

Care for Life
www.kpjhealth.com.my



KPJ HEALTHCARE BERHAD
(247079-M)

No. 1 Jalan Pahang Barat, 53000 Kuala Lumpur, Wilayah Persekutuan, Malaysia
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KPJ HEALTHCARE BERHAD (247079-M)

Strengthening Commitment to **CARING**

ANNUAL REPORT 2010



KPJ HEALTHCARE BERHAD
(247079-M)

Strengthening Commitment to **CARING**

Care For Life

2010
Annual Report

COVER RATIONALE

KPJ Healthcare Bhd is committed to the provision of highly-specialised medical services and this continuum of care transcends borders, age and cultures.

The dynamic partnership between its Medical Consultants, management and staff, and the community translates into integrated patient care and clinical excellence at KPJ hospitals, which continue to be driven by the Group's core values of Safety, Courtesy, Integrity, Professionalism and Continuous Improvement.

As KPJ widens its regional presence, it strengthens its commitment to caring by integrating the principles, values and practices of sustainable development into the world-class patient care that is already available at its hospitals.

KPJ scales the heights as a leading healthcare provider of tomorrow and builds its future together with the community through its vision of sustainability for all stakeholders, namely shareholders, customers, employees, community and environment, which will profoundly influence how KPJ cares for those it serves.

KPJ cares for life and in doing so, changes lives.





18th ANNUAL GENERAL MEETING

WILL BE HELD AT
BILIK SEKIJANG 401,
LEVEL 4, PERSADA
JOHOR INTERNATIONAL
CONVENTION CENTRE,
JALAN ABDULLAH IBRAHIM,
80000 JOHOR BAHRU,
JOHOR ON THURSDAY
16 JUNE 2011 AT 12.30 P.M.

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VISION, MISSION

KPJ HEALTHCARE BHD STRENGTHENS ITS UNWAVERING COMMITMENT TO CARING THROUGH THE WAY IT TREATS ITS PATIENTS AND BY EXCELLING AS A HEALTHCARE PROVIDER OF CHOICE.

AS THE GROUP ENTERS ITS 30TH YEAR OF PROVIDING QUALITY HEALTHCARE SERVICES, IT ENHANCES THIS TRUST AND CONFIDENCE THAT ITS CUSTOMERS PLACE IN IT AS KPJ ENDEAVORS TO PROVIDE THEM WITH SEAMLESSLY COORDINATED MEDICAL TREATMENT AND COMPASSIONATE CARE.

THIS LONG-TERM RELATIONSHIP IS TRULY VALUED AND KPJ TREASURES ITS CUSTOMERS BY CONTINUING TO EMBRACE THE PRINCIPLES OF INTEGRITY, GOOD CONDUCT AND ETHICS, ALONGSIDE UPRIGHTNESS AND EMPATHY TOWARDS ITS PATIENTS AND THOSE IN NEED.



AND CORE VALUES

The provision of care to each and every patient whose life KPJ touches will be guided by its core values of:

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

Healthcare is about active engagement between patients and caregivers, and the rhythmic beating of KPJ's heart is kept alive by its central tenet of Caring for Life, which stands firmly behind the numerous actions it takes each day to serve the community.

This continuum of compassionate care forms the crux of KPJ's mission to **DELIVER QUALITY HEALTHCARE SERVICES**.

KPJ continues to be inspired by its vision to become **THE PREFERRED HEALTHCARE PROVIDER** and continually strives to improve patient care through words and deeds as well as the firm commitment of its team of experienced Medical Consultants, nurses and professional managers.

As a **LEADER IN HEALTHCARE MANAGEMENT AND SERVICES**, KPJ endeavors to meet its shareholders' expectations while remaining community oriented by nurturing the spirit of giving. As a patient-focused organisation, KPJ will continue to adhere to best practices and internationally-accepted standards.

At the end of the day, this is what sets KPJ apart from the rest in everything that it does, as the underlying sincerity in its actions epitomises its heartfelt sense in achieving positive values, inspiring KPJ in this continuous journey of Strengthening its Commitment to Caring for those it serves.

CORPORATE PROFILE

SUSTAINABILITY TOWARDS A BETTER TOMORROW

KPJ Healthcare Bhd is the healthcare division of state-owned Johor Corporation (JCorp) and the largest listed healthcare group on Bursa Malaysia, operating at more than 20 sites throughout Malaysia and two in Indonesia.

Having been in the healthcare industry for 30 years, KPJ has seen the transformation of the sector in the wake of medical technological advancements and discoveries but yet maintained its unwavering commitment to serve its patients with compassionate care, epitomising its central tenet to Care for Life.

The Group established its first hospital in Johor Bahru in 1981 but has since grown to provide a complete continuum of care to more than two million patients through tertiary care hospitals throughout Malaysia, constantly guided by its five core values of Safety, Courtesy, Integrity, Professionalism and Continuous Improvement.

Today, its team consists of more than 760 Medical Consultants and has in excess of 8,000 nursing, allied health and administration staff, serving more than two million patients annually.

Since its listing on Bursa Malaysia (then known as the Kuala Lumpur Stock Exchange) in 1994, KPJ has consolidated its financial strength to transform into one of Malaysia's Top 100 Companies with a market capitalisation of more than RM2 billion at end-2010, with Group revenue standing at RM1.65 billion and pretax profit at RM166.69 million as at 31 December 2010.

To achieve a better tomorrow, KPJ integrates values of sustainability to the organisation, the society and the environment.

It instills good ethics and empowers staff members to enhance their knowledge through various learning opportunities, thus supporting the Group's further expansion and organic growth.

The Group reaches out to the society through the Waqaf An-Nur initiative, serving more than 660,000 patients since its inception, at its 15 charity Klinik Waqaf An-Nur (KWAN) throughout Malaysia and Hospital Waqaf Pasir Gudang.

KPJ also touched the lives of many through public health screening, health talks and charity events that are held throughout the year. The Group has also advocated environment preservation initiatives for the benefit of future generations.



CORPORATE INFORMATION

REGISTERED OFFICE

Suite 12B, Level 12,
Menara Ansar,
65 Jalan Trus,
80000 Johor Bahru,
Johor.
Tel : (607) 226 7692
Fax : (607) 222 3044

CORPORATE OFFICE

No. 1 Jalan Pahang Barat,
53000 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 12B, Level 12,
Menara Ansar,
65 Jalan Trus,
80000 Johor Bahru,
Johor.
Tel : (607) 226 7692
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, Lebu Ampang,
P.O.Box 10244,
50912 Kuala Lumpur,
Wilayah Persekutuan.

STOCK EXCHANGE LISTING

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

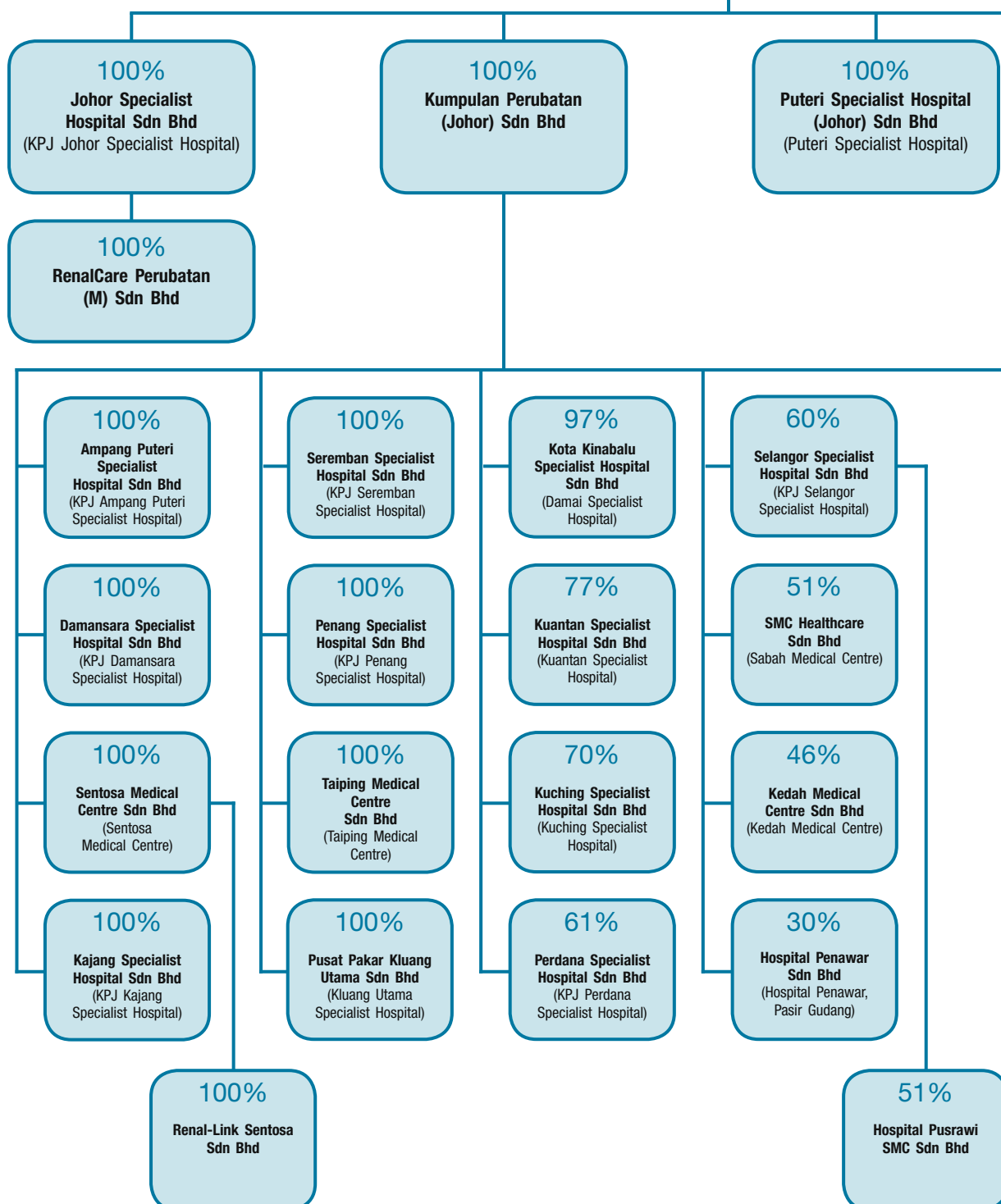


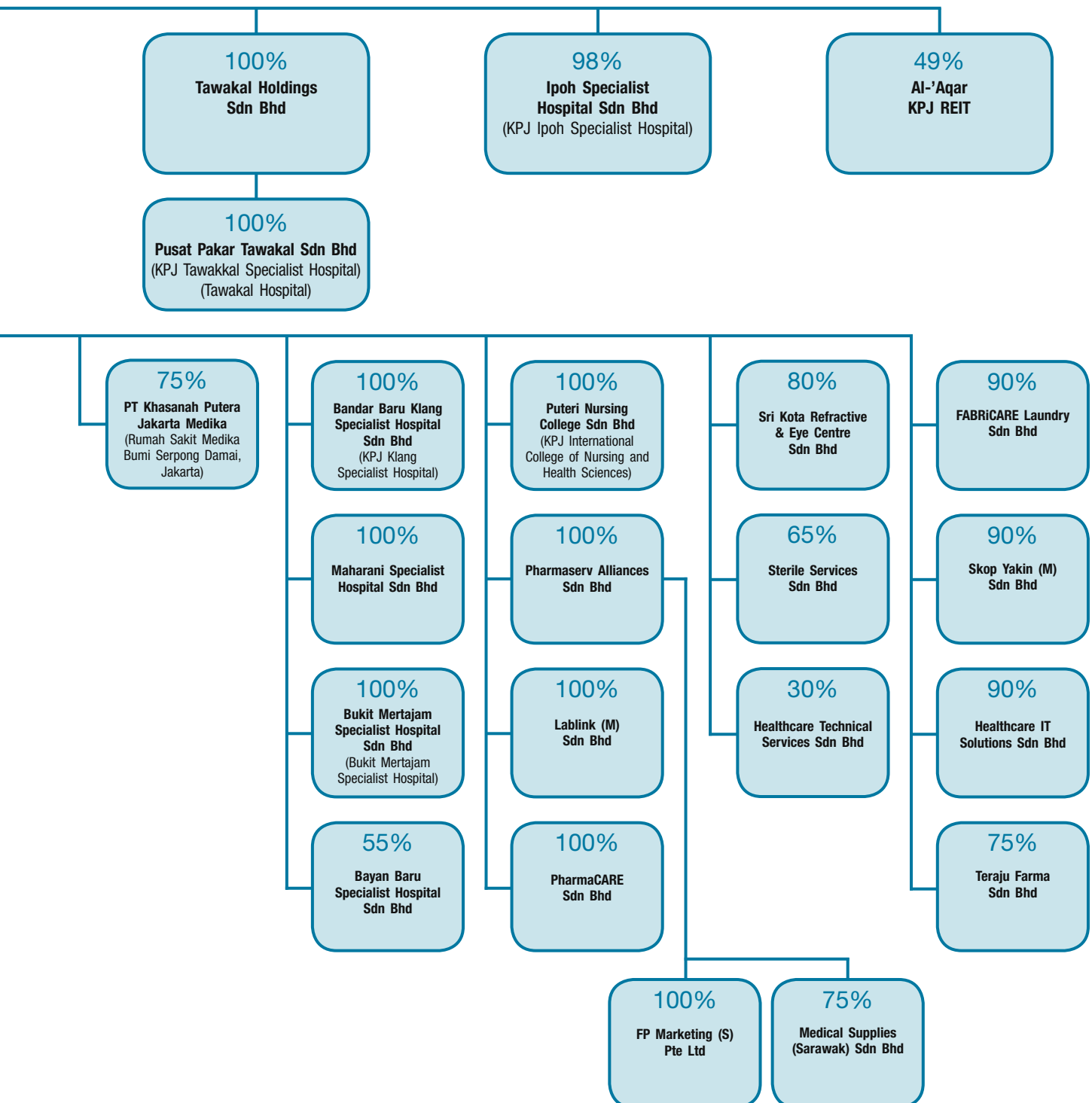
CORPORATE STRUCTURE



KPJ HEALTHCARE BERHAD

(247079-M)





KPJ NETWORK OF HOSPITALS

MALAYSIA

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



KPJ JOHOR SPECIALIST HOSPITAL

Website: www.jsh.kpjhealth.com.my
Tel: (607) 225 3000 Fax: (607) 224 8213
Email: jsh@jsh.kpjhealth.com.my



KPJ IPOH SPECIALIST HOSPITAL

Website: www.ish.kpjhealth.com.my
Tel: (605) 241 8777 Fax: (605) 254 2388
Email: ish@ish.kpjhealth.com.my



KPJ AMPANG PUTERI SPECIALIST HOSPITAL

Website: www.apsh.kpjhealth.com.my
Tel: (603) 4270 2500 Fax: (603) 4270 2500
Email: apsh@apsh.kpjhealth.com.my



KPJ DAMANSARA SPECIALIST HOSPITAL

Website: www.dsh.kpjhealth.com.my
Tel: (603) 7722 2692 Fax: (603) 7722 2617
Email: dsh@dsh.kpjhealth.com.my



KPJ SEREMBAN SPECIALIST HOSPITAL

Website: www.ssh.kpjhealth.com.my
Tel: (606) 767 7800 Fax: (606) 767 5900
Email: ssh@ssh.kpjhealth.com.my



KPJ SELANGOR SPECIALIST HOSPITAL

Website: www.kpjselangor.kpjhealth.com.my
Tel: (603) 5543 1111 Fax: (603) 5543 1722/2222
Email: kpjselangor@kpjselangor.kpjhealth.com.my



KPJ PERDANA SPECIALIST HOSPITAL

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



KPJ KAJANG SPECIALIST HOSPITAL

Website: www.kpjajang.kpjhealth.com.my
Tel: (603) 8769 2999 Fax: (603) 8769 2808
Email: kpjkajang@kpjkajang.kpjhealth.com.my



KPJ PENANG SPECIALIST HOSPITAL

Website: www.kpjpenang.kpjhealth.com.my
Tel: (604) 548 6688 Fax: (604) 548 6700
Email: kpjpenang@kpjpenang.kpjhealth.com.my



KEDAH MEDICAL CENTRE

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

HEAD OFFICE

KPJ HEALTHCARE BERHAD (Company No: 247079 M)

No. 1 Jalan Pahang Barat,
53000 Kuala Lumpur, Wilayah Persekutuan.

Website: www.kpjhealth.com.my

Tel: (603) 4022 6222 Fax: (603) 4022 7237

Email: kpj@kpjhealth.com.my

MOVING TOWARDS ACCREDITATION



KPJ TAWAKKAL SPECIALIST HOSPITAL

Website: www.tawakkal.kpjhealth.com.my
Tel: (603) 4026 7777 Fax: (603) 4021 0635
Email: tawakkal@tawakkal.kpjhealth.com.my



DAMAI SPECIALIST HOSPITAL

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



KLUANG UTAMA SPECIALIST HOSPITAL

Website: www.kush.kpjhealth.com.my
Tel: (607) 771 8999 Fax: (607) 772 8999
Email: utamaklu@streamyx.com



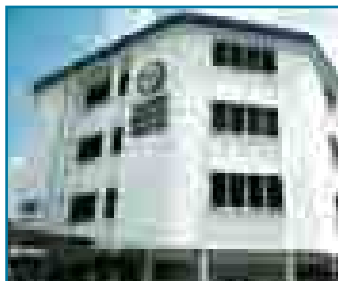
PUTERI SPECIALIST HOSPITAL

Website: www.psh.kpjhealth.com.my
Tel: (603) 8769 2999 Fax: (603) 8769 2808
Email: psh@psh.kpjhealth.com.my



KUANTAN SPECIALIST HOSPITAL

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



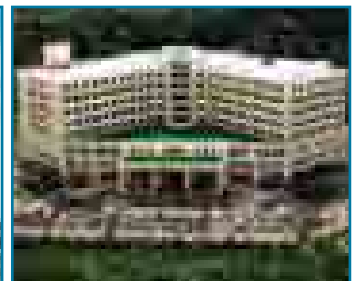
TAIPING MEDICAL CENTRE

Website: www.tmc.kpjhealth.com.my
Tel: (605) 807 1049/1971 Fax: (605) 806 3713
Email: tmc@tmc.kpjhealth.com.my



SIBU SPECIALIST HOSPITAL

Website: www.ssmc.kpjhealth.com.my
Tel: (6084) 218 800 Fax: (6084) 219 900
Email: care@sibuspecialist.com



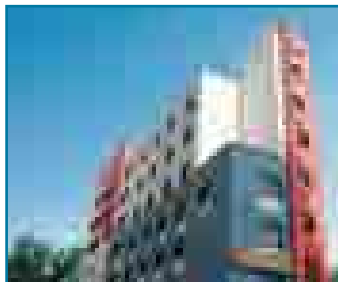
SABAH MEDICAL CENTRE

Website: www.sabahmedicalcentre.com.my
Tel: (6088) 211 333 Fax: (6088) 272 622
Email: prsmckk@smckk.kpjhealth.com.my



KUCHING SPECIALIST HOSPITAL

Website: www.kcsh.kpjhealth.com.my
Tel: (6082) 365 777 Fax: (6082) 243 540
Email: kcsh@kcsh.kpjhealth.com.my



SENTOSA MEDICAL CENTRE

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

INDONESIA



RS BUMI SERPONG DAMAI

Website: www.rs-medikabsd.co.id
Tel: (6221) 537 82 Fax: (6221) 537 8131



RS MEDIKA PERMATA HIJAU

Website: www.rsmph.co.id
Tel: (6221) 534 7411 Fax: (6221) 530 5291

HEALTHCARE RELATED COMPANIES

KPJ INTERNATIONAL COLLEGE OF NURSING AND HEALTH SCIENCES

Website: www.kpjic.edu.my
Tel: (606) 794 2629/2630/2631
Fax: (606) 794 2661/2662
Email: pnc@kpjic.edu.my

LABLINK (M) SDN BHD

Website: www.lablink.com.my
Tel: (603) 4023 4588 Fax: (603) 4023 4298
Email: lablink@lablink.com.my

PHARMASERV ALLIANCES SDN BHD

Website: www.pasb.kpjhealth.com.my
Tel: (603) 7876 2692 Fax: (603) 7874 4151
Email: pasb@pasb.kpjhealth.com.my

STERILE SERVICES SDN BHD

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

HEALTHCARE TECHNICAL SERVICES SDN BHD

Website: www.hts.kpjhealth.com.my
Tel: (603) 4021 2331 Fax: (603) 4021 2337
Email: htssb@tm.net.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

SKOP YAKIN (M) SDN BHD

Tel: (609) 773 2692 Fax: (609) 774 2692

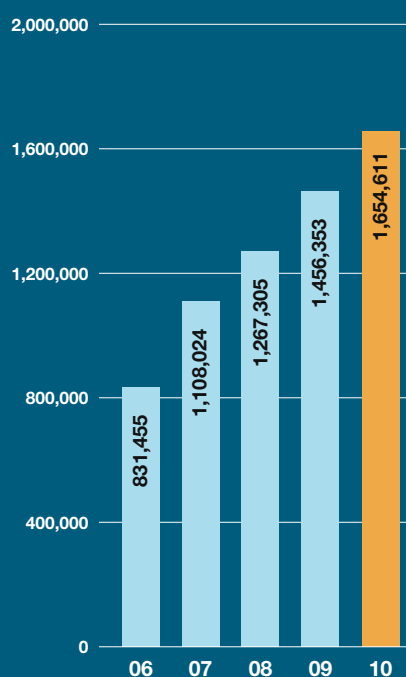
HEALTHCARE IT SOLUTIONS SDN BHD

Website: www.hitssb.com
Tel: (603) 4024 1111 Fax: (603) 4023 5555

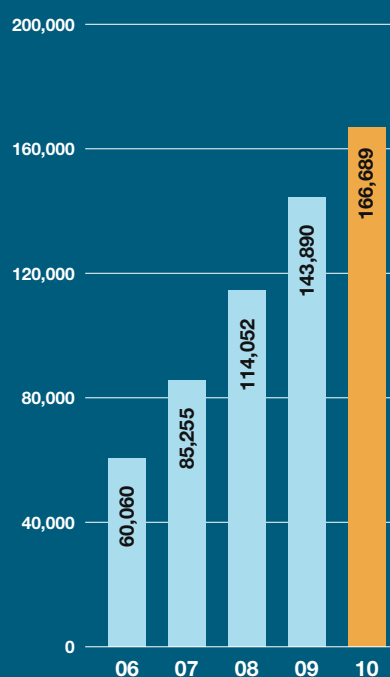
KEY PERFORMANCE STATISTICS

Year	2010	2009	2008	2007	2006
No. of Hospitals in Malaysia	20	19	19	17	17
Outpatients	2,231,992	1,978,669	1,956,303	1,733,500	1,556,172
Inpatients	225,936	206,907	196,291	179,227	158,412
Turnover (RM'000)	1,654,611	1,456,353	1,267,305	1,108,024	831,455
Profit Before Taxation (RM'000)	166,689	143,890	114,052	85,255	60,060
Profit After Taxation (RM'000)	126,221	114,736	89,308	77,791	41,121
Net Profit Attributable to Equity Holders (RM'000)	118,894	110,880	85,644	74,237	40,962
Earnings Per Share (sen) - RM1.00 Par Value	–	53.35	41.41	36.02	20.30
Earnings Per Share (sen) - RM0.50 Par Value	22.57	21.65	–	–	–
Dividend Rate (%)	30	20	38	20	14
Share Capital (RM'000)	279,954	211,051	209,461	207,745	203,999
Shareholders' Fund (RM'000)	768,647	632,011	581,041	508,828	442,590
Net Tangible Assets (RM'000)	632,330	516,420	470,797	398,877	342,068
Economic Value Added (RM'000)	68.7	52.2	43.2	23.4	9.1

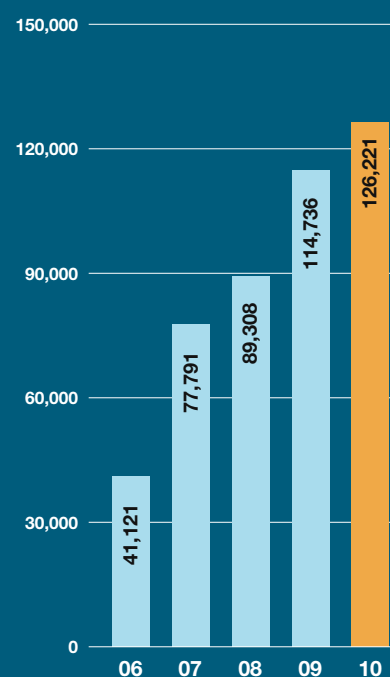
Turnover
(RM'000)



Profit Before Taxation
(RM'000)

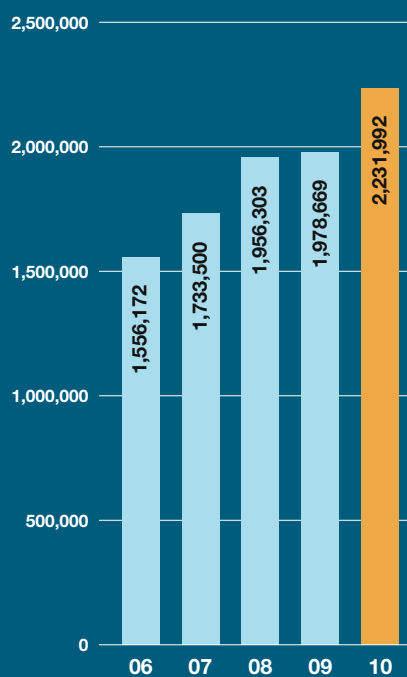


Profit After Taxation
(RM'000)

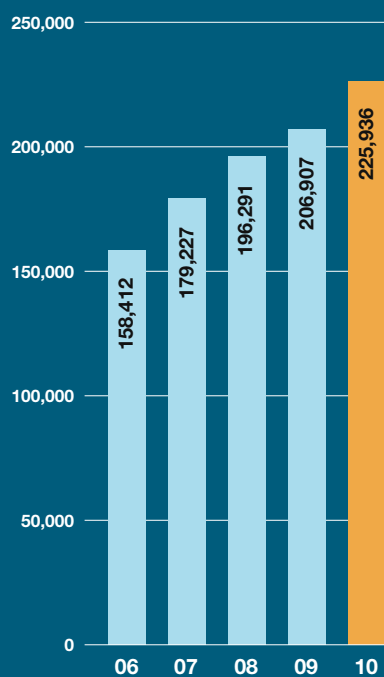




Outpatients



Inpatients



ACHIEVEMENTS: AWARDS & RECOGNITION



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3		10	
9			

1. In recognition of KPJ Healthcare Bhd's human capital management efforts, KPJ was named runner up for the Excellence Award – Human Resource Development Project Category at the HR Awards 2010.
2. KPJ Johor participated in the National ICC Convention 2010.
3. Datin Paduka Siti Sa'diah Sheikh Bakir was named 'Asia's Leading Woman CEO of the Year' at the Women in Leadership (WIL) Forum Asia.
- 4.



5. Puteri Specialist Hospital was selected as a member of the Malaysian Productivity Innovation Class, under the Quality Management Excellence Award 2010.
6. Puteri Specialist Hospital bags The Global Award for Perfection, Quality & Ideal Performance from Association Otherways Management & Consulting Paris – France and Otherways International Research & Consultants.
7. KPJ Damansara Specialist Hospital emerged winner of the Human Resource Development Award while KPJ Tawakkal Specialist Hospital came in third.
8. KPJ Ipoh Specialist Hospital's CEO Ahmad Nasirruddin Harun receiving the Business of the Year Award – Service Provider on behalf of the hospital, from SMI & SME Worldwide Network.
9. KPJ Selangor Specialist Hospital won the International ICC Convention Gold Award – Smile Team during the Quality Circle Forum of India.
10. Dato' Dr Shahrudin Mohd Dun, Medical Director of KPJ Selangor Specialist Hospital, representing the hospital in receiving The Asia Pacific International Brands Summit.

BOARD OF DIRECTORS

LEADERSHIP for EXCELLENCE

Chairman

1. **Kamaruzzaman Abu Kassim**

Managing Director

2. **Datin Paduka Siti Sa'diah Sheikh Bakir**

Board Members

3. **Tan Sri Dato' Seri Arshad Ayub**
Independent Non-Executive Director

4. **Dr Yoong Fook Ngian**
Independent Non-Executive Director

5. **Rozan Mohd Sa'at**
Non-Independent Non-Executive Director

6. **Ahamad Mohamad**
Non-Independent Non-Executive Director



7. **Datuk Dr Hussein Awang**
Independent Non-Executive Director

8. **Datuk Azzat Kamaludin**
Independent Non-Executive Director

9. **Zainah Mustafa**
Independent Non-Executive Director

10. **Dr Kok Chin Leong**
Independent Non-Executive Director



DIRECTORS' PROFILE



KAMARUZZAMAN ABU KASSIM

Kamaruzzaman Abu Kassim, aged 47, was appointed as a Non-Independent Non-Executive Director of KPJ on 3 January 2011 and subsequently as Chairman of KPJ on 12 January 2011. He is currently the President & Chief Executive Officer of Johor Corporation (JCorp).

He graduated with a Bachelor of Commerce majoring in Accountancy from the University of Wollongong, New South Wales, Australia in 1987. He embarked on his career as an Audit Assistant with Messrs K.E Chen & Associates in May 1988 and later joined Coopers & Lybrand (currently known as PricewaterhouseCoopers) in Johor Bahru. In December 1992, he left the firm to join JCorp as Deputy Manager,

Corporate Finance Department. He was later promoted to become the Executive Director at Damansara Realty Bhd (a company in which JCorp is the majority shareholder) in 1999 until September 2006. He was appointed as the Chief Operating Officer of JCorp on 1 August 2006 and was later appointed as the Senior Vice President of JCorp on 1 January 2009. He was appointed as the President & Chief Executive Officer of JCorp on 1 December 2010.

He is also the Chairman of Damansara Realty Bhd, Kulim (Malaysia) Bhd, KFC Holdings (Malaysia) Bhd, QSR Brands Bhd, Sindora Bhd and Director of Waqaf An-Nur Corporation Bhd. He also sits as Chairman and Director of several other JCorp Group of Companies.



DATIN PADUKA SITI SA'DIAH SHEIKH BAKIR

Datin Paduka Siti Sa'diah Sheikh Bakir, aged 58, is the Managing Director of KPJ Healthcare Berhad (KPJ) since 1 March 1993. She graduated with a Bachelor of Economics from University of Malaya in 1974 and holds an MBA from Henley Management College, University Reading, London.

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

Datin Paduka is the Chairman of various hospitals and companies in the KPJ Group, as well as MIT Insurance Brokers Sdn Bhd. She also sits as a Director of Kulim (Malaysia) Bhd, KFC Holdings (Malaysia) Bhd, QSR Brands Bhd and Damansara REIT Managers Sdn Bhd. Further, Datin Paduka is also a Director of Waqaf An-Nur Corporation Bhd, a non-governmental organisation dedicated to the provision of healthcare services to the less fortunate.

Datin Paduka is an Independent Non-Executive Director of Bursa Malaysia, elected since 2004.

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

She is a member of the Malaysia Productivity Council (MPC) Consultative Panel on Healthcare since 2001 and a member of the National Patient Safety Council, Ministry of Health since 2003. In 2009, she was appointed as a member of the Malaysian Healthcare Travel Council, Ministry of Health.

She was a Board member of MATRADE from 1999 to 2010.

In 2010, Datin Paduka was named the 'CEO of The Year 2009' by The New Straits Times Press and American Express. Datin Paduka was named 'Asia's Leading Woman CEO of the Year' at the Women in Leadership (WIL) Forum Asia on 22 February 2011.

DIRECTORS' PROFILE

TAN SRI DATO' SERI ARSHAD AYUB

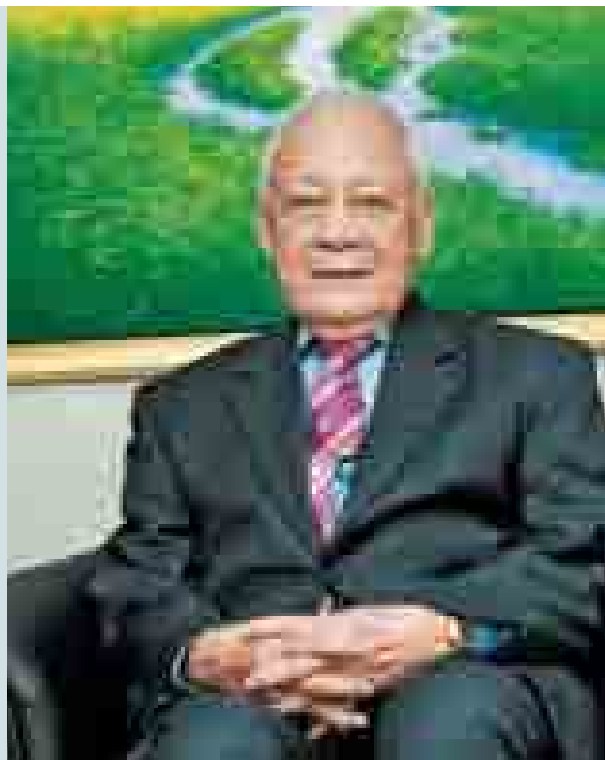
Tan Sri Dato' Seri Arshad Ayub, aged 83, was appointed to the Board of KPJ on 1 September 1994. He is currently an Independent Non-Executive Director and Chairman of the Audit Committee of KPJ.

Tan Sri graduated with a Diploma in Agriculture in 1954 from Serdang Agricultural College, Selangor and with a Bachelor of Science (Honours) in Economics and Statistics in 1958 from University College of Wales Aberystwyth, United Kingdom. He graduated with post graduate Diploma in Business Administration 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 Directorship in Kulim (Malaysia) Bhd, Sindora Bhd, LBI Capital Bhd, Tomypak Holdings Bhd, Top Glove Corporation Bhd, and Malayan Flour Mills Bhd. Tan Sri is the Chairman and/or director of several other non-listed companies including Bata Sdn Bhd, Pelaburan Johor Bhd, Bistari Johor Bhd, PFM Capital Holdings Sdn Bhd, AmanahRaya Management Sdn Bhd, Land Rover (M) 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 (MRPMA). He is a Chairman of Board of Directors of University Malaya and members of the Board of Trustees, Governor of Tuanku Jaafar College, Tun Razak Foundation, Pak Rashid Foundation, Lung Foundation of Malaysia, PINTAR Foundation, Malaysian Malay Businessmen and Industrialists Association, Pro Chancellor of UiTM and Patron of Arshad Ayub Foundation.



ZAINAH MUSTAFA

Zainah Mustafa, aged 56, 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 Bhd, Puteri Hotels Sdn Bhd, Damansara REIT Managers Sdn Bhd and Al-Aqar Capital Sdn Bhd.

She started her career as an Assistant Senior Auditor in Perbadanan Nasional Bhd in 1977 after graduating from Institut Teknologi MARA (presently UiTM). She obtained her Association of Chartered Certified Accountants (ACCA) United Kingdom in 1976. She joined JCorp in October 1978 and rose through the ranks to the Group Chief Financial Officer before retiring on 31 October 2002.



DR YOONG FOOK NGIAN

Dr Yoong Fook Ngian, aged 69, 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, Chairman of its Clinical Governance Action Committee of KPJ and Chairman of Building Committee.

He received his Bachelor of Medicine and Bachelor of Surgery (MBBS) from the University of Sydney in 1966. He obtained his post-graduate qualification in Otolaryngology in 1972 and was 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.

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 was the Medical Director of KPJ Ipoh Specialist Hospital since 1994 until December 2006.

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

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.

DATUK AZZAT KAMALUDIN

Datuk Azzat Kamaludin, aged 65, was appointed to the Board of Directors of KPJ on 1 September 1994. He is currently an Independent Non-Executive Director and is also a member of the Audit Committee of KPJ.

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



DIRECTORS' PROFILE



AHAMAD MOHAMAD

Ahamad Mohamad, aged 57, was appointed to the Board of KPJ on 1 January 2005. He is currently a Non-Independent and Non-Executive Director of KPJ.

He graduated with a Bachelor of Economics (Honours) degree in 1976 from the University of Malaya. He joined JCorp in 1976 as a Company Secretary for various companies within the JCorp Group. He has been involved in many of JCorp's projects among them, the early development of the Johor Specialist Hospital, prefabricated housing project and the Kotaraya Complex in Johor Bahru.

At present, he is the Chief Executive of Palm Oil Division of JCorp. He is currently the Managing Director of Kulim (Malaysia) Bhd, Deputy Chairman of QSR Brands Bhd and KFC Holdings (Malaysia) Bhd and a director of New Britain Palm Oil Limited (Papua New Guinea) as well as several other companies within the JCorp Group.

DATUK DR HUSSEIN AWANG

Datuk Dr Hussein Awang, aged 71, 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 May 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 presently the Consultant Urological Surgeon at KPJ Tawakkal Specialist Hospital, a position he has held since May 1984.



DR KOK CHIN LEONG

Dr Kok Chin Leong, aged 54, 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 KPJ Clinical Governance Policy committee since 2001 and presently the Chairman for the Committee since 2005 and the Advisor for KPJ's Clinical Information System since January 2003.

He is also the Executive Board Member for Malaysian Society for Quality in Health (MSQH) and Asian Society for Quality in Healthcare (ASQua). He presently sits in the Executive Committee of the Malaysian Paediatric Association.

He received his Bachelor of Medicine and Bachelor of Surgery (MBBS) 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 full medical practitioner with the Malaysian Medical Council in 1983. His medical career started in 1986 at Kuala Lumpur General Hospital in Clinical Paediatrics, worked as Senior House Officer/Registrar at Derby Children's Hospital, United Kingdom in 1990. He served as the Clinical Specialist in Paediatrics at Hospital Sultanah Aminah, Johor Bahru from 1991 to 1992 and was the Head of Department of Paediatrics at Batu Pahat Hospital from 1991 to 1993 and Senior Consultant Paediatrician at Hospital Sultanah Aminah, Johor Bahru from 1993 until 1994.

He was the Project Coordinator/Chairman for the Batu Pahat Rotary Club Haemodialysis Center from 1992 to 1993 and was the Southern Representative for Malaysian Paediatric Association from 2000 to 2004 and the Southern Coordinator for Infant Touch Therapy. He was a Board Member in Association of Private Hospital Malaysia (APHM) from 2008 to 2010.

He has been the Resident Consultant Paediatrician at Puteri Specialist Hospital since 1994 and was appointed as the Medical Director in February 2000 until June 2006. He provides advisory services in Health Informatics, Patient Safety in Healthcare Delivery, Clinical Governance, and Clinician Performance & Appraisal Assessment.



ROZAN MOHD SA'AT

Rozan Mohd Sa'at, aged 51, 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 Chief Executive Hospitality Division of JCorp and the Managing Director of Sindora Bhd.

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 Planning & Research Department of JCorp before being seconded as Operations Manager in Sergam Bhd, 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 as the General Manager of JCorp's Tourism Division before assuming the post of Chief Executive of the same Division on 15 June 1996, a post which he held until his appointment as the General Manager, Business Development, JCorp beginning January 1999.

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

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 2010.

KPJ IN THE NEWS



KPJ Healthcare

KPJ ready to tap ageing population



KPJ to open 4 new medical centres

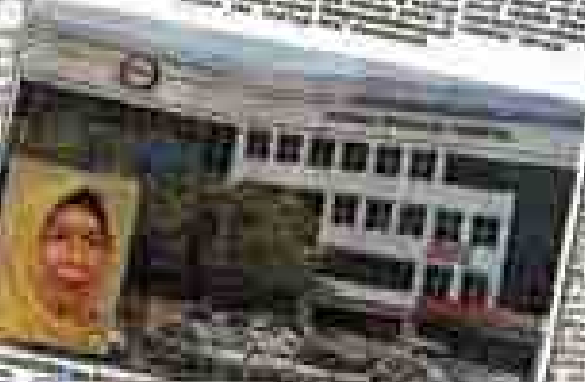
By [unclear]

KPJ wants
to be world
number one



ical co

Medical tourism a potential boon for KPJ



KPJ Healthcare opens digital operating theatre



KPJ focuses on health tourism



KPJ's 3Q pre-tax profit
climbs to RM43m

Lulus RM200 juta untuk bina hospital baru

Sasar perolehan RM2 bilion



KPJ chief makes award history



KPJ Tawakkal returns soon within 4 years

KMC tawakkal kembali penerbitan kepada semua

Pusat perlindungan bayi diperkenal

Motto of transforming workers into leaders

KPJ enhances medical business with takeover

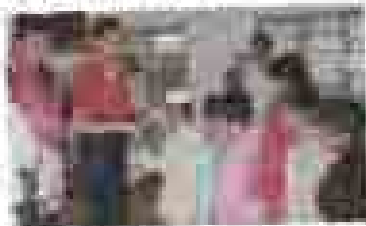


Practical experience at KPJ hospitals

SMC to acquire Borneo's first 640-slice CT Scan

Babitkan pelaburan RM500j bagi tempoh dua tahun KPJ Healthcare rancang bina 4 hospital

Komuniti, swasta bergabung jayakan program khatan



KPJ Healthcare buka tiga lagi hospital baharu



>KPJ labur RM135j bina hospital pakar

STATEMENT TO SHAREHOLDERS

from left to right:

Kamaruzzaman Abu Kassim

Chairman

Datin Paduka Siti Sa'diah Sheikh Bakir

Managing Director



DEAR SHAREHOLDERS,

KPJ Healthcare Bhd has served the community for 30 years with compassion and commitment, constantly providing quality medical services that span the complete continuum of care and improving the lives of those around us.

Today, this mission continues to drive us forward and we strive to deliver on our promise of quality care while contributing to the advancement of a vibrant and healthy community.

We chose “Care for Life” as KPJ’s basic tenet because it epitomises our approach to patient care where our employees embrace the Group’s culture of excellence and are empowered with the skills of enhancing patient experience at our hospitals.

Having delivered compassionate care for three decades, we continue with our life story of service to the community by giving through words and deeds – caring for patients in various ways, sharing words of encouragement with those in pain, lending a helping hand to the elderly, needy and less fortunate.

In so doing, we Strengthen Our Commitment to Caring, which is the theme of our 2010 Annual Report.

AN EXCELLENT 2010 FOR THE GROUP

The 2010 fiscal year was significant for KPJ, during which the Group registered substantial financial and operating growth. It has also achieved a number of noteworthy milestones over the past 12 months.

The recovery of the Malaysian economy, which expanded by 7.2% in 2010, alongside the launching of the Economic Transformation Programme (ETP) by the Malaysian Government is targeted to propel the nation’s economic development to greater heights.

The ETP has outlined plans and concrete strategies to support the development of the 12 National Key Economic Areas (NKEA), which include the healthcare sector, driving Malaysia to the ranks of the world’s high-income nations, with a targeted Gross National Income (GNI) per capita reaching RM50,000 by year 2020.

As a major healthcare provider in the country, KPJ contributed its views and ideas to the formulation of the ETP and supported the overall development plan through the enhancement of our capabilities and expansion of our capacities at our hospitals as well as participation in government-led initiatives and marketing promotions abroad.

DYMM Sultan Ibrahim
Ibni Almarhum Sultan
Iskandar, Sultan of Johor,
accompanied by JCorp
President and Chief
Executive, Kamaruzzaman
Abu Kassim, visiting KPJ's
booth



Our core focus remains in the delivery of quality care as we continue to strengthen the community's trust and confidence in KPJ Group's Medical Consultants and hospitals.

We are pleased to report that the past year has been a successful year on several fronts, where we have delivered positive results to all stakeholders.

FOR OUR SHAREHOLDERS

CONTINUED IMPROVEMENT IN FINANCIAL PERFORMANCE

KPJ continues to meet shareholders' expectations in terms of financial performance, delivering robust results in fiscal year 2010 as earnings contribution from hospital operations rose amid consistent improvement in services and capacity.

For the year ended 31 December 2010, KPJ posted a total revenue of RM1.65 billion, up 13.0% from RM1.46 billion a year earlier, with pre-tax profit improving by 15.8% on year to RM166.69 million, from RM143.89 million previously. The sterling results were accompanied by strong cash flow and balance sheet.

For financial year ended 31 December 2010, KPJ continued to create positive Economic Value Added (EVA) of RM68.65 million, an increase of RM16.4 million or 31.4% over the RM 52.2 million created in 2009.

PROVIDE STABLE RETURNS

The strong financial performance enabled us to enhance shareholder value through consistent dividend payout.

For the financial year 2010, KPJ declared a gross cash dividend of 15 sen per share of RM0.50 par each, compared with 20 sen per share of RM1.00 par value a year earlier, with a total payout of RM62.21 million after deducting for tax.

KPJ's corporate exercise of subdividing one ordinary share of RM1.00 into two ordinary shares of RM0.50, followed by a 1-for-4 bonus issue and subsequent 1-for-4 free warrant issue, was completed on 15 January 2010 and thus improved liquidity.

It also enlarged KPJ's paid-up capital to RM263.81 million, from RM211.05 million previously, and will increase to RM329.77 million upon full conversion of the warrants. With greater liquidity, strong financial results, good growth prospects and easy access to information via Investor Relations activities, KPJ shares garnered wider following among the investors.

KPJ's share price appreciated by 43% over the 12 months of 2010, closing at RM3.72 and outperforming the FTSE Bursa Malaysia KLCI, while its warrants sizzled upon its listing on 15 January 2010 and surged 117% over the year to end at RM1.96.

This elevated KPJ by several notches in Top 100 Companies list on Bursa Malaysia, to rank at 85 at end-2010 with RM2.08 billion in market capitalisation, from the 91st spot a year earlier with RM1.37 billion in market capitalisation.

STATEMENT TO SHAREHOLDERS

ENSURE SUSTAINABLE GROWTH

The year also saw the Group's plans for continued growth remain on target, driven by pivotal strategies including:

- **Rapid Organic Growth & Expansion**

KPJ today has more than 20 hospitals in Malaysia and two in Indonesia. With the trust and confidence that our customers have placed in us, these hospitals continue to grow from strength to strength and a number of them have now reached full capacity. To ensure continued sustainability of the business, strategic initiatives have been undertaken, ultimately leading to the physical expansion of existing hospitals such as KPJ Ampang Puteri Specialist Hospital, KPJ Johor Specialist Hospital, KPJ Selangor Specialist Hospital, KPJ Seremban Specialist Hospital and Puteri Specialist Hospital, which should be completed within a year or two.

To strengthen our market position, KPJ has set a goal to add one or two new hospitals each year to the existing network, be it via acquisition or greenfield projects ~ and we are currently on track. Two new hospitals, namely Rumah Sakit Bumi Serpong Damai in Jakarta, Indonesia and the KPJ Tawakkal Specialist Hospital in Kuala Lumpur commenced operations early and in the middle of the year under review, respectively. The Group also acquired a 51% stake in Sabah Medical Centre (SMC), in Kota Kinabalu, completed in June 2010. With the acquisition of SMC, work has started on the development of a new 250-bedded hospital building for its relocation, at a cost of RM180-200 million which began in December 2010, and slated to complete in two years.

The Group has also spread its wings to include two more new hospitals with the acquisition of Sibu Specialist Medical Centre in Sarawak, completed in the first quarter of 2011 and the anticipated commencement of KPJ Klang Specialist Hospital in Selangor by the 4th Quarter of 2011.

- **Innovative Injection into REITs**

Our strategy to inject assets into Al-Aqar KPJ REIT to unlock value and free up cashflow for further development has played an integral part in KPJ's expansion.

To date, three tranches of asset injection exercises involving 18 hospital buildings and one college building worth a total of RM943 million have been completed and the fourth tranche involving three hospital buildings for RM139 million is in progress, having obtained shareholders' approval on 17 December 2010. This brings the total value of the injected KPJ assets to RM1.08 billion.

Proceeds go towards trimming borrowings to cut interest costs, funding working capital and other capital-intensive expansion requirements such as development of new hospitals.

- **Health Travel – A Hidden Jewel**

Health Travel is another key sector in which KPJ plans to strengthen its ventures. This sector has been identified by PEMANDU as one of the nation's three primary healthcare sub-sectors under the ETP, with the other two being pharmaceuticals and medical technology products.

To this end, KPJ significantly contributes to the extensive national efforts to enhance health tourism in the country. Our efforts in supporting the Government's initiatives spearheaded by MIDA, MATRADE and the recently-established Malaysia Healthcare Travel Council (MHTC), as the nation's primary agency to promote and to develop the country's health tourism industry since its inception in 2009 will be enhanced. KPJ further participates in programmes undertaken by the Association of Private Hospitals of Malaysia (APHM) to promote Malaysian hospitals to the international market.

Leveraging on the industry's strong potential, KPJ established a multi-pronged strategy to expand our foothold in the medical tourism market including through sales visits, participation in international exhibitions abroad with the support of our Medical Consultants, and through the development of foreign partnerships for medical tourism services.

As we turn the page to a new year, such efforts will continue in 2011 as we head out to new markets such as the United States and Europe, as well as existing ones like Indonesia, Indo-China and the Middle East.

CONTINUING TO RAISE ITS BAR WITHIN BURSA'S TOP **LISTED 100 COMPANIES**

KPJ'S RANKING IMPROVES FROM **91st** AT
END-2009 TO 85th AT END-2010.

SUSTAINABLE GROWTH REMAINS A KEY AND RELEVANT
FOCUS IN THE FUTURE OF KPJ HEALTHCARE



1 2

1. Launching of new Sabah Medical Centre (SMC) Building
2. Soft opening of KPJ Tawakkal Specialist Hospital

• Venturing into New Business Niches

Although the management of private specialist hospitals remains KPJ's mainstay, we are equally enthusiastic about exploring unprecedented opportunities and market niches, in order to further advance and expand our range of services.

KPJ supports the Government's initiatives to expand the healthcare education sector as a powerful engine of growth. This is reflected in our unequivocal emphasis on the education sector, identified as one of the 12 NKEAs under the ETP and a key driver of Malaysia's transformation to become a high-income nation. In this regard, KPJ advances the level of Malaysia's healthcare education through our education arm, KPJ International College of Nursing and Health Sciences (KPJIC). Efforts have commenced with undergraduate, postgraduate and doctorate programmes, in line with its aspiration to attain University College status.

The Group has also embarked on a new venture, namely the aged care business, which holds immense potential in view of the aging global population. In September 2010, KPJ agreed to take up a 51% stake in Jeta Gardens – a retirement village in Queensland, Australia – with plans to further develop the project as well as to gain valuable management experience.

Back on home ground, KPJ's acquisition of Sibu Geriatric Health & Nursing Centre in Sarawak, will strengthen our geriatric care experience as well as enhance our capability to reach out to more groups of people within the East Malaysia communities. These initial ventures present opportunities for KPJ to explore similar undertakings in the future.

Continuously driven to explore more healthcare related activities, KPJ ventured further afield to create another breakthrough via a joint venture with SterilGamma (M) Sdn Bhd to launch Sterile Services Sdn Bhd, the first-of-its kind eco-friendly sterilisation service, on 11 January 2011. This facility sterilises medical instruments for hospitals using wet steam instead of chemicals. The facility in Rawang, Selangor, is also equipped with an analysis laboratory and repair workshop.

• High Integrity Through Adherence to Corporate Governance

Our commitment to the principles of transparency, accountability and good corporate governance, reflected in our compliance to the disclosure requirements stipulated by Bursa Malaysia, also contributes towards long term sustainability.

KPJ's Audit Committee (ACM) continues to drive consistently high standards of corporate governance throughout the Group. Guided by both internal policies and regulations, the Committee conducts regular reviews on key issues identified by the auditors, resulting in further improvements in the management of resources and systems.

As an essential part of transparency and accountability, KPJ further strengthened its Award Tender Committee to monitor the tender process and awards relating to the purchase of equipment, medical supplies and pharmaceutical products including drugs.

KPJ also has in place a Building Committee, which is responsible for overseeing the planning, construction and development of hospitals. The Committee's role is crucial, providing strong strategic support to the Group as it expands rapidly throughout the nation.

STATEMENT TO SHAREHOLDERS

FOR OUR CUSTOMERS

MORE FACILITIES, SERVICES, CONVENIENCE

Over the 12 months of 2010, the number of patients who walked through our doors has risen by 12% to 2.46 million from 2.19 million in 2009. This increase in number signifies customers' continued trust and faith in us, as we endeavour to always provide a healing environment, with the latest facilities and services.

Among the initiatives undertaken to meet customer expectations have been:

- **Expanding The Range of Services**

As a community-based private hospital, KPJ made it a point to continuously attract experienced Consultants from various medical disciplines to join us.

In 2010, we welcomed 61 Medical Consultants to the Group as Resident Consultants as well as another 60 doctors as Visiting or Sessional Consultants, who have brought with them years of experience in their respective fields of expertise. With that, KPJ now serves its customers with a 760-strong team of Resident and Visiting Consultants.

- **Investing in New State-of-the-Art Facilities**

Striving to always provide high quality treatment to all patients, KPJ continuously invests in new state-of-the-art facilities to assist our Consultants in their diagnosis and treatment, and also to enhance the recovery process.

Among our biggest milestones recorded in 2010 was opening the country's first digital operating theater with a dedicated navigation system at the new KPJ Tawakkal, unveiled on 23 August 2010, enabling surgeons to achieve greater breakthrough in the field of orthopaedic surgery, in line with KPJ's efforts to become a centre of excellence in knee surgery, joint replacement and other orthopaedic services.

Equally important was the commissioning of the new Radiotherapy Suite at KPJ Damansara. Its latest linear accelerator, with an integrated imaging and workflow solution, enables the administration of radiotherapy treatment with precision on the dose delivery while protecting the immediate surrounding healthy tissue.

KPJ has also further strengthened its vision health services with the introduction of Lasik treatment to our patients in KPJ Ipoh Specialist Hospital by end-2010, and the first case was successfully conducted in January 2011.

In providing care, hospitals in the Group are innovative-driven, applying up-to-date technology to ensure patients get the latest in healthcare services. This includes the installation of new diagnostic imaging machines such as the 64-slice Computer Tomography (CT) currently in 15 hospitals to date, the 1.5-Tesla Magnetic Resonance Imaging (MRI) Scanners which are now in 10 hospitals, and the latest generation of lithotripters to provide Extracorporeal Shock Wave Lithotripsy (ESWL) services which is a non-invasive procedure used to remove kidney stones available now in nine KPJ hospitals nationwide.

Plans are in place to procure more technology in the future for the benefit of our valued patients as well as to ensure sustainable competitive advantage for the Group.

- **Renovating & Refurbishing**

To enhance their ambience and services, KPJ hospitals are regularly renovated and refurbished to ensure that they are well-equipped to meet customers' high expectations.

Several KPJ hospitals opened new wards and introduced new services in 2010. During the year, KPJ Ipoh Specialist Hospital opened its newly-improved Paediatric Ward while KPJ Damansara Specialist Hospital upgraded its Oncology Care Suite and KPJ Selangor Specialist Hospital enhanced its Accident & Emergency (A&E) Unit. Kedah Medical Centre opened a new Premier Ward.



1	2	3
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1. Meeting customers' expectations through provision of quality medical care as well as friendly and high standards of customer service
2. DYT M Tuanku Zara Salim, Raja Puan Besar Perak Darul Ridzuan, officiating KPJ Ipoh Specialist Hospital's Paediatric Ward
3. Launching of smile campaign at Puteri Specialist Hospital

- **Advancing with Technology**

In tandem with KPJ's emphasis on being innovative, we have in place an integrated healthcare information system, linking the Group's hospitals to reduce administrative processes and risks of human errors.

In line with this, significant investments were made to further enhance the KPJ Clinical Information System (K-CIS), Picture Archiving Communication System (PACS) and other related software applications, enabling the full integration of clinical and administrative functions within hospitals. At present, three of our hospitals, namely Puteri Specialist Hospital, KPJ Johor Specialist Hospital and KPJ Penang Specialist Hospital are moving closer to the goal of a paperless environment, following the successful rollout of the integrated system.

A further three hospitals have commenced a similar rollout in 2010 and another five have been identified for 2011. It is targeted that, subsequently, an average of four hospitals will be fully integrated per annum, ultimately making the Group strategically and speedily connected.

These efforts have been further complemented by the agreement with Austrian IT firm, AHCS Advanced Healthcare Solutions AG. This undertaking, involving a further investment of RM15 million in research and development (R&D) over the next two years, will enhance the Group's information system even further.

- **Enhanced Patient Experience**

In line with our Vision being the Preferred Healthcare Provider, KPJ's goal is to provide excellent service to all our customers, at all times. To distinguish ourselves in a plethora of industry players, strong customer loyalty is key, built upon each KPJ Patient Experience provided to patients, consistently touching their hearts at all touch-points - from entry to exit.

Our unceasing desire to deliver service has led to the adoption of core procedures and process in dealing with patients. This measure was undertaken because in KPJ, we believe in the principle that well-executed service policies and procedures definitely colour our name as a leading healthcare player in the region.

In this light, KPJ goes through great lengths to ascertain the needs of our valued patients. Hospital staff embrace the principles of 'Service Excellence – KPJ Way Group Alignment and Re-Engineering (SEGAR)' initiative, which outlines standard operating procedures, guidelines and policies related to consistently high standards of customer service that are at par with international standards.

Throughout the year, all KPJ hospitals enhanced their customer service programmes, through the Standard People Practice (SPP). This ensures that not only customers' satisfaction is met but their experience in all areas of services is consistent and beyond expectations, thus creating patient delight in providing hospital overall services.

In January 2010, KPJ re-launched its Group-wide Smile Campaign, reaffirming our commitment to delivering excellent care with warm, pleasant smiles each time.

- **Commitment in Providing Safe Care**

KPJ is synonymous with quality, evident in the Group's constant push for service excellence at all levels of its operations.

As a significantly strong advocate of patient safety, KPJ is always cognizant of the need to provide quality medical care to all who walk through our doors. Measures such as the development of clinical policies, observing best practices and striving to achieve internationally-recognised accreditation are just but a few of the many initiatives undertaken to ensure consistent quality medical care at all KPJ hospitals.

Our clinical policies are developed and practices governed by the Medical Advisory Committee (MAC), which comprises Medical Consultants and the senior management. These policies are continually reviewed and practices are strictly governed to ensure continuous patient safety and high standards are maintained, in line with regulatory frameworks. The MAC is the key driver of clinical excellence in the Group and it stands as proof of our unceasing quality, continuous improvement and professional integrity, compliant to the Private Healthcare Facilities and Services Act 1998.



STATEMENT TO SHAREHOLDERS

KPJ hospitals also endeavour to adhere to internationally-accepted best practices through accreditation by the Malaysian Society for Quality in Health (MSQH). During the year under review, four KPJ hospitals, namely KPJ Perdana Specialist Hospital, KPJ Kajang Specialist Hospital, KPJ Penang Specialist Hospital and Kedah Medical Centre, were accredited by MSQH for the first time, bringing the total number of MSQH-accredited KPJ hospitals to 10. Six other hospitals, specifically KPJ Johor Specialist Hospital, KPJ Ipoh Specialist Hospital, KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Selangor Specialist Hospital and KPJ Seremban Specialist Hospital, have successfully renewed their accreditation status for the second, third or fourth cycles.

Two hospitals, KPJ Ampang Puteri Specialist Hospital and KPJ Seremban Specialist Hospital are working towards an accreditation by Joint Commission International (JCI) some time in year 2011.

Another globally-accepted quality framework already being adopted by some KPJ hospitals is the Integrated Management System (IMS) which integrates a Quality Management System, Environment, and Occupational Safety and Health, complementing other qualifications and standards. More KPJ hospitals are embarking on this.

We are pleased to note that our commitment to quality have been well recognised, with our hospitals receiving a multitude of awards for occupational and safety, management, human resource development and productivity, locally and abroad.

We wish to assure our valued customers that patient safety is of utmost importance at KPJ hospitals and we will make every effort to sustain quality medical care at all times.

FOR OUR EMPLOYEES

SHARED COMMITMENT TO POSITIVE EMPLOYEE VALUES

The Group requires all staff to commit to honesty and transparency in their work ethics. This is in line with one of KPJ's Core Values, integrity. A clear framework to ensure the practice of this core value for all employees is the Borang Peradaban, where all employees are to report any misappropriation. The senior management is also required to declare their assets in a move to further improve transparency.

CONTINUOUS TRAINING AND DEVELOPMENT

As a learning organisation, KPJ encourages continuous development among its employees and accords the opportunity to deserving candidates to improve their knowledge and competencies through formal education or on-the-job training. A target has also been set for each staff member to receive a minimum of 30 hours of training every year. The Group's strong performance and outstanding accomplishments are largely due to the contribution of its people.

In 2010, KPJ spent about RM7.4 million on human capital development, similar to the amount spent in 2009, to sponsor qualified staff members for training, education, seminars, workshops and conferences. Such education and training programmes help sharpen the skills and improve the quality of our employees, which in turn boosts productivity, enhances employee retention and develops greater career prospects for our staff.

In the areas of clinical information, Medical Consultants shared their knowledge through speaking engagements at conferences and forums, and participate actively in the annual KPJ Healthcare Conference and Workshop. Members of KPJ management team, both from the corporate office and hospitals, delivered papers at local and international platforms ~ based on their own personal merit as experienced and knowledgeable professionals.

CAREER ADVANCEMENT

In tandem with our rapid expansion, we have seen our workforce size growing to 8,369 employees at end-2010 and seek to hire more than 750 staff in 2011, including medical officers, pharmacists, nursing, allied health and support service staff.

Our recruitment plan also weaves together opportunities for career advancement, evidenced by the growth of our current team of managers of diverse backgrounds and who have brought with them experience from various fields.

KPJ is an Equal Opportunity Employer where career development opportunities are fair, based on individual potential and commitment. This has been a strong driver of performance, Group-wide.

Promotions are based on their skills, knowledge and competencies and staff are also provided the necessary training to help them assume greater responsibilities as they move up the ladder. Rewards are also performance-based, with the Staff Performance Appraisal Review (SPAR) being one of the key measures of productivity and achievement.

To further boost our pool of skilled, value adding personnel, the Group's Talent Management programme has been specifically designed to identify, nurture and retain skilled, capable and high-potential individuals within the organisation. While encouraging employee engagement, it also complements KPJ's



long term Succession Development Plan (SDP). This facilitates the development of an increasing pool of qualified and experienced healthcare managers to support the Group's rapid expansion. As at end-2010, about 800 managers with potential have been identified for key positions within the Group.

The people-development efforts, however, do not stop there. KPJ holds firmly to the belief that to be a successful leader in the healthcare industry, our managers must be dynamic and knowledgeable, with the capability to adapt to the ever-changing medical needs and demands of society.

To this end, KPJ launched its Quantum Leadership Programme in February 2010, with the aim of building up and shaping the skills, knowledge, attitude and culture of our managers through Transformational Leadership (TL). TL inspires people and fires up positive change in the followers with the aim of creating shared progress and a commitment of cohesive goals and achievement. In 2010, 30 managers underwent the six stages of this Quantum Leadership programme.

INTRAPRENEURSHIP & SMALL BUSINESS UNITS (SBU)

Efforts are made to cultivate intrapreneurs and managers of Small Business Units (SBUs) to innovatively harness and hone their capabilities and skills. Entrepreneurial-minded staff members are offered the opportunity to pursue their aspirations while providing support services to the KPJ Group.

To date, four intrapreneur companies have been set up since the inception of the scheme, namely, Teraju Farma Sdn Bhd, which is involved in hospital supplies, Fabricare Laundry Sdn Bhd, which provides industrial laundry services, IT services provider Healthcare IT Solutions Sdn Bhd and Skop Yakin (M) Sdn Bhd, a company with trading and printing activities. More have been identified for further development.

ENHANCING WORKPLACE SUSTAINABILITY

To enhance workplace sustainability, KPJ emphasises on the safety and welfare of our employees with initiatives undertaken to ensure a proper working environment and to promote good work ethics and practices.

Health and safety policies are embedded into our Group's core business practices, particularly at our hospitals, and these practices are strictly enforced to ensure a safe and secure work environment without compromising on the quality of our medical care. The Group has in place Occupational Safety and Health (OSH) Committees in the hospitals and companies, in compliance with the OSH Act and Regulation 1996. The Committees ensure that policies encompass, among others, matters relating to refuse and waste disposal, infection control, management of infectious diseases, and accidents.

KPJ has also put in place disaster management plans, fire rescue and prevention plans, and other preventive measures and precautions to counter any untoward incident at our hospitals.

In tandem with our commitment to be a caring employer, KPJ also looks into the welfare of employees by providing them and their immediate family members with free medical benefits, organising sports and recreational activities, and operating crèches at the workplace to provide nursery care for their children.

To further encourage healthy lifestyles while minimising risks for major diseases, KPJ continues to carry out the Group-wide Body Mass Index (BMI) program for all staff members. Specifically designed for effective weight management, the programme has been implemented since 2009.

In anticipation of the poignant moments of bereavement among staff members' immediate families, the Group has in place the Khairat Keluarga scheme, which provides a lump sum payment of RM50,000 - up from the initial amount of RM17,000 - to the bereaved staff and/or family.

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1. KPJ Tawakkal Specialist Hospital opened its doors to the public in June 2010
2. KPJ Partner relationship program for New Consultants



STATEMENT TO SHAREHOLDERS



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1. Educating the public about diseases and providing health screening for the community is a continuous effort
- 2.
3. KPJ plays its part in preserving the environment for future generations

FOR OUR COMMUNITY

STEADFASTNESS IN PROMOTING HEALTH AWARENESS

Educating the public about diseases and overall healthcare and wellbeing is a continuous effort and key initiative of the KPJ Group.

Every month, Medical Consultants at KPJ hospitals throughout the nation will conduct a series of health talks on various medical-related topics, to reach out to the local community and share knowledge on prevention of diseases and solutions to medical conditions. During these events, KPJ hospitals will also display information and set up booths to provide free basic medical screening services to the public, such as blood test and blood pressure screening. This is aimed at getting the society to take a greater interest in their health and promote healthy lifestyles and wellness programmes, where those with high risk of diseases are encouraged to undergo screening for early detection.

KPJ's efforts to raise public awareness were intensified when the Group jointly launched an anti-Aedes campaign on 16 March 2010 together with Reckitt Benckiser, manufacturer of the globally-recognised brand, Shieldtox. Its objective was to raise public awareness about maintaining clean surroundings and healthy living. KPJ's six hospitals in the Klang Valley, namely KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Tawakkal Specialist Hospital, KPJ Selangor Specialist Hospital, KPJ Kajang Specialist Hospital and Sentosa Medical Centre, participated in this consumer-focused activity.

Aside from this initiative, KPJ hospitals also carried out gotong-royong activities to clean up their grounds ~ even joining hands with resident associations in the hospitals' vicinities. The shared effort helped to strengthen ties while simultaneously improving the condition of the surrounding areas.

CONTRIBUTING TO SUSTAINABLE COMMUNITIES THROUGH CSR

KPJ has always maintained great empathy for the needy. The Group's main Corporate Social Responsibility (CSR) initiative is the Klinik Waqaf An-Nur (KWAN) programme, which aims to help the underprivileged obtain medical care that would normally be beyond their reach.

The KWAN charity outpatient clinics and dialysis centres, launched by Johor Corporation (JCorp) and KPJ in 1998, provides medical assistance to patients who earn less than RM1,000 a month at a flat rate of just RM5.00. KPJ also operates Hospital Waqaf Pasir Gudang, a 30-bedded charity hospital in Johor, which was officially opened in April 2006.

The KWAN network has been growing since the first was opened in Johor, and KPJ unfailingly receives strong support from JCorp for Klinik Waqaf An-Nur ~ which currently operates one hospital and 15 clinics. The number is expected to increase in the near future.

Since its inception, KWAN has helped more than 660,000 patients with KPJ providing the clinical resources and paying for the cost of medication provided to patients. KPJ also contributes more than RM1.75 million annually in financial aid in support of the KWAN initiatives.

Our Medical Consultants play their part by contributing to the Consultants' Charity Fund and a number of them have also been at the forefront in raising funds for humanitarian causes.

KPJ and its hospitals perform their obligations through zakat contributions. The Group also conducts and participates in fund raising activities for the less fortunate through events such as golf tournaments, jumble sale, charity bazaars and other meaningful projects.



Another significant initiative is the At-Tijarah and Tijarah Ramadhan television programme series, a collaborative venture between JCorp and the Malaysian Islamic Development Department (JAKIM), showcasing community leaders and business personalities in discussions on trade and commerce contributions to the prosperity of individuals, families, communities and nations, and advocating positive values during the Muslim fasting month of Ramadhan. KPJ's involvement is through sponsorship of medical treatment for the needy patients selected under this programme.

In doing our part to develop sustainable communities, KPJ will continue to facilitate access to healthcare by expanding its network of hospitals and providing basic medical care and essential drugs to the less fortunate through our CSR programmes.

We aim to further promote health education and encourage the society to take greater interest in their health as well as focus on “wellness” rather than “sickness cure” because improvement in social healthcare will lead to better economic performance.

FOR OUR ENVIRONMENT

LEADING ENVIRONMENT-FRIENDLY INITIATIVES

KPJ cares about protecting the natural environment. Our hospitals and companies adhere to globally-recognised regulatory frameworks which serve to protect the planet's good health, for the benefit of generations to come.

In playing our part to Go Green, KPJ inculcates in all employees the awareness to preserve the environment and reduce waste. It also adheres to strict policies on the management of sharps and disposal of hazardous waste, appointing only qualified vendors to carry out this task.

Conservation efforts included promoting recycling, tree planting and gotong-royong projects together with the local community to clean up the surrounding areas, as well as the commemoration of World Environmental Day with various activities involving those living around our hospitals.

KPJ Ampang Puteri Specialist Hospital, in collaboration with the local authority and Alam Flora, organised a gotong-royong programme with the residents in Ampang communities, while others like Sentosa Medical Centre did their bit with the Orang Asli community and Puteri Specialist Hospital planted trees in the hospital compound.

Other green efforts include the “Say No to Plastic Bags” initiative by KPJ Johor Specialist Hospital, KPJ Ampang Puteri Specialist Hospital and other KPJ hospitals, to reduce the use of plastic bags.

SAVING PLANET EARTH THROUGH INVESTING IN GREEN TECHNOLOGY

KPJ's policy on Health, Safety and the Environment (HSE) continues to be the framework for the Group's commitment to care for the stakeholders. Focus areas are identifying hazards, quantifying or assessing the risks in regards to hazards, prioritising these risks, and controlling impact of hazards.

Such efforts are complemented by the utilisation of the Group's Picture Archiving and Communication System (PACS), Digital Imaging Systems and Computed Radiography Systems, eliminating the use of imaging films and chemicals that are used for processing, thus supporting KPJ's Go Green initiative.

On a wider initiative, we are also considering green building technology for future new hospital developments and, when implemented, will further save energy and reduce waste, thus enhancing efforts for environment preservation. During the year under review, KPJ Selangor Specialist Hospital spearheaded this initiative by ensuring its expansion project meets the classifications of a Green Building. The hospital also processes excess food into fertilizers and implements the use of biodegradable plastic.

As we go forward, KPJ renews its commitment to environment preservation through further investments in green technology and to continue to promote recycling and reduce waste.

We also look favourably and consider participating in projects that support environment-friendly initiatives and invest in facilities that minimises the use of chemicals, with the latest being the sterilisation of medical instruments using wet steam.

In addition, we will continue to train and encourage our employees as well as our Medical Consultants to embrace new technologies and maximise the use and capabilities of the integrated hospital management system.

We also plan to initiate dialogues with our suppliers and encourage them to ensure responsible sourcing of materials and to collaborate with us on green projects.

STATEMENT TO SHAREHOLDERS



PROSPECTS FOR THE FUTURE

Going forward, we are sanguine about the prospects for the healthcare industry, with the economy anticipated to grow by 5% – 6% in 2011. This is further complemented by the healthcare industry's potential to chart further growth with the implementation of the ETP entry point projects.

For us, it will be a year of growth with significant attention given to expanding our operations and improvements in all aspects of the business.

We look forward to welcoming more patients this year as we continue to open new hospitals in the country. KPJ is excited about the upcoming opening of the KPJ Klang Specialist Hospital in late 2011, which is another evidence of the Group's target to bring quality healthcare to the people. Plans are already in the pipeline for more hospitals to follow suit.

Our commitment to our patients will also be to continue providing quality services that comply with internationally-benchmarked healthcare standards as well as regulations and governance on patient safety and quality.

Fiscal 2011 will also be a year where we expect to see more challenges ranging from greater competition from the marketplace to the pressure of rising overall healthcare costs as well as demographic and epidemiological changes.

However, we are well prepared to meet these challenges and through our prudent management and planning strategies, we are positive that we will emerge stronger in the current year.

To continue generating value for our shareholders, we will capitalise on opportunities that arise, promote creativity and innovation as well as use our resources to the fullest to enhance our competitiveness, productivity and efficiency.

SPECIAL APPRECIATION

The close of the year also brought significant changes to KPJ's Board of Directors, with the resignation of Tan Sri Dato' Dr Abu Bakar Suleiman as a Director of KPJ on 31 December 2010 followed by the resignation of Tan Sri Dato' Muhammad Ali Hashim from his position as Chairman of KPJ on 12 January 2011.

KPJ would have not achieved its current success had it not been for the visionary leadership, foresight, and extensive contribution of Tan Sri Muhammad Ali and our gratitude to him goes beyond words. Tan Sri Muhammad Ali's departure after almost 30 years leaves an extraordinary absence but for us to carry on this journey with gratitude is to embrace the good values he has imparted on us and express them through positive actions towards our customers, colleagues and the community.

We also gratefully acknowledge our indebtedness to Tan Sri Dr Abu Bakar for his pioneering contribution to the KPJ's clinical excellence framework in his capacity as Chairman of the Medical Advisory Committee. His 10 years of dedication to high standards of professional excellence and strong commitment to safeguard patient rights and safety are exceptional.

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1. Tan Sri Dato' Muhammad Ali Hashim
2. Tan Sri Dato' Dr Abu Bakar Dato' Suleiman
3. Enhancing patient experience by providing quality medical care



We are pleased to announce the appointment of Dr Yoong Fook Ngian as Chairman of the Medical Advisory Committee, effective 1 January 2011. Dr Yoong, who has been a KPJ Board Member since 2005, has made exemplary contributions towards the Group's clinical development and we are confident that he will continue to uphold high standards of professional excellence.

ACKNOWLEDGEMENT

We wish to record our appreciation to our shareholders for placing their confidence in us and for believing in our strategies.

Our sincere thanks to our customers, without whom we will not be where we are today, and to the community at large, for their trust and continued support for our efforts. In the past year, they helped us reach our fullest potential by lending their support, participating in our programs and initiatives as well as giving generously to our community projects. We thank them for their kind words of encouragement and letters expressing gratitude to our caregivers and employees who have made a difference in their lives.

We are also deeply indebted to the Government and authorities for their invaluable guidance and support and to our business partners and suppliers for their cooperation.

Our appreciation also goes to the medical teams for their professional contributions and integral role in developing clinical policies to enhance the delivery of medical services as well as improve overall quality of care at KPJ hospitals.

We would like to thank our fellow Board members and the Executive team for their support, loyalty and commitment, as well as for their leadership and management of the Group's facilities and financial resources to help us achieve another successful year.

Much of our ability to care for our patients rests with the capability of our Medical Consultants as well as their empathy towards our patients and we are proud of our hospitals and employees who dedicated themselves to providing our patients with the highest quality of care.

To all who helped us bring KPJ to where it is today, we offer our deepest gratitude.

KAMARUZZAMAN ABU KASSIM
CHAIRMAN

DATIN PADUKA SITI SA'DIAH SHEIKH BAKIR
MANAGING DIRECTOR

A STRONG TEAM OF LEADERS



EXECUTIVE



Seated from left:

Jasimah Hassan

Senior Group General Manager
– Clinical & Professional Services

Alvin Lee Swee Hee

Chief Financial Officer

Chairman

Datin Paduka Siti Sa'diah Sheikh Bakir
Managing Director

Amiruddin Abdul Satar

Chief Operating Officer

Standing from left:

Yusof Ismail

General Manager
– Education, Industrial Relations & CSR

Norhaizam Mohammad

Senior Finance Manager

Mohd Sahir Rahmat

Group General Manager
– Business Development & Intrapreneur

Abdol Wahab Baba

Group General Manager
– Risk Management

Datin Sabariah Fauziah Jamaluddin

Senior Corporate Manager
– Human Capital Management

COMMITTEE

HOSPITAL MEDICAL DIRECTORS



Seated from left:

Dr Wan Hazmy Che Hon
Medical Director - KPJ Seremban Specialist Hospital

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

Dato' Dr Fadzli Cheah Abdullah
Medical Director - KPJ Ipoh Specialist Hospital

Dr Kok Chin Leong
Chairman - Clinical Governance Policy Committee (CGPC)

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

Dr Yoong Fook Ngian
Chairman - Medical Advisory Committee (MAC) &
Clinical Governance Action Committee (CGAC)

Datin Paduka Siti Sa'diah Sheikh Bakir
Managing Director - KPJ Healthcare Bhd

Dr Mohd Hafetz Ahmad
Medical Director - KPJ Johor Specialist Hospital

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

Dr Ab Razak Samsudin
Medical Director - Puteri Specialist Hospital



Standing from left:

Dato' Dr Ngun Kok Weng

Medical Director - Kuantan Specialist Hospital

Dato' Dr Ismail Yaacob

Medical Director - Kedah Medical Centre

Dr Lim Keok Tang

Medical Director - Damai Specialist Hospital

Dr David Ling Sheng Tee

Medical Director - Kuching Specialist Hospital

Dr Ewe Khay Guan

Medical Director - KPJ Penang Specialist Hospital

Dr Mohd Harris Lu

Medical Director - Sentosa Medical Centre

Dr Mahayidin Muhamad

Medical Director - KPJ Perdana Specialist Hospital

Dr Ong Boon Teik @ Taik

Medical Director - Taiping Medical Centre

Dr Ahmad Farid Daud

Medical Director - Kluang Utama Specialist Hospital

Dato' Dr Mohd Rani Jusoh

Medical Director - KPJ Ampang Puteri Specialist Hospital

Dr G. Ruslan Nazaruddin

Medical Director - KPJ Tawakkal Specialist Hospital

Dr Balakrishnan Subramaniam

Medical Director - KPJ Kajang Specialist Hospital

A STRONG
TEAM OF LEADERS

DIVISIONAL COMMITTEE



Seated from left:

Yusof Ismail

General Manager - Education, Industrial Relations & CSR

Datin Sabariah Fauziah Jamaluddin

Senior Corporate Manager - Human Capital Management

Jasimah Hassan

Senior Group General Manager - Clinical & Professional Services

Amiruddin Abdul Satar

Chief Operating Officer

Chairman

Datin Paduka Siti Sa'diah Sheikh Bakir

Managing Director

Alvin Lee Swee Hee

Chief Financial Officer

Norhaizam Mohammad

Senior Finance Manager

Abdol Wahab Baba

Group General Manager - Risk Management

Mohd Sahir Rahmat

Group General Manager - Business Development & Intrapreneur



Standing from left:

Eric Sim Kam Seng

Senior Corporate Manager - IT Services

Wan Rusliah Md Daud

Corporate Manager - Clinical & Professional Services

Elman Mustafa El Bakri

Corporate Manager - Biomedical Services

Hanida Mohd Hassan

Deputy Manager - Customer Service

Khairul Badariah Basiron

Senior Corporate Manager - Internal Audit Services

Maria Khong Poh Fong

Corporate Manager - Investor Relations, PR & Events

Andrew William Burr

Corporate Manager - Group Marketing

Marhalis Hasan

Deputy Corporate Manager - Clinical & Professional Services

Dr K V Anitha

Corporate Manager - Clinical & Professional Services

Zaharah Osman

Corporate Manager - Clinical & Professional Services

Dr Aliza Jamaluddin

Corporate Manager - Clinical & Professional Services

Naziah Ismail

Senior Corporate Manager - KPJ International College of Nursing and Health Sciences

Yusri Ali

Senior Corporate Manager - IT Services

Noreen Abdul Rashid

Corporate Manager - Legal Services

Rafeah Ariffin

Senior Corporate Manager - Business Development & Corporate Communications

A STRONG
TEAM OF LEADERS

HOSPITAL MANAGEMENT COMMITTEE



from left to right:

Mohd Sahir Rahmat

Group General Manager - Business Development & Intrapreneur

Mohd Johar Ismail

Chief Executive Officer - KPJ Selangor Specialist Hospital

Mohd Nasir Mohamed

Chief Executive Officer - KPJ Ampang Puteri Specialist Hospital

Chairman

Datin Paduka Siti Sa'diah Sheikh Bakir

Managing Director

Mohd Taufik Ismail

Chief Executive Officer - KPJ Damansara Specialist Hospital

Mohd Farid Salim

Chief Executive Officer - Puteri Specialist Hospital

Roslan Ahmad

Chief Executive Officer - KPJ Johor Specialist Hospital



from left to right:

Haliza Khalid

General Manager - Kuantan Specialist Hospital

Abdul Aziz Abdul Rahman

Chief Executive Officer - KPJ Seremban Specialist Hospital

Ahmad Nasiruddin Harun

Chief Executive Officer - KPJ Ipoh Specialist Hospital

Alvin Lee Swee Hee

Chief Financial Officer

Norhaizam Mohammad

Senior Finance Manager

Mohd Azhar Abdullah

Chief Executive Officer - Sabah Medical Centre

Abdol Wahab Baba

Group General Manager - Risk Management

Yasser Arafat Ishak

General Manager - Kuching Specialist Hospital



from left to right:

Dr Munirah Khudri

General Manager - KPJ Tawakkal Specialist Hospital

Alice Liu Ghee Voon

General Manager - Damai Specialist Hospital

Maisarah Omar

General Manager - KPJ Kajang Specialist Hospital

Amiruddin Abdul Satar

Chief Operating Officer

Datin Sabariah Fauziah Jamaluddin

Senior Corporate Manager - Human Capital Management

Asmadi Mohd Bakri

General Manager - KPJ Perdana Specialist Hospital

Gunavathy Kalee

General Manager - Sentosa Medical Centre

Khairun Ahmad

General Manager - Kedah Medical Centre



from left to right:

R Gunasingam

General Manager - Tawakkal Health Centre

Hazarul Azly Hamzah

General Manager - RS Medika Permata Hijau

Omar Zakir Bawadi

Operation Manager - Hospital Pusrwi SMC

Mah Lai Heng

General Manager - KPJ Penang Specialist Hospital

Jasimah Hassan

Senior Group General Manager - Clinical & Professional Services

Yusof Ismail

General Manager - Education, Industrial Relations & CSR

Zaiton Sulaiman

General Manager - Kluang Utama Specialist Hospital

Mahazan Kamis

General Manager - Taiping Medical Centre

Muhammad Badri Hussin

General Manager - RS Bumi Serpong Damai





SETTING THE STAGE FOR **SUSTAINABLE GROWTH**

SINCE ITS ESTABLISHMENT, KPJ HAS PURSUED A CONSISTENT STRATEGY OF IDENTIFYING NEW GROWTH AREAS AND INVESTING ITS FUNDS TO DEVELOP GREATER CAPACITY AND CAPABILITY TO SERVE MORE PATIENTS.

HAVING ESTABLISHED THE PLATFORM TO DELIVER SIGNIFICANT SHAREHOLDER VALUE, KPJ AIMS TO DRIVE AHEAD WITH ITS AGGRESSIVE BUSINESS STRATEGIES AND FURTHER STRENGTHEN ITS FOUNDATION FOR SUSTAINABLE GROWTH BY PURSUING RAPID ORGANIC EXPANSION, AS WELL AS ACQUISITIONS AND TARGETING NEW MARKETS.

STRENGTHENING MARKET POSITION VIA ORGANIC GROWTH

Organic growth opportunities continue to be realised in fiscal year 2010 through the opening of KPJ Tawakkal Specialist Hospital in Kuala Lumpur and physical expansion at existing hospitals.

Four years of planning and development culminated in KPJ Tawakkal Specialist Hospital's soft opening on 19 July 2010, with former KPJ Chairman, Tan Sri Muhammad Ali Hashim, cutting the red ribbon as a symbolic gesture to declare the facility open.

Under the first phase of its development, the new 220-bedded hospital opened with 163 beds and 36 Medical Consultants offering services ranging from Internal Medicine and General Surgery to Obstetrics to Gynaecology, Paediatrics, Cardiology and Orthopaedic Surgery, to name a few. More beds, facilities and services will gradually be added over the next few years.

Built at a cost of RM135 million, KPJ Tawakkal Specialist Hospital is designed to meet growing demand and to overcome the physical limitations of the old Tawakkal Hospital building, which impeded further capacity enhancement.

New facilities such as the new RM2-million digital operating theatre with a dedicated navigation system for knee and joint replacement surgery transformed KPJ Tawakkal Specialist Hospital into a multi-disciplinary tertiary care hospital and a centre of excellence for orthopaedic services.

With demand surpassing capacity at some of its hospitals, KPJ also stepped up efforts to boost capacity by expanding its existing hospitals.

Among them is the construction of a new annex block at KPJ Johor Specialist Hospital in Johor Bahru, to house a new 50-bedded Premier Ward, 10 additional outpatient clinics, a cardiac operating theatre complex, an additional bunker for radiotherapy, and a 130-bay 5-storey car park.

Elsewhere, facilities and services were upgraded to provide more convenience and greater comfort to patients.

KPJ Damansara Specialist Hospital opened its newly upgraded and refurbished Radiotherapy Centre on 2 May 2010 to complement its Oncology Day Care Suite, which was opened on 5 September 2009.

SETTING THE STAGE FOR SUSTAINABLE GROWTH



1. During the year, KPJ installed CT and MRI scanners at several hospitals, including KPJ Ampang Puteri Specialist Hospital, which has the latest 1.5-Tesla MRI with 48 channels
2. Artist impression of KPJ Klang Specialist Hospital
3. The new digital operating theatre with a dedicated navigation system for knee and joint replacement surgery at KPJ Tawakkal Specialist Hospital

It is equipped with the latest Siemens radiotherapy equipment, which comprises the latest Linac Artiste, a bigbore-and-multislice Computer Tomography (CT) Scan Simulator and Treatment Planning System to enable patients to undergo radiotherapy treatment entirely within the premise of the new suite.

KPJ Selangor Specialist Hospital unveiled its new Accident and Emergency (A&E) Unit during a soft opening on 16 August 2010. The occasion was graced by Datin Paduka Siti Sa'diah Sheikh Bakir, Managing Director of KPJ, who signed a plaque to commemorate the event in the company of Medical Consultants, hospital management and staff.

In Perak, KPJ Ipoh Specialist Hospital was honoured with the presence of D.Y.T.M. Raja Puan Besar Perak Darul Ridzuan Tuanku Zara Salim at the grand opening of its Paediatric Ward on 6 October 2010. Among others, the new ward offers patients greater privacy as well as state-of-the-art facilities and a warm, friendly ambience to ease the worries of children and their families.

Other new services at KPJ Ipoh Specialist Hospital include Bone Densitometry Services at its newly-renovated Diagnostic

Imaging Service and Lasik Surgery, which is a refractive surgery using laser technology to reshape the cornea to correct nearsightedness and farsightedness as well as astigmatism. The state-of-the-art technology advanced by the Excimer Laser, MEL 80, and the Femtoseconds Laser System, VisuMax 500Khz, helps patients achieve clear vision without having to rely on glasses.

Further north, Kedah Medical Centre (KMC) opened its new 31-bedded Premier Ward on 7 October 2010, bringing KMC's total bed count to 137, and it also refurbished the A&E unit to cater to increasing patient volume and provide greater convenience to patients.

KPJ's upgrading of diagnostic imaging facilities continued with the installation of 1.5-Tesla Magnetic Resonance Imaging (MRI) scanners at several hospitals including KPJ Ampang Puteri Specialist Hospital, which has the latest 1.5 Tesla MRI with 48 channels, Puteri Specialist Hospital and KMC, as well as 64-slice CT Scanner at KPJ Perdana Specialist Hospital and Damai Specialist Hospital. The Group also invested in the latest generation of lithotripter for Extracorporeal Shock Wave Lithotripsy (ESWL) services at KPJ Penang Specialist Hospital.

NEW OPPORTUNITIES FROM ACQUISITIONS

To sustain this pace of growth, KPJ made further inroads in market expansion through acquisitions.

In fiscal 2010, East Malaysia stole the limelight with KPJ's acquisition of a 51% stake in Sabah Medical Centre (SMC), the largest private healthcare operator in Kota Kinabalu, for RM51 million.

This acquisition, which was completed on 25 June 2010, is followed by the construction of a new hospital building adjacent to the existing facility, with a symbolic launch held at Sutera Harbour Resort on 13 December 2010.

The launch of the new SMC building was officiated by Yang Berhormat Datuk Peter Pang En Yin, Deputy Chief Minister of Sabah, who represented Yang Amat Berhormat Datuk Seri Panglima Musa Haji Aman, Chief Minister of Sabah, at the event.

The new 250-bedded hospital, which will be constructed at a cost of RM200 million, is slated for completion in 2012 and is designed to provide more services and



greater convenience with the installation of the latest state-of-the-art facilities, wider range of medical disciplines and a 500-bay multi-storey car park.

During the 2010 fiscal year, KPJ also ventured beyond Malaysian shores to gain a foothold in the aged care business and to tap into the geriatric care business.

On 23 September 2010, KPJ announced the acquisition of a 51% stake in Australian retirement village owner and operator, Jeta Gardens Waterford Trust (JGWT), for RM19 million, a deal that is expected to be completed by the first half of 2011.

JGWT owns and operates a 64-acre retirement village known as Jeta Gardens in Waterford, Queensland, Australia, which comprises a 108-bedded aged care facility, 23 retirement villas and 32 units of apartments.

In line with the expansion plans to grow its network and enhance its aged care business, on 18 January 2011, KPJ also announced its acquisition of Sibü Medical Centre Corporation Sdn Bhd (SMCC) and

Sibü Geriatric Health & Nursing Centre Sdn Bhd (SGHNC). The agreement saw KPJ acquiring 100% interest in SMCC and SGHNC for RM28.15 million, with the exercise slated to be completed in the first half of 2011.

SMCC owns and operates the Sibü Specialist Medical Centre while SGHNC owns and runs the nursing and geriatric care centre known as Love Care Centre at the same location in Sibü, Sarawak.

This latest acquisition brings KPJ's network to 20 hospitals in Malaysia.

CAPTURING NEW MARKETS

One of the key factors supporting sustainable growth is development of new markets and to this end KPJ is setting up new hospitals in potential growth areas where such services are in demand.

Currently, KPJ is in the midst of building its KPJ Klang Specialist Hospital in Selangor and expects to complete construction works in 2011.

On 29 July 2009, KPJ acquired the partially completed building for RM38 million and invested a further RM70 million to complete and turn it into a fully-equipped multidisciplinary specialist hospital to serve the Klang population.

Construction of the 120-bedded Muar Specialist Hospital in Johor is also underway after KPJ paid RM22 million to buy the partially-completed building and injecting in a further RM36 million to develop it. This hospital is expected to be ready in 2012.

To further consolidate its market share in Johor state, KPJ paid out RM7 million on 31 March 2010 to purchase 3.2 acres of land in Pasir Gudang, with the aim of setting up a new hospital there in two years' time.

These efforts are expected to help KPJ remain a key player in the healthcare industry and to cut across boundaries to widen its market reach in the years to come.





COMMITMENT TO QUALITY HEALTH CARE

THE GROUP'S VISION TO CARE FOR LIFE INSPIRES ITS PEOPLE TO CONTINUOUSLY SEEK TO IMPROVE THE QUALITY OF CARE AND REFLECTS THE COMMITMENT TO SERVE.

THE MEDICAL ADVISORY COMMITTEE (MAC), COMPRISING SENIOR MEDICAL CONSULTANTS AND MEMBERS OF THE MANAGEMENT, CONTINUES TO PLAY A KEY ROLE IN DEVELOPING CLINICAL POLICIES AND PRACTICES TO ENSURE PATIENT SAFETY AND HIGH STANDARDS ARE MAINTAINED.

This function is further strengthened with the support of a number of clinical committees that are headed by Medical Consultants from within the KPJ Group.

Open discussions are encouraged through bi-annual medical workshops and conferences, where participants include Medical Consultants, nursing and allied health as well as management staff. During these workshops, they exchange views on clinical issues, keep themselves updated on the latest industry and regulatory changes, and develop policies and procedures to enhance patient safety at KPJ hospitals.

KPJ organised its first Medical Conference for KPJ consultants on 20-21 January 2001, and has since had such events annually. In 2007, KPJ also started organising medical workshops bi-annually, and to date have had five medical workshops for Medical Consultants and hospital clinical staff.

Also of significance is the annual KPJ Quality Convention, which aims to promote quality improvement and teamwork as well as to cultivate innovation among employees.

The 14th KPJ Quality Convention was held on 4th October 2010 at Bukit Gambang Resort City, Kuantan, where Kuantan Specialist Hospital played host to 16 participants, comprising 14 hospitals and two subsidiary companies.

During the convention, participants submitted successfully implemented projects and three were named for each of the four categories, namely, the suggestion scheme, cross-functional, management, and technical categories, to represent KPJ in the National Innovative and Creative Circles (ICC) competition. The ICC is organised by the National Productivity Corporation (NPC), a government agency that leads activities for sustaining productivity and competitiveness.

Through the ICC, participants share their knowledge and ideas, thus creating value and promoting quality and productivity. But for KPJ, the ICC is also an avenue for its employees, particularly the nursing team, to be creative and innovative in their delivery of care and to look into new ways to improve patient care and experience.

Puteri Specialist Hospital will be hosting the 15th KPJ Quality Convention in 2011.

COMMITMENT TO QUALITY HEALTH CARE

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
- Digital Operation Theatre, 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)
- Endocrinology
- 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



PROMOTING BEST PRACTICES THROUGH ACCREDITATION

KPJ also makes an effort to achieve clinical excellence through promotion of best practices and this is reflected in its endeavour to achieve accreditation and quality certification from internationally recognised bodies such as the International Society for Quality in Health Care (ISQUA), Malaysian Society for Quality in Health (MSQH), and SIRIM.

In 2010, four KPJ hospitals successfully achieved 3-year accreditation status after undergoing stringent surveys on all aspects of patient care and safety as well as quality.

KPJ Perdana Specialist Hospital joins the ranks of other MSQH-accredited KPJ hospitals after it was awarded 3-year accreditation status commencing 17 June 2010 till 16 June 2013. The accreditation award was presented during a ceremony at the hospital on 20 December 2010, with the event witnessed by KPJ Managing Director, Datin Paduka Siti Sa'diah Sheikh Bakir, who is also MSQH President.

On its heels was KPJ Kajang Specialist Hospital's achievement of a 3-year MSQH accreditation commencing 8 July 2010 till 7 July 2013.

It received its certification of quality in healthcare delivery from MSQH on 25 January 2011 at an award presentation ceremony that was graced by Dr. Noraini Baba, Director of Medical Practice, Ministry of Health, who represented Datuk Rusnah Abdul Rashid Shirlin, Deputy Health Minister. The event was witnessed by Datin Paduka Siti Sa'diah as well as representatives from both MSQH and KPJ Kajang Specialist Hospital.

KPJ Penang Specialist Hospital and Kedah Medical Centre have also successfully passed their respective surveys, which were conducted during the final quarter of 2010.

Both hospitals have been awarded 3-year accreditation status, with Kedah Medical Centre's commencing from 6 August 2010 till 5 August 2013 while KPJ Penang Specialist Hospital's from 7 Oct 2010 till 6 Oct 2013, and held their respective award ceremonies in 2011.



COMMITMENT TO QUALITY HEALTH CARE



With that, 10 of KPJ's 21 hospitals have now achieved MSQH-accreditation status, with the other six being KPJ Johor Specialist Hospital, KPJ Ipoh Specialist Hospital, KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital, KPJ Selangor Specialist Hospital, and KPJ Seremban Specialist Hospital.

Going forward, more KPJ hospitals will undergo such accreditation processes to ensure that practices and procedures are in line with internationally-accepted standards.

KPJ also earned recognition from various bodies for its efforts to achieve clinical and management excellence.

Under the leadership of Datin Paduka Siti Sa'diah, KPJ Group became one of the Top 100 Companies by Market Capitalisation on Bursa Malaysia and having provided continued quality medical care to the community for 29 years. Her capability in steering the Group to greater heights was given due recognition with the seasoned industry leader being named as CEO of the Year 2009.

Malaysia's Prime Minister, Dato' Sri Mohd Najib Tun Abdul Razak, presented the coveted award to Datin Paduka Siti Sa'diah at a ceremony held on 12 March 2010.

This annual award, organised by the New Straits Times and American Express, is presented to corporate leaders who demonstrate outstanding stewardship and excellence and past recipients include those who have made a difference in their respective organisations or industries.

Nominees are evaluated based on their ideas and performance in the areas of finance, marketing, operations, development services and corporate social responsibility, and Datin Paduka Siti Sa'diah topped 118 nominees from 16 different industries to take home the trophy.

Datin Paduka Siti Sa'diah was the first female CEO to receive the honour, since the award was established 14 years ago, and it was also the first time a leader from the healthcare sector was named.

During fiscal 2010, KPJ hospitals also excelled in the areas of management, productivity, service, hospitality and safety.

In the areas of management and productivity, Puteri Specialist Hospital received the 2nd Global Award (Diamond Category) from Business Productivity Network on 24 January 2010 while KPJ Ampang Puteri Specialist Hospital took home the Productivity Award from Malaysia Productivity Corporation (MPC) on 1 May 2010.

The Business of the Year Award for the Service Provider category, which was awarded by SMI & SME Worldwide Network, went to KPJ Ipoh Specialist Hospital on 20 June 2010.

For its hospitality and service, KPJ Ampang Puteri Specialist Hospital bagged the Global Award for Perfection, Quality & Ideal Performance from Association Otherways Management & Consulting on 29 March 2010 while KPJ Selangor Specialist Hospital won the Service Excellence Award from Asia Entrepreneur Alliance on 14 October 2010.

The Malaysian Occupational Safety and Health Professional Association (MOSHPA) had also given its nod of approval to KPJ hospitals, naming KPJ Damansara Specialist Hospital for the Occupational & Safety Award in August 2010.



SETTING THE STANDARDS FOR CLINICAL EXCELLENCE

KPJ also sets its sights on higher standards of clinical excellence as one of its key agendas for 2011.

Initiatives include implementation of the Seven International Patient Safety Goals laid down by the World Health Organisation, which were put into practice at all hospitals within the Group and are now being closely monitored for compliance.

Nurses play a key role in preventing and controlling infection, hence the call for greater awareness on infection control practices among hospital employees and the public.

To this end, various activities relating to infection control are organised and KPJ constantly monitors infection rates and carries out regular surveillance to ensure compliance with good practices.

Nursing staff also constantly undergoes training and education through workshops and seminars, with much emphasis being placed on evidence-based practices, to equip them with the necessary knowledge and skills to arrive at the required level of competency.

BROADENING THE CONTINUUM OF CARE

KPJ is also filling the gaps at its hospitals by bringing in additional Medical Consultants from various specialties and subspecialties as well as offering more comprehensive services.

During the year, 61 Medical Consultants joined the Group as Resident Consultants and another 60 as Visiting or Sessional Consultants, who bring with them years of experience in their respective fields of expertise.

This brings the total number of Medical Consultants within the Group to more than 760.

These doctors bring with them vast experience in the fields of Anaesthesiology, Cardiology, Oncology, Dentistry, Dermatology, Otorhinolaryngology, General Surgery, Internal Medicine with subspecialties in Gastroenterology, Geriatrics, Nephrology, Rheumatology, Neurology, Obstetrics and Gynaecology (O&G) with Infertility & Reproductive Medicine subspecialty,

Ophthalmology, Orthopaedic Surgery, Paediatrics, Neonatology, Plastic, Cosmetic & Reconstructive Surgery, Psychiatry, Radiology and Urology, to name a few.

The Medical Consultants are assisted by the latest in high-quality diagnostic and imaging facilities, enabling them to diagnose diseases with greater precision. New technologies combined with minimally invasive techniques help lower the risks to patients, resulting in faster recoveries and improving surgical outcomes.

Through the coordination of its clinicians, staff and services, in fiscal year 2010, as many as 2,231,992 people sought outpatient treatment while 225,936 inpatients were nursed back to health at KPJ hospitals.

With diagnostic and imaging services available at more than 20 convenient locations, and with a higher level of health education among the population, more people took greater care of their health and opted for preventive care screenings.

More than 500,000 patients utilised the Group's diagnostic and imaging services in 2010, either for diagnosis of diseases or for general health screening. This included general X-ray, MRI, CT Scan, Mammography, Ultrasound and others.

During the year, the O&G Consultants and nursing staff helped more than 15,000 mothers deliver healthy babies and over 75,000 patients underwent surgeries at KPJ hospitals.

New services are continually being introduced at each hospital and KPJ has also put in significant effort to make seeking healthcare treatment less daunting for patients, especially children, by creating a friendly atmosphere at the Paediatrics Wards at its hospitals. Premier wards are also being set up at KPJ hospitals to offer patients greater comfort and privacy.

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1. Internationally accepted practices and policies are strictly followed at all KPJ Hospitals to ensure patient safety and clinical excellence
2. Delivering medical care with empathy and compassion
3. KPJ broadens the continuum of care by bringing in Medical Consultants from various specialties and subspecialties as well as offering more comprehensive services





BUILDING COMMUNITY SUPPORT

KPJ NURTURES A SPIRIT OF CARING AMONG ITS EMPLOYEES AND DEMONSTRATES THIS STRONG SENSE OF COMPASSION FOR THE PEOPLE AROUND THEM IN VARIOUS WAYS.

THIS IS DRIVEN BY THE BELIEF THAT INVESTING TIME AND EFFORT IN DEVELOPING A HEALTHY COMMUNITY IS A GREAT WAY TO GIVE BACK TO THOSE WHO HAVE HELPED SUPPORT THE GROUP'S BUSINESS.

AND TO FULFIL ITS RESPONSIBILITY AS A DEPENDABLE CORPORATE CITIZEN, KPJ HAS CONTINUOUSLY LENT A HELPING HAND TO THE LESS FORTUNATE AND UNDERPRIVILEGED THROUGH VARIOUS INITIATIVES.

GIVING BACK TO THE COMMUNITY

Central to KPJ's CSR initiative is its contribution through the Klinik Wakaf An-Nur (KWAN) network where, together with parent company Johor Corporation (JCorp), the Group provides basic medical care for the underprivileged.

In November 1998, KPJ together with JCorp established the first KWAN charity outpatient clinic in Johor Baru, Klinik Waqaf An-Nur Kotaraya, to provide fundamental medical treatment and medicine at a token RM5.00 for patients earning less than RM1,000 a month.

KPJ supports the initiative by providing medical staff and doctors to attend to patients at the clinics and sponsors all medication for KWAN patients. The Group also contributes more than RM1 million annually in financial aid to support this effort.

In 1999 and 2001, two additional clinics were established in Johor and in 2003, the network expanded to Negeri Sembilan. By year 2008, the KWAN network also had its presence in Selangor and Sarawak with a total of nine clinics.

Three clinics were established in 2009, one each in the states of Sarawak, Selangor and Johor. The three were Klinik Waqaf An-Nur Semariang in Sarawak, Klinik Waqaf An-Nur Bukit Indah Ampang at Ampang, Selangor, and Klinik Waqaf An-Nur Larkin Sentral at Johor Baru.

The Group achieved another milestone in year 2010 with the successful establishment of another three new KWAN clinics.

On 15 January 2010, Klinik Waqaf An-Nur Gugusan Manjoi began its operations in Ipoh, Perak, and on 31 December 2010, two new clinics were opened in Selangor, namely Klinik Waqaf An-Nur Masjid Jamek Pekan Kajang and Klinik Waqaf An-Nur Masjid Al-Falah USJ 9, Subang Jaya.

To date, the KWAN network has expanded to 15 clinics operating in five states in Malaysia as well as a 30-bedded charity hospital in Pasir Gudang, Johor, Hospital Waqaf Pasir Gudang, which was officially opened in April 2006.

Since its inception in 1998, KWAN has provided basic medical care for more than 660,000 patients. In fiscal 2010 alone, KWAN clinics served more than 110,000 patients.

BUILDING COMMUNITY SUPPORT



Of the 15 clinics, four also offer dialysis services and during the year, 120 patients sought their services.

At Hospital Waqaf Pasir Gudang, 66 patients received inpatient treatment and more than 23,917 sought help from the Accident & Emergency Unit during the 12 months ended Dec 2010.

As the Group continues to grow, it has pledged to remain committed to the KWAN initiative as part of its effort to improve the quality of life for Malaysians.

In the pipeline are plans to open five new KWAN clinics in Negeri Sembilan, Selangor and Penang, in fiscal year 2011 to expand the network to 20.

Under JCorp's At-Tijarah initiative, KPJ also sponsors the treatment cost for patients under the At-Tijarah Ramadhan programme.

At-Tijarah, a collaborative venture between JCorp and the Malaysian Islamic Development Department (JAKIM), is a television programme series that is aired during the month of

Ramadhan, showcasing community leaders and business personalities in discussions on the contribution of trade and commerce to the prosperity of individuals, families, communities and nations.

During the fasting month, the At-Tijarah Ramadhan programme also features medical treatment sponsored by KPJ for selected patients from the lower income group.

MAKING SACRIFICES FOR THE COMMON GOOD

Every year, the Medical Consultants, management and staff of KPJ Group dig deep into their pockets and hearts to reach out to the less fortunate and those struck by misfortune and 2010 proved to be no different.

In keeping with the spirit of giving, the Medical Consultants and staff of KPJ Group took a step back from their daily work to spend time with the less fortunate during the holy month of Ramadhan to visit the elderly and orphans at various homes in the country, and contribute financial aid to the needy.

A notable effort was the employees' willingness to make contributions in their own small way to assist fellow colleagues who were affected by the severe flood that ravaged many parts of the Northern states of Perlis and Kedah in November 2010.

The flood swept away the homes and belongings of many but in spite of the crisis, the team at Kedah Medical Centre (KMC) discovered their capability and drew strength from the depths of their hearts to reach out to help others in need.

For five days, between 8 and 12 November, KMC's Medical Consultants and staff set out to voluntarily provide assistance and free medical services to the victims at some of the flood relief areas such as Alor Janggus and Mergong in Kedah.

They set up a free clinic at Surau Lorong Fajar, Jalan Sultanah to provide medical aid to flood victims in the settlement area, joined hands with Briged Wakaf to assist victims in cleaning their homes.

KMC, together with KPJ's sister companies KFC Holdings Berhad, Ayamas Food Corporation and Pizza Hut Malaysia, also made contributions in kind to the flood victims.

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1. Graduation of first cohort of UTM-KPJ MBA in Healthcare
2. KPJ believes in investing time and effort in developing a healthy community
3. KPJ Damansara Specialist Hospital launches its anti-dengue campaign as part of KPJ Group's joint effort with Reckitt Benckiser to raise awareness about maintaining a clean environment

EMPOWERING EMPLOYEES, SHAPING FUTURE LEADERS

As part of our strategy to transform our employees into future leaders, KPJ will continue to invest in its most valuable asset – its people.

The Group continued to grow its workforce in year 2010, adding 1,465 new staff to bring the total to 8,369 by year-end, as it expands its business in Malaysia and abroad. This represents a significant growth of 19% from the preceding year and more than doubling the workforce size it had 5 years ago.

In the workplace dimension, KPJ ensures that its employees observe the prescribed work ethics, processes and protocols to maintain long term growth, sustainability and the safety of everyone without compromising on the quality of services. Engaged employees also adds to positive customer experience.

In playing our role as a leader in the healthcare industry, KPJ invests in its employees to develop a pool of talented people who can assume leadership positions in the future.

The Group believes this can be done through proper training coupled with formal education and hands on experience in managing healthcare facilities and direct involvement in healthcare operations.

Succession planning is the solution to the challenging question about leadership succession and at KPJ, this process started in 2010 with the competency mapping process to identify potential leaders from within the Group.

By adopting a more strategic approach to leadership development and employees' skill assessment, the management was able to identify about 800 potentials for key positions within the Group.

To further refine the process, KPJ will be integrating the Behavioural Event Interview, 360° Appraisal and the Psychometric Test in its succession planning and competency mapping process.

Smooth leadership continuity within the Group also requires future leaders to develop critical industry knowledge and organizational skills. That is why KPJ strives to give its employees opportunities to further develop their skills and develop their knowledge in the healthcare industry, starting from the day they join the organization.

The driving force behind KPJ's investment in its people is also its training programme and career development opportunities for those who have the drive to succeed in the healthcare industry.

And to that end, senior executives and managers are continuously encouraged to further their formal education and to attend at least 30 hours of training, be it in-house or external programmes.

Throughout the past year, KPJ Group spent some RM7.4 million to send 7,386 staff for various training and education courses, and welcomed 577 graduates from programmes such as Masters in Business Administration or Nursing, or Bachelors' Degree in healthcare management or nursing, diplomas in nursing and allied health.

KPJ's training partners include its own education arm KPJ International College of Nursing and Health Sciences as well as international and local universities such as

Henley Management School of University of Reading, University of Hertfordshire, Liverpool John Moores University, University of East London, University of South Australia, Association of Chartered Certified Accountants (ACCA), Institute of Certified Management Accountants (ICMA), and International Business School of Universiti Teknologi Malaysia.

The importance of such initiatives has been acknowledged by various bodies and government agencies and KPJ has also been praised for its efforts through a number of awards received.

For instance, KPJ Damansara Specialist Hospital received the coveted Human Resource Minister Award / Human Resource Development Awards from Human Resource Minister, Datuk Dr S. Subramaniam, on 10 October 2010 at Sunway Pyramid Convention Centre, Petaling Jaya, Selangor.

At a separate event, KPJ Ampang Puteri Specialist Hospital took home the ASEAN Business Award 2010 – Employment Category (Medium Industry), and was also named the finalist for the Corporate Social Responsibility and Innovation categories.

The award was presented to KPJ Ampang Puteri Specialist Hospital during the Gala Dinner in conjunction with the 2010 Asean Business and Investment Summit on 27 October 2010, which took place at the National Convention Centre in Hanoi, Vietnam.

CARING FOR THE ENVIRONMENT

In playing its part to Go Green and to conserve the environment, KPJ instills in its staff the need to preserve the environment and encourages waste reduction and recycling.

These include projects on recycling and tree planting as well as creating awareness on the need to green the earth for the future generations.

On a wider initiative, KPJ is utilizing information technology systems that enable its hospitals to substantially reduce the use of paper in their administrative processes as well as eliminate the use of chemicals in diagnostic imaging.





ADVANCING WITH HEALTH INFORMATION TECHNOLOGY

THE ADOPTION OF HEALTH INFORMATION TECHNOLOGY AT KPJ HOSPITALS HAS HELPED TO DRAMATICALLY REDUCE ERRORS AND HAS ALSO LED TO GREATER COORDINATION AND EFFICIENCY.

WHILE KPJ TAPS THE BENEFITS OF THE LATEST STATE-OF-THE-ART FACILITIES AND SOPHISTICATED MEDICAL EQUIPMENT, IT ALSO ENSURES PATIENTS RECEIVE ADEQUATE STANDARDS OF QUALITY CARE BY DRAWING ADVANTAGES FROM FUNDAMENTAL INFORMATION TECHNOLOGY EFFICIENCIES.

WITH GREATER DEMAND FOR MEDICAL SERVICES AND HIGHER EXPECTATIONS, HEALTHCARE PLAYERS HAVE TO CONTINUE TO STRIVE FOR IMPROVEMENT AND EFFICIENCY IN THE DELIVERY OF CARE.

FOR KPJ, ONE KEY THRUST GOING FORWARD WOULD BE EFFORTS TO IMPROVE ITS IT INFRASTRUCTURE.

CREATING A MORE EFFICIENT HEALTHCARE INFORMATION SYSTEM

In 2010, through its entrepreneur subsidiary Healthcare IT Solutions Sdn Bhd, KPJ rolled out its internally developed Hospital Information Technology System (HITS) at Kluang Utama Specialist Hospital. With that, 20 KPJ hospitals are now supported by the HITS system, which was first implemented in 1996 and continuously improved and refined over the years.

With the HITS system and the recent introduction of Enterprise Information System (EIS) as a module in Business Intelligence tools, hospitals can monitor the progress of operations, carry out data mining for further analysis and support strategic planning.

The KPJ Clinical Information System (KCIS) was introduced for greater coordination and efficiency, complementing the HITS system and Picture Archiving Communication System (PACS), where electronic images and reports are transmitted digitally. For KPJ, one key thrust going forward would be efforts to improve its IT infrastructure.

ADVANCING WITH HEALTH INFORMATION TECHNOLOGY



CREATING A MORE EFFICIENT HEALTHCARE INFORMATION SYSTEM

An integrated healthcare information system ensures that important information can be delivered quickly to relevant services within the hospital system, thus reducing the risks of errors and waiting time.

It also gives clinicians quick access to patients' existing conditions, particularly in times of emergency, thus ruling out redundant tests and assessments, reducing costs and delays in providing appropriate treatment to injuries.

The applications are continually refined and improved upon with the integration of new modules such as the E-Billing system and database replication service for HITS system as part of system disaster and recovery planning. In 2010, the database replication system has been implemented in seven KPJ hospitals.

This fully integrated system electronically links Medical Consultants to the nursing and clinical staff and connects various hospital services such as Consultants' clinics, wards, Pharmacy, Radiology and Laboratory to each other. With the implementation of the

electronic medical record module, diagnoses, investigation and medication history are stored in the KCIS system and this information can be accessed by doctors to help improve patient care and follow-ups.

The overall result is better health outcomes, lower risk of errors, improvement in patient engagement as well as waiting time, while preserving the environment by eliminating the use of paper, reducing waste and use of chemicals.

This is also the beginning stage of following the success in Puteri Specialist Hospital, the Group had subsequently rolled out the KCIS system at KPJ Penang Specialist Hospital on 1 March 2010 and KPJ Tawakkal Specialist Hospital on 1 June 2010. Other hospitals such as KPJ Johor Specialist Hospital, KPJ Damansara Specialist Hospital and KPJ Ampang Puteri Specialist Hospital also rolled out the system during the second quarter of 2010.

To-date, KPJ has invested some RM26 million to develop KCIS, on PACS and other related software applications to fully integrate clinical and administrative functions within its hospitals.

Another 6 hospitals will be rolling out KCIS in 2011. To support the integrated information system deployment, KPJ also invests in related IT infrastructure and has spent more than RM10 million for this purpose.

To ensure the reliability of KPJ's systems at all times, the Group will periodically replace hardware and equipment, particularly for those approaching five years of age. This will also enhance the speed and capacity of its systems.

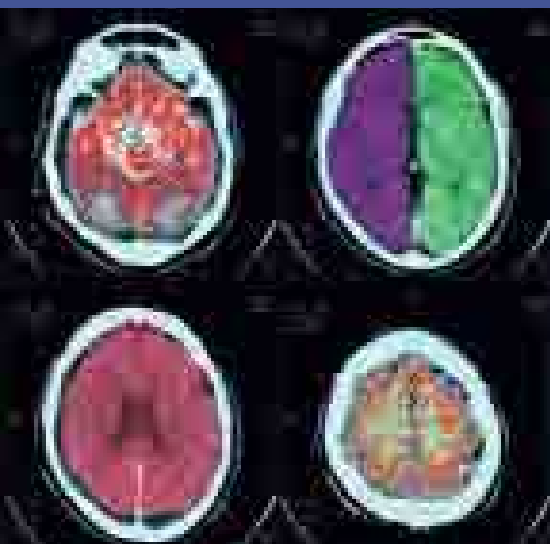
EFFECTIVE ONLINE COMMUNICATION

One of KPJ's strategies to deliver quality service is to enhance communication with patients, and to that end, KPJ has invested time and resources to develop its corporate website to give patients access to resources such as treatments available, doctors and drug information.

The newly-designed www.kpjhealth.com.my portal, which was launched in 2010, is also meant to provide useful and updated information to visitors about KPJ's business, corporate and human capital developments, and medical services as well as to educate patients and encourage them to take greater interest in their health.



With the integrated KCIS, HITS and PACS, electronic images and reports can be transmitted digitally



Its initiative to create patient-centred hospital websites was led by KPJ Ampang Puteri Specialist Hospital with the roll out of its hospital website www.apsh.kpjhealth.com.my on 24 August 2010.

This new website provides health education material, offering some 5,500 medical-related topics with images and charts to assist comprehension and interest in learning about health matters. Also of significance is the offering of animations 50 medical topics to help the public better understand hospital and surgery procedures as well as diseases and treatment available.

The availability of the Consultant Directory and connectivity tools also provides ease of reference for patients and encourages greater patient engagement.

KPJ Ampang Puteri Specialist Hospital also pioneers KPJ's project on Integrated Services on the Web, with the first initiative being the rollout of the Personal Health Record Management module. This essentially allows patients to gain access through the hospital's website to schedule their appointments and seek information such as immunisation, drug side effects, medication intake records, etc.

Further improvements can be expected and with the complete rollout of the system in the fourth quarter of 2011, KPJ should be on its way to provide services to patients seven days a week.

INVESTING IN R&D TO ENHANCE HOSPITAL IT TECHNOLOGY

To continuously improve the hospital IT technology, KPJ has committed to invest in R&D to develop information systems that can serve the complex healthcare ecosystem that has intricate relationships and differing specific requirements.

A partnership was established with an associate Austrian IT company, AHCS Advanced Healthcare Solutions AG, in 2010 to further enhance the KPJ's hospital clinical information software and technology.

It is envisioned that the improvements will lead to more advanced and seamless integration, which will in turn further improve efficiency, maintain the integrity and accuracy of information as well as minimise errors to ensure patient safety.

Clearly, technology plays a key role in healthcare delivery and KPJ intends to remain the forefront of this development by investing in its people and in the necessary IT infrastructure as well as R&D for software development.



HIGHLIGHTS IN PICTURES: HOSPITAL ACTIVITIES



09 JANUARY 2010

LAUNCH OF SMILE CAMPAIGN AT KPJ KAJANG SPECIALIST HOSPITAL

Pedoman and launch of Smile Campaign at KPJ Kajang Specialist Hospital by KPJ Managing Director, Datin Paduka Siti Sa'diah Sheikh Bakir.



18 FEBRUARY 2010

PEDOMAN AT KPJ PERDANA SPECIALIST HOSPITAL

KPJ Perdana Specialist Hospital's Executive Director, Abdol Wahab Baba, signing the hospital Key Performance Indicator (KPI).



27 FEBRUARY 2010

CHINESE NEW YEAR AT KPJ IPOH SPECIALIST HOSPITAL

KPJ Ipoh Specialist Hospital management and staff celebrated Chinese New Year with a buffet lunch and "yee sang" and entertained guests with various performances.

12 MAY 2010

INTERNATIONAL NURSES DAY 2010

Nurses from KPJ Johor Specialist Hospital and Puteri Specialist Hospital celebrated International Nurses Day 2010 with KPJ Managing Director, Datin Paduka Siti Sa'diah Sheikh Bakir commemorating the event with a cake cutting ceremony.



21 JUNE 2010

FRIENDLY BOWLING TOURNAMENT

Puteri Specialist Hospital holds friendly bowling tournament with members of the press at Leisure Mall, Johor Bahru to strengthen media relations.



17 -18 JULY 2010

PERAK MUHIBBAH CHALLENGE TROPHY

KPJ Ipoh Specialist Hospital organized the Perak Muhibbah Challenge Trophy, which attracted 378 participants.



01 AUGUST 2010

**CLOSING CEREMONY
OF KPJ SPORTS CARNIVAL**

The closing ceremony of KPJ's Sports Carnival at Permata, Bangi in Selangor.



09 SEPTEMBER 2010

AIDILFITRI OPEN HOUSE

Taiping Medical Centre held an Aidilfitri Open House, celebrating Hari Raya with the Consultants, hospital management, staff and guests.



16 SEPTEMBER 2010

MALAYSIA DAY RUN

KPJ Penang Specialist Hospital held a Malaysia Day Run at Mengkuang Dam in Bukit Mertajam to promote healthy living.



30 OCTOBER 2010

BREAST CANCER AWARENESS MONTH

Kuantan Specialist Hospital jointly organised a Breast Cancer Awareness Month with Cancerlink of Pahang to increase awareness on breast cancer and the need for regular checks through Breast Self Examination.



25 NOVEMBER 2010

KPJ DAMANSARA & PARTNERS GET TOGETHER

KPJ Damansara Specialist Hospital had a gathering with its Bariatric Team partners at the Legend Hotel in conjunction with its Obesity Week to promote healthy lifestyles and greater awareness on the risks of obesity.



03 NOVEMBER 2010

DEEPAVALI AT KPJ TAWAKKAL

KPJ Tawakkal Specialist Hospital management and staff celebrated the festival of light, Deepavali, together with the Consultants and patients at the Hospital.



18 DECEMBER 2010

GOTONG ROYONG ENVIRONMENT DAY

KPJ Ampang Puteri Specialist Hospital held a gotong-royong to clean up the surrounding area.



18 DECEMBER 2010

CHRISTMAS AT DAMAI

Damai Specialist Hospital staff celebrated Christmas with children, patients and visitors at a party with the life performances. Goody bags were also given to inpatients at the wards and patients at the clinics.

HIGHLIGHTS IN PICTURES: QUALITY & CLINICAL EXCELLENCE



01 JANUARY 2010

NEW 64-SLICE CT SCAN AT SENTOSA MEDICAL CENTRE
Sentosa Medical Centre enhanced its diagnostic imaging services with the installation of a new 64-slice CT Scan – the latest version of Somatom Definition AS – to replace the Multi-Slice CT Scan Somatom Volume Zoom.



16 JUNE 2010

ACCREDITATION SURVEY AT KPJ PERDANA SPECIALIST HOSPITAL

KPJ Perdana Specialist Hospital underwent the accreditation survey by the Malaysian Society for Quality in Health (MSQH) on 14-16 June 2010 and was subsequently awarded a 3-year accreditation status commencing 17 June 2010 till 16 June 2013.



29 MAY 2010

OSH WEEK CELEBRATION

KPJ Seremban Specialist Hospital held an OSH Week Celebration to highlight the importance of Occupational Safety and Health at the workplace and to create greater awareness among the hospital staff.



17 - 20 JUNE 2010

KPJ HEALTHCARE MEDICAL WORKSHOP 2010

The KPJ Healthcare Medical Workshop 2010 was held at Sibul Island Resort, Johor, with the theme 'Patient Safety: Challenges in Implementation' where a total of 112 participants gathered to share their views and knowledge on medical-related topics.



26 JUNE 2010

GOLF AMAL KLINIK WAQAF AN-NUR 2010

KPJ Seremban Specialist Hospital held its annual charity golf tournament at PD Golf & Country Club, Port Dickson, and successfully raised RM11,500.00 in aid of the patients at the Klinik Waqaf in Senawang. Some 75 golfers participated in the tournament to support this fund-raising effort.



05 - 07 JULY 2010

ACCREDITATION SURVEY AT KPJ KAJANG SPECIALIST HOSPITAL

KPJ Kajang Specialist Hospital's Medical Consultants, management and staff took questions from the team of surveyors from the Malaysian Society of Quality in Health (MSQH) during the accreditation survey at the hospital in July and successfully earned the 3-year status recognition, commencing 8 July 2010 till 7 July 2013.



07 JULY 2010

LAUNCH OF SEVEN PATIENT SAFETY GOALS

The launch of the Seven Patient Safety Goals at KPJ Penang Specialist Hospital was aimed at promoting best practices and enhancing patient safety. KPJ Penang Specialist Hospital's Medical Director, Dr Ewe Khay Guan, gave a talk to the guests and hospital staff in conjunction with the event.



16 AUGUST 2010

NEW EXECUTIVE ROOM AT TAIPING MEDICAL CENTRE

In a move to provide greater convenience and comfort for patients, Taiping Medical Centre has upgraded its Single Room into a new Executive Room.



14 OCTOBER 2010

ESWL SERVICES AT KPJ PENANG SPECIALIST HOSPITAL

KPJ Penang Specialist Hospital began offering Extracorporeal Shock Wave Lithotripsy (ESWL) services, a non-invasive procedure to remove kidney stones, following the installation of the latest generation of lithotripters, EDAP TMS' Sonolith i-move.



15 OCTOBER 2010

KPJ IPOH SPECIALIST HOSPITAL OFFERS BONE DENSITOMETRY SERVICES

The newly-renovated Diagnostic Imaging Service centre at KPJ Ipoh Specialist Hospital was accompanied by the commencement of bone density scanning services, which is a procedure to diagnose osteoporosis.



26 NOVEMBER 2010

WELCOMING NEW MEDICAL CONSULTANTS

As part of its efforts to welcome new Medical Consultants to the Group as well as to share knowledge on clinical issues, KPJ management and the clinical team as well as the new doctors participated in the KPJ Partner Relationship Programme at Port Dickson.



26 - 28 NOVEMBER 2010

2nd KPJ MEDICAL WORKSHOP 2010

Driving ahead in clinical excellence, KPJ held its second Medical Workshop for the year in November at Selesa Beach Resort, Port Dickson, themed 'Clinical Leadership in Promoting a Culture for Patient Safety.'

HIGHLIGHTS IN PICTURES: CORPORATE RESPONSIBILITY



16 MARCH 2010

WAR ON DENGUE

KPJ jointly launched an anti-Aedes campaign together with Reckitt Benckiser, manufacturer of the globally-recognised brand, Shieldtox, to raise public awareness about the importance of maintaining a clean environment.



25 - 27 MARCH 2010

WORLD KIDNEY DAY

Sabah Medical Centre commemorated World Kidney Day with various activities spanning three days, including a health talk by Consultant Nephrologist, Dr Liew Boon Seng, on 'Protect Your Kidneys – Control Diabetes' as well as a discussion by Consultant Psychiatrist, Dr. Kumaraswami Kanan on 'Stress – Understanding and Overcoming It!'.



10 JULY 2010

CHARITY RUN

Damai Specialist Hospital's team of 24 staff and 3 Consultants participated in a Charity Run in aid of Sabah Olympics Special (SOS) and Sabah Thalassemia Sport and Recreation Club.



16 AUGUST 2010

SPONSORING RAYA CLOTHES FOR ORPHANS

KPJ Perdana Specialist Hospital spent a day shopping for Raya clothes with the orphans from Asrama Bakti Machang in Kelantan and broke fast with them during the holy month of Ramadhan.



30 AUGUST 2010

A DAY WITH ORPHANS DURING RAMADHAN

KPJ Damansara Specialist Hospital continued with its practice to spend time with the less fortunate during the holy month of Ramadhan, this year with the orphans from Rumah Baitul Hidayah. A number of activities were held at the hospital premise including breaking fast, solat tarawikh and a nasyid presentation by the orphans. A donation was also made to help ease the financial burden of the orphanage.



15 SEPTEMBER 2010

VISIT TO SABAH CHESHIRE HOME

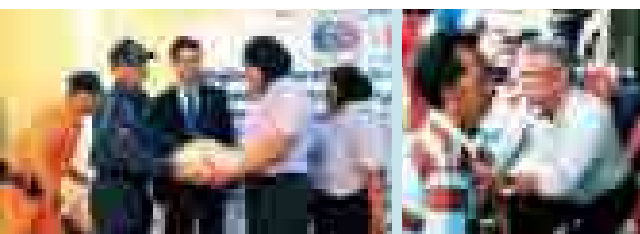
In conjunction with Hari Raya and Malaysia Day, Damai Specialist Hospital visited Sabah Cheshire Home to lend a helping hand to the needy.



30 - 31 OCTOBER 2010

WORLD LUNG DAY

Perak Lung Health Day 2010, which was jointly organised by Perak Chest Society, KPJ Ipoh Specialist Hospital and other hospitals at Ipoh Parade, attracted approximately 700 participants. KPJ Ipoh Specialist Hospital provided free basic screening and lung function test for the visitors.



08 - 12 NOVEMBER 2010

KEDAH FLOOD

Kedah Medical Centre (KMC), KFC Holdings, Ayamas and Pizzahut contributed rice, coffee, tea, cookies and beverages to the victims of the flood that ravaged the state in November. KMC General Manager, Khairun Ahmad, joined the hospital staff to distribute the food supplies to the victims. KMC's Consultants also provided free medical assistance to the flood victims.



27 DECEMBER 2010

FIRST BABY HATCH IN IPOH

KPJ Ipoh Specialist Hospital launched the country's first baby hatch in a hospital, in collaboration with the Perak State Welfare Department. The hatch was launched by State Senior Executive Councillor, Datuk Hamidah Osman, in the company of Dato' Dr Fadzli Cheah, Medical Director of KPJ Ipoh Specialist Hospital, and Ahmad Nasirruddin Harun, Chief Executive Officer of KPJ Ipoh Specialist Hospital.

STATEMENT ON CORPORATE GOVERNANCE

(PURSUANT TO SECTION 15.26 OF THE BURSA MALAYSIA LISTING REQUIREMENTS)

THE BOARD OF DIRECTORS OF KPJ HEALTHCARE BERHAD SUBSCRIBES TO AND SUPPORTS THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (REVISED 2007) AS A MINIMUM BASIS FOR PRACTICES ON CORPORATE GOVERNANCE. THE BOARD OF KPJ HEALTHCARE BERHAD (KPJ) IS PLEASED TO REPORT TO THE SHAREHOLDERS IN PARTICULAR AND OTHER STAKEHOLDERS THAT HIGHEST STANDARDS OF CORPORATE GOVERNANCE HAS BEEN CONTINUOUSLY PRACTICED 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 2010.

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

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

The Board of Directors believes in playing an active role in directing management through its review and approval of the Group's direction and strategy. 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.

BOARD OF DIRECTORS

Board Structure, Composition and Balance

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 size of the Board is optimum for the complexity and scale of operations of healthcare business. Whilst the Company has a significant shareholder in Johor Corporation (JCorp), 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 Securities Berhad's Listing Requirements which require at least two directors or one-third of the total number of Directors, whichever is higher, to be Independent Directors.

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

The presence of Independent Non-Executive Directors, representing more than half of the total members with necessary calibre, ensures that the Board is well balanced and could carry sufficient weight on Board's decisions. Although all the Directors have equal responsibilities for the Group's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that all business strategies proposed by the executive management are fully and independently discussed and assessed, and take into account the long term interest, not only of shareholders, but also employees, customers, suppliers, and the many communities in which the Group operates.

On 31 December 2010 one Independent Non-Executive Director, Tan Sri Dato' Dr Abu Bakar Suleiman, had resigned which reduced down the number of Independent Non-Executive Directors to six. On 3 January 2011, Kamaruzzaman Abu Kassim, who represents Johor Corporation (significant shareholders) was appointed as Director of the Company. He was then appointed as the Chairman of the Company on 12 January 2011 subsequent to the resignation of Tan Sri Dato' Muhammad Ali Hashim on the same date.

As a result of the above changes, the composition of the Board of Directors is as follows:

1. One Non-Executive Chairman
2. Two Non-Executive Directors
3. Six Independent Non-Executive Directors
4. One Managing Director.

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

Responsibility between Chairman and Managing Director

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

For the financial year ended 31 December 2010, the Chairman, who was the President and Group CEO of JCorp until 29 July 2010, Tan Sri Dato' Muhammad Ali Hashim, continued to contribute significantly towards the Group. Through his business acumen and entrepreneurial leadership, he has enabled JCorp and its Group of Companies to grow into one of Malaysia's leading conglomerates with more than 280 companies including KPJ Healthcare Bhd. He has never held the position of Managing Director of the Company.

Subsequent to the financial year end, Kamaruzzaman Abu Kassim, who was appointed as the new President and Group CEO of JCorp on 1 December 2010, was appointed as Director and Chairman of the Company on 3 January 2011 and 12 January 2011, respectively.

Prior to his appointment as the President and Group CEO of JCorp, from 29 July 2010 until 30 November 2010 he was the acting President and Group CEO for JCorp. He carried with him vast experience within the corporate business and has been with the JCorp Group since December 1992. Before the appointment he has held many positions within the JCorp Group, among others were Chief Operating Officer, Senior Vice President-Corporate Services and Finance, Managing Director and Executive Director of Damansara Realty Bhd, a JCorp's company listed on the Bursa Malaysia Securities Bhd. He is also a Director and Chairman of other listed companies within the JCorp Group, Kulim Bhd, QSR Brands Bhd, KFC Holdings (Malaysia) Bhd and Sindora Bhd.

Other than actively involved in the corporate business, he also contributed significantly to the development of the JCorp Group's commitment towards Corporate Social Responsibility. He is also a director in Waqaf An-Nur Corporation Bhd, an Islamic endowment institution that spearheads JCorp Group's Corporate Responsibility programmes, including the unique Corporate Waqaf Concept initiated by JCorp.

He also sits as Director of Damansara REIT Managers Sdn Bhd. Besides that, he is also the Chairman and/or Director of several other companies within the JCorp Group.

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

The Managing Director of the Company, Datin Paduka Siti Sa'diah Sheikh Bakir, began her career with JCorp and has been directly involved with JCorp's Healthcare Division since 1978. She 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 2011, for which the Managing Director is responsible to achieve.

Terms of Reference

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 Dato' Seri 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 2011 – 2015 was tabled, discussed and approved by the Board at its meeting on 28 February 2011. 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 75 to 77.
- 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. More importantly, after several years of continuous efforts in emphasizing and communicating the importance of succession planning, the subject has now become an ongoing agenda being reviewed and discussed at various high-level management and operational meetings of the Group. An overview of the Group Human Resource and its importance to the Group are mentioned on page 30 to 32 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 engagement and communication with investors to ensure that they are well informed about the Group affairs and developments. Details of investors' activities are disclosed on page 78 of this Annual Report.
- Review the adequacy and integrity of the internal controls of the Group and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines. The Board's function as regard to fulfilling these responsibilities effectively are supported and reinforced through the various Committees established at both the Board and Management's level. Aided by an Independent function of the Group Internal Audit Services, the active functioning of these Committees through their regular meetings and discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Group's internal controls. Details of these functions are discussed in the Internal Control Statement and Audit Committee report in this Annual report.

STATEMENT ON CORPORATE GOVERNANCE

(PURSUANT TO SECTION 15.26 OF THE BURSA MALAYSIA LISTING REQUIREMENTS)

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 2010, the Board convened four meetings on the following dates and venues:

Date of Meeting	Description	Venue	Attendance
25 Feb 2010	58th Board Of Directors Meeting	KPJ Damansara Specialist Hospital	8/11
31 May 2010	59th Board Of Directors Meeting	Persada Johor	11/11
30 August 2010	60th Board Of Directors Meeting	KPJ Tawakkal Specialist Hospital	10/11
30 Nov 2010	61st Board Of Directors Meeting	KPJ Tawakkal Specialist Hospital	10/11

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	Chairman	4/4
2	Datin Paduka Siti Sa'diah Sheikh Bakir	Member	4/4
3	Tan Sri Dato' Seri Arshad Ayub	Member	2/4
4	Tan Sri Dato' Dr Abu Bakar Suleiman	Member	3/4
5	Datuk Dr Hussein Awang	Member	4/4
6	Datuk Azzat Kamaludin	Member	3/4
7	Zainah Mustafa	Member	4/4
8	Ahamad Mohamad	Member	4/4
9	Dr Kok Chin Leong	Member	4/4
10	Dr Yoong Fook Ngian	Member	3/4
11	Rozan Mohd Sa'at	Member	4/4

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

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.

Appointment and re-election of Directors

The number and composition of Board membership are reviewed on a regular basis appropriate to the prevailing size, nature and complexity of the Group's business operations so as to ensure the relevance and effectiveness of the Board.

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

In accordance with Article 96 of the Articles of Association of the Company, Datuk Azzat Kamaludin and Ahamad Mohamad, will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 97 of the Articles of Association of the Company, Kamaruzzaman Abu Kassim who was appointed during the financial year retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

Pursuant to section 129(6) of the Companies Act, 1965, Tan Sri Dato' Seri Arshad Ayub, who is above the age of seventy (70), retires at the forth coming Annual General Meeting and will be appointed as Director and to hold office until the next Annual General Meeting.

Pursuant to Section 129(6) of the Companies Act, 1965, Datuk Dr Hussein Awang, who is above the age of seventy (70) retires at the forthcoming Annual General Meeting and will be re-appointed as Director and to hold office until the next Annual General Meeting.

Directors' Remuneration

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

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

	Salary and others	Allowances and Fees	Fees from Subsidiary	Benefit in Kind	Total
Non Executive Director					
Tan Sri Dato' Muhammad Ali Hashim (a)		110,000		12,500	122,500
Ahamad Mohamad (a)		56,000			56,000
Rozan Mohd Sa'at (a)		56,000			56,000
Independent Non-Executive Directors					
Tan Sri Dato' Seri Arshad Ayub		63,000			63,000
Tan Sri Dato' Dr Abu Bakar Suleiman (b)		248,500			248,500
Zainah Mustafa		62,000			62,000
Datuk Azzat Kamaludin (c)		60,500	15,000		75,500
Datuk Dr Hussein Awang (d)		92,350	39,000		131,350
Dr Kok Chin Leong (e)		143,500			143,500
Dr Yoong Fook Ngian (c)		57,300	5,000		62,300
Executive/Managing Director					
Datin Paduka Siti Sa'diah Sheikh Bakir	949,000	81,000	90,000	70,600	1,190,600
Total	949,000	1,030,150	149,000	83,100	2,211,250

(a) Representatives of significant shareholders

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

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

(d) Received allowances for professional advisory services as Medical Director of a subsidiary company

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

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 adhoc basis.

STATEMENT ON CORPORATE GOVERNANCE

(PURSUANT TO SECTION 15.26 OF THE BURSA MALAYSIA LISTING REQUIREMENTS)

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

No	Name of Workshop/ Conference/Seminar	Date	Venue	Name of Organiser	Name of Directors
1.	Global Islamic Branding/Marketing	5 January 2010	Seri Pacific Hotel, Kuala Lumpur	The Said Business School Oxford University	Datin Paduka Siti Sa'diah Sheikh Bakir Ahmad Mohamad
2.	MICG Annual Directors Duties & Governance Conference "Towards Boardroom Excellence And Corporate Governance Best Practices "	13 – 14 January 2010	Istana Hotel, Kuala Lumpur	Malaysia Institute of Corporate Governance (MICG)	Dr Kok Chin Leong
3.	Palm and Lauric Oils Conference 2010	9 March 2010	Shangri-La Hotel, Kuala Lumpur	Bursa Malaysia	Datin Paduka Siti Sa'diah Sheikh Bakir
4.	Malaysian Society for Quality in Health (MSQH) – Surveyor Training Programme	10 – 11 March 2010	Hospital Tuanku Ja'afar, Seremban	Malaysian Society for Quality in Health (MSQH)	Dr Yoong Fook Ngian Dr Kok Chin Leong
5.	Promoting the Corporate Governance Agenda – Raising the Bar	25 March 2010	MSWG Office	Minority Shareholders Watchdog Group	Datuk Azzat Kamaludin Zainah Mustafa
6.	Invest Malaysia 2010	30 – 31 March 2010	Shangri-La Hotel, Kuala Lumpur	Bursa Malaysia and Maybank Investment	Datin Paduka Siti Sa'diah Sheikh Bakir
7.	Malaysian Society for Quality in Health (MSQH) International Conference and Exhibition 2010 – "Safer Healthcare – Patient & Family Empowerment"	22 April 2010	Legend Hotel, Kuala Lumpur	Malaysian Society for Quality in Health (MSQH)	Datin Paduka Siti Sa'diah Sheikh Bakir Dr Kok Chin Leong
8.	Transformational Leadership - A Passionate Passage	13 May 2010	The Royale Chulan Hotel, Kuala Lumpur	Malaysian Directors Academy	Datuk Azzat Kamaludin
9.	Oxford Strategic Leadership Programme	23 – 28 May 2010	Said Business School Oxford University, London	The Said Business School Oxford University	Datin Paduka Siti Sa'diah Sheikh Bakir Ahmad Mohamad
10.	43rd Annual Meeting European Society for Pediatric, Gastroenterology, Hepatology and Nutrition (ESPGHN)	9 – 12 June 2010	Istanbul, Turkey	Turkish Society for Pediatric, Gastroenterology, Hepatology and Nutrition	Dr Kok Chin Leong
11.	Global Exchanges Trend and Development	17 June 2010	The Magellan Sutera, Sutera Harbour Resort, Kota Kinabalu	Bursa Malaysia	Datin Paduka Siti Sa'diah Sheikh Bakir

No	Name of Workshop/ Conference/Seminar	Date	Venue	Name of Organiser	Name of Directors
12.	1st KPJ Medical Workshop 2010	18 – 20 June 2010	Sibu Island Resort, Pulau Sibu Mersing Johor	KPJ Healthcare Berhad	Datin Paduka Siti Sa'diah Sheikh Bakir Tan Sri Dato' Dr Abu Bakar Suleiman Datuk Dr Hussein Awang Dr Yoong Fook Ngian Dr Kok Chin Leong
13.	The 6th Asia Pacific Audit and Governance Summit 2010	29 – 30 June 2010	JW Marriott Hotel, Kuala Lumpur	Columbus Circle Governance Sdn Bhd	Tan Sri Dato' Seri Arshad Ayub
14.	2010 Corporate Fraud Conference	5 – 6 July 2010	Park Royal Hotel, Kuala Lumpur	The Institute of Internal Auditors Malaysia	Zainah Mustafa
15.	2nd Annual Corporate Governance Summit 2010	6 – 7 July 2010	The Royale Chulan Hotel, Kuala Lumpur	Malaysian Institute of Corporate Governance and the Federation of Public Listed Companies	Tan Sri Dato' Seri Arshad Ayub
16.	Persidangan Saintifik Professional Sains Bersekutu Ke-8 - "Transformational Leadership for Allied Health Science Professionals"	12 July 2010	Institut Pengurusan Kesihatan, Bangsar Kuala Lumpur	Kementerian Kesihatan Malaysia	Dr Yoong Fook Ngian Dr Kok Chin Leong
17.	APHM/ASQua/ISQua International Healthcare Conference	14 – 15 July 2010	Kuala Lumpur Convention Centre, Kuala Lumpur	Association of Private Healthcare Malaysia (APHM)/ASQua/ISQua	Tan Sri Dato' Muhammad Ali Hashim Datin Paduka Siti Sa'diah Sheikh Bakir Tan Sri Dato' Dr Abu Bakar Suleiman Dr Yoong Fook Ngian Dr Kok Chin Leong
18.	Islamic Branding & Marketing – Oxford Forum	26 – 27 July 2010	University Oxford, London	University Oxford, London	Tan Sri Dato' Muhammad Ali Hashim Kamaruzzaman Abu Kassim Datin Paduka Siti Sa'diah Sheikh Bakir Ahamad Mohamad Rozan Mohd Sa'at
19.	Healthcare Information and Management Systems Society (HIMMS) Europe Leadership Forum	29 – 30 September and 1 – 3 October 2010	Rome, Italy	Healthcare Information and Management Systems Society Europe	Dr Kok Chin Leong

STATEMENT ON CORPORATE GOVERNANCE

(PURSUANT TO SECTION 15.26 OF THE BURSA MALAYSIA LISTING REQUIREMENTS)

No	Name of Workshop/ Conference/Seminar	Date	Venue	Name of Organiser	Name of Directors
20.	Conference on High Performance Organizations 2010; Delivering Inno-Productive Workforce and Result-Driven Projects – “Transformational Leadership-Nurturing Workers into Versatile Leaders”	5 October 2010	Putra World Trade Centre (PWTC), Kuala Lumpur	Kementerian Kesihatan Malaysia	Dr Yoong Fook Ngian Dr Kok Chin Leong
21.	32nd Malaysian Pediatrician Congress (Ambulatory Pediatrician)	15 – 17 October 2010	Hilton Hotel, Kuala Lumpur	Malaysian Pediatric Association	Dr Kok Chin Leong
22.	Obesity Conference Sydney	22 – 24 October 2010	Hilton Hotel Sydney, Australia	The Australian and New Zealand Obesity Society Obesity	Dr Yoong Fook Ngian
23.	8th Asia Pacific Congress of Allergy Asthma and Clinical Immunology (APCAACI) and Asia Pacific Association of Pediatric Allergy Respiratory and Immunology (APAPARI) 2010	6 – 9 November 2010	Suntec City, Singapore	Asia Pacific Congress of Allergy Immunology and Asia Pacific Association of Pediatric Allergy Respiratory and Immunology	Dr Kok Chin Leong
24.	18th World Congress of Accountants	8 – 11 November 2010	Kuala Lumpur Convention Centre, Kuala Lumpur	The Malaysian Institute of Accountants (MIA)	Tan Sri Dato’ Seri Arshad Ayub
25.	2nd KPJ Medical Workshop 2010	26 – 28 November 2010	Selesa Beach Resort, Port Dickson	KPJ Healthcare Berhad	Datin Paduka Siti Sa’diah Sheikh Bakir Tan Sri Dato’ Dr Abu Bakar Suleiman Datuk Dr Hussein Awang Dr Yoong Fook Ngian Dr Kok Chin Leong
26.	Conference on University Leadership: Energizing innovation and creative minds – Challenges of Women Leaders for the next millennium 2057	21 December 2010	Pan Pacific Hotel, Kuala Lumpur International (KLIA)	University Technology MARA (UiTM)	Datin Paduka Siti Sa’diah Sheikh Bakir

BOARD COMMITTEES

Board and Management Committees

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

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

The Committees are divided into Board and Management Committees.

The Board Committees comprises four main Committees:

- Audit Committee
- Building Committee
- Medical Advisory Committee
- Nomination and Remuneration Committee

The Management Committees comprises one main Committee:

- Executive Committee

1. Board Committees

Audit Committee (AC)

The Audit Committee is chaired by Tan Sri Dato' Seri Arshad Ayub and comprises 3 other members of whom all are Independent Non-Executive Directors. The Committee meets on a scheduled basis at least 4 times a year.

Pursuant to paragraph 15.15 of the Listing Requirements of Bursa Securities, the Audit Committee Report for the financial year, which sets out the composition, terms of reference and a summary of activities of the Audit Committee, is contained on pages 84 to 87 of this Annual Report.

Building Committee (BC)

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

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

Medical Advisory Committee (MAC)

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

The functions and activities carried out by the Committee are set out under the Medical Advisory Committee Report on pages 88 to 94 of this Annual Report.

Nomination and Remuneration Committee (NRC)

Previously, the Nomination and Remuneration Committee (NRC) for all listed subsidiaries of Johor Corporation (JCorp) were centralised at the holding corporation level. The Board had on 28 February 2011 resolved to establish its own NRC and with the establishment of the Company's NRC, the functions and responsibilities of the Company's NRC previously vested with JCorp Group NRC are now dissolved.

The Board is of the view that the composition of the NRC meets the objectives and principles of the corporate governance.

The terms of reference of the NRC are as follows:

1. Purpose

The NRC is established primarily for the following purposes:

- a) Nomination
 - Identify and recommend candidates for Board directorship;
 - Recommend directors to fill the seats on Board Committee;
 - Evaluate the effectiveness of the Board and Board Committee (including the size and composition) and contributions of each individual director; and
 - Ensure an appropriate framework and plan for Board succession.

A. Remuneration

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

2. Membership

The NRC shall consist of the following members:

- a) Kamaruzzaman Abu Kassim – Chairman
- b) Zainah Mustafa – Independent Non-Executive Director
- c) Datin Paduka Siti Sa'diah Sheikh Bakir – Managing Director

STATEMENT ON CORPORATE GOVERNANCE

(PURSUANT TO SECTION 15.26 OF THE BURSA MALAYSIA LISTING REQUIREMENTS)

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

The NRC shall have no executive powers.

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

3. Meetings

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

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

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

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

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

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

4. Scope of Activities

The duties of the NRC shall include the following:

a) Nomination

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

- Termination of membership of individual director in accordance with policy, for cause of other appropriate reasons.
- To establish appropriate plans for succession at Board level, and if appropriate, at senior management level.
- To provide for adequate training and orientation of new directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regard to their contribution to the Board and Company.
- To consider other matters as referred to the NRC by the Board.

Remuneration

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

2. Management Committees

Executive Committee (EXCO)

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

1. Purpose

The main objective and purpose of the EXCO are:

- Manages the Group in all aspects of business;
- Implements strategic business plans and policies as approved by the Board of Directors

- Identifies, formulates and prioritizes strategic issues and charts strategic directions for action by the management and staff

2. Members

- Managing Director
- Chief Financial Officer
- Chief Operational Officer
- Senior Group General Manager – Clinical & Professional Services
- Group General Manager – Business Development (Malaysia) & Intrapreneur
- Group General Manager – Risk Management
- General Manager – Education, Industrial Relation & CSR
- Senior Corporate Manager – Human Capital Management Services
- Senior Finance Manager

Decisions taken will be by majority.

3. Meeting

Meetings are to be held on every Wednesday on a weekly basis or/and when it deems necessary.

RELATIONSHIP WITH 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 Dato' Seri 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.

The company also had one Extraordinary General Meeting during the year.

STATEMENT ON CORPORATE GOVERNANCE

(PURSUANT TO SECTION 15.26 OF THE BURSA MALAYSIA LISTING REQUIREMENTS)

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. It is imperative to maintain transparency and to build trust and understanding in the relationship through active dialogue and communication with shareholders and investors.

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

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

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

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

As part of the Group's annual activities the Group conducted meetings, teleconferencing and briefings either upon request by the shareholders and investors or via events organized by corporate analysts in Malaysia and abroad i.e. Singapore, Hong Kong, France, United Kingdom and Scotland. In the year 2010, the following activities were conducted with the investors:

Types of Meeting	No of meetings
Investors meetings	52
Conference Calls	8
Foreign road shows	6

Senior management personnel involved in Investor Relations activities are:

Datin Paduka Siti Sa'diah Sheikh Bakir

– Managing Director

Alvin Lee Swee Hee

– Chief Financial Officer

Amiruddin Abdul Satar

– Chief Operating Officer

Norhaizam Mohammad

– Group Senior Finance Manager - Group Finance, Accounts & Investor Relation Services

Maria Khong Poh Fong

– Manager - Investor Relation Services

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

Statement of Directors Responsibility for Preparing the Financial Statements

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

In preparing the financial statements, the Directors have adopted suitable accounting policies and applied them consistently, made judgement and estimates that are reasonable and prudent and prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group and Company have resources to continue in operational existence for the foreseeable future.

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

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

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 82 to 83 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 meetings were held on 17 February 2010 and 19 November 2010. The External Auditor has attended 3 Audit Committee Meetings in 2010 (17 February 2010, 20 August 2010 and 19 November 2010) and the 17th Annual General Meeting held on 31 May 2010.

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

Related Party Transactions

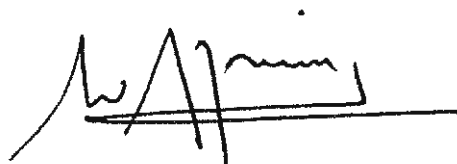
The significant related party transactions for the financial year ended 31 December 2010 are set out in the notes to the financial statements on pages 167 to 169 of the Annual Report.

At the 17th Annual General Meeting held on 31 May 2010, 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 182 to 183. 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 31 March 2011.



KAMARUZZAMAN ABU KASSIM
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 2010, 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 RESPONSIBILITIES

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

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

CONTROL ENVIRONMENT

INTEGRITY AND ETHICAL VALUES

The Management is committed to enforce ethical behaviour in employees and medical consultants. All employees and medical consultants are reminded during the annual staff assembly or “Pedoman” (Perhimpunan, Dialog dan Anugerah Tahunan Anggota Pekerja) 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 core values of KPJ Group which promotes high ethical practices and integrity. 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 emphasize 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. Two of the Accredited Hospitals namely KPJ Ampang Puteri Specialist Hospital and KPJ Seremban Specialist Hospital are undergoing survey for the JCI Accreditation.

To improve efficiency and effectiveness of services, 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.

To promote continuous learning and upgrading of knowledge, the Group has sponsored eligible executives to further their studies in Master in Business Administration (Healthcare Management). In 2010, 17 of these executives have graduated and obtained their MBAs from the University Technology Malaysia. Nurses are also encouraged to further their studies either for the Degree in Nursing or Masters in Science (Nursing) through collaboration with foreign universities or to take up post basic courses in operation theatre, ICU, CICU, renal and midwifery to enhance their knowledge and skills. The Group also organizes the KPJ Medical Conference, Medical Workshop and Nursing Convention yearly for the medical consultants, nurses and allied health staff to deliberate and discuss medical and clinical issues related to their practices to promote patient safety and standardization of practices.

New and creative ideas are encouraged through suggestion schemes and Innovative Circle Committee competitions, held yearly, whereby the winner of this event 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.

ORGANISATION STRUCTURE

The organization 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 accredited hospitals within the Group are managed by the Executive Director and Chief Executive Officer, whereas for the non-accredited hospitals daily operation 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 operation as well as strategic issues pertaining to the delivery of services and future direction of the Group. Major purchases are discussed and deliberated by the EXCO before they are tabled at the respective hospital's Board meetings. The objective is to ensure Group synergy, standardization and bulk discounts.

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

1. Medical Advisory Committee

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

2. Clinical Governance Committee

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

3. Procurement/Tender Committee

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

STATEMENT ON INTERNAL CONTROL

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

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.

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 fully implemented in the year 2010:-

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

The Management is going to conduct audit for the above to ensure compliance.

CONTROL ACTIVITIES

Policies and Procedures

Policies and procedures are documented comprehensively in the Malaysian Society for Quality in Healthcare (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 minimize risks. All hospitals in the Group are targeted to obtain the MSQH Accreditation certification.

KPJ Seremban Specialist Hospital obtained the 1st cycle of three (3) years MSQH Accreditation Certification in 2009 whereas KPJ Perdana Specialist Hospital, KPJ Kajang Specialist Hospital and Kedah Medical Centre obtained their certification in 2010. KPJ Penang Specialist Hospital has been surveyed for the 1st cycle in October 2010 and the result was obtained in January 2011 that they have been awarded for the 3 years MSQH Accreditation Certification.

KPJ Selangor Specialist Hospital has been surveyed for the 2nd cycle in 2010. KPJ Johor Specialist Hospital has obtained the 2nd cycle of MSQH Accreditation Certification in 2009.

KPJ Damansara Specialist Hospital and KPJ Ipoh Specialist Hospital has been accorded the 3rd cycle of MSQH Accreditation Certification in 2010 whereas KPJ Ampang Puteri Specialist Hospital has been awarded the 4th cycle in 2009.

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, KPJ Johor Specialist Hospital, Puteri Specialist Hospital, KPJ Tawakkal Specialist Hospital, KPJ Ampang Puteri Specialist Hospital and KPJ Damansara 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 drug database decision support system and also Picture Archiving and Communications System for the imaging department and medical records. We achieved basic operation requirements as bare minimal at the initial stage of implementation and rollout in year 2010.

In 2011, efforts are being made to further implement the KCIS targeting existing and new KPJ hospitals including KPJ Ipoh Specialist Hospital, KPJ Seremban Specialist Hospital, KPJ Klang Specialist Hospital, KPJ Kajang Specialist Hospital, KPJ Selangor Specialist Hospital and Kuantan Specialist Hospital. Ultimately all KPJ hospitals within the Group would be connected to the same system. By implementing and utilizing 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 surprised audit visits to ensure compliance. Any discrepancy and irregularity will be reported to the Management for correction and improvement. The Management also monitors the performance of the hospitals and companies through regular meetings and reports.

Separate Evaluations

All hospitals certified with the MSQH accreditation have to undergo stringent surveillance audit by the respective surveyors and audit teams to ensure compliance. Standard 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 process.

The Group's Internal Auditors also visits 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.

For the year 2010, the Group has also introduced an 'Asset Declaration Form' for all Managers to monitor their integrity and to curb any fraudulent act.

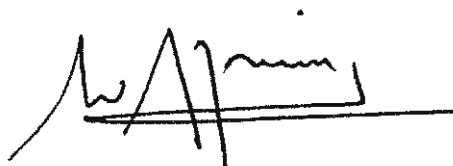
ASSURANCE

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.



KAMARUZZAMAN ABU KASSIM
CHAIRMAN



DATIN PADUKA SITI SA'DIAH SHEIKH BAKIR
MANAGING DIRECTOR

AUDIT COMMITTEE

from left to right:

Datuk Azzat Kamaludin
Tan Sri Dato' Seri Arshad Ayub
Chairman
Zainah Mustafa
Datuk Dr Hussein Awang



1. COMPOSITION AND TERMS OF REFERENCE

Purpose

The primary objective of the Audit Committee (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 their numbers, with the following requirements:
 - i) the Committee should comprise no fewer than 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 (MIA) 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 Operating Officer, Chief Financial Officer, senior management team, Executive Directors of the hospitals as well as the Head of Internal Audit and representatives of the External Auditors shall normally attend the meetings.

- 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.

A total of four (4) meetings were held during the year at two (2) hospitals namely at KPJ Damansara Specialist Hospital (KPJ Damansara) and KPJ Tawakkal Specialist Hospital (KPJ Tawakkal).

The details of the Audit Committee membership and the attendance of each member at the meetings are as follows:

Composition of Committee/Status of directorship	Date of Meeting 2010/Venue			
	KPJ Damansara		KPJ Tawakkal	
	17 Feb	7 May	20 Aug	19 Nov
Tan Sri Dato' Seri Arshad Ayub (Chairman) Senior Independent Non-Executive Director	✓	✓	✓	✓
Datuk Azzat Kamaludin Independent Non-Executive Director	✓	✓	✓	✓
Datuk Dr Hussein Awang Independent Non-Executive Director	✓	✓	✓	✓
Zainah Mustafa Independent Non-Executive Director	✓	✓	✓	✓

(✓) **Present**

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

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

The meetings were held on 17 February 2010 and 19 November 2010 respectively.

Objectives

The objectives of the Committee are:-

- a) to ensure transparency, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders;
- b) to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- c) to improve the Group's business efficiency, the quality of the accounting and audit function and strengthen public confidence in the Group's reported financial results; and
- d) to maintain open lines of communication between the Board and the External and Internal Auditors.

Authority

The Committee is empowered by the Board to:-

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

2. 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 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; and
- 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 program 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 Head of Internal Audit; 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 authorized by the Board.

3. 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
- 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.

4. INTERNAL AUDIT FUNCTION

The Group has an internal audit function which is carried out by the Internal Audit Services (IAS). The IAS reports functionally to the Audit Committee and administratively to the Chief Executive. Its principal activity is to assist the Board in monitoring and managing risks by undertaking regular and systematic independent reviews of the system of 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. The high risk activities are given due attention on a more regular basis while the rest are prioritized accordingly to an assessment of the potential risk exposure and impact. During the financial year ended 31 December 2010, the IAS carried out its duties covering audit on operational controls such as cash, credit and procurement review as well as compliance with the established procedures, guidelines and statutory obligations. Areas where internal control improvements could be made were identified during the financial year. Appropriate corrective actions have either been made or in the process of being implemented.

Investigations were 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 provided additional assurance on the integrity and robustness of the internal control systems.

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;
- performed follow-up reviews of previous audit reports to ensure appropriate actions are implemented to address control weaknesses highlighted; and
- prepared the Audit Committee Report for the Company's Annual Report 2010.

The internal audit function is performed in-house and at the end of the financial year, the department has ten (10) staff members. A total of 77 audits were carried out and presented to the Audit Committee with the recommended corrective actions acted upon.

The total costs incurred in maintaining the internal audit function for the financial year 31 December 2010 was about RM900,000. Training and courses are provided to the staff members in the areas of auditing and technical skills as well as personal development. They are also encouraged to become Certified Internal Auditors.

5. SEMINARS/CONFERENCES ATTENDED BY THE COMMITTEE

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

No	Name of Seminars/Conference	Date
1	Seminar on Promoting the Corporate Governance Agenda – Raising the Bar by Minority Shareholders' Watchdog Group.	25 March 2010
2	Transformational Leadership – A Passionate Passage	13 May 2010
3	6th Asia Pacific Audit & Governance Summit 2010.	29 – 30 June 2010
4	2010 Corporate Fraud Conference – Managing Fraud Risk.	5 – 6 July 2010
5	2nd Annual Corporate Governance Summit 2010.	6 – 7 July 2010
6	18th World Congress of Accountants 2010.	8 – 11 November 2010
7	KPJ Healthcare Medical Conference – Clinical Leadership in Promoting a Culture for Patient's Safety.	27 – 28 November 2010

MEDICAL ADVISORY COMMITTEE



Seated from left:

Dr Kok Chin Leong

Chairman - Clinical Governance Policy Committee (CGPC)
Consultant Paediatrician - Puteri Specialist Hospital

Datin Paduka Siti Sa'diah Sheikh Bakir

Managing Director

Chairman

Dr Yoong Fook Ngian

Chairman - Medical Advisory Committee (MAC) & Clinical Governance
Action Committee (CGAC)
Consultant ENT Surgeon - KPJ Ipoh Specialist Hospital

Datuk Dr Hussein Awang

Chairman - Hospital Medical Directors' Committee
Consultant Urological Surgeon - KPJ Tawakkal Specialist Hospital

Dato' Dr S Jenagaratnam

Chairman - Clinical Risk Management Committee (CRM)
Consultant Anaesthetist - KPJ Ipoh Specialist Hospital

Standing from left:

Wan Rusliah Md Daud

Corporate Manager - Clinical & Professional Services

Dr Aliza Jamaluddin

Secretary - Medical Advisory Committee
Corporate Manager - Clinical & Professional Services

Dr K V Anitha

Corporate Manager - Clinical & Professional Services

Dato' Dr Ngun Kok Weng

Consultant Surgeon - Kuantan Specialist Hospital

Mohd Sahir Rahmat

Group General Manager

Dr Mohd Hafetz Ahmad

Consultant Obstetrics & Gynaecology
- KPJ Johor Specialist Hospital

Maygala Arumugam

Group Chief Nursing Officer

Amiruddin Abdul Satar

Chief Operating Officer

Jasimah Hassan

Senior Group General Manager

Zaharah Osman

Corporate Manager - Clinical & Professional Services

KPJ MEDICAL ADVISORY COMMITTEE (MAC) REPORT 2010

Clinical Governance is defined as “A framework through which the organization 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 fully committed to continuously enhance clinical governance as the main thrust for improving the quality of care, ensuring patient safety and capacity to maintain high standards and credibility.

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

At the Group level, the Group Medical Advisory Committee (MAC) strategically plans, initiates and monitors clinical governance activities throughout the Group.

KPJ MAC governs and functions through a number of specific functional 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).

It is evident that the practice of medicine in the present days has become more challenging. The challenges are not confined to clinical issues only but often involve complex ethical, cultural and religious considerations. There is no standard or formal or structured process in dealing with these issues. Approaches are usually informal. As the breadth and depth of clinical ethic issues increases, it is necessary to have a more structured approach to handling these complex issues balancing the needs of all concerns.

KPJ MAC has therefore formed the Clinical Ethics Committee which will embark on developing services in this area. This Committee is chaired by Dato' Dr Zaki Morad, Consultant Nephrologist from KPJ Ampang Puteri Specialist Hospital.

In general, clinical ethics refer to the activity or the discipline of identifying, analysing and resolving ethical issues arising from patient care that usually give rise to conflict amongst parties concern. The goals of clinical ethics service are to assist the doctor, the patient, family and the hospital management to resolve ethical issues with the outcome being the best interests of the patient.

In 2008, KPJ embarked on putting into operation the Seven Patient Safety Goals (Table 3) proposed by World Health Organization's World Alliance for Patient Safety in all of the Group's hospitals and in 2010 all the KPJ hospitals have implemented these goals successfully.

Since 2001 KPJ has been collecting and monitoring clinical data as part of our quality improvement efforts i.e. to monitor and benchmark the level of care in accordance to international or national accepted standards. This 'Clinical Indicator Program' is based on the National Indicator Approach developed by the Ministry of Health of Malaysia and at present KPJ now collects data and monitors sixteen parameters (Table 4).

In 2010 the Research & Development Committee chaired by Dato' Dr Azizi Hj Omar, Medical Director & Consultant Paediatrician of KPJ Damansara Specialist Hospital was revived and four requests for permission to conduct research have been approved. The Committee identified research in safety and quality as the main thrust into our renewed interest in research and development for the Group and this was unmistakably evident looking at the articles published in the 4th volume of the KPJ Medical Journal January 2010.

Other than developing policies and guidelines for the best practice in the interest of safe and quality care for the patients, MAC also monitors the clinical performance for the Group through monitoring of:

- Patient safety indicators
- Incidents
- Sentinel events
- Mortality cases
- ADR
- Infection control
- Privileging of Clinician

All clinical governance activities are reported to the Board via MAC.

MEDICAL ADVISORY COMMITTEE

FREQUENCY OF CLINICAL GOVERNANCE MEETINGS IN 2010

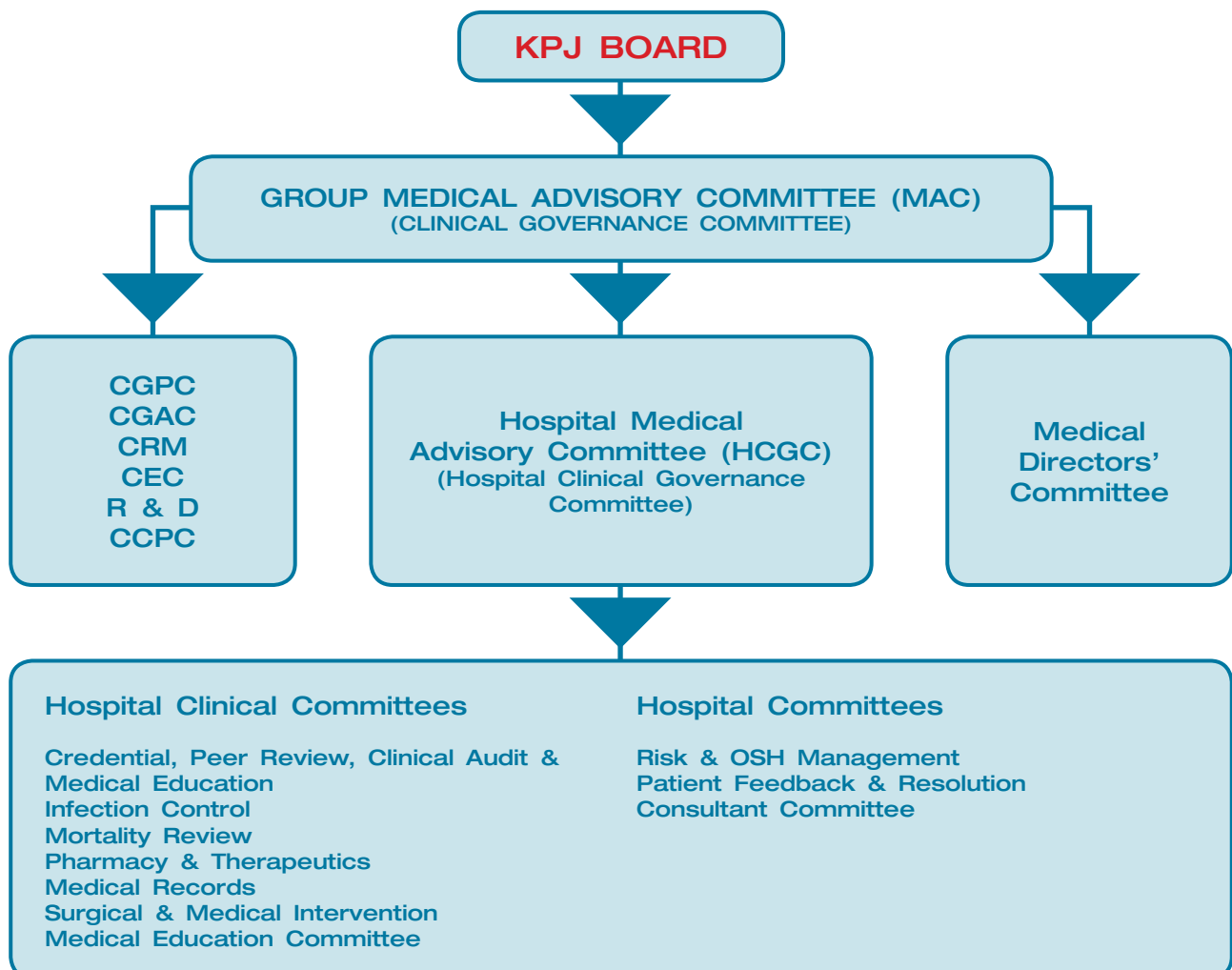
Bil	Committees	KPJ Ampang	KPJ D'sara	KPJ Tawakkal	KPJ Johor	PSH	KPJ Ipoh	KPJ Selangor	KPJ Kajang	Sentosa
1	Hospital Clinical Governance	X	2/2, 13/4, 17/8	23/2, 6/5	19/1, 13/4, 23/7, 20/10	24/2, 20/5, 12/10	11/2, 9/6, 13/10	12/1, 26/7	7/4, 23/6, 28/9	1/4, 6/7
2	Med Advisory; Credential Privileging; Peer Reviews, Ethics & Audit; Med Education	14/4; ME 29/4, 27/7, 22/9; CP 13/5; MA 28/5, 3/9; PREA	CP 11/5; ME 30/6, 9/8;	4/3	27/1, 14/4, 26/7	8/4, 3/7, 16/10	ME 27/1, 2/2, 24/2, 31/3, 6/4, 28/4, 26/5, 1/6, 30/6, 28/7, 3/8, 29/9; CP 3/3, 2/7, 15/10	PREA 11/1, 14/4, 9/7, 2/9, 5/10; CP 25/6, 29/7, 23/9	12/1, 15/1, 22/3, 18/5, 19/5, 6/10	X
3	Infection Control	11/1, 2/6, 25/6, 22/7	9/2, 15/4, 13/7	30/3, 26/10	15/1, 31/3, 6/7, 15/10	28/1, 15/7, 4/10	17/3, 15/6, 30/9	21/1, 29/4, 24/8	30/3, 7/6, 6/9	11/3, 22/6, 28/9
4	Medical Records	28/4	12/2, 9/8	12/1, 22/2	7/1, 7/4, 5/7, 11/10	22/3, 24/6, 14/10	7/4, 28/9	19/3, 25/8, 4/11	12/3, 7/6, 8/10	12/2
5	Morbidity & Mortality Review	13/10	3/2, 4/5, 27/8	29/4, 25/5, 30/9	7/1, 5/4, 7/7, 13/10	16/3, 21/7, 20/10	Monthly	11/1, 14/4, 9/7, 5/10	1/6, 20/10	27/1, 14/5, 19/8
6	Pharmacy & Therapeutics	26/3	4/3, 25/5, 29/9	25/3, 30/9, 12/10	13/1, 6/4, 29/6, 19/10	18/1, 13/7, 19/10	11/3, 23/6, 29/9	6/4, 8/7	11/3, 3/6, 5/8	18/3, 16/6, 28/10
7	Surgical & Medical Intervention	1/2	22/6, 21/9	8/3, 12/10	13/1, 7/4, 26/5, 28/9	27/1, 12/7	31/3, 14/4, 24/6, 13/7, 17/9, 29/10	4/6	18/2, 20/5, 14/10	4/3, 30/6

Bil	Committees	KPJ Penang	KPJ S'ban	PdSH	KSH	KMC	KUSH	DSC	KcSH	TMC
1	Hospital Clinical Governance	3/2, 25/2, 23/3, 28/7	1/3, 10/5, 20/8	25/2, 22/7, 11/11	25/1, 27/7	26/1, 8/4, 7/6, 30/8	21/4, 11/8, 27/10	24/3, 7/7, 3/11	Jan, 16/4, 11/6	16/3, 3/6
2	Med Advisory; Credential Privileging; Peer Reviews, Ethics & Audit; Med Education	MA 23/3, 11/5, 12/8; CP 3/9; PREA 7/9; ME 9/9	12/1, 29/6, 5/10	Whenever necessary	10/2, 1/6, 11/8, 10/11	1/7, 29/7	X	10/3, 2/7, 3/11	16/4	X
3	Infection Control	25/3, 14/5, 25/8	30/6	11/3, 5/8	31/3, 6/4	30/3, 30/6, 20/8	9/4, 22/7, 21/10	12/3, 2/7, 27/10	12/3	16/3, 3/6
4	Medical Records	30/3, 9/9	25/3	25/3, 26/10	13/7	26/4	15/4, 29/7, 20/10	17/3, 1/7, 27/10	16/4	X
5	Morbidity & Mortality Review	Monthly	21/1, 20/5, 5/8	23/3, 19/4, 7/7	15/4, 2/6	7/4, 21/7	14/4, 29/7, 21/10	10/3, 2/7, 3/11	11/3	16/3, 3/6
6	Pharmacy & Therapeutics	28/4, 29/9	6/4, 21/7	11/2, 11/10	11/3, 20/7, 3/11	15/6, 29/9	13/4, 16/7, 21/10	12/3, 1/7, 3/11	X	X
7	Surgical & Medical Intervention	17/3, 24/6	7/4, 7/9	8/4, 26/8, 21/10	12/4, 2/6, 14/4	14/4, 28/7, 20/10	10/3, 1/7,	3/11	11/6	X

X: No meeting held to date



CLINICAL GOVERNANCE REPORTING PATHWAY



CLINICAL GOVERNANCE POLICY COMMITTEE (CGPC)



Seated from left:

Dato' Dr Shahrudin Mohd Dun
Medical Director & Consultant Surgeon
- KPJ Selangor Specialist Hospital

Dato' Dr Fadzli Cheah Abdullah
Medical Director & Consultant Neurosurgeon
- KPJ Ipoh Specialist Hospital

Chairman

Dr Kok Chin Leong
Chairman - Clinical Governance Policy Committee (CGPC)
Consultant Paediatrician - Puteri Specialist Hospital

Dr Mahayidin Muhamad
Medical Director & Consultant Radiologist
- KPJ Perdana Specialist Hospital

Dr Wan Hazmy Che Hon
Medical Director & Consultant Orthopaedic
- KPJ Seremban Specialist Hospital

Standing from left:

Dr Aliza Jamaluddin
Secretary - Clinical Governance Policy Committee (CGPC)

Dato' Dr Mohd Rani Jusoh
Medical Director & Consultant Neurologist
- KPJ Ampang Puteri Specialist Hospital

Dr Alex Tang Tuck Hon
Consultant Pediatrician - KPJ Johor Specialist Hospital

Tan Sri Dato' Dr Yahya Awang
Consultant Cardiothoracic Surgeon
- KPJ Damansara Specialist Hospital

Datuk Dr Johan Thambu
Consultant Obstetrics & Gynaecology
- KPJ Tawakkal Specialist Hospital

Jasimah Hassan
Senior Group General Manager
- Clinical & Professional Services

Dr K V Anitha
Corporate Manager - Clinical & Professional Services

Wan Rusliah Md Daud
Group Chief Nursing Officer

CLINICAL GOVERNANCE ACTION COMMITTEE (CGAC)



Seated from left:

Dr Mohd Harris Lu

Medical Director & Consultant Ophthalmologist
- Sentosa Medical Centre

Dr Abdul Razak Samsudin

Medical Director & Consultant Surgeon
- Puteri Specialist Hospital

Chairman

Dr Yoong Fook Ngian

Chairman - Clinical Governance Action Committee (CGAC)
Consultant ENT Surgeon - KPJ Ipoh Specialist Hospital

Dato' Dr Azizi Omar

Medical Director & Consultant Paediatrician - KPJ Damansara
Specialist Hospital

Dr Mohd Namazie Ibrahim

Consultant Anaesthetist - KPJ Selangor Specialist Hospital

Standing from left:

Dr K V Anitha

Corporate Manager - Clinical & Professional Services

Abdol Wahab Baba

Group General Manager - Risk Management

Dato' Dr Ismail Yaacob

Medical Director & Consultant Physician - Kedah Medical Centre

Dr Balakrishnan Subramaniam

Medical Director & Consultant Obstetrics & Gynaecology
- KPJ Kajang Specialist Hospital

Dr G. Ruslan Nazaruddin

Medical Director & Consultant Orthopaedic Surgeon
- Joint Replacement
- KPJ Tawakkal Specialist Hospital

Dr Ewe Khay Guan

Medical Director & Consultant ENT Surgeon -
KPJ Penang Specialist Hospital

Jasimah Hassan

Senior Group General Manager - Clinical & Professional Services

Wan Rusliah Md. Daud

Secretary - Clinical Governance Action Committee (CGAC)

Dr Aliza Jamaluddin

Corporate Manager - Clinical & Professional Services

KPJ's 7 Patient Safety Goals

Identify Patient Correctly
Improve the Effectiveness of Communication Among Caregivers
Improve the Safety of Using Medication
Accurately and Completely Reconcile Medication across the Continuum of Care
Ensure Correct-Site, Correct-Procedure, Correct-Patient Surgery
Improved Hand Hygiene to Prevent Health Care-Associated Infection
Reduce the Risk Of Patient Harm Resulting From Falls

Clinical Indicators 2010

Surgical Indicators

Mild & moderate head injury case fatality rate
Rate of white appendix
Laparoscopic Cholecystectomy discharged within 48 hours
Incidence of casting complications
Rate of reactionary post-tonsillectomy bleeding
Percentage of post-operative cataract patients with BCVA less than 6/9
(3 monthly post-operatively)

Medical Indicators

Percentage of myocardial patients receiving thrombolytic therapy within 1 hour of their presentation at the Emergency Department
Percentage of myocardial patients undergoing primary PTCA / PCI
Myocardial infarction case fatality rate
Dengue fever case fatality rate

O&G Indicators

Percentage of patients with length of hospital stay > 5 days after Elective Caesarean Section
Percentage of patients with length of hospital stay > 5 days after Emergency Caesarean Section
Adequacy of PAP smear

Anaesthesia Indicators

Occurrence of adverse events during the recovery period
Unplanned admission to the Intensive Care Unit within 24 hours of surgery

Paediatric Indicators

Incidence rate of neonatal hyperbilirubinemia >20mg/dL

Top 5 Diagnostic Groups Admitted to KPJ Group of Hospitals (according to ICD 10 Code System)

Diseases of the circulatory system	- 34.3%
Certain infections & parasitic diseases	- 16.4%
Neoplasm	- 16.3%
Diseases of the respiratory system	- 11.2%
Diseases of the genitourinary system	- 4.7%

ANNOUNCEMENTS TO BURSA MALAYSIA

Jan 4, 10	Appointment of Rohaya Binti Jaafar as Joint Company Secretary.
Jan 4, 10	Resignation of Idham Jihadi Bin Abu Bakar as Joint Company Secretary.
Jan 6, 10	Kumpulan Perubatan (Johor) Sdn Bhd agrees to acquire 40,800,000 ordinary shares of RM1.00 each, representing 51% equity interest in SMC Healthcare Sdn Bhd from Sabah Medical Centre Sdn Bhd for RM51,000,000.
Jan 13, 10	Issue of 131,906,484 Warrants to the entitled shareholders of KPJ Healthcare Berhad on the basis of one (1) Free Warrant for every four (4) ordinary share of RM0.50 each in KPJ after accounting for the 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 105,525,280 Shares.
Jan 13, 10	Approval from Bursa Malaysia for the listing of 422,101,230 Shares and 131,906,484 Free Warrants on the Malaysian stock exchange on 15 January 2010.
Jan 15, 10	Listing of 422,101,230 Shares, 105,525,280 Bonus Shares and 131,906,484 Free Warrants arising from the completion of the proposed subdivision of shares, bonus issue and free warrant issue.
Feb 25, 10	The quarterly report on consolidated results for the financial period ended 31 December 2009
Mar 9, 10	Proposal to dispose Rumah Sakit Bumi Serpong Damai Building, Kluang Utama Specialist Hospital Building and Bandar Baru Klang Specialist Hospital Building to Al-'Aqar KPJ REIT for RM138,770,000
Mar 24, 10	Prai Specialist Hospital Sdn Bhd changed its name to Penang Specialist Hospital Sdn Bhd with effect from 23 March 2010 and Niche Galaxy (M) Sdn Bhd changed its name to Healthcare IT Solutions Sdn Bhd with effect from 9 March 2010.
Mar 31, 10	Pasir Gudang Specialist Hospital Sdn Bhd agreed to acquire a 3.247-acre leasehold land for RM7,070,000 from Johor Land Berhad and Johor Corporation.
Apr 2, 10	Reply to Query from Bursa Malaysia in relation to Pasir Gudang Specialist Hospital Sdn Bhd's acquisition of a 3.247-acre leasehold land for RM7,070,000 from Johor Land Berhad and Johor Corporation.
Apr 7, 10	KPJ accepted RM50.0 million Islamic Financing Facility from OCBC Al-Amin Bank Berhad for working capital requirement purposes.
Apr 12, 10	Completion of Maharani Specialist Hospital Sdn Bhd's acquisition of Maharani Specialist Hospital Building from Property Base Development Sdn Bhd for RM22,000,000.

Apr 15, 10	Intention to seek shareholders' approval with regards to: (a) 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 of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad; (b) Proposed renewal of shareholders' mandate on recurrent related party transactions of a revenue and/or trading nature pursuant to paragraph 10.09 of the Bursa Securities' Listing Requirements.
Apr 16, 10	Extension of the period for the fulfillment of the conditions precedent in respect of the share sale agreement with Sabah Medical Centre Sdn Bhd, for six (6) months until 5 October 2010.
Apr 22, 10	Completion of Pasir Gudang Specialist Hospital Sdn Bhd's acquisition of a 3.247-acre leasehold land for RM7,070,000 from Johor Land Berhad and Johor Corporation.
May 6, 10	Notice of the 17th 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 31 May 2010.
May 7, 10	Addendum to the Notice of KPJ's 17th Annual General Meeting.
May 20, 10	Kumpulan Perubatan (Johor) Sdn Bhd (KPJSB) agreed to acquire an additional 4,050,000 ordinary shares of RM 1.00 each, representing the remaining 30% equity interest in Bukit Mertajam Specialist Hospital Sdn Bhd (BMSHSB) for RM4,698,000, resulting in BMSHSB will become a wholly-owned subsidiary of KPJSB.
May 26, 10	KPJ accepted RM50 million Revolving Loan Facility from HSBC Bank Malaysia Berhad for working capital requirement purposes and to bridge funding gaps in the acquisition of new hospitals.
May 31, 10	The quarterly report on consolidated results for the financial period ended 31 March 2010.
May 31, 10	All resolutions proposed at the 17th Annual General Meeting held on 31 May 2010 were duly passed by the shareholders.
Jun 1, 10	First interim dividend of 3.25 sen gross less 25% Malaysian Income Tax per ordinary shares of RM0.50 each.
Jun 7, 10	Conditions precedent to the proposed disposal of KPJ Tawakkal Specialist Hospital Building to Al-'Aqar KPJ REIT have been fulfilled.
Jun 25, 10	Completion of acquisition by Kumpulan Perubatan (Johor) Sdn Bhd of 40,800,000 ordinary shares of RM1.00 each, representing 51% equity interest in SMC Healthcare Sdn Bhd from Sabah Medical Centre Sdn Bhd for RM51,000,000.

ANNOUNCEMENTS TO BURSA MALAYSIA

Jul 6, 10	Completion of the exercise to dispose Seremban Specialist Hospital Building, Taiping Medical Centre Building, Damai Specialist Hospital Building, Bukit Mertajam Specialist Hospital Building, KPJ Penang Specialist Hospital Building, Tawakal Hospital Existing Building and KPJ International College of Nursing and Health Sciences Building, to Al-'Aqar KPJ REIT for RM292,500,000.	Nov 12, 10	Proposal to undertake an issue of up to RM500.0 million nominal value Islamic Commercial Papers/ Islamic Medium Term by KPJ's wholly-owned subsidiary Point Zone (M) Sdn Bhd.
Aug 18, 10	Change of Address of Registrar, Pro Corporate Management Services Sdn Bhd, to Suite 12B, Level 12, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor, from Suite 2, 17th Floor, KOMTAR, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor, previously.	Nov 30, 10	The quarterly report on consolidated results for the financial period ended 30 September 2010.
Aug 30, 10	The quarterly report on consolidated results for the financial period ended 30 June 2010.	Dec 1, 10	Notice of the Extraordinary General Meeting to be held at Cemerlang Conference Room, Level 11, KPJ Tawakkal Specialist Hospital, No. 1 Jalan Pahang Barat, off Jalan Pahang, 53000 Kuala Lumpur, on 17 December 2010.
Sep 1, 10	Change of Company's registered address to Suite 12B, Level 12, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor, from Level 2, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor, previously.	Dec 17, 10	Receipt of requisition for an Extraordinary General Meeting pursuant to Sections 153 and 128(2) of the Companies Act, 1965, to be convened at Permata 3, Level B2, The Puteri Pacific Johor Bahru, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on 26 January 2011.
Sep 1, 10	Second interim dividend of 3.25 sen gross less 25% Malaysian Income Tax per ordinary shares of RM0.50 each.	Dec 17, 10	All resolutions proposed at the Extraordinary General Meeting held on 17 December 2010 were duly passed by the shareholders.
Sep 22, 10	Kumpulan Perubatan (Johor) Sdn Bhd agreed to acquire up to 367,605 new ordinary units in Jeta Garden Waterford Trust (JGWT), or up to 51% equity interest and up to 3,308,415 10-year convertible notes convertible into new ordinary units in JGWT for up to RM19,000,000.	Dec 30, 10	Resignation of Tan Sri Dato' Dr Abu Bakar Bin Dato' Suleiman as Independent & Non Executive Director with effect from 31 December 2010.
		Dec 30, 10	Third interim dividend of 3.50 sen gross less 25% Malaysian Income Tax per ordinary shares of RM0.50 each.



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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 2010.

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.

Details of the principal activities of the subsidiaries are set out in Note 20 to the financial statements.

There was no significant change in the nature of these activities during the financial year ended 31 December 2010.

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit for the financial year attributable to equity holders of the Company	118,894	36,481

DIVIDENDS

The dividends paid and declared by the Company since 31 December 2009 were as follows:

	RM'000
In respect of the financial year ended 31 December 2010:	
First interim gross dividend of 3.25 sen per share on 531,400,414 ordinary shares, less 25% tax, paid on 26 July 2010	12,953
Second interim gross dividend of 3.25 sen per share on 553,775,713 ordinary shares, less 25% tax, paid on 14 October 2010	13,498
Third interim gross dividend of 3.50 sen per share on 558,980,850 ordinary shares, less 25% tax, paid on 19 January 2011	14,673
	41,124

The Directors declares 4th interim gross dividend of 5.00 sen per share on 562,162,650 ordinary shares, less 25% tax, amounting to RM21,081,099.

The Directors do not propose any final dividend for the financial year ended 31 December 2010.

RESERVES AND PROVISIONS

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

SHARE CAPITAL

Share split, bonus issue and free warrants

On 15 January 2010, the Company subdivided its existing 211,050,615 ordinary shares of RM1 each into 422,101,230 ordinary shares of RM0.50 each ("Share Split").

After the Share Split, the Company issued bonus shares of up to 105,525,308 new ordinary shares of RM0.50 each, which were credited as fully paid up by the Company, on the basis of one (1) Bonus Shares for every four (4) shares held by the entitled shareholders of the Company after the Share Split ("Bonus Issue").

DIRECTORS' REPORT(CONT'D)

After the Share Split and Bonus Issue, the Company issued up to 131,906,635 free warrants on the basis of one (1) free warrant for every four (4) shares held by the entitled shareholders of the Company after the Share Split and Bonus Issue.

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

Issue of shares

During the financial year, 32,281,340 new ordinary shares of RM0.50 each were issued by the Company for cash by virtue of the conversion of warrant at exercise price of RM1.70 per share.

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

Treasury shares

The treasury shares of the Company, by an ordinary resolution passed in a general meeting held on 31 May 2010 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 and after the Share Split, the Company repurchased 10,000 units of RM0.50 each of its issued share capital from the open market. The average price paid for the shares repurchased was RM2.26 per share. The shares repurchased were financed by internally generated funds. The shares repurchased were held as treasury shares and treated in accordance with the requirement of Section 67A of the Companies Act, 1965.

SIGNIFICANT EVENTS

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

EVENTS SUBSEQUENT TO END OF THE REPORTING PERIOD

- (a) On 22 September 2010, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") entered into a conditional Subscription Deed for the acquisition of up to 367,605 new ordinary units in Jeta Garden Waterford Trust ("JGWT") (representing up to 51% equity interest in JGWT) and up to 3,308,415 10-year convertible notes into new ordinary units in JGWT for a total cash consideration of up to RM19,000,000 ("Proposed Acquisition").

On 9 February 2011, KPJSB has transferred RM4,750,000, representing a 21% equity investment in JGWT. The balance of the equity investment in JGWT granted to KPJSB via a put and call option which is exercisable between 1 July 2011 until 1 August 2011 at an issue price of AUD1.

The Proposed Acquisition expected to be completed by 3rd quarter 2011.

- (b) On 18 January 2011, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") entered into a Share Sale Agreement for the acquisition of:
- (i) 100% equity interest in Sibü Medical Centre Corporation Sdn Bhd ("SMCC") comprising 6,624,944 ordinary share of RM1.00 each for an aggregate purchase consideration of RM26,904,000.
 - (ii) 100% equity interest in Sibü Geriatric Health & Nursing Centre Sdn Bhd ("SGHNC") comprising 1,080,000 share for an aggregate purchase consideration of RM1,242,000.

The acquisition is expected to be completed by the first half 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 34(c) to the financial statements.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

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

Kamaruzzaman bin Abu Kassim	(Appointed as Director on 03.01.2011)
Datin Paduka Siti Sa'diah Sh Bakir	(Appointed as Chairman on 12.01.2011)
Tan Sri Dato' Seri Arshad bin Ayub	(Managing Director)
Datuk Dr Hussein bin Awang	
Datuk Azzat bin Kamaludin	
Zainah binti Mustafa	
Ahamad bin Mohamad	
Dr Kok Chin Leong	
Dr Yoong Fook Ngian	
Rozan bin Mohd Sa'at	
Tan Sri Dato' Muhammad Ali bin Hashim	(Resigned on 12.01.2011)
Tan Sri Dato' Dr Abu Bakar bin Suleiman	(Resigned on 31.12.2010)

In accordance with Article 96 of the Company's Articles of Association, Datuk Azzat bin Kamaludin and Ahamad bin Mohamad, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Tan Sri Dato' Seri Arshad bin Ayub and Datuk Dr Hussein bin Awang retire and, being eligible, offer themselves for re-appointment and to hold office until the conclusion of the next Annual General Meeting of the Company.

In accordance with Article 97 of the Company's Articles of Association, Kamaruzzaman bin Abu Kassim retire at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

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 34(c) 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; and certain Directors who have entered into service agreement with the Company where consultant's fees are paid to them (Note 8 and 11 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		Number of ordinary shares of RM0.50 each	
	As at 1.1.2010	Share split and bonus shares on 15.01.2010	Addition/ (Disposal)	As at 31.12.2010
KPJ Healthcare Berhad				
Tan Sri Dato' Muhammad Ali bin Hashim				
- direct	281,800	704,500	0	704,500
- indirect	12,000	30,000	0	30,000
Tan Sri Dato' Seri Arshad bin Ayub				
- direct	600,000	1,500,000	231,000	1,731,000
- indirect	800,000	2,000,000	(15,000)	1,985,000

DIRECTORS' REPORT(CONT'D)

DIRECTORS' INTERESTS IN SHARES AND IN OPTIONS (CONTINUED)

Number of ordinary shares of RM1 each	Number of ordinary shares of RM0.50 each			
	As at 1.1.2010	Share split and bonus shares on 15.01.2010	Addition/ (Disposal)	As at 31.12.2010
KPJ Healthcare Berhad				
Datin Paduka Siti Sa'diah Sh Bakir				
- direct	424,100	1,060,250	58,000	1,118,250
- indirect	5,000	12,500	0	12,500
Datuk Azzat bin Kamaludin	20,000	50,000	10,000	60,000
Ahamad bin Mohamad				
- direct	57,100	142,750	(142,000)	750
- indirect	10,000	25,000	(25,000)	0
Dr Kok Chin Leong	40,000	100,000	38,000	138,000
Dr Yoong Fook Ngian	130,000	325,000	0	325,000
Rozan bin Mohd Sa'at	200	500	0	500

	Number of warrants of 2010/2015			
	As at 1.1.2010	Free warrant on 15.01.2010	Exercised	As at 31.12.2010
KPJ Healthcare Berhad				
Tan Sri Dato' Muhammad Ali bin Hashim				
- direct	0	176,215	0	176,215
- indirect	0	7,500	0	7,500
Tan Sri Dato' Seri Arshad bin Ayub				
- direct	0	375,000	0	375,000
- indirect	0	500,000	0	500,000
Datin Paduka Siti Sa'diah Sh Bakir				
- direct	0	265,062	(84,300)	180,762
- indirect	0	3,125	0	3,125
Datuk Azzat bin Kamaludin	0	12,500	0	12,500
Ahamad bin Mohamad				
- direct	0	35,687	(35,600)	87
- indirect	0	6,250	0	6,250
Dr Kok Chin Leong	0	25,000	(25,000)	0
Dr Yoong Fook Ngian	0	81,250	(81,250)	0
Rozan bin Mohd Sa'at	0	125	0	125

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.

DIRECTORS' REPORT(CONT'D)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position 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.

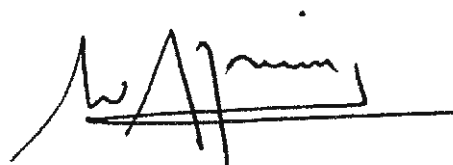
AUDITORS

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 31 Mar 2011.



KAMARUZZAMAN BIN ABU KASSIM
CHAIRMAN



DATIN PADUKA SITI SA'DIAH SH BAKIR
MANAGING DIRECTOR

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

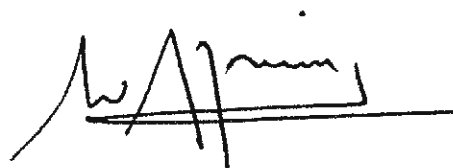
We, Kamaruzzaman bin Abu Kassim and Datin Paduka Siti Sa'diah Sh Bakir, two of the Directors of KPJ Healthcare Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 106 to 173 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2010 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.

The information set out in Note 43 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 March 2011.



KAMARUZZAMAN BIN ABU KASSIM
CHAIRMAN



DATIN PADUKA SITI SA'DIAH SH 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 106 to 173 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: 31 March 2011.

Before me:



COMMISSIONER FOR OATHS



No.136-1C, 1st Floor
Jln Tun Sambanthan
Brickfields, 50470 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 on pages 106 to 173 which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 46 (other than Note 43).

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 2010 and of their financial performance and cash flows for the year then ended.

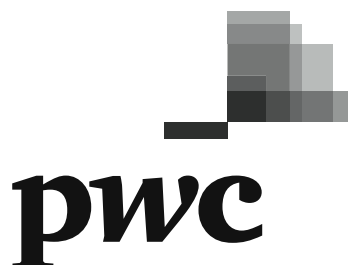
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 20 to the financial statements.
- (c) We are satisfied that the financial statements 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 REPORTING RESPONSIBILITIES

The supplementary information set out in Note 43 on page 173 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.



INDEPENDENT
AUDITORS' REPORT
TO THE MEMBERS OF KPJ HEALTHCARE BERHAD
(INCORPORATED IN MALAYSIA)
(COMPANY NO. 247079 M)

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.

A handwritten signature in black ink, likely belonging to a representative of PricewaterhouseCoopers.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

A handwritten signature in black ink, likely belonging to Mohammad Faiz Bin Mohammad Azmi.

MOHAMMAD FAIZ BIN MOHAMMAD AZMI
(No. 2025/03/12 (J))
Chartered Accountant

Kuala Lumpur
31 Mar 2011

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	GROUP 2010 RM'000	2009 RM'000	COMPANY 2010 RM'000	2009 RM'000
Revenue	7	1,654,611	1,456,353	82,968	72,450
Cost of sales	8(a)	(1,150,716)	(1,037,264)	0	0
Gross profit		503,895	419,089	82,968	72,450
Administrative expenses	8(a)	(365,500)	(288,151)	(22,304)	(17,087)
Other income		12,484	12,152	0	0
Other operating expenses	8(a)	(6,860)	(2,623)	0	0
Operating profit		144,019	140,467	60,664	55,363
Finance income	12	7,157	2,651	0	0
Finance costs	12	(13,597)	(16,721)	(14,905)	(13,098)
Finance costs – net		(6,440)	(14,070)	(14,905)	(13,098)
Associates					
- share of results		23,919	18,888	0	0
- reversal of impairment of interest in associates		6,460	0	0	0
		30,379	18,888	0	0
Profit before zakat and tax	8	167,958	145,285	45,759	42,265
Zakat	13	(1,269)	(1,395)	(10)	(10)
Tax expense	14	(40,468)	(29,154)	(9,268)	(9,088)
Profit for the year		126,221	114,736	36,481	33,167
Other comprehensive income:					
Translation of foreign subsidiaries		(1,060)	530	0	0
Revaluation surplus		9,107	16,677	0	0
Impairment of property, plant and equipment		0	(1,819)	0	0
Available-for-sale financial assets		172	0	0	0
Other comprehensive income for the year, net of tax		8,219	15,388	0	0
Total comprehensive income for the year		134,440	130,124	36,481	33,167
Profit for the year attributable to:					
Equity holders of the Company		118,894	110,880	36,481	33,167
Minority interest		7,327	3,856	0	0
		126,221	114,736	36,481	33,167
Total comprehensive income for the year attributable to:					
Equity holders of the Company		123,660	122,352	36,481	33,167
Minority interest		10,780	7,772	0	0
		134,440	130,124	36,481	33,167
Earnings per share attributable to ordinary equity holders of the Company:					
- basic (sen)*	16(a)	22.57	21.65		
- diluted (sen)*	16(b)	20.31	21.65		

* The comparative figures were recomputed based on the enlarged number of ordinary shares in issue after share split and bonus issue exercise which was completed on 15 January 2010.

The notes on page 114 to 173 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Note	31.12.10 RM'000	GROUP 31.12.09 RM'000	01.01.09 RM'000	31.12.10 RM'000	COMPANY 31.12.09 RM'000	01.01.09 RM'000
			(Restated)	(Restated)		(Restated)	(Restated)
Assets							
Non-current assets							
Property, plant and equipment	17	536,773	446,785	307,935	0	0	0
Investment properties	19	24,810	23,215	25,488	0	0	0
Interest in subsidiaries	20	0	0	0	762,622	222,631	222,631
Interest in associates	21	307,352	239,482	226,963	0	0	0
Available-for-sale financial assets	22	3,447	3,275	3,980	0	0	0
Intangible assets	23	136,317	115,591	110,244	0	0	0
Deferred tax assets	25	15,864	13,898	14,889	0	0	0
Receivables	27	0	0	0	94,386	0	0
		1,024,563	842,246	689,499	857,008	222,631	222,631
Current assets							
Inventories	26	41,615	29,697	29,730	0	0	0
Receivables	27	298,427	243,433	195,362	32,727	544,575	495,435
Tax refund receivable		12,342	9,117	11,221	1,288	1,289	1,304
Deposits, cash and bank balances	28	197,118	143,864	106,162	13,593	10,191	235
		549,502	426,111	342,475	47,608	556,055	496,974
Non-current assets held for sale	29	105,974	103,765	246,478	0	0	0
		655,476	529,876	588,953	47,608	556,055	496,974
Total assets		1,680,039	1,372,122	1,278,452	904,616	778,686	719,605
Capital and reserves attributable to equity holders of the Company							
Share capital	34	279,954	211,051	209,461	279,954	211,051	209,461
Reserves	35	488,716	420,960	373,466	39,196	57,864	99,555
		768,670	632,011	582,927	319,150	268,915	309,016
Less: Treasury Shares	34(a)	(23)	0	(1,886)	(23)	0	(1,886)
Minority interest		94,741	45,427	47,532	0	0	0
Total equity		863,388	677,438	628,573	319,127	268,915	307,130

The notes on page 114 to 173 form an integral part of these financial statements.

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2010 (CONT'D)

	Note	31.12.10 RM'000	GROUP 31.12.09 RM'000	01.01.09 RM'000	31.12.10 RM'000	COMPANY 31.12.09 RM'000	01.01.09 RM'000
			(Restated)	(Restated)		(Restated)	(Restated)
Liabilities							
Non-current liabilities							
Deferred tax liabilities	25	41,204	22,517	18,571	0	0	0
Borrowings	31	36,747	302,819	267,879	0	249,000	214,000
Payables	30	0	0	0	242,754	0	0
Deposits	33	13,782	13,039	11,359	0	0	0
		91,733	338,375	297,809	242,754	249,000	214,000
Current liabilities							
Payables	30	308,107	260,681	235,977	29,062	260,771	198,475
Current tax liabilities		3,318	839	1,768	0	0	0
Borrowings	31						
- bank overdrafts		18	15	1,982	0	0	0
- others		362,658	65,962	98,582	299,000	0	0
Deferred revenue	32	36,144	28,812	13,761	0	0	0
Dividend payable		14,673	0	0	14,673	0	0
		724,918	356,309	352,070	342,735	260,771	198,475
Total liabilities		816,651	694,684	649,879	585,489	509,771	412,475
Total equity and liabilities		1,680,039	1,372,122	1,278,452	904,616	778,686	719,605

The notes on page 114 to 173 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

Note	Attributable to equity holders of the Company										
	Issued and fully paid ordinary shares of RM1.00 each		Share premium RM'000	Treasury shares RM'000	Merger reserve RM'000	Exchange reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
	Number of shares '000	Nominal value 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
Comprehensive income											
Profit for the year	0	0	0	0	0	0	0	110,880	110,880	3,856	114,736
Other comprehensive income											
Translation of foreign subsidiaries		0	0	0	0	530	0	0	530	0	530
Revaluation surplus	35	0	0	0	0	0	12,508	0	12,508	4,169	16,677
Impairment of property, plant and equipment	35	0	0	0	0	0	(1,566)	0	(1,566)	(253)	(1,819)
Realisation of revaluation reserves	35	0	0	0	0	0	(3,108)	3,108	0	0	0
Total other comprehensive income		0	0	0	0	530	7,834	3,108	11,472	3,916	15,388
Total comprehensive income		0	0	0	0	530	7,834	113,988	122,352	7,772	130,124
Acquisition of minority interest		0	0	0	0	0	0	0	0	(9,877)	(9,877)
Issue of shares:											
- exercise of share options	34	1,590	1,590	524	0	0	0	0	2,114	0	2,114
Sale of treasury shares	34(a)	0	0	2,000	1,886	0	0	0	3,886	0	3,886
Dividends in respect of the financial year ended:	15										
- 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)
At 31 December 2009	211,051	211,051	36,391	0	(3,367)	(235)	50,456	337,715	632,011	45,427	677,438

The notes on page 114 to 173 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

		Attributable to equity holders of the Company											
		Issued and fully paid ordinary shares of RM0.50 each											
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Treasury shares RM'000	Merger reserve RM'000	Exchange reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1 January 2010		211,051	211,051	36,391	0	(3,367)	(235)	0	50,456	337,715	632,011	45,427	677,438
- changes in accounting policy	44	0	0	0	0	0	0	0	0	(755)	(755)	0	(755)
As restated		211,051	211,051	36,391	0	(3,367)	(235)	0	50,456	336,960	631,256	45,427	676,683
Comprehensive income													
Profit for the year		0	0	0	0	0	0	0	0	118,894	118,894	7,327	126,221
Other comprehensive income													
Translation of foreign subsidiaries	35	0	0	0	0	0	(1,060)	0	0	0	(1,060)	0	(1,060)
Revaluation surplus		0	0	0	0	0	0	0	5,654	0	5,654	3,453	9,107
Available-for-sale financial assets		22	0	0	0	0	0	0	172	0	0	172	0
Total other comprehensive income		0	0	0	0	0	(1,060)	172	5,654	0	4,766	3,453	8,219
Total comprehensive income		0	0	0	0	0	(1,060)	172	5,654	118,894	123,660	10,780	134,440
Acquisition of subsidiary		0	0	0	0	0	0	0	0	0	0	38,534	38,534
Share split	34	211,051	0	0	0	0	0	0	0	0	0	0	0
Bonus Issue	34	105,525	52,762	(31,369)	0	0	0	0	0	(21,393)	0	0	0
Issue of shares:													
- exercise of share warrants	34	32,281	16,141	38,737	0	0	0	0	0	0	54,878	0	54,878
Treasury shares purchased	34(a)	0	0	0	(23)	0	0	0	0	0	(23)	0	(23)
Dividends in respect of the financial year ended:													
- 31 December 2010 (First interim)	15	0	0	0	0	0	0	0	0	(12,953)	(12,953)	0	(12,953)
- 31 December 2010 (Second interim)		0	0	0	0	0	0	0	0	(13,498)	(13,498)	0	(13,498)
- 31 December 2010 (Third interim)		0	0	0	0	0	0	0	0	(14,673)	(14,673)	0	(14,673)
		0	0	0	0	0	0	0	0	(41,124)	(41,124)	0	(41,124)
At 31 December 2010		559,908	279,954	43,759	(23)	(3,367)	(1,295)	172	56,110	393,337	768,647	94,741	863,388

The notes on page 114 to 173 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Issued and fully paid ordinary shares of RM1.00 each		Share premium RM'000	Non distributable		Distributable Retained earnings RM'000	Total equity RM'000
		Number of shares '000	Nominal value RM'000		Treasury shares RM'000			
At 1 January 2009		209,461	209,461	28,845	(1,886)		70,710	307,130
Profit for the year		0	0	0	0		33,167	33,167
Dividends in respect of the financial year ended:	15							
- 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)
Issue of shares:								
- exercise of share options	34	1,590	1,590	524	0		0	2,114
Sale of treasury shares	34(a)	0	0	2,000	1,886		0	3,886
At 31 December 2009		211,051	211,051	31,369	0		26,495	268,915
At 1 January 2010		211,051	211,051	31,369	0		26,495	268,915
Profit for the year		0	0	0	0		36,481	36,481
Dividends in respect of the financial year ended:	15							
- 31 December 2010 (First interim)		0	0	0	0		(12,953)	(12,953)
- 31 December 2010 (Second interim)		0	0	0	0		(13,498)	(13,498)
- 31 December 2010 (Third interim)		0	0	0	0		(14,673)	(14,673)
		0	0	0	0		(41,124)	(41,124)
Share split	34	211,051	0	0	0		0	0
Bonus Issue	34	105,525	52,762	(31,369)	0		(21,393)	0
Issue of shares:								
- exercise of share warrants	34	32,281	16,141	38,737	0		0	54,878
Treasury shares purchased	34(a)	0	0	0	(23)		0	(23)
At 31 December 2010		559,908	279,954	38,737	(23)		459	319,127

The notes on page 114 to 173 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	GROUP 2010 RM'000	2009 RM'000	COMPANY 2010 RM'000	2009 RM'000
(Restated)					
OPERATING ACTIVITIES					
Profit for the financial year attributable to equity holders of the Company		118,894	110,880	36,481	33,167
Adjustments for items not involving the movement of cash and cash equivalents:					
Zakat	13	1,269	1,395	10	10
Tax expense	14	40,468	29,154	9,268	9,088
Minority interest		7,327	3,856	0	0
Associates:					
- share of results		(23,919)	(18,888)	0	0
- reversal of impairment of interest in associates		(6,460)	0	0	0
Finance income		(7,157)	(2,651)	(3,359)	(5,469)
Finance costs					
- Interest expenses		13,268	16,721	14,905	13,098
- Accretion of interest		329	0	0	0
Dividend income	7	0	0	(49,508)	(41,706)
Provision for impairment of trade receivables		4,923	3,086	0	0
Bad debts written off		489	99	0	0
(Gain)/loss on fair value of investment properties	19	(755)	150	0	0
Property, plant and equipment					
- depreciation	17	59,367	46,432	0	0
- gain on disposals		(1,770)	(5,576)	0	0
- written off		15	1,066	0	0
- revaluation deficit	17	885	0	0	0
Impairment loss on available-for-sale financial assets	22	0	991	0	0
Inventories written off		28	37	0	0
Negative goodwill on acquisition of additional interest in a subsidiary	20	0	(493)	0	0
Amortisation of deferred consultancy expenses		(414)	0	0	0
Operating profit before changes in working capital		206,787	186,259	7,797	8,188
Changes in working capital:					
Inventories		(7,428)	(3)	0	0
Receivables		(5,228)	(35,722)	3,839	(4,373)
Payables		43,663	21,390	(5,448)	(37,694)
Related companies		0	0	(109,875)	3,211
Cash flows from/(used in) operations		237,794	171,924	(103,687)	(30,668)
Long term deposits		828	1,680	0	0
Interest paid		(13,268)	(16,721)	(14,905)	(6,904)
Zakat paid	13	(1,395)	(1,029)	(10)	(10)
Income tax paid		(35,683)	(23,042)	(1,662)	(1,521)
Net cash generated from/(used in) operating activities		188,276	132,812	(120,264)	(39,103)

The notes on page 114 to 173 form an integral part of these financial statements.

**STATEMENT OF
CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

	Note	GROUP 2010 RM'000	2009 RM'000	COMPANY 2010 RM'000	2009 RM'000
(Restated)					
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(227,538)	(221,754)	0	0
Purchase of investment property		(840)	(3,770)	0	0
Proceeds from disposal of property, plant and equipment		64,710	213,210	0	0
Additional investment		0	(286)	0	0
Acquisition of subsidiaries, net of cash acquired	20	(38,400)	0	0	0
Additional investment in subsidiaries	20	(22,128)	(15,150)	0	0
Additional investment in associate company		0	(58,297)	0	0
Proceeds from disposal of shares in associated company		1,134	0	0	0
(Increase)/decrease in deposits pledged with banks		(3,648)	1,226	0	0
Dividends received		20,085	18,848	41,903	34,154
Interest received		7,157	2,651	3,359	5,469
Net cash (used in)/generated from investing activities		(199,468)	(63,322)	45,262	39,623
FINANCING ACTIVITIES					
Treasury shares purchased	34(a)	(23)	0	(23)	0
Sale of treasury shares	34(a)	0	3,886	0	3,886
Issue of shares:					
- exercise of share warrants	34(b)	54,878	0	54,878	0
- exercise of share options	34(c)	0	2,114	0	2,114
Bank borrowings:					
- drawdown		120,200	78,000	50,000	35,000
- repayment		(89,576)	(75,680)	0	0
Dividends paid to:					
- shareholders		(26,451)	(31,564)	(26,451)	(31,564)
Net cash generated from/(used in) financing activities		59,028	(23,244)	78,404	9,436
NET CHANGES IN CASH AND CASH EQUIVALENTS		47,836	46,246	3,402	9,956
CURRENCY TRANSLATION DIFFERENCES		1,767	(5,351)	0	0
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		142,198	101,303	10,191	235
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	36	191,801	142,198	13,593	10,191

The notes on page 114 to 173 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

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 2010.

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

In the previous financial year, the Directors regarded Johor Corporation, a body corporate established under the Johor Corporation Enactment (No. 4 of 1968) (as amended by Enactment No. 5 of 1995), as the ultimate holding corporation.

The address of the registered office of the Company is:

Suite 12B, Level 12, Menara Ansar,
65 Jalan Trus,
80000 Johor Bahru, Johor

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

202, Jalan Pahang
53000 Kuala Lumpur

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management

2.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity 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) Market risk

(i) Foreign currency exchange risk

The Group has two (2) subsidiaries abroad; a hospital in Jakarta, Indonesia and a pharmaceutical distributor in Singapore. The Group does not face significant exposure from currency risk as both these subsidiaries operate independently; pharmaceutical drugs and medical supplies are supplied from and distributed in the country these subsidiaries operate. Hence, transactions involving foreign currency are minimal and risks are limited to the translation of foreign currency functional financial statement to that of the presentation currency.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates exposes the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates exposes the Group to fair value interest rate risk. During the financial year 2010, the Group's borrowings were denominated in Ringgit Malaysia.

The Group tries to minimise interest rate increases by focusing its long term borrowings on Commercial Notes/Medium Term Notes ('CPMTN'). The Group is currently at the final stage of refinancing CPMTN from RM250 million which is expiring in 2011 to RM500 million which is expected to expire in 2017. Average interest rate for CPMTN for 2010 is 2.85%.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing position.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Financial risk management (continued)

2.1 Financial risk factors (continued)

a) Market risk (continued)

(iii) Price risk

The Group is not exposed to equity securities price risk as the quoted investment in Al-'Aqar KPJ REIT held by subsidiaries is classified as interest in associates at group level.

Other investments are unquoted and exposure to price risk is insignificant.

b) Credit risk

Exposure to credit risk arises mainly from sales of products and services made on deferred credit terms, cash and cash equivalents, deposits with financial institutions. Risk arising from there are minimised through effective monitoring of receivable accounts that exceeded the stipulated credit terms. Credit limits are set and credit history is reviewed to minimise potential losses. The credit worthiness of all counter parties are periodically reviewed should they exceed their credit terms and limit, with the approval of the management. The Group has no significant concentration of credit risk with any single customer.

The Group seeks to invest cash assets safely and profitability and buys insurance to protect itself against insurable risk. In this regard, counterparties are assessed for credit limits that are set to minimise any potential losses. The Group's cash and cash equivalents and short term deposits are placed with creditworthy financial institutions and the risks arising therefrom are minimised in view of the financial strength of these financial institution.

At the Company level, credit risk arises from amounts due from subsidiaries, cash and cash equivalents and deposits with financial institutions. The Company's exposure to bad debt is not significant since the subsidiaries do not have historical default risk. The Company also manages its credit risk by performing regular reviews of the ageing profile of amounts due from subsidiaries.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 27. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 27.

Apart from those disclosed above, none of other financial assets is either past due or impaired.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet the obligations as and when they fall due. The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Group.

Cash flow forecasting is performed by the subsidiaries and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 31) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury will invests surplus cash in interest bearing current accounts and fixed deposits to provide sufficient headroom as determined by the above-mentioned cash flows of the Group. At the reporting date, the Group held money in fixed deposit of RM74,622,000 less pledged fixed deposits of RM5,299,000 that is expected to readily generate cash inflows for managing liquidity risk.

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Financial risk management (continued)

2.1 Financial risk factors (continued)

c) Liquidity risk (continued)

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000
At 31 December 2010				
Group				
Payables	308,107	0	0	0
Borrowings	362,676	15,075	21,666	6
Company				
Payables	67,432	38,663	123,326	42,395
Borrowings	299,000	0	0	0

2.2 Capital Risk Management

The Group's objectives when managing capital is to safeguard the Group's ability continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

One of the conditions for CPMTN is to have Group's gearing ratio lower than 1.5:1. Hence, the group has monitors gearing ratio on a timely basis. This ratio is calculated as total borrowings divided by shareholders' funds. Various steps are taken to reduce borrowings, including disposal of hospital buildings to Al-'Aqar KPJ REIT and managing cash and bank balances centrally.

The Group's gearing ratio as at 31 December 2010 and 2009 were as follows:

	2010 RM'000	2009 RM'000
Group		
Current borrowings	362,676	65,977
Non-current borrowings	36,747	302,819
Total	399,423	368,796
Shareholders' funds	768,647	632,011
Gearing ratio	0.52:1	0.58:1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

3 BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and fair valuation of available-for-sale financial assets.

The preparation of financial statements in conformity with Financial Reporting Standards 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 amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5 to the financial statements.

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

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or after 1 January 2010 are as follows:

- FRS 7 "Financial Instruments: Disclosures" and the related Amendments
- FRS 8 "Operating Segments"
- FRS 101 (revised) "Presentation of Financial Statements"
- FRS 123 "Borrowing Costs"
- FRS 139 "Financial Instruments: Recognition and Measurement" and the related Amendments
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" - Puttable financial instruments and obligations arising on liquidation
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- 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"
- Improvements to FRSs (2009)

A summary of the impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group and Company is set out in Note 44.

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

The Group will apply the following new standards, amendments to standards and interpretations from annual period beginning on 1 January 2011:

- The revised FRS 3 "Business combinations" (effective prospectively from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. *These changes will impact the amount of goodwill recognised, reported results in the period that an acquisition occurs and future reported results.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

3 BASIS OF PREPARATION (CONTINUED)

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

The Group will apply the following new standards, amendments to standards and interpretations from annual period beginning on 1 January 2011: (continued)

- The revised FRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
 - The name of the government and the nature of their relationship;
 - The nature and amount of each individually significant transactions; and
 - The extent of any collectively significant transactions, qualitatively or quantitatively.
- The revised FRS 127 "Consolidated and separate financial statements" (applies prospectively to transactions with non-controlling interests from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. *These changes will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.*
- Amendment to FRS 2 "Share-based payment: Group cash-settled share-based payment transactions" (effective from 1 January 2011) clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the Group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments also incorporate guidance previously included in IC Interpretation 8 "Scope of FRS 2" and IC Interpretation 11 "FRS 2 – Group and Treasury share transactions", which shall be withdrawn upon application of this amendment. *The amendment to this standard is not anticipated to have material impact on the Group's financial statements.*
- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

The Group has applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Group and Company.

- Amendment to FRS 132 "Financial instruments: Presentation" on classification of rights issues (effective from 1 March 2010) addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated. Currently, these issues are accounted for as derivative liabilities. *The amendment to this standard is not anticipated to have material impact on the Group's financial statements.*
- IC Interpretation 4 "Determining whether an arrangement contains a lease" (effective from 1 January 2011) requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 "Leases" should be applied to the lease element of the arrangement. *The amendment to this standard is not anticipated to have material impact on the Group's financial statements.*
- IC Interpretation 16 "Hedges of a net investment in a foreign operation" (effective from 1 July 2010) clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency, not presentation currency, and hedging instruments may be held by any entity in the group. The requirements of FRS 121 "The effects of changes in foreign exchange rates" do apply to the hedged item. *The amendment to this standard is not anticipated to have material impact on the Group's financial statements.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

3 BASIS OF PREPARATION (CONTINUED)

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

The Group will apply the following new standards, amendments to standards and interpretations from annual period beginning on 1 January 2011: (continued)

- IC Interpretation 17 "Distribution of non-cash assets to owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. *The amendment to this standard is not anticipated to have material impact on the Group's financial statements.*
- IC Interpretation 18 "Transfers of assets from customers" (effective prospectively for assets received on or after 1 January 2011) provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 "Revenue". *The amendment to this standard is not anticipated to have material impact on the Group's financial statements.*
- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss. *The amendment to this standard is not anticipated to have material impact on the Group's financial statements.*
- Amendments to IC Interpretation 14 "FRS 119 – The limit on a defined benefit assets, minimum funding requirements and their interaction" (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements. *The amendment to this standard is not anticipated to have material impact on the Group's financial statements.*

Improvements to FRSs:

- FRS 2 (effective from 1 July 2010) clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2. *The amendment to this standard is not anticipated to have material impact on the Group's financial statements.*
- FRS 3 (effective from 1 January 2011)
 - Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS.
 - Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).
- FRS 5 "Non-current assets held for sale and discontinued operations" (effective from 1 July 2010) clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. *The amendment to this standard is not anticipated to have a material impact on the Group's financial statements.*
- FRS 101 "Presentation of financial statements" (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. *The amendment to this standard is not anticipated to have material impact on the Group's financial statements.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

3 BASIS OF PREPARATION (CONTINUED)

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

The Group will apply the following new standards, amendments to standards and interpretations from annual period beginning on 1 January 2011: (continued)

Improvements to FRSs: (continued)

- FRS 138 “Intangible Assets” (effective from 1 July 2010) clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives. *The amendment to this standard is not anticipated to have material impact on the Group’s financial statements.*
- IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture. *The amendment to this standard is not anticipated to have material impact on the Group’s financial statements.*

4 SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

(i) Subsidiaries

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has 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 acquisition method of accounting except for Johor Specialist Hospital Sdn Bhd and Ipoh Specialist Hospital Sdn Bhd which were consolidated using the merger method of accounting. 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 acquisition 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 date of acquisition, 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 at the date of acquisition is reflected as goodwill (see accounting policy Note 4(e)(i) 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 profit or loss.

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

All inter-company 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 of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recognised in equity.

Disposals to minority interests result in gains and losses for the Group that are recorded in the profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired.

(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(e)(i) on goodwill).

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses of 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. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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 associate to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses in associates are recognised in the profit or loss.

When the Group increases its stake in an existing investment and the investment becomes an associate for the first time, goodwill is calculated at each stage of the acquisition. The Group does not revalue its previously owned share of net assets to fair value. Any existing available-for-sale reserve is reversed in other comprehensive income, restating the investment to cost. A share of profits (after dividends) together with a share of any equity movements relating to the previously held interest are accounting for in other comprehensive income.

(iv) Changes in ownership interests

When the Group ceases to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence ceases become its cost on initial measurement as a financial asset in accordance with FRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(b) Investments in subsidiaries and associates

In the Company's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 recognised as expenses in profit or loss during the financial period in which they are incurred.

When an asset's carrying amount is increased as a result of revaluation, the increase is recognised in other comprehensive income as a revaluation reserve. When the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve of that asset.

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease (see accounting policy Note 4(k)(i) on finance leases) is amortised in equal instalments over the period of the respective leases that range from 50 to 999 years. 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 on capital work-in-progress commences when the assets are ready for their intended use.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of the reporting period. The effects of any revision of the residual values and useful lives are included in the profit or loss for the financial year in which the changes arise.

At the end of the reporting period, 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 asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 4(f) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit or loss.

(d) Investment properties

Investment properties, comprising principally leasehold land, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

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. Valuations are performed as of the end of the reporting period by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment properties (continued)

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss as a net gain/loss from fair value adjustment on investment property.

(e) Intangible assets

Goodwill

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

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is 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, identified according to operating segment. See accounting policy Note 4(f) on impairment of non-financial assets.

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

(f) 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 profit or loss 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 profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve.

(g) 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 and a sale is considered highly probable.

(h) 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 selling price in the ordinary course of business, less the applicable variable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets

(i) Classification

The Group has changed its accounting policy for recognition and measurement of financial assets upon adoption of FRS 139 "Financial instruments: Recognition and Measurement" on 1 January 2010.

Previously, investments in non-current investments are shown at cost; trade receivables are carried at invoice amount. The Group has applied the new policy according to the transitional provision of FRS 139 by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained earnings or, if appropriate, another category of equity, of the current financial year. Comparative for financial instruments have not been adjusted and therefore the corresponding balances are not comparable. Refer to Note 44 for the impact of this change in accounting policy.

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'deposits, cash and bank balances' in the statements of financial position (Notes 27 and 28).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets.

(iii) Subsequent measurement – gains and losses

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 4(i)(iv)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

(iv) Subsequent measurement – Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

Change in accounting policy

The Group has changed its accounting policy for impairment of investments upon adoption of FRS 139 "Financial instruments: Recognition and Measurement" on 1 January 2010.

Previously, for investments in non-current investments, allowance for diminution in value was made where, in the opinion of the Directors, there was a decline other than temporary in the value of such investments. Where there had been a decline other than temporary in the value of an investment, such a decline was recognised in profit or loss in the period in which the decline was identified. Marketable securities (within current assets) were carried at the lower of cost and market value. Changes in the carrying amount of marketable securities were credited/charged to profit or loss.

The Group has applied the new policy according to the transitional provisions by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained earnings or, if appropriate, another category of equity, of the current financial year. Comparative for financial instruments have not been adjusted and therefore the corresponding balances are not comparable. Refer to Note 44 for the impact of this change in accounting policy.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(k) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(i) Finance leases

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

Finance leases are capitalised lease's commencement at the lower of the fair value of the leased assets and 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 of interest on the lease principal outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charge is charged to profit or loss 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 is depreciated over the shorter of the lease term and its useful life.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

(ii) 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 profit or loss on the straight line basis over the lease period.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

Change in accounting policy

Following the adoption of the improvement to FRS 117 "Leases", leasehold land in which the Group has substantially all the risks and rewards incidental to ownership has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. Refer to Note 44 for the impact of this change in accounting policy.

(m) 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 statements of financial position.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Borrowings

(i) Classification

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, 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 profit or loss over the period of the borrowings.

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 end of the reporting period.

(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 profit or loss.

(iii) Change in accounting policy

The Group has changed its accounting policy for borrowing costs upon adoption of FRS 123 "Borrowing costs" on 1 January 2010. The Group has applied the new accounting policy according to the transitional provision.

The new policy is applied to qualifying assets for which commencement date for capitalisation is on 1 January 2010. Previously, borrowing costs were immediately expensed when incurred.

(o) Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary or associate on distributions of retained earnings to companies in the Group.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a 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 profits 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.

Deferred tax is measured using the tax rates (or tax laws) that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case, the deferred tax is included in the resulting goodwill.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits

(i) Short term employee benefits

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the equity holders of the Company after certain adjustments. The Group recognises a provision where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Wages, salaries, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Post-employments 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.

(q) 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 or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends

Dividends on ordinary shares are recognised as liabilities when declared before the end of the reporting period. A dividend declared after the end of the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the end of the reporting period.

(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 off. 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 equity attributable to the controlling equity holders.

(r) Contingent assets and liabilities

The Group does not recognise a contingent asset and 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 circumstance where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset 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. The Group does not recognise contingent assets but discloses its existence where inflows or economic benefits are probable, but not virtually certain.

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. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions and the information about the contingent liabilities acquired.

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 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118 "Revenue".

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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) 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.

(iii) Dividend income

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

(iv) 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.

(v) 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.

(t) Foreign currencies

(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 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 on the transaction dates. 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 profit or loss.

(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:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses for each statement of comprehensive income are translated at the 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
- (iii) All resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is sold, a proportionate share of such exchange differences is reclassified to profit or loss as part of the gain or loss on sale.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management committee that makes strategic decisions.

Change of accounting policy

The Group has adopted FRS 8 "Operating segments" from 1 January 2010. FRS 8 replaces FRS 114 "Segment reporting" and is applied retrospectively. The adoption of FRS 8 did not result in any change in the operating segments previously reported. Accordingly, there is no change in the allocation of goodwill to groups of cash-generating units on a segment level.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgements 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 24.

There will be no impairment to the carrying amount of goodwill unless the estimated gross margin reduces from 29% to 25% (2009: 29% to 25%).

There will be no impairment to the carrying value of goodwill unless the pre-tax discount rate increases from 12% to 36% (2009: 12% to 23%).

(ii) Deferred tax assets

The Group is subject to income taxes in numerous jurisdictions. Significant judgement 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% (2009: 10%) from management's estimate as at financial year end, the deferred tax assets recognised will remain fully recoverable.

**NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)**

6 SEGMENT REPORTING

The chief operating decision-maker has been identified as the management committee. This committee reviews the Group's internal reporting in order to assess performance and allocate resources. The committee considers the business from both geographic and nature of business.

The Group principally operates in one main business segment namely the operating of specialist hospitals. Support services of the Group mainly comprise of provision of management services and pathology and laboratory services, marketing and distribution of pharmaceutical, medical and surgical products and operating a private nursing college.

	Malaysia RM'000	Indonesia RM'000	Hospitals Total RM'000	Support services RM'000	Group RM'000
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Year ended 31 December 2010

Revenue

Total segment revenue	1,532,868	2,835	1,535,703	485,285	2,020,988
Inter-segment revenue	0	0	0	(366,377)	(366,377)
Revenue from external customers	1,532,868	2,835	1,535,703	118,908	1,654,611

Results

Adjusted EBITDA*	192,100	(4,713)	187,387	23,156	210,543
Depreciation and amortisation	(52,595)	(2,412)	(55,007)	(4,360)	(59,367)
Finance cost	(7,868)	(52)	(7,920)	(5,677)	(13,597)
Associates					
- share of results	1,581	0	1,581	22,338	23,919
- reversal of impairment of interest in associates	0	0	0	6,460	6,460
Profit before zakat and tax	133,218	(7,177)	126,041	41,917	167,958
Zakat	(1,259)	0	(1,259)	(10)	(1,269)
Income tax expense	(39,086)	0	(39,086)	(1,382)	(40,468)
Profit for the year	92,873	(7,177)	85,696	40,525	126,221
Total assets	1,382,253	74,316	1,456,569	223,470	1,680,039
Total assets includes:					
Investments in associates	17,795	0	17,795	289,557	307,352
Total liabilities	301,101	17,787	318,888	497,763	816,651

* Earnings before interest, taxation, depreciation and amortisation ("EBITDA")

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

6 SEGMENT REPORTING (CONTINUED)

	Malaysia RM'000	Indonesia RM'000	Hospitals Total RM'000	Support services RM'000	Group RM'000
Year ended 31 December 2009					
Revenue					
Total segment revenue	1,326,905	11	1,326,916	430,779	1,757,695
Inter-segment revenue	0	0	0	(301,342)	(301,342)
Revenue from external customers	1,326,905	11	1,326,916	129,437	1,456,353
Results					
Adjusted EBITDA*	164,598	(1,805)	162,793	26,757	189,550
Depreciation and amortisation	(41,221)	0	(41,221)	(5,211)	(46,432)
Finance cost	(9,979)	0	(9,979)	(6,742)	(16,721)
Share of profit from associates	1,976	0	1,976	16,912	18,888
Profit before zakat and tax	115,374	(1,805)	113,569	31,716	145,285
Zakat	(1,385)	0	(1,385)	(10)	(1,395)
Income tax expense	(24,277)	0	(24,277)	(4,877)	(29,154)
Profit for the year	89,712	(1,805)	87,907	26,829	114,736
Total assets	875,081	69,671	944,752	427,370	1,372,122
Total assets includes:					
Investments in associates	16,975	0	16,975	222,507	239,482
Total liabilities	269,703	11,316	281,019	413,665	694,684

* Earnings before interest, taxation, depreciation and amortisation ("EBITDA")

7 REVENUE

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Hospital income	638,193	531,325	0	0
Consultation income	490,011	444,666	0	0
Sale of pharmaceutical, medical and surgical products	507,383	462,799	0	0
Other hospital income				
- clinics rental	10,519	12,287	0	0
- others	8,505	5,276	0	0
Dividend income from subsidiary companies	0	0	49,508	41,706
Interest income	0	0	3,359	5,469
Management fees	0	0	30,101	25,275
	1,654,611	1,456,353	82,968	72,450

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

8 PROFIT BEFORE ZAKAT AND TAX

	Note	GROUP		COMPANY	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(a) Expenses by nature:					
Auditors' remuneration	9	800	776	73	73
Provision for impairment of trade receivables		4,923	3,086	0	0
Advertisement, marketing and promotion		7,602	5,129	4,262	2,558
Bad debts written off		489	99	0	0
Contribution to Klinik Waqaf An-Nur		2,130	1,960	0	0
Directors' remuneration	11	2,219	1,981	2,062	1,856
Inventories written off		28	37	0	0
Utilities		34,503	29,682	71	48
Medical expenses		15,373	18,542	912	857
Professional fees		5,730	2,454	1,164	355
Repairs and maintenance		35,294	28,362	190	289
Property, plant and equipment:					
- depreciation		59,367	46,432	0	0
- written off		15	1,066	0	0
- revaluation deficit	17	885	0	0	0
Rental expense of land and buildings		68,876	57,906	91	82
Rental of equipment and vehicles		2,319	4,847	7	175
Training expense		3,900	2,070	207	520
Travelling		4,181	4,858	1,283	991
Included in cost of sales:					
- material costs		401,730	367,041	0	0
- medical consultants' fees:					
- paid to companies which certain Directors have financial interest		2,064	964	0	0
- paid to other consultants		436,668	404,721	0	0
Printing and stationery		8,936	7,867	254	146
Impairment loss on available-for-sale financial assets	22	0	991	0	0
Employee benefits costs	10	308,152	251,507	10,272	8,552
External laboratories services		29,924	18,162	0	0
Loss on fair value of investment properties	19	0	150	0	0
Amortisation of deferred consultancy expenses		(414)	0	0	0
Other expenses		87,382	67,348	1,456	585
Total expenses*		1,523,076	1,328,038	22,304	17,087
* Total expenses consist of the following:					
Cost of sales		1,150,716	1,037,264	0	0
Administrative expenses		365,500	288,151	22,304	17,087
Other operating expenses		6,860	2,623	0	0
Total expenses		1,523,076	1,328,038	22,304	17,087

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

8 PROFIT BEFORE ZAKAT AND TAX (CONTINUED)

(b) The following amounts have been credited in arriving at profit before zakat and tax:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bad debts recovered	(417)	(166)	0	0
Gain on disposal of property, plant and equipment	(1,770)	(5,576)	0	0
Gain on fair value of investment properties (Note 19)	(755)	0	0	0
Rental income	(4,425)	(1,310)	0	0
Negative goodwill on acquisition of additional interest in subsidiaries (Note 20)	0	(493)	0	0

9 AUDITORS' REMUNERATION

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
PricewaterhouseCoopers:				
Malaysian firm				
Statutory audit				
- current	720	641	73	73
- under provision in prior financial year	0	53	0	0
	720	694	73	73
Other audit firms:				
Statutory audit				
- current	80	82	0	0
Total remuneration	800	776	73	73

10 EMPLOYEE BENEFITS COSTS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Staff costs (excluding Directors' remuneration):				
- salaries, allowances and bonus	275,593	228,735	9,196	7,657
- contribution to defined contribution plan	32,559	22,772	1,076	895
	308,152	251,507	10,272	8,552

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

11 DIRECTORS' REMUNERATION

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

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors' remuneration				
- fees	1,187	1,031	1,030	907
- salaries, allowances and bonus	847	764	847	763
- contribution to defined contribution plan	102	92	102	92
- benefits-in-kind	83	94	83	94
	2,219	1,981	2,062	1,856

12 FINANCE INCOME AND COSTS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Finance costs				
Finance cost on Islamic facilities	250	207	0	0
Accretion of interest	329	0	0	0
Interest expense				
- commercial papers	7,232	6,841	7,232	6,841
- overdrafts	998	1,007	998	0
- term loans	1,752	5,448	0	0
- Hiwalah term loan	217	205	0	0
- revolving credits	452	883	0	0
- Al-Amin	431	0	0	0
- lease and hire purchase	1,182	1,851	0	0
- Bai Al-Inah	12	0	0	0
- others	742	1,309	6,675	6,257
	13,597	17,751	14,905	13,098
Less: Interest capitalised into property, plant and equipment	0	(1,030)	0	0
	13,597	16,721	14,905	13,098
Finance Income				
Interest income on short term deposit	7,157	2,651	0	0
Net finance costs	6,440	14,070	14,905	13,098

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

13 ZAKAT

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January	1,395	1,029	10	10
Zakat expense for the financial year	1,269	1,395	10	10
Zakat paid during the financial year	(1,395)	(1,029)	(10)	(10)
At 31 December	1,269	1,395	10	10

14 TAX EXPENSE

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax:				
- Malaysian income tax	34,937	24,217	9,268	9,088
Deferred tax (Note 25)	5,531	4,937	0	0
	40,468	29,154	9,268	9,088

Current tax

Current year
 (Over)/under provision in prior years

36,382	25,055	9,181	8,922
(1,445)	(838)	87	166
34,937	24,217	9,268	9,088

Deferred tax

Origination and reversal of temporary differences
 Under provision in prior years

4,586	3,900	0	0
945	1,037	0	0
5,531	4,937	0	0
40,468	29,154	9,268	9,088

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

14 TAX EXPENSE (CONTINUED)

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
The explanation of the relationship between tax expense and profit before tax after zakat is as follows:				
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysia tax rate				
Profit before tax after zakat	166,689	143,890	45,749	42,255
Tax calculated at a statutory tax rate of 25% (2009: 25%)	41,672	35,973	11,437	10,564
Income not subject to tax	(1,789)	(1,350)	(2,748)	(2,875)
Expenses not deductible for tax purposes	11,554	8,207	492	1,233
Tax effects of share of results of associated companies	(5,980)	(4,722)	0	0
Interest expense capitalised deducted for tax purposes	0	(258)	0	0
Recognition of previously unrecognised tax losses	(3,948)	(4,042)	0	0
Recognition of previously unrecognised temporary differences	(27)	(5,451)	0	0
Reversal of deferred tax assets	0	1,909	0	0
Reversal of deferred tax liabilities due to exemption on taxes arising on disposal of buildings to Al-'Aqar KPJ REIT	(514)	(1,311)	0	0
(Over)/under provision in prior years				
- tax	(1,445)	(838)	87	166
- deferred tax	945	1,037	0	0
Tax expense	40,468	29,154	9,268	9,088
Average effective tax rate (%)	24	20	21	22

15 DIVIDENDS

Dividends declared or proposed in respect of the financial year ended 31 December 2010 are as follows:

	GROUP/COMPANY	
	2010 RM'000	2009 RM'000
Interim dividends of 10 sen (2009: 20 sen) gross per share less 25% (2009: 25%) tax	41,124	31,564
Dividends recognised as distribution to ordinary equity holders of the Company	41,124	77,382

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

16 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.

	2010	GROUP 2009
		(Restated)
Profit attributable to ordinary equity holders of the Company (RM'000)	118,894	110,880
Weighted average number of ordinary shares of RM0.50 each in issue ('000)*	526,706	512,127
Basic earnings per share (sen)	22.57	21.65

* The comparative figures were recomputed based on the enlarged number of ordinary shares in issue after share split and bonus issue exercise which was completed on 15 January 2010.

(b) Diluted earnings per share

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

For the share warrants issued, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to profit for the financial year for the warrants calculation.

	2010	GROUP 2009
		(Restated)
Profit attributable to equity holders of the Company (RM'000)	118,894	110,880
Weighted average number of ordinary shares in issue ('000)*	526,706	512,127
Adjusted weighted average number of ordinary shares of RM0.50 each in issue and issuable ('000)	58,832	0
Weighted average number of ordinary shares for diluted earnings per share ('000)	585,538	512,127
Diluted earnings per share (sen)	20.31	21.65

* The comparative figures were recomputed based on the enlarged number of ordinary shares in issue after share split and bonus issue exercise which was completed on 15 January 2010.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

17 PROPERTY, PLANT AND EQUIPMENT

GROUP	Note	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in- progress RM'000	Total RM'000
2010 (Restated)									
At 1 January									
- cost		19,536	0	61,626	12,219	362,618	203,200	32,535	691,734
- valuation		22,027	0	5,848	0	0	0	0	27,875
- effects of adoption of Amendment to FRS 117	44	0	19,572	0	0	0	0	0	19,572
As restated		41,563	19,572	67,474	12,219	362,618	203,200	32,535	739,181
Currency translation differences		(901)	0	(1,707)	0	(139)	(145)	0	(2,892)
Additions		3,000	7,070	308	15,256	90,565	45,439	53,374	215,012
Acquisition of subsidiaries		0	32,640	0	9	3,805	806	0	37,260
Disposals		0	0	0	(509)	(6,526)	(2,891)	(639)	(10,565)
Write off		0	0	0	0	(3,183)	(592)	0	(3,775)
Revaluation deficit	8	0	(746)	(139)	0	0	0	0	(885)
Revaluation surplus		1,771	10,383	(11)	0	0	0	0	12,143
Reclassification to non-current assets held for sale	29	(18,428)	(14,482)	(33,456)	(619)	0	(905)	(40,015)	(107,905)
Revaluation restatement		0	(454)	(10,343)	0	0	0	0	(10,797)
		27,005	53,983	22,126	26,356	447,140	244,912	45,255	866,777
At 31 December									
- cost		19,098	44,800	15,990	26,356	447,140	244,912	45,255	843,551
- valuation		7,907	9,183	6,136	0	0	0	0	23,226
Accumulated depreciation									
At 1 January		0	0	(8,842)	(1,295)	(177,531)	(104,315)	0	(291,983)
- effects of adoption of Amendment to FRS 117	44	0	(413)	0	0	0	0	0	(413)
As restated		0	(413)	(8,842)	(1,295)	(177,531)	(104,315)	0	(292,396)
Currency translation differences		0	0	54	0	0	11	0	65
Charge for the financial year		0	(233)	(2,185)	(1,850)	(35,881)	(19,218)	0	(59,367)
Reclassification to non-current assets held for sale	29	0	192	568	0	0	824	0	1,584
Disposals		0	0	62	0	4,205	1,286	0	5,553
Write off		0	0	0	0	3,159	601	0	3,760
Revaluation restatement		0	454	10,343	0	0	0	0	10,797
At 31 December		0	0	0	(3,145)	(206,048)	(120,811)	0	(330,004)
Net book value									
At 31 December 2010		27,005	53,983	22,126	23,211	241,092	124,101	45,255	536,773

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Note	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in-progress RM'000	Total RM'000
2009									
(Restated)									
At 1 January									
- cost		2,404	0	24,232	8,298	319,636	176,442	29,124	560,136
- valuation		5,350	0	5,848	0	0	0	0	11,198
- effect of adoption of Amendment to FRS 117	44	0	5,939	0	0	0	0	0	5,939
As restated		7,754	5,939	30,080	8,298	319,636	176,442	29,124	577,273
Currency translation differences		368	0	239	0	254	1,564	3,525	5,950
Additions		29,564	13,633	363	1,479	52,737	39,020	63,996	200,792
Revaluation surplus		16,677	0	0	0	0	0	0	16,677
Disposals		(16,500)	0	0	0	(7,379)	(1,544)	(10,026)	(35,449)
Write off		0	0	0	0	(6,643)	(4,654)	0	(11,297)
Reclassifications		0	0	32,492	2,442	4,013	(7,628)	(31,319)	0
Reclassifications from investment properties	19	3,700	0	4,300	0	0	0	0	8,000
Reclassification to non-current assets held for sale	29	0	0	0	0	0	0	(22,765)	(22,765)
		41,563	19,572	67,474	12,219	362,618	203,200	32,535	739,181
At 31 December									
- cost		19,536	19,572	61,626	12,219	362,618	203,200	32,535	711,306
- valuation		22,027	0	5,848	0	0	0	0	27,875
Accumulated depreciation									
At 1 January		0	0	(7,026)	(455)	(161,665)	(93,651)	0	(262,797)
- effect of adoption of Amendment to FRS 117	44	0	(313)	0	0	0	0	0	(313)
As restated		0	(313)	(7,026)	(455)	(161,665)	(93,651)	0	(263,110)
Currency translation differences		0	0	(59)	0	0	(10)	0	(69)
Charge for the financial year		0	(100)	(1,757)	(840)	(27,928)	(15,807)	0	(46,432)
Disposals		0	0	0	0	6,011	973	0	6,984
Write off		0	0	0	0	6,051	4,180	0	10,231
At 31 December		0	(413)	(8,842)	(1,295)	(177,531)	(104,315)	0	(292,396)
Accumulated impairment losses									
At 1 January		0	0	(4,854)	0	0	0	0	(4,854)
- effect of adoption of Amendment to FRS 117	44	0	(1,374)	0	0	0	0	0	(1,374)
As restated		0	(1,374)	(4,854)	0	0	0	0	(6,228)
Reclassification to non-current assets held for sale	29	0	1,374	4,854	0	0	0	0	6,228
At 31 December		0	0	0	0	0	0	0	0
Net book value									
At 31 December 2009		41,563	19,159	58,632	10,924	185,087	98,885	32,535	446,785

**NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)**

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The freehold land and buildings stated at valuation were revalued by the Directors on 31 December 2010 based on open market valuations carried out by an independent firm of professional valuers, 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:

	2010 RM'000	GROUP 2009 RM'000
Cost		
Freehold land	20,093	19,536
Buildings	15,990	61,626
	36,083	81,162
Accumulated depreciation		
Buildings	(1,822)	(8,067)
Net book value	34,261	73,095

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

	2010 RM'000	GROUP 2009 RM'000
Assets under hire purchase and finance leases:		
- additions during the financial year (Note 37(ii))	6,117	2,883
- net book value at the end of financial year	29,642	27,668

The net book value of property, plant and equipment pledged for borrowing facility (Note 31) as at 31 December 2010 is RM4,000,000 (2009: RM30,099,000).

Borrowing costs of RM Nil (2009: RM1,030,000), 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.

18 PREPAID LEASES

	2010 RM'000	GROUP 2009 RM'000
Cost		(Restated)
At 1 January	19,572	5,939
- effect of adoption of Amendment to FRS 117	(19,572)	(5,939)
As restated	0	0

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FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

18 PREPAID LEASES (CONTINUED)

	2010 RM'000	GROUP 2009 RM'000
<u>Less: Accumulated amortisation</u>		
At 1 January	(413)	(313)
- effect of adoption of Amendment to FRS 117	413	313
As restated	0	0
<u>Less: Accumulated impairment losses</u>		
1 January	0	(1,374)
- effect of adoption of Amendment to FRS 117	0	1,374
At 31 December	0	0
Net book value	0	0

19 INVESTMENT PROPERTIES

	2010 RM'000	GROUP 2009 RM'000
At 1 January	23,215	25,488
Additions	840	3,770
Reclassification from non-current asset held for sales (Note 29)	0	2,107
Gain/(loss) on fair value (Note 8(a))	755	(150)
Reclassification to property, plant and equipment (Note 17)	0	(8,000)
At 31 December	24,810	23,215

The fair value of the properties was estimated at RM24,810,000 (2009: RM23,215,000) 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 profit or loss:

	2010 RM'000	GROUP 2009 RM'000
Rental income	(193)	(193)
Direct operating expenses arising from investment properties that generate rental income	5	5

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FINANCIAL STATEMENTS
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20 INTEREST IN SUBSIDIARIES

Interest in subsidiaries is made up as follows:

	COMPANY	
	2010 RM'000	2009 RM'000
Unquoted shares, at cost	222,631	222,631
Loans in subsidiaries	539,991	0
	762,622	222,631

During the financial year, the Company has reclassified amounts due from subsidiaries amounting to RM540 million to investment in subsidiaries. This reclassification is in compliance with FRS 139, "Financial instrument: Recognition and Measurement" to reclassify balances when the intercompany advances are not of commercial nature, interest free with no fixed terms of repayment.

(a) The following are subsidiaries of the Company:

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2010	2009	
		%	%	
Johor Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Ipoh Specialist Hospital Sdn Bhd	Malaysia	98	98	Operating as a specialist hospital
Kumpulan Perubatan (Johor) Sdn Bhd	Malaysia	100	100	Investment holding, provision of management services, rental of equipment and health screening services through wellness program
Puteri Specialist Hospital (Johor) Sdn Bhd#	Malaysia	100	100	Operating as a specialist hospital
Tawakal Holdings Sdn Bhd	Malaysia	100	100	Investment holding
<u>Subsidiary of</u> <u>Johor Specialist Hospital Sdn Bhd</u>				
Renalcare Perubatan (M) Sdn Bhd	Malaysia	100	100	Retail shop
<u>Subsidiary of</u> <u>Tawakal Holdings Sdn Bhd</u>				
Pusat Pakar Tawakal Sdn Bhd +	Malaysia	100	100	Operating as a specialist hospital
<u>Subsidiaries of Kumpulan</u> <u>Perubatan (Johor) Sdn Bhd</u>				
Bukit Mertajam Specialist Hospital Sdn Bhd	Malaysia	100	70	Operating as a specialist hospital
Kota Kinabalu Specialist Hospital Sdn Bhd	Malaysia	97	97	Operating as a specialist hospital

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

20 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
		2010	2009	
		%	%	
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Damansara Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Kuantan Specialist Hospital Sdn Bhd	Malaysia	77	77	Operating as a specialist hospital
Perdana Specialist Hospital Sdn Bhd	Malaysia	61	61	Operating as a specialist hospital
Ampang Puteri Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Kuching Specialist Hospital Sdn Bhd	Malaysia	70	70	Operating as a specialist hospital
Selangor Specialist Hospital Sdn Bhd	Malaysia	60	60	Operating as a specialist hospital
Sentosa Medical Centre Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Seremban Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Kajang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Taiping Medical Centre Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Pusat Pakar Kluang Utama Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Penang Specialist Hospital Sdn Bhd (fka Prai Specialist Hospital Sdn Bhd)	Malaysia	100	100	Operating as a specialist hospital
Bandar Baru Klang Specialist Hospital Sdn Bhd	Malaysia	100	100	Dormant
Sterile Services Sdn Bhd	Malaysia	65	65	Provision of equipment sterilizing services
Puteri Nursing College Sdn Bhd	Malaysia	100	100	Operating a private nursing college
Pharmaserv Alliances Sdn Bhd	Malaysia	100	100	Marketing and distribution of medical and pharmaceutical products

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

20 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
		2010	2009	
		%	%	
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
PT Khasanah Putera Jakarta Medika*	Indonesia	75	75	Operating as a specialist hospital
PharmaCARE Sdn Bhd ≠	Malaysia	100	100	Providing human resource, training services and rental of human resource information system
SMC Healthcare Sdn Bhd	Malaysia	51	0	Operating as a specialist hospital
Diaper Technology Industries Sdn Bhd	Malaysia	94	94	Providing information technology related services and rental of software
Fabricare Laundry Sdn Bhd ≠	Malaysia	90	90	Providing laundry services
Teraju Farma Sdn Bhd	Malaysia	75	75	Distribution of medical and pharmaceutical products
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	100	Pathology and laboratory services
KPJ Medik TV Sdn Bhd ≠	Malaysia	100	100	Dormant
Pasir Gudang Specialist Hospital Sdn Bhd ≠	Malaysia	100	0	Dormant
Point Zone (M) Sdn Bhd ≠	Malaysia	100	0	Dormant
Pahang Specialist Hospital Sdn Bhd (fka Evolusi Spektra Sdn Bhd) ≠	Malaysia	100	0	Dormant
Skop Yakim (M) Sdn Bhd ≠	Malaysia	90	0	General merchandise
Healthcare IT Solutions Sdn Bhd (fka Niche Galaxy (M) Sdn Bhd) ≠	Malaysia	90	0	Providing healthcare information technology services

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

20 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
		2010	2009	
		%	%	
Subsidiary of				
<u>Selangor Specialist Hospital Sdn Bhd</u>				
Hospital Pusrawi SMC Sdn Bhd ≠	Malaysia	51	51	Operating as a specialist hospital
Subsidiary of				
<u>Sentosa Medical Centre Sdn Bhd</u>				
Renal-Link Sentosa Sdn Bhd	Malaysia	100	100	Dormant
Subsidiary of				
<u>PharmaCARE Sdn Bhd</u>				
Open Access Sdn Bhd	Malaysia	100	100	Retail pharmacy
Subsidiaries of				
<u>Pharmaserv Alliances Sdn Bhd</u>				
Medical Supplies (Sarawak) Sdn Bhd	Malaysia	75	75	Distributor of pharmaceutical products
Malaysian Institute of Healthcare Management Sdn Bhd	Malaysia	75	75	Dormant
FP Marketing (S) Pte Ltd *	Singapore	100	100	Import, export and distributors of pharmaceutical, medical and consumer healthcare products
Subsidiary of				
<u>SMC Healthcare Sdn Bhd</u>				
Amity Development Sdn Bhd	Malaysia	51	0	Dormant

Direct equity holding by the Company is **84%** (2009: 84%)

+ Direct equity holding by the Company is **14%** (2009: 14%)

^ Direct equity holding by the Company is **10%** (2009: 10%)

* Audited by firms other than PricewaterhouseCoopers International Limited

≠ Audited by firms other than PricewaterhouseCoopers, Malaysia

(b) Acquisition of companies in 2010

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

	2010 RM'000
Additional interests in subsidiaries [Note (b)(i)]	4,698
Subscription of rights issue in subsidiaries [Note (b)(iii), (b)(iv), (b)(vi) and (b)(vii)]	17,430
Acquisition of interests in newly acquired subsidiaries [Note (b)(ii) and (b)(v)]	56,600
	78,728
Less: Cash and cash equivalents of subsidiaries acquired	(18,200)
Cash outflow of the Group on acquisition of subsidiaries	60,528

**NOTES TO THE
FINANCIAL STATEMENTS
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20 INTEREST IN SUBSIDIARIES (CONTINUED)

(b) Acquisition of companies in 2010 (continued)

- (i) On 20 May 2010, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") entered into a conditional Share and Purchase Agreement ("SPA") with Penang Development Corporation for the acquisition of 4,050,000 ordinary shares of RM1.00 each which is the remaining of 30% of equity interest in Bukit Mertajam Specialist Hospital Sdn Bhd ("BMSHSB") for a cash consideration of RM4,698,000. As a result of the acquisition, BMSHSB become a wholly-owned subsidiary of KPJSB. The fair value of net assets in Bukit Mertajam Specialist Hospital Sdn Bhd at the date of acquisition was RM4,085,659 and goodwill arising from the acquisition amounted to RM612,341.
- (ii) On 6 January 2010, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") entered into a conditional Share Sale Agreement ("SSA") with Sabah Medical Centre Sdn Bhd for the acquisition of 40.8 million ordinary shares of RM1.00 each which is equivalent to 51% of equity interest in SMC Healthcare Sdn Bhd ("SMCH") for a cash consideration of RM51.0 million. KPJSB had 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 was completed on 25 June 2010. The fair value of net assets in SMCH at the date of acquisition was RM34,465,000 and goodwill arising from the acquisition amounted to RM16,535,000.
- (iii) On 2 June 2010, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") subscribed to a rights issue for a further 3,250,000 in Sterile Services Sdn Bhd for a cash consideration of RM3,250,000.
- (iv) On 15 November 2010, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") subscribed to a rights issue for a further 14,000,000 ordinary shares of RM1.00 in Puteri Nursing College ("KPJIC") for a cash consideration of RM14,000,000.
- (v) On 17 December 2010, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") entered into a conditional Sale and Purchase Agreement ("SPA") for the acquisition of 80,000 ordinary shares of RM1.00 each which is equivalent to 80% of equity interest in Sri Kota Refractive & Eye Centre Sdn Bhd ("Eye Centre") for a cash consideration of RM5,600,000. The fair value of net assets in Eye Centre at the date of acquisition was RM2,020,853 and goodwill arising from the acquisition amounted to RM3,579,143.
- (vi) On 15 March 2010, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") subscribed to a rights issue for a further 89,998 ordinary shares of RM1.00 in Healthcare IT Solutions Sdn Bhd for a cash consideration of RM89,998.
- (vii) On 15 March 2010, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") subscribed to a rights issue for a further 89,998 ordinary shares of RM1.00 in Skop Yakin (M) Sdn Bhd for a cash consideration of RM89,998.

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

	2010 RM'000
Revenue	14,988
Operating costs	(12,690)
Profit before tax	2,298
Tax expense	(582)
	1,716
Minority interest	0
Profit for the financial year	1,716

Had the acquisitions took effect at the beginning of the financial year, the revenue and profit of the Group would have been RM65,460,369 and RM9,146,900 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 2010, together with the consequential tax effect.

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FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

20 INTEREST IN SUBSIDIARIES (CONTINUED)

(b) Acquisition of companies in 2010 (continued)

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 RM'000	Fair value RM'000
SMC Healthcare Sdn Bhd		
Property, plant and equipment	18,007	18,007
Inventories	2,036	2,036
Receivables, deposits and prepayments	6,596	6,596
Deposits, bank and cash balances	18,303	18,303
Payables	(6,397)	(6,397)
Deferred tax liabilities	(4,080)	(4,080)
Fair value of net assets acquired	34,465	34,465
Goodwill on acquisition		16,535
Purchase consideration settled in cash		51,000
Less: Cash and cash equivalents of subsidiaries acquired		(18,303)
Cash outflow of the Group on acquisition		32,697
Sri Kota Refractive & Eye Centre Sdn Bhd		
Property, plant and equipment	1,562	1,562
Investment	140	140
Inventories	421	421
Receivables, deposits and prepayments	709	709
Bank overdraft	(103)	(103)
Tax payable	(170)	(170)
Payables	(415)	(415)
Deferred tax liabilities	(123)	(123)
Fair value of net assets acquired	2,021	2,021
Goodwill on acquisition		3,579
Purchase consideration settled in cash		5,600
Less: Cash and cash equivalents of subsidiaries acquired		103
Cash outflow of the Group on acquisition		5,703

**NOTES TO THE
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20 INTEREST IN SUBSIDIARIES (CONTINUED)

(b) Acquisition of companies in 2010 (continued)

A summary of the details of net assets acquired and cash flows arising from the acquisitions during the financial year are as follows:

	Acquiree's carrying amount RM'000	Fair value RM'000
Property, plant and equipment	19,569	19,569
Investment	140	140
Inventories	2,457	2,457
Receivables, deposits and prepayments	7,305	7,305
Deposit, cash and bank balance	18,303	18,303
Tax payable	(170)	(170)
Payables	(6,812)	(6,812)
Bank Overdraft	(103)	(103)
Deferred tax liabilities	(4,203)	(4,203)
Net assets acquired	36,486	36,486
Share of net assets acquired from minority interest		4,086
Fair value of net assets acquired		40,572
Goodwill on acquisition (Note 23)		20,726
Purchase consideration settled in cash		61,298
Less: Cash and cash equivalents of subsidiaries acquired		(18,200)
Cash outflow of the Group on acquisition of subsidiaries		43,098

(c) 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 RM57,000.

The acquisition stated in Note (c)(i), (c)(ii) and (c)(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.

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

20 INTEREST IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of companies in 2009 (continued)

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

	SSH RM'000	LMSB RM'000	KKSH RM'000	Total 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

21 INTEREST IN ASSOCIATES

	GROUP 2010 RM'000	2009 RM'000
Quoted ordinary shares in Al-'Aqar KPJ REIT, at cost	279,310	220,600
Less: Accumulated impairment losses	0	(6,460)
	279,310	214,140
Unquoted ordinary shares, at cost	10,312	10,312
Group's share of post acquisition retained profits and reserves less losses	17,730	15,030
	307,352	239,482
Share of capital commitments for property, plant and equipment	2,505	1,610
Share of non-cancellable operating lease commitments	21,785	23,521
Market value of quoted ordinary shares in Al-'Aqar KPJ REIT	319,481	222,383

The associates of the Group are as follows:

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2010	2009	
		%	%	
Unit trusts				
Al-'Aqar KPJ REIT ≠	Malaysia	49	43	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

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FINANCIAL STATEMENTS
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21 INTEREST IN ASSOCIATES (CONTINUED)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2010	2009	
		%	%	
Associates of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Healthcare Technical Services Sdn Bhd	Malaysia	30	30	Project management and engineering maintenance services for specialist hospital
Associates of Sri Kota Refractive & Eye Centre Sdn Bhd				
HSC Centre For Sight Sdn Bhd ≠	Malaysia	28	0	Operating a one-stop eye care centre

≠ 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	
	2010 RM'000	2009 RM'000
Revenue	172,533	151,471
Profit after tax	47,290	60,058
Non-current assets	1,156,826	1,006,076
Current assets	87,923	83,429
Current liabilities	(47,362)	(61,796)
Non-current liabilities	(530,316)	(444,449)
Net assets	667,071	583,260

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	GROUP	
	2010 RM'000	2009 RM'000
At 1 January	3,275	3,980
Addition	0	286
Impairment loss	0	(991)
Fair value gain recognised in other comprehensive income	172	0
At 31 December	3,447	3,275
Analysed as follow:		
- listed equity securities in Malaysia	8	4
- unlisted equity securities in Malaysia	3,439	3,271

Available-for-sale financial assets are denominated in Ringgit Malaysia. None of these financial assets is impaired.

NOTES TO THE
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23 INTANGIBLE ASSETS

GOODWILL

	2010 RM'000	GROUP 2009 RM'000
Cost		
At 1 January	115,591	110,244
Acquisitions of subsidiary companies (Note 20)	20,726	5,347
At 31 December	136,317	115,591

24 IMPAIRMENT OF ASSETS

Impairment tests for goodwill

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

	2010 RM'000	GROUP 2009 RM'000
Hospitals		
- Malaysia	131,139	113,992
- Indonesia	1,060	1,060
Support services	4,118	539
	136,317	115,591

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:

	2010 %	2009 %
Gross margin ¹	29	28
Growth rate ²	7	7
Discount rate ³	12	12
Terminal growth rate	5	5

Assumptions:

¹Budgeted gross margin

²Weighted average growth rate used to extrapolate cash flows beyond the budget period

³Pre-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.

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FINANCIAL STATEMENTS
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25 DEFERRED TAXATION

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

	GROUP	
	2010 RM'000	2009 RM'000
Deferred tax assets	15,864	13,898
Deferred tax liabilities		
- subject to income tax	(41,204)	(22,517)
At 31 December	(25,340)	(8,619)

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	
	2010 RM'000	2009 RM'000
At 1 January	(8,619)	(3,682)
(Charged)/credited to profit or loss (Note 14):		
- property, plant and equipment	(4,360)	(2,202)
- tax losses	(1,056)	(905)
- provisions	(115)	(1,830)
	(5,531)	(4,937)
Charged to equity	(3,036)	0
Deferred tax arising from acquisition	(8,154)	0
At 31 December	(25,340)	(8,619)

Subject to income tax

Deferred tax assets (before offsetting)		
- tax losses	8,610	9,666
- property, plant and equipment	17,910	12,020
- provisions	3,959	4,074
	30,479	25,760
Offsetting	(14,615)	(11,862)
Deferred tax assets (after offsetting)	15,864	13,898
Deferred tax liabilities (before offsetting)		
- property, plant and equipment	(55,819)	(34,379)
	(55,819)	(34,379)
Offsetting	14,615	11,862
Deferred tax liabilities (after offsetting)	(41,204)	(22,517)

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

25 DEFERRED TAXATION (CONTINUED)

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

	GROUP	
	2010 RM'000	2009 RM'000
Deductible temporary differences	0	109
Unutilised tax losses	2,753	18,545

26 INVENTORIES

	GROUP	
	2010 RM'000	2009 RM'000
At cost:		
Pharmaceutical products	29,206	20,900
Medical supplies	7,194	5,887
Consumables and disposable items	4,538	2,291
Laboratory chemicals	517	527
Other supplies	160	92
	41,615	29,697

27 RECEIVABLES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-current				
Advances to subsidiaries	0	0	94,386	0
Current				
Trade receivables	227,374	170,231	0	0
Less: provision for impairment of trade receivables	(17,503)	(11,032)	0	0
Trade receivables – net	209,871	159,199	0	0
Amount due from former ultimate holding corporation	185	78	0	0
Amount due from subsidiaries	0	0	29,465	537,463
Amount due from associates	595	447	41	52
Amount due from former related companies	95	3,736	0	0
Amount due from subsidiary's minority shareholder	0	7	0	0
Other receivables	41,490	21,032	2,447	5,407
Deposits	28,697	28,450	0	0
Prepayments	17,494	30,484	774	1,653
	298,427	243,433	32,727	544,575

**NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)**

27 RECEIVABLES (CONTINUED)

Advances given to subsidiaries amounting to RM94 million are unsecured, bearing effective weighted average interest rate of 2.85% per annum and shall be repaid within 7 years.

Credit terms of trade receivables range from 0 to 60 days (2009: 0 to 45 days)

As of 31 December 2010, trade receivables of RM162,833,000 is neither past due nor impaired and RM47,038,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010 RM'000
Up to 3 months	22,027
3-6 months	14,003
6-12 months	11,008
	47,038

As of 31 December 2010, trade receivables of RM17,503,000 were impaired and provided for. The amount of the provision was RM17,503,000 as of 31 December 2010.

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

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Ringgit Malaysia	278,114	210,591	31,953	542,922
Singapore Dollar	923	2,358	0	0
Indonesian Rupiah	1,896	0	0	0
	280,933	212,949	31,953	542,922

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

28 DEPOSITS, CASH AND BANK BALANCES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits with licensed banks	74,622	37,687	0	0
Cash and bank balances	122,496	106,177	13,593	10,191
	197,118	143,864	13,593	10,191

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

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

28 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

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

	2010 RM'000	GROUP 2009 RM'000
Performance bonds to Tenaga Nasional Berhad	4,059	180
As a security for:		
- borrowing facilities	1,128	1,359
- performance guarantee of RM112,000 (2009: RM112,000)	112	112
	5,299	1,651

The weighted average interest rates of deposits with licensed banks of the Group during the financial year were 2.76% (2009: 2.37%) per annum.

The currency exposure profile of deposits, cash and bank balances as at end of the reporting period is as follows:

	2010 RM'000	GROUP 2009 RM'000	2010 RM'000	COMPANY 2009 RM'000
Ringgit Malaysia	188,479	141,392	13,593	10,191
Singapore Dollar	4,417	2,472	0	0
Indonesian Rupiah	4,222	0	0	0
	197,118	143,864	13,593	10,191

Deposits of the Group have an average maturity of 365 days (2009: 365 days).

29 NON-CURRENT ASSETS HELD FOR SALE

	2010 RM'000	GROUP 2009 RM'000
Hospitals land and buildings		
At 1 January	103,765	246,478
Additions	12,526	7,306
Reclassification from property, plant and equipment (Note 17)	106,321	16,537
Disposals	(116,638)	(164,449)
Reclassification to investment properties (Note 19)	0	(2,107)
At 31 December	105,974	103,765

- (a) During the financial year, KPJ Healthcare Berhad disposed KPJ Tawakkal Specialist Hospital's new building on 4 June 2010 upon issuance of the certificate of fitness resulting in gain on disposal of RM290,000.
- (b) On 30 April 2010, KPJ proposed to dispose its entire interest in Rumah Sakit Bumi Serpong Damai ("RSBSD") 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 RM56.64 million new units in Al-'Aqar at an issue price of RM0.98 per unit to be credited as fully paid-up. The proposed disposal was approved by shareholders on 17 December 2010.

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

30 PAYABLES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-current				
Advances from subsidiaries	0	0	242,754	0
Current				
Trade payables	186,690	157,001	0	0
Other payables	97,508	67,552	504	8,638
Accruals	23,249	28,418	3,889	1,203
Amount due to minority shareholders	0	1,529	0	0
Amount due to former ultimate holding corporation	302	344	93	144
Amounts due to subsidiaries	0	0	24,526	250,736
Amounts due to former related companies	358	5,501	50	50
Amounts due to associated companies	0	336	0	0
	308,107	260,681	29,062	260,771

Advances given by subsidiaries amounting to RM243 million are unsecured, bearing effective weighted average interest rate of 2.85% per annum and shall be repaid within 7 years.

Amounts due to minority shareholders, former 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 (2009: 30 to 60 days).

The currency exposure profile of payables is as follows:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Ringgit Malaysia	295,640	253,663	29,062	260,771
Singapore Dollar	9,530	7,018	0	0
Indonesian Rupiah	2,937	0	0	0
	308,107	260,681	29,062	260,771

31 BORROWINGS

	GROUP	
	2010 RM'000	2009 RM'000
Current		
Term loans (secured)	7,988	10,543
Commercial papers (unsecured)	249,000	0
Revolving credits (unsecured)		
- Conventional	47,037	43,000
- Al-Amin	50,000	0
	97,037	43,000

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

31 BORROWINGS (CONTINUED)

	GROUP	
	2010 RM'000	2009 RM'000
Current (continued)		
Islamic facilities:		
- Hiwalah term loan (secured)	1,200	1,200
- Al-Ijarah	207	0
	1,407	1,200
Hire purchase and finance lease liabilities		
- Conventional	5,985	11,219
- Bai Al-Inah	1,241	0
	7,226	11,219
Bank overdrafts (unsecured)	362,658	65,962
	18	15
	362,676	65,977
Non-current		
Term loans (secured)	18,599	41,304
Commercial papers (unsecured)	0	249,000
Islamic facilities:		
- Hiwalah term loan (secured)	900	2,100
- Al-Ijarah	730	0
	1,630	2,100
Hire purchase and finance lease liabilities		
- Conventional	9,987	10,415
- Bai Al-Inah	6,531	0
	16,518	10,415
	36,747	302,819
Total		
Term loans (secured)	26,587	51,847
Commercial papers (unsecured)	249,000	249,000
Revolving credits (unsecured)		
- Conventional	47,037	43,000
- Al-Amin	50,000	0
	97,037	43,000
Islamic facilities:		
- Hiwalah term loan (secured)	2,100	3,300
- Al-Ijarah	937	0
	3,037	3,300

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

31 BORROWINGS (CONTINUED)

	GROUP	
	2010 RM'000	2009 RM'000
Total (continued)		
Hire purchase and finance lease liabilities		
- Conventional	15,972	21,634
- Bai Al-Inah	7,772	0
	23,744	21,634
Bank overdrafts (unsecured)	18	15
	399,423	368,796

	COMPANY	
	2010 RM'000	2009 RM'000
Current		
Revolving credit		
- Al-Amin	50,000	0
Commercial papers (unsecured)	249,000	0
	299,000	0
Non-current		
Commercial papers (unsecured)	0	249,000
Total		
Revolving credit		
- Al-Amin	50,000	0
Commercial papers (unsecured)	249,000	249,000
	299,000	249,000

Borrowings for the Group and the Company are denominated in Ringgit Malaysia.

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

31 BORROWINGS (CONTINUED)

	Functional currency/ currency exposure	Interest rate	Effective interest rate at the end of the reporting period % per annum	Total carrying amount RM'000	Maturity profile					
					<1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	>5 years RM'000

2010

Group

Term loans (secured)	RM/RM	Floating	5.35	26,587	7,988	8,569	6,259	938	2,833	0
Commercial papers (unsecured)	RM/RM	Floating	2.85	249,000	249,000	0	0	0	0	0
Revolving credits (unsecured)										
- Conventional	RM/RM	Floating	2.75	47,037	47,037	0	0	0	0	0
- Al-Amin	RM/RM	Floating	2.75	50,000	50,000	0	0	0	0	0
Islamic facilities:										
- Hiwalah term loan (secured)	RM/RM	Fixed	7.80	2,100	1,200	900	0	0	0	0
- Al-Ijarah	RM/RM	Fixed	3.00	937	207	214	516	0	0	0
Hire purchase and finance lease liabilities										
- Conventional	RM/RM	Fixed	3.95	15,972	5,985	3,746	3,217	1,281	1,737	6
- Bai Al-Inah	RM/RM	Fixed	3.85	7,772	1,241	1,646	1,725	1,770	1,390	0
Bank overdrafts (unsecured)	RM/RM	Floating	7.80	18	18	0	0	0	0	0
				399,423	362,676	15,075	11,717	3,989	5,960	6

Company

Commercial papers (unsecured)	RM/RM	Floating	2.85	249,000	249,000	0	0	0	0	0
Revolving credit (unsecured)	RM/RM	Floating	2.75	50,000	50,000	0	0	0	0	0
				299,000	299,000	0	0	0	0	0

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
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**NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)**

31 BORROWINGS (CONTINUED)

	Not later than 1 year RM'000	Later than 1 year and not later than 2 years RM'000	Later than 2 years and not later than 3 years RM'000	Later than 3 years and not later than 4 years RM'000	Later than 4 years and not later than 5 years RM'000	Later than 5 years RM'000	Total RM'000
Group							
2010							
Hire purchase and finance lease liabilities							
- conventional	6,009	4,830	3,771	1,835	2,287	10	18,742
- Bai Al-Inah	1,787	1,662	1,741	1,786	878	0	7,854
	7,796	6,492	5,512	3,621	3,165	10	26,596
Less: Future finance charge							
- conventional							(2,770)
- Bai Al-Inah							(82)
							(2,852)
							23,744
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

The borrowings are secured by:

- fixed charge on certain landed properties of the Group (Note 17);
- 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.

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FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

31 BORROWINGS (CONTINUED)

The proceeds which were raised from the CP issued during the financial year have been utilised by the Group and the Company in the following manner:

	GROUP/COMPANY	
	2010	2009
	RM'000	RM'000
CP/MTN		
At 1 January	249,000	214,000
Issued during the financial year for working capital purposes	0	35,000
At 31 December	249,000	249,000

As at 31 December 2010, the unutilised amount of CP/MTN amounted to RM1 million (2009: RM1 million).

During the financial year, KPJ has proposed to refinance existing CP/MTN which is expiring in 2011 with the issuance of Islamic Commercial Papers/Islamic Medium Term Notes up to RM500 million. The proposed issuance was approved by Securities Commissioner on 27 December 2010.

32 DEFERRED REVENUE

	GROUP	
	2010	2009
	RM'000	RM'000
At 1 January	28,812	13,761
Additions	46,296	41,612
Earned during the financial year	(38,964)	(26,561)
At 31 December	36,144	28,812
Represented by:		
Students' fees	3,868	4,399
Accommodation fees	1,028	2,481
KPJ Wellness Subscription Fees	31,248	21,932
	36,144	28,812

33 DEPOSITS

Long term 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.

Long term deposits previously measured at cost, are now measured at fair value initially and subsequently at amortised costs using effective interest method. The differences between the fair value and cash value are recognised as deferred consultancy expenses and amortised using remaining service period to retirement (at age 65) of consultants. These amortisation expenses are charged to profit or loss.

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

33 DEPOSITS (CONTINUED)

	2010 RM'000	2009 RM'000
Represented by:		
Refundable practising fees	6,390	13,039
Deferred consultancy expenses	7,392	0
	13,782	13,039

34 SHARE CAPITAL

	GROUP/COMPANY	
	2010 RM'000	2009 RM'000
Authorised ordinary shares of RM0.50 each (2009: RM1 each)		
At 1 January/31 December	500,000	500,000
Issued and fully paid ordinary shares of RM0.50 each (2009: RM1 each):		
At 1 January	211,051	209,461
Issued during the financial year:		
- exercise of share options	0	1,590
- issuance of bonus shares	52,762	0
- exercise of share warrants	16,141	0
At 31 December	279,954	211,051

(a) Treasury shares

The treasury shares of the Company, by an ordinary resolution passed in a general meeting held on 31 May 2010, 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 bought back from the open market 10,000 units of KPJ Healthcare Berhad shares, listed on the Main Market of Bursa Malaysia Securities Berhad, at an average buy-back price of RM2.26 per share. The total consideration paid for share buy-back, including transaction costs, was RM22,765 and was financed by internally generated fund. The shares purchased were retained as treasury shares.

In the previous 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.

(b) Share split, bonus issue and free warrants

On 15 January 2010, the Company has subdivided its existing 211,050,615 ordinary shares of RM1 each into 422,101,230 ordinary shares of RM0.50 each ("Share Split").

After the Share Split, the Company issued bonus shares of up to 105,525,308 new ordinary shares of RM0.50 each, which credited as fully paid up by the Company, on the basis of one (1) Bonus Shares for every four (4) shares held by the entitled shareholders of the Company after the share split ("Bonus Issue").

After the Share Split and Bonus Issue, the Company issued up to 131,906,635 free warrants on the basis of one (1) free warrant for every four (4) shares held by the entitled shareholders of the Company after the Share Split and Bonus Issue.

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

34 SHARE CAPITAL (CONTINUED)

(b) Share split, bonus issue and free warrants (continued)

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

The warrants exercise period is five years commencing from the offer date. Warrant exercise price is 15% discount to the theoretical ex-all price based on five-day volume weighted-average market price up to and including 20 November 2009 ("price fixing date").

Set out below are details of the free warrants issued by the Company:

<u>Issuance date</u>	<u>Expiry date</u>	<u>Exercise price</u> RM/share	<u>Number of warrants 2010/2015</u>		
			<u>At</u> <u>15.01.2010</u> '000	<u>Exercised</u> '000	<u>At</u> <u>31.12.2010</u> '000
15 Jan 2010	14 Jan 2015	1.70	131,907	(32,281)	99,626

Details relating to warrants exercised during the period are as follows:

<u>Exercise date</u>	<u>Fair value of shares</u> <u>at share issue date</u> RM/share	<u>Exercise price</u> RM/share	<u>Number of shares issued</u>	
			<u>2010</u> '000	<u>2009</u> '000
16 Jan 2010 to 31 Dec 2010	2.54 – 3.78	1.70	32,281	0

Details relating to warrants exercised during the period are as follows: (continued)

	<u>GROUP/COMPANY</u>	
	<u>2010</u> RM'000	<u>2009</u> RM'000
Ordinary share capital – at par	16,141	0
Share premium	38,737	0
Proceeds from exercise of warrants	54,878	0
Fair value at exercise date of shares issued	113,122	0

The fair value of shares issued on the exercise of warrants is the mean market price at which the Company's shares were traded on the Main Market of Bursa Malaysia Securities Berhad on the day prior to the exercise of the warrants.

(c) 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.

NOTES TO THE
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 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

34 SHARE CAPITAL (CONTINUED)

(c) Employees' Share Option Scheme (continued)

The main features of the ESOS are as follows: (continued)

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.

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	
			2010 '000	2009 '000
1 Jan 2009 to 12 Jul 2009	2.00 – 3.31	1.33	0	1,590

	GROUP/COMPANY	
	2010 RM'000	2009 RM'000
Ordinary share capital - at par	0	1,590
Share premium	0	524
Proceeds received on exercise of options	0	2,114
Fair value at exercise date of shares issued	0	5,000

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 Market of Bursa Malaysia Securities Berhad on the day prior to the exercise of the options.

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

35 RESERVES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-distributable reserves:				
Share premium	43,759	36,391	38,737	31,369
Merger reserve	(3,367)	(3,367)	0	0
Exchange reserve	(1,295)	(235)	0	0
Revaluation reserve	56,110	50,456	0	0
Fair value reserve	172	0	0	0
	95,379	83,245	38,737	31,369
Distributable reserve:				
Retained earnings	393,337	337,715	459	26,495
	488,716	420,960	39,196	57,864

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 2010 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, 2009. As at 31 December 2010, 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.

Revaluation reserve (non-distributable)

	GROUP	
	2010 RM'000	2009 RM'000
At 1 January	50,456	42,622
Transfer to retained earnings on disposal of property, plant and equipment to Al-'Aqar KPJ REIT net of minority interest	0	(3,108)
Revaluation surplus, net of tax	5,654	12,508
Realisation of revaluation reserves due to impairment of asset	0	(1,566)
	5,654	7,834
At 31 December	56,110	50,456

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

36 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits, cash and bank balances (Note 28)	197,118	143,864	13,593	10,191
Less: Bank overdrafts (Note 31)	(18)	(15)	0	0
Less: Pledged fixed deposits (Note 28)	(5,299)	(1,651)	0	0
Cash and cash equivalents	191,801	142,198	13,593	10,191

37 NON-CASH TRANSACTIONS

The principal non-cash transactions during the financial year are as follows;

- (i) The acquisition of property, plant and equipment of which RM6,116,532 (2009: RM2,883,000) is by means of hire purchase and finance lease.
- (ii) During the year, the disposal of KPJ Tawakkal Specialist Hospital's new building for a total consideration of RM109.09 million, which was satisfied by issuance of RM58.71 million new units of shares of Al-'Aqar KPJ REIT at RM0.95 each and cash consideration of RM50.38 million. The disposal resulted in gain on disposal of RM290,000.
- (iii) In previous financial year, 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 Penang Specialist Hospital Sdn Bhd (fka 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.

38 SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to the related party disclosures elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms, conditions and prices obtainable in transactions with unrelated parties.

(a) Significant related party transactions

Type of transactions		COMPANY	
		2010 RM'000	2009 RM'000
<u>Paid/payable to/(received/receivable from)</u>			
<u>subsidiaries</u>			
Ampang Puteri Specialist Hospital Sdn Bhd	Management fees	(2,676)	(2,559)
	Advances received	1,829	(3,818)
	Dividend received (net)	(5,000)	(7,500)
	Interest expense	1,063	1,121
Bukit Mertajam Specialist Hospital Sdn Bhd	Management fees	(15)	(291)
	Interest income	0	(277)
	Advances received	0	(4,609)
	Interest on advances given	(22)	(277)
	Repayment of advances	0	(7,942)
	Advances given	0	2,890

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

		COMPANY	
		2010	2009
		RM'000	RM'000
<u>Paid/payable to/(received/receivable from)</u>			
<u>subsidiaries (continued)</u>			
Damansara Specialist Hospital Sdn Bhd	Management fees	(2,366)	(2,279)
	Advances received	(6,599)	(11,987)
	Dividend received (net)	(1,178)	(3,000)
	Interest expense	1,213	1,221
	Payment on behalf	0	156
Ipoh Specialist Hospital Sdn Bhd	Management fees	(2,709)	(2,513)
	Dividend received (net)	0	(1,329)
	Interest expense	877	324
	Repayment of advance	0	0
	Payment on behalf	0	205
	Advances received	(2,123)	(4,380)
Johor Specialist Hospital Sdn Bhd	Management fees	(2,568)	(2,364)
	Dividend received (net)	(15,097)	(4,632)
	Interest expense	944	791
	Payment on behalf	0	297
	Advances received	(5,607)	(10,661)
Kuching Specialist Hospital Sdn Bhd	Interest income	(346)	(658)
	Management fees	(816)	(595)
Kumpulan Perubatan (Johor) Sdn Bhd	Interest income	(1,717)	(1,478)
Kuantan Specialist Hospital Sdn Bhd	Management fees	(696)	(682)
	Interest expense	487	325
Pharmaserv Alliances Sdn Bhd	Management fees	(2,838)	(2,624)
	Interest income	(498)	(743)
Puteri Nursing College Sdn Bhd	Management fees	(1,200)	(1,200)
Perdana Specialist Hospital Sdn Bhd	Interest income	(410)	(665)
	Advances given	0	0
	Repayment of advance	0	500
	Management fees	(735)	(649)
	Payment on behalf	0	118
Puteri Specialist Hospital (Johor) Sdn Bhd	Management fees	(1,841)	(2,034)
	Dividend received (net)	(3,900)	(2,918)
	Interest expense	457	281
	Advances received	(7,983)	(3,743)
Pusat Pakar Tawakal Sdn Bhd	Management fees	(1,665)	(1,454)
	Dividend received (net)	(255)	(191)
Penang Specialist Hospital Sdn Bhd (fka Prai Specialist Hospital Sdn Bhd)	Interest income	(398)	(301)
	Advances given	602	12,689

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

		COMPANY	
		2010	2009
		RM'000	RM'000
<u>Paid/payable to/(received/receivable from)</u> <u>subsidiaries (continued)</u>			
Selangor Specialist Hospital Sdn Bhd	Management fees	(1,586)	(1,403)
	Advances given	0	(9,000)
	Advances Cumulative		
	Irredeemable Convertible		
	Preference Shares	0	0
	Insurance premium	0	262
	Interest expense	671	867
Sentosa Specialist Hospital Sdn Bhd	Management fees	(866)	(867)
	Dividend received (net)	(4,346)	(1,000)
	Interest expense	457	515
Seremban Specialist Hospital Sdn Bhd	Management fees	(1,299)	(1,287)
	Interest income	0	(566)
	Advances received	(2,301)	(4,361)
Tawakal Holdings Sdn Bhd	Dividend received (net)	(114)	(85)
Kajang Specialist Hospital Sdn Bhd	Management fees	(1,011)	(846)
	Insurance premium	0	(186)
Lablink (M) Sdn Bhd	Management fees	(150)	(150)
Taiping Medical Centre Sdn Bhd	Advances received	0	(5,883)
	Management fees	(162)	(171)
	Repayment of advances	0	0
	Interest expense	0	161
	Interest income on advance	0	0
Pusat Pakar Kluang Utama Sdn Bhd	Management fees	(230)	(178)
	Advances given	(3,077)	(5,632)

The balances outstanding with related parties in respect of the above transactions are as disclosed in Notes 27 and 30.

(b) Key management personnel compensation

		GROUP/COMPANY	
		2010	2009
		RM'000	RM'000
Salaries, allowances and bonus		3,399	3,177
Contribution to defined contribution plan		408	381
		3,807	3,558

**NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)**

39 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows:

	GROUP	
	2010 RM'000	2009 RM'000
Represented by:		
Not later than 1 year	75,306	63,347
Later than 1 year and not later than 2 years	81,720	130,399
Later than 2 years and not later than 5 years	251,706	349,513
Later than 5 years	596,356	329,233
	1,005,088	872,492

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.

40 CONTINGENT LIABILITIES

	COMPANY	
	2010 RM'000	2009 RM'000
Corporate guarantees given for banking facilities (unsecured)		
- subsidiaries	2,657	5,716

41 SIGNIFICANT EVENTS

- (a) On 16 December 2010, 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 was completed on 12 April 2010.
- (b) 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 was completed on 25 June 2010.
- (c) On 31 March 2010, Pasir Gudang Specialist Hospital Sdn Bhd, wholly-owned subsidiary of KPJSB, entered into conditional Sale and Purchase Agreement ("SPA") with Johor Land Bhd for the proposed acquisition of a 3.247 acre leasehold land for a purchase consideration of RM7.07 million. The acquisition was completed on 22 April 2010.
- (d) On 9 March 2010, the Company proposed 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.
- (e) On 12 November 2010, the Company proposed to issue Islamic Commercial Papers/Islamic Medium Term Notes ("ICP/MTN") of up to RM500 million by Point Zone (M) Sdn Bhd (Point Zone). Point Zone, a 100% owned subsidiary of KPJ, intends to refinance the Company's existing RM250.0 million ICP/MTN with the balance proceeds to finance the Group's capital expenditure requirement related to its expansion plan and working capital requirement. The proposed issuance was approved by Securities Commission on 27 December 2010 and expected to take place in 2011.

NOTES TO THE
FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

42 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements is as follows:

	2010 RM'000	GROUP 2009 RM'000
Authorised by the Directors and contracted	88,969	77,415
Authorised by the Directors but not contracted	323,514	191,320
	412,483	268,735
Analysed as follows:		
- Leasehold land	9,536	6,269
- Buildings	267,804	163,264
- Medical equipment	106,506	68,818
- Other property, plant and equipment	28,637	30,384
	412,483	268,735

The Group's interest in capital commitments of the associates is disclosed in Note 21.

43 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES LISTING REQUIREMENT

The following analysis of realised and unrealised retained profits/(accumulated losses) is prepared pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No.1 – Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	GROUP As at 31.12.2010 RM'000
Total retained profits/(accumulated losses) of KPJ Healthcare Berhad and its subsidiaries:	
- Realised	418,101
- Unrealised	(23,065)
	395,036
Total share of retained profits/(accumulated losses) from associated companies:	
- Realised	19,363
- Unrealised	(1,205)
	413,194
Less: Consolidation adjustments	(19,857)
Total Group retained profits as per consolidated accounts	393,337

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

The total retained profits of the Company as at 31 December 2010 amounting to RM459,000 is fully realised.

**NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)**

44 CHANGES IN ACCOUNTING POLICY

- (i) The effects of the changes in accounting policy to each of the line items in the Group's and Company's statements of financial position for the financial period ended 1 January 2009, 31 December 2009 and 1 January 2010 are as follows:

GROUP	Balance as at 1 January 2009		
	As previously stated RM'000	FRS 117 RM'000	As restated RM'000
Property, plant and equipment	303,683	4,252	307,935
Prepaid lease rental	4,252	(4,252)	0

	Balance as at 31 December 2009			Balances as at 1 January 2010	
	As previously stated RM'000	FRS 117 RM'000	As restated RM'000	FRS 139 RM'000	As adjusted RM'000
GROUP					
Property, plant and equipment	427,626	19,159	446,785	0	446,785
Prepaid lease rental	19,159	(19,159)	0	0	0
Receivables	243,433	0	243,433	(2,809)	240,624
Payables	(260,681)	0	(260,681)	2,054	(258,627)
Retained earnings	(337,715)	0	(337,715)	755	(336,960)
COMPANY					
Interest in subsidiaries	222,631	0	222,631	394,994	617,625
Advances to subsidiaries	0	0	0	95,753	95,753
Trade and other receivables	544,575	0	544,575	(490,747)	53,828
Advances from subsidiaries	0	0	0	(231,737)	(231,737)
Trade and other payables	(260,771)	0	(260,771)	231,737	(29,034)

- (ii) Impact on the Group's and the Company's statements of comprehensive income:

GROUP	Increase/(decrease) for the financial year ended 31 December 2010	
	FRS 139 RM'000	Total RM'000
Cost of sales	(414)	(414)
Finance costs	329	329
Profit before taxation/profit for the year	85	85
Other comprehensive income:		
Fair value gains on available-for-sale financial assets	172	172

The adoption of FRS 139 has no significant effect on the results of the Company for the financial year ended 31 December 2010.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

45 EVENTS SUBSEQUENT TO END OF REPORTING PERIOD

- (a) On 22 September 2010, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") entered into a conditional Subscription Deed for the acquisition of up to 367,605 new ordinary units in Jeta Garden Waterford Trust ("JGWT") (representing up to 51% equity interest in JGWT) and up to 3,308,415 10-year convertible notes into new ordinary units in JGWT for a total cash consideration of up to RM19,000,000 ("Proposed Acquisition").

On 9 February 2011, KPJSB has transferred RM4,750,000, representing a 21% equity investment in JGWT. The balance of the equity investment in JGWT granted to KPJSB via a put and call option which is exercisable between 1 July 2011 until 1 August 2011 at an issue price of AUD1.

The Proposed Acquisition expected to be completed by 3rd quarter 2011.

- (b) On 18 January 2011, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") entered into a Share Sale Agreement for the acquisition of:
- (i) 100% equity interest in Sibu Medical Centre Corporation Sdn Bhd ("SMCC") comprising 6,624,944 ordinary share of RM1.00 each for an aggregate purchase consideration of RM26,904,000.
 - (ii) 100% equity interest in Sibu Geriatric Health & Nursing Centre Sdn Bhd ("SGHNC") comprising 1,080,000 share for an aggregate purchase consideration of RM1,242,000.

The acquisition is expected to be completed by the first half 2011.

46 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 31 March 2011.

SHAREHOLDINGS STATISTICS

AS AT 20 APRIL 2011

Authorised Share Capital : RM500,000,000
 Issued & Fully Paid-Up Capital : RM283,160,112.50 less RM5,000 Treasury Shares = RM283,155,112.50
 Class of Shares : Ordinary Share of RM0.50 each

VOTING RIGHT OF SHAREHOLDERS

Every member of the Company present in person or by proxy shall have one vote on a show of hand and in the case of a poll shall have one vote for every share of which he/she is the holder.

BREAK DOWN OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	187	3.86	4,413	-
100 – 1000	940	19.43	806,740	0.14
1,001 – 10,000	2,762	57.08	11,567,612	2.04
10,001 – 100,000	736	15.21	25,322,834	4.47
100,001 to less than 5% of Issued Capital	211	4.36	218,289,145	38.55
5% and above of Issued Capital	3	0.06	310,319,481	54.80
TOTAL	4,839	100.00	566,310,225	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	217,638,305	38.43
2 Waqaf An-Nur Corporation Berhad	46,487,602	8.21
3 Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	46,193,574	8.16
4 Lembaga Tabung Haji	27,043,200	4.78
5 Johor Corporation	14,029,000	2.48
6 Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board (Nomura)	9,216,000	1.63
7 AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	8,750,000	1.55
8 Cartaban Noms (A) Sdn Bhd - A/C BBH (Lux) SCA for Fidelity Funds Asean	6,616,300	1.17
9 Cartaban Noms (A) Sdn Bhd - A/C SSBT Fund W4B3 for Wasatch Emerging Markets Small Cap Fund	6,597,658	1.17
10 HSBC Noms (A) Sdn Bhd - A/C Exempt An for J.P. Morgan Bank Luxembourg S.A.	6,251,788	1.10
11 Johor Corporation	5,760,875	1.02
12 AmanahRaya Trustees Berhad - A/C Public Islamic Dividend Fund	5,305,000	0.94
13 AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	5,025,750	0.89
14 HSBC Noms (A) Sdn Bhd - A/C Best Investment Corporation	4,675,775	0.83
15 AmanahRaya Trustees Berhad - A/C Public Islamic Sector Select Fund	4,253,800	0.75
16 AmanahRaya Trustees Berhad - A/C Public Islamic Optimal Growth Fund	4,225,250	0.75

SHAREHOLDINGS

STATISTICS

AS AT 20 APRIL 2011 (CONT'D)

TOP THIRTY SECURITIES ACCOUNT HOLDERS (CONTINUED)

(Without aggregating the securities from different securities accounts belonging to the same depositor) (continued)

Name	No. of Shares	%
17 HSBC Noms (A) Sdn Bhd - A/C BBH and Co Boston for Matthews Asia Small Companies Fund	3,992,000	0.70
18 CimSec Noms (T) Sdn Bhd - A/C CIMB Bank Berhad (ETP)	3,355,700	0.59
19 Cartaban Noms (A) Sdn Bhd - A/C BBH (Lux) SCA for Fidelity Funds Malaysia	3,314,600	0.59
20 AmSec Noms (T) Sdn Bhd - AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	3,037,300	0.54
21 HSBC Noms (A) Sdn Bhd - A/C Exempt An for JPMorgan Chase Bank, National Association (Norges BK Nlend)	3,000,000	0.53
22 HSBC Noms (A) Sdn Bhd - A/C Exempt An for The Bank of New York Mellon (Mellon Acct)	2,991,112	0.53
23 Cartaban Noms (A) Sdn Bhd - A/C State Street Luxembourg Fund DW37 for DWS Invest Asian Small/Mid Cap (DWS INVST SICAV)	2,810,000	0.50
24 Zalaraz Sdn Bhd	1,985,000	0.35
25 AmanahRaya Trustees Berhad - A/C Public Islamic Equity Fund	1,969,400	0.35
26 AmanahRaya Trustees Berhad - A/C Public Smallcap Fund	1,894,700	0.33
27 AmanahRaya Trustees Berhad - A/C Affin Islamic Equity Fund	1,842,900	0.33
28 Arshad bin Ayub	1,731,000	0.31
29 Amanah Raya Berhad - A/C Kumpulan Wang Bersama	1,700,000	0.30
30 Valuecap Sdn Bhd	1,541,800	0.27

SUBSTANTIAL SHAREHOLDERS

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1 Johor Corporation - 4 a/cs	237,478,180	41.93	390,875	0.07
2 Waqaf An-Nur Corporation Berhad	46,487,602	8.21	-	-
3 Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board Employees Provident Fund Board	46,193,574 1,085,000	8.16 0.19	11,165,000 56,273,574	1.97 9.94

ANALYSIS OF SHAREHOLDERS

	No. of Shareholders	%	No. of Shares	%
Malaysian - Bumiputra	971	20.07	396,596,062	70.03
- Others	3,716	76.79	107,270,432	18.94
Foreigners	152	3.14	62,443,731	11.03
TOTAL	4,839	100.00	566,310,225	100.00

**SHAREHOLDINGS
STATISTICS**
AS AT 20 APRIL 2011 (CONT'D)

DIRECTORS SHAREHOLDING AS AT 20 APRIL 2011

	Name	No. of Shares	%
1	Kamaruzzaman Bin Abu Kassim	-	-
2	Datin Paduka Siti Sa'diah Sheikh Bakir		
	- Direct (2 a/cs)	1,118,250	0.20%
	- Indirect (Amy Nadzlina binti Mohamed)	12,500	-
3	Tan Sri Dato' Seri Arshad Ayub		
	- Direct	1,731,000	0.31%
	- Indirect (Zalaraz Sdn Bhd)	1,985,000	0.35%
4	Dr Yoong Fook Ngian	300,000	0.05%
5	Dr Kok Chin Leong	138,000	0.02%
6	Datuk Azzat Kamaludin	60,000	0.01%
7	Ahamad bin Mohamad	750	-
8	Rozan bin Mohd Sa'at	500	-
9	Datuk Dr Hussein Awang	-	-
10	Zainah Mustafa	-	-

WARRANTHOLDINGS STATISTICS

AS AT 20 APRIL 2011

BREAK DOWN OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
Less than 100	409	18.45	11,581	0.01
100 – 1000	535	24.13	325,068	0.35
1,001 – 10,000	921	41.54	3,353,635	3.60
10,001 – 100,000	279	12.59	9,006,251	9.66
100,001 to less than 5% of Issued Capital	69	3.11	29,523,453	31.67
5% and above of Issued Capital	4	0.18	50,992,781	54.71
TOTAL	2,217	100.00	93,212,769	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 Kulim (Malaysia) Berhad	27,300,450	29.29
2 Waqaf An-Nur Corporation Berhad	11,621,900	12.47
3 Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	6,571,531	7.05
4 Johor Corporation	5,498,900	5.90
5 Universal Trustee (M) Berhad - A/C CIMB Islamic Small Cap Fund	2,002,237	2.15
6 OSK Investment Bank (Labuan) Limited	1,500,000	1.61
7 AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	1,462,687	1.57
8 AmSec Noms (T) Sdn Bhd - A/C AmTrustee Berhad for Hong Leong Strategic Fund	1,405,000	1.51
9 Mayban Noms (T) Sdn Bhd - A/C Mayban Trustees Berhad for CIMB-Principal Small Cap Fund (240218)	1,327,750	1.42
10 Suraya Elland Yusoff	1,301,500	1.40
11 Affin Noms (A) Sdn Bhd - A/C Exempt An for Phillip Securities (Hong Kong) Ltd (Clients' Account)	1,016,225	1.09
12 AmanahRaya Trustees Berhad - A/C Public Smallcap Fund	1,008,250	1.08
13 OSK Noms (T) Sdn Bhd - A/C Kim Eng Securities Pte. Ltd. for Tan Siew Gay	900,000	0.97
14 Citigroup Noms (A) Sdn Bhd - A/C Exempt An for Citibank NA, Singapore (Julius Baer)	890,500	0.96
15 OSK Noms (T) Sdn Bhd - A/C Kim Eng Securities Pte. Ltd. for Md Yusoff bin Md Ali	811,700	0.87
16 HSBC Noms (T) Sdn Bhd - A/C HSBC (M) Trustee Bhd for HwangDBS Select Income Fund (4850)	803,493	0.86
17 Khoo Chin Leng	600,000	0.64
18 HLG Nom (T) Sdn Bhd - A/C PB Trustee Services Berhad for Hong Leong Growth Fund	600,000	0.64
19 SBB Noms (T) Sdn Bhd - A/C Manulife Insurance (Malaysia) Berhad - (Equity Fund)	598,075	0.64
20 SBB Noms (T) Sdn Bhd - A/C Manulife Insurance (Malaysia) Berhad - (Managed Fund)	504,250	0.54

WARRANTHOLDINGS

STATISTICS

AS AT 20 APRIL 2011 (CONT'D)

TOP THIRTY SECURITIES ACCOUNT HOLDERS (CONTINUED)

(Without aggregating the securities from different securities accounts belonging to the same depositor) (continued)

Name	No. of Warrants	%
21 AmanahRaya Trustees Berhad - A/C Dana Johor	500,000	0.54
22 OSK Capital Partners Sdn Bhd	500,000	0.54
23 Saw Huat Seong	500,000	0.54
24 Public Noms (T) Sdn Bhd - A/C Phang Chia Ean (E-PPG)	420,000	0.45
25 AmSec Noms (T) Sdn Bhd - A/C AmTrustee Berhad for Hong Leong Penny Stock Fund	420,000	0.45
26 Yap Lim Sen	416,000	0.45
27 DB (M) Nom (A) Sdn Bhd - A/C Deutsche Bank AG London for Doric Asia Pacific Small Cap Fund	412,500	0.44
28 Saw Lai Sim	404,000	0.43
29 OSK Noms (A) Sdn Berhad - A/C Kim Eng Securities Pte. Ltd.	400,000	0.43
30 Public Noms (T) Sdn Bhd - A/C Chew Thian Hock (E-KLC/JPR)	380,000	0.41

SUBSTANTIAL WARRANTHOLDERS

Name	Direct		Indirect	
	No. of Warrants	%	No. of Warrants	%
1 Kulim (Malaysia) Berhad	27,300,450	29.29	5,609,118	6.01
2 Waqaf An-Nur Corporation Berhad	11,621,900	12.47	-	-
3 Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	6,571,531	7.05	-	-
4 Johor Corporation – 2 a/cs	5,511,400	5.91	27,398,168	29.39

ANALYSIS OF WARRANTHOLDERS

	No. of Warrantholders	%	No. of Warrants	%
Malaysian - Bumiputra	505	22.78	57,854,082	62.07
- Others	1,659	74.83	29,753,444	31.92
Foreigners	53	2.39	5,605,243	6.01
TOTAL	2,217	100.00	93,212,769	100.00

WARRANTHOLDINGS
STATISTICS
 AS AT 20 APRIL 2011 (CONT'D)

DIRECTORS' WARRANTHOLDING AS AT 20 APRIL 2011

	Name	No. of Warrants	%
1	Kamaruzzaman Bin Abu Kassim	-	-
2	Datin Paduka Siti Sa'diah Sheikh Bakir		
	- Direct (2 a/cs)	180,762	0.19%
	- Indirect (Amy Nadzlina binti Mohamed)	3,125	-
3	Tan Sri Dato' Seri Arshad Ayub		
	- Direct	-	-
	- Indirect (Zalaraz Sdn Bhd)	100,000	0.11%
4	Dr Yoong Fook Ngian	-	-
5	Ahamad bin Mohamad	87	-
6	Dr Kok Chin Leong	-	-
7	Datuk Azzat Kamaludin	-	-
8	Rozan bin Mohd Sa'at	125	-
9	Datuk Dr Hussein Awang	-	-
10	Zainah Mustafa	-	-

COMPLIANCE INFORMATION

In conformance with the Bursa Malaysia Listing Requirements, the following additional information is provided:

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

The proceeds of 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	249,000
Issued during the financial year for working capital purposes	0
At end of financial year	249,000

2. TREASURY SHARES

During the financial year and after the Share Split, the Company repurchased 10,000 units of RM0.50 each of its issued share capital from the open market at an average selling price of RM2.26 per share. The total consideration paid inclusive of transaction costs, was RM22,765 and was financed by internally generated fund. The shares purchased were retained as treasury shares.

There were no treasury shares sold during the year.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

On 15 January 2010, the Company has subdivided its existing 211,050,615 ordinary shares of RM1 each into 422,101,230 ordinary shares of RM0.50 each ("Share Split"). After the Share Split, the Company issued bonus shares of up to 105,525,308 new ordinary shares of RM0.50 each, which were credited as fully paid up by the Company, on the basis of one (1) Bonus Shares for every four (4) shares held by the entitled shareholders of the Company after the Share Split ("Bonus Issue"). After the Share Split and Bonus Issue, the Company issued up to 131,906,635 free warrants on the basis of one (1) free warrant for every four (4) shares held by the entitled shareholders of the Company after the Share Split and Bonus Issue.

During the financial year, 32,281,340 new ordinary shares of RM0.50 each were issued by the Company for cash by virtue of the conversion of warrant at exercise price of RM1.70 per share.

4. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

During the financial year, the Company did not issue any ADR or GDR Programme.

5. IMPOSITIONS OF SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

6. NON-AUDIT FEES

During the financial year, the Company only engaged audit services with the external auditor.

7. PROFIT ESTIMATE, FORECAST OR PROJECTIONS

The Company did not make any release on the profit estimate, forecast or projections for the financial year.

8. PROFIT GUARANTEE

There is no profit guarantee given by the Company in respect of the financial year.

COMPLIANCE INFORMATION (CONT'D)

9. MATERIAL CONTRACTS

There is no material contract by the Company and its subsidiary companies, involving Directors' and major shareholders' interest substituting at the end of the financial year.

10. RECURRENT RELATED PARTY TRANSACTIONS STATEMENT

At Annual General Meeting (AGM) held 31 May 2010, 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 7 May 2010 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	2,600	Monthly
HC Duraclean Sdn Bhd	Housekeeping contract fees payable	6,700	Monthly
Pro Corporate Management Services Sdn Bhd	Secretarial fees payable	200	Monthly
Healthcare Technical Services Sdn Bhd	Project Management and Maintenance fee	5,000	Contract basis
		16,000	

LISTING OF PROPERTIES

Location	Description	Net book value (RM million)	Tenure & Expiry date	Area (in sq metre)
Tawakal Hospital Lot No 523, Seksyen 85A, Jalan Pahang Barat, Kuala Lumpur	Car Park	9.8	Term in perpetuity	4,048
Unit No. 14-5-1, The Palladium Condominium, Jalan Gurney 2, 54000 Kuala Lumpur	Condominium	0.2	Freehold	114
KPJ Selangor Specialist Hospital Lot No 2, Jalan 18/24, Seksyen 18, Shah Alam, Selangor	Vacant land	1.7	Leasehold 99 years expiring 2096	15,484
No. 43, Jalan Mamanda 9, Ampang Point, 68000 Ampang, Selangor	Commercial Building	1.9	Leasehold 99 years expiring 2092	1,650
KPJ Damansara Specialist Hospital, Lot No. PT 12058, Jalan SS 20/17, Damansara Utama, 47400 Petaling Jaya, Selangor	Vacant land	1.5	Freehold	945
No. 131, Jalan SS 20/10, Damansara Utama, 47400 Petaling Jaya, Selangor	Land and double storey detached house	2.2	Freehold	916
No. 5 & 7, Persiaran Titiwangsa 3, 53200 Kuala Lumpur	Land and office building	0.7	Term in perpetuity	981.3 & 851.0
No. 3, Lorong San Ah Wing, Off Lorong Gurney, 54100 Kuala Lumpur	Land and bungalow	0.9	Term in perpetuity	1,282
24-N, 24-P & 24D-1, Jalan Tarom, 81200 Johor Bahru	Nurse Hostel	1.4	Freehold	2,027
KPJ Johor Specialist Hospital, No. 38B, Jalan Abdul Samad, 80100 Johor Bahru, Johor	Land under development	1.1	Freehold Land	1,002
Hospital Pusrawi building No. 19, Jalan USJ 9/3F, Subang Jaya, 47620 Petaling Jaya, Selangor	Clinic and office building	0.6	Freehold	149
Bangunan Pharmacare, Jalan Pahang Barat, Off Jalan Pahang 53000 Kuala Lumpur	Office Building	8.0	Term in perpetuity	1,204

LISTING OF PROPERTIES (CONT'D)

Location	Description	Net book value (RM million)	Tenure & Expiry date	Area (in sq metre)
Puteri Specialist Hospital 1, Jln Sentosa, Lrg 1, Kg Dato Onn, Johor Bahru, Johor	Temporary car park / office	1.8	Leasehold 99 years expiring 2053	1,596
5, Jln Sentosa, Lrg 1, Kg Dato Onn, Johor Bahru, Johor	Temporary office	1.1	Leasehold 99 years expiring 2053	1,414
Kluang Utama Specialist Hospital 1-11, Jln Susur 1, Jalan Besar, Kluang, Johor	Land and private hospital building	3.5	Leasehold 99 years expiring 2100	985
Bandar Baru Klang Specialist Hospital Persiaran Rajawali, Bandar Baru Klang, Klang, Selangor	Land and building under development	38.0	Leasehold 99 years expiring in 2093	10,906
Pasir Gudang Specialist Hospital Lot PTD 204781, Mukim Plentong, Johor Bahru, Johor	Land and building under development	7.1	Leasehold 99 years expiring 2108	13,142
Maharani Specialist Hospital Building Lot 2024, Bandar Maharani, Muar, Johor	Land and building under development	22.0	Freehold	6,944

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth (18th) Annual General Meeting (“AGM”) of KPJ Healthcare Berhad (“KPJ” or the “Company”) will be held at the Bilik Sekijang 401, Level 4, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on Thursday 16 June 2011 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 2010 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To re-elect the following Directors who retire in accordance with the Articles of Association of the Company:-
 - (i) Datuk Azzat bin Kamaludin (Article 96) **(Resolution 2)**
 - (ii) Ahamad Bin Mohamad (Article 96) **(Resolution 3)**
 - (iii) Kamaruzzaman Bin Abu Kassim (Article 97) **(Resolution 4)**
3. To consider, and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act 1965:-
 - (i) “That Tan Sri Dato’ Seri Arshad Bin Ayub, a Director who retires pursuant to Section 129(6) of the Companies Act 1965, be and is hereby re-appointed as Director and to hold office until the conclusion of the next Annual General Meeting of the Company.” **(Resolution 5)**
 - (ii) “That Datuk Dr Hussein Bin Awang, a Director who retires pursuant to Section 129(6) of the Companies Act 1965, be and is hereby re-appointed as Director and to hold office until the conclusion of the next Annual General Meeting of the Company.” **(Resolution 6)**
4. To approve the payment of Directors’ fees in respect of the financial year ended 31 December 2010. **(Resolution 7)**
5. To appoint Messrs Ernst & Young, having consented to act as Auditors of the Company for the financial year ending 31 December 2011 in place of the retiring Auditors, Messrs PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 8)**

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, (a copy of which is attached and marked as “Annexure A” in the 2010 Annual Report) has been received by the Company for the nomination of Messrs Ernst & Young as the new Auditors in place of the retiring Auditors, Messrs PricewaterhouseCoopers.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 (“Act”), the Articles of Association of the Company and subject to the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered to issue shares of the Company, from time to time, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10 percent (10%) of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad (“Bursa Securities”) and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company. (See Note f)

(Resolution 9)

7. ORDINARY RESOLUTION 2

PROPOSED RENEWAL OF THE SHARE BUY-BACK AUTHORITY (“PROPOSED SHARE BUY BACK”)

“**THAT**, subject Section 67A of the Act, Part IIIA of the Companies Regulations 1966, the provisions of the Articles of Association of the Company, Main Market the Listing Requirements (“Listing Requirements”) of the Bursa Securities and any other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised, to make purchase(s) of ordinary shares of RM0.50 each in the Company’s issued and paid-up capital on Bursa Securities subject to the following:-

- (a) The maximum number of shares which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company for the time being subject to the restriction that the issued and paid-up capital of the Company does not fall below the applicable minimum share capital requirement of the Listing Requirements;
- (b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits and the share premium account of the Company; and
- (c) Upon completion of the purchase by the Company of its own shares, the Directors of the Company are authorised to deal with the shares so bought-back in their absolute discretion in any of the following manners:-
 - (i) cancel the shares so purchased; or
 - (ii) retain the shares so purchased as Treasury Shares and held by the Company; or
 - (iii) retain part of the shares so purchased as Treasury Shares and cancel the remainder,
 - (iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 resolution passed either unconditionally; 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 10)**

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 Act, the Memorandum & Articles of Association of the Company, Listing Requirements or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries, to

- (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 give effect to the specified Recurrent related Party Transactions;

all with the particulars of which are set out in the Circular to Shareholders dated 25 May 2011 ("**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 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;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 11)**

9 SPECIAL RESOLUTION

PROPOSED AMENDMENT TO ARTICLE 117 OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

"THAT the existing Article 117 of the Articles of Association of the Company be deleted in its entirety and replaced with the following new Article 117:-

Existing Article 117

"Every dividend warrant may, unless otherwise directed, be sent by post to the last registered address of the members entitled thereto or by direct transfer or such other mode of electronic means (subject to the provisions of the Act, the Central Depositories Act and the Rules, the Listing Requirements and/or other regulatory authorities) to the bank account of the holders whose name appear in the Register of Record of Depositors respectively and the receipt of the person whose name at the date of declaration of the dividend appears on the register of members as the owner of any share, or in the case of joint holder of any one of such joint holders shall be a good discharge to the Company for all payments made in respect of such share. No unpaid dividend or interest shall bear interest as against the Company."

New Article 117

"Any dividend, interest, or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post to the last registered address of the Member or person entitled thereto or paid by direct transfer or such other electronic means to the bank account provided by the Member whose name appears in the Record of Depositors. Every such cheque or warrant shall be made payable to the order of the Member or person entitled thereto, and the payment of any such cheque or warrant or the payment by direct transfer or such other electronic means to the bank account provided by the Member whose name appears in the Record of Depositors shall operate as a good discharge of the Company's obligation in respect of dividend represented thereby, notwithstanding that it may subsequently appear that the cheque has been stolen or that the endorsement thereon or the instruction for the payment by direct transfer or such other electronic means has been forged. Every such cheque or warrant sent or payment by direct transfer or such other electronic means shall be at the risk of the person entitled to the dividend thereby represented." (See Note i)

(Resolution 12)

10. To transact any other business of which due notice shall have been given.

**By Order of the Board,
KPJ HEALTHCARE BERHAD**

SALMAH BINTI ABD WAHAB (LS 02140)

ROHAYA BINTI JAAFAR, (LS 08376)

Secretaries

Johor Bahru

Dated : 25 May 2011

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTES:

- a. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of Companies Act, 1965 need not be complied with.
- b. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, under its common seal or in other manner approved by its Board of Directors.
- c. Where a member of the Company is an Authorised Nominee as defined under the Central Depositories Act 1991, he may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- d. Any alteration made in this form should be initialed by the person who signs it.
- e. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the registered office of the Company at: KPJ HEALTHCARE BERHAD, Suite 12B, Level 12, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

Explanatory Notes

f. **Ordinary Resolution 9 – Authority to Issue Shares**

The proposed Ordinary Resolution 9 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.

- i. The mandate sought under Resolution 9 is a renewal of an existing mandate particularly on the conversion of KPJ warrants into ordinary shares of RM0.50 at the price of RM1.70 per share
- ii. The proceeds raised from the previous mandate were RM16,140,670.
- iii. The proceeds were utilized for working capital purposes
- iv. The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

g. **Ordinary Resolution 10 – Proposed Share Buy-Back**

The proposed Ordinary Resolution 10, if passed, will empower the Directors to purchase KPJ shares through Bursa Malaysia Securities Berhad up to ten percentum of the issued and paid-up capital of the Company.

Detailed information on the Proposed Share Buy-Back is set out in the Circular to Shareholders in relation to the proposed renewal of authority for the purchase by KPJ of its own shares dated 25 May 2011 despatches together with the Annual Report.

h. **Ordinary Resolution 11 – Proposed Shareholders' Mandate**

The proposed Resolution 11 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 Circular to Shareholders dated 25 May 2011 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.

i. **Special Resolution 1 – Proposed Amendment to Article 117 of the Company's Articles of Association**

The proposed Resolution 12, if passed, will align Article 117 with Bursa Malaysia Securities Berhad's requirement that cash dividend must be paid to the shareholders by direct credit into their bank accounts as provided by Bursa Malaysia Depository Sdn Bhd.



JOHOR CORPORATION

Date: 6 May 2011

ANNEXURE A

**THE BOARD OF DIRECTORS
KPJ HEALTHCARE BERHAD**

Suite 12 B, Level 12
Menara Ansar
65 Jalan Trus
80000 Johor Bahru, Johor

Dear Sirs,

NOTICE OF NOMINATION OF MESSRS ERNST & YOUNG AS AUDITORS

We, JOHOR CORPORATION, being a member of KPJ Healthcare Berhad (Company No 247079 – M) ("the Company") hereby give notice pursuant to Section 172(11) of the Companies Act, 1965 of our intention to nominate Messrs Ernst & Young as Auditors of the Company in place of the retiring auditors, Messrs PricewaterhouseCoopers, for the shareholder's approval at the forthcoming Annual General Meeting of the Company.

On Behalf of the Board,
JOHOR CORPORATION

(MOHAMED IZAHAM BIN ABD RANI)
Secretary

(Sila Nyatakan Rujukan Surat Kami Apabila Menjawab)

LEVEL 2, PERSADA JOHOR, JALAN ABDULLAH IBRAHIM, 80000 JOHOR BAHRU, JOHOR, MALAYSIA.

TEL: (07)-2192692 FAX: (07)-2233175 ISOFAX: (07)-2242692 E-MAIL: pdnjohor@jcorp.com.my WEBSITE: www.jcorp.com.my
KL OFFICE: TINGKAT 2, BLOCK A (NORTH) PUSAT BANDAR DAMANSARA 50490 KL. TEL: (03)-20942692 FAX: (03)-20934692

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA:-

1. Directors who are standing for re-election at the Eighteenth (18th) Annual General Meeting are as follows:-
 - i. Datuk Azzat Bin Kamaludin – Resolution 3
 - ii. Ahamad Bin Mohamad – Resolution 4
 - iii. Kamaruzzaman Bin Abu Kassim – Resolution 5
2. Tan Sri Dato' Seri Arshad bin Ayub retires and re-appointed pursuant to Section 129(6) of the Companies Act 1965.
3. Datuk Dr Hussein Bin Awang retires and re-appointed pursuant to Section 129(6) of the Companies Act 1965.
4. A total of four (4) Board Meetings were held during the financial year ended 31 December **2010**. Details of attendance of Directors at Board Meetings held during the financial year ended 31 December **2010** are as follows:-

	25 Feb	31 May	30 Aug	30 Nov
Non Executive Director				
Tan Sri Dato' Muhammad Ali Bin Hashim	✓	✓	✓	✓
Ahamad Bin Mohamad	✓	✓	✓	✓
Rozan Bin Mohd Sa'at	✓	✓	✓	✓
Independent Non Executive Director				
Tan Sri Dato' Seri Arshad Bin Ayub	x	✓	✓	x
Tan Sri Dato' Dr Abu Bakar Bin Suleiman	x	✓	✓	✓
Datuk Azzat Bin Kamaludin	x	✓	✓	✓
Datuk Dr Hussein Bin Awang	✓	✓	✓	✓
Zainah Binti Mustafa	✓	✓	✓	✓
Dr Yoong Fook Ngian	✓	✓	x	✓
Dr Kok Chin Leong	✓	✓	✓	✓
Executive Director				
Datin Paduka Siti Sa'diah Sh Bakir	✓	✓	✓	✓

Date of Meeting	Day	Time	Venue
25 February 2010	Thursday	2.30 p.m.	Damansara Specialist Hospital, Damansara
31 May 2010	Monday	9.30 a.m.	Persada Johor International Convention Centre, Johor Bahru
30 August 2010	Monday	9.30 a.m.	KPJ Tawakkal Specialist Hospital, Kuala Lumpur
30 November 2008	Tuesday	9.30 a.m.	KPJ Tawakkal Specialist Hospital, Kuala Lumpur

5. 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
(247079-M)

(Incorporated in Malaysia under the Companies Act, 1965)

FORM OF PROXY

No. of ordinary shares held	CDS account no.

I/We * _____
(Full name and NRIC No./Company No. in block letters)

of _____
(Full address in block letters)

being a member(s) of KPJ HEALTHCARE BERHAD hereby appoint _____

_____ (Full name in block letters)

of _____
(Full address in block letters)

or failing him/her _____
(Full name in block letters)

of _____
(Full address in block letters)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us* on my/our* behalf at the Eighteenth (18th) Annual General Meeting of the Company to be held at the Bilik Sekijang 401, Level 4, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on Thursday 16 June 2011 at 12.30 p.m and at any adjournment in respect of my/our holdings of shares in the manner indicated below:

Resolution	Description	For	Against
1	TO RECEIVE THE REPORT AND AUDITED ACCOUNTS		
2	TO RE-ELECT DIRECTORS		
3	DATUK AZZAT BIN KAMALUDIN		
4	AHAMAD BIN MOHAMAD		
	KAMARUZZAMAN BIN ABU KASSIM		
5	TO RE-APPOINT TAN SRI DATO' SERI ARSHAD BIN AYUB		
6	TO RE-APPOINT DATUK DR HUSSEIN BIN AWANG		
7	TO APPROVE DIRECTORS' FEE		
8	TO APPOINT AUDITORS		
	ANY OTHER BUSINESS		
9	AUTHORITY TO ISSUE SHARES		
10	PROPOSED SHARE BUY-BACK		
11	PROPOSED RENEWAL OF RRPT MANDATE		
12	PROPOSED AMENDMENT		

(Please indicate with a (✓) in the appropriate box whether you wish your vote to be cast for or against the resolution. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.)

Signature(s)/Common Seal of Shareholder(s)

Dated this day of 2011

NOTE:

1. A member of the Company entitled to be present and vote at the Meeting may appoint a proxy to vote instead of him. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 need not be complied with.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under the hand of its common seal or under the hand of an officer or attorney duly authorised. The instrument appointing the proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, he may appoint at least one (1) proxy in respect of each securities account he holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Any alteration made in this form should be initialled by the person who signs it.
5. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the registered office of the Company at Suite 12B, Level 12, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the person so named shall not be entitled to vote in respect thereof.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

KPJ HEALTHCARE BERHAD (247079-M)
Suite 12B, Level 12
Menara Ansar
65 Jalan Trus
80000 Johor Bahru
Johor Darul Takzim
Malaysia.

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PUBLICATIONS

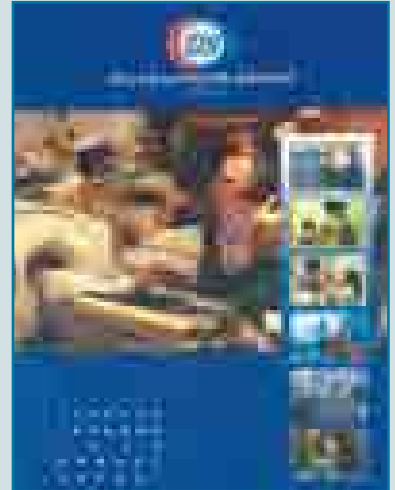
ANNUAL REPORT



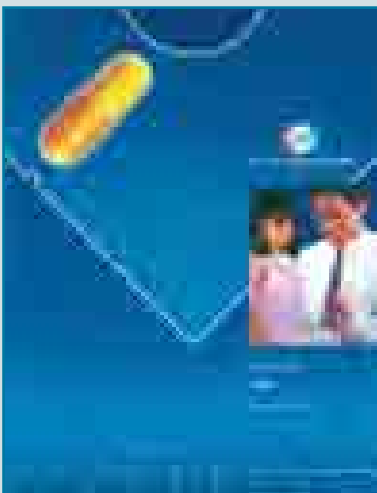
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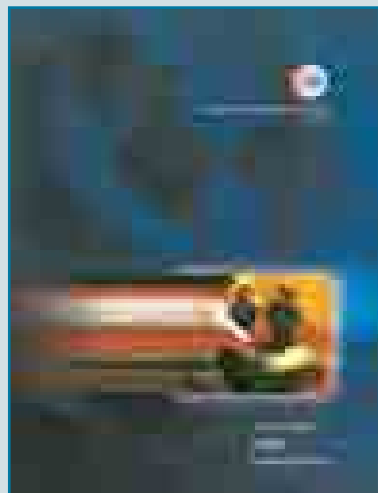
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Annual Report 1998



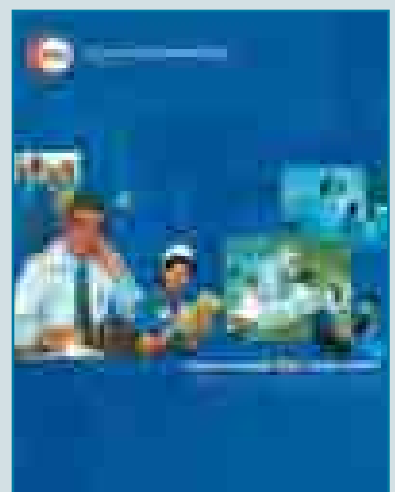
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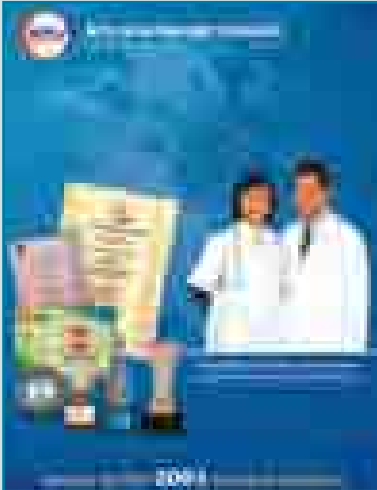
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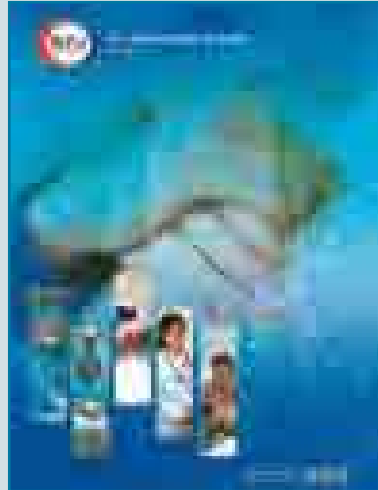
Annual Report 2002

PUBLICATIONS

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Annual Report 2003



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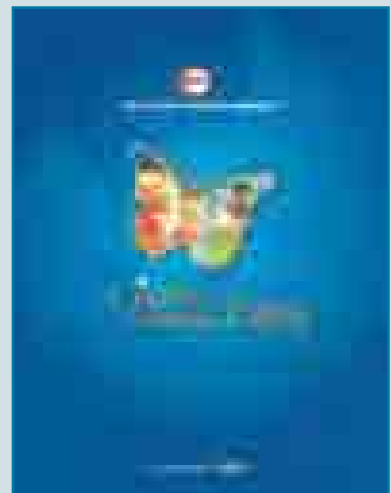
Annual Report 2005



Annual Report 2006



Annual Report 2007



Annual Report 2008



Annual Report 2009

CARE FOR LIFE



Care For Life • Jan-June 2010



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NURSING BULLETIN



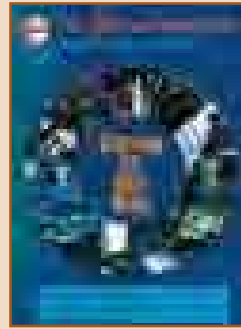
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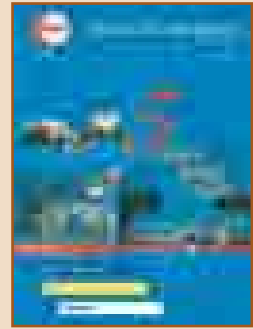
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Nursing Bulletin-3rd Issue



Nursing Bulletin-4th Issue



Nursing Bulletin-5th Issue



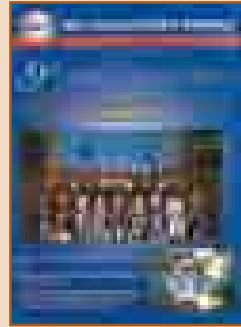
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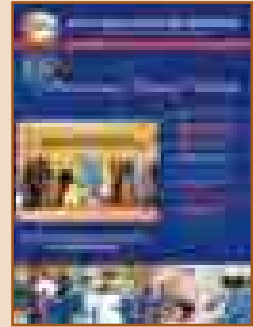
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Nursing Bulletin-8th Issue

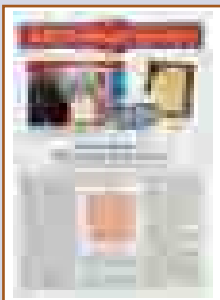


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KPJ HEALTHCARE QUARTERLY



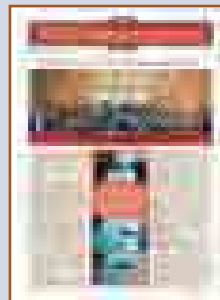
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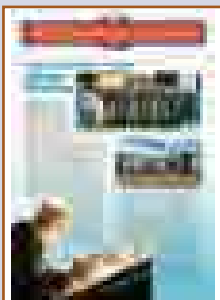
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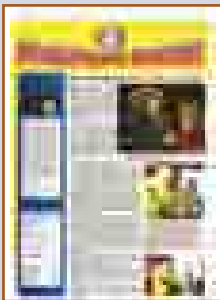
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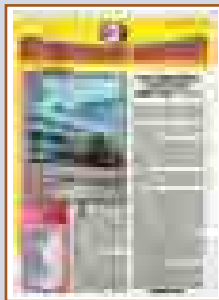
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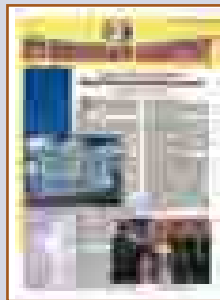
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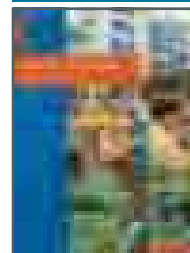
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25TH ANNIVERSARY



25th Anniversary Special Edition

MEDICAL DIGEST / JOURNAL



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KPJ Medical Journal Issue 2003-2006, 2010