal audit function.

d) External Audit

- i) To review the External Auditor's audit plan, scope of the audit and audit reports;
- ii) To 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) To discuss issues and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss; and
- iv) To review the External Auditor's Management Letter and Management's response.

e) Related Party Transactions

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

f) Other Matters

To consider such other matters as the Committee considers appropriate or as authorised by the Board.

- ii) Reviewed the Company's compliance, in particular the quarterly and year-end financial statements, with the Listing Requirements of Bursa Malaysia, Malaysian Accounting Standards Board and other relevant legal and regulatory requirements.

b) Risk Management

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

c) Internal Audit

- i) Reviewed the annual audit plan to ensure adequate scope and comprehensive coverage over the audit activities; and
- ii) Deliberated on the Internal Audit Reports that were tabled and appraised Management's response to the key audit observations and recommendations.

d) External Audit

- i) Reviewed the audit plan, audit strategy and scope of work for the year; and
- ii) Reviewed 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

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

f) Other Matters

Reviewed the Audit Committee Report, Statement on Corporate Governance and Statement of Internal Control prior to their inclusion in the Company's Annual Report.

SUMMARY OF ACTIVITIES

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

a) Financial results

- i) Reviewed the quarterly financial statements, interim financial announcements and year-end financial statements of the Group and press releases relating to financial matters prior to the approval by the Board; and

INTERNAL AUDIT FUNCTION

The Internal Audit Department reports functionally to the Audit Committee and administratively to the Chief Executive. The Committee is aware of the fact that an independent and adequately resourced internal audit function is essential to assist the Board in monitoring and managing risks and reviewing internal controls so

as to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Group.

The Audit Committee reviews and approves the internal audit plan of the Group submitted by the Senior Internal Audit Manager. Investigations are also made at the request of the Committee and senior management on specific areas of concern to follow up in relation to high risk areas identified in the regular reports. These investigations provide additional assurance on the integrity and robustness of the internal controls system.

The high-risk operational activities identified are audited annually. Audits are prioritised according to an assessment of the potential risk exposures. The internal audit covers the review of operational controls, compliance with the established procedures, guidelines and statutory requirements. Areas where internal control improvement could be made were identified during the financial year. Appropriate corrective actions have either been made or in the process of being implemented.

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

- reviewed and appraised 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;

- ascertained the effectiveness of the Management in identifying principal risks and to manage such risks through the Risk Management Framework set up by the Group;
- ascertained the level of compliance with Group's plans, policies, procedures and adherence to laws and regulations;
- appraised the effectiveness of administrative and financial controls applied and the reliability and integrity of data that is produced within the Group; and
- performed follow-up reviews of previous audit reports to ensure appropriate actions are implemented to address control weaknesses highlighted.

The internal audit function is performed in-house and at the end of the financial year, the department had eleven (11) staff members. A total of 66 audits were carried out and presented to the Audit Committee with the recommended corrective actions acted upon.

The total costs incurred in managing the Internal Audit Services in 2009 was about RM750,000. Training courses are provided to staff members in the areas of auditing skills, technical skills and personal development. Apart from training courses, staff members are encouraged to become Certified Internal Auditors.

SEMINARS / CONFERENCES ATTENDED BY THE COMMITTEE

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

No	Name of Workshop/Conference/Seminar	Date
1.	High Performance Leadership	4 August 2009
2.	Key Differences on Roles, Duties and Responsibilities of Directors in Malaysia, Indonesia and Sri Lanka - A Comparative Perspective	25 August 2009
3.	Main Market Listing Requirements	25 August 2009
4.	Khazanah Nasional Berhad K9 Roadshow	25 August 2009
5.	Khazanah Megatrends Forum	5 -6 October 2009
6.	Director's Conference, Johor Corporation - Shaping The Future	30 December 2009

Medical Advisory Committee



Standing from left to right (front row):

Dr Yoong Fook Ngian, Tan Sri Dato' Dr Abu Bakar Suleiman, Datin Paduka Siti Sa'diah Sheikh Bakir, Datuk Dr Hussein Awang and Dr Kok Chin Leong

Standing from left to right (back row):

Dr K V Anitha, Jasimah Hassan, Amiruddin Abdul Satar, Dr Mohd Hafetz Ahmad, Dato' Dr K Kulaveerasingam and Dato' Dr S. Jenagaratnam

CHAIRMAN

Tan Sri Dato' Dr Abu Bakar Suleiman
Board Member KPJ

Datin Paduka Siti Sa'diah Sheikh Bakir
Managing Director KPJ

Datuk Dr Hussein Awang
Board Member KPJ
Medical Director Tawakal Hospital

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

Dr Yoong Fook Ngian
Board Member KPJ
Chairman Clinical Governance Action Committee
Consultant ENT Surgeon KPJ Ipoh Specialist Hospital

Dato' Dr K Kulaveerasingam
Group Advisor for Medical Development & Marketing KPJ

Dr Chakr Sri Na Nagara (absent in picture)
Consultant O&G KPJ Ipoh Specialist Hospital

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

Dr Mohd Hafetz Ahmad
Medical Director & Consultant O&G, KPJ Johor Specialist Hospital

Amiruddin Abdul Satar
Chief Operating Officer

Jasimah Hassan
Senior Group General Manager Clinical & Professional Services

Dr K V Anitha
Corporate Manager Clinical & Professional Services
(Secretary)

Dato Dr. Lim Kee Jin retired effective 1st January 2009.
New member is Dr. Mohd Hafetz Ahmad, Medical Director of KPJ Johor Specialist Hospital.

MEDICAL ADVISORY COMMITTEE

The Medical Advisory Committee's (MAC) role is to develop and monitor clinical governance activities and guidelines for the Group.

The MAC governs and functions through a number of committees, namely the Clinical Governance Policy Committee (CGPC), Clinical Governance Action Committee (CGAC), Clinical Risk Management Committee (CRM), Central Credentialing & Privileging Committee (CCPC) and Central Mortality Review Committee (CMRC).

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

At the individual hospital level, the Hospital Clinical Governance Committee under the chairmanship of the Medical Director facilitates the implementation and oversees compliance to clinical governance through various clinical sub-committees such as the Medical Advisory, Credentialing, Audit & Medical Education, Infection Control, Medical Records, Mortality Review, Pharmacy & Therapeutics and Surgical Medical Intervention Committees, besides participation in other hospital committees.

In the wake of the Institute of Medicine's (IOM) 1999 landmark report 'To Err Is Human', many initiatives were taken by the world to address the issue of patient safety. In 2008, KPJ embarked on putting into operation the Seven Patient Safety Goals (Table 2), proposed by World Health Organisation's World Alliance for Patient Safety in 2007 at all the Group's hospitals. This is expected to be fully implemented by end of 2010.

As modern healthcare is hugely reliant on information and communication technology (IT), it is well documented that technology can reduce error by improving

communication, making knowledge more timely and readily accessible, prompting for key information (such as the dose of the drug), facilitate monitoring and checking in real time, and providing decision support features.

Therefore, one of KPJ's strategies was to optimise utilisation of IT to improve patient safety care and outcomes by introducing the KPJ integrated clinical information system known as K-CIS. K-CIS consists of MedCaSol (a medical physician module for progress notes, diagnosis and ordering), NCaSol (nursing care solution using international nursing care plan), facilitates film-less and electronic results, on-line medication prescription and having automated charges so as to be environmental friendly by being paper-less in clinical operation. Puteri Specialist Hospital was chosen as the pilot hospital for implementation of K-CIS followed by KPJ Penang Specialist Hospital and this will follow with KPJ Ampang Specialist Hospital, KPJ Damansara Specialist Hospital and KPJ Johor Specialist Hospital in year 2010.

The International Statistical Classification of Diseases and Related Health Problems (ICD) or commonly known as ICD-10 (i.e. the 10th Edition) was endorsed by the Forty-third World Health Assembly in May 1990 and came into use in WHO Member States from 1994. In addition to enabling the storage and retrieval of diagnostic information for clinical, epidemiological and quality purposes, these records also provide the basis for the compilation of national mortality and morbidity statistics.

The hospitals in the Group have been collecting and reporting admission statistics using ICD-10 to the Ministry of Health for several years now and will start reporting outpatient statistics in 2010. The top 5 diagnostic groups of admitted patients (Table 3) have been constant over the last 3 years for the Group.

These initiatives and other ongoing programmes (Table 4) that the MAC is widening and pursuing further demonstrates KPJ's genuine commitment in building and sustaining a patient safety culture within the Group.

MEDICAL CONFERENCES / WORKSHOPS

Continuous Improvement is one of KPJ's core values. KPJ applies this core value by cultivating a continuous learning culture through the enhancement of medical expertise and knowledge. Among the initiatives taken are the KPJ medical conferences and workshops. KPJ has been organising annual medical conferences and workshops for the medical consultants and professional team since 2001. It is now a bi-annual event due to overwhelming positive response from the participants since 2008. In 2009, KPJ organised two Medical Workshops. The first was conducted in July at the Selesa Beach Resort, Port Dickson with the theme "Assuring Patient Safety". A total of 190 participants throughout the Group attended this event. The second, which was held in December 2009 at the Equatorial Hotel, Bangi, themed "Patient Safety – Role of Infection Control Programme & Information Technology System" was attended by 180 participants. KPJ will continue its efforts to organise such events in the coming years and is committed to further expand its staff's knowledge and expertise and promote continuous learning culture.



KPJ Healthcare Medical Workshop "Patient Safety – Role of Infection Control Programme & Information Technology System" at Equatorial Hotel, Bangi on 12 -13 December 2009



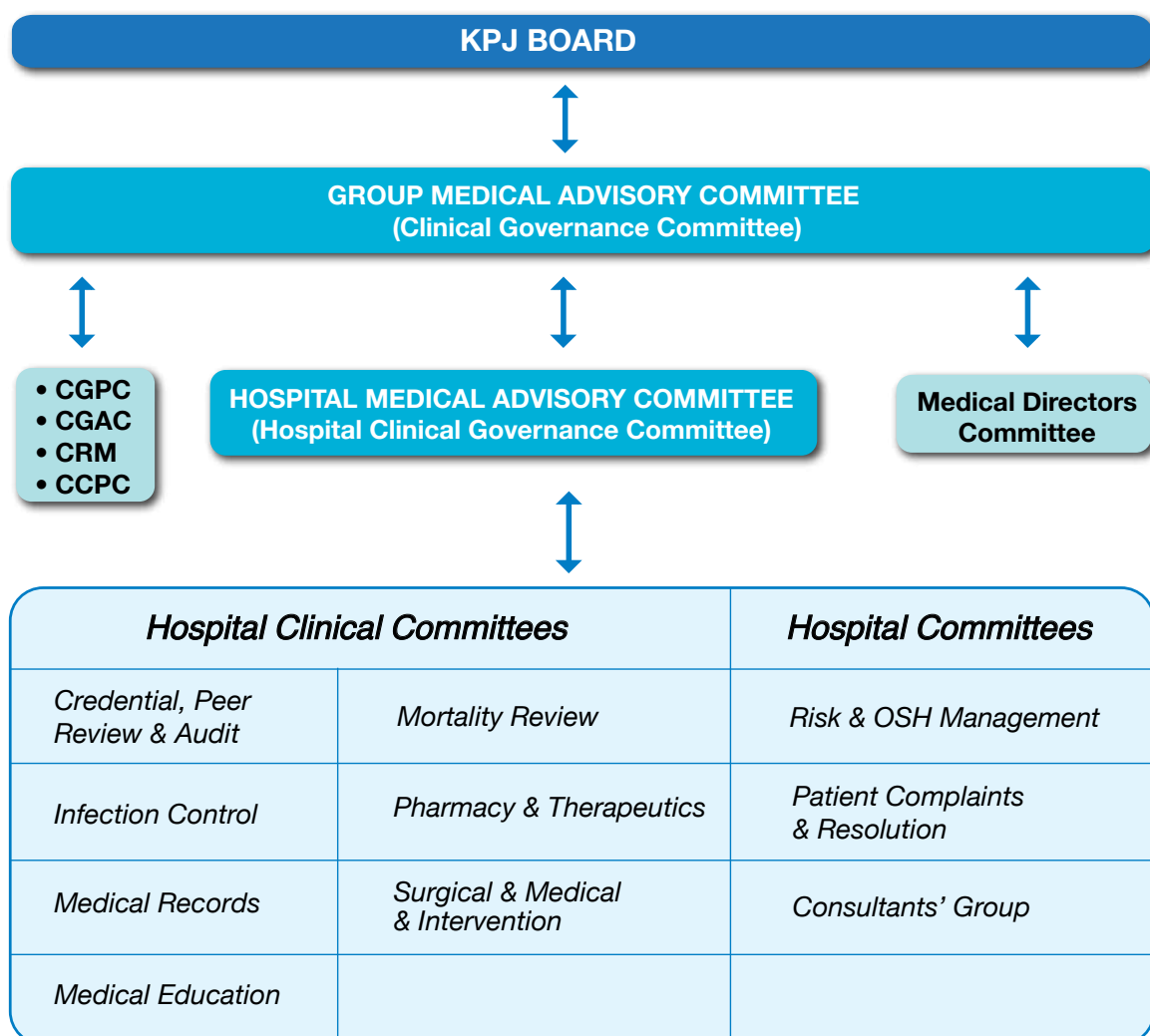
Workshop participants attentively listening to a paper presentation



KPJ Group Medical Workshop "Assuring Patient Safety" at Selesa Beach Resort, Port Dickson on 10 -12 July 2009

TABLE 1: CLINICAL GOVERNANCE REPORTING PATHWAY

CLINICAL GOVERNANCE REPORTING PATHWAY





One of the many organised group discussions exploring enhancement in A&E and ICU best practises

TABLE 2: KPJ'S SEVEN PATIENT SAFETY GOALS

1. Identify Patient Correctly
2. Improve the Effectiveness of Communication among Caregivers
3. Improve the Safety of Using Medication
4. Accurately and Completely Reconcile Medication across the Continuum of Care
5. Ensure Correct-Site, Correct-Procedure, Correct-Patient Surgery
6. Improve Hand Hygiene to Prevent Health Care-Associated Infection
7. Reduce the Risk of Patient Harm Resulting from Falls

TABLE 3: TOP FIVE DIAGNOSTIC GROUPS ADMITTED TO KPJ GROUP OF HOSPITALS

1. Certain infections & parasitic diseases
2. Diseases of the respiratory system
3. Pregnancy, childbirth & the puerperium
4. Diseases of the circulatory system
5. Diseases of the digestive system

TABLE 4: ONGOING PATIENT SAFETY AND QUALITY ASSURANCE PROGRAMMES

1. Incident Reporting
2. Clinical Indicator Monitoring (16 Indicators)
3. Infection Control Programme
4. Consultant Credentialing & Privileging
5. Mortality Review
6. Clinical Risk Management
7. Research and Development
8. IMS / Accreditation / ISO / Benchmarking
9. Annual KPJ Medical Workshop
10. Publications; KPJ Nursing Bulletin, KPJ Medical Journal
11. Patient Profiling

Announcements to Bursa Malaysia

During the Financial Year ended 31 December 2009

02/01/2009	Kumpulan Perubatan (Johor) Sdn Bhd, wholly owned subsidiary of KPJ, had on 31 December 2008 completed the acquisition of an additional 150,000 ordinary shares of RM1.00 each, representing 24% equity interest in Lablink (M) Sdn Bhd from ChemproControl GmbH (HRB ST INGBERT 2573), for a cash consideration of RM1.5 million.
02/01/2009	Appointment of Rozan Bin Mohd Sa'at as Non-Independent Non- Executive Director and resignation of Kamaruzzaman Bin Abu Kassim as Non-Independent Non- Executive Director with effect from 1 January 2009.
29/01/2009	Listing of additional 67,000 new ordinary shares of RM1.00 each as a result of share options exercised under the KPJ-Employees' Share Option Scheme.
03/02/2009	Further to the proposed disposal of KPJ International College of Nursing and Health Sciences (KPJIC) building by Puteri Nursing College Sdn Bhd (PNCBS) to Al-`Aqar KPJ REIT, PNCBS had notified the beneficial owner of its intention to procure the transfer of KPJIC Building directly to the Trustee or its nominee.
06/02/2009	Notice of the Extraordinary General Meeting of the Company to be held at Level 3, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on 25 February 2009.
23/02/2009	Listing of additional 57,000 new ordinary shares of 1.00 each as a result of share options exercised under the KPJ-Employees' Share Option Scheme.
25/02/2009	The quarterly report on consolidated results for the financial period ended 31 December 2008.
25/02/2009	Resolutions proposed at the Extraordinary General Meeting held on 25 February 2009 were duly approved by the shareholders.
25/02/2009	Proposal to undertake a distribution by way of a dividend-in-specie of the investment in units of Al-`Aqar KPJ REIT ("Al-`Aqar Units") held by KPJ and its subsidiaries to the shareholders of KPJ on the basis of twenty three (23) Al-`Aqar units for every hundred (100) ordinary shares of RM1.00 each held in KPJ.
23/03/2009	Listing of additional 151,500 new ordinary shares of 1.00 each as a result of share options exercised under the KPJ-Employees' Share Option Scheme.
30/03/2009	Proposed distribution by way of a dividend-in-specie of the investment in units of Al-`Aqar KPJ REIT ("Al-`Aqar Units") held by KPJ and its subsidiaries to the shareholders of KPJ on the basis of twenty three (23) Al-`Aqar units for every hundred (100) ordinary shares of RM1.00 each held in KPJ, was submitted to the Securities Commission on 30 March 2009.
30/03/2009	All conditions precedent with regards to the proposed disposal of the interests in Taiping Medical Centre Building, Damai Specialist Hospital Building, Bukit Mertajam Specialist Hospital Building and Tawakal Hospital Building to Al-`Aqar KPJ REIT have been fulfilled.
06/04/2009	Intention to seek shareholders' approval at the forthcoming Annual General Meeting with regards to :- (i) Proposed renewal of shareholders' mandate for the purchase of the Company's own shares in accordance with Section 67A of the Companies Act, 1965, the Articles of Association and the Listing Requirements of Bursa Malaysia Securities Berhad; (ii) Proposed renewal of shareholders' mandate on existing recurrent related party transactions of a revenue or trading nature pursuant to Paragraph 10.09 of the Listing Requirements.
07/04/2009	Annual Audited Accounts for financial year ended 31 December 2008 was submitted to Bursa on 7 April 2009.
23/04/2009	Listing of additional 135,000 new ordinary shares of 1.00 each as a result of share options exercised under the KPJ-Employees' Share Option Scheme.
24/04/2009	Notice of the 16th Annual General Meeting of the Company to be held at Tanjung Puteri 303, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim , 80000 Johor Bahru, Johor on 20 May 2009.
29/04/2009	The Securities Commission approved the proposed distribution by way of a dividend-in-specie of the investment in units of Al-`Aqar KPJ REIT ("Al-`Aqar Units") held by KPJ and its subsidiaries to the shareholders of KPJ on the basis of twenty three (23) Al-`Aqar units for every hundred (100) ordinary shares of RM1.00 each held in KPJ vide its letter dated 27 April 2009 (which was received on 29 July 2009).

20/05/2009	Resolutions as set out in the Notice of the 16th Annual General Meeting held on 20 May 2009 were duly approved by the shareholders.
20/05/2009	The quarterly report on consolidated results for the financial period ended 31 March 2009.
26/05/2009	Listing of additional 166,000 new ordinary shares of 1.00 each as a result of share options exercised under the KPJ-Employees' Share Option Scheme.
16/06/2009	Proposed distribution by way of a dividend-in-specie of the investment in units of Al-'Aqar KPJ REIT ("Al-'Aqar Units") held by KPJ and its subsidiaries to the shareholders of KPJ on the basis of twenty three (23) Al-'Aqar units for every hundred (100) ordinary shares of RM1.00 each held in KPJ will be distributed on 17 July 2009.
18/06/2009	Listing of additional 276,000 new ordinary shares of 1.00 each as a result of share options exercised under the KPJ-Employees' Share Option Scheme.
13/07/2009	Nat Trekker (M) Sdn Bhd changed its name to Sterile Services Sdn Bhd on 10 July 2009.
17/07/2009	Proposed distribution by way of a dividend-in-specie of the investment in units of Al-'Aqar KPJ REIT ("Al-'Aqar Units") held by KPJ and its subsidiaries to the shareholders of KPJ on the basis of twenty three (23) Al-'Aqar units for every hundred (100) ordinary shares of RM1.00 each held in KPJ, has been completed following the crediting of a total of 48,229,255 units of Al-'Aqar KPJ REIT in the accounts on 17 July 2009.
20/07/2009	Kumpulan Perubatan (Johor) Sdn Bhd, wholly owned subsidiary of KPJ, had entered into a Joint Venture Agreement incorporating the Shareholders' Agreement with Pasdec Corporation Sdc Bhd to set up a joint venture company, for the purpose of developing a hospital building on a leasehold land measuring 3.12 acres held under H.S. (M) 6562 Lot No. PT 83065 at Tanjung Lumpur District of Kuala Kuantan, Kuantan, Pahang.
23/07/2009	Listing of additional 203,000 new ordinary shares of 1.00 each as a result of share options exercised under the KPJ-Employees' Share Option Scheme.
29/07/2009	Kumpulan Perubatan (Johor) Sdn Bhd, wholly owned subsidiary of KPJ, had entered into a Conditional Sale & Purchase Agreement with Greenbelt View Sdn Bhd, for the proposed acquisition of Bandar Baru Klang Medical Centre Building for a cash consideration of RM38.0 million.
05/08/2009	Acquisition by Kumpulan Perubatan (Johor) Sdn Bhd, wholly owned subsidiary of KPJ, of an additional 7,068,466 ordinary shares of RM1.00 each, representing 28.3% equity interest in Seremban Specialist Hospital Sdn Bhd for a cash consideration of RM14,150,000 was completed on 5 August 2009.
25/08/2009	First interim dividend of 10% gross less 25% Income Tax.
26/08/2009	The quarterly report on consolidated results for the financial period ended 30 June 2009.
27/08/2009	Kumpulan Perubatan (Johor) Sdn Bhd, wholly owned subsidiary of KPJ, acquired additional 100,000 ordinary shares of RM1.00 each, representing 16% equity interest in Lablink (M) Sdn Bhd for a cash consideration of RM1,000,000.
04/09/2009	Listing of additional 533,000 new ordinary shares of 1.00 each as a result of share options exercised under the KPJ-Employees' Share Option Scheme.
10/09/2009	Listing of additional 1,000 new ordinary shares of 1.00 each as a result of share options exercised under the KPJ-Employees' Share Option Scheme.
01/10/2009	Proposal to undertake the proposed share split involving the subdivision of every existing one (1) ordinary share of RM1.00 each in KPJ into two (2) ordinary shares of RM0.50 each, proposed bonus issue of up to 105,525,308 new shares, to be credited as fully-paid up by the Company, on the basis of one (1) Bonus Share for every four (4) shares and proposed issue of up to 131,906,635 free warrants in KPJ on the basis of one (1) free warrant for every four (4) shares.

30/10/2009	Proposal to undertake the proposed share split involving the subdivision of every existing one (1) ordinary share of RM1.00 each in KPJ into two (2) ordinary shares of RM0.50 each, proposed bonus issue of up to 105,525,308 new shares, to be credited as fully-paid up by the company, on the basis of one (1) Bonus Share for every four (4) shares and proposed issue of up to 131,906,635 free warrants in KPJ on the basis of one (1) free warrant for every four (4) shares was submitted to Bursa Malaysia Securities Berhad on 30 October 2009.
17/11/2009	Proposed acquisition by Kumpulan Perubatan (Johor) Sdn Bhd, wholly owned subsidiary of KPJ, of Bandar Baru Klang Medical Centre building from Greenbelt View Sdn Bhd for a cash consideration of RM38,000,000 was completed on 17 November 2009.
18/11/2009	Proposal to undertake the proposed share split involving the subdivision of every existing one (1) ordinary share of RM1.00 each in KPJ into two (2) ordinary shares of RM0.50 each, proposed bonus issue of up to 105,525,308 new shares, to be credited as fully-paid up by the company, on the basis of one (1) Bonus Share for every four (4) shares and proposed issue of up to 131,906,635 free warrants in KPJ on the basis of one (1) free warrant for every four (4) shares was approved by Bursa Malaysia Securities Berhad vide the letter dated 13 November 2009 (received on 16 November 2009).
20/11/2009	Ipoh Radiotherapy Sdn Bhd changed its name to Bandar Baru Klang Specialist Hospital Sdn Bhd on 19 November 2009.
24/11/2009	Second interim dividend of 10% gross less 25% Income Tax.
24/11/2009	The quarterly report on consolidated results for the financial period ended 30 September 2009.
24/11/2009	The exercise price of the free warrants was fixed by the Board at RM1.70, which represented 15% discount to the theoretical ex-all price based on the five (5) day volume weighted average market price up to and including 20 November 2009. The price was fixed at discount of more than 10% to encourage the shareholders to exercise their free warrants to Shares.
26/11/2009	KPJ entered into a subscription agreement with Intrapreneur Development Sdn Bhd (formerly known as JCorp Property Management Sdn Bhd) for the proposed subscription of 50,000 redeemable preference shares of RM0.01 each in Intrapreneur Development Sdn Bhd at an issue price of RM100.00 each.
26/11/2009	Notice of the Extraordinary General Meeting to be held at Level 3, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on 21 December 2009.
16/12/2009	Maharani Specialist Hospital Sdn Bhd, wholly owned subsidiary of KPJ, had on 16 December 2009 entered into a conditional Sale and Purchase Agreement ("SPA") with Property Base Development Sdn Bhd for the proposed acquisition of a piece of freehold land on which is erected a partially completed building for a cash consideration of RM22,000,000.
21/12/2009	Resolutions proposed at the Extraordinary General Meeting held on 21 December 2009 were duly approved by the shareholders.
23/12/2009	Notice on the entitlement date of 8 January 2010 for the following proposals :- (i) Subdivision of every existing one (1) ordinary share of RM1.00 each into two (2) new ordinary shares of RM0.50 each; (ii) Bonus issue of up to 105,525,308 new ordinary shares of RM0.50 each in KPJ to be credited as fully paid up, on the basis of one (1) bonus share for every four (4) shares in KPJ after accounting for subdivision of every existing one (1) ordinary share of RM1.00 each in KPJ into two (2) new shares; and (iii) Up to 131,906,635 free warrants in KPJ on the basis of one (1) free warrant for every four (4) shares after accounting for subdivision of every existing one (1) ordinary share of RM1.00 each in KPJ into two (2) new shares in KPJ and bonus issue of up to 105,525,308 new ordinary shares of RM0.50 each in KPJ, on the basis of one (1) bonus share for every four (4) shares in KPJ.
28/12/2009	Notice for suspension of trading arising from the proposed share split of ordinary share of RM1.00 each in KPJ into two (2) ordinary shares of RM0.50 each, with effect from 9.00 a.m., Monday 4 January 2010 in order to facilitate the share split.



Financial **Statements**



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Directors' Report

The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to subsidiary companies. The principal activities of the subsidiaries are mainly the operation of specialist hospitals.

There was no significant change in the nature of these activities during the financial year ended 31 December 2009.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year attributable to equity holders of the Company	110,880	33,167

DIVIDENDS

The dividends paid and declared by the Company since 31 December 2008 were as follows:

	RM'000
In respect of the financial year ended 31 December 2008:	
Single tier dividend-in-specie of 31 sen gross per share on 209,692,413 ordinary shares, distributed on 17 July 2009 on the basis of 23 units of Al-'Aqar KPJ REIT for every 100 ordinary shares held in the Company	45,818
In respect of the financial year ended 31 December 2009:	
First interim gross dividend of 10 sen per share on 210,429,815 ordinary shares, less 25% tax, paid on 30 September 2009	15,782
Second interim gross dividend of 10 sen per share on 210,429,815 ordinary shares, less 25% tax, paid on 31 December 2009	15,782
	<u>77,382</u>

The Directors do not propose any final dividend for the year ended 31 December 2009.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES

During the financial year, 1,590,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employees' Share Option Scheme ("ESOS") at exercise price of RM1.33 per share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

SALE OF TREASURY SHARES

During the financial year, the Company disposed of the entire treasury shares in the open market, totaling 620,800 shares at an average selling price of RM6.26 per share. The total consideration received net of transaction costs, was RM3,885,635. The gain on disposal of RM1,999,688 has been credited to the share premium account during the financial year.

*Directors' Report (continued)***SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are as disclosed in Note 41 to the financial statements.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) On 6 January 2010, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company entered into a conditional Share Sale Agreement with Sabah Medical Centre Sdn Bhd for the acquisition of 40.8 million ordinary shares of RM1.00 each representing 51% equity interest in SMC Healthcare Sdn Bhd ("SMCH") for a cash consideration of RM51.0 million. KPJSB has also entered into a Management Agreement with SMCH for the appointment of KPJSB to manage the existing and the new private hospitals of SMCH. The acquisition is expected to complete by first quarter of 2010.
- (b) On 9 March 2010, KPJ proposes to dispose its entire interest in Rumah Sakit Bumi Serpong Damai Building, Kluang Utama Specialist Hospital Building and Bandar Baru Klang Specialist Hospital Building to Al-'Aqar KPJ Real Estate Investment Trust ("Al-'Aqar KPJ REIT") for a proposed total sale consideration of RM138.77 million to be satisfied partly by cash consideration of RM83.26 million and partly by issuance of 56.64 million new units in Al-'Aqar at an issue price of RM0.98 per unit to be credited as fully paid-up ("Proposed Disposals"). The proposed disposals are expected to complete by second half of 2011.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 13 July 2004 for a period of 5 years which is governed by the by-laws approved by the shareholders on 15 June 2004. The ESOS has expired on 12 July 2009.

Details of the ESOS are set out in Note 33 to the financial statements.

DIRECTORS

The Directors who have held office during the financial period since the date of the last report are as follows:

Tan Sri Dato' Muhammad Ali Hashim	(Chairman)
Datin Paduka Siti Sa'diah Sheikh Bakir	(Managing Director)
Tan Sri Datuk Arshad Ayub	
Tan Sri Dato' Dr Abu Bakar Suleiman	
Datuk Dr Hussein Awang	
Datuk Azzat Kamaludin	
Zainah Mustafa	
Ahamad Mohamad	
Dr Kok Chin Leong	
Dr Yoong Fook Ngian	
Rozan Mohd Sa'at	

In accordance with Article 96 of the Company's Articles of Association, Datuk Dr Hussein Awang, Dr Yoong Fook Ngian and Dr Kok Chin Leong retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Tan Sri Datuk Arshad Ayub retires in accordance with Section 129(6) of the Companies Act, 1965 and, being eligible, offers himself for re-appointment in accordance with Section 129(6) of the said Act, and to hold office until the conclusion of the next Annual General Meeting of the Company.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Company's Employees' Share Option Scheme (Note 33 to the financial statements).

Since the end of previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except that certain Directors received remuneration from the Company, fellow subsidiaries, and ultimate holding corporation; and certain Directors who have entered into service agreement with the Company where consultant's fees are paid to them (Note 8 and 10 to the financial statements).

DIRECTORS' INTERESTS IN SHARES AND IN OPTIONS

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares and in options in the Company or its related corporations are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
KPJ Healthcare Berhad				
Tan Sri Dato' Muhammad Ali Hashim				
- direct	117,200	164,600	0	281,800
- indirect	12,000	0	0	12,000
Tan Sri Datuk Arshad Ayub				
- direct	427,000	173,000	0	600,000
- indirect	733,000	67,000	0	800,000
Datin Paduka Siti Sa'diah Sheikh Bakir				
- direct	305,100	119,000	0	424,100
- indirect	5,000	0	0	5,000
Datuk Azzat Kamaludin	20,000	0	0	20,000
Ahamad Mohamad				
- direct	2,900	54,200	0	57,100
- indirect	0	10,000	0	10,000
Dr Kok Chin Leong	40,000	0	0	40,000
Dr Yoong Fook Ngian	130,000	0	0	130,000
Rozan Mohd Sa'at	200	0	0	200
Sindora Berhad (a fellow subsidiary)				
Tan Sri Dato' Muhammad Ali Hashim				
- direct	103,977	111,900	0	215,877
Tan Sri Datuk Arshad Ayub				
- direct	413,824	0	(100,000)	313,824
- indirect	1,016,666	0	0	1,016,666
Datin Paduka Siti Sa'diah Sheikh Bakir				
- direct	14,700	84,800	0	99,500
- indirect	1,067	0	0	1,067
Ahamad Mohamad				
- direct	15,128	84,800	0	99,928
- indirect	31,516	0	0	31,516
Rozan Mohd Sa'at	15,092	0	0	15,092
Johor Land Berhad (a fellow subsidiary)				
Tan Sri Dato' Muhammad Ali Hashim				
- direct	100,360	0	(100,360)	0
- indirect	4,300	0	(4,300)	0
Datin Paduka Siti Sa'diah Sheikh Bakir	23,200	0	(23,200)	0
Dr Yoong Fook Ngian	54,790	0	(54,790)	0

Directors' Report (continued)

DIRECTORS' INTERESTS IN SHARES AND IN OPTIONS (continued)

	Number of ordinary shares of RM0.50 each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
Kulim (Malaysia) Berhad (a fellow subsidiary)				
Tan Sri Dato' Muhammad Ali Hashim				
- direct	380,200	64,800	0	445,000
- indirect	22,400	0	0	22,400
Tan Sri Datuk Arshad Ayub				
- direct	709,950	0	(300,000)	409,950
- indirect	1,350,200	0	(150,000)	1,200,200
Datin Paduka Siti Sa'diah Sheikh Bakir	45,700	23,800	0	69,500
Ahamad Mohamad	231,600	0	(2,000)	229,600
Rozan Mohd Sa'at	200	0	0	200
Dr Yoong Fook Ngian	0	5,000	0	5,000
Dr Kok Chin Leong	10,000	0	0	10,000
QSR Brands Bhd (a fellow subsidiary)				
Tan Sri Datuk Arshad Ayub				
- direct	100,000	0	0	100,000
- indirect	100,000	0	0	100,000
Datin Paduka Siti Sa'diah Sheikh Bakir	1,000	0	0	1,000

Other than as disclosed above, according to the Register of Directors' Shareholdings, none of the other Directors in office at the financial year held any interest in shares and in options over shares in the Company or shares, options over shares and debentures of its related corporations during the financial year.

ULTIMATE HOLDING CORPORATION

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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

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

- (a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

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, which would render any amount stated in the financial statements misleading.

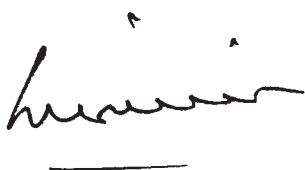
In the opinion of the Directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

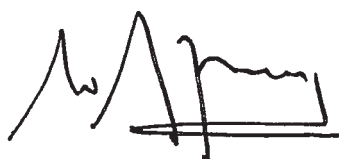
AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 March 2010.



TAN SRI DATO' MUHAMMAD ALI HASHIM
CHAIRMAN



DATIN PADUKA SITI SA'DIAH SHEIKH BAKIR
MANAGING DIRECTOR

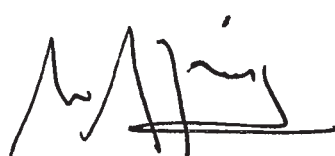
Statement by **Directors** Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Muhammad Ali Hashim and Datin Paduka Siti Sa'diah Sheikh Bakir, two of the Directors of KPJ Healthcare Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 100 to 153 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2009 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 March 2010.



TAN SRI DATO' MUHAMMAD ALI HASHIM
CHAIRMAN



DATIN PADUKA SITI SA'DIAH SHEIKH BAKIR
MANAGING DIRECTOR

Statutory **Declaration** Pursuant to Section 169(16) of the Companies Act, 1965

I, Lee Swee Hee, the Chief Financial Officer, primarily responsible for the financial management of KPJ Healthcare Berhad, do solemnly and sincerely declare that the financial statements set out on pages 100 to 153 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.



LEE SWEE HEE

Subscribed and solemnly declared by the abovenamed Lee Swee Hee

At : Kuala Lumpur
On : 26 March 2010

Before me:



Lot G11, Ground Floor, Blok E,
COMMISSIONER FOR OATHS Pusat Bandar Damansara,
50490 Kuala Lumpur.

Independent **Auditors' Report**

To the members of KPJ Healthcare Berhad (Incorporated in Malaysia) (Company No. 247079 M)



REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of KPJ Healthcare Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements 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 100 to 153.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of 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 have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

*Independent Auditors' Report (continued)***REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 19 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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.



PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
26 March 2010



MOHAMMAD FAIZ BIN MOHAMMAD AZMI
(No. 2025/03/10 (J))
Chartered Accountant

Income Statements

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue	7	1,456,353	1,267,305	72,450	49,688
Cost of sales	8(a)	(1,037,264)	(898,950)	0	0
Gross profit		419,089	368,355	72,450	49,688
Other operating income		14,803	15,964	0	0
Administrative expenses	8(a)	(289,546)	(267,810)	(17,097)	(15,338)
Other operating expenses	8(a)	(2,623)	(2,629)	0	0
Finance costs	12	(16,721)	(18,533)	(13,098)	(15,092)
Share of results of associates		18,888	18,705	0	0
Profit before tax	8	143,890	114,052	42,255	19,258
Tax expense	13	(29,154)	(24,744)	(9,088)	(4,110)
Profit for the financial year		114,736	89,308	33,167	15,148
Attributable to:					
Equity holders of the Company		110,880	85,644	33,167	15,148
Minority interest		3,856	3,664	0	0
Profit for the financial year		114,736	89,308	33,167	15,148
Earnings per share attributable to ordinary equity holders of the Company:					
- basic (sen)	15 (a)	53.35	41.41		
- diluted (sen)	15 (b)	53.35	40.82		

Balance Sheets

as at 31 December 2009

	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-current assets					
Property, plant and equipment	16	427,626	303,683	0	0
Prepaid leases	17	19,159	4,252	0	0
Investment properties	18	23,215	25,488	0	0
Interest in subsidiaries	19	0	0	222,631	222,631
Interest in associates	20	239,482	226,963	0	0
Other investments	21	3,275	3,980	0	0
Intangible assets	22	115,591	110,244	0	0
Deferred tax assets	24	13,898	14,889	0	0
		842,246	689,499	222,631	222,631
Current assets					
Inventories	25	29,697	29,730	0	0
Receivables, deposits and prepayments	26	243,433	195,362	544,575	495,435
Tax refund receivable		9,117	11,221	1,289	1,304
Deposits, cash and bank balances	27	143,864	106,162	10,191	235
		426,111	342,475	556,055	496,974
Non-current assets held for sale	28	103,765	246,478	0	0
		529,876	588,953	556,055	496,974
Less: Current liabilities					
Payables	29	260,681	235,977	260,771	198,475
Borrowings	30				
- bank overdrafts		15	1,982	0	0
- others		65,962	98,582	0	0
Current tax liabilities		839	1,768	0	0
Deferred revenue	31	28,812	13,761	0	0
		356,309	352,070	260,771	198,475
Net current assets		173,567	236,883	295,284	298,499
Less: Non-current liabilities					
Borrowings	30	302,819	267,879	249,000	214,000
Deposits	32	13,039	11,359	0	0
Deferred tax liabilities	24	22,517	18,571	0	0
		338,375	297,809	249,000	214,000
		677,438	628,573	268,915	307,130
Capital and reserves attributable to equity holders of the Company					
Share capital	33	211,051	209,461	211,051	209,461
Reserves	34	420,960	373,466	57,864	99,555
		632,011	582,927	268,915	309,016
Less: Treasury shares	33(a)	0	(1,886)	0	(1,886)
		632,011	581,041	268,915	307,130
Minority interest		45,427	47,532	0	0
Total equity		677,438	628,573	268,915	307,130

Consolidated Statement of Changes in Equity

		Attributable to equity holders of the Company											
		Issued and fully paid ordinary shares of RM1.00 each		Non-distributable						Distributable			
		Number of Shares	Nominal Value	Share Premium	Treasury Shares	Merger Reserve	Exchange Reserve	Revaluation Reserve	Retained Earnings	Total	Minority Interest	Total Equity	
													Note
At 1 January 2008		207,745	207,745	33,301	0	(3,367)	(632)	53,074	218,707	508,828	45,742	554,570	
Acquisition of minority interest		0	0	0	0	0	0	0	0	0	(2,047)	(2,047)	
Translation of foreign subsidiaries		0	0	0	0	0	(133)	0	0	(133)	0	(133)	
Reversal of deferred tax on revaluation reserve		24	0	0	0	0	0	1,430	0	1,430	402	1,832	
Realisation of revaluation reserves		34	0	0	0	0	0	(11,882)	7,526	(4,356)	(229)	(4,585)	
Income and expenses recognised directly in equity			0	0	0	0	(133)	(10,452)	7,526	(3,059)	(1,874)	(4,933)	
Profit for the financial year			0	0	0	0	0	0	85,644	85,644	3,664	89,308	
Total recognised income and expenses for the financial year			0	0	0	0	(133)	(10,452)	93,170	82,585	1,790	84,375	
Dividends in respect of the financial year ended 31 December 2008:													
- Interim		14	0	0	0	0	0	0	(10,768)	(10,768)	0	(10,768)	
Issue of shares:													
- exercise of share options		33	1,716	1,716	566	0	0	0	0	2,282	0	2,282	
Shares bought back		33	0	0	0	(1,886)	0	0	0	(1,886)	0	(1,886)	
At 31 December 2008			209,461	209,461	33,867	(1,886)	(3,367)	(765)	42,622	301,109	581,041	47,532	628,573

Consolidated Statement of Changes in Equity (continued)

		Attributable to equity holders of the Company											
		Issued and fully paid ordinary shares of RM1.00 each		Non-distributable						Distributable		Total Equity	
		Number of Shares	Nominal Value	Share Premium	Treasury Shares	Merger Reserve	Exchange Reserve	Revaluation Reserve	Retained Earnings	Total	Minority Interest		
													Note
		'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2009		209,461	209,461	33,867	(1,886)	(3,367)	(765)	42,622	301,109	581,041	47,532	628,573	
Acquisition of minority interest		0	0	0	0	0	0	0	0	0	(9,877)	(9,877)	
Translation of foreign subsidiaries		0	0	0	0	0	530	0	0	530	0	530	
Impairment of property, plant and equipment		24	0	0	0	0	0	(1,566)	0	(1,566)	(253)	(1,819)	
Revaluation surplus		34	0	0	0	0	0	12,508	0	12,508	4,169	16,677	
Realisation of revaluation reserves		34	0	0	0	0	0	(3,108)	3,108	0	0	0	
Income and expenses recognised directly in equity			0	0	0	0	530	7,834	3,108	11,472	(5,961)	5,511	
Profit for the financial year			0	0	0	0	0	0	110,880	110,880	3,856	114,736	
Total recognised income and expenses for the financial year			0	0	0	0	530	7,834	113,988	122,352	(2,105)	120,247	
Dividends in respect of the financial year ended:		14											
- 31 December 2008 (Dividend-in-specie)			0	0	0	0	0	0	(45,818)	(45,818)	0	(45,818)	
- 31 December 2009 (First interim)			0	0	0	0	0	0	(15,782)	(15,782)	0	(15,782)	
- 31 December 2009 (Second interim)			0	0	0	0	0	0	(15,782)	(15,782)	0	(15,782)	
			0	0	0	0	0	0	(77,382)	(77,382)	0	(77,382)	
Issue of shares:													
- exercise of share options		33	1,590	1,590	524	0	0	0	0	2,114	0	2,114	
Sale of treasury shares		33	0	0	2,000	1,886	0	0	0	3,886	0	3,886	
At 31 December 2009			211,051	211,051	36,391	0	(3,367)	(235)	50,456	337,715	632,011	45,427	677,438

Company Statement of Changes in Equity

	Note	Issued and fully paid ordinary shares of RM1.00 each		Non- distributable		Distributable	Total equity
		Number of shares	Nominal value	Share premium	Treasury shares	Retained earnings	
		'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2008		207,745	207,745	28,279	0	66,330	302,354
Profit for the financial year		0	0	0	0	15,148	15,148
Dividends in respect of the financial year ended 31 December 2008:							
- Interim	14	0	0	0	0	(10,768)	(10,768)
Issues of shares:							
- exercise of share options	33	1,716	1,716	566	0	0	2,282
Shares bought back		0	0	0	(1,886)	0	(1,886)
At 31 December 2008		209,461	209,461	28,845	(1,886)	70,710	307,130

	Note	Issued and fully paid ordinary shares of RM1.00 each		Non- distributable		Distributable	Total equity
		Number of shares	Nominal value	Share premium	Treasury shares	Retained earnings	
		'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2009		209,461	209,461	28,845	(1,886)	70,710	307,130
Profit for the financial year		0	0	0	0	33,167	33,167
Dividends in respect of the financial year ended:	14						
- 31 December 2008 (Dividend-in-specie)		0	0	0	0	(45,818)	(45,818)
- 31 December 2009 (First interim)		0	0	0	0	(15,782)	(15,782)
- 31 December 2009 (Second interim)		0	0	0	0	(15,782)	(15,782)
		0	0	0	0	(77,382)	(77,382)
Issues of shares:							
- exercise of share options	33	1,590	1,590	524	0	0	2,114
Sale of treasury shares		0	0	2,000	1,886	0	3,886
At 31 December 2009		211,051	211,051	31,369	0	26,495	268,915

Cash Flow Statements

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
OPERATING ACTIVITIES				
Profit for the financial year attributable to equity holders of the Company	110,880	85,644	33,167	15,148
Adjustments for items not involving the movement of cash and cash equivalents:				
Tax expense	29,154	24,744	9,088	4,110
Minority interest	3,856	3,664	0	0
Associates:				
- share of profit	(18,888)	(18,705)	0	0
Interest income	(2,651)	(6,122)	(5,469)	(6,225)
Dividend income	0	0	(41,706)	(21,311)
Interest expense	16,721	18,533	13,098	15,092
Allowance for doubtful debts	3,086	3,958	0	0
Bad debts written off	99	740	0	0
Amortisation of prepaid leases	100	156	0	0
Impairment loss of property, plant and equipment	0	1,643	0	0
Loss/(gain) on fair value of investment properties	150	(50)	0	0
Property, plant and equipment				
- depreciation	46,332	41,374	0	0
- (gain)/loss on disposals	(5,576)	392	0	0
- write offs	1,066	3,844	0	0
Allowance for diminution in value of the other investments	991	0	0	0
Inventories written off	37	84	0	0
Gain on disposal of shares in associated company	0	(594)	0	0
Loss on disposal of shares in a subsidiary company	0	6	0	0
Negative goodwill on acquisition of additional interest in a subsidiary	(493)	(594)	0	0
Impairment loss of investment in an associated company	0	6,460	0	0
Operating profit before changes in working capital	184,864	165,177	8,178	6,814
Changes in working capital:				
Inventories	(3)	(3,281)	0	0
Receivables	(41,073)	(32,430)	(4,373)	2,842
Payables	20,062	15,642	(37,694)	(758)
Related companies	1,694	2,494	3,211	5,569
Cash flows from/(used in) operations	165,544	147,602	(30,678)	14,467
Long term deposits	1,680	900	0	0
Interest paid	(16,721)	(19,986)	(6,904)	(15,092)
Income tax paid	(23,042)	(4,566)	(1,521)	(1,493)
Net cash generated from/(used in) operating activities	127,461	123,950	(39,103)	(2,118)

Cash Flow Statements (continued)

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(208,121)	(120,644)	0	0
Purchase of leasehold land		(13,633)	0	0	0
Purchase of investment property		(3,770)	0	0	0
Proceeds from disposal of property, plant and equipment		213,210	41,169	0	0
Additional investment		(286)	0	0	0
Additional investment in subsidiaries	19	(15,150)	(23,543)	0	0
Additional investment in associate company		(12,479)	(3,341)	0	0
Proceeds from disposal of shares in a subsidiary	19	0	89	0	0
Proceeds from disposal of shares in associated company		0	29,100	0	0
Decrease/(increase) in deposits pledged with banks		1,226	(80)	0	0
Dividends received		18,848	9,870	34,154	18,501
Interest received		2,651	6,122	5,469	6,225
Net cash (used in)/generated from investing activities		(17,504)	(61,258)	39,623	24,726
FINANCING ACTIVITIES					
Issue of shares:					
- exercise of share options	33(b)	2,114	2,282	2,114	2,282
- shares bought back	33(a)	0	(1,886)	0	(1,886)
- sale of treasury shares		3,886	0	3,886	0
Bank borrowings:					
- drawdown		78,000	91,037	35,000	44,000
- repayment		(75,680)	(117,761)	0	(41,000)
Dividends paid to:					
- shareholders		(77,382)	(25,966)	(31,564)	(25,933)
Net cash (used in)/generated from financing activities		(69,062)	(52,294)	9,436	(22,537)
NET CHANGES IN CASH AND CASH EQUIVALENTS		40,895	10,398	9,956	71
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		101,303	90,905	235	164
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	35	142,198	101,303	10,191	235

Notes to the Financial Statements

1 GENERAL INFORMATION

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries in the Group are mainly the operation of specialist hospitals. There was no significant change in the nature of these activities during the financial year ended 31 December 2009.

The ultimate holding corporation is Johor Corporation, a body corporate established under the Johor Corporation Enactment (No. 4 of 1968) (as amended by Enactment No. 5 of 1995).

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is:

Level 2, Persada Johor International Convention Centre
Jalan Abdullah Ibrahim
80000 Johor Bahru, Johor

The address of the principal place of business of the Company is:

No 7, Persiaran Titiwangsa 3
53200 Kuala Lumpur

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including liquidity and cash flow risk, interest rate risk, market risk, credit risk and foreign currency exchange risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems, an insurance programme and adherence to Group financial risk management policies.

(a) Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by ensuring that committed credit lines are available. Despite the increase in Group's borrowings due to the growth of the businesses of the Group, the debt to equity level has been kept at a manageable level. In addition, the permitted level of debt to equity is also provided under the terms of Commercial Papers/Medium Term Notes (CP/MTN). The Group considers the risk of exceeding the maximum level of indebtedness to be unlikely, as the terms of the CP/MTN are designed to prevent debts being overdrawn, and any increase in the maximum level of indebtedness requires prior approval from the CP/MTN holders. Hence, the Group strictly monitors its level of borrowings. As at 31 December 2009, the unutilised CP/MTN amounts to RM1 million (2008: RM36 million).

(b) Interest rate risk

Interest rate exposure arises from certain Group's borrowings and deposits, which are on floating rates. Under the current market environment, the Group considers the risk of material loss in the event of an increase in interest rate to be manageable through the use of fixed and floating rate debts. For certain borrowings under the Islamic facilities, the Group has minimised its exposure to any increase in finance cost as those borrowings are borrowed under fixed rates.

(c) Credit risk

The Group seeks to invest cash assets safely and profitably. Its deposits are placed with credit worthy financial institutions. It also seeks to control credit risk by setting credit limits and ensuring that sales of products and services are made to customers with an appropriate credit history. The credit worthiness of all counter parties are periodically reviewed and services to delinquent customers are suspended should they exceed their credit terms and limit, with the approval of the management. The Group considers the risk of material loss in the event of non-performance by trade receivables to be unlikely.

(d) Foreign currency exchange risk

The Group does not face significant exposure from currency risk from foreign currency transactions entered into by subsidiary companies in currencies other than their functional currency.

3 BASIS OF PREPARATION

The financial statements of the Company have been prepared under the historical cost convention, except as disclosed in Note 4 in this summary of significant accounting policies to the financial statements. The financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, and the provisions of the Companies Act, 1965 requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported financial year. It also requires Directors to exercise its judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The area involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(a) Standards, amendments to published standards and interpretations that are applicable and effective

There are no new accounting standards, amendments to published standards and interpretations to existing standards effective for the Group's and the Company's financial year ended 31 December 2009 and are applicable to the Group and Company.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable but not yet effective and have not been early adopted

The following standards, amendments to published standards and interpretations to existing standards will be effective for annual period beginning on or after 1 January 2010. The Group and Company will apply these standards, amendments to published standards and interpretations to existing standards from financial periods beginning on 1 January 2010.

- FRS 3 Business Combinations
- FRS 8 Operating Segments
- FRS 7 Financial Instruments: Disclosures
- FRS 123 Borrowing Costs
- FRS 127 Consolidated and Separate Financial Statements
- FRS 139 Financial Instruments: Recognition and Measurement
- FRS 101 (Revised) Presentation of Financial Statements
- Amendments to FRS 2 Share-based Payment : Vesting Conditions and Cancellations
- Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 127 Consolidated and Separate Financial Statements
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 138 Intangible Assets
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 7 Financial Instruments: Disclosures
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 11 FRS 2 Group and Treasury Share Transactions
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group and Company have applied the transitional provisions in FRS 7 and FRS 139 which exempts entities from disclosing the possible impact arising from initial application of the standard on the financial statements of the Group and the Company.

The initial application of FRS 3, FRS 8, FRS 123, FRS 127, FRS 101 (Revised), Amendments to FRS 2, FRS 5, FRS 127, FRS 138 and IC Interpretations 10, 11, 13 and 14 are not expected to have any significant financial impact to the financial statements of the Group and the Company other than changes and enhancements to presentation and disclosures of the financial statements.

3 BASIS OF PREPARATION (continued)

(c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and are not relevant to the Group and the Company

- FRS 1 First-time Adoption of Financial Reporting Standards
- FRS 4 Insurance Contracts
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards
- Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 12 Service Concession Arrangements
- IC Interpretation 15 Agreements for the Construction of Real Estate
- IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17 Distributions of Non-cash Assets to Owners

4 SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Economic entities in the Group

(i) Subsidiaries

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase 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. The subsidiaries were consolidated prior to 1 April 2002 in accordance with Malaysia Accounting Standard 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time.

The Group has taken advantage of the exemption provided under FRS 122₂₀₀₄ "Business Combinations" to apply the standard prospectively. Accordingly, business combinations entered into prior to 1 January 2008 have not been restated with this standard.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. See the accounting policy Note 4(f) on goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Minority interest represent that portion of the profit and loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair values of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiaries' identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been affected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Economic entities in the Group (continued)

(i) Subsidiaries (continued)

Intragroup transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of the disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated income statement.

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See accounting policy Note 4(i) on impairment of non-financial assets.

The Group's share of its associates post-acquisitions profits or losses is recognised in the income statement, and its share of post-acquisition movements is adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses in associates are recognised in the income statement.

For incremental interest in associate, the date of acquisition is purchase date at each stage and goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. There is no "step up to fair value" of net assets of previously acquired stake and the share of profits and equity movements for the previously acquired stake is recorded directly through equity.

(b) Property, plant and equipment

All property, plant and equipment are initially stated at cost. Freehold land and buildings are subsequently shown at fair value, based on periodic, but at least once in every five years, valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Property, plant and equipment (continued)

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on the straight-line basis to write off the cost of the property, plant and equipment, or their revalued amounts, to their residual values over their estimated useful lives at the following annual rates:

Buildings	2%
Renovation	10%
Medical and other equipment	7.5% - 25%
Furniture and fittings	10% - 20%
Motor vehicles	20%
Computers	20% - 30%

Depreciation of capital work-in-progress commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the assets is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 4(i) on impairment of non-financial assets.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

(c) Prepaid leases

Prepaid leases consist of prepayments for long term leasehold land and are carried at cost less accumulated amortisation and accumulated impairment losses. The prepaid leases are amortised in equal instalments over the lease period of 50 to 999 years.

(d) Investment properties

Investment property is stated at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income. Included in investment property, is leasehold land held for capital appreciation, and is not occupied by the Group.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals, it shall be derecognised (eliminated from the balance sheet). The difference between the net disposals and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

(e) Investments

Investments in subsidiaries and associates are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 4(i) on impairment of non-financial assets.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiaries and associates over the fair value of the Group's share of the identifiable assets at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. See accounting policy Note 4(i) on impairment of non-financial assets.

Goodwill on acquisitions of associates is included in investments in associates. Such goodwill is tested for impairment as part of the overall balance.

(g) Inventories

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

Cost is determined principally on the weighted average method. Net realisable value is the estimated of the selling price in the ordinary course of business, less the applicable variable selling expenses.

(h) Non-current assets (or disposal groups) classified as assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

(i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

(j) Trade receivables

Trade receivables are carried at invoiced amount less an allowance for doubtful debts based on a review of outstanding amounts at the financial year end. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

(k) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash on hand, bank balances and deposits held at call with banks and licensed financial institutions, other short term and short term, highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. When a change in the probability of an outflow of economic resources occurs, so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain. When inflow of economic resources is virtually certain, the asset is recognised.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance to FRS 118.

(m) Borrowings

(i) Classification

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In the subsequent financial year, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the income statement.

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 balance sheet date.

(ii) Capitalisation of borrowing costs

Borrowing costs incurred to finance the freehold land and development of the new building is capitalised as part of the cost of the property, plant and equipment during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed to the income statement.

(n) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

(ii) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

(iii) Fair value estimation for disclosure purposes

The fair value of publicly traded derivatives and securities is based on quoted market prices at the balance sheet date.

In assessing the fair value of other derivatives and financial instruments, the Group uses a variety of method and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long term debt. Other techniques, such as discounted value of future cash flows, is used to determine fair value for the remaining financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate obtainable to the Group for similar financial instruments.

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

(o) Leases

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(p) Hire-purchase arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statement over the hire-purchase periods to give a constant periodic rate of interest on the remaining liabilities.

Property, plant and equipment acquired under hire-purchase agreements are depreciated over the useful lives of the assets.

(q) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including the withholding taxes payable by a foreign subsidiary, associates or joint venture on distributions of retained earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is determined using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or liability is settled.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income taxes (continued)

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(r) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risk and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

Segment revenue, expense, assets and segment liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

(s) Foreign currencies

The financial statements are presented in Ringgit Malaysia.

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities 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, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Foreign currencies (continued)

(iii) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(t) Revenue recognition

- (i) Income from hospital operations comprises inpatient and outpatient hospital charges, consultation fees, sales of pharmaceutical products and medical supplies. These are recognised when services are rendered and goods are delivered, net of discounts, rebates and returns.

Other hospital income mainly consists of clinic rental for consultants. These are recognised on an accrual basis in accordance with the substance of the relevant agreements.

(ii) Laboratory test fees

Laboratory test fees are recognised upon delivery of products and customer acceptance, if any, or performance of services and net of discounts.

(iii) Deferred revenue

Deferred revenue represents revenue students' fees, accommodation fees and other external courses fees received. Amounts are included in the financial statements as deferred revenue at the commencement of the course and recognised as revenue on monthly basis over the duration of the course.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(v) 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.

(vi) Interest income

Interest income from short term deposits and fixed deposits are recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period of maturity, when it is determined that such income will accrued to the Group.

(u) Employee benefits

(i) Short term employee benefits

Salaries, bonuses, allowances and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group.

(ii) Post-employment benefits

Defined contribution plan

The Group contributes to the Employee Provident Fund, the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Employee benefits (continued)

(iii) Equity compensation benefits

Details of the Group's Employees' Share Option Scheme are set out in Note 33. The Group does not make a charge to the income statement in connection with share options granted to Directors and employees. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium.

(v) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends to shareholders of the Company

Dividends are recognised as a liability in the period in which they are declared.

(iv) Purchase of own shares

Where the Company or its subsidiaries purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental external costs, net of tax, is deducted from total shareholders' equity as treasury shares until they are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs and the related tax effects, is included in shareholders' equity.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgments are continually evaluated by Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Estimated impairment of goodwill

The Group tests goodwill for impairment annually whether goodwill has suffered any impairment, in accordance with its accounting policy stated in Note 4(f). 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 23.

There will be no impairment to the carrying amount of goodwill unless the estimated gross margin reduces from 29% to 25% (2008: 28% to 26%).

There will be no impairment to the carrying value of goodwill unless the pre-tax discount rate increases from 12% to 23% (2008: 12% to 19%).

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (continued)

Critical accounting estimates and assumptions (continued)

(ii) Deferred tax assets

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax assets is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

If the projected growth rate applied in the profit projections of the respective entities in the Group do not fall below 10% (2008: 10%) from management's estimate as at financial year end, the deferred tax assets recognised will remain fully recoverable.

6 SEGMENT REPORTING

(a) Primary reporting - business segments

The Group principally operates in one main business segment namely the operating of specialist hospitals. The hospitals segment also includes the support services companies which has been principally providing services and supports the operations of the hospitals. These support services companies mainly comprise provision of management services and pathology and laboratory services, marketing and distribution of pharmaceutical, medical and surgical products and operating a private nursing college.

Other operations of the Group mainly comprise import and distribution of pharmaceutical, medical and consumer healthcare products and retail pharmacy. None of these operations is of a sufficient size to be reported separately and they contributed less than 10% of consolidated revenue or assets.

(b) Secondary reporting - geographical segments

The Group principally operates in Malaysia.

The other geographical areas of the Group's operations are in Singapore and Indonesia, mainly in marketing and distribution of pharmaceutical, medical and surgical products and to operate as a specialist hospital respectively. These countries contributed less than 10% of consolidated revenue or assets.

7 REVENUE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Hospital income	523,012	470,962	0	0
Consultation income	444,666	394,721	0	0
Sale of pharmaceutical, medical and surgical products	462,799	376,038	0	0
Laboratory test fees	8,313	5,615	0	0
Other hospital income				
- clinics rental	12,287	12,109	0	0
- others	5,276	7,860	0	0
Dividend income from subsidiary companies	0	0	41,706	21,311
Interest income	0	0	5,469	6,225
Management fees	0	0	25,275	22,152
	1,456,353	1,267,305	72,450	49,688

Notes to the Financial Statements (continued)

8 PROFIT BEFORE TAX

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(a) Expenses by nature:					
Auditors' remuneration	9	776	804	73	71
Allowance for doubtful debts		3,086	3,958	0	0
Amortisation of prepaid leases	17	100	156	0	0
Advertisement, marketing and promotion		5,129	2,282	2,558	1,132
Bad debts written off		99	740	0	0
Directors' remuneration	10	1,981	1,869	1,856	1,720
Inventories written off		37	84	0	0
Utilities		29,682	24,312	48	62
Loss on disposal of subsidiaries	19	0	6	0	0
Medical expenses		18,542	15,922	857	690
Professional fees		2,454	2,171	355	587
Repairs and maintenance		28,362	29,473	289	646
Property, plant and equipment:					
- depreciation		46,332	41,374	0	0
- written off		1,066	3,844	0	0
Rental expense of land and buildings		57,906	51,303	82	37
Rental of equipment and vehicles		4,847	6,408	175	102
Training expense		2,070	969	520	400
Travelling		4,858	7,753	991	1,702
Included in cost of sales:					
- material costs		367,041	304,315	0	0
- medical consultants' fees:					
- paid to companies which certain Directors have financial interest		964	1,171	0	0
- paid to other consultants		404,721	361,816	0	0
Impairment loss of property, plant and equipment		0	1,643	0	0
Impairment loss of investment in associate company	20	0	6,460	0	0
Impairment loss of prepaid leases		0	1,374	0	0
Allowance for diminution in value of other investments	21	991	0	0	0
Employee benefits costs	11	251,507	232,786	8,552	7,146
Loss/(gain) on fair value of investment properties	18	150	(50)	0	0
Other expenses		96,732	66,446	741	1,043
Total expenses*		1,329,433	1,169,389	17,097	15,338
*Total expenses consist of the following:					
Cost of sales		1,037,264	898,950	0	0
Administrative expenses		289,546	267,810	17,097	15,338
Other operating expenses		2,623	2,629	0	0
Total expenses		1,329,433	1,169,389	17,097	15,338
(b) The following amounts have been credited in arriving at profit before tax:					
Bad debts recovered		(166)	(212)	0	0
Gain on disposal of shares in associated company		0	(594)	0	0
Interest income		(2,651)	(6,122)	0	0
Gain/(loss) on disposal of property, plant and equipment		(5,576)	392	0	0
Rental income		(1,310)	(3,963)	0	0
Negative goodwill on acquisition of additional interest in subsidiaries (Note 19)		(493)	(594)	0	0
Bank guarantee on performance bond		(1,875)	0	0	0

Notes to the Financial Statements (continued)

9 AUDITORS' REMUNERATION

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
PricewaterhouseCoopers:				
Malaysian firm				
Statutory audit				
- current	641	596	73	73
- under provision in prior financial year	53	6	0	0
Fees for other services				
- current	0	120	0	0
- (over)/under provision in prior financial year	0	0	0	(2)
	694	722	73	71
Other audit firms:				
Statutory audit				
- current	82	82	0	0
Total remuneration	776	804	73	71

10 DIRECTORS' REMUNERATION

The aggregate amount of emoluments received/receivable by Directors of the Company during the financial year is as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors' remuneration				
- fees	1,031	976	907	827
- salaries, allowances and bonus	764	735	763	735
- contribution to defined contribution plan	92	88	92	88
- benefits in kind	94	70	94	70
	1,981	1,869	1,856	1,720

11 EMPLOYEE BENEFITS COSTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Staff costs (excluding Directors' remuneration):				
- salaries, allowances and bonus	228,735	211,361	7,657	6,399
- contribution to defined contribution plan	22,772	21,425	895	747
	251,507	232,786	8,552	7,146

Notes to the Financial Statements (continued)

12 FINANCE COSTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Finance cost on Islamic facilities	207	2,514	0	0
Interest expense				
- commercial papers	6,841	9,447	6,841	9,380
- overdrafts	1,007	133	0	0
- term loans	5,653	5,193	0	0
- revolving credits	883	310	0	130
- lease and hire purchase	1,851	2,347	0	0
- others	1,309	42	6,257	5,582
	17,751	19,986	13,098	15,092
Less: Interest capitalised into property, plant and equipment (Note 16)	(1,030)	(1,451)	0	0
Less: Waiver on interest expense	0	(2)	0	0
	16,721	18,533	13,098	15,092

13 TAX EXPENSE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current tax:				
- Malaysian income tax	24,217	24,024	9,088	4,110
- Foreign income tax	0	379	0	0
	24,217	24,403	9,088	4,110
Deferred tax (Note 24)	4,937	341	0	0
	29,154	24,744	9,088	4,110
Current tax				
Current year	25,055	22,189	8,922	4,034
(Over)/under provision in prior years	(838)	2,214	166	76
	24,217	24,403	9,088	4,110
Deferred tax				
Origination and reversal of temporary differences	3,900	1,521	0	0
Under/(over) provision in prior years	1,037	(1,180)	0	0
	4,937	341	0	0
	29,154	24,744	9,088	4,110

13 TAX EXPENSE (continued)

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit before tax	143,890	114,052	42,255	19,258
Tax calculated at a statutory tax rate of 25% (2008: 26%)	35,973	29,654	10,564	5,007
Effects of:				
Difference in tax for the first RM500,000 (2008: RM500,000) of chargeable income, taxed at 20%	0	13	0	0
Income not subject to tax	(1,350)	(5,373)	(2,875)	(2,730)
Expenses not deductible for tax purposes	3,485	3,701	1,233	1,757
Interest expense capitalised deducted for tax purposes	(258)	(377)	0	0
Current year tax losses and temporary differences not recognised	0	944	0	0
Recognition of previously unrecognised tax losses	(4,042)	(894)	0	0
Recognition of previously unrecognised temporary differences	(5,451)	0	0	0
Reversal of deferred tax liabilities due to exemption on taxes arising on disposal of buildings to Al-'Aqar KPJ REIT	(1,311)	(3,910)	0	0
Reversal of deferred tax assets	1,909	0	0	0
Substantively enacted changes to the statutory rate from YA 2008	0	(48)	0	0
Under/(over) provision in prior years				
- tax	(838)	2,214	166	76
- deferred tax	1,037	(1,180)	0	0
Reversal of tax charge in prior year	0	0	0	0
Tax expense	29,154	24,744	9,088	4,110
Average effective tax rate (%)	20	22	22	21

14 DIVIDENDS

Dividends declared or proposed in respect of the financial year ended 31 December 2009 are as follows:

	Group / Company	
	2009 RM'000	2008 RM'000
- Interim dividends of 20 sen (2008: 7 sen) gross per share less 25% (2008: 26%) tax	31,564	10,768
- Single tier dividend-in-specie of NIL (2008: 31 sen gross per share, distributed on the basis of 23 Al-'Aqar KPJ REIT units for every 100 ordinary shares of RM1.00 each held in the Company)	0	45,818
	31,564	56,586
Dividends recognised as distribution to ordinary equity holders of the Company	77,382	10,768

Notes to the Financial Statements (continued)

15 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to ordinary equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	2009	Group 2008
Profit attributable to ordinary equity holders of the Company (RM'000)	110,880	85,644
Weighted average number of ordinary shares in issue ('000)	207,843	206,811
Basic earnings per share (sen)	53.35	41.41

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares for the Group are share options granted to employees.

For the share options granted to employees, 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 subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. 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 share options calculation.

	2009	Group 2008
Profit attributable to equity holders of the Company (RM'000)	110,880	85,644
Weighted average number of ordinary shares in issue ('000)	207,843	206,811
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	0	3,020
Weighted average number of ordinary shares for diluted earnings per share ('000)	207,843	209,831
Diluted earnings per share (sen)	53.35	40.82

16 PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold land	Buildings	Renovation	Medical and other equipment	Furniture, fittings, motor vehicles and computers	Capital work-in- progress	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
2009								
At 1 January								
- cost		2,404	24,232	8,298	319,636	176,442	29,124	560,136
- valuation		5,350	5,848	0	0	0	0	11,198
Currency translation differences		368	239	0	254	1,564	3,525	5,950
Additions		29,564	363	1,479	52,737	39,020	63,996	187,159
Revaluation surplus		16,677	0	0	0	0	0	16,677
Disposals		(16,500)	0	0	(7,379)	(1,544)	(10,026)	(35,449)
Write offs		0	0	0	(6,643)	(4,654)	0	(11,297)
Reclassifications		0	32,492	2,442	4,013	(7,628)	(31,319)	0
Reclassification from investment properties	18	3,700	4,300	0	0	0	0	8,000
Reclassification from/(to) non-current assets held for sale		0	0	0	0	0	(22,765)	(22,765)
		41,563	67,474	12,219	362,618	203,200	32,535	719,609
At 31 December								
- cost		19,536	61,626	12,219	362,618	203,200	32,535	691,734
- valuation		22,027	5,848	0	0	0	0	27,875
Accumulated depreciation								
At 1 January		0	(7,026)	(455)	(161,665)	(93,651)	0	(262,797)
Currency translation differences		0	(59)	0	0	(10)	0	(69)
Charge for the financial year		0	(1,757)	(840)	(27,928)	(15,807)	0	(46,332)
Disposals		0	0	0	6,011	973	0	6,984
Write offs		0	0	0	6,051	4,180	0	10,231
At 31 December		0	(8,842)	(1,295)	(177,531)	(104,315)	0	(291,983)
Accumulated impairment losses								
At 1 January		0	(4,854)	0	0	0	0	(4,854)
Reclassification to non-current assets held for sale		0	4,854	0	0	0	0	4,854
At 31 December		0	0	0	0	0	0	0
Net book value								
At 31 December 2009		41,563	58,632	10,924	185,087	98,885	32,535	427,626

Notes to the Financial Statements (continued)

16 PROPERTY, PLANT AND EQUIPMENT (continued)

	Note	Freehold land	Buildings	Renovation	Medical and other equipment	Furniture, fittings, motor vehicles and computers	Capital work-in-progress	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
2008								
At 1 January								
- cost		12,503	32,496	0	281,981	171,255	72,548	570,783
- valuation		71,944	56,830	0	0	0	0	128,774
Currency translation differences		(282)	363	0	0	(1,831)	(2,703)	(4,453)
Additions		75	2,676	7,627	42,324	19,919	52,683	125,304
Acquisition through business combinations	19	0	5,280	0	209	1,525	0	7,014
Disposals		0	0	0	(3,531)	(1,579)	(156)	(5,266)
Reclassifications		0	0	671	121	(82)	(710)	0
Reclassification to non-current assets held for sale	28	(76,486)	(66,944)	0	(1,001)	(9,445)	(92,482)	(246,358)
Write offs		0	(621)	0	(467)	(3,320)	(56)	(4,464)
		7,754	30,080	8,298	319,636	176,442	29,124	571,334
At 31 December								
- cost		2,404	24,232	8,298	319,636	176,442	29,124	560,136
- valuation		5,350	5,848	0	0	0	0	11,198
Accumulated depreciation								
At 1 January		0	(8,290)	0	(141,262)	(86,397)	0	(235,949)
Currency translation differences		0	(82)	0	0	(22)	0	(104)
Charge for the financial year		0	(3,020)	(451)	(24,036)	(13,867)	0	(41,374)
Disposals		0	0	0	2,338	1,756	0	4,094
Reclassifications		0	0	(4)	252	(248)	0	0
Reclassification to non-current assets held for sale	28	0	4,366	0	587	4,963	0	9,916
Write offs		0	0	0	456	164	0	620
At 31 December		0	(7,026)	(455)	(161,665)	(93,651)	0	(262,797)
Accumulated impairment losses								
At 1 January		0	0	0	0	0	0	0
Impairment loss for the year		0	(4,854)	0	0	0	0	(4,854)
At 31 December		0	(4,854)	0	0	0	0	(4,854)
Net book value								
At 31 December 2008		7,754	18,200	7,843	157,971	82,791	29,124	303,683

Notes to the Financial Statements (continued)

16 PROPERTY, PLANT AND EQUIPMENT (continued)

The freehold land and buildings stated at valuation were revalued by the Directors on 15 November 2005 and 31 December 2005 based on open market valuations carried out by an independent firm of professional valuers, CH Williams, Talhar & Wong of 3228, Menara Tun Razak, Jalan Raja Laut, 50768 Kuala Lumpur to reflect fair value. The book values of the buildings 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	
	2009 RM'000	2008 RM'000
Cost		
Freehold land	19,536	56,128
Buildings	61,626	50,857
	<u>81,162</u>	<u>106,985</u>
Accumulated depreciation		
Buildings	(8,067)	(6,080)
Net book value	<u>73,095</u>	<u>100,905</u>

The additions and net book value of assets under hire purchase and finance leases are as follows:

	Group	
	2009 RM'000	2008 RM'000
Assets under hire purchase and finance leases:		
- additions during the financial year (Note 36 (i))	2,883	2,089
- net book value at the end of financial year	<u>27,668</u>	<u>34,821</u>

The net book value of property, plant and equipment pledged for borrowing facility (Note 30) as at 31 December 2009 is RM30,099,000 (2008: RM168,048,000).

Borrowing costs of RM1,030,000 (2008: RM1,451,000), arising on financing specifically entered into for the construction of the hospital building, were capitalised during the financial year and included in additions of property, plant and equipment of the Group during the financial year.

Notes to the Financial Statements (continued)

17 PREPAID LEASES

	Group	
	2009 RM'000	2008 RM'000
Cost		
At 1 January	5,939	7,911
Additions	13,633	1,100
Acquisition through business combination (Note 19)	0	7,020
Reclassification to non-current assets held for sale	0	(10,092)
At 31 December	19,572	5,939
Less: Accumulated amortisation		
At 1 January	(313)	(213)
Charge during the financial year (Note 8 (a))	(100)	(156)
Reclassification to non-current assets held for sale	0	56
At 31 December	(413)	(313)
Less: Accumulated impairment losses		
1 January	(1,374)	0
Charge during the financial year (Note 8(a))	0	(1,374)
Reclassification to non-current assets held for sale	1,374	0
At 31 December	0	(1,374)
Net book value	19,159	4,252

18 INVESTMENT PROPERTIES

	Group	
	2009 RM'000	2008 RM'000
At 1 January	25,488	17,438
Additions	3,770	8,000
Reclassification from non-current asset held for sales	2,107	0
(Loss)/gain on fair value (Note 8(a))	(150)	50
Reclassification to property, plant and equipment (Note 16)	(8,000)	0
At 31 December	23,215	25,488

Included in the investment properties is an investment property with carrying value of RMNil (2008: RM15,500,000) that has been pledged as security for term loans (Note 30).

The fair value of the properties was estimated at RM23,215,000 (2008: RM25,488,000) based on valuations by an independent professionally qualified valuers, CH Williams, Talhar & Wong of 3228, Menara Tun Razak, Jalan Raja Laut, 50768 Kuala Lumpur and Directors' valuations based on 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.

The following amounts have been recognised in the income statement:

	Group	
	2009 RM'000	2008 RM'000
Rental income	(193)	(159)
Direct operating expenses arising from investment properties that generate rental income	5	50

Notes to the Financial Statements (continued)

19 INTEREST IN SUBSIDIARIES

	Company	
	2009 RM'000	2008 RM'000
Unquoted shares, at cost	222,631	222,631

(a) The following are subsidiaries of the Company:

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2009 %	2008 %	
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 ¹	Malaysia	100	100	Operating as a specialist hospital
Tawakal Holdings Sdn Bhd	Malaysia	100	100	Investment holding
Subsidiary of Johor Specialist Hospital Sdn Bhd				
Renalcare Perubatan (M) Sdn Bhd	Malaysia	100	100	Retail shop
Subsidiary of Tawakal Holdings Sdn Bhd				
Pusat Pakar Tawakal Sdn Bhd ²	Malaysia	100	100	Operating as a specialist hospital
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd				
Bukit Mertajam Specialist Hospital Sdn Bhd	Malaysia	70	70	Operating as a specialist hospital
Kota Kinabalu Specialist Hospital Sdn Bhd ⁵	Malaysia	97	95	Operating as a specialist hospital
Damansara Specialist Hospital Sdn Bhd ³	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 ⁵	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	72	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
Prai Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Bandar Baru Klang Specialist Hospital Sdn Bhd (formerly known as Ipoh Radiotherapy Sdn Bhd)	Malaysia	100	100	Dormant

Notes to the Financial Statements (continued)

19 INTEREST IN SUBSIDIARIES (continued)

(a) The following are subsidiaries of the Company: (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2009 %	2008 %	
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Sterile Services Sdn Bhd	Malaysia	65	65	Dormant
Puteri Nursing College Sdn Bhd	Malaysia	100	100	Operating as a private nursing college
Pharmaserv Alliances Sdn Bhd	Malaysia	100	100	Marketing and distribution of medical and pharmaceutical products
PT Khasanah Putera Jakarta Medika ⁴	Indonesia	75	75	Operating as a specialist hospital
PharmaCARE Sdn Bhd ⁵	Malaysia	100	100	Providing human resource, training services and rental of human resource information system
Diaper Technology Industries Sdn Bhd	Malaysia	94	94	Providing information technology related services and rental of software
Fabricare Laundry Sdn Bhd ⁵	Malaysia	90	90	Providing business of laundry services
Teraju Farma Sdn Bhd	Malaysia	75	75	Provision of management services
Maharani Specialist Hospital 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 Sdn Bhd	Malaysia	99	99	Dormant
Lablink (M) Sdn Bhd	Malaysia	100	84	Pathology and laboratory services
KPJ Medik TV Sdn Bhd ⁵	Malaysia	100	100	Dormant
Subsidiary of Selangor Specialist Hospital Sdn Bhd				
Hospital Pusrawi SMC Sdn Bhd ⁵	Malaysia	51	51	Operating as a specialist hospital
Subsidiary of Sentosa Medical Centre Sdn Bhd				
Renal-Link Sentosa Sdn Bhd	Malaysia	100	100	Dormant
Subsidiaries of PharmaCARE Sdn Bhd				
Open Access Sdn Bhd ⁵	Malaysia	100	100	Retail pharmacy
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 ⁴	Singapore	100	100	Import, export and distributors of pharmaceutical, medical and consumer healthcare products

¹ Direct equity holding by the Company is 84% (2008: 84%)

² Direct equity holding by the Company is 14% (2008: 14%)

³ Direct equity holding by the Company is 10% (2008: 10%)

⁴ Audited by firms other than PricewaterhouseCoopers International Limited

⁵ Audited by firms other than PricewaterhouseCoopers, Malaysia

19 INTEREST IN SUBSIDIARIES (continued)**(b) Acquisition of companies in 2009**

- (i) On 5 August 2009, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary, acquired an additional 28.3% equity interest in Seremban Specialist Hospital Sdn Bhd ("SSH") comprising 7,086,466 ordinary shares of RM1.00 each for an aggregate cash consideration of RM14,150,000. This has effectively increased the Group's interest in SSH from 72% to 100%. The fair value of net assets in Seremban Specialist Hospital Sdn Bhd at the date of acquisition was RM8,860,000 and the goodwill arising on this acquisition amounted to RM5,290,000.
- (ii) On 27 August 2009, KPJSB, a wholly-owned subsidiary of the Company, acquired additional 16% equity interest in Lablink (M) Sdn Bhd ("LMSB") comprising 100,000 ordinary shares of RM1.00 each for an aggregate cash consideration of RM1,000,000. This has effectively increased the Group's interest in LMSB from 84% to 100%. The fair value of net assets in Lablink (M) Sdn Bhd at the date of acquisition was RM1,493,000 and the negative goodwill arising on this acquisition amounted to RM493,000.
- (iii) On 7 May 2009, KPJSB, a wholly-owned subsidiary of the Company, redeemed and converted 6,000,000 6% Redeemable Convertible Unsecured Loan Stock ("RCULS") of RM1.00 each in Kota Kinabalu Specialist Hospital Sdn Bhd ("KKSH") of which 4,052,800 6% RCULS of RM1.00 each is converted to 4,052,800 ordinary shares of RM1.00 each and the balance of 1,947,200 6% RCULS of RM1.00 each is redeemed by way of cash.

As a result, the Group's equity interest in KKSH has increased 2% to 97%. The fair value of net assets in KKSH at the date of acquisition was RM145,000 and the goodwill arising on this acquisition amounted to RM58,000.

The acquisition stated in Note (b)(i), (b)(ii) and (b)(iii) above have no significant effect on the financial results of the Group in the current financial year and the financial position of the Group as at the end of the current financial year.

The details of net assets acquired and cash flows arising from the acquisitions of the following subsidiaries are as follows:

	SSH	LMSB	KKSH	Total
	RM'000	RM'000	RM'000	RM'000
Share of net assets acquired	8,860	1,493	146	10,499
Purchase consideration settled in cash	(14,150)	(1,000)	0	(15,150)
Conversion of RCULS to ordinary shares	0	0	(203)	(203)
Goodwill/(negative goodwill) on acquisition	5,290	(493)	57	4,854
Goodwill on acquisition	5,290	0	57	5,347
Negative goodwill on acquisition	0	(493)	0	(493)
	5,290	(493)	57	4,854

Notes to the Financial Statements (continued)

19 INTEREST IN SUBSIDIARIES (continued)

(c) Acquisition of companies in 2008

During the previous financial year, the Group completed its acquisition in new interests and increased its stake in several subsidiaries as follows:

	2008 RM'000
Additional interests in subsidiaries [Note (c)(ii), (c)(iii) and (c)(v)]	1,563
Acquisition of interests in newly acquired subsidiaries [Note (c)(i) and (c)(iv)]	30,000
	31,563
Less: Cash and cash equivalents of subsidiaries acquired	(8,020)
Cash outflow of the Group on acquisition of subsidiaries	23,543

During the previous financial year, the Group completed its acquisition in new interests and increased its stake in several subsidiaries as follows:

- (i) On 7 December 2007, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a subsidiary, acquired 100% of the equity interest in Taiping Medical Centre Sdn Bhd comprising 231,619 ordinary shares of RM1.00 each for an aggregate cash consideration of RM18,000,000. The acquisition has been approved by Foreign Investment Committee vide its letter dated 28 December 2007. The acquisition was completed on 22 January 2008. The fair value of net assets in Taiping Medical Centre Sdn Bhd at the date of acquisition was RM10,824,609 and the goodwill arising on this acquisition amounted to RM7,175,391.
- (ii) On 16 July 2008, Sentosa Medical Centre Sdn Bhd, a subsidiary of KPJSB, acquired additional 50% of the equity interest in Renal-Link Sentosa Sdn Bhd comprising 25,000 ordinary shares of RM1.00 each for an aggregate cash consideration of RM63,250. The fair value of net assets in Renal-Link Sentosa Sdn Bhd at the date of acquisition was RM271,156 and the negative goodwill arising on this acquisition amounted to RM207,906.
- (iii) On 1 August 2008, KPJSB, a subsidiary, entered into a sale and purchase agreement with Selangor Specialist Hospital Sdn Bhd, subsidiary of KPJSB, for the additional interest of 40% equity interest in Prai Specialist Hospital Sdn Bhd, for a cash consideration of RM2 and the goodwill arising on this acquisition amounted to RM6,251.
- (iv) On 8 October 2008, KPJSB, a subsidiary, acquired 100% of the equity interest in Pusat Pakar Kluang Utama Sdn Bhd comprising 2,000,000 ordinary shares of RM1.00 each for an aggregate cash consideration of RM12,000,000. The fair value of net assets in Pusat Pakar Kluang Utama Sdn Bhd at the date of acquisition was RM9,355,825 and the goodwill arising on this acquisition amounted to RM2,644,175.
- (v) On 10 December 2008, KPJSB, a subsidiary, acquired 150,000 ordinary shares of RM1.00 each in Lablink (M) Sdn Bhd for a cash consideration of RM1,500,000. As a result of the acquisition, the Groups' effective interest of Lablink (M) Sdn Bhd has been increased from 60% to 84%. The fair value of net assets for the 24% equity interest in Lablink (Malaysia) Sdn Bhd at the date of acquisition was RM1,884,654 and the negative goodwill arising on this acquisition amounted to RM384,654.

The effect of the acquisitions on the financial results of the Group during the financial year is as follows:

	2008 RM'000
Revenue	10,827
Operating costs	(9,297)
Profit before tax	1,530
Tax expense	(425)
	1,105
Minority interest	0
Profit for the financial year	1,105

19 INTEREST IN SUBSIDIARIES (continued)**(c) Acquisition of companies in 2008 (continued)**

Had the acquisitions took effect at the beginning of the financial year, the revenue and profit of the Group would have been RM1,278,884,012 and RM86,960,000 respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2008, together with the consequential tax effect.

The details of net assets acquired and cash flows arising from the acquisitions of the following significant subsidiaries are as follows:

	Acquiree's carrying amount	Fair value
	RM'000	RM'000
Taiping Medical Centre Sdn Bhd		
Property, plant and equipment	2,125	2,889
Prepaid leases (leasehold land)	785	6,170
Inventories	245	245
Receivables, deposits and prepayments	474	474
Tax recoverable	366	366
Deposits, bank and cash balances	3,163	3,163
Payables	(844)	(844)
Deferred taxation	(101)	(1,638)
Net assets	6,213	10,825
Less: Minority interest		0
Fair value of net assets acquired		10,825
Goodwill on acquisition		7,175
Purchase consideration settled in cash		18,000
Less: Cash and cash equivalents of subsidiaries acquired		(3,163)
Cash outflow of the Group on acquisition		14,837

	Acquiree's carrying amount	Fair value
	RM'000	RM'000
Pusat Pakar Kluang Utama Sdn Bhd		
Property, plant and equipment	4,298	4,021
Prepaid leases (leasehold land)	185	850
Inventories	425	425
Receivables, deposits and prepayments	923	923
Tax recoverable	80	80
Deposits, bank and cash balances	4,554	4,554
Payables	(1,247)	(1,247)
Deferred taxation	(153)	(250)
Fair value of net assets acquired	9,065	9,356
Goodwill on acquisition		2,644
Purchase consideration settled in cash		12,000
Less: Cash and cash equivalents of subsidiaries acquired		(4,554)
Cash outflow of the Group on acquisition		7,446

Notes to the Financial Statements (continued)

19 INTEREST IN SUBSIDIARIES (continued)

(c) Acquisition of companies in 2008 (continued)

A summary of the details of net assets acquired and cash flows arising from the acquisitions during the financial year as described in note (b)(i), (b)(iii), b(iv), b(v) and b(vi) are as follows:

	Acquiree's carrying amount	Fair value
	RM'000	RM'000
Property, plant and equipment (Note 16)	6,528	7,014
Prepaid leases (leasehold land) (Note 17)	970	7,020
Inventories	682	682
Receivables, deposits and prepayments	1,478	1,478
Tax recoverable	454	454
Deposits, bank and cash balances	7,883	7,883
Payables	(2,182)	(2,182)
Deferred tax liabilities (Note 24)	(263)	(1,897)
Net assets acquired	15,550	20,452
Add: Minority Interest		1,878
Fair value of net assets acquired		22,330
Goodwill on acquisition (Note 22)		9,827
Negative goodwill (Note 8(b))		(594)
Purchase consideration settled in cash		31,563
Less: Cash and cash equivalents of subsidiaries acquired		(8,020)
Cash outflow of the Group on acquisition of subsidiaries		23,543

(d) Disposals in 2008

- On 5 February 2008, PharmaCARE Sdn Bhd, a subsidiary of Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a subsidiary, disposed 95.83% of the equity interest in Sejahtera Farma Sdn Bhd comprising 172,500 ordinary shares of RM1.00 each for a cash consideration of RM130,000. The disposal was completed by approval of Foreign Investment Committee ("FIC") on 18 November 2008.
- On 31 December 2008, KPJSB disposed 50,000 ordinary shares of RM1.00 each of Teraju Farma Sdn Bhd, a subsidiary of KPJSB, to the minority shareholder for a net proceeds of RM50,000. During the financial year, consideration of RM20,000 had been received in cash. The remaining RM30,000 was paid in the current financial year. As a result of the disposal, the Group's effective interest in Teraju Farma Sdn Bhd is reduced from 85% to 75%.

The effect of the disposals on the financial results of the Group during the financial year is as follows:

	Share of net assets
	RM'000
Property, plant and equipment	34
Inventories	239
Receivables, deposits and prepayments	851
Deposits, bank and cash balances	91
Borrowings	(100)
Payables	(978)
Current tax liabilities	(4)
Deferred taxation	53
Net assets	186
Loss on disposal	(6)
Purchase consideration settled in cash	180
Less: Cash and cash equivalents of subsidiaries disposed	(91)
Cash inflow of the Group on disposal	89

20 INTEREST IN ASSOCIATES

	Group	
	2009 RM'000	2008 RM'000
Quoted ordinary shares in Al-'Aqar KPJ REIT	220,600	208,121
Unquoted ordinary shares, at cost	10,312	10,312
Group's share of post acquisition retained profits and reserves less losses	15,030	14,990
	245,942	233,423
Less: Accumulated impairment losses (Note 8(a))	(6,460)	(6,460)
	239,482	226,963
Share of capital commitments for property, plant and equipment	1,610	2,208
Share of non-cancellable operating lease commitments	23,521	25,233
Market value of quoted ordinary shares in Al-'Aqar KPJ REIT	222,383	198,591

The associates of the Group are as follows:

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2009 %	2008 %	
Unit Trusts				
Al-‘Aqar KPJ REIT ⁂	Malaysia	43	49	Real Estate Investment Trust
Associates of Kumpulan Perubatan (Johor) Sdn Bhd				
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

* Audited by firm other than PricewaterhouseCoopers, Malaysia

The aggregate amount of revenue, profit, assets, (excluding goodwill) and liabilities of the associates of the Group are as follows:

	Group	
	2009 RM'000	2008 RM'000
Revenue	151,471	126,707
Profit after tax	60,058	39,356
Non-current assets	1,006,076	704,260
Current assets	83,429	71,542
Current liabilities	(61,796)	(48,651)
Non-current liabilities	(444,449)	(241,680)
Net assets	583,260	485,471

Notes to the Financial Statements (continued)

21 OTHER INVESTMENTS

	Group	
	2009 RM'000	2008 RM'000
Current		
Unquoted redeemable non-cumulative preference shares, at cost	1,500	1,500
Less: Allowance for diminution in value	(1,500)	(1,500)
	0	0
Non-current		
Unquoted convertible secured loan stocks, at cost	454	454
Less: Allowance for diminution in value	(454)	(0)
	0	454
Unquoted ordinary shares, at cost	3,812	3,526
Less: Allowance for diminution in value	(537)	(0)
	3,275	3,526
	3,275	3,980
Total		
Unquoted convertible secured loan stocks, at cost	0	454
Unquoted ordinary shares, at cost	3,275	3,526
	3,275	3,980

The investment in unquoted redeemable non-cumulative preference shares was written down in the previous financial years as the company had temporarily ceased operations.

22 INTANGIBLE ASSETS

GOODWILL

	Group	
	2009 RM'000	2008 RM'000
Cost		
At 1 January	110,244	100,466
Acquisitions of subsidiary companies (Note 19)	5,347	9,827
Disposal of a subsidiary	0	(49)
At 31 December	115,591	110,244

23 IMPAIRMENT OF ASSETS

Impairment tests for goodwill

The carrying amounts of goodwill allocated to the Group's Cash Generating Units (CGUs) are as follows:

	Group	
	2009 RM'000	2008 RM'000
Hospitals and support services in Malaysia	114,532	109,184
Hospital in Indonesia	1,060	1,060
	115,592	110,244

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 the value-in-use calculations are as follows:

	2009 %	2008 %
Gross margin ¹	28	28
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 its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

24 DEFERRED TAXATION

Deferred tax assets and liabilities were offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown on the balance sheet:

	Group	
	2009 RM'000	2008 RM'000
Deferred tax assets	13,898	14,889
Deferred tax liabilities		
- subject to income tax	(22,517)	(18,571)
- subject to capital gains tax	0	0
	(22,517)	(18,571)
At 31 December	(8,619)	(3,682)

Notes to the Financial Statements (continued)

24 DEFERRED TAXATION (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	
	2009 RM'000	2008 RM'000
At 1 January	(3,682)	(2,874)
(Charged)/credited to income statement (Note 13):		
- property, plant and equipment	(2,202)	(850)
- tax losses	(905)	(423)
- provisions	(1,830)	932
	(4,937)	(341)
Credited/(charged) to equity		
- change in manner of recovery via disposal of land and buildings to Al-'Aqar KPJ REIT	0	1,430
Deferred tax arising from acquisitions	0	(1,897)
At 31 December	(8,619)	(3,682)
Subject to income tax		
Deferred tax assets (before offsetting)		
- tax losses	9,666	10,571
- property, plant and equipment	12,020	6,026
- provisions	4,074	5,904
	25,760	22,501
Offsetting	(11,862)	(7,612)
Deferred tax assets (after offsetting)	13,898	14,889
Deferred tax liabilities (before offsetting)		
- property, plant and equipment	(34,379)	(26,183)
	(34,379)	(26,183)
Offsetting	11,862	7,612
Deferred tax liabilities (after offsetting)	(22,517)	(18,571)

The amount of the deductible temporary differences and unutilised tax losses (both of which have no expiry date) for which no deferred tax assets is recognised on the balance sheet are as follows:

	Group	
	2009 RM'000	2008 RM'000
Deductible temporary differences	109	21,914
Unutilised tax losses	18,545	29,761

25 INVENTORIES

	Group	
	2009 RM'000	2008 RM'000
Pharmaceutical products	20,900	21,405
Medical supplies	5,887	6,027
Consumables and disposable items	2,291	1,722
Laboratory chemicals	527	473
Other supplies	92	103
	29,697	29,730

Notes to the Financial Statements (continued)

26 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade receivables	170,231	152,761	0	0
Allowance for doubtful debts	(11,032)	(12,322)	0	0
	159,199	140,439	0	0
Amount due from ultimate holding corporation	78	98	0	0
Amount due from subsidiaries	0	0	537,463	492,692
Amount due from associates	447	744	52	56
Amount due from other related companies	3,736	3,355	0	0
Amount due from subsidiary's minority shareholder	7	7	0	0
Other receivables	21,032	23,470	5,407	1,231
Deposits	28,450	12,099	0	215
Prepayments	30,484	15,150	1,653	1,241
	243,433	195,362	544,575	495,435

Included in the amount due from subsidiaries is advances amounting to RM52,800,320 (2008: RM49,727,160) bearing effective weighted average interest rate of 6.55% (2008: 7.75%) per annum.

Other balances with ultimate holding corporation, subsidiaries, associates and other related companies and related parties are unsecured, interest-free and have no fixed terms of repayments.

Included in the prepayments is capital work in progress costs, claimable from KPJ Al'Aqar REIT amounting to RM25,911,733 (2008: RM11,365,316).

Credit terms of trade receivables range from 30 to 60 days (2008: 30 to 60 days).

The currency exposure profile of the receivables and deposits (excluding prepayments) are as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Ringgit Malaysia	210,591	176,471	542,922	494,194
Singapore Dollar	2,358	3,741	0	0
	212,949	180,212	542,922	494,194

27 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits with licensed banks	37,687	24,854	0	0
Cash and bank balances	106,177	81,308	10,191	235
	143,864	106,162	10,191	235

Bank balances are deposits held at call with licensed banks and do not earn interest.

Notes to the Financial Statements (continued)

27 DEPOSITS, CASH AND BANK BALANCES (continued)

The fixed deposits of certain subsidiaries have been pledged to licensed banks for the following facilities:

	Group	
	2009 RM'000	2008 RM'000
Performance bonds to Tenaga Nasional Berhad	180	1,739
As a security for:		
- borrowing facilities	1,359	338
- performance guarantee of RM112,000 (2008: RM750,000)	112	750
- bankers acceptance and bank overdrafts	0	50
	1,651	2,877

The weighted average interest rates of deposits with licensed banks of the Group during the financial year were 2.37% (2008: 3.10%) per annum.

The currency exposure profile of the deposits, cash and bank balances as at balance sheet date is as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Ringgit Malaysia	141,392	103,631	10,191	235
Singapore Dollar	2,472	2,531	0	0
	143,864	106,162	10,191	235

Deposits of the Group have an average maturity of 365 days (2008: 365 days).

28 NON-CURRENT ASSETS HELD FOR SALES

	Group	
	2009 RM'000	2008 RM'000
Hospitals land and buildings		
At 1 January	246,478	123,249
Additions	31,686	246,478
Disposals	(174,399)	(123,249)
At 31 December	103,765	246,478

- (a) On 8 August 2007, Bayan Baru Specialist Hospital Sdn Bhd, a subsidiary of Kumpulan Perubatan (Johor) Sdn Bhd, entered into a conditional Sale and Purchase Agreement to sell a piece of leasehold land measuring approximately 1.2144 hectare. The conditions precedent was fulfilled on 12 January 2010.
- (b) During the financial year, KPJ Healthcare Berhad ("KPJ") disposed of its entire interest in KPJ Seremban Specialist Hospital building, Bukit Mertajam Specialist Hospital building, Taiping Medical Centre building, Kota Kinabalu Specialist Hospital building, KPJ Penang Specialist Hospital building, Tawakal Hospital existing building and PNC International College of Nursing and Health Sciences building to Al-Aqar KPJ REIT for a sale consideration of RM189.5 million resulting in gain on disposal of RM3.1 million. The disposal of KPJ Tawakal Specialist Hospital's new building was not completed as at the balance sheet date. The disposal will take effect upon issuance of the Certificate of Fitness which is expected to be received in April 2010.

Notes to the Financial Statements (continued)

29 PAYABLES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade payables	157,001	140,820	0	0
Other payables	67,552	60,384	8,638	130
Accruals	28,418	28,821	1,203	1,588
Amount due to minority shareholders	1,529	2,084	0	0
Amount due to ultimate holding corporation	344	250	144	95
Amounts due to subsidiaries	0	0	250,736	196,612
Amounts due to other related companies	5,501	1,045	50	50
Amounts due to associate companies	336	2,573	0	0
	260,681	235,977	260,771	198,475

Amounts due to minority shareholders, ultimate holding corporation, subsidiaries, associates and other related companies are unsecured, interest-free and have no fixed terms of repayment.

Credit terms of trade payables range from 30 to 60 days (2008: 30 to 60 days).

The currency exposure profile of payables is as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Ringgit Malaysia	253,663	229,943	260,771	198,475
Singapore Dollar	7,018	6,034	0	0
	260,681	235,977	260,771	198,475

Notes to the Financial Statements (continued)

30 BORROWINGS

	Group	
	2009 RM'000	2008 RM'000
Current		
Term loans (secured)	10,543	83,661
Revolving credits (unsecured)	43,000	0
Islamic facilities:		
- Hiwalah term loan (secured)	1,200	1,200
- Al-Ijarah	0	4
Hire purchase and finance lease liabilities	11,219	13,717
	65,962	98,582
Bank overdrafts (unsecured)	15	1,573
Bank overdrafts (secured)	0	409
	15	1,982
	65,977	100,564
Non-current		
Term loans (secured)	41,304	32,350
Commercial papers (unsecured)	249,000	214,000
Islamic facilities:		
- Hiwalah term loan (secured)	2,100	3,300
Hire purchase and finance lease liabilities	10,415	18,229
	302,819	267,879
Total		
Term loans (secured)	51,847	116,011
Commercial papers (unsecured)	249,000	214,000
Revolving credits (unsecured)	43,000	0
Islamic facilities:		
- Hiwalah term loan (secured)	3,300	4,500
- Al-Ijarah	0	4
Hire purchase and finance lease liabilities	21,634	31,946
Bank overdrafts (unsecured)	15	1,573
Bank overdrafts (secured)	0	409
	368,796	368,443

The currency exposure profile of the borrowings is as follows:

	Group	
	2009 RM'000	2008 RM'000
Ringgit Malaysia	368,796	368,270
Singapore Dollar	0	173
	368,796	368,443

	Company	
	2009 RM'000	2008 RM'000
Non-current		
Commercial papers (unsecured)	249,000	214,000
Total	249,000	214,000

Notes to the Financial Statements (continued)

30 BORROWINGS (continued)

	Functional currency/ Currency exposure	Interest rate	Effective interest rate at balance sheet date	Total carrying amount	Maturity profile					
					< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
			% per annum	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009										
Group										
Term loans (secured)	RM/RM	Floating	6.66	51,847	10,543	10,804	11,331	9,276	4,254	5,639
Commercial papers (unsecured)	RM/RM	Floating	2.44	249,000	0	249,000	0	0	0	0
Revolving credits (unsecured)	RM/RM	Floating	2.75	43,000	43,000	0	0	0	0	0
Islamic facilities:										
- Hiwalah term loan (secured)	RM/RM	Fixed	7.80	3,300	1,200	1,200	900	0	0	0
Hire purchase and finance lease liabilities	RM/RM	Fixed	4.11	21,634	11,219	5,413	2,717	1,187	639	459
Bank overdrafts (unsecured)	RM/RM	Floating	7.07	15	15	0	0	0	0	0
				368,796	65,977	266,417	14,948	10,463	4,893	6,098
Company										
Commercial papers (unsecured)	RM/RM	Floating	2.44	249,000	0	249,000	0	0	0	0

	Functional currency/ Currency exposure	Interest rate	Effective interest rate at balance sheet date	Total carrying amount	Maturity profile					
					< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
			% per annum	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2008										
Group										
Term loans (secured)	RM/RM	Floating	7.19	116,011	83,661	7,143	7,618	8,125	5,962	3,502
Commercial papers (unsecured)	RM/RM	Floating	4.35	214,000	0	0	214,000	0	0	0
Islamic facilities:										
- Hiwalah term loan (secured)	RM/RM	Fixed	7.80	4,500	1,200	1,200	1,200	900	0	0
- Al-Ijarah	RM/RM	Fixed	8.43	4	4	0	0	0	0	0
Hire purchase and finance lease liabilities	RM/RM	Fixed	3.36	31,946	13,717	10,894	5,310	1,422	429	174
Bank overdrafts (unsecured)	RM/RM	Floating	7.75	1,573	1,573	0	0	0	0	0
Bank overdrafts (secured)	RM/RM	Floating	6.59	409	409	0	0	0	0	0
				368,443	100,564	19,237	228,128	10,447	6,391	3,676
Company										
Commercial papers (unsecured)	RM/RM	Floating	4.35	214,000	0	0	214,000	0	0	0

Notes to the Financial Statements (continued)

30 BORROWINGS (continued)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
2009							
Hire purchase and finance lease liabilities	12,262	5,878	3,007	1,293	674	489	23,603
Less: Future finance charges							
- Hire purchase and finance lease liabilities							(1,969)
							21,634
2008							
Hire purchase and finance lease liabilities	14,282	11,120	7,317	1,961	433	185	35,298
Al-ljarah	5	0	0	0	0	0	5
Less: Future finance charges							
- Hire purchase and finance lease liabilities							(3,352)
- Al-ljarah							(1)
							31,950

The borrowings are secured by:

- fixed charge on the certain landed properties of the Group (Note 16 and 18);
- first fixed charge on certain assets of the Group by way of debenture;
- letter of awareness, letter of comfort and letter of subordinates from Johor Corporation;
- a negative pledge over some of the fixed and floating assets of the Group;
- fixed first and floating charge over some movable and immovable assets of the Group; and
- finance leases are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Commercial Papers/Medium Term Notes ("CP/MTN")

Salient features of the CP/MTN are as follows:

- Total outstanding nominal value of the CPs and MTNs (collectively known as 'Notes') shall not exceed RM250 million.
- The tenure of the Facility is up to 7 years from date of the first issuance of any Notes (12 November 2004) under the Facility.
- CP has a maturity of between 1, 2, 3, 6 and 7 months and are mandatorily redeemed at nominal value upon maturity date. The CP is issued at a discount to its value.
- MTN has a maturity of 1 year but not more than 7 years and on condition that the MTN matures prior to the expiry of the tenure of the Facility. The MTN shall be mandatorily redeemed at nominal value upon maturity date. The interest for the MTN shall be payable semi-annually upon maturity of MTN.
- The CP/MTN Facility is issued on a clean basis and shall be fully repaid at the end of the tenure of the Facility.

The proceeds which were raised from the CP issue during the financial year have been utilised by the Group and the Company in the following manner:

	Group / Company	
	2009 RM'000	2008 RM'000
CP/MTN		
At 1 January	214,000	206,000
Issued during the financial year for working capital purposes	35,000	44,000
Repayment	0	(36,000)
At 31 December	249,000	214,000

As at 31 December 2009, the unutilised amount of CP/MTN amounted to RM1 million (2008: RM36 million).

31 DEFERRED REVENUE

	Group	
	2009	2008
	RM'000	RM'000
At 1 January	13,761	4,138
Additions	41,612	26,684
Earned during the financial year	(26,561)	(17,061)
At 31 December	28,812	13,761
Represented by:		
Students' fees	4,399	6,581
Accommodation fees	2,481	1,344
KPJ Wellness Subscription Fees	21,932	5,836
	28,812	13,761

32 DEPOSITS

Deposits represent refundable practising fees received from consultants, 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.

The fair value of the deposits as at the balance sheet date is disclosed in Note 40.

33 SHARE CAPITAL

	Group / Company	
	2009	2008
	RM'000	RM'000
Authorised ordinary shares of RM1 each:		
At 1 January/31 December	500,000	500,000
Issued and fully paid ordinary shares of RM1 each:		
At 1 January	209,461	207,745
Issued during the financial year:		
- exercise of share options	1,590	1,716
At 31 December	211,051	209,461

(a) Treasury shares

The treasury shares of the Company, by an ordinary resolution passed in a general meeting held on 20 May 2009, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company disposed of the entire treasury shares in the open market, totaling 620,800 shares at an average selling price of RM6.26 per share. The total consideration received net of transaction costs, was RM3,885,635. The gain on disposal of RM1,999,688 has been credited to the share premium account during the financial year.

33 SHARE CAPITAL (continued)

(b) Employees' Share Option Scheme

The Company implemented an Employees' Share Option Scheme ("ESOS") on 13 July 2004 which is governed by the by-laws approved by the shareholders on 15 June 2004. Share options are granted to executive directors and key employees with more than five years of service.

The main features of the ESOS are as follows:

The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary shares of the Company, such that not more than 50% of the shares available under the ESOS is allocated, in aggregate, to directors and senior management.

Not more than 10% of the shares available under the ESOS is allocated to any individual director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company. Only staff and executive directors of the Group are eligible to participate in the scheme. Executive directors are those involved in the day-to-day management and on the payroll of the Group.

The option price under the ESOS is the average of the mean market quotation of the shares of the Company as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad for the five market days preceding the offer date, or the par value of the shares of the Company of RM1.00, whichever is higher.

The options granted are exercisable one year beginning from the date of grant and have a contractual option term of five years. The employees' entitlements to the options are vested (i.e. they are not conditional on future employment) as soon as they become exercisable and are exercisable in the following manner:

Percentage of new shares comprised in the option exercisable each year from Date of Offer				
Year 1	Year 2	Year 3	Year 4	Year 5
20%	20%	20%	20%	20%

Options granted under the ESOS carry no dividend or voting rights. Upon exercise of the options, shares issued rank pari passu in all respects with existing ordinary shares of the Company.

The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

Executive Directors of the Company and its subsidiary companies have been granted options under the Employees' Share Options Scheme on the same terms and conditions as those offered to other executive employees.

The share option scheme expired on 12 July 2009.

Set out below are details of options over the ordinary shares of the Company granted under the ESOS:

Grant date	Expiry date	Exercise price (RM/share)	Number of share options			
			At 1.1.2009 '000	Granted '000	Exercised '000	Lapsed '000
13 July 2004	12 July 2009	1.33	3,550	0	(1,590)	(1,960)

	Number of share options	
	2009 '000	2008 '000
Number of share options vested at balance sheet date	0	12,000
Number of share options not vested at balance sheet date	0	0

33 SHARE CAPITAL (continued)**(b) Employees' Share Option Scheme (continued)**

Details relating to options exercised during the period are as follows:

Exercise date	Fair value of shares at share issue date (RM/share)	Exercise price (RM/share)	Number of shares issued	
			2009 '000	2008 '000
1 January 2009 – 12 July 2009	2.00 – 3.31	1.33	1,590	1,716

	Group / Company	
	2009 RM'000	2008 RM'000
Ordinary share capital - at par	1,590	1,716
Share premium	524	566
Proceeds received on exercise of options	2,114	2,282
Fair value at exercise date of shares issued	5,000	5,594

The fair value of shares issued on the exercise of options is the mean market price at which the Company's shares were traded on the Main Board of Bursa Malaysia Securities Berhad on the day prior to the exercise of the options.

34 RESERVES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-distributable reserves:				
Share premium	36,391	33,867	31,369	28,845
Merger reserve	(3,367)	(3,367)	0	0
Exchange reserve	(235)	(765)	0	0
Revaluation reserve	50,456	42,622	0	0
	83,245	72,357	31,369	28,845
Distributable reserve:				
Retained earnings	337,715	301,109	26,495	70,710
	420,960	373,466	57,864	99,555

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 2009 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2008. As at 31 December 2009, subject to agreement with the tax authorities, the Company has sufficient Section 108 tax credits and tax exempt income to pay in full the retained earnings of the Company as franked dividends.

The revaluation reserve includes surplus from the revaluation of Group's land and buildings and unrealised revaluation reserves retained in the Group's interest in Al-'Aqar KPJ REIT. This reserve is not distributable by way of cash dividends.

Notes to the Financial Statements (continued)

34 RESERVES (continued)

Revaluation reserve (non-distributable)

	Group	
	2009 RM'000	2008 RM'000
At 1 January	42,622	53,074
Reversal of deferred tax on revaluation reserve due to:		
- change in the manner of recovery via disposal of land and buildings to Al-'Aqar KPJ REIT	0	1,430
	0	1,430
Transfer to retained earnings on disposal of property, plant and equipment to Al-'Aqar KPJ REIT net of minority interest	(3,108)	(7,297)
Revaluation surplus	12,508	0
Realisation of revaluation reserves due to impairment of asset	(1,566)	(4,585)
	7,834	(10,452)
At 31 December	50,456	42,622

35 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits, cash and bank balances (Note 27)	143,864	106,162	10,191	235
Less: Bank overdrafts (Note 30)	(15)	(1,982)	0	0
Less: Pledged fixed deposits (Note 27)	(1,651)	(2,877)	0	0
Cash and cash equivalents	142,198	101,303	10,191	235

36 NON-CASH TRANSACTIONS

The principal non-cash transactions during the financial year are as follows;

- The acquisition of property, plant and equipment of which RM2,883,000 (2008: RM2,089,000) is by means of finance lease (Note 16).
- The disposal of land and buildings in Seremban Specialist Hospital Sdn Bhd, Taiping Medical Centre Sdn Bhd, Puteri Nursing College Sdn Bhd, Pusat Pakar Tawakal Sdn Bhd, Kota Kinabalu Specialist Hospital Sdn Bhd, Bukit Mertajam Specialist Hospital Sdn Bhd and Prai Specialist Hospital Sdn Bhd for a total cash consideration of RM189.50 million, which was satisfied by issuance of RM58.16 million new units of shares of Al-'Aqar KPJ REIT at RM0.95 each and cash consideration of RM131.34 million. The disposal resulted in gain on disposal of RM5.40 million and the realisation of revaluation reserve of RM3.11 million.

37 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) Related parties and relationship

Group

In the normal course of business, the Group undertake on an arm's length basis a variety of transactions with its holding corporation, subsidiaries, associates and other companies deemed related parties by virtue of being members of the Johor Corporation Group of Companies. The Johor Corporation Group of Companies with whom the Group transacted with, include the following companies:

Related parties	Relationship
Johor Corporation	Ultimate holding corporation
HC Duraclean Sdn Bhd	Subsidiary of ultimate holding corporation
Metro Parking (M) Sdn Bhd	Subsidiary of ultimate holding corporation
Teraju Fokus Sdn Bhd	Subsidiary of ultimate holding corporation
Al-'Aqar KPJ REIT	Associate
Healthcare Technical Services Sdn Bhd	Associate

(b) Significant related party transactions

The significant related party transactions during the financial year are as follows:

	Group	
	2009 RM'000	2008 RM'000
Sales of services to:		
- Johor Corporation	577	432
Housekeeping contract fees paid/payable to:		
- HC Duraclean Sdn Bhd	4,041	3,460
Security services paid/payable to:		
- Teraju Fokus Sdn Bhd	705	1,520
Rental parking		
- Metro Parking (M) Sdn Bhd	588	698
Lease payment		
- Al-'Aqar KPJ REIT	49,665	44,654
Project Management and Maintenance fee		
- Healthcare Technical Services Sdn Bhd	1,960	4,164

Notes to the Financial Statements (continued)

37 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

(b) Significant related party transactions (continued)

Type of transactions		Company	
		2009 RM'000	2008 RM'000
Paid/payable to/(received/receivable from) subsidiaries			
Ampang Puteri Specialist Hospital Sdn Bhd	Management fees	(2,559)	(2,414)
	Advances received	(3,818)	0
	Dividend received (net)	(7,500)	(7,000)
	Interest expense	1,121	1,029
Bukit Mertajam Specialist Hospital Sdn Bhd	Management fees	(291)	(387)
	Interest income	(277)	(613)
	Advances received	(4,609)	0
	Interest on advances given	(277)	613
	Repayment of advances	(7,942)	16,100
	Advances given	2,890	1,238
Damansara Specialist Hospital Sdn Bhd	Management fees	(2,279)	(2,051)
	Advances received	(11,987)	(13,200)
	Dividend received (net)	(3,000)	(2,500)
	Interest expense	1,221	1,011
	Payment on behalf	156	156
Ipoh Specialist Hospital Sdn Bhd	Management fees	(2,513)	(2,232)
	Dividend received (net)	(1,329)	(787)
	Interest expense	324	1,094
	Repayment of advance	0	1,788
	Payment on behalf	205	205
	Advances received	(4,380)	0
Johor Specialist Hospital Sdn Bhd	Management fees	(2,364)	(2,354)
	Dividend received (net)	(4,632)	(4,063)
	Interest expense	791	1,166
	Payment on behalf	297	297
	Advances received	(10,661)	0
Kuching Specialist Hospital Sdn Bhd	Interest income	(658)	(694)
	Management fees	(595)	(533)
Kumpulan Perubatan (Johor) Sdn Bhd	Interest income	(1,478)	(2,298)
Kuantan Specialist Hospital Sdn Bhd	Management fees	(682)	(578)
	Interest expense	325	127
Pharmaserv Alliances Sdn Bhd	Management fees	(2,624)	(2,159)
	Interest income	(743)	(855)
Puteri Nursing College Sdn Bhd	Management fees	(1,200)	(1,200)
Perdana Specialist Hospital Sdn Bhd	Interest income	(665)	(870)
	Advances given	0	13,329
	Repayment of advance	500	3,073
	Management fees	(649)	(498)
	Payment on behalf	118	118
Puteri Specialist Hospital (Johor) Sdn Bhd	Management fees	(2,034)	(1,543)
	Dividend received (net)	(2,918)	(2,879)
	Interest expense	281	103
	Advances received	(3,743)	0

37 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)**(b) Significant related party transactions (continued)**

		Company	
		2009 RM'000	2008 RM'000
Paid/payable to/(received/receivable from) subsidiaries (continued):			
Pusat Pakar Tawakal Sdn Bhd	Management fees	(1,454)	(1,383)
	Dividend received (net)	(191)	(188)
Prai Specialist Hospital Sdn Bhd	Interest income	(301)	0
	Advances given	12,689	0
Selangor Specialist Hospital Sdn Bhd	Management fees	(1,403)	(1,134)
	Advances given	(9,000)	(15,000)
	Advances Cumulative Irredeemable Convertible Preference Shares	0	(12,165)
	Insurance premium	262	262
	Interest expense	867	530
Sentosa Medical Centre Sdn Bhd	Management fees	(867)	(811)
	Dividend received (net)	(1,000)	(1,000)
	Interest expense	515	384
Seremban Specialist Hospital Sdn Bhd	Management fees	(1,287)	(1,117)
	Interest income	(566)	(890)
	Advances received	(4,361)	0
Tawakal Holdings Sdn Bhd	Dividend received (net)	(85)	(84)
Kajang Specialist Hospital Sdn Bhd	Management fees	(846)	(592)
	Insurance premium	(186)	(186)
Lablink (M) Sdn Bhd	Management fees	(150)	(150)
Taiping Medical Centre Sdn Bhd	Advances received	(5,883)	(2,500)
	Management fees	(171)	(117)
	Repayment of advances	0	1,000
	Interest expense	161	0
	Interest income on advance	0	20
Pusat Pakar Kluang Utama Sdn Bhd	Management fees	(178)	0
	Advances given	(5,632)	0

The balances outstanding with related parties in respect of the above transactions are as disclosed in Notes 26 and 29.

(c) Key management personnel compensation

	Group / Company	
	2009 RM'000	2008 RM'000
Salaries, allowances and bonus	3,177	3,055
Contribution to defined contribution plan	381	366
	<u>3,558</u>	<u>3,421</u>

Notes to the Financial Statements (continued)

38 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2009 RM'000	2008 RM'000
Represented by:		
Not later than 1 year	63,347	47,034
Later than 1 year and not later than 2 years	130,399	96,722
Later than 2 years and not later than 5 years	349,513	259,090
Later than 5 years	329,233	268,672
	<u>872,492</u>	<u>671,518</u>

The Group has entered into a contractual agreement with Amanah Raya Berhad (as Trustee for Al-'Aqar KPJ 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.

39 CONTINGENT LIABILITIES

	Company	
	2009 RM'000	2008 RM'000
Corporate guarantees given for banking facilities (unsecured)		
- subsidiaries	<u>5,716</u>	<u>9,594</u>

40 FAIR VALUES

The carrying amounts of financial assets and liabilities of the Group at the balance sheet date approximately their fair values except as set out below:

	Group	
	Carrying amount RM'000	Fair value RM'000
2009		
Associates (Note 20)	239,003	240,330
Investments (Note 21)	3,275	3,275
Deposits (Note 32)	13,039	6,021
Long term borrowings (fixed rate) (Note 30)	<u>24,934</u>	<u>16,300</u>
2008		
Associates (Note 20)	226,963	224,393
Investments (Note 21)	3,980	8,123
Deposits (Note 32)	11,359	5,998
Long term borrowings (fixed rate) (Note 30)	<u>36,450</u>	<u>32,028</u>

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) During the financial year, KPJ Healthcare Berhad ("KPJ") has disposed its entire interest in Seremban Specialist Hospital building, Bukit Mertajam Specialist Hospital building, Taiping Medical Centre building, Kota Kinabalu Specialist Hospital building, KPJ Penang Specialist Hospital building, Tawakal Hospital existing building and PNC International College of Nursing and Health Sciences building to Al-'Aqar KPJ REIT for a sale consideration of RM189.5 million resulting in gain on disposal of RM3.1 million. The disposal of KPJ Tawakal Specialist Hospital's new building was not completed as at balance sheet date. The disposal will take effect upon issuance of the Certificate of Fitness which is expected to be received in April 2010.
- (b) On 29 July 2009, KPJSB, a wholly-owned subsidiary of KPJ Healthcare Berhad, entered into a conditional Sale and Purchase Agreement ("SPA") with Greenbelt View Sdn Bhd for the acquisition of a partially completed building ("Bandar Baru Klang Medical Centre Building") for a purchase consideration of RM38.0 million. The acquisition was completed on 17 November 2009.
- (c) On 26 November 2009, KPJ Healthcare Berhad, entered into a subscription agreement ("Subscription Agreement") with Intrapreneur Development Sdn Bhd (formerly known as JCorp Property Management Sdn Bhd) ("Fund") for the proposed subscription of 50,000 Redeemable Preference Shares of RM0.01 each in Intrapreneur Development Sdn Bhd at an issue price of RM100.00 each totaling to RM5.0 million.
- (d) On 26 November 2009, the shareholders of KPJ Healthcare Berhad ("KPJ"), have approved the following proposals:
 - (i) Share split involving the subdivision of every existing one (1) ordinary share of RM1.00 each in KPJ into two (2) ordinary shares of RM0.50 each ("Shares") in KPJ ("Share Split");
 - (ii) Bonus issue of up to 105,525,308 new shares ("Bonus Shares"), to be 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 shareholders of the Company after the Share Split ("Bonus Issue"); and
 - (iii) Issue of up to 131,906,635 free warrants in KPJ ("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 ("Free Warrants Issue").

The transactions were completed on 15 January 2010 with listing of the Share Split, Bonus Shares and Free Warrants. Upon completion, the number of issued and paid up ordinary share capital and warrants listed and quoted on Bursa Malaysia Securities Berhad is 527,626,510 and 131,906,484 respectively.
- (e) On 16 December 2009, Maharani Specialist Hospital Sdn Bhd, wholly-owned subsidiary of KPJSB, entered into conditional Sale and Purchase Agreement ("SPA") with Property Base Development Sdn Bhd for the proposed acquisition of a piece of freehold land with a partially completed building Lot 2024, Bandar Maharani, Muar for a purchase consideration of RM22.0 million. The acquisition has yet to be completed pending fulfillment of conditions precedent.

42 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) On 6 January 2010, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company entered into a conditional Share Sale Agreement with Sabah Medical Centre Sdn Bhd for the acquisition of 40.8 million ordinary shares of RM1.00 each representing 51% equity interest in SMC Healthcare Sdn Bhd ("SMCH") for a cash consideration of RM51.0 million. KPJSB has also entered into a Management Agreement with SMCH for the appointment of KPJSB to manage the existing and the new private hospitals of SMCH. The acquisition is expected to complete by first quarter of 2010.
- (b) On 9 March 2010, the Company proposes to dispose its entire interest in Rumah Sakit Bumi Serpong Damai Building, Kluang Utama Specialist Hospital Building and Bandar Baru Klang Specialist Hospital Building to Al-'Aqar KPJ Real Estate Investment Trust ("Al-'Aqar KPJ REIT") for a proposed total sale consideration of RM138.77 million to be satisfied partly by cash consideration of RM83.26 million and partly by issuance of 56.64 million new units in Al-'Aqar at an issue price of RM0.98 per unit to be credited as fully paid-up ("Proposed Disposals"). The proposed disposals are expected to complete by second half of 2011.

Notes to the Financial Statements (continued)

43 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	2009 RM'000	Group 2008 RM'000
Authorised by the Directors and contracted	77,415	88,744
Authorised by the Directors but not contracted	191,320	65,919
	<u>268,735</u>	<u>154,663</u>
Analysed as follows:		
- Prepaid leases (leasehold land)	6,269	0
- Buildings	163,264	80,841
- Medical equipment	68,818	64,684
- Other property, plant and equipment	30,384	9,138
	<u>268,735</u>	<u>154,663</u>

The Group's interest in capital commitments of the associates is disclosed in Note 20.

44 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 March 2010.

Shareholdings Statistics as at 01 April 2010

AUTHORISED SHARE CAPITAL : RM500,000,000
ISSUED & FULLY PAID-UP CAPITAL : RM264,463,255 less RM5,000 Treasury Shares = RM264,458,255
CLASS OF SHARES : Ordinary Share of RM0.50 each

VOTING RIGHTS 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.

BREAKDOWN OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	163	3.47	3,575	-
100 – 1,000	611	13.00	523,944	0.10
1,001 – 10,000	2,929	62.29	12,790,902	2.42
10,001 – 100,000	822	17.48	27,109,279	5.13
100,001 to less than 5% of Issued Capital	175	3.72	189,362,903	35.80
5% and above of Issued Capital	2	0.04	299,125,907	56.55
Total	4,702	100.00	528,916,510	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	252,638,305	47.77
2	Kumpulan Waqaf An-Nur Berhad	46,487,602	8.79
3	Employees Provident Fund Board	26,286,125	4.97
4	Kumpulan Wang Persaraan (Diperbadankan)	8,807,200	1.67
5	HSBC Noms (T) Sdn Bhd - A/C Nomura Asset Mgmt Malaysia for Employees Provident Fund	8,000,000	1.51
6	HSBC Noms (A) Sdn Bhd - A/C Exempt An for J.P. Morgan Bank Luxembourg S.A	7,492,400	1.42
7	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	5,850,750	1.11
8	Johor Corporation	5,760,875	1.09
9	Johor Corporation	5,349,000	1.01
10	AmanahRaya Trustees Berhad - A/C Public Islamic Dividend Fund	5,305,000	1.00
11	AmanahRaya Trustees Berhad - A/C Public Islamic Optimal Growth Fund	4,800,250	0.91
12	AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	4,666,000	0.88
13	AmanahRaya Trustees Berhad - A/C Public Islamic Sector Select Fund	4,253,800	0.80
14	AmanahRaya Trustees Berhad - A/C Public Smallcap Fund	4,033,000	0.76
15	Cartaban Noms (A) Sdn Bhd - A/C State Street Luxembourg Fund DW37 for DWS Invest Asian Small/Mid Cap (DWS INVST SICAV)	3,750,000	0.71
16	Voon Chong Kian	3,505,000	0.66
17	HSBC Noms (A) Sdn Bhd - A/C Best Investment Corporation	3,483,500	0.66
18	HSBC Noms (A) Sdn Bhd - A/C Morgan Stanley & Co. International PLC (Firm A/C)	2,532,000	0.48
19	HSBC Noms (A) Sdn Bhd - A/C Exempt An for The Hongkong And Shanghai Banking Corporation Limited (HBFS-B CLT 500)	2,511,500	0.47
20	Mayban Noms (T) Sdn Bhd - A/C Etiqa Insurance Berhad (Life Par Fund)	2,500,000	0.47
21	Mayban Noms (T) Sdn Bhd - A/C Mayban Life Assurance Berhad (Par Fund)	2,500,000	0.47
22	AmanahRaya Trustees Berhad - A/C Public Islamic Balanced Fund	2,488,500	0.47

Shareholdings Statistics (continued)

TOP THIRTY SECURITIES ACCOUNT HOLDERS (continued)

	Name	No. of Shares	%
23	HSBC Noms (A) Sdn Bhd - A/C Exempt An for The Bank of New York Mellon (Mellon Acct)	2,440,500	0.46
24	Cimsec Noms (T) Sdn Bhd - A/C CIMB Bank for Goh Sin Bong (MP0081)	2,248,400	0.43
25	Citigroup Noms (A) Sdn Bhd - A/C CBNY for Dimensional Emerging Markets Value Fund	2,034,950	0.38
26	Zalaraz Sdn Bhd	1,985,000	0.38
27	Arshad Ayub	1,700,000	0.32
28	HSBC Noms (A) Sdn Bhd - A/C Exempt An for JPMorgan Chase Bank, National Association (Norges BK Nlend)	1,668,600	0.32
29	Mayban Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Family Fund)	1,500,000	0.28
30	Universal Trustee (M) Berhad - A/C CIMB Islamic Small Cap Fund	1,439,750	0.27

SUBSTANTIAL SHAREHOLDERS

	Name	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1	Johor Corporation - 4 a/cs	263,798,180	49.88	1,015,875	0.19
2	Kumpulan Waqaf An-Nur Berhad	46,487,602	8.79	-	-
3	Employees Provident Fund Board	26,286,125	4.97	9,085,000	1.72

ANALYSIS OF SHAREHOLDERS

	No. of Shareholders	%	No. of Shares	%
Malaysian - Bumiputra	1,025	21.80	401,236,747	75.86
- Others	3,568	75.88	88,632,826	16.76
Foreigners	109	2.32	39,046,937	7.38
Total	4,702	100.00	528,916,510	100.00

DIRECTORS' SHAREHOLDINGS AS AT 01 APRIL 2010

	Name	No. of Shares	%
1	Tan Sri Dato' Muhammad Ali Hj Hashim - 3 a/cs		
	- Direct	704,500	0.13%
	- Indirect (Noorzilah Mohammad Ali)	30,000	0.01%
2	Datin Paduka Siti Sa'diah Sheikh Bakir		
	- Direct (2 a/cs)	1,118,250	0.21%
	- Indirect (Amy Nadzlina Mohamed)	12,500	-
3	Tan Sri Datuk (Dr) Arshad Ayub		
	- Direct	1,700,000	0.32%
	- Indirect (Zalaraz Sdn Bhd)	1,985,000	0.38%
4	Dr Yoong Fook Ngian	325,000	0.06%
5	Ahamad Mohamad	142,750	0.03%
6	Dr Kok Chin Leong	125,000	0.02%
7	Datuk Azzat Kamaludin	60,000	0.01%
8	Rozan Mohd Sa'at	500	-
9	Tan Sri Dato' Dr Abu Bakar Suleiman	-	-
10	Datuk Dr Hussein Awang	-	-
11	Zainah Mustafa	-	-

Warrantholdings Statistics as at 01 April 2010

BREAKDOWN OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
Less than 100	318	12.55	8,722	0.01
100 – 1,000	666	26.28	408,112	0.31
1,001 – 10,000	1,211	47.79	4,200,281	3.22
10,001 – 100,000	275	10.85	8,253,576	6.32
100,001 to less than 5% of Issued Capital	60	2.37	29,759,536	22.78
5% and above of Issued Capital	4	0.16	87,976,257	67.36
Total	2,534	100.00	130,606,484	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	Johor Corporation	63,159,576	48.36
2	Kumpulan Waqaf An-Nur Berhad	11,621,900	8.90
3	Kulim (Malaysia) berhad	6,623,250	5.07
4	Employees Provident Fund Board	6,571,531	5.03
5	Johor Corporation	5,678,350	4.35
6	HSBC Noms (A) Sdn Bhd - A/C Exempt An for J.P. Morgan Bank Luxembourg S.A	2,311,000	1.77
7	Voon Chong Kian	2,000,000	1.53
8	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	1,462,687	1.12
9	Johor Corporation	1,440,218	1.10
10	Johor Land Berhad	1,420,000	1.09
11	AmanahRaya Trustees Berhad - A/C Public Smallcap Fund	1,008,250	0.77
12	Cartaban Noms (A) Sdn Bhd - A/C State Street Luxembourg Fund DW37 for DWS Invest Asian Small/Mid Cap (DWS INVST SICAV)	937,500	0.72
13	Citigroup Noms (A) Sdn Bhd - A/C CBNY for Dimensional Emerging Markets Value Fund	900,849	0.69
14	HSBC Noms (A) Sdn Bhd - A/C Best Investment Corporation	870,875	0.67
15	HSBC Noms (A) Sdn Bhd - A/C Morgan Stanley & Co. International PLC (Firm A/C)	725,687	0.56
16	HSBC Noms (A) Sdn Bhd - A/C Exempt An for The Hongkong And Shanghai Banking Corporation Limited (HBFS-B CLT500)	627,875	0.48
17	HSBC Noms (A) Sdn Bhd - A/C Exempt An for The Bank of New York Mellon (Mellon Acct)	597,000	0.46
18	Citigroup Noms (A) Sdn Bhd - A/C Exempt An for Citibank NA, Singapore (Julius Baer)	552,000	0.42
19	Universal Trustee (M) Berhad - A/C CIMB Islamic Small Cap Fund	547,437	0.42
20	DB (M) Nom (A) Sdn Bhd - A/C Deutsche Bank AG London for Doric Asia Pacific Small Cap Fund	412,500	0.32
21	Mayban Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Family Fund)	375,000	0.29
22	Khoo Chin Leng	354,000	0.27
23	Mayban Noms (T) Sdn Bhd - A/C Mayban Trustees Berhad for CIMB -Principal Small Cap Fund (240218)	317,250	0.24
24	Cartaban Noms (A) Sdn Bhd - A/C SSBT Fund W4b3 for Wasatch Emerging Markets Small Cap Fund	315,193	0.24
25	Mayban Noms (T) Sdn Bhd - A/C Mayban Life Assurance Berhad (Non-Par Fund)	312,500	0.24

Warrantholdings Statistics (continued)

TOP THIRTY SECURITIES ACCOUNT HOLDERS (continued)

	Name	No. of Warrants	%
26	Tan Chin Hoe	298,312	0.23
27	Cartaban Noms (A) Sdn Bhd - A/C Exempt An for Caceis Bank Luxembourg (CLTACCT-Non Lux)	290,187	0.22
28	Mayban Noms (T) Sdn Bhd - A/C Etiqa Insurance Berhad (Shareholder's FD)	279,437	0.21
29	Kumpulan Wang Simpanan Pekerja	271,250	0.21
30	Neoh Choo Ee & Company Sdn Berhad	250,000	0.19

SUBSTANTIAL WARRANTHOLDERS

	Name	Direct		Indirect	
		No. of Warrants	%	No. of Warrants	%
1	Johor Corporation - 4 a/cs	70,290,644	53.82	8,140,968	6.23
2	Kumpulan Waqaf An-Nur Berhad	11,621,900	8.90	-	-
3	Employees Provident Fund Board	6,571,531	5.03	271,250	0.21

ANALYSIS OF WARRANTHOLDERS

	No. of Warrantholders	%	No. of Warrants	%
Malaysian - Bumiputra	616	24.31	99,898,752	76.49
- Others	1,839	72.57	20,341,416	15.57
Foreigners	79	3.12	10,366,316	7.94
Total	2,534	100.00	130,606,484	100.00

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 RM249.0 million raised from the Commercial Papers/Medium Term Notes Programme have been fully utilised in the following manner:

	RM'000
CP/MTN	
At start of the financial year	214,000
Issued during the financial year for working capital purposes	35,000
At end of financial year	249,000

2. SALE OF TREASURY SHARES

During the financial year, the Company disposed of the entire treasury shares in the open market, totaling 620,800 shares at an average selling price of RM6.26 per share. The total consideration received net of transaction costs, was RM3,885,635. The gain on disposal of RM1,999,688 has been credited to the share premium account during the financial year.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any warrants or convertible securities. The Company launched Employee Share Options Scheme on 15 June 2004 and on 13 July 2004 the Company granted options to subscribe for 12.0 million ordinary shares of RM1 each at an option price of RM1.33 per share to eligible executive directors and employees. Options representing 1,590,000 shares were exercised during the financial year. The share option scheme expired on 12 July 2009.

4. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

During the financial year, the Company did not issue any ADR or GDR Programme.

5. IMPOSITIONS OF SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

6. NON-AUDIT FEES

During the financial year, the Company only engaged audit services with the external auditor.

7. PROFIT ESTIMATE, FORECAST OR PROJECTIONS

The Company did not make any release on the profit estimate, forecast or projections for the financial year.

Compliance Information (continued)

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

The actual transactions for the financial year ended 31 December 2009 are disclosed in Notes 37 to the financial statements. At an Annual General Meeting (AGM) held 20 May 2009, 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 26 June 2009 to date of next AGM RM'000	Frequency of transactions
Metro Parking (M) Sdn Bhd	Rental income for renting of land for carpark	1,500	Monthly
Teraju Fokus Sdn Bhd	Security service fees payable	2,000	Monthly
HC Duraclean Sdn Bhd	Housekeeping contract fees payable	5,000	Monthly
Pro Corporate Management Services Sdn Bhd	Secretarial fees payable	200	Monthly
Healthcare Technical Services Sdn Bhd	Project Management and Maintenance fee	5,500	Contract basis
		14,200	

List of Properties

AS AT 31 DECEMBER 2009

Location	Description	Tenure & expiry date	Area sq. m	Net book value (RM million)
KPJ Tawakal Specialist Hospital Lot 62, 92 & 128 Jalan Pahang Barat Kuala Lumpur	Land and Building under Development	Term in perpetuity	12,331.1	95.9
Jalan Mayang Pasir 2 Bayan Baru, Pulau Pinang (H.S.(D)) 10270 P.T. No. 5027, Mukim 12 South West District Pulau Pinang	Vacant Land	Leasehold 99 years expiring in 2098	12,143.9	7.8
No. 5 & 7, Persiaran Titiwangsa 3 53200 Kuala Lumpur	Land and Office Building	Term in perpetuity	981.3 & 851.0	0.7
No. 3, Lorong San Ah Wing Off Lorong Gurney 54100 Kuala Lumpur	Land and Bungalow	Term in perpetuity	1,282.3	0.9
The Palladium Unit No. C/5/8/5 (14-5-1) Jalan Gurney 54100 Kuala Lumpur	Condominium	Freehold	113.6	0.2
24-N, 24-P & 24D-1, Jalan Taram 81200 Johor Bahru Johor (Lot 3262 Mukim Johor Bahru)	Nurse Hostel	Freehold	2,027.0	1.4
KPJ Selangor Specialist Hospital No. 2, Jalan 18/24, Seksyen 18 40300 Shah Alam Selangor	Vacant Land	Leasehold 99 years expiring in 2096	15,484.0	1.7
Lot No. PT 23276 Taman Dato Ahmad Razali (Batu 4 1/2 Jalan Ampang) Mukim of Ampang District of Hulu Langat Selangor	Commercial Building	Leasehold 99 years expiring in 2092	1,650.0	1.9
Hospital Pusrawi SMC No. 19, Jalan USJ 9/3F Subang Jaya 47620 Petaling Jaya Selangor	Clinic and Office Building	Freehold	148.6	0.6

List of Properties (continued)

Location	Description	Tenure & expiry date	Area sq. m	Net book value (RM million)
Puteri Specialist Hospital No. 1, Jalan Sentosa, Lorong 1 Kampung Dato Onn 80350 Johor Bahru Johor	Temporary car park/ office	Leasehold 99 years expiring in 2053	1,595.7	1.8
No. 5, Jalan Sentosa, Lorong 1 Kampung Dato Onn 80350 Johor Bahru Johor	Temporary office	Leasehold 99 years expiring in 2053	1,413.9	1.1
Pusat Pakar Kluang Utama No. 1 to 11, Jalan Susur 1, Jalan Besar 86000 Kluang Johor	Land and Private Hospital Building	Leasehold 99 years expiring in 2100	985.4	3.2
KPJ Johor Specialist Hospital No. 38B, Jalan Abdul Samad 80100 Johor Bahru Johor	Land under Development	Freehold	1,001.6	1.1
Puteri Nursing College Sdn Bhd H.S (D) 180299, PT 29558 and H.S (D) 189781 PT 8 Mukim of Labu District of Seremban Negeri Sembilan	Vacant Land	Freehold	73,531.0	9.5
Bandar Baru Klang Specialist Hospital Persiaran Rajawali Bandar Baru Klang 41150 Klang Selangor	Land and Building under Development	Leasehold 99 years expiring in 2093	10,906.0	38.0
KPJ Damansara Specialist Hospital No. 131, Jalan SS 20/10 Damansara Utama 47400 Petaling Jaya Selangor	Land and Double Storey Detached House	Freehold	916.4	2.2
Lot No. PT 12058, Jalan SS 20/17 Damansara Utama 47400 Petaling Jaya Selangor	Vacant Land	Freehold	944.7	1.5

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventeenth (17th) Annual General Meeting of KPJ Healthcare Berhad will be held at the Tanjung Puteri 303, Level 3, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on Monday 31 May, 2010 at 12.30 p.m. for the purpose of transacting the following businesses:-

AGENDA

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2009 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To re-elect the following Directors retire in accordance with Article 96 of the Articles of Association of the Company:-
 - (i) Datuk Dr Hussein Awang **(Resolution 2)**
 - (ii) Dr Kok Chin Leong **(Resolution 3)**
 - (iii) Dr Yoong Fook Ngian **(Resolution 4)**
3. To consider, and if thought fit, to pass the following resolution:
 "That pursuant to Section 129(6) of the Companies Act, 1965, YBhg Tan Sri Datuk Arshad Ayub be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."
(Resolution 5)
4. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2009. **(Resolution 6)**
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

As Special Business

To consider and if thought fit, to pass the following resolutions:

6. ORDINARY RESOLUTION 1

AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Articles of Association of the Company and subject to the approvals of the relevant governmental 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% of the issued share capital of the Company for the time being in 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 Annual General Meeting of the Company. (See Note f)

(Resolution 8)

7. ORDINARY RESOLUTION 2

PROPOSED RENEWAL OF THE SHARE BUY-BACK AUTHORITY ("PROPOSED SHARE BUY-BACK")

"**THAT**, subject to Section 67A of the Companies Act, 1965 ("Act"), Part IIIA of the Companies Regulations 1966, the provisions of the Company's Articles of Association, Main Market Listing Requirements ("Listing Requirements") of the Bursa Malaysia Securities Berhad ("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:-

- (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

Notice of Annual General Meeting (continued)

- (c) Upon completion of the purchase by the Company of its own shares, the Directors of the Company are authorised to deal with the shares so bought-back in their absolute discretion in any of the following manners:-
- (i) cancel the shares so purchased; or
 - (ii) retain the shares so purchased as treasury shares and held by the Company; or
 - (iii) retain part of the shares so purchased as treasury shares and cancel the remainder,
 - (iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the authority conferred by this resolution shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which such resolution was passed, at which time the authority would lapse unless renewed by ordinary either unconditionally or conditionally; 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.

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 and the guidelines issued by Bursa Securities and any other relevant authorities." (See Note g)

(Resolution 9)

8. ORDINARY RESOLUTION 3

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE ON RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

"THAT subject always to the provisions of the Companies Act, 1965 ('Act'), the Memorandum and Articles of Association of the Company, Main Market Listing Requirements of Bursa Securities or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries, to

- (a) enter into new Recurrent Related Party Transactions of a Revenue or Trading Nature; and
- (b) renew the shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading nature for any of the aforesaid companies to enter into and to give effect to the specified Recurrent Related Party Transactions;

all with the particulars of which are set out in the Section 2.3 and 2.4, Part B of the Circular to Shareholders dated 7 May 2010 ("Circular") with the Related Parties as described in the Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries, within 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 are not detrimental to the minority shareholders of the Company; and

AND THAT such authority shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting ("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 h)

(Resolution 10)

9. To transact any other business of which due notice shall have been given.

**By Order of the Board,
KPJ HEALTHCARE BERHAD**

SALMAH ABD WAHAB (LS 02140)
ROHAYA JAAFAR (LS 08376)

Secretaries

Johor Bahru
Dated : 7 May, 2010

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, Level 2, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
- f. The proposed Resolution 8 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 Annual General Meeting or the expiration of the period within the next Annual General Meeting required by law to be held, whichever is earlier.
 - The mandate sought under Resolution 8 is a renewal of an existing mandate
 - The proceeds raised from the previous mandate were RM2,114,035
- g. The proposed Resolution 9 if passed will enable the Company to utilise any of its surplus financial resources to purchase its own shares from the market.
- h. The proposed Resolution 10 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 Section 2.3 and 2.4, Part B of the Circular to Shareholders dated 7 May 2010 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:-

- Directors who are standing for re-election at the Seventeenth (17th) Annual General Meeting are as follows :-
 - Datuk Dr Hussein Awang - Resolution 3
 - Dr Kok Chin Leong - Resolution 4
 - Dr Yoong Fook Ngian - Resolution 5
- Tan Sri Datuk Arshad Ayub retires and re-appointed pursuant to Section 129(6) of the Companies Act 1965.
- A total of four (4) Board Meetings were held during the financial year ended 31 December **2009**. Details of attendance of Directors at Board Meetings held during the financial year ended 31 December **2009** are as follows:-

	25 February	20 May	25 August	23 November
Non Executive Director				
Tan Sri Dato' Muhammad Ali Hashim	√	√	√	√
Ahamad Mohamad	√	√	√	√
Rozan Mohd Sa'at	√	√	√	√
Independent Non Executive Director				
Tan Sri Datuk Arshad Ayub	√	√	√	√
Tan Sri Dato' Dr Abu Bakar Dato' Suleiman	×	√	√	√
Datuk Azzat Kamaludin	×	√	√	√
Datuk Dr Hussein Awang	√	√	√	√
Zainah Mustafa	√	√	√	√
Dr Yoong Fook Ngian	√	√	×	√
Dr Kok Chin Leong	√	√	√	√
Executive Director				
Datin Paduka Siti Sa'diah Sheikh Bakir	√	√	√	√

Note : √ Present × Absent

Date of Meeting	Day	Time	Venue
25 February 2009	Wednesday	9.30 am	Persada Johor, Johor Bahru
20 May 2009	Wednesday	9.30 am	Persada Johor, Johor Bahru
25 August 2009	Tuesday	9.30 am	KPJ Damansara Specialist Hospital
23 November 2009	Monday	2.00 pm	KPJ Penang Specialist Hospital

- Particulars of Directors seeking re-election at the Annual General Meeting are set out in the Directors' Profile appearing in pages 16 to 21 of the Annual Report.

**KPJ HEALTHCARE BERHAD**

PROXY FORM

No. of ordinary shares	CDS Account No

I/We* _____
(BLOCK LETTER)

of _____
(Full address in block letter)

being a member(s) of **KPJ HEALTHCARE BERHAD** hereby appoint Chairman of the Meeting or

as my/our * Proxy to vote for me/us * on my/our* behalf at the Seventeenth (17th) Annual General Meeting of the Company to be held at Tanjung Puteri 303, Level 3, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on Monday 31 May 2010 and at any adjournment of such meeting.

Should you desire to direct your Proxy how to vote on the Resolutions set out in the Notice of Meeting and as summarised below, please indicate with an 'X' in the appropriate space. If no specific directions as to voting is given, the Proxy will vote or abstain at his/her discretion.

Resolution	Description	For	Against
1	TO RECEIVE THE REPORT AND AUDITED ACCOUNTS		
2	TO RE-ELECT DIRECTORS		
3	DATUK DR HUSSEIN AWANG		
4	DR KOK CHIN LEONG		
5	DR YOONG FOOK NGIAN		
6	TO RE-APPOINT TAN SRI DATUK ARSHAD AYUB		
7	TO APPROVE DIRECTORS' FEE		
8	TO RE-APPOINT AUDITORS		
9	AUTHORITY TO ISSUE SHARES		
10	SHARE BUY BACK AUTHORITY		
	SHAREHOLDERS' MANDATE		

Dated this day of 2010

Total number of shares held	
-----------------------------	--

Signature of Shareholder

Note:

1. 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.
2. 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 either under seal or in other manner approved by its Board of Directors.
3. The instrument appointing a proxy must be deposited at the registered office of the Company at : KPJ HEALTHCARE BERHAD, Level 2, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

STAMP

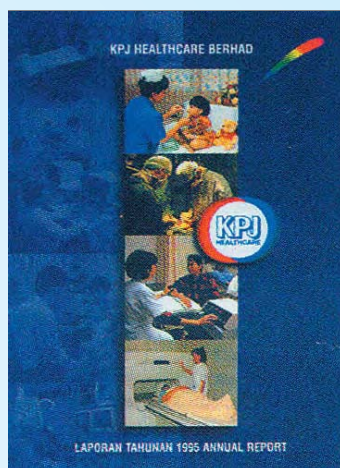
Secretary
KPJ HEALTHCARE BERHAD (247079 M)
Level 2, Persada Johor International Convention Centre
Jalan Abdullah Ibrahim
80000 Johor Bahru
Johor Darul Takzim
MALAYSIA

Publications

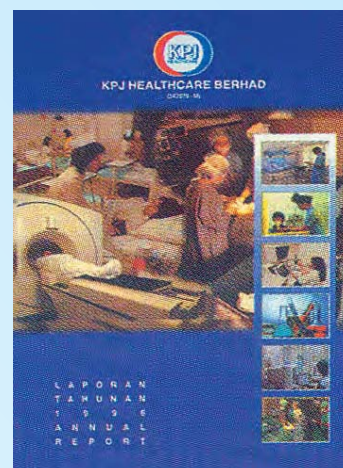
Annual Report



Annual Report 1994



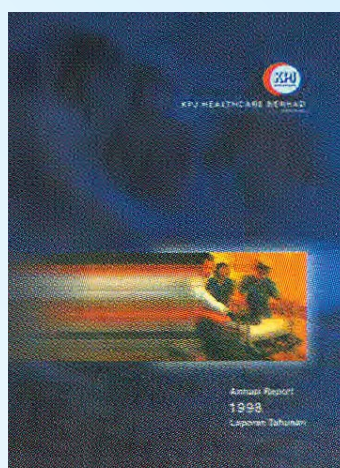
Annual Report 1995



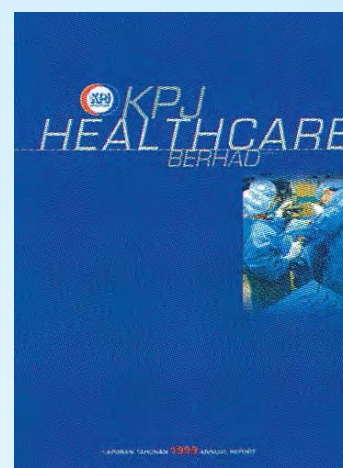
Annual Report 1996



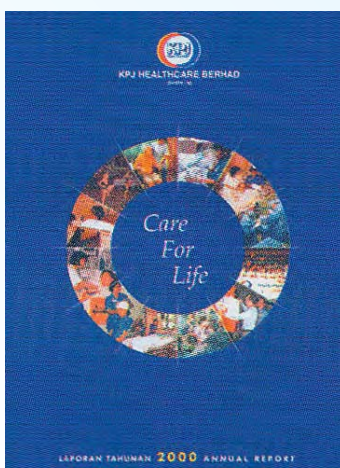
Annual Report 1997



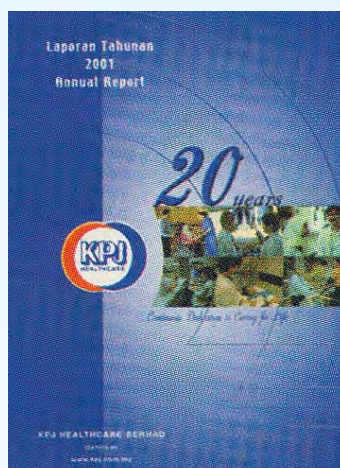
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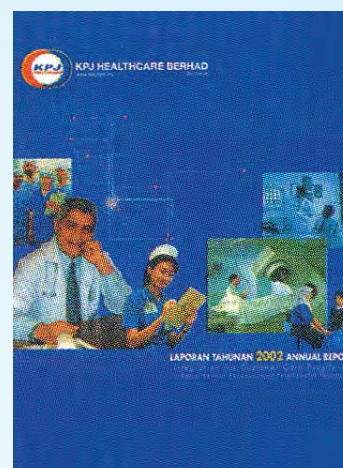
Annual Report 1999



Annual Report 2000



Annual Report 2001



Annual Report 2002



Annual Report 2003



Annual Report 2004



Annual Report 2005



Annual Report 2006

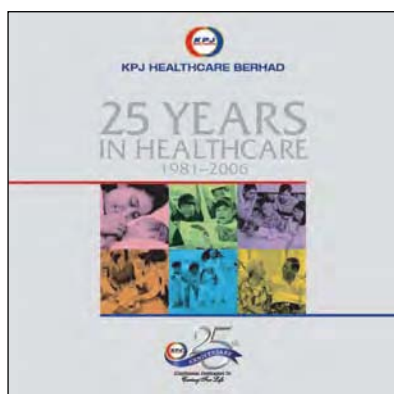


Annual Report 2007



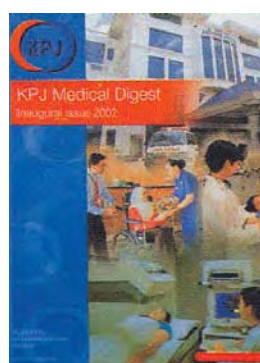
Annual Report 2008

25th Anniversary



25th Anniversary Special Edition

Medical Digest / Journal



KPJ Medical Digest Issue 2002



KPJ Medical Journal Issue 2003-2006, 2010

Publications

Nursing Bulletin



Nursing Bulletin – 1st Issue



Nursing Bulletin – 2nd Issue



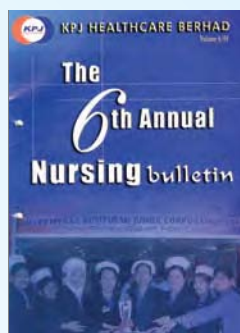
Nursing Bulletin – 3rd Issue



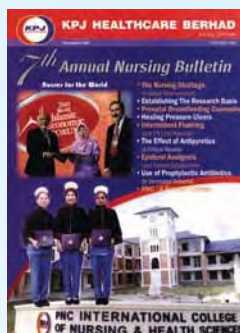
Nursing Bulletin – 4th Issue



Nursing Bulletin – 5th Issue



Nursing Bulletin – 6th Issue



Nursing Bulletin – 7th Issue



Nursing Bulletin – 8th Issue



Nursing Bulletin – 9th Issue



Nursing Bulletin – 10th Issue



KPJ Healthcare Quarterly Issue 1



KPJ Healthcare Quarterly Issue 2



KPJ Healthcare Quarterly Issue 3

KPJ Healthcare Quarterly



KPJ Healthcare Quarterly Issue 4



KPJ Healthcare Quarterly Issue 5



KPJ Healthcare Quarterly Issue 6



KPJ Healthcare Quarterly Issue 7



KPJ Healthcare Quarterly Issue 8

For more information, please contact:

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