





GOVERNANCE

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BOARD OF DIRECTORS



MOHD SAHIR RAHMAT
Non-Independent Non-Executive Director

01

➤ From left to right

DR. KOK CHIN LEONG
Independent Non-Executive Director

02

DATUK AZZAT KAMALUDIN
Independent Non-Executive Director

03

**TAN SRI DATIN PADUKA
SITI SA'DIAH SH BAKIR**
Independent Non-Executive Director

04

DATO' KAMARUZZAMAN ABU KASSIM
Chairman

05

BOARD OF DIRECTORS



DATO' AMIRUDDIN ABDUL SATAR
President & Managing Director

06

➤ From left to right

07

AMINUDIN DAWAM
Executive Director

08

ZAINAH MUSTAFA
Independent Non-Executive Director

09

ZULKIFLI IBRAHIM
Non-Independent Non-Executive Director

10

PROF DATO' DR. AZIZI OMAR
Independent Non-Executive Director

11

DATO' DR. ZAKI MORAD MOHAMAD ZAHER
Independent Non-Executive Director

DIRECTORS' PROFILE

DATO' KAMARUZZAMAN ABU KASSIM

CHAIRMAN,
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR



5/5



2017 TOTAL
MEETINGS
ATTENDED

DATE OF APPOINTMENT:

12 January 2011

AGE:

54

GENDER:

Male

NATIONALITY:

Malaysian

Length of Service (as at 31 January 2018):

7 years

Duration of Previous Appointment as Non-Independent Non-Executive Director:

1 August 2006 - 1 January 2009
(2 years 5 months)

Date of Last Re-election:

19 May 2016

Academic/Professional Qualification/ Membership(s):

- Bachelor of Commerce (Accountancy), University of Wollongong, New South Wales, Australia

Present Directorship(s):

Listed Entity:

- E. A. Technique (M) Berhad
- Damansara REIT Managers Sdn Berhad, the manager for 2 listed funds : Al-'Aqar Healthcare REIT and Al-Salām Real Estate Investment Trust

Other Public Companies:

- Kulim (Malaysia) Berhad
- Johor Land Berhad
- Waqaf An-Nur Corporation Berhad
- Bistari Johor Berhad
- QSR Brands (M) Holdings Berhad

Present Appointment(s):

Johor Corporation

- President & Chief Executive

Past Directorship(s) and/or Appointment(s):

Johor Corporation

- Senior Vice President, Corporate Services & Finance (2009-2010)
- Chief Operating Officer (2006-2009)

DIRECTORS' PROFILE



DATO' AMIRUDDIN ABDUL SATAR

PRESIDENT &
MANAGING DIRECTOR

Length of Service (as at 31 January 2018):
5 years

Duration of Previous Appointment as Executive Director:
1 July 2011 - 31 December 2012
(1 year 6 months)

Date of Last Re-election:
20 April 2017

**Academic/Professional Qualification/
Membership(s):**

- Master of Business Administration, Henley Business School, University of Reading, UK
- Member of Association of Chartered Certified Accountants

**Present Directorship(s):
Listed Entity:**

- Damansara REIT Managers Sdn Berhad, the manager for 2 listed funds : Al-Aqar Healthcare REIT and Al-Salām Real Estate Investment Trust

Other Public Companies:

- Nil

**Present Appointment(s):
KPJ Healthcare Berhad**

- Chairman of:-
 - Ampang Puteri Specialist Hospital Sdn Bhd
 - Rawang Specialist Hospital Sdn Bhd
 - SMC Healthcare Sdn Bhd
 - Johor Specialist Hospital Sdn Bhd
 - Ipoh Specialist Hospital Sdn Bhd
 - KPJ Healthcare University College Sdn Bhd
 - KPJ Education (M) Sdn Bhd
- Deputy Chairman of:-
 - Kedah Medical Centre Sdn Bhd

Association of Private Hospitals of Malaysia (APHM)

- Vice President
- Association of Chartered Certified Accountants**
- Member of Malaysia Advisory Committee

Past Directorship(s) and/or Appointment(s):

- KPJ Healthcare Berhad**
- Chief Operating Officer (2010-2012)

5/5



2017 TOTAL
MEETINGS
ATTENDED

DATE OF APPOINTMENT:
1 January 2013

AGE:
54

GENDER:
Male

NATIONALITY:
Malaysian

DIRECTORS' PROFILE

AMINUDIN DAWAM

EXECUTIVE DIRECTOR

5/5



2017 TOTAL
MEETINGS
ATTENDED

DATE OF APPOINTMENT:

1 May 2015

AGE:

54

GENDER:

Male

NATIONALITY:

Malaysian



Length of Service (as at 31 January 2018):

2 years 9 months

Duration of Previous Appointment as Non Independent Non-Executive Director:

1 January 2014 - 30 April 2015
(1 year 4 months)

Date of Last Re-election:

20 April 2017

Academic/Professional Qualification/ Membership(s):

- Bachelor of Business Administration (Finance) from Sam Houston State University, Huntsville, Texas, USA
- Master of Business Administration, Sam Houston State University, Huntsville, Texas, USA
- Post-Graduate Diploma in Health Sciences & Hospital Management at South Bank University, London, UK

Present Directorship(s):

Listed Entity:

- Nil

Other Public Companies:

- Nil

Present Appointment(s):

KPJ Healthcare Berhad

- Chairman of Tender Evaluation Committee
- Chairman of:-
 - Pasir Gudang Specialist Hospital Sdn Bhd
 - Maharani Specialist Hospital Sdn Bhd
 - Perdana Specialist Hospital Sdn Bhd
 - Kluang Utama Specialist Hospital Sdn Bhd
 - Fabricare Laundry Sdn Bhd
 - Bandar Dato' Onn Specialist Hospital Sdn Bhd
 - Advanced Healthcare Solutions Sdn Bhd
 - UTM KPJ Specialist Hospital Sdn Bhd
 - KPJ Healthshoppe Sdn Bhd
 - KPJ Medik TV Sdn Bhd
 - Skop Yakin (M) Sdn Bhd

Past Directorship(s) and/or Appointment(s):

Johor Corporation

- Senior Vice President, Business Development Division (2013-2016)

Pantai Holding Berhad

- Chief Operating Officer, Pantai Holding Berhad (2011-2013)

DIRECTORS' PROFILE



TAN SRI DATIN PADUKA SITI SA'DIAH SH BAKIR

INDEPENDENT
NON-EXECUTIVE DIRECTOR

Length of Service (as at 31 January 2018):

2 years 9 months

Duration of Previous Appointment as Non-Independent Non-Executive Director:

1 January 2013-1 May 2015
(2 years 4 months)

Date of Last Re-election:

28 May 2015

Academic/Professional Qualification/ Membership(s):

- Bachelor in Economics, University Malaya
- Master of Business Administration, Henley Business School, University of Reading, UK

Present Directorship(s):

Listed Entity:

- CCM Duopharma Biotech Berhad (Chairman)
- Nationwide Holdings Berhad (Chairman)
- OSK Holding Berhad

Other Public Companies:

- Awqaf Holdings Berhad (Chairman)

Present Appointment(s):

Malaysian Society for Quality in Health (MSQH)

- President

Razak School of Government (RSOG)

- Member of Leadership Development Committee

Universiti Utara Malaysia (UUM)

- Chairman

Universiti Teknologi Malaysia (UTM)

- Pro-Chancellor

KPJ Healthcare University College

- Pro-Chancellor

Past Directorship(s) and/or Appointment(s): Bursa Malaysia

- Independent Non-Executive Director (2004-2012)

Chemical Company Malaysia Berhad

- Independent Non-Executive Director (2014-2017)

Kulim Malaysia Berhad

- Independent Non-Executive Director (2005-2016)

KFC Holdings Berhad

- Independent Non-Executive Director (2010-2013)

KPJ Healthcare Berhad

- Corporate Advisor (2013-2014)
- Managing Director (1993-2012)
- Chief Executive (1989-1993)

KPJ Healthcare University College

- Chairman and Pro-Chancellor (2011-2016)

Johor Corporation

- Chief Executive of Kumpulan Perubatan (Johor) Sdn Bhd (1989-1994)

Awards/Recognition/Past Experience:

- CEO of The Year 2009, News Straits Times Press and the American Express
- Launched biography "Siti Sa'diah: Driven by Vision, Mission and Passion" penned by Rokiah Talib, Penerbitan Universiti Kebangsaan Malaysia

5/5



2017 TOTAL
MEETINGS
ATTENDED

DATE OF APPOINTMENT:

1 May 2015

AGE:

65

GENDER:

Female

NATIONALITY:

Malaysian

DIRECTORS' PROFILE

ZAINAH MUSTAFA

INDEPENDENT
NON-EXECUTIVE DIRECTOR

5/5



2017 TOTAL
MEETINGS
ATTENDED

DATE OF APPOINTMENT:

1 December 2004

AGE:

63

GENDER:

Female

NATIONALITY:

Malaysian



Length of Service (as at 31 January 2018):

13 years 2 months

Duration of Previous Appointment as Non-Independent Non-Executive Director:

21 February 1994 - 1 December 2004
(10 years 11 months)

Date of Last Re-election:

20 April 2017

Academic/Professional Qualification/ Membership(s):

- Fellow of the Association of Certified Chartered Accountants, UK

Present Directorship(s):

Listed Entity:

- Damansara Realty Berhad
- Damansara REIT Managers Sdn Berhad, the manager for 2 listed funds : Al-'Aqar Healthcare REIT and Al-Salām Real Estate Investment Trust

Other Public Companies:

- Nil

Present Appointment(s):

KPJ Healthcare Berhad

- Chairman of the KPJ Audit Committee

Damansara Realty Berhad

- Chairman of Audit Committee

Johor Corporation

- Member of Audit Committee

Past Directorship(s) and/or Appointment(s):

Johor Corporation

- Group Chief Financial Officer (1978-2002)

DIRECTORS' PROFILE



DATUK AZZAT KAMALUDIN

INDEPENDENT
NON-EXECUTIVE DIRECTOR

Length of Service (as at 31 January 2018):

23 years 5 months

Date of Last Re-election:

20 April 2017

Academic/Professional Qualification/ Membership(s):

- Barrister-at-Law, Middle Temple, London
- Degrees In Law and International Law, University of Cambridge, United Kingdom

Present Directorship(s):

Listed Entity:

- Bousted Holdings Berhad
- Bousted Heavy Industry Corporation Berhad

Other Public Companies:

- Celcom Resources Berhad
- Malaysian Directors Academy

Present Appointment(s):

- Nil

Past Directorship(s) and/or Appointment(s):

- Advocate and Solicitor of the High Court of Malaya (1979)
- Administrative and Diplomatic Officer with Ministry of Foreign Affairs (1970-1979)
- Member of the Securities Commission (1993-1999)

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2017 TOTAL
MEETINGS
ATTENDED

DATE OF APPOINTMENT:

1 September 1994

AGE:

72

GENDER:

Male

NATIONALITY:

Malaysian

DIRECTORS' PROFILE

ZULKIFLI IBRAHIM

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

5/5



2017 TOTAL
MEETINGS
ATTENDED

DATE OF APPOINTMENT:

1 January 2014

AGE:

60

GENDER:

Male

NATIONALITY:

Malaysian



Length of Service (as at 31 January 2018):

4 years 1 month

Date of Last Re-election:

20 April 2017

Academic/Professional Qualification/ Membership(s):

- Fellow of the Association of Certified Chartered Accountants, UK

Present Directorship(s):

Listed Entity:

- Nil

Other Public Companies:

- Kulim (Malaysia) Berhad
- Johor Land Berhad
- QSR Brands (M) Holding Berhad

Present Appointment(s):

Johor Corporation

- Senior Vice President/Chief Executive, Industrial Development Division of Johor Corporation
- Member of Group Top Management (Teraju)
- Deputy Chairman of Teraju Korporat Committee

KPJ Healthcare Berhad

- Chairman of Tender Board Committee

TPM Technopark Sdn Bhd

- Managing Director

Past Directorship(s) and/or

Appointment(s):

Kulim (Malaysia) Berhad

- Chief Operating Officer (2003-2012)

PJB Pacific Capital Group

- Chief Operating Officer (2001-2003)

Antara Steel Mills Sdn Bhd

- Managing Director (1996-2000)

Sindora Berhad

- Financial Controller (1990-1996)

DIRECTORS' PROFILE



DR. KOK CHIN LEONG

INDEPENDENT
NON-EXECUTIVE DIRECTOR

Length of Service (as at 31 January 2018):

12 years 7 months

Date of Last Re-election:

20 April 2017

Academic/Professional Qualification/ Membership(s):

- Bachelor of Medicine and Bachelor of Surgery (MBBS), Universiti Malaya
- Master of Medicine Paediatrics, Universiti Kebangsaan Malaysia
- Member of the Royal College of Physician of United Kingdom

Present Directorship(s):

Listed Entity:

- Nil

Other Public Companies:

- Nil

Present Appointment(s):

KPJ Healthcare Berhad

- Audit Committee Member
- Member of Medical Advisory Committee
- Chairman of Clinical Governance Policy Committee
- Advisor for Clinical Information System
- Consultant Paediatrician at KPJ Puteri Specialist Hospital
- Malaysian Paediatric Association (MPA) Member, Executive Committee

Past Directorship(s) and/or Appointment(s):

ASEAN Paediatric Federation (APF)

- President (2014-2017)

Malaysian Paediatric Association (MPA)

- President (2013-2015)

Association of Private Hospital Malaysia (APHM)

- Board Member (2008-2010)

Malaysian Society for Quality in Health (MSQH)

- Board Member (2011-2013)

KPJ Puteri Specialist Hospital

- Medical Director (2000-2006)

Government Hospitals

- Hospital Sultanah Aminah Johor Bahru-Senior Consultant Paediatrician (1993-1994)
- Batu Pahat Hospital - Head of Department of Paediatrics (1991-1993)
- Hospital Sultanah Aminah, Johor Bahru-Clinical Specialist in Paediatrics (1991-1992)
- Derby Children's Hospital, United Kingdom -Senior House Officer/Registrar (1990-1991)
- Kuala Lumpur General Hospitals -Clinical Paediatrics (1986-1990)

Awards/Recognition/Past experience:

- Project Coordinator/Chairman for the Batu Pahat Rotary Club Haemodialysis Centre (1991-1993)
- Southern Representative for Malaysian Paediatric Association and the Southern Coordinator for Infant Touch Therapy (2000-2004)

5/5



2017 TOTAL
MEETINGS
ATTENDED

DATE OF APPOINTMENT:

7 July 2005

AGE:

60

GENDER:

Male

NATIONALITY:

Malaysian

DIRECTORS' PROFILE

PROF. DATO' DR AZIZI HJ OMAR

INDEPENDENT
NON-EXECUTIVE DIRECTOR

5/5



2017 TOTAL
MEETINGS
ATTENDED

DATE OF APPOINTMENT:

1 February 2016

AGE:

69

GENDER:

Male

NATIONALITY:

Malaysian



Length of Service (as at 31 January 2018):

2 years

Date of Last Re-election:

19 May 2016

Academic/Professional Qualification/ Membership(s):

- Bachelor of Medicine and Bachelor of Surgery (MBBS), University of Tasmania, Australia
- Postgraduate training in Paediatrics and Paediatric Respiratory Medicine
 - Hospital Kuala Lumpur/ Universiti Kebangsaan Malaysia
 - Hospital for Sick Children, Great Ormond Street, London
 - Birmingham Children Hospital
 - Dudley Road Hospital, Birmingham.
- Trained in paediatric flexible bronchoscopy
 - University of North Carolina (Chapel Hill, USA)
- Membership of the Royal Colleges of Physicians of the United Kingdom
- MMedSc (Clinical Epidemiology) from Newcastle University, NSW
- Fellow of Royal College of Physicians (FRCP) of Edinburgh and Glasgow, Fellow of Academy of Medicine Malaysia (FAMM) and Fellow of College of Chest Physicians (USA)(FCCP)
- Harvard Medical School Certificate-SEA Healthcare Leadership Program

Present Directorship(s):

Listed Entity:

- Nil

Other Public Companies:

- Nil

Present Appointment(s):

KPJ Healthcare Berhad

- Head of KPJ R&D Committee and editor of KPJ Medical Journal
- Member of Medical Advisory Committee
- Consultant Paediatrician and Paediatric Respiratory Physician, KPJ Damansara Specialist Hospital

KPJUC

- Member Board of Directors of KPJUC
- Professor and member of Senate KPJUC

Past Directorship(s) and/or Appointment(s):

National

- Chairman, Subspecialty Committee for Accreditation, Paediatric Respiratory Medicine, National Specialist Register. (2000-2016)
- Member, Malaysian Medical Council (1995-1997)
- President, Malaysian Paediatric Association (1997-1998)
- Board Member, APHM & Association of Private Hospital (2000-2004)
- Member, Conjoint Board for Postgraduate Training in Medical Specialties (1995-1997)
- Member, Paediatric Conjoint Board (1995-2000)
- Member, Clinical Practice Guidelines Committee, Academy of Medicine of Malaysia
- Chairman, Clinical Practice Guidelines on Paediatric Asthma (1996)
- Chairman, Clinical Practice Guidelines on Paediatric Respiratory Infections (2000)
- Member, Clinical Practice Guidelines on Tuberculosis (1996)
- Member, Committee of Malaysian Thoracic Society of Malaysia (1997-1998)
- Editorial Board Member, Malaysian Paediatric Journal, Malaysia (1990)

Universiti Kebangsaan Malaysia (UKM)

- Deputy Dean (1995-1997)
- Head Department of Paediatrics (1994-1995)
- Professor of Paediatrics (Respiratory Paediatrics and Clinical Epidemiology) (1993-1997)

Universiti Teknologi MARA (UiTM)

- Adjunct Professor of Paediatrics at Faculties of Medicine of UiTM (2009-2010)

Universiti Tunku Abdul Rahman (UTAR)

- Adjunct Professor of Paediatrics at Faculties of Medicine of UTAR (2013)

Awards/Recognition/Past experience:

- Established the Respiratory Paediatrics as a Paediatric subspecialty in Malaysia
- Pioneered research in paediatric asthma and respiratory illnesses in Malaysian children
- Published substantially in international and local journals

DIRECTORS' PROFILE



MOHD SAHIR RAHMAT

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

Length of Service (as at 31 January 2018)
7 months

**Academic/Professional Qualification/
Membership(s)**

- Bachelor of Accountancy, Universiti Kebangsaan Malaysia
- Postgraduate Diploma in Health Services and Hospital Management from the South Bank University, London
- Master of Business Administration, Henley Business School, University of Reading, UK
- Member of Malaysian Institute of Accountants

Present Directorship(s)

Listed Entity:

- Nil

Other Public Companies:

- Johor Land Berhad

Present Appointment(s)

Johor Corporation

- Member Executive Committee Vice President, Business Development

KPJ Healthcare Berhad

- Member of Tender Board Committee

**Past Directorship(s) and/or
Appointment(s)**

KPJ Healthcare Berhad

- Vice President of Corporate and Financial Services (2013-2017)
- Group Chief Financial Officer (2011-2013)
- Director and Chairman to several hospitals and companies

2/2



2017 TOTAL
MEETINGS
ATTENDED

DATE OF APPOINTMENT:

3 July 2017

AGE:

54

GENDER:

Male

NATIONALITY:

Malaysian

DIRECTORS' PROFILE

DATO' DR. ZAKI MORAD MOHAMAD ZAHER

INDEPENDENT
NON-EXECUTIVE DIRECTOR

2/2



2017 TOTAL
MEETINGS
ATTENDED

DATE OF APPOINTMENT:

3 July 2017

AGE:

68

GENDER:

Male

NATIONALITY:

Malaysian



Length of Service (as at 31 January 2018):
7 months

Academic/Professional Qualification/ Membership(s):

- Bachelor of Medicine and Bachelor of Surgery (MBBS), Universiti Malaya
- Postgraduate training in Nephrology
 - Royal Hallamshire Hospital, Sheffield, UK
 - Guys Hospital, London
 - General Hospital Kuala Lumpur
- Member of the Royal College of Physicians of United Kingdom
- Fellow of the Royal College of Physician of Edinburgh
- Fellow of the Academy of Medicine of Malaysia

Present Directorship(s):

Listed Entity:

- Nil

Other Public Companies:

- Nil

Present Appointment(s):

KPJ Healthcare Berhad

- Chairman of Medical Advisory Committee
- Member of Building Committee
- Consultant Nephrologist at KPJ Ampang Puteri Specialist Hospital

National Kidney Foundation of Malaysia

- Chairman

Malaysian Medical Council

- Member
- Malaysian Society for Quality in Health (MSQH) Chairman of MSQH Committee on Chronic Dialysis Treatment Standards

Past Directorship(s) and/or Appointment(s):

International Medical University

- Professor of Medicine (2006-2008)

Ministry of Health

- Head of Ministry's Clinical Research Centre (CRC) (2000-2006)
- Head Nephrology Services (1987-2006)

General Hospital Kuala Lumpur

- Head Department of Nephrology (1987-2006)

Awards/Recognition/Past experience:

- Malaysian Society of Nephrology
 - President (1990-1992)
- Asian Society of Transplantation
 - President (2001-2003)
- Asian Pacific Society of Nephrology
 - Secretary - General (2004-2006)
- International Society of Nephrology
Pioneer Award for at the World Congress of Nephrology 2015, Cape Town South Africa.
- Established the National Renal Registry in 1992
- Introduced the Malaysian Organ Sharing System (Renal) waitlist system for allocation of cadaveric organs

Notes:

- None of the Directors have:
- Any family relationship with any Director and/ or major shareholder of KPJ.
 - Any conflict of interest with KPJ.
 - Any conviction for offences within the past five years (other than traffic offences).
 - Any sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2017.

EXECUTIVE COMMITTEE MEMBERS' PROFILES



AGED
54



DATO' AMIRUDDIN ABDUL SATAR

PRESIDENT & MANAGING DIRECTOR, EXCO CHAIRMAN

Date of Appointment:

1 January 2013

Academic/Professional Qualification/Membership(s):

- Master of Business Administration, Henley Business School, University of Reading, UK
- Member of Association of Chartered Certified Accountants

Present Directorship(s):

Listed Entity:

- Damansara REIT Managers Sdn Berhad, the manager for two listed funds : Al-Aqar Healthcare REIT and Al-Salām Real Estate Investment Trust

Other Public Companies:

- Nil



AGED
54



AMINUDIN DAWAM

EXECUTIVE DIRECTOR

Date of Appointment:

1 May 2015

Academic/Professional Qualification/Membership(s):

- Bachelor of Business Administration (Finance) from Sam Houston State University, Huntsville, Texas, USA
- Master of Business Administration, Sam Houston State University, Huntsville, Texas, USA
- Post-Graduate Diploma in Health Sciences & Hospital Management at South Bank University, London, UK

Present Directorship(s):

Listed Entity:

- Nil

Other Public Companies:

- Nil

EXECUTIVE COMMITTEE MEMBERS' PROFILES

**JASIMAH HASSAN**

VICE PRESIDENT (I),
BUSINESS OPERATIONS & CLINICAL SERVICES

Date of Appointment:

1 April 2013

Academic/Professional Qualification/Membership(s):

- Bachelor of Science in Mathematics, Indiana University Bloomington, Indiana, USA
- Master of Business Administration (Finance), North Texas University, Texas, USA
- Honorary Treasurer for the Asian Society for Quality in Health (ASQUA)
- Member of the Board of the Association of Private Hospital Malaysia (APHM)

Present Directorship(s):**Listed Entity:**

- Nil

Other Public Companies:

- Nil

Working Experience:

- Joined the banking industry upon graduation. After 8 years, she joined KPJ Healthcare Berhad in 1993 as the General Manager of Tawakkal Specialist Hospital and subsequently managed various hospitals and companies in the KPJ Healthcare Group as the Executive Director, Director, Deputy Chairman and Chairman. From year 2000 to 2012, she served as the Chairman of the Board of Puteri Nursing College Sdn Bhd. At KPJ Healthcare University College, she has been the Deputy Chairman since 2012.

**DATO' ABDOL WAHAB BABA**

VICE PRESIDENT (I),
BUSINESS DEVELOPMENT SERVICES

Date of Appointment:

1 January 2016

Academic/Professional Qualification/Membership(s):

- Master of Business Administration, University of East London, (Twinning Programme with WIM College)
- Bachelor of Accountancy, Universiti Teknologi MARA (UiTM)
- Post Graduate Diploma in Healthcare & Alumni of Harvard University

Present Directorship(s):**Listed Entity:**

- Nil

Other Public Companies:

- Nil

Working Experience:

- Joined KPJ in 1990 and has held various positions in companies and hospitals within the KPJ Group. Prior to his current position, he served as KPJ's Chief Risk Officer (2003-2013).

EXECUTIVE COMMITTEE MEMBERS' PROFILES

**DATIN SABARIAH FAUZIAH JAMALUDDIN**

VICE PRESIDENT (II),
GROUP TALENT MANAGEMENT SERVICES

Date of Appointment:

1 January 2015

Academic/Professional Qualification/Membership(s):

- Silver Medalist HR Leader by Malaysian Institute of Human Resource Management (MIHRM)
- Master of Business Administration, University of the Sunshine Coast, Australia
- Post Graduate in Health Services and Hospital Management, London South Bank University, UK
- Bachelor of Business Administration, Ohio University, USA
- Diploma of Business Studies, Universiti Teknologi MARA (UiTM)

Present Directorship(s):**Listed Entity:**

- Nil

Other Public Companies:

- Nil

Working Experience:

- Joined KPJ in 1994 and has held various positions in companies and hospitals within the KPJ Group. Currently she is the Chairman of a hospital and support companies. She is also an Executive Director of KPJ's education companies as well as a Director for three hospitals and a support company in the Group. Prior to joining KPJ, she was with the banking industry for seven years.

**MOHD JOHAR ISMAIL**

VICE PRESIDENT (II) - PROJECT MANAGEMENT, BIOMEDICAL &
COMMISSIONING & INTERNATIONAL OPERATIONS SERVICES

Date of Appointment:

1 July 2015

Academic/Professional Qualification/Membership(s):

- Bachelor of Accountancy (Hons), Universiti Kebangsaan Malaysia
- Post Graduate Diploma in Health Management, South Bank University, UK

Present Directorship(s):**Listed Entity:**

- Nil

Other Public Companies:

- Nil

Working Experience:

- Joined KPJ in June 1993 and has held various positions in the KPJ Group. Currently he is the Chairman of six hospitals, as well as the Executive Director of KPJ Dhaka. He is also a Board member of five hospitals and several support companies in the Group. Prior to joining KPJ he was with Perbadanan Kemajuan Ekonomi Negeri Johor (PKENJ) as an Internal Auditor in 1988 and was seconded to the Johor State Economy Development Group (JSEDC) (1988-1993). Previous to his current position, he serves as the Senior General Manager of Business Operations.

EXECUTIVE COMMITTEE MEMBERS' PROFILES

**NORHAIZAM MOHAMMAD**

VICE PRESIDENT (II),
GROUP FINANCE SERVICES

Date of Appointment:

20 April 2017

Academic/Professional Qualification/Membership(s):

- Master of Business Administration, International Business with Merit from University of East London, London, UK (Twinning Programme with Women Institute Malaysia)
- Bachelor of Accountancy (Hons) from Manchester Metropolitan University, Manchester, UK

Present Directorship(s):**Listed Entity:**

- Nil

Other Public Companies:

- Nil

Working Experience:

- Joined KPJ in 2008 and has held various positions in companies and hospitals within the KPJ Group. Currently she is the Director of two hospitals and a Board member of few support companies in the Group. Prior to joining KPJ she was with Utusan Melayu (M) Berhad (1996-1997) and then served as a Manager of Audit and Business Assurance at PricewaterhouseCoopers (1997-2007).

**AHMAD NASIRRUDDIN HARUN**

SENIOR GENERAL MANAGER,
GROUP STRATEGIC SUPPORT SERVICES

Date of Appointment:

1 July 2011

Academic/Professional Qualification/Membership(s):

- Master of Business Administration (MBA), Henley Business School, University of Reading, UK
- Post Graduate Diploma in Health Services and Hospital Management, Southbank University, UK
- Degree of Accountancy, Universiti Teknologi MARA (UiTM)
- Diploma of Accountancy, Universiti Teknologi MARA (UiTM)
- Fellow of Malaysian Society for Quality in Health (MSQH)
- Fellow of Malaysian Institute of Accountants (MIA)
- In recognition to his healthcare professional and sports contributions to the state of Perak, he was awarded the Ahli Mahkota Perak (A.M.P) by his Royal Highness Sultan Dr Nazrin Muizzuddin Shah, Sultan of Perak in November 2016.

Present Directorship(s):**Listed Entity:**

- Nil

Other Public Companies:

- Nil

Working Experience:

- Joined KPJ in September 1995 and has held various positions in companies and hospitals within the KPJ Group. Currently he is the Chairman of three hospitals, Executive Director for two hospitals and several support companies. He is also serves as a Board member of two hospitals.

EXECUTIVE COMMITTEE MEMBERS' PROFILES

**RAFEAH ARIFFIN**

SENIOR GENERAL MANAGER, GROUP MARKETING & STRATEGIC COMMUNICATIONS SERVICES

Date of Appointment:

1 July 2011

Academic/Professional Qualification/Membership(s):

- Master of Business Administration (MBA), Texas Women's University, Denton, USA
- Bachelor of Business Administration, University of North Texas, Denton, USA
- Certificate of Franchise Management, University of California, USA
- Challenges of Leadership Program, INSEAD University, France

Present Directorship(s):**Listed Entity:**

- Nil

Other Public Companies:

- Nil

Working Experience:

- Joined KPJ in 2007 as a Senior Manager, Group Marketing and Strategic Communications. She had previously served at the at Kelana Jaya Medical Centre (1999-2001), Pantai Medical Centre (2001-2004). She later joined Pantai Holdings Berhad (2004-2007).

**MAH LAI HENG**

SENIOR GENERAL MANAGER, GROUP OPERATIONS SERVICES

Date of Appointment:

1 July 2011

Academic/Professional Qualification/Membership(s):

- Master of Business Administration, Henley Business School, University of Reading, UK
- Advanced Critical Care Nursing, University South Australia, Australia
- Degree of Bachelor of Nursing Science (Honors Class II) - Universiti Malaya
- Certificate of Midwifery (Division 1), Midwifery School, Hospital Ipoh
- Certificate of General Nursing, School of Nursing, Hospital Ipoh

Present Directorship(s):**Listed Entity:**

- Nil

Other Public Companies:

- Nil

Working Experience:

- Joined Group KPJ Healthcare Berhad in 1996 as a Nursing Tutor at KPJ's Puteri Nursing College and has held various positions in the KPJ Group over the years including head of Clinical & Quality Services (2009-2015). Currently she is an Executive Director of KPJ Hospitals in Sabah & Sarawak and a Director of six hospitals and support companies in the Group.

EXECUTIVE COMMITTEE MEMBERS' PROFILES

**MOHD NASIR MOHAMED**

SENIOR GENERAL MANAGER,
GROUP OPERATIONS SERVICES

Date of Appointment:

1 March 2013

Academic/Professional Qualification/Membership(s):

- Bachelor of of Accountancy, University of Abertay, Dundee, Scotland
- Post Graduate Diploma in Healthcare Services and Hospital Management, South Bank University London, UK

Present Directorship(s):**Listed Entity:**

- Nil

Other Public Companies:

- Nil

Working Experience:

- Joined KPJ in 1993 and has held various positions in companies and hospitals within the KPJ Group. Currently he is the Executive Director of six hospitals and a Board member of several support companies in the Group.

**ROSLAN AHMAD**

SENIOR GENERAL MANAGER,
GROUP OPERATIONS SERVICES

Date of Appointment:

1 January 2016

Academic/Professional Qualification/Membership(s):

- Master in Business Administration, Miami University, USA
- Bachelor of Accountancy, University of Minnesota, USA
- Post Graduate Diploma in Hospital Management, South Bank University London, UK

Present Directorship(s):**Listed Entity:**

- Nil

Other Public Companies:

- Nil

Working Experience:

- Joined KPJ in 1996. Prior to joining KPJ, he was with the Malaysian Pineapple Industry Board in 1988 and served its London office until 1995. Currently he is the Executive Director of five hospitals and a Board member of several support companies in the Group.

EXECUTIVE COMMITTEE MEMBERS' PROFILES

**DR. MUBBASHIR IFTIKHAR**

GENERAL MANAGER, NEW PRODUCTS
& SERVICES DEVELOPMENT

Date of Appointment:

28 January 2016

Academic/Professional Qualification/Membership(s):

- Bachelor of Medicine and Bachelor of Surgery (MBBS), University of Punjab, Pakistan
- The Data Scientist's Toolbox, Johns Hopkins University, USA
- Building Your Leadership Skills, HEC Paris, France
- Internet History, Technology, and Security, University of Michigan, USA

Present Directorship(s):**Listed Entity:**

- Nil

Other Public Companies:

- Nil

Working Experience:

- Joined KPJ as the Chief Information Officer (2011-2015) and initiated Cloud Enablement, KPJ Clinical Information System (KCIS), Picture Archiving and Communication Systems (PACS) and the web portals. Prior to joining KPJ, he was with the University of Punjab, Lahore, Pakistan as a Medical Doctor.

**ERIC SIM KAM SENG**

CHIEF INFORMATION OFFICER,
INFORMATION TECHNOLOGY SERVICES

Date of Appointment:

1 March 2016

Academic/Professional Qualification/Membership(s):

- Master of Business Administration, Asia e-University
- Degree of Business Management, Bolton University, UK
- Degree of Computer Science, NCC & University of Portsmouth, UK
- Financial Management, Institute of Financial Accountants, UK
- Electrical Engineering, City Guilds, UK

Present Directorship(s):**Listed Entity:**

- Nil

Other Public Companies:

- Nil

Working Experience:

- Joined KPJ in 2008 and is focusing on KPJ's ongoing move to become increasingly digitalised, including the consolidation of KPJ's entire clinical system through the Clinical Information System (KCIS), as well as KPJ's transition to the Cloud.

Notes: None of the Executive Committee Members have:

- Any family relationship with any Director and / or major shareholder of KPJ.
- Any conflict of interest with KPJ.
- Any conviction for offences within the past five years (other than traffic offences).
- Any sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2017.

HOSPITAL MEDICAL DIRECTORS



DATO' AMIRUDDIN ABDUL SATAR

President & Managing Director



DATUK DR. HUSSEIN AWANG

KPJ Tawakkal Health Centre



DR. CHAN KHENG KHIM

KPJ Tawakkal Specialist Hospital



PROF. (C) DR. WAN HAZMY CHE HON

KPJ Seremban Specialist Hospital



DR. R. PADMANATHAN

KPJ Penang Specialist Hospital



DR. MAHAYIDIN MUHAMAD

KPJ Perdana Specialist Hospital



DATO' DR. KHALED MAT HASSAN

KPJ Kuantan Specialist Hospital



DR. MOHD HARRIS LU

KPJ Sentosa KL Specialist Hospital



DATO' DR. N. SIVAMOHAN

KPJ Klang Specialist Hospital



DR. DAVID LING SHENG TEE

KPJ Kuching Specialist Hospital



PROF. DATUK DR. AJAZ AHMAD NABIJAN

KPJ Sabah Specialist Hospital



DR. AB RAZAK SAMSUDIN

KPJ Pasir Gudang Specialist Hospital



DR. NOOR HISHAM MANSOR

KPJ Rawang Specialist Hospital



DR. LEE MIN CHUANG

Sri Manjung Specialist Centre



HOSPITAL MEDICAL DIRECTORS

**DR. RUSLI
ARSHAD**KPJ Johor
Specialist Hospital**DR. LUIS
CHEN SHIAN
LIANG**KPJ Ipoh
Specialist Hospital**DATO' DR.
ABDUL WAHAB
ABDUL GHANI**KPJ Ampang Puteri
Specialist Hospital**DR. ROSLAN
MAHAMUD**KPJ Damansara
Specialist Hospital**DR.
BALAKRISHNAN
SUBRAMANIAM**KPJ Kajang
Specialist Hospital**DATO' DR.
KAMARUZAMAN
ALI**Kedah Medical
Centre**PROF. (C) DATO'
DR. SHAHRUDIN
MOHD DUN**KPJ Selangor
Specialist Hospital**DR. MOHD
ALI SALLEH**KPJ Puteri
Specialist Hospital**DR. LIM
KEOK TANG**KPJ Damai
Specialist Hospital**DR. AHMAD
FARID DAUD**Kluang Utama
Specialist Hospital**DR. ONG
BOON TEIK**Taiping Medical
Centre**DR. WONG
CHYA WEI**Sibu Specialist
Medical Centre**DATO' DR.
MAHMOOD
AWANG KECHIK**KPJ Bandar Maharani
Specialist Hospital**DATO' DR.
NGUN KOK
WENG**KPJ Pahang
Specialist Hospital**DR. NORAZLINA
BACHIK NG**Clinical Director
KPJ Pusat Pakar Mata
Centre For Sight

CORPORATE GOVERNANCE OVERVIEW

This statement is prepared in compliance with Paragraphs 15.08A(3) and 15.25 together with Practice Note 9 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements on the preparation of the Nominating Committee statement and Disclosure of Corporate Governance (CG) practices in the Company and is to be read together with the CG Report that is available on KPJ's website:

<http://www.kpjhealth.com.my>

The CG Report outlines in detail on how the Company has applied each Practice as set out in the Malaysian Code on Corporate Governance 2017 (MCCG).

COMMITTED TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE

The Board strongly believes that good corporate governance practices adds value to the business of the Group and will help reinforce its sustainability. The Board sets the tone at the top and plays an active role in guiding the Management through its oversight role in steering the Group's business direction and strategy.

In line with this commitment, in November 2017 the Management presented to the Board the Gap Analysis Report on the Company's existing CG practices and the standards as set out in the MCCG. The CG Report documents in detail the Company's CG practices and its adherence to all the Practices outlined in MCCG, including the requisite action plans for areas where the present CG practices need to be enhanced.

11 THE BOARD STRONGLY BELIEVES THAT GOOD CORPORATE GOVERNANCE PRACTICES ADDS VALUE TO THE BUSINESS OF THE GROUP AND WILL HELP REINFORCE ITS SUSTAINABILITY.

BOARD LEADERSHIP AND EFFECTIVENESS

BOARD'S RESPONSIBILITIES

All members of the Board contribute meaningfully in the areas of formulation of strategic objectives and policies, governance, performance monitoring, allocation of resources and compliance.

Each director brings with him/her vast experience and astute insights to enable the Board to function effectively in discharging its duties and responsibilities as required of them with due care and diligence.

The Group has documented clear policies for identifying and separating the functions and responsibilities of the Board and Management, Chairman as well as the President & Managing Director in ensuring the smooth running of the Group's business and operations. These are enshrined in the Board Charter, which has been reviewed and updated to be in line with the practices of MCCG and the Companies Act 2016, a copy of which is made available to all Directors of the Company.

The following are matters which are specifically reserved for the Board:-

Approval of corporate plans and programmes;

Approval of annual budgets, including major capital commitments;

Approval of new ventures;

Approval of material acquisitions and disposals of undertakings and properties; and

Changes to the management and control structure within the Company and its subsidiaries, including key policies, delegated authority limit.

CORPORATE GOVERNANCE OVERVIEW

The roles of the Chairman of the Board, President & Managing Director, Executive Director and the eight (8) Non-Executive Directors (NEDs) are kept separate with a clear division of responsibilities in line with best practices. The functions of the Chairman as well as those of the President & Managing Director are clearly segregated to ensure that there is a balance of power and authority.

Dato' Kamaruzzaman Abu Kassim as the Chairman continues to lead the Board by providing oversight leadership on the strategies and business affairs of the Group. He is also the President and Chief Executive of Johor Corporation (JCorp) and has never held the position of President & Managing Director of the Company.

Dato' Amiruddin Abdul Satar, the President & Managing Director of the Company, is responsible for leading the Management in the execution of broad policies, strategies and action plans approved by the Board. He regularly engages the Board to report and discuss the Group's business performance and development, including all strategic matters affecting the Group.

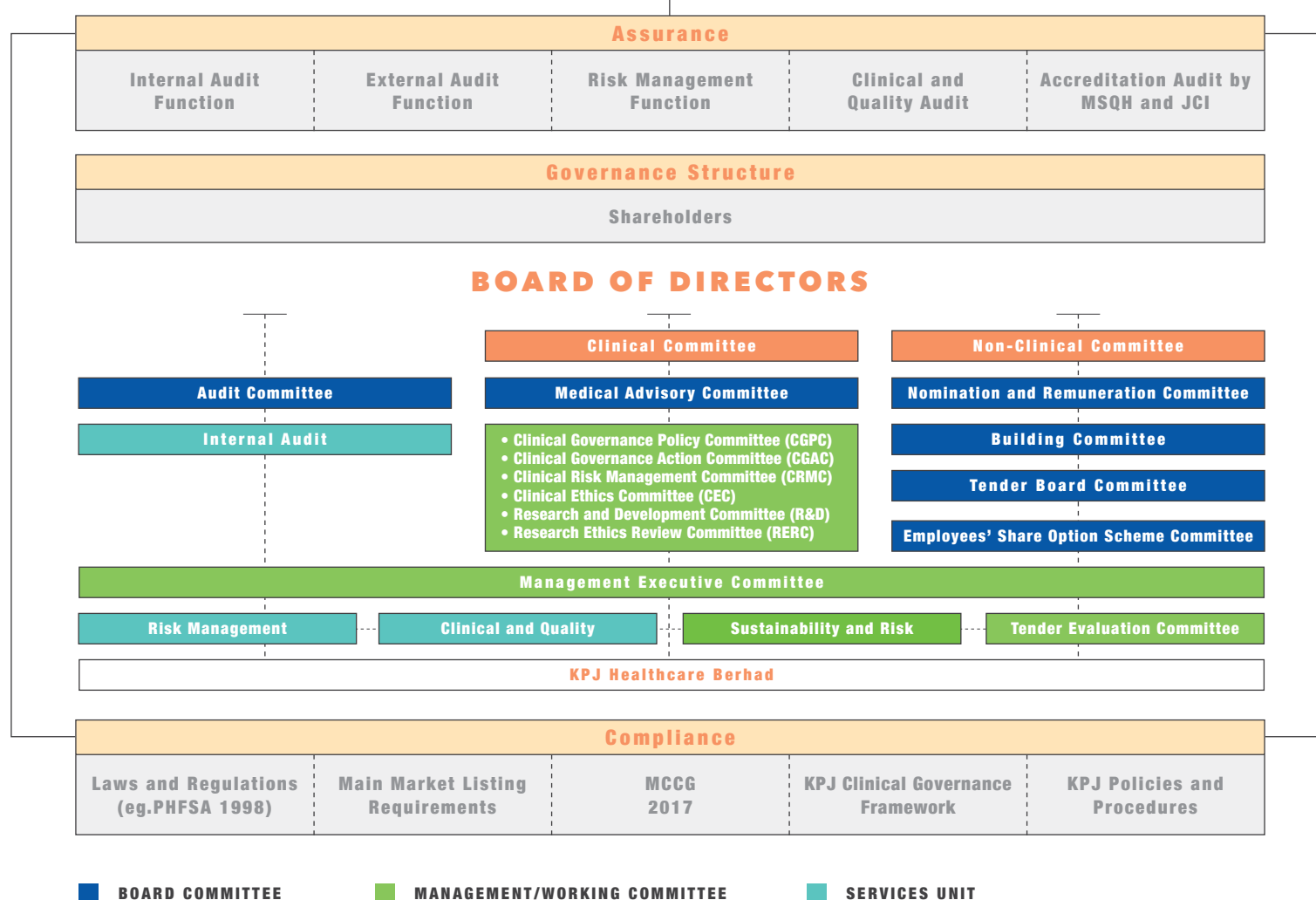
The Board has also developed and approved the Corporate Objectives for 2017, for which the President & Managing Director

has the responsibility to execute and achieve them. It also forms the basis where the performance of Management will be assessed.

The Board has established the Corporate Governance Model for the Group where specific powers of the Board are delegated to the respective Board Committees which function with clearly defined terms of reference.

The Board also assigns authority and responsibilities mainly to the Management Executive Committee (EXCO) which is headed by the President & Managing Director, to manage operations as well as execute strategic initiatives pertaining to the delivery of services and business operations of the Group.

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



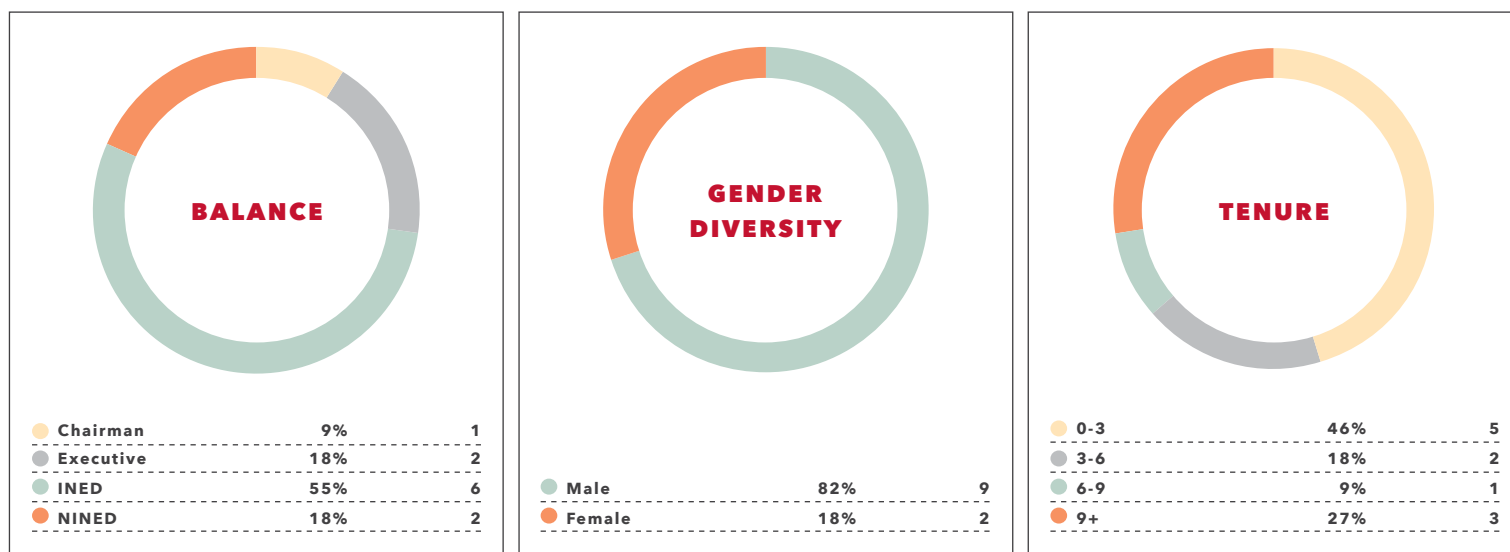
CORPORATE GOVERNANCE OVERVIEW

BOARD COMPOSITION

The composition of the Board of Directors is as follows:

- One (1) Non-Independent Non-Executive Chairman;
- Two (2) Non-Independent Non-Executive Directors (NINED);
- Six (6) Independent Non-Executive Directors (INED);
- One (1) President & Managing Director; and
- One (1) Executive Director.

The present size and composition remains well-balanced and is made up of professionals with a wide range of knowledge and experience in business, operations and finance, all relevant to the direction of a large, expanding Group. The profiles of all Board Members, comprising of their qualification, experience and calibre are disclosed on pages 108 to 118 of this Annual Report.



The Board, through the Nomination & Remuneration Committee (NRC), undertakes a rigorous evaluation each year in order to assess how well the Board, its Committees, the Directors and the Chairman are performing, including assessing the independence of Independent Directors, taking into account the individual Director’s capability to exercise independent judgement at all times.

In November 2017, the Board has adopted the 9-year policy which limits the tenure of the Independent Director as enshrined in the MCCG. The NRC at its meeting held in January 2018 has evaluated the shortlisted candidates for appointment as new Independent Directors, which will ensure compliance with MCCG as well as achieve the diversity target of at least 30% women directors on the Board. The Board also approved the NRC’s recommendation that the Board size will be increased from the present 11 directors.

The present long serving Independent Directors with more than 9 years tenure on the Board have expressed their desire not to seek re-appointment at the coming 25th Annual General Meeting scheduled in April 2018.

The activities of the NRC are further elaborated in the CG Report under Practices 4.4 and 4.5 of the MCCG.

BOARD REMUNERATION

The Board has in place a Board Remuneration Policy governing the remuneration of directors and believes that the levels of remuneration offered by the Group are sufficient to attract directors of calibre with sufficient experience and talent to contribute to the performance of the Group. The Non-Executive Directors are remunerated based on fixed annual director’s fees and fixed meeting allowances. The current Board Remuneration Policy was approved by the shareholders of the Company at the 24th AGM held in April 2017.

The remuneration framework applicable for the President & Managing Director and Executive Director has the underlying objective of attracting and retaining an executive director needed to manage the Company successfully. The remuneration packages of the President & Managing Director and Executive Director are structured to commensurate with the achievement of corporate targets set by the Board and their individual performance. Their remuneration packages have been reviewed by the NRC and approved by the Board.

CORPORATE GOVERNANCE OVERVIEW

ACCOUNTABILITY

INTEGRITY OF 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 reflect the Board's commitment to provide transparent information on the Group's performances and activities.

In the preparation of the financial statements, the Directors have taken necessary steps to ensure that the Group consistently complied with all applicable Malaysian Financial Reporting Standards, provisions of the Companies Act 2016 and relevant provision of laws and regulations in Malaysia, including the respective countries in which the subsidiaries operate, and that the policies are supported by reasonable and prudent judgement and estimates. This is to ensure a true and fair view of the financial position of the Group and the Company at the end of the financial year, and of the results and cash flows of the Group and Company for the financial year.

The Audit Committee assists the Board in ensuring that both the 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.

In preparing the financial statements, the Directors have adopted suitable accounting policies and applied them consistently; made judgement and estimates that are reasonable, prudent and prepared the financial statements on a 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 the overall responsibilities for taking such steps necessary to safeguard the assets of the Group, as well as prevent and detect fraud and other irregularities.

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out in the Financial Statements on page 156 of the Annual Report.

ASSESSMENT OF EXTERNAL AUDITORS

The Board, through the Audit Committee, has maintained an appropriate relationship with the External Auditors as there is a formal and transparent arrangement in the review of the External Auditors' audit plan, report, internal control issues and procedures. The Board is of the view that the External Auditors are independent and they are reappointed annually at the AGM.

FRAMEWORK TO MANAGE RISKS

The Board, as part of its leadership role coordinates and delegates specific responsibilities to several Committees to facilitate the operations of the Group at the Board and Management level. Each Committee has written terms of reference defining its scope, powers and responsibilities.

These Committees have the authority to examine particular issues and report back to the Board with their findings and recommendations. The ultimate responsibility for the final decisions and recommendations on all matters emanating from these Committees, however, lies with the entire Board.

The Committees are divided into Board and Management Committees. The Board Committees comprises of six (6) main Committees:

- Audit Committee;
- Building Committee;
- Medical Advisory Committee;
- Nomination and Remuneration Committee;
- Tender Board Committee; and
- Employees' Share Option Scheme (ESOS) Committee.

There are two (2) Management Committees:

- EXCO
- Tender Evaluation Committee

CORPORATE GOVERNANCE OVERVIEW

AUDIT COMMITTEE REPORT

1. COMPOSITION AND ATTENDANCE

1.1 Composition

The Audit Committee (AC) members comprise of three (3) Independent Non-Executive Directors, all of whom are also members of the Board of KPJ Healthcare Berhad. This meets the requirements of Paragraph 15.09 (1) (a) and (b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR). The Chairman of AC is appointed by the Board and is not the Chairman of the Board.

The composition of the Committee and the record of their attendance at AC meetings held during the financial year are as follows:

| Name of Member | Status of Directorship | No. of Meeting Attended |
|---------------------------------|------------------------------------|-------------------------|
| Zainah Mustafa Chairman | Independent Non-Executive Director | 5/5 |
| Datuk Azzat Kamaludin Member | Independent Non-Executive Director | 4/5 |
| Dr. Kok Chin Leong Member | Independent Non-Executive Director | 5/5 |

The Chairman of the Committee, Zainah Mustafa is a Fellow of the Association of Chartered Certified Accountants (FCCA). This meets the requirement of Paragraph 15.09 (1) (c) of the MMLR which stipulates at least one of the Committee members fulfils the financial expertise requisite.

Collectively, AC members are qualified individuals having the essential skills and expertise to discharge the Committee's functions and duties. AC's financial literacy and ability to understand the financial reporting process have contributed to the AC's discussion in upholding the integrity of the Company's financial reporting process and financial statements.

The annual review of the composition and performance of Audit Committee, including members' tenure, performance and effectiveness as well as their accountability and responsibilities, was duly assessed via the Board Effectiveness Evaluation.

1.2 Attendance

AC meetings for 2017 were pre-arranged in January 2017 and communicated to the members early to ensure their time commitment. A minimum of four (4) meetings a year shall be planned, although additional meetings may be called at any time at the Chairman's discretion.

The quorum for all five (5) meetings held during financial year 2017 was fulfilled. The meetings were held on 20 January 2017, 17 February 2017, 11 May 2017, 10 August 2017 and 9 November 2017 respectively.

The Company Secretaries act as the AC Secretary in all AC meetings. The President & Managing Director, Senior Management together with Head of Internal Audit and External Auditors shall normally attend the meetings. Other Directors, Executive Directors of the hospitals and employee of the company and/or Group may attend any particular meeting upon invitation where appropriate.

In year 2017, the External Auditors attended three (3) out of five (5) meetings which were held on 20 January 2017, 17 February 2017 and 10 August 2017

respectively. Separate private sessions were also conducted without Management's presence on 20 January 2017 and 10 August 2017.

Minutes of the AC meetings were circulated to all members and extracts of the decisions made were escalated to relevant process owners for action. The Chairman of AC meeting provides a report and highlights significant points on the decisions and recommendations of AC to the KPJ Board.

2. TERMS OF REFERENCE

The duties and responsibilities of the AC is outlined in its Terms of Reference which is available online in the Corporate Governance section at www.kpjhealth.com.my.

3. FOCUS AND ACTION PLAN

The AC received updates on key governance matters and issues across the Group at each Committee meeting. Areas of the AC's focus during the Financial Year include:

CORPORATE GOVERNANCE OVERVIEW

- a) First time adoption of the Malaysian Financial Reporting Standards (MFRS) Framework and application of the following standards in the first MFRS compliant financial statements:
- i) MFRS 15 "Revenue from Contracts with Customers" (effective date: 1 January 2018)
 - ii) MFRS 9 "Financial Instruments" (effective date: 1 January 2018)
 - iii) MFRS 16 "Leases" (effective date: 1 January 2019)

The preliminary financial impact of the first time adoption on the above MFRS had been assessed accordingly as the effects of the adoption are required to be applied retrospectively.

- b) New Companies Act 2016 and Malaysian Code on Corporate Governance (MCCG) 2017 - Governance policies, processes and documents had been updated to remain effective, robust and aligned with the Companies Act 2016 and MCCG 2017.
- c) Recent development in tax laws and regulations.

4. SUMMARY OF WORK

During the year 2017, the Committee carried out the following work:

a) Financial results

- i) Reviewed the quarterly unaudited financial result announcements before recommending the same to the Board for approval;
- ii) Reviewed the Company's compliance, in particular the quarterly and year-end financial statements, with Malaysian Financial Reporting Standards, applicable disclosure provisions in the MMLR, and other relevant legal and regulatory requirements; and
- iii) Reviewed the impacts of any changes in accounting policies and adoption of new accounting standards together with significant matters highlighted in the financial statements.

b) Risk Management

- i) Reviewed the system in place to identify, assess, mitigate and monitor Group-Wide Risk Assessment to promote and improve risk management awareness and processes; and
- ii) Reviewed the risk profile of the Group and major initiatives having significant impact on the business.

c) Internal Audit

- i) Reviewed and approved the annual audit plan for the year 2016/2017 to ensure adequate resources, competencies as well as comprehensive audit scope and coverage over the significant and high risk audit activities;
- ii) Deliberated on the Internal Audit Reports that were tabled and appraised the adequacy of Management's responsiveness to the audit findings and recommendations;

- iii) Evaluated the results of scheduled follow-ups, investigations and special audits performed and confirmed the appropriate actions were taken to correct the weaknesses; and
- iv) Assessed the status of audit activities as compared to the approved annual audit plan.

d) External Audit

- i) Reviewed the audit plan, audit strategy and scope of work for the year;
- ii) Reviewed the results of the interim and annual audit, audit reports, Management Letter together with Management's response to their findings and "Key Audit Matters";
- iii) Assessed the independence and objectivity of the external auditors during the year and prior to appointment of the external auditors for adhoc non-audit services. The Committee also received from the external auditors their policies and written confirmation regarding their independence and the measures used to control the quality of their work;
- iv) Deliberated on the updated development in Financial Reporting and Regulatory Environment;
- v) Assessed the performance of the External Auditors and recommended their appointment and remuneration to the Board of Directors; and
- vi) Met with the External Auditors without the presence of Management on 20 January 2017 and 10 August 2017.

e) Related Party Transactions

Reviewed on a quarterly basis the related party transactions and recurrent related party transactions entered into by the Group as well as any conflict of interest situation that arises within the Group.

f) Annual Reporting

Reviewed and recommended the Statement on Risk Management and Internal Control, Audit Committee Report as well as Corporate Governance Report for Annual Report to ensure compliance with relevant regulatory reporting requirements, prior to Board approval.

g) Other Matters

- i) Deliberated on the progress and status on IT strategies issues.
- ii) Reviewed and deliberated on the subsidiaries performance.

h) Continuous Professional Development

For the year under review, the relevant Committee members have attended various conferences, seminars and trainings and the details of the training attended are reported under the Corporate Governance Report, Practice 2.1 published on KPJ's website.

CORPORATE GOVERNANCE OVERVIEW

5. INTERNAL AUDIT FUNCTION

The in-house Internal Audit Department carries out KPJ's internal audit function in assisting the Board to oversee that Management has in place a sound risk management, internal control and governance systems. The Internal Audit Department is headed by Khairol Badariah Basiron, a Certified Internal Auditor and a Professional Member of the Institute of Internal Auditors Malaysia. She holds a Bachelor of Accounting from Universiti Teknologi MARA (UiTM).

Internal Audit Department, as the third line of defense, reviews the effectiveness of the internal control structures over the Group activities focusing on high risk areas as determined using a risk-based approach. All high risk activities in each auditable area are audited annually in accordance with the approved Audit Plan. This is to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Group. Internal Audit Department also carries out investigative audits where there are improper, illegal and dishonest acts reported.

Internal Audit Department reports functionally to the Audit Committee and administratively to the President & Managing Director, and is independent of the activities or operations of other operating units. Internal Audit Department's authority, scope and responsibilities are governed by its Audit Charter which is approved by the Audit Committee and aligned with the International Professional Practice Framework on Internal Auditing issued by the Institute of Internal Auditors (IIA). All Internal Audit personnel signed an Independence Statement as well as a declaration on compliance to the Code of Ethics of the IIA in carrying out their duties.

The audit reports which provide the results of the audit conducted are submitted to the Committee for review and deliberation. Key control issues, significant risks and recommendations are highlighted, along with Management's responses and action plans for improvement and/or rectification, where applicable. This enables the AC to execute its oversight function by reviewing and deliberating the audit issues, audit recommendations as well as the Management's responses to these recommendations. Where appropriate and applicable, the AC directed the Management to take cognisance of the issues raised and establish necessary steps to strengthen the system of internal control based on Internal Audit's recommendations.

The total costs incurred for maintaining the internal audit function of 19 staff for the financial year ended 31 December 2017 is approximately RM2.2 million, comprising mainly salaries and incidental costs such as travelling, accommodation and training cost. Various in-house training programmes and external courses were provided to staff members in the areas of auditing skills, technical skills, business acumen, strategic management and personal development to enhance the desired competency level.

The Internal Audit Department within its terms and reference had the following work undertaken for the financial year 2017:-

- i) 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;
- ii) Ascertained the effectiveness of Management in identifying principal risks and managed such risks through the Risk Management Framework set-up by the Group;
- iii) Ascertained the level of compliance with Group's plans, policies, procedures and adherence to laws and regulations;
- iv) Appraised the effectiveness of administrative and financial controls applied and the reliability and integrity of data that is produced within the Group;
- v) Performed follow-up reviews of previous audit reports to ensure appropriate actions are implemented to address control weaknesses highlighted;
- vi) Carried out investigations and special reviews requested by the Committee and/or Management;
- vii) Witnessed the tender opening process for project. The witnessing process is to ensure the activities in the tendering process are conducted in a fair, transparent and consistent manner; and
- viii) Prepared the Audit Committee Report for the Company's Annual Report for financial year ended 31 December 2017.

During the financial year ended 31 December 2017, Internal Audit Department accomplished a total of 60 audits comprising scheduled financial and operational audits as well as IT audits at the hospitals and support companies. This also includes due diligence, special audits and ad hoc assignments. Reviews on compliance with the established procedures, guidelines and statutory obligations are also performed.

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

All findings resulting from the audits were reported to the AC, Senior Management and relevant management of operating hospitals and support companies. Management of the operating hospitals and support companies were accountable to ensure proper rectification of the audit issues and implementation of action plans within the timeframe specified. Follow up by Internal Audit Department on the actions taken is updated in the subsequent audits. In addition, the Internal Audit Department played an advisory role in the course of performing its audit activities.

CORPORATE GOVERNANCE OVERVIEW

MEDICAL ADVISORY COMMITTEE REPORT

KPJ defines clinical governance as “A framework through which organisations are 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.”

Safety is a priority at KPJ. We are committed to adjust culture of safety in which employees are encouraged to come forward when they or others make mistakes, allowing us the opportunity to improve the care we deliver and prevent potential errors.

KPJ ensures that all our hospitals are continually in compliance with the highest level of quality care and patient safety standards as set by the Malaysian Society for Quality in Health (MSQH), Joint Commission International (JCI), Integrated Management Systems (IMS) and other regulatory, licensing and accreditation agencies.

As such, we recognise the importance of maintaining high quality services whilst encouraging our staff to work independently, demonstrating that leadership, teamwork and communication is as important to high-quality care as risk management and clinical effectiveness.

Whether we are a medical practitioner, nurse, support staff, receptionist, cleaner or porter, clinical governance concerns us all - it is about patients and their carers receiving the right care at the right time by the right person in a safe environment.

We have always encouraged a ‘being open’ policy with regards to the reporting of adverse incidents and it is good to see that there has been a progressive fall in the number of reports in the year 2017.

The report outlines the main activities undertaken to develop and promote clinical governance.

These include:

- Clinical effectiveness
- Clinical surveys
- Outcome indicators
- Quality initiatives
- Clinical risk management
- Sharing of information
- Education and training

GROUP CLINICAL GOVERNANCE COMMITTEES

Quarterly Group Clinical Governance meetings are conducted to monitor clinical governance activities carried out at the hospitals, in order to identify as well as review best practices that can be implemented Group-wide. Furthering from that, this is a platform to share learning points from adverse events and mortality and morbidity reviews.

Other key components of clinical governance and progress made during the year include:

1. New policies and guidelines that were approved, such as:
 - a) Fertility Services;
 - b) Use of Entonox;
 - c) Self-Prescribing;
 - d) Consent When Medication of Animal Origin is Prescribed;
 - e) Cancer Marker Screening;
 - f) Implementation of care standards in Nutrition for Patients in Intensive Care Unit;
 - g) New clinical care pathways for management of asthma and sepsis; and
 - h) With the increase in the number of post-graduate medical students, nursing and allied health students from KPJUC, the Guidelines for Student Posting or Attachment for Post Graduate and Undergraduate Students was reviewed.
2. All policies were required to be review every three years. The following policies were reviewed in 2017:
 - a) List of Approved Abbreviations;
 - b) Informed Consent form and Obtaining Consent;
 - c) Audio/Video Recording;
 - d) Medical Records Guidelines; and
 - e) Revision of patient information leaflets for common surgical procedures.
3. Liaison with external partners to continue to improve discharge coordination for patients.
4. Setting up of hospital Pain Management Committee to monitor and avoid misuse of opioid (narcotic) based derivatives of pain medications.
5. Credentialed and approved the appointment of 36 new consultants for the Group.

CORPORATE GOVERNANCE OVERVIEW

CLINICAL RISK MANAGEMENT

KPJ has a well-developed system for adverse incident reporting and regular reports are produced relating to lessons learned. A central database is used for adverse incident data entry and report production.

Reported incidents included staff accidents, patient accidents, clinical incidents and security incidents. The figures also include reports of potential adverse events (i.e. near misses) and no-harm events. There has been a significant reduction of clinical incidents compared with the previous year.

All adverse incidents are investigated and viewed as an opportunity to learn and improve. Recommendations and actions plans from incident investigations are regularly discussed at the Hospital Risk, Safety and Quality Committee as well as Group Clinical Risk Committee meetings. They are also discussed at the Group Medical Advisory Committee (MAC) quarterly meetings.

CLINICAL SURVEY

The KPJ Clinical Survey is conducted annually in the third quarter of the year. The Clinical Survey standards are reviewed annually in order to keep up-to-date to the requirements of current accreditation standards, and additional scopes are added where needed. This year two (2) new areas were added thus fourteen (14) services are being surveyed.

The year 2017 was also a busy year for the survey team with nine (9) hospitals surveyed for MSQH and one hospital for JCI recertification. As the MSQH standards were revised this year there were many requests from the hospitals for training of the new standards.

This year two (2) new hospitals were assessed for MSQH Accreditation certification, namely the new KPJ Pahang Specialist Hospital and KPJ Sabah have been awarded full certification of four (4) years.

NURSING SERVICES

The Nursing team has reviewed all the nursing policies and procedures (Volume 1 - 3) and the new policies include:

1. Assessment of pain as the 5th vital sign based on the components of the National Nursing Audit.
2. "Octenisan" bath prior to surgery to minimise risk of post-operative infection.
3. Placement of a 'placard' on the patient bed/trolley indicating site marking is required, as part of the safety drive towards Safe Surgery Saves Lives campaign.

Group Infection Control meetings creating a good forum for developing practice and advice for clinical issues are conducted yearly.

The nursing team also participates in a number of National Audits such as administration of intravenous infusion; blood/ blood component transfusion; administration of oral medication; aseptic wound dressing and pain as the fifth vital sign.

Hand hygiene compliance audit is conducted regularly based on Asia Pacific Hand Hygiene Excellence Award (APHEA) criteria with involvement of the patient and the care giver.

Knowledge and skills on intravenous fluid management was updated through workshops on setting intravenous (IV) line and monitoring IV site using Visual infusion Phlebitis (VIP) score.

PHARMACY SERVICES

This year, the following pharmacy policies were reviewed and revised:

1. Medication reconciliation process in managing patient's own medication during the admission;
2. Management of Look Alike Sound Alike and High Alert Medication.

All medication related incidents reported are compiled and analysed by pharmacy, nursing and related senior staff. Based on their findings several initiatives and improvement activities have been implemented Group-wide:

- In order to minimize the occurrence of adverse incidents one pharmacy staff is rotated as a permanent checker every 3 - 4 hour to minimise fatigue.
- Pharmacy and nursing team will practice Triangle Checking before dispensing and administering of drugs to patients.

CLINICAL GOVERNANCE COMMITTEES

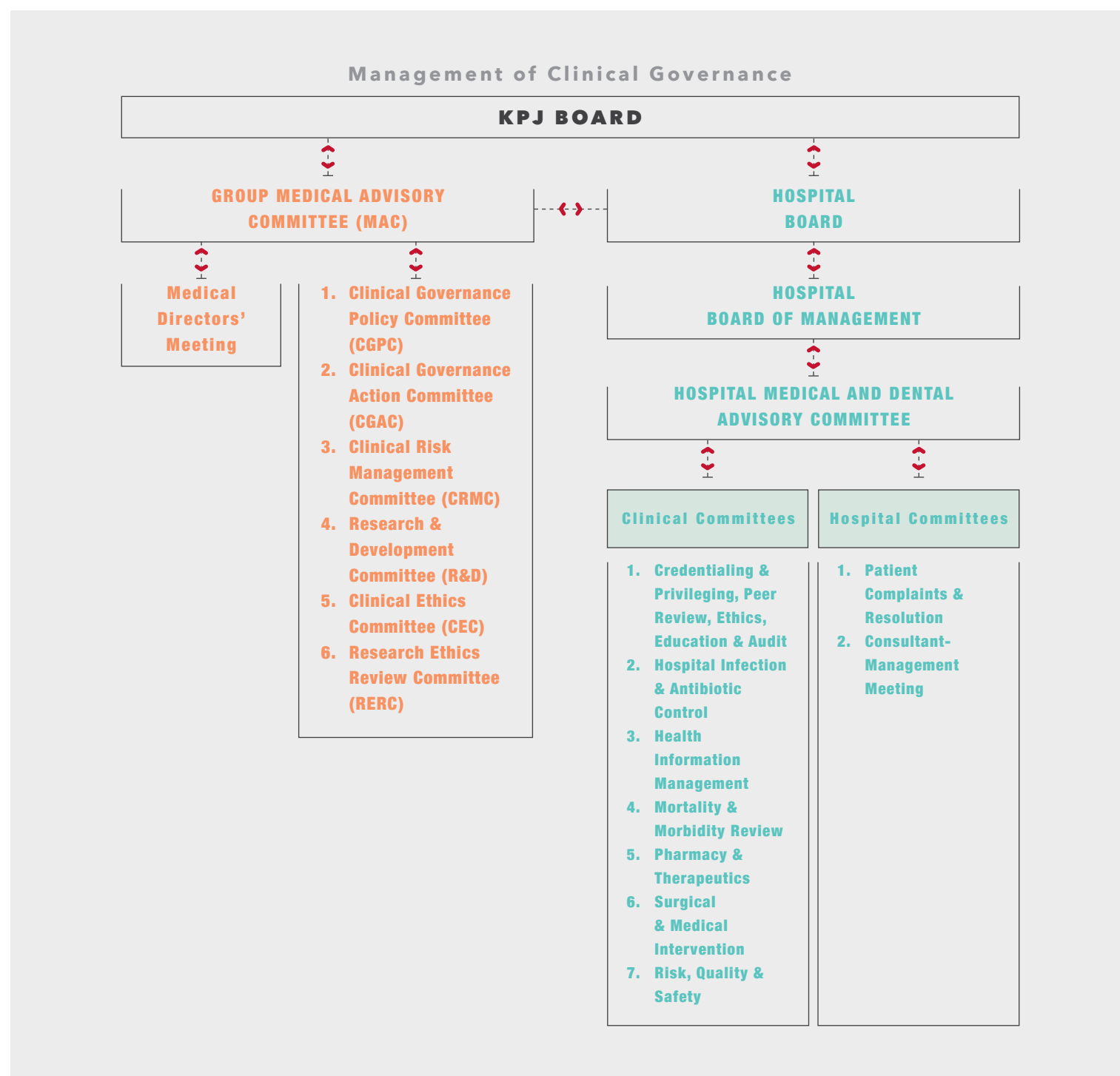
Clinical Governance is about the quality and safety of patient care and everything we do as individuals and as an organisation is to achieve high standards of clinical care. This includes the management of human resource and clinical governance.

At KPJ hospitals, overall responsibility for clinical governance lies with the hospital's Medical Director. However, clinical governance is the responsibility of every doctor and staff.

At the Group level, the Group Medical Advisory Committee (MAC) develops and monitors clinical governance activities at the hospitals whilst developing policies and guidelines for the Group to improve safety and outcomes (Figure 1).

CORPORATE GOVERNANCE OVERVIEW

All hospitals conduct the Hospital Clinical Committee meetings as stipulated in the KPJ Medical Professional By-Laws. The reports from the Hospital Clinical Committee meetings are collected, compiled and discussed during the various hospital meetings and finally presented to the Hospital Board of Directors.



CORPORATE GOVERNANCE OVERVIEW

GROUP MEDICAL ADVISORY COMMITTEE (MAC)

The MAC was formed in 2002, to initiate as well as to oversee clinical governance activities undertaken by the Group. The Chairman of MAC is an Independent Non-Executive Director. The new Chairman, Dato' Dr. Zaki Morad Mohamad, a Consultant Nephrologist was appointed on 1 July 2017, replacing Dr. Yoong Fook Ngian has retired, the Chairman since 2011.

Another member Dato' Dr. S Jenagaratnam, Consultant Anaesthesiologist from KPJ Ipoh a founder member of the Group Clinical Governance Committees has also retired. We wish both of them a fond farewell and sincerely appreciate their contributions and guidance during our clinical governance journey to improve patient care.

We would also like to welcome a new member, Dato' Dr. Fadzli Cheah, Consultant Neurosurgeon from KPJ Ipoh.

The Committee meets four (4) times yearly as follows:

| No. | Members | Meeting Attendance | | | |
|-----|---|--------------------|--------|-------|-------|
| | | 25 Jan | 10 May | 3 Aug | 3 Nov |
| 1. | Chairman Dr. Yoong Fook Ngian * Independent Non-Executive Director | √ | √ | - | - |
| 2. | Chairman Dato' Dr. Zaki Morad Mohamad Zaher** Chairman, Clinical Ethics Committee Independent Non-Executive Director | √ | √ | √ | √ |
| 3. | Dato' Amiruddin Abdul Satar President & Managing Director | √ | √ | √ | √ |
| 4. | Dr. Kok Chin Leong Chairman, Clinical Governance Policy Committee (CGPC) | √ | √ | √ | √ |
| 5. | Prof. (C) Dato' Dr. Shahrudin Mohd Dun Chairman, Clinical Governance Action Committee (CGAC) | √ | √ | √ | √ |
| 6. | Datuk Dr. Hussein Awang Chairman, Medical Directors' Meeting | X | √ | √ | √ |
| 7. | Prof. Dato' Dr. Azizi Hj Omar Chairman, Research and Development Committee (R&D) | √ | √ | √ | √ |
| 8. | Dato' Dr. Ngun Kok Weng Chairman, Clinical Risk Management Committee (CRMC) | √ | √ | √ | √ |
| 9. | Dato' Dr. S Jenagaratnam*** Consultant Anaesthesiologist, KPJ Ipoh | √ | - | - | - |
| 10. | Dato' Dr. Fadzli Cheah Consultant Neurosurgeon, KPJ Ipoh | √ | √ | √ | √ |
| 11. | Dr. Mohd Hafetz Ahmad Chairman, Research Ethics Review Committee (CREC) Consultant Obstetrician & Gynaecologist, KPJ Johor | √ | √ | √ | √ |
| 12. | Jasimah Hassan Vice President (I), Business Operation and Clinical Services, KPJ | X | √ | √ | √ |
| 13. | Gunavathy Kalee Deputy General Manager, Clinical Services KPJ | √ | √ | √ | √ |

* Resigned as a Chairman on 30 June 2017

** Appointed as Chairman on 1 July 2017

*** Retired

CORPORATE GOVERNANCE OVERVIEW

The MAC is assisted by six (6) sub-committees. The function of each sub-committee is as follows:

1. Clinical Governance Policy Committee (CGPC)

CGPC was formed in 2002 to develop policies related to evidence based good clinical practice for maintaining and strengthening a clinical governance framework or structure. KPJ Clinical Governance Policies arises from activities as shown below:

- a. Quality Improvement activities
- b. Established evidence based and best practices and assessment of new innovation and emerging technology;
- c. Regulatory and National or International Professional Bodies and Academies;
- d. Analytic Reports from Incident Reports, Indicators, and Complaints.
- e. Requests from Medical Directors, Consultants, Hospital Management, and staff.

2. Clinical Governance Action Committee (CGAC)

CGAC is the committee that is responsible in monitoring progress of implementation of policies or programs approved by MAC. The committee also identifies problems that are hindering implementation of the agreed policies or programs. All the agreed policies or programs are analysed, evaluated and monitored in order to ensure quality in clinical care. CGAC oversees the implementation of Clinical Survey, Mortality and Morbidity Review, Clinical Performance Indicators among others. CGAC also recommends training and development of hospital clinical staff.

3. Clinical Risk Management Committee (CRMC)

The overall objective of CRMC is to enable achievement of clinical operational and strategic objectives such as:

- a. Promote safety and excellence in patient care;
- b. Identify, prioritize and manage risk arising from clinical care;
- c. Ensure effective and efficient use of resources through evidence-based clinical practices; and
- d. Protect the health and safety of the patients, healthcare providers and visitors.

CRMC aims to reduce the clinical risk to a minimum by improving the quality of care received by patients and to ensure the maintenance of a safe environment for our patients, healthcare providers and visitors.

4. Clinical Ethics Committee (CEC)

The committee was formed in 2011 and the objective of CEC is to assist consultants, patients and family as well as hospital staff to resolve clinically related ethical issues such as refusal of treatment, and end-of-life requests. The outcome should lead to the best interest of the patient.

5. Research & Development Committee (R&D)

The committee was established in 2010 to facilitate research within the KPJ Hospitals for Clinicians and KPJ staff who would like to conduct research involving clinical, quality, safety and/or healthcare related matters. The committee is responsible to promote the establishment of quality assurance and improvement programmes in the hospitals. The committee also oversees the process of research governance.

The committee meets (physically or by circulation of papers) only whenever there is a need to review a research proposals. In 2017, the Committee received two (2) research requests and both were approved.

6. Research Ethics Review Committee (RERC)

The RERC was set up in 2011 to review all proposals that are submitted to the Research and Development Committee (R&D) to conduct research in the KPJ Group of Hospitals. The RERC reviews both the scientific merit and the ethical acceptability of the research proposal. The committee is responsible to safeguard the rights, safety and well-being of the research subjects.

The committee only meets when a review is required otherwise discussions and approval are by circular resolution. This year, there was only one request submitted to RERC which was subsequently approved.

CORPORATE GOVERNANCE OVERVIEW

RELATIONS WITH SHAREHOLDERS

COMMUNICATION WITH SHAREHOLDERS

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

As part of the Group's commitment to promote a high level of communication and transparency with the investment community, experienced and senior level management personnel are directly involved in the Group's investor relations function. The President & Managing Director and senior management personnel hold discussions with analysts, investors and shareholders from time to time on the Group's results and performance.

Presentations are made, where appropriate, to explain the Group's strategies, performance and major developments. However, any information that may be regarded as privileged material information about the Group will be safeguarded until such time that such information has been announced to Bursa Securities Malaysia as required by the MMLR.

In addition, the Group has established a website at www.kpjhealth.com.my which shareholders can access. The Group's quarterly and annual results announcements, including press releases are posted in the Investor Relations page on the Group's website immediately after announcements are made on the Bursa Malaysia's website. This website also sends out alerts to investors who opted to get this service for free on any announcement by the Company to Bursa.

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 via Bursa Malaysia Securities to provide stakeholders with important information which may affect their investment decisions, thus enhancing the level of transparency.

As part of the Group's commitment to an effective investor relations function, the Company hosted meetings, tele-conferencing and briefings to analysts and investors via participation in events organised by investment banks or research houses in Malaysia and abroad.

The Senior Management personnel involved in Investor Relations activities are:

- Dato' Amiruddin Abdul Satar - President & Managing Director
- Aminudin Dawam - Executive Director
- Norhaizam Mohamad - Vice President (II) - Group Finance Services
- Khairul Annuar Azizi - General Manager - Risk, Compliance & Investor Relations

ANNUAL GENERAL MEETING (AGM)

Pursuant to Paragraph 8.29A of the MMLR, all resolutions tabled at a General Meeting are to be voted by poll.

At the 24th AGM held on 24 April 2017, the Chairman informed the shareholders prior to the discussion of the resolutions on the casting of votes by electronic poll voting. An Independent scrutineer was appointed to validate the votes casted at the AGM.

The Company obtained the shareholders' mandate to allow the Group to enter into recurrent related party transactions as set out in the Notes of the Compliance Information on pages from 141 to 142. As required by the MMLR and the Company's Constitution, directors who had an interest in the transactions abstained from deliberation and voting on the relevant resolution in respect of such transaction at the Board and AGM.

For further information on investor relations activities, please refer to pages 49 to 51 of this Annual Report.

This Corporate Governance Overview Statement was approved by the Board of Directors on 25 February 2018.

COMPLIANCE INFORMATION

In conformance with the Bursa Malaysia Securities Berhad Listing Requirements, the following information is provided:

1. UTILISATION OF SUKUK PROGRAMME

In year 2015, Point Zone (M) Sdn Bhd has raised RM1,500.00 million to be utilised for refinancing outstanding amount of previous Islamic Commercial Papers/Islamic Medium Term Notes Programme and to finance the expansion and to be utilise for the KPJ Group's working capital requirements and general corporate exercises, and/or to finance future investment and/or capital expenditure and/or to refinance debt obligations (whether in whole or part).

| | Amount up to (RM Million) |
|----------------------------------|---------------------------|
| At 1 January 2017 | 900.0 |
| Issued during the financial year | 0.0 |
| At 31 December 2017 | 900.0 |

2. TREASURY SHARES

During the financial year, the Company repurchased 687,000 ordinary shares of its issued share capital from the open market for RM634,000 at an average price of RM0.92 per share. The repurchase transactions were financed by internally generated funds.

As at 31 December 2017, the Company held a total of 63,047,000 of its 4,281,413,272 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM55,411,213.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

On 29 January 2014, Warrants 2014/2019 were issued for free to the subscribers of the renounceable rights issue of 43,637,326 new ordinary shares of RM0.50 each in the Company's Rights Shares on the basis of one (1) Rights Share for every fifteen (15) existing shares held by the entitled shareholders of the Company, together with 87,274,652 free detachable new warrants ("Warrants 2014/2019") on the basis of two (2) Warrants 2014/2019 for every one (1) Rights Share subscribed at an issue price of RM4.01 per Rights Share ("Rights Issue").

On 27 September 2017, following the share split exercise, 259,226,010 of additional warrants were issued.

Each new warrant (2014/2019) is entitled at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price of RM4.01. During the year, each warrant has been adjusted to RM1.0025 each pursuant to the share split exercise.

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.

COMPLIANCE INFORMATION

6. NON-AUDIT FEES

During the financial year, the amount of non-audit fees paid or payable for services rendered to the Group amounted to RM909,703.

7. PROFIT ESTIMATE, FORECAST OR PROJECTIONS

The Company did not make any release on the profit estimate, forecast or projections for the financial year.

8. PROFIT GUARANTEE

There is no profit guarantee given by the Company in respect of the financial year.

9. MATERIAL CONTRACTS

There is no material contract by the Company and its subsidiaries, 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 on 20 April 2017, 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 | Actual aggregate value from 20 April 2017 to 31 December 2017 RM'000 | Frequency of transactions |
|---|---|--|---------------------------|
| Johor Corporation | Secretarial fees payable | 381 | Monthly |
| Pro Corporate Management Services Sdn Bhd | Registrar fees payable | 225 | Monthly |
| HC Duraclean Sdn Bhd | Housekeeping contract fees payable | 11,628 | Monthly |
| Healthcare Technical Services Sdn Bhd | Fees payable for project management and maintenance of non-medical equipment | 3,046 | Contract basis |
| Teraju Fokus Sdn Bhd | Security services fees payable | 4,121 | Monthly |
| MIT Insurance Brokers Sdn Bhd | Insurance coverage payable | 3,417 | Contract basis |
| Damansara Assets Sdn Bhd | Building management service fees payable | 800 | Monthly |
| Metro Parking (M) Sdn Bhd | Rental income for renting of land for car park | 1,059 | Monthly |
| Al-'Aqar Healthcare REIT | Rental payable for renting of retirement village building and aged care facility in Australia | 7,625 | Monthly |
| Al-Salam Real Estate Investment Trust | Rental payable for renting Malaysian College of Hospitality and Management | 1,688 | Monthly |
| | | 33,990 | |

The relationships with the transacting parties is as disclosed in the circular in relation to the Proposed Shareholders' Mandate that the resolution of which to be tabled at the upcoming AGM.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 2016 to prepare the financial statements for each financial year which have been made out in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, and the Bursa Malaysia Securities Berhad Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

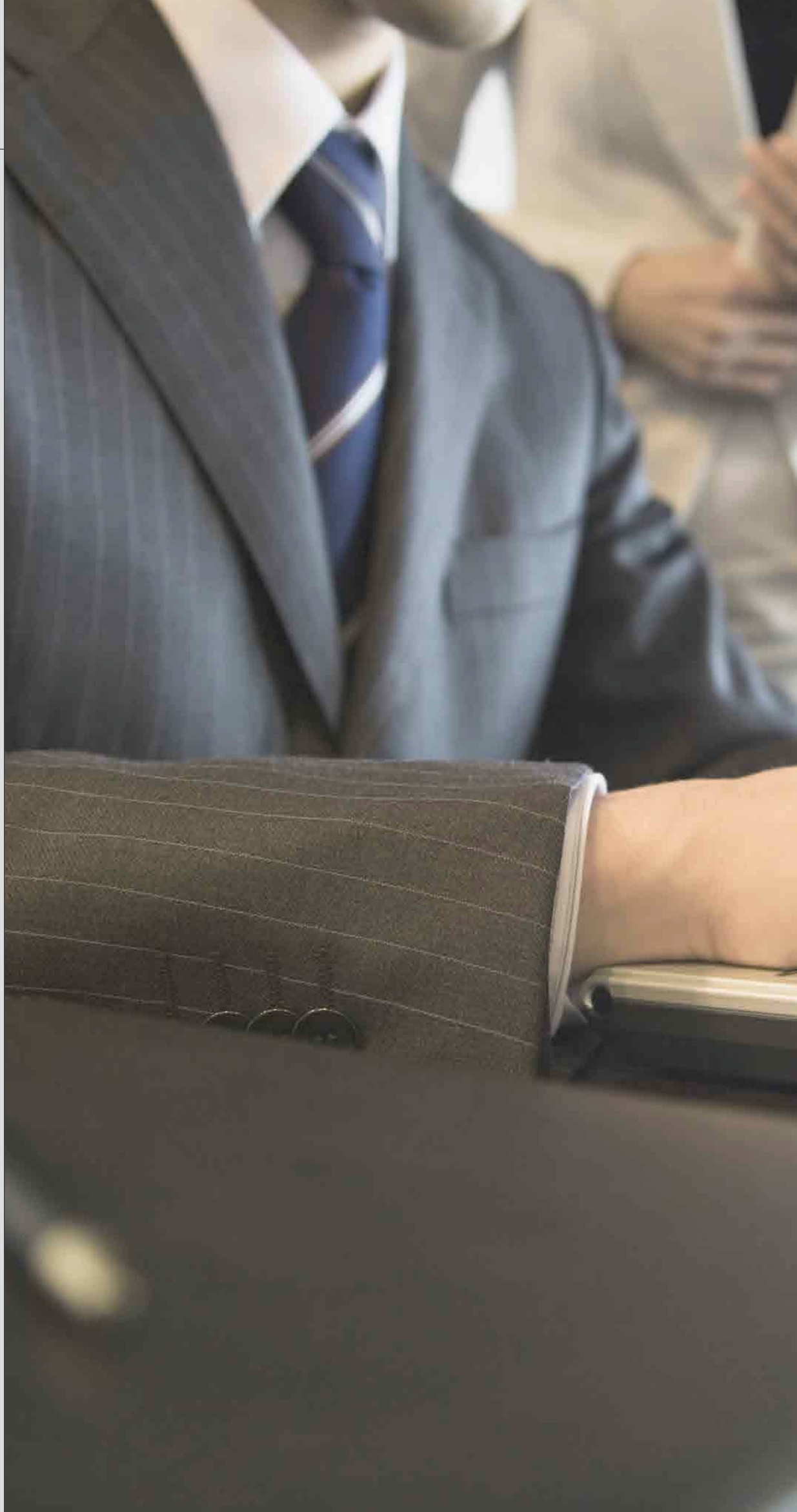
In preparing the financial statements, the Directors have adopted suitable accounting policies and applied them consistently. The Directors have also made judgements and estimates that are on going concern basis as the Directors have a reasonable expectation, having made enquires, that the Group and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

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Companies Act 2016.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors are pleased to submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

| | |
|--|----------------------------|
| Dato' Kamaruzzaman bin Abu Kassim | (Chairman) |
| Dato' Amiruddin bin Abdul Satar | (Managing Director) |
| Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir | |
| Aminudin bin Dawam | (Executive Director) |
| Datuk Azzat bin Kamaludin | |
| Zainah binti Mustafa | |
| Dr Kok Chin Leong | |
| Zulkifli bin Ibrahim | |
| Prof Dato' Dr Azizi bin Haji Omar | |
| Mohd Sahir bin Rahmat | (Appointed on 3 July 2017) |
| Dato' Dr Zaki Morad bin Mohamad Zaher | (Appointed on 3 July 2017) |
| Ahamad bin Mohamad | (Resigned on 3 July 2017) |
| Dr Yoong Fook Ngian | (Resigned on 3 July 2017) |

In accordance with Article 96 of the Articles of Association, Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir and Prof Dato' Dr Azizi bin Haji Omar, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 97 of the Articles of Association, Mohd Sahir bin Rahmat and Dato' Dr Zaki Morad bin Mohamad Zaher, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the information is deemed incorporated herein by such reference and made a part hereof.

PRINCIPAL ACTIVITIES

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

Details of the principal activities of the subsidiaries are set out in Note 21 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year other than the discontinued operation as disclosed in Note 14 to the financial statements.

DIRECTORS' REPORT (CONTINUED)**FINANCIAL RESULTS**

| | Group RM'000 | Company RM'000 |
|--|-----------------|-------------------|
| Profit before zakat and taxation | 233,326 | 84,328 |
| Zakat | (3,910) | (300) |
| Taxation | (56,120) | (1,155) |
| Profit for the financial year from continuing operations | 173,296 | 82,873 |
| Loss for the financial year from discontinued operation | (6,386) | - |
| Net profit for the financial year | 166,910 | 82,873 |

Net profit for the financial year attributable to:

| | | |
|-----------------------------------|---------|--------|
| Owners of the Company from | | |
| - continuing operations | 165,554 | 82,873 |
| - discontinued operation | (3,640) | - |
| Non-controlling interest from | | |
| - continuing operations | 7,742 | - |
| - discontinued operation | (2,746) | - |
| Net profit for the financial year | 166,910 | 82,873 |

RESERVES AND PROVISIONS

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

SHARE SPLIT

At an Extraordinary General Meeting held on 24 August 2017, the shareholders of the Company approved the subdivision of every issued ordinary share of the Company into 4 ordinary shares ("Share Split" or "Subdivision of shares"). The Share Split was effected on 26 September 2017 and completed with the listing and quotation for 4,280,627,292 Subdivided Shares and 259,226,010 additional warrants on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 27 September 2017.

TREASURY SHARES

On 20 April 2017, at the Annual General Meeting, the shareholders of the Company renewed their approval for the Company to buy-back its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company.

During the financial year, the Company repurchased 687,000 ordinary shares of its issued share capital from the open market for RM634,000 at an average price of RM0.92 per share. The repurchase transactions were financed by internally generated funds.

As at 31 December 2017, the Company held a total of 63,047,000 of its 4,281,413,272 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM55,411,213.

DIRECTORS' REPORT (CONTINUED)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company's issued share capital was increased by:

(a) Before Share Split

- i. RM668,964 through the issuance of 166,824 ordinary shares by way of the conversion of Warrants 2014/2019 at an exercise price of RM4.01 per warrant.
- ii. RM22,116,670 through the issuance of 6,421,448 ordinary shares pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at an exercise price of RM3.64 per option.

(b) After Share Split

- i. RM715,242 through the issuance of 785,980 ordinary shares pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at an exercise price of RM0.91 per option.

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

As at the date of this report, the total issued share capital of the Company is RM736,068,688. The Companies Act 2016 which came into effect on 31 January 2017 has repealed the Companies Act 1965. The Companies Act 2016 (the "Act") has abolished the concept of par or nominal value of shares and hence, the share premium and authorised capital are abolished. In accordance with section 618 of the Act, any amount standing to the credit of the Company's share premium account become part of the Company's share capital upon commencement of the Act. Notwithstanding this provision, the Company may within 24 months from the date of the Act came into effect, use the amount standing to the credit of its share premium accounts totaling RM179,480,000 for purposes as set out in Section 618 of the Act. There is no impact on the number of shares in issue or the entitlement of the holders of the Company's shares.

DIRECTORS' REPORT (CONTINUED)**EMPLOYEES' SHARE OPTION SCHEME**

The Company implemented an employee's share option scheme ("ESOS") in 2015 for a period of 5 years for eligible employees and Directors of the Group. Details of ESOS are set out in Note 35 to the financial statements.

The Company was granted an exemption by the Companies Commission of Malaysia via a letter dated 12 February 2018 from having to disclose in this report the names of the persons to whom less than 720,000 options (after share split) have been granted and details of their holdings pursuant to Section 253 (Para 5, Part 1, Fifth Schedule) of the Companies Act 2016. Other than the Directors, the persons to whom 720,000 and more options have been granted comprise the following:

| | Number of options over ordinary shares | | | | | | Total granted options adjusted for Share Split |
|---------------------------------|--|-------------------------------|--------------|---------------------------------------|-------------------------------|---------------|--|
| | At 1.1.2017 | Granted/ (Exercised & Lapsed) | At 26.9.2017 | Adjusted for Share Split on 27.9.2017 | Granted/ (Exercised & Lapsed) | At 31.12.2017 | |
| Jasimah bt Hassan | 190,000 | (10,000) | 180,000 | 720,000 | (60,000) | 660,000 | 1,000,000 |
| Dato' Abdol Wahab bin Baba | 135,000 | 15,000/ (150,000) | - | - | - | - | 900,000 |
| Sabariah Fauziah bte Jamaluddin | 206,000 | - | 206,000 | 824,000 | - | 824,000 | 880,000 |
| Ahmad Nasirruddin bin Harun | 200,000 | - | 200,000 | 800,000 | - | 800,000 | 800,000 |
| Mohd Nasir bin Mohamed | 150,000 | - | 150,000 | 600,000 | - | 600,000 | 800,000 |
| Mah Lai Heng | 190,000 | (10,000) | 180,000 | 720,000 | - | 720,000 | 800,000 |
| Roslan bin Ahmad | 195,000 | - | 195,000 | 780,000 | - | 780,000 | 780,000 |
| Norita binti Ahmad | 195,000 | - | 195,000 | 780,000 | (780,000) | - | 780,000 |
| Tan Sri Dato' Dr. Yahya Awang | 50,000 | - | 50,000 | 200,000 | - | 200,000 | 800,000 |
| Dr Yoong Fook Ngian | 200,000 | - | 200,000 | 800,000 | - | 800,000 | 800,000 |

A complete list is filed with the Companies Commission of Malaysia.

DIRECTORS' REPORT (CONTINUED)**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any subsidiaries a party to any arrangement whose object was to enable the Directors to acquire benefits through the acquisition of shares in, or debentures of the Company or any other body corporate, other than the Company's ESOS (see note 35 to the financial statements).

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares, debentures, warrants or options over ordinary shares in the Company or its subsidiaries or its holding corporation or subsidiaries of the holding corporation during the financial year except as follows:

| | Number of ordinary shares | | | | | |
|---|---------------------------|-------------------------|-----------------|--|-------------------------|------------------|
| | At 1.1.2017 | Acquired/ (Disposed) | At 26.9.2017 | Adjusted for Share Split on 27.9.2017 | Acquired/ (Disposed) | At 31.12.2017 |
| KPJ Healthcare Berhad | | | | | | |
| Dato' Kamaruzzaman bin Abu Kassim | - | 50,000 | 50,000 | 200,000 | 54,500 | 254,500 |
| Dato' Amiruddin bin Abdul Satar | 6,266 | - | 6,266 | 25,064 | - | 25,064 |
| Aminudin bin Dawam | 11,197 | - | 11,197 | 44,788 | - | 44,788 |
| Tan Sri Datin Paduka Siti Sa'adiyah binti Sh Bakir | 1,200,000 | - | 1,200,000 | 4,800,000 | - | 4,800,000 |
| - Indirect | 2,083 | (2,083) | - | - | - | - |
| Datuk Azzat bin Kamaludin | 94,000 | 200,000 | 294,000 | 1,176,000 | 24,000 | 1,200,000 |
| Zainah binti Mustafa | 200,000 | - | 200,000 | 800,000 | 200,000 | 1,000,000 |
| Dr Kok Chin Leong | 280,100 | 149,000/ (50,000) | 379,100 | 1,516,400 | - | 1,516,400 |
| Mohd Sahir Bin Rahmat | 90,000 | 150,000/ (50,000) | 190,000 | 760,000 | - | 760,000 |
| Dato' Dr Zaki Morad Mohamad Zaher | 20,000 | - | 20,000 | 80,000 | - | 80,000 |

DIRECTORS' REPORT (CONTINUED)**DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares, debentures, warrants or options over ordinary shares in the Company or its subsidiaries or its holding corporation or subsidiaries of the holding corporation during the financial year except as follows: (continued)

| | Number of ordinary shares | | | |
|-----------------------------------|---------------------------|----------|------------|------------------|
| | At 1.1.2017 | Acquired | (Disposed) | At 31.12.2017 |
| <u>E.A. Technique (M) Berhad</u> | | | | |
| Dato' Kamaruzzaman bin Abu Kassim | 25,000 | 320,000 | (225,000) | 120,000 |

| | Number of Warrants of 2014/2019 | | | | | |
|---|---------------------------------|-------------------------|-----------------|--|-------------------------|------------------|
| | At 1.1.2017 | Granted/ (Exercised) | At 26.9.2017 | Adjusted for Share Split on 27.9.2017 | Granted/ (Exercised) | At 31.12.2017 |
| <u>KPJ Healthcare Berhad</u> | | | | | | |
| Dato' Kamaruzzaman bin Abu Kassim | 24,000 | - | 24,000 | 96,000 | 127,000 | 223,000 |
| Dato' Amiruddin bin Abdul Satar | 532 | - | 532 | 2,128 | - | 2,128 |
| Tan Sri Datin Paduka Siti Sa'adiah binti Sh Bakir | 109,498 | - | 109,498 | 437,992 | - | 437,992 |
| - Indirect | 1,666 | (1,500) | 166 | 664 | - | 664 |
| Datuk Azzat bin Kamaludin | 8,000 | - | 8,000 | 32,000 | - | 32,000 |
| Dr Kok Chin Leong | 21,200 | - | 21,200 | 84,800 | - | 84,800 |
| Mohd Sahir Bin Rahmat | 11,200 | - | 11,200 | 44,800 | - | 44,800 |

DIRECTORS' REPORT (CONTINUED)**DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares, debentures, warrants or options over ordinary shares in the Company or its subsidiaries or its holding corporation or subsidiaries of the holding corporation during the financial year except as follows: (continued)

| | Number of options over ordinary shares | | | | | |
|-----------------------------------|--|--------------------------------------|-----------------|--|--------------------------------------|------------------|
| | At 1.1.2017 | Granted/ (Exercised)/ (Lapsed) | At 26.9.2017 | Adjusted for Share Split on 27.9.2017 | Granted/ (Exercised)/ (Lapsed) | At 31.12.2017 |
| <u>KPJ Healthcare Berhad</u> | | | | | | |
| Dato' Amiruddin bin Abdul Satar | 500,000 | - | 500,000 | 2,000,000 | - | 2,000,000 |
| Aminudin bin Dawam | 200,000 | - | 200,000 | 800,000 | - | 800,000 |
| Datuk Azzat bin Kamaludin | 200,000 | (200,000) | - | - | - | - |
| Dr Kok Chin Leong | 149,000 | (149,000) | - | - | - | - |
| Prof Dato' Dr Azizi bin Haji Omar | 82,500 | - | 82,500 | 330,000 | - | 330,000 |
| Mohd Sahir Bin Rahmat | 250,000 | (150,000) | 100,000 | 400,000 | - | 400,000 |

DIVIDENDS

The dividends paid or declared by the Company since 31 December 2016 are as follows:

In respect of the financial year ended 31 December 2017:

| | RM |
|--|-------------------|
| (a) Before share split | |
| First interim single tier dividend of 2.20 sen per share on 1,048,780,787 ordinary shares, declared on 22 February 2017 and paid on 28 April 2017. | 23,073,175 |
| Second interim single tier dividend of 1.80 sen per share on 1,050,642,255 ordinary shares, declared on 26 May 2017 and paid on 21 July 2017. | 18,911,560 |
| Third interim single tier dividend of 1.50 sen per share on 1,054,566,823 ordinary shares, declared on 24 August 2017 and paid on 12 October 2017. | 15,818,499 |
| (b) After share split | |
| Fourth interim single tier dividend of 0.40 sen per share on 4,218,227,992 ordinary shares, declared on 23 November 2017 and paid on 22 December 2017. | 16,872,909 |
| | 74,676,143 |

The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2017.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 11 to the financial statements.

ULTIMATE HOLDING CORPORATION

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

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

No indemnities has been given or insurance premium paid, during or since the end of the year, for any person who is or has been director, officer and auditor of the Company.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company, had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written-off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

- (c) At the date of this report:
- (i) there are no charges on the assets of the Group or of the Company which have arisen since the end of the financial year which secures the liability of any other person; and
 - (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.
- (d) No contingent or other liability of any company in the Group 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 Company and its subsidiaries to meet their obligations when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operation of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) 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 and of the Company for the financial year in which this report is made.

SUBSIDIARIES

Details of subsidiaries are set out in Note 21 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 9 to the financial statements.

DIRECTORS' REPORT (CONTINUED)**AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401 - LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401 - LCA & AF 1146), was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 25 February 2018. Signed on behalf of the Board of Directors:



DATO' KAMARUZZAMAN BIN ABU KASSIM
DIRECTOR



DATO' AMIRUDDIN BIN ABDUL SATAR
DIRECTOR

Johor Bahru

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, **Dato' Kamaruzzaman bin Abu Kassim** and **Dato' Amiruddin bin Abdul Satar**, two of the Directors of KPJ Healthcare Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 164 to 268 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and financial performance of the Group and of the Company for the financial year ended 31 December 2017 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 February 2018.



DATO' KAMARUZZAMAN BIN ABU KASSIM
DIRECTOR



DATO' AMIRUDDIN BIN ABDUL SATAR
DIRECTOR

Johor Bahru

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

I, **Norhaizam binti Mohammad**, the officer primarily responsible for the financial management of KPJ Healthcare Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 164 to 268 are, to the best of my knowledge and belief, 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.



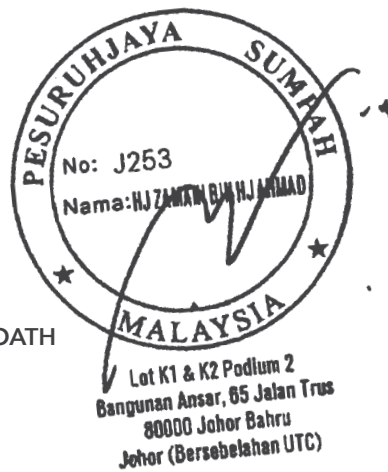
NORHAIZAM BINTI MOHAMMAD

Subscribed and solemnly declared by the above named Norhaizam binti Mohammad

At: Johor Bahru

On: 25 February 2018

Before me:



COMMISSIONER FOR OATH

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of KPJ Healthcare Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 164 to 268.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of Group and the Company. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Company for the current year. This matter was addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter**How our audit addressed the key audit matter****Valuation of investment properties****External valuations**

Refer to Notes 2.9, 2.35, 6 and 18 to the financial statements.

We read the valuation reports for all investment properties and discussed the reports with each of the valuers. We found that the valuation approach for each property was performed in accordance with MFRS 13 "Fair value measurement" and suitable for use in determining the fair values of investment properties as at 31 December 2017.

The Group carries its investment properties at fair value. Investment properties carried at fair value as at 31 December 2017 amounted to RM274.21 million.

The valuation of the Group's investment properties is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income for that particular property.

From our discussions with management and the valuers and our understanding of the valuation reports, we noted that the valuers have considered factors related to each property's individual characteristics and its overall quality, geographic location and desirability as a whole in arriving at the fair value. There was no evidence of management bias or influence on the values in relation to these factors.

The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuation assumptions, when aggregated, could result in material misstatement, is why we have given specific audit focus and attention to this area.

We evaluated the valuers' competence, capabilities, and objectivities by checking the valuers' qualifications to their website and their registration to the Board of valuers, Appraisers, Estate Agents and Property Managers Malaysia website. We read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered other engagements which might exist between the Group and the valuers. We found no evidence to suggest that the objectivity of any valuers in their performance of the valuations was compromised.

The valuations were carried out by independent professional valuers which were engaged by the Group.

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matter (continued)

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| Valuation of investment properties (Continued) | <p>External valuations (Continued)</p> <p>Assumptions</p> <p>The valuation of the Group's most significant investment property (at fair value of RM209.83 million) is based on the investment method. We carried out procedures to test the data inputs underpinning the valuation by agreeing them back to tenancy agreements to confirm the lettable area and agreeing outgoings to actual expenses incurred during the financial year. We also assessed the reasonableness of the term yield, void rate, average rental and outgoing used by the valuer with reference to comparable peers.</p> <p>For other investment properties at fair value of RM64.38 million, we noted that the valuers have used comparable market information with adjustments made for accessibility, visibility, size and tenure to arrive at the fair value.</p> <p>We have also assessed the adequacy of disclosures in the financial statements.</p> <p>Based on the procedures performed, we did not identify any material exceptions.</p> |

There are no key audit matters in relation to the financial statements of the Company.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Directors' Report and contents in the 2017 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 21 to the financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of KPJ Healthcare Berhad (Continued)
(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 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants



SHIRLEY GOH
01778/08/2018 J
Chartered Accountant

Kuala Lumpur
25 February 2018

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

| | Note | Group | | Company | |
|---|------|----------------|----------------------------|----------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 Restated | 2017 RM'000 | 2016 RM'000 |
| <u>Continuing operations</u> | | | | | |
| Revenue | 7 | 3,179,998 | 2,969,603 | 161,475 | 188,121 |
| Cost of sales | | (2,214,653) | (2,084,641) | - | - |
| Gross profit | | 965,345 | 884,962 | 161,475 | 188,121 |
| Administrative expenses | | (731,517) | (662,723) | (58,670) | (64,652) |
| Other income | | 26,271 | 29,866 | - | - |
| Operating profit | | 260,099 | 252,105 | 102,805 | 123,469 |
| Finance income | 8 | 13,637 | 15,131 | - | - |
| Finance costs | 8 | (79,950) | (80,186) | (18,477) | (15,011) |
| Finance costs - net | | (66,313) | (65,055) | (18,477) | (15,011) |
| Share of results of associates | | 39,540 | 33,647 | - | - |
| Profit before zakat and tax | 9 | 233,326 | 220,697 | 84,328 | 108,458 |
| Zakat | 12 | (3,910) | (3,807) | (300) | (280) |
| Taxation | 13 | (56,120) | (53,257) | (1,155) | 454 |
| Profit for the financial year from continuing operations | | 173,296 | 163,633 | 82,873 | 108,632 |
| <u>Discontinued operation</u> | | | | | |
| Loss for the financial year from discontinued operation | 14 | (6,386) | (7,758) | - | - |
| Net profit for the financial year | | 166,910 | 155,875 | 82,873 | 108,632 |
| Other comprehensive income: | | | | | |
| Item that may be subsequently reclassified to profit or loss from continuing operations: | | | | | |
| - Currency translation differences | | (3,035) | (71) | - | - |
| Items that will not be reclassified to profit or loss from continuing operations: | | | | | |
| - Gains on revaluation of land and building | 17 | 13,432 | 19,692 | - | - |
| - Deferred tax on revaluation surplus | 13 | (3,224) | (4,172) | - | - |
| Other comprehensive income for the financial year, net of tax | | 7,173 | 15,449 | - | - |
| Total comprehensive income for the financial year | | 174,083 | 171,324 | 82,873 | 108,632 |

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017 (Continued)

| | Note | Group | | Company | |
|--|-------|----------------|----------------------------|----------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 Restated | 2017 RM'000 | 2016 RM'000 |
| Net profit for the financial year attributable to: | | | | | |
| Owners of the Company from | | | | | |
| - continuing operations | | 165,554 | 153,617 | 82,873 | 108,632 |
| - discontinued operation | 14 | (3,640) | (4,422) | - | - |
| Non-controlling interests from | | | | | |
| - continuing operations | | 7,742 | 10,016 | - | - |
| - discontinued operation | 14 | (2,746) | (3,336) | - | - |
| | | 166,910 | 155,875 | 82,873 | 108,632 |
| Total comprehensive income for the financial year attributable to: | | | | | |
| Owners of the Company from | | | | | |
| - continuing operations | | 172,727 | 169,066 | 82,873 | 108,632 |
| - discontinued operation | 14 | (3,640) | (4,422) | - | - |
| Non-controlling interests | | | | | |
| - continuing operations | | 7,742 | 10,016 | - | - |
| - discontinued operation | 14 | (2,746) | (3,336) | - | - |
| | | 174,083 | 171,324 | 82,873 | 108,632 |
| Earnings per share attributable to Owners of the Company:* | | | | | |
| Basic (sen) from | | | | | |
| - continuing operations | 16(a) | 3.78 | 3.53 | | |
| - discontinued operation | | (0.08) | (0.10) | | |
| Diluted (sen) from | | | | | |
| - continuing operations | 16(b) | 3.32 | 3.08 | | |
| - discontinued operation | | (0.07) | (0.09) | | |

* The comparative figure was recomputed based on the enlarged number of ordinary shares in issue after the share split exercise, which was completed on 27 September 2017, in accordance with MFRS 133 "Earnings per Share".

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

| | Note | Group | | Company | |
|--|------|------------------|------------------|------------------|------------------|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| ASSETS | | | | | |
| <u>Non-current assets</u> | | | | | |
| Property, plant and equipment | 17 | 2,206,013 | 1,966,535 | - | - |
| Investment properties | 18 | 274,205 | 280,436 | - | - |
| Intangible assets | 19 | 239,437 | 245,567 | - | - |
| Investments in subsidiaries | 21 | - | - | 1,026,448 | 1,016,201 |
| Investments in associates | 22 | 405,984 | 391,540 | - | - |
| Available-for-sale financial assets | 23 | 4,678 | 2,146 | 4,396 | 1,864 |
| Deferred tax assets | 24 | 24,682 | 18,757 | - | - |
| Trade and other receivables | 25 | - | 34,621 | - | - |
| | | 3,154,999 | 2,939,602 | 1,030,844 | 1,018,065 |
| <u>Current assets</u> | | | | | |
| Inventories | 26 | 51,084 | 47,119 | - | - |
| Trade and other receivables | 25 | 624,896 | 555,518 | 10,641 | 35,384 |
| Amounts due from subsidiaries | 25 | - | - | 474,817 | 390,355 |
| Tax recoverable | | 28,560 | 33,861 | 6,275 | 7,724 |
| Deposits, bank and cash balances | 27 | 200,542 | 359,399 | 3,903 | 4,112 |
| | | 905,082 | 995,897 | 495,636 | 437,575 |
| Assets held for sale | 28 | 173,827 | - | - | - |
| | | 1,078,909 | 995,897 | 495,636 | 437,575 |
| Total assets | | 4,233,908 | 3,935,499 | 1,526,480 | 1,455,640 |
| EQUITY AND LIABILITIES | | | | | |
| <u>Current liabilities</u> | | | | | |
| Trade and other payables | 29 | 452,847 | 490,922 | 18,354 | 16,233 |
| Amounts due to subsidiaries | 29 | - | - | 157,136 | 174,280 |
| Current tax liabilities | | 6,896 | 12,047 | - | - |
| Borrowings | 30 | 350,369 | 333,445 | 257,000 | 160,000 |
| Deferred revenue | 31 | 68,464 | 76,804 | - | - |
| Dividend payable | | - | 15,720 | - | 15,720 |
| | | 878,576 | 928,938 | 432,490 | 366,233 |
| Liabilities associated with assets held for sale | 28 | 190,564 | - | - | - |
| | | 1,069,140 | 928,938 | 432,490 | 366,233 |
| Net current assets | | 9,769 | 66,959 | 63,146 | 71,342 |

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017 (Continued)

| | Note | Group | | Company | |
|---|------|------------------|----------------|------------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| <u>Non-current liabilities</u> | | | | | |
| Trade and other payables | 29 | 30,299 | - | 200,359 | 241,269 |
| Borrowings | 30 | 1,242,340 | 1,242,313 | - | - |
| Deferred tax liabilities | 24 | 60,206 | 63,041 | - | - |
| Provision for retirement benefits | 32 | 2,616 | 2,548 | - | - |
| Deposits | 33 | 14,096 | 13,930 | - | - |
| | | 1,349,557 | 1,321,832 | 200,359 | 241,269 |
| Total liabilities | | 2,418,697 | 2,250,770 | 632,849 | 607,502 |
| Net assets | | 1,815,211 | 1,684,729 | 893,631 | 848,138 |
| <u>Equity attributable to Owners of the Company</u> | | | | | |
| Share capital | 34 | 736,069 | 531,784 | 736,069 | 531,784 |
| Share premium | | - | 178,141 | - | 178,141 |
| Less: Treasury shares | | (55,411) | (54,777) | (55,411) | (54,777) |
| Reserves | | 1,046,137 | 939,940 | 212,973 | 192,990 |
| | | 1,726,795 | 1,595,088 | 893,631 | 848,138 |
| Non-controlling interests | | 88,416 | 89,641 | - | - |
| Total equity | | 1,815,211 | 1,684,729 | 893,631 | 848,138 |
| Total equity and liabilities | | 4,233,908 | 3,935,499 | 1,526,480 | 1,455,640 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

| | Ordinary share capital (Note 34) RM'000 | Share premium RM'000 | Treasury shares RM'000 | Other reserves (Note 36) RM'000 | Retained earnings RM'000 | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
|--|---|----------------------------|------------------------------|--|--------------------------------|-----------------|--|---------------------------|
| Group | | | | | | | | |
| At 1 January 2017 | 531,784 | 178,141 | (54,777) | 164,199 | 775,741 | 1,595,088 | 89,641 | 1,684,729 |
| Comprehensive income: | | | | | | | | |
| Net profit for the financial year | - | - | - | - | 161,914 | 161,914 | 4,996 | 166,910 |
| Other comprehensive income: | | | | | | | | |
| Currency translation differences of foreign subsidiaries | - | - | - | (3,035) | - | (3,035) | - | (3,035) |
| Revaluation surplus | - | - | - | 10,208 | - | 10,208 | - | 10,208 |
| Total other comprehensive income | - | - | - | 7,173 | - | 7,173 | - | 7,173 |
| | 531,784 | 178,141 | (54,777) | 171,372 | 937,655 | 1,764,175 | 94,637 | 1,858,812 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017 (Continued)

| | Ordinary share capital (Note 34) RM'000 | Share premium RM'000 | Treasury shares RM'000 | Other reserves (Note 36) RM'000 | Retained earnings RM'000 | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
|--|---|----------------------------|------------------------------|--|--------------------------------|-----------------|--|---------------------------|
| Group | | | | | | | | |
| Transactions with Owners: | | | | | | | | |
| Issue of share capital: | | | | | | | | |
| - Warrants | 730 | 1 | - | (61) | - | 670 | - | 670 |
| - ESOS | 24,075 | 1,338 | - | (1,324) | - | 24,089 | - | 24,089 |
| - Share buy-back | - | - | (634) | - | - | (634) | - | (634) |
| | 24,805 | 1,339 | (634) | (1,385) | - | 24,125 | - | 24,125 |
| ESOS expenses during the financial year | - | - | - | 13,171 | - | 13,171 | - | 13,171 |
| Lapsed ESOS | - | - | - | (769) | 769 | - | - | - |
| Dividends on ordinary shares (Note 15) | - | - | - | - | (74,676) | (74,676) | - | (74,676) |
| Dividends paid to non- controlling interests of subsidiaries | - | - | - | - | - | - | (6,221) | (6,221) |
| Total transactions with Owners | 24,805 | 1,339 | (634) | 11,017 | (73,907) | (37,380) | (6,221) | (43,601) |
| Transfer pursuant to Section 618 of Companies Act 2016* | 179,480 | (179,480) | - | - | - | - | - | - |
| At 31 December 2017 | 736,069 | - | (55,411) | 182,389 | 863,748 | 1,726,795 | 88,416 | 1,815,211 |

* Pursuant to Section 618 of the Companies Act 2016, any outstanding Share Premium accounts shall become part of Ordinary Share Capital.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

| | Ordinary share capital (Note 34) RM'000 | Share premium RM'000 | Treasury shares RM'000 | Other reserves (Note 36) RM'000 | Retained earnings RM'000 | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
|--|---|----------------------------|------------------------------|--|--------------------------------|-----------------|--|---------------------------|
| Group | | | | | | | | |
| At 1 January 2016 | 527,246 | 147,827 | (54,777) | 156,708 | 694,579 | 1,471,583 | 88,442 | 1,560,025 |
| Comprehensive income: | | | | | | | | |
| Net profit for the financial year | - | - | - | - | 149,195 | 149,195 | 6,680 | 155,875 |
| Other comprehensive income: | | | | | | | | |
| Currency translation differences of foreign subsidiaries | - | - | - | (71) | - | (71) | - | (71) |
| Revaluation surplus | - | - | - | 15,520 | - | 15,520 | - | 15,520 |
| Reclassification of unrealised gain in relation to an associate (Note 22) | - | - | - | (33,572) | - | (33,572) | - | (33,572) |
| Total other comprehensive income | - | - | - | (18,123) | - | (18,123) | - | (18,123) |
| | 527,246 | 147,827 | (54,777) | 138,585 | 843,774 | 1,602,655 | 95,122 | 1,697,777 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016 (Continued)

| | Ordinary share capital (Note 34) RM'000 | Share premium RM'000 | Treasury shares RM'000 | Other reserves (Note 36) RM'000 | Retained earnings RM'000 | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
|--|---|----------------------------|------------------------------|--|--------------------------------|-----------------|--|---------------------------|
| Group | | | | | | | | |
| Transactions with Owners: | | | | | | | | |
| Issue of share capital: | | | | | | | | |
| - Warrants | 1 | 1 | - | (1) | - | 1 | - | 1 |
| - ESOS | 4,537 | 30,313 | - | (1,815) | - | 33,035 | - | 33,035 |
| | 4,538 | 30,314 | - | (1,816) | - | 33,036 | - | 33,036 |
| ESOS expenses during the financial year | - | - | - | 27,818 | - | 27,818 | - | 27,818 |
| Lapsed ESOS | - | - | - | (388) | 388 | - | - | - |
| Dividends on ordinary shares (Note 15) | - | - | - | - | (68,421) | (68,421) | - | (68,421) |
| Dividends paid to non- controlling interests of subsidiaries | - | - | - | - | - | - | (5,481) | (5,481) |
| Total transactions with Owners | 4,538 | 30,314 | - | 25,614 | (68,033) | (7,567) | (5,481) | (13,048) |
| At 31 December 2016 | 531,784 | 178,141 | (54,777) | 164,199 | 775,741 | 1,595,088 | 89,641 | 1,684,729 |

COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

| | Ordinary share capital (Note 34) RM'000 | Share premium RM'000 | Treasury shares RM'000 | Warrant reserves RM'000 | Share option reserves RM'000 | Retained earnings RM'000 | Total equity RM'000 |
|--|---|----------------------------|------------------------------|-------------------------------|---------------------------------------|--------------------------------|---------------------------|
| <i>Company</i> | | | | | | | |
| At 1 January 2017 | 531,784 | 178,141 | (54,777) | 31,692 | 50,111 | 111,187 | 848,138 |
| Net profit for the financial year | - | - | - | - | - | 82,873 | 82,873 |
| Transactions with Owners: | | | | | | | |
| Issue of share capital: | | | | | | | |
| - Warrants | 730 | 1 | - | (61) | - | - | 670 |
| - ESOS | 24,075 | 1,338 | - | - | (1,324) | - | 24,089 |
| - Share buy-back | - | - | (634) | - | - | - | (634) |
| | 24,805 | 1,339 | (634) | (61) | (1,324) | - | 24,125 |
| Dividends on ordinary shares (Note 15) | - | - | - | - | - | (74,676) | (74,676) |
| ESOS - expense during the financial year | - | - | - | - | 13,171 | - | 13,171 |
| Lapsed ESOS | - | - | - | - | (769) | 769 | - |
| Total transactions with Owners | 24,805 | 1,339 | (634) | (61) | 11,078 | (73,907) | (37,380) |
| Transfer pursuant to Section 618 of Companies Act 2016* | 179,480 | (179,480) | - | - | - | - | - |
| At 31 December 2017 | 736,069 | - | (55,411) | 31,631 | 61,189 | 120,153 | 893,631 |

* Pursuant to Section 618 of the Companies Act 2016, any outstanding Share Premium accounts shall become part of Ordinary Share Capital.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

| | Ordinary share capital (Note 34) RM'000 | Share premium RM'000 | Treasury shares RM'000 | Warrant reserves RM'000 | Share option reserves RM'000 | Retained earnings RM'000 | Total equity RM'000 |
|--|---|----------------------------|------------------------------|-------------------------------|---------------------------------------|--------------------------------|---------------------------|
| <u>Company</u> | | | | | | | |
| At 1 January 2016 | 527,246 | 147,827 | (54,777) | 31,693 | 24,496 | 70,588 | 747,073 |
| Net profit for the financial year | - | - | - | - | - | 108,632 | 108,632 |
| Transactions with Owners: | | | | | | | |
| Issue of share capital: | | | | | | | |
| - Warrants | 1 | 1 | - | (1) | - | - | 1 |
| - ESOS | 4,537 | 30,313 | - | - | (1,815) | - | 33,035 |
| | 4,538 | 30,314 | - | (1) | (1,815) | - | 33,036 |
| Dividends on ordinary shares (Note 15) | - | - | - | - | - | (68,421) | (68,421) |
| ESOS - expense during the financial year | - | - | - | - | 27,818 | - | 27,818 |
| Lapsed ESOS | - | - | - | - | (388) | 388 | - |
| Total transactions with Owners | 4,538 | 30,314 | - | (1) | 25,615 | (68,033) | (7,567) |
| At 31 December 2016 | 531,784 | 178,141 | (54,777) | 31,692 | 50,111 | 111,187 | 848,138 |

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| <u>Operating activities</u> | | | | | |
| Profit/(loss) before zakat and tax | | | | | |
| - continuing operations | | 233,326 | 220,697 | 84,328 | 108,458 |
| - discontinued operation | 14 | (8,050) | (10,526) | - | - |
| | | 225,276 | 210,171 | 84,328 | 108,458 |
| Adjustments for: | | | | | |
| Share of results of associates | | (39,540) | (33,647) | - | - |
| Finance income | 8 | (13,948) | (16,298) | - | - |
| Finance costs | 8 | 82,260 | 83,137 | 18,477 | 15,011 |
| Dividend income from subsidiaries | | - | - | (108,388) | (141,546) |
| Trade receivables: | | | | | |
| - Impairment | 25 | 15,484 | 11,113 | - | - |
| - Reversal of impairment loss | 25 | (1,682) | (957) | - | - |
| Impairment of goodwill | 20 | - | 16,356 | - | - |
| Share based payments | | 13,171 | 27,818 | 1,785 | 4,300 |
| (Gain)/loss on fair value on investment properties | 18 | (2,313) | 92 | - | - |
| Gain on disposal of shares in associates (net) | | (1,524) | (13,960) | - | - |
| Property, plant and equipment: | | | | | |
| - Depreciation | 17 | 127,875 | 129,874 | - | - |
| - Written-off | | 12 | 10,398 | - | - |
| - Loss/(gain) on disposal | | 614 | (9,886) | - | - |
| Inventories written-off | | 213 | 186 | - | - |
| Amortisation of software development expenditure | 19 | 3,090 | 2,145 | - | - |
| Operating profit/(loss) before working capital changes | | 408,988 | 416,542 | (3,798) | (13,777) |
| Changes in working capital: | | | | | |
| Inventories | | (4,178) | 748 | - | - |
| Receivables | | (61,017) | (46,459) | 24,729 | (7) |
| Payables | | 131,264 | (146,766) | (2,176) | (2,402) |
| Deferred revenue | | (8,340) | (2,045) | - | - |
| Related companies | | - | - | (136,546) | (102,124) |
| Cash flows generated from/(used in) operations | | 466,717 | 222,020 | (117,791) | (118,310) |
| Zakat paid | | (3,910) | (3,807) | (300) | (280) |
| Income tax refund | | 2,187 | 8,907 | - | 108 |
| Income tax paid | | (68,477) | (83,898) | (226) | (454) |
| Net cash generated from/(used in) operating activities | | 396,517 | 143,222 | (118,317) | (118,936) |

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017 (Continued)

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| <u>Investing activities</u> | | | | | |
| Additions to property, plant and equipment | | (450,796) | (258,035) | - | - |
| Additions to intangible assets | 19 | (9,288) | (11,942) | - | - |
| Purchase of available-for-sale financial assets | 23 | (2,532) | (1,864) | (2,532) | (1,864) |
| Proceeds from disposal of property, plant and equipment | 17 | 2,061 | 23,195 | - | - |
| Acquisition of subsidiaries, net of cash acquired | 21 | - | 69 | - | _* |
| Subscription of share capital of subsidiaries | 21 | - | - | - | (15,805) |
| Proceeds from sale of interest in subsidiaries | | - | 254 | - | - |
| Proceeds from disposal of shares in associates | | 8,739 | 75,101 | - | - |
| Interest received | | 13,948 | 16,298 | - | - |
| (Increase)/decrease in deposits with licensed banks with maturity of more than 3 months | 27 | (4,941) | 2,519 | - | 528 |
| Advances from subsidiaries | | - | - | - | 20,162 |
| Dividends received from associates/subsidiaries | | 23,390 | 22,889 | 108,388 | 141,546 |
| Net cash (used in)/generated from investing activities | | (419,419) | (131,516) | 105,856 | 144,567 |
| <u>Financing activities</u> | | | | | |
| Grant income received | 17 | 2,731 | 5,467 | - | - |
| Dividends paid to non-controlling interests | | (6,221) | (5,481) | - | - |
| Issue of shares: | | | | | |
| - Warrants | | 670 | 1 | 670 | 1 |
| - ESOS | | 24,089 | 33,035 | 24,089 | 33,035 |
| - Share buy-back | | (634) | - | (634) | - |
| Borrowings: | | | | | |
| - Drawdown | | 118,837 | 164,386 | 97,000 | 30,000 |
| - Repayments | | (102,666) | (132,208) | - | - |
| Interest paid | | (82,260) | (83,137) | (18,477) | (15,011) |
| Dividends paid to shareholders | | (90,396) | (70,882) | (90,396) | (70,882) |
| Designated account | 27 | 3,001 | (474) | - | - |
| Net cash (used in)/generated from financing activities | | (132,849) | (89,293) | 12,252 | (22,857) |

* Represents RM1

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017 (Continued)

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | (155,751) | (77,587) | (209) | 2,774 |
| CURRENCY TRANSLATION DIFFERENCES | | 5,473 | 275 | - | - |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | 335,125 | 412,437 | 4,112 | 1,338 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 27 | 184,847 | 335,125 | 3,903 | 4,112 |

NON-CASH TRANSACTIONS

| | At 1.1.2017 RM'000 | Cash flows RM'000 | Non-cash movement | | At 31.12.2017 RM'000 |
|--|--------------------------|-------------------------|---|-------------------------|----------------------------|
| | | | Foreign exchange movement RM'000 | New leases RM'000 | |
| Current borrowings | 320,832 | 28,820 | (4,546) | 3,169 | 348,275 |
| Non-current borrowings | 1,242,313 | (12,649) | - | 12,676 | 1,242,340 |
| | 1,563,145 | 16,171 | (4,546) | 15,845 | 1,590,615 |
| Cash and cash equivalents (other than bank overdrafts) | (347,738) | 170,838 | (10,041) | - | (186,941) |
| Bank overdrafts | 12,613 | (10,519) | - | - | 2,094 |
| Cash and cash equivalents | (335,125) | 160,319 | (10,041) | - | (184,847) |
| | 1,228,020 | 176,490 | (14,587) | 15,845 | 1,405,768 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1 GENERAL INFORMATION

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

The address of registered office of the Company is Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor.

The address of principal place of business of the Company is Level 12, Menara KPJ, Jalan Tun Razak, 50400 Kuala Lumpur.

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

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are mainly the operation of specialist hospitals. The details of the principal activities of the subsidiaries are disclosed in Note 21 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than the discontinued operation as disclosed in Note 14.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution on 25 February 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of accounting policies below.

The preparation of financial statements in conformity with MFRS 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 the Company's accounting policies. Although these estimates and judgment 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 6.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Standards, amendments to published standards and interpretations that are effective

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2017:

- Amendments to MFRS 107 'Statement of Cash Flows - Disclosure Initiative'
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual Improvements to MFRSs 2014 - 2016 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

2.3 Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change are:

- For financial liabilities classified as fair value to profit and loss, the fair value changes due to own credit risk should be recognised directly to other comprehensive income. There is no subsequent recycling to profit or loss.
- When a financial liability measured at amortised cost is modified without this resulting in the recognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards and amendments that have been issued but not yet effective (continued)

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". (continued)

The Group's assessment of the impact of MFRS 9 is set out below:

| Description | Explanation |
|-------------------------------|---|
| Nature of change | MFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. |
| Impact | <p>The Group has reviewed its financial assets and financial liabilities and expected no material impact upon the adoption of the standard except for the following:</p> <p><u>The new impairment model</u></p> <p>The standard requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under MFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects a small increase in the loss allowance for trade receivables.</p> <p>The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.</p> |
| Date of adoption by the Group | Mandatory for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated. |

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards and amendments that have been issued but not yet effective (continued)

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. (continued)

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

The Group's assessment of the impact of MFRS 15 is set out below:

| Description | Explanation |
|------------------|--|
| Nature of change | The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. |
| | The standard permits either a full retrospective or a modified retrospective approach for the adoption. |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards and amendments that have been issued but not yet effective (continued)

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. (continued)

The Group's assessment of the impact of MFRS 15 is set out below (continued):

| Description | Explanation |
|-------------------------------|--|
| Impact | <p>The Group has assessed the effects of applying the new standard to the Group's financial statements and believe that there will not be any material impact on tuition fee, rental income, dividend income and management fee upon the adoption of the new standard except for the following key areas:</p> <ul style="list-style-type: none"> • Recognition of revenue derives from new customers with no historical records. The standard permits recognition of revenue, if it is probable that consideration may be received. Without historical information and robust credit assessment being carried out, revenue recognised from this group of customer may only be recognised upon receipts of payment. This will result in non-recognition of revenue despite services have been rendered. • Recognition of revenue from packages. For this group of customer, revenue were recognised upon services rendered. However, MFRS 15 requires allocation of transaction prices to performance obligation ("PO") after discounts and resulted in revenue being deferred for PO yet to be satisfied. The accrued revenue recognised monthly may be reduced after reflecting the elements of discounts as required by the new standards. • Presentation of contract assets and contract liabilities in the Statements of Financial Position. MFRS 15 requires separate presentation of contract assets and contract liabilities in the Statements of Financial Position. This will result in some reclassifications as of 1 January 2018 in relation to contract with agents for bringing customers to hospitals (Contract Asset) and contract liabilities in relation to POs yet to be satisfied. <p>The new standard also expand the disclosure of movement in contract liability which relates to the remaining POs that has yet to be satisfied to the customers.</p> |
| Date of adoption by the Group | Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards and amendments that have been issued but not yet effective (continued)

- Amendments to MFRS 140 'Classification on 'Change in Use' – Assets transferred to, or from, Investment Properties' (effective from 1 January 2018) clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meets, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property.

The amendments also clarify the same principle applies to assets under construction.

The effect of the above amendment is currently being assessed by the Directors.

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign currency exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

The effect of the above interpretation is currently being assessed by the Directors.

- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

The amendments will be applied retrospectively.

The effect of the above amendment is currently being assessed by the Directors.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards and amendments that have been issued but not yet effective (continued)

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The effect of the above new standard is currently being assessed by the Directors.

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

The amendments shall be applied retrospectively.

The effect of the above amendment is currently being assessed by the Directors.

- Annual Improvements to MFRSs 2015 - 2017 Cycle:

Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards and amendments that have been issued but not yet effective (continued)

- Annual Improvements to MFRSs 2015 - 2017 Cycle (continued):

Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

The effect of the above interpretation is currently being assessed by the Directors.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

- (i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in retained earnings and attributed to Owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in the income statement. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to the income statement or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2.5 Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Business combinations (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement.

Business combinations involving entities under common control are accounted for by applying the merger method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the 'acquired' entity is reflected within equity as merger reserve/deficit. The income statement reflects the results of the combining entities for the full financial year, irrespective of when the combination takes place. Comparatives are presented if the entities had always been combined since the date the entities had come under common control.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement. The accounting policy for goodwill is disclosed in Note 2.10.

Gains or losses on disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

2.6 Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are included in the income statement.

Subsidiaries are consolidated using the acquisition method of accounting except for Johor Specialist Hospital Sdn Bhd and Ipoh Specialist Hospital Sdn Bhd which were consolidated using the merger method of accounting as disclosed in Note 2.5.

2.7 Investments in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

On acquisition of an investment in an associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's income statement for the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investments in associates (continued)

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Dividends received or receivable from an associate is recognised as a reduction in the carrying amount of the investment.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the income statement outside operating profit and represents the income statement after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the income statement.

2.8 Property, plant and equipment

Property, plant and equipment are initially stated at cost, net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the Government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost also includes borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. See accounting policy for borrowing cost disclosed in Note 2.22.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (continued)

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. Freehold land, long leasehold land and buildings are measured at fair value less accumulated depreciation on long leasehold land and buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land, long leasehold land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on the straight-line method to allocate the cost or the revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

| | |
|-----------------------------|---------------|
| Buildings | 2% |
| Renovation | 8% - 20% |
| Medical and other equipment | 7.5% - 33.33% |
| Furniture and fittings | 10% - 20% |
| Vehicles | 10% - 20% |
| Computers | 10% - 20% |

Capital work-in-progress included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at of each financial reporting period, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the income statement in the period the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions that market participants would make when pricing the property under current market conditions.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised 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. Any gain or loss on the retirement or disposal of an investment property is recognised in the income statement in the period of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

2.10 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually according to the basis set out in Note 2.11 and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.33.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (continued)

(b) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on the straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date.

Software development expenditure

Software development is stated at cost less accumulated amortisation and impairment losses. The expenditure represents development work carried out in developing specialised software packages for use in the Group's business and is capitalised if the product is technically feasible and the Group has sufficient resources to complete the development. It is amortised over the straight-line basis over a period of 5 to 10 years. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.11. The expenditure capitalised includes cost to purchase the software and direct cost such as salaries and hardware usage costs specifically attributable to each project. Cost incurred in software development which have ceased to be technically viable, are written off.

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill of intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets

(a) Classification

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired.

(1) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(2) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in the income statement. Dividends on an available-for-sale equity instrument are recognised in the income statement when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date that is, the date that the Group and the Company commit to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(b) 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 that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

(c) Subsequent measurement - gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in the income statement in the period in which the changes arise.

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 2.11) and foreign exchange gains and losses on monetary assets (Note 2.33).

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

(d) Subsequent measurement - Impairment

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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If 'loans and receivables' or a 'held-to-maturity investment' 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(d) Subsequent measurement - Impairment (continued)

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 the income statement.

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.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through profit or loss.

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 the income statement. The amount of cumulative loss reclassified to the income statement is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

(e) 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.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the income statement.

2.13 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.15 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Leased assets are depreciated over the estimated useful lives of the assets. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in the income statement on the straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on the straight-line basis. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value. Trade and other receivables are recognised initially at fair value, with the amount of goods and services tax ("GST") included. The net amount of GST recoverable from the government is presented as GST receivable within other receivables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Trade and other receivables (continued)

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See accounting policy Note 2.12(d) on impairment of financial assets.

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

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statement.

The amendments to MFRS 12 clarified that disclosure requirements of MFRS 12 "Disclosures of Interests in Other Entities" in the Annual Improvements to MFRSs 2014 - 2016 Cycle are applicable to interests in entities that are classified as held for sale (i.e. subsidiaries, joint ventures and associates), except for summarised financial information in MFRS 12.B10 to B16.

2.18 Inventories

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value.

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

Costs of purchased inventory are determined after deducting rebates, discounts and the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of purchased inventory.

2.19 Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

In the statement of financial position, banks overdrafts are shown within borrowings in current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Trade payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of reporting period which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, with the amount of goods and services tax ("GST") included. The net amount of GST payable to the government is presented as GST payable within accruals in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows.

2.21 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through the profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in the income statement. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

(b) Other financial liabilities

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Borrowings and borrowing costs

(a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Where the terms of a financial liability are renegotiated and the Company issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in the income statement, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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.

(b) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.23 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in the income statement except to the extent that the tax relates to items recognised outside the income statement, either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Income taxes (continued)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the future carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.25 Share-based payments - Employee options

The Group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the options granted in exchange for the services of the employees are recognised as employee benefit expense with a corresponding increase to share option reserve within equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding of shares for a specific period of time).

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to share option reserve in equity.

In circumstances where employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When options are not exercised and lapse, the share option reserve is transferred to retained earnings.

In its separate financial statements of the Company, the grant by the Company of options over its equity instruments to the employees of subsidiary in the Group is treated as a capital contribution to the subsidiary. The fair value of options granted to employees of the subsidiary in exchange for the services of the employees to the subsidiary are recognised as investment in subsidiary, with a corresponding credit to equity of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.27 Resident upfront contributions

Resident upfront contributions are measured at the principal amount less any accumulated deferred management fees. Resident upfront contributions are non-interest bearing and are payable at the end of the resident contract. Average tenure periods for residents are for an extended period of time greater than one year, however, they are classified as current liabilities because the resident may exit the contract at any point of time.

2.28 Contingent liabilities

The Group does not recognise contingent liabilities but discloses their existence in the notes to the financial statements. A contingent liability is a possible obligation that arises from past events whose crystallisation 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 circumstances where there is a liability that is not recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

2.29 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- (i) expected to be realised or intended to be sold or consumed in normal operating cycle;
- (ii) held primarily for the purpose of trading;
- (iii) expected to be realised within twelve months after the reporting period; or
- (iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- (i) it is expected to be settled in normal operating cycle;
- (ii) it is held primarily for the purpose of trading;
- (iii) it is due to be settled within twelve months after the reporting period; or
- (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the fair value of proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.31 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.32 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods and rendering of services

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

(b) Wellness subscription fees

Wellness subscription fees are recognised in the period the services are provided.

(c) Tuition fees

Revenue from tuition fees are recognised over the period of instruction whereas non-refundable registration and enrolment fees are recognised on a receipt basis.

(d) Aged care revenue

(i) Management fees represent amounts charged to residents at the retirement village under the long-term management agreements. Deferred management fees are recognised upon performance of services, calculated in accordance with terms stipulated in resident contracts.

(ii) Resident fees received from services rendered are recognised in the income statement only when it is probable that the economic benefits associated with the transactions will flow to the Group.

(iii) Subsidies that compensate the subsidiary for expenses incurred are recognised in the income statement as the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 Revenue recognition (continued)

(e) Dividend income

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

(f) Management fees

Management fees represent fees charged to subsidiaries for assisting in the management of the subsidiaries and these are recognised upon performance of services.

(g) Interest income

Interest income is recognised on the accrual basis using the effective interest method.

(h) Rental income

Rental income receivable under operating lease is recognised on the straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease. Contingent rentals are recognised as income in the reporting period in which they are earned.

2.33 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the income statement of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Foreign currency (continued)

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.34 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers' report directly to the Executive Committee, the chief operating decision maker, who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance.

2.35 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability, or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participant act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that appropriate in circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.35 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- (i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- (ii) Level 2 - Valuation techniques for the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- (iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purposes of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities and the level of the fair value hierarchy as explained above.

2.36 Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in the income statement over the periods to match the related costs for which the grants are intended to compensate.

Government grants relating to the purchase of assets are presented as a reduction of the carrying amount of the related assets. The government grant is recognised in the income statement over the life of the related property, plant and equipment as a reduced depreciation expense.

2.37 Earnings per share

- (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

- (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.38 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange risk.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises mainly from trade and other receivables, cash and cash equivalents, and deposits with financial institutions. Risk arising from these are minimised through effective monitoring of receivable accounts that exceeded the stipulated credit terms. Credit limits are set and credit history is reviewed to minimise potential losses. The Group has no significant concentration of credit risk with any single customer.

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

The Company provides unsecured financial guarantee to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and the repayment made by the subsidiary. As at the reporting date, there is no indication that the subsidiary would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition is not material.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. In addition, the Company is exposed to credit risk arising from the financial guarantee contracts as disclosed in Note 3(b).

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 25.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 25. Apart from those disclosed above, none of other financial assets is either past due or impaired.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

Cash flow forecasting is performed 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 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 statements of financial position ratio targets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Surplus cash held by the subsidiaries over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in financial instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

The table below analyses the Group's 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.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

| 2017 | On demand or within 1 year RM'000 | 1 - 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|--|-----------------------|---------------------------|------------------|
| <u>Group</u> | | | | |
| Trade and other payables | 452,847 | 30,299 | - | 483,146 |
| Borrowings* | 364,465 | 1,046,750 | 280,312 | 1,691,527 |
| Deposits | - | - | 14,096 | 14,096 |
| Provision for retirement benefits | - | - | 2,616 | 2,616 |
| Total undiscounted financial liabilities | 817,312 | 1,077,049 | 297,024 | 2,191,385 |
| <u>Company</u> | | | | |
| Trade and other payables | 18,354 | - | - | 18,354 |
| Amounts due to subsidiaries | 157,136 | 213,553 | 3,498 | 374,187 |
| Borrowings | 269,182 | - | - | 269,182 |
| Financial guarantee contracts** | 966,815 | - | - | 966,815 |
| Total undiscounted financial liabilities | 1,411,487 | 213,553 | 3,498 | 1,628,538 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

| 2016 | On demand or within 1 year RM'000 | 1 - 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|--|-----------------------|---------------------------|------------------|
| <u>Group</u> | | | | |
| Trade and other payables | 490,922 | - | - | 490,922 |
| Borrowings | 335,280 | 539,828 | 806,724 | 1,681,832 |
| Deposits | - | - | 13,930 | 13,930 |
| Provision for retirement benefits | - | - | 2,548 | 2,548 |
| Total undiscounted financial liabilities | 826,202 | 539,828 | 823,202 | 2,189,232 |
| <u>Company</u> | | | | |
| Trade and other payables | 16,233 | - | - | 16,233 |
| Amounts due to subsidiaries | 174,280 | 246,289 | 5,327 | 425,896 |
| Borrowings | 166,464 | - | - | 166,464 |
| Financial guarantee contracts** | 979,825 | - | - | 979,825 |
| Total undiscounted financial liabilities | 1,336,802 | 246,289 | 5,327 | 1,588,418 |

* Excludes borrowings presented in liabilities associated with assets held for sale

** Related to Islamic Medium Term Notes (Note 30)

The Group has total undrawn borrowing facilities amounting to RM0.81 billion (2016: RM0.93 billion) as at 31 December 2017.

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points (2016: 10 basis points) lower/higher, with all other variables held constant, the Group's profit for the financial year would have been RM929,459 (2016: RM407,229) higher/lower, arising mainly as a result of lower/higher interest expenses on floating rate loans and borrowings. The assumed movement in interest rate for interest rate sensitivity analysis is based on the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group does not face significant exposure from foreign currency exchange risk.

(e) Offsetting financial assets and financial liabilities

There is no offsetting of financial assets and financial liabilities during the year for the Group and Company.

4 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and health capital ratios in order to support its business, maximise shareholder value and comply with its financial covenants.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gross gearing ratio, which is total borrowings divided by shareholders' funds.

The Group's gross gearing ratios as at 31 December 2017 and 2016 were as follows:

| | Group | |
|----------------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Current borrowings* | 350,369 | 333,445 |
| Non-current borrowings* | 1,242,340 | 1,242,313 |
| Total borrowings (Note 30) | 1,592,709 | 1,575,758 |
| Shareholders' funds | 1,726,795 | 1,595,088 |
| Gross gearing ratio (%) | 0.92 | 0.99 |

* Exclude borrowings presented in liabilities associated with assets held for sale

The Group has complied with all material external financial covenants during the financial year as disclosed in Note 28 and 30.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

5 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

| <u>Current asset/liability</u> | <u>Note</u> |
|---|-------------|
| Trade and other receivables and amounts due from subsidiaries | 25 |
| Deposits, cash and bank balances | 27 |
| Trade and other payables and amounts due to subsidiaries | 29 |
| Borrowings | 30 |
| Deposits | 33 |

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of long term receivables and payables, which primarily comprise advances to or from subsidiaries, are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangement at the reporting date.

(b) Fair value measurement

Qualitative disclosures fair value measurement hierarchy for assets and liabilities are as follows:

| | Level 1 | | Level 3 | |
|--|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| <u>Group</u> | | | | |
| Available-for-sale financial assets | 1,864 | 1,864 | 2,814 | 282 |
| Property, plant and equipment (Note 17): | | | | |
| - Freehold land | - | - | 190,506 | 234,881 |
| - Long leasehold land | - | - | 150,435 | 139,523 |
| - Buildings | - | - | 687,651 | 670,054 |
| Investment properties (Note 18) | - | - | 274,205 | 280,436 |
| | 1,864 | 1,864 | 1,305,611 | 1,325,176 |
| <u>Company</u> | | | | |
| Available-for-sale financial assets | 1,864 | 1,864 | 2,532 | - |

The Group and the Company do not have any financial liabilities carried at fair value nor any financial instruments classified as Level 2 as at 31 December 2017 and 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

6 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill

The Group tests goodwill for impairment annually whether goodwill has suffered any impairment, in accordance with its accounting policy stated in Note 2.11. More regular reviews are performed if events indicate that this is necessary.

The recoverable amounts of cash-generating units have been determined based on fair value less cost to sell calculations. The calculations require the use of estimates as set out in Note 20.

(b) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain tax allowances for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether taxes will be claimable. Where the final tax outcome of these matters is different from the amount that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 13.

(c) Valuation of investment properties

The Group carries its investment properties at fair values. These require the use of external valuers and assumptions that are based on unobservable inputs.

The key assumptions are as disclosed in Note 18 to the financial statements.

7 REVENUE

| | Group | | Company | |
|---------------------------------|------------------|------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Hospital and healthcare charges | 3,083,619 | 2,873,200 | - | - |
| Tuition fees | 47,922 | 48,983 | - | - |
| Rental income | 36,434 | 36,080 | - | - |
| Wellness revenue | 8,123 | 9,521 | - | - |
| Dividend income | 125 | - | 108,388 | 141,546 |
| Management fees | 1,526 | - | 48,014 | 43,240 |
| Interest income | - | - | 2,669 | 2,348 |
| Other revenue | 2,249 | 1,819 | 2,404 | 987 |
| | 3,179,998 | 2,969,603 | 161,475 | 188,121 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

8 FINANCE INCOME AND COSTS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| <u>Finance costs</u> | | | | |
| <u>Continuing operations</u> | | | | |
| Profit sharing on Islamic financing: | | | | |
| - Islamic Medium Term Notes | 52,648 | 49,698 | - | - |
| - Term loans | 29,871 | 30,619 | - | - |
| - Revolving credits | 10,084 | 8,742 | 8,058 | 5,268 |
| - Finance lease liabilities | 1,529 | 2,488 | - | - |
| - Bank overdrafts | 225 | 26 | - | - |
| Interest expense on conventional financing: | | | | |
| - Term loans | 130 | 2,285 | - | - |
| - Revolving credits | - | 236 | - | - |
| - Finance lease liabilities | 578 | 2,402 | - | - |
| - Interest on advances from subsidiaries | - | - | 10,347 | 9,740 |
| - Others | - | - | 72 | 3 |
| | 95,065 | 96,496 | 18,477 | 15,011 |
| Less: Interest expense capitalised in: | | | | |
| - Property, plant and equipment (Note 17) | (15,115) | (16,310) | - | - |
| | 79,950 | 80,186 | 18,477 | 15,011 |
| <u>Discontinued operation</u> | | | | |
| Others (Note 14) | 2,310 | 2,951 | - | - |
| | 82,260 | 83,137 | 18,477 | 15,011 |
| <u>Finance income</u> | | | | |
| <u>Continuing operations</u> | | | | |
| Profit sharing from deposits with licensed banks | (11,560) | (13,171) | - | - |
| Accretion of receivables | (2,077) | (1,960) | - | - |
| | (13,637) | (15,131) | - | - |
| <u>Discontinued operation</u> | | | | |
| Profit sharing from deposits with licensed banks | (311) | (1,167) | - | - |
| | (13,948) | (16,298) | - | - |
| Net finance costs | 68,312 | 66,839 | 18,477 | 15,011 |

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 6%. (2016: 5%)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

9 PROFIT BEFORE ZAKAT AND TAX

Profit before zakat and tax is arrived at after charging/(crediting):

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Auditors' remuneration: | | | | | |
| - Statutory audits | | | | | |
| - PricewaterhouseCoopers PLT | | 1,580 | 1,528 | 266 | 275 |
| - Non-PricewaterhouseCoopers PLT | | 596 | 602 | - | - |
| - Other services | | | | | |
| - PricewaterhouseCoopers PLT | | 872 | 2,022 | 632 | 267 |
| - Non-PricewaterhouseCoopers PLT | | 37 | 13 | - | - |
| Trade receivables: | | | | | |
| - Impairment charge for the year | 25 | 15,484 | 11,113 | - | - |
| - Reversal of impairment loss | 25 | (1,682) | (957) | - | - |
| Contribution to Klinik Waqaf An-Nur | 37 | 3,174 | 3,498 | - | - |
| Directors' remuneration | 11 | 3,829 | 3,229 | 3,634 | 3,040 |
| Consultants fees | | 796,038 | 779,005 | - | - |
| Cost of medical supplies | | 777,195 | 707,484 | - | - |
| External lab services | | 10,015 | 7,978 | - | - |
| Inventories written-off | | 213 | 186 | - | - |
| Professional fees | | 5,308 | 2,126 | 1,326 | 620 |
| Repair and maintenance | | 73,151 | 65,093 | 805 | 327 |
| Investment properties: | | | | | |
| - Rental income | | (14,090) | (15,458) | - | - |
| - Direct operating expenses | | 4,481 | 9,500 | - | - |
| Property, plant and equipment: | | | | | |
| - Depreciation | 17 | 125,265 | 127,132 | - | - |
| - Written-off | | 12 | 10,398 | - | - |
| - Loss/(gain) on disposal | | 580 | (9,806) | - | - |
| Rental expense of land and buildings | | 110,736 | 105,865 | 3,254 | 2,559 |
| Rental of equipment and vehicles | | 5,615 | 4,838 | 171 | 393 |
| Employee benefits costs | 10 | 693,929 | 630,110 | 36,661 | 42,413 |
| Amortisation of software expenditure | 19 | 3,090 | 2,145 | - | - |
| Impairment of goodwill | 19 | - | 16,356 | - | - |
| (Gain)/loss on fair value of investment properties | 18 | (2,313) | 92 | - | - |
| Gain on disposal of shares in associates (net) | | - | (11,864) | - | - |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

10 EMPLOYEE BENEFITS COSTS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Staff costs (excluding Directors' remuneration): | | | | |
| - Salaries, allowances and bonuses | 616,598 | 542,919 | 32,019 | 35,704 |
| - Contributions to defined contribution plan | 63,890 | 59,123 | 2,857 | 2,409 |
| - Share-based payments - ESOS | 13,171 | 27,818 | 1,785 | 4,300 |
| - Provision for retirement benefits (Note 32) | 270 | 250 | - | - |
| | 693,929 | 630,110 | 36,661 | 42,413 |

11 DIRECTORS' REMUNERATION

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Managing and Executive Directors: | | | | |
| - Fees | 275 | 150 | 175 | 100 |
| - Salaries, allowances and bonuses | 2,001 | 1,214 | 2,001 | 1,214 |
| - Contributions to defined contribution plan | 266 | 162 | 266 | 162 |
| - Benefits-in-kind | 21 | 32 | 21 | 32 |
| | 2,563 | 1,558 | 2,463 | 1,508 |
| Non-Independent Non-Executive Directors: | | | | |
| - Fees | 300 | 375 | 300 | 375 |
| - Allowances | 50 | 53 | 50 | 53 |
| | 350 | 428 | 350 | 428 |
| Independent Non-Executive Directors: | | | | |
| - Fees | 458 | 705 | 450 | 660 |
| - Allowances | 437 | 517 | 350 | 423 |
| - Benefits-in-kind | 21 | 21 | 21 | 21 |
| | 916 | 1,243 | 821 | 1,104 |
| | 3,829 | 3,229 | 3,634 | 3,040 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

11 DIRECTORS' REMUNERATION (CONTINUED)

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

| | Number of directors | |
|--|---------------------|-----------|
| | 2017 | 2016 |
| Managing and Executive Directors: | | |
| RM1 - RM100,000 | - | - |
| RM900,001 - RM1,000,000 | 1 | - |
| RM1,500,001 - RM2,000,000 | 1 | 1 |
| Non-Executive Directors: | | |
| RM1 - RM100,000 | 3 | 3 |
| RM100,001 - RM200,000 | 1 | 1 |
| Independent Non - Executive Directors | | |
| RM100,001 - RM200,000 | 3 | 4 |
| RM200,001 - RM300,000 | 4 | - |
| RM300,001 - RM400,000 | - | 1 |
| RM400,001 - RM500,000 | - | 1 |
| | 13* | 11 |

* Including 2 Directors that have resigned during the financial year.

12 ZAKAT

Zakat expense is zakat provided and paid during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

13 TAXATION

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Malaysian income tax: | | | | |
| - In respect of current financial year | 69,120 | 62,455 | - | - |
| - In respect of prior financial years | (2,941) | (2,227) | 1,155 | (454) |
| Foreign income tax: | | | | |
| - In respect of current financial year | 261 | 370 | - | - |
| | 66,440 | 60,598 | 1,155 | (454) |
| Deferred tax (Note 24) | (11,984) | (10,109) | - | - |
| Income tax expense/(credit) recognised in the income statement | 54,456 | 50,489 | 1,155 | (454) |
| Income tax attributable to profit from: | | | | |
| - continuing operations | 56,120 | 53,257 | 1,155 | (454) |
| - discontinued operation (Note 14) | (1,664) | (2,768) | - | - |
| Income tax expense/(credit) recognised in the income statement | 54,456 | 50,489 | 1,155 | (454) |
| Deferred tax related to other comprehensive income (Note 24): | | | | |
| - Net surplus on revaluation of land and buildings | 3,224 | 4,172 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

13 TAXATION (CONTINUED)

A reconciliation of taxation applicable to profit before tax after zakat at the Malaysian statutory income tax rate to taxation at the effective income tax rate of the Group and of the Company is as follows:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Profit before tax after zakat from: | | | | |
| - continuing operations | 229,416 | 216,890 | 84,028 | 108,178 |
| - discontinued operation | (8,050) | (10,526) | - | - |
| | 221,366 | 206,364 | 84,028 | 108,178 |
| Tax at Malaysian statutory tax rate of 24% (2016: 24%) | 53,128 | 49,527 | 20,167 | 25,962 |
| Tax effects of: | | | | |
| - Different tax rates | 227 | 224 | - | - |
| - Income not subject to tax | (3,476) | (13,434) | (26,481) | (34,620) |
| - Expenses non-deductible for tax purposes | 21,960 | 10,217 | 5,323 | 7,918 |
| - Share of results of associates | (688) | (569) | - | - |
| - (Over)/under provision of prior years income tax | (2,941) | (2,227) | 1,155 | (454) |
| - Temporary differences and tax losses not recognised | 5,843 | 6,751 | 991 | 740 |
| - Recognition of deferred tax previously not recognised | (19,597) | - | - | - |
| Income tax expense/(credit) | 54,456 | 50,489 | 1,155 | (454) |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

14 DISCONTINUED OPERATION

Following the approval by the Directors to dispose of Jeta Gardens (Qld) Pty Ltd and its subsidiaries, management has commenced discussion with potential buyers in connection with this disposal. The disposal is subject to the approval by the relevant authorities and is expected to be completed in 2018. Consequently, the associated assets and liabilities have been presented as a disposal group which is classified as held for sale as at 31 December 2017 (Note 28).

(a) Statement of comprehensive income of the discontinued operation is as follows:

| | Jeta Gardens (Qld) Pty Ltd | |
|--|----------------------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Revenue | 54,816 | 51,491 |
| Cost of sales | (43,231) | (38,421) |
| Gross profit | 11,585 | 13,070 |
| Administrative expenses | (22,621) | (25,121) |
| Other income | 4,985 | 3,309 |
| Operating loss | (6,051) | (8,742) |
| Finance income | 311 | 1,167 |
| Finance costs | (2,310) | (2,951) |
| Finance costs - net | (1,999) | (1,784) |
| Loss before tax | (8,050) | (10,526) |
| Taxation | 1,664 | 2,768 |
| Net loss for the financial year | (6,386) | (7,758) |
| Loss for the financial year attributable to: | | |
| Owners of the company | (3,640) | (4,422) |
| Non-controlling interests | (2,746) | (3,336) |
| | (6,386) | (7,758) |
| Total comprehensive loss for the financial year attributable to: | | |
| Owners of the company | (3,640) | (4,422) |
| Non-controlling interests | (2,746) | (3,336) |
| | (6,386) | (7,758) |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

14 DISCONTINUED OPERATION (CONTINUED)

(b) Statement of cash flows of the discontinued operation is as follow:

| | Jeta Gardens (Qld) Pty Ltd | |
|--|----------------------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Net cash used in operating activities | (5,034) | (12,099) |
| Net cash generated from investing activities | 9,851 | 7,842 |
| Net cash generated from financing activities | (6,305) | 19,741 |
| Net changes in cash and cash equivalents | (1,488) | 15,484 |
| Cash and cash equivalents at the beginning of the year | 27,329 | 11,845 |
| Cash and cash equivalents at the end of the year | 25,841 | 27,329 |

(c) Included in the income statement are the following expenses/(income):

| | Jeta Gardens (Qld) Pty Ltd | |
|---|----------------------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Auditors' remuneration: | | |
| - Statutory audits | 384 | 350 |
| - Other services | 360 | 460 |
| Directors' remuneration | 325 | 172 |
| Professional fees | 2,062 | 1,836 |
| Repair and maintenance | 813 | 834 |
| Property, plant and equipment: | | |
| - Depreciation (Note 17) | 2,610 | 2,742 |
| - Loss on disposal | 34 | 80 |
| Rental of building | 11,220 | 11,921 |
| Employee benefits costs | 40,620 | 36,125 |
| Gain on disposal of shares in available-for-sale financial assets (net) | (1,524) | (2,096) |
| Finance income | (311) | (1,167) |
| Finance cost | 2,310 | 2,951 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

15 DIVIDENDS

| | Group and Company | |
|---|-------------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Declared in 2017 in respect of: | | |
| Financial year ended 31 December 2017 | | |
| First interim single tier dividend of 0.55 sen per ordinary share paid on 28 April 2017* | 23,073 | - |
| Second interim single tier dividend of 0.45 sen per ordinary share paid on 21 July 2017* | 18,912 | - |
| Third interim single tier dividend of 0.38 sen per ordinary share paid on 12 October 2017* | 15,818 | - |
| Fourth interim single tier dividend of 0.40 sen per ordinary share paid on 22 December 2017 | 16,873 | - |
| | 74,676 | - |
| Declared in 2016 in respect of: | | |
| (i) Financial year ended 31 December 2015 | | |
| Fourth interim single tier dividend of 0.44 sen per ordinary share paid on 15 April 2016* | - | 18,212 |
| (ii) Financial year ended 31 December 2016 | | |
| First interim single tier dividend of 0.45 sen per ordinary share paid on 21 July 2016* | - | 18,788 |
| Second interim single tier dividend of 0.38 sen per ordinary share paid on 18 October 2016* | - | 15,701 |
| Third interim single tier dividend of 0.38 sen per ordinary share paid on 11 January 2017* | - | 15,720 |
| | - | 68,421 |

The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2017.

* The respective dividend per share was adjusted following the subdivision of ordinary shares into 4 ordinary shares during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

16 EARNINGS PER SHARE

(a) Basic earnings per share

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

| | Group | |
|--|-----------|-----------|
| | 2017 | 2016 |
| <u>Continuing operations</u> | | |
| Profit attributable to Owners of the Company (RM'000) | 165,554 | 153,617 |
| Weighted average number of ordinary shares in issue ('000) | 4,378,914 | 4,347,889 |
| Basic earnings per share (sen)* | 3.78 | 3.53 |
| <u>Discontinued operation</u> | | |
| Loss attributable to Owners of the Company (RM'000) | (3,640) | (4,422) |
| Weighted average number of ordinary shares in issue ('000) | 4,378,914 | 4,347,889 |
| Basic earnings per share (sen)* | (0.08) | (0.10) |

(b) Diluted earnings per share

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

For the warrants issued and ESOS granted to employees issued, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscriptions rights attached to outstanding warrants and ESOS. 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 and ESOS. 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 the profit for the financial year for the warrants and ESOS calculation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

16 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (continued)

| | Group | |
|--|-----------|-----------|
| | 2017 | 2016 |
| <u>Continuing operations</u> | | |
| Profit attributable to Owners of the Company (RM'000) | 165,554 | 153,617 |
| Weighted average number of ordinary shares in issue ('000) | 4,378,914 | 4,347,889 |
| Assumed shares issued from the exercise of warrants ('000) | 345,635 | 346,302 |
| Assumed shares issued from the exercise of ESOS ('000) | 260,007 | 299,704 |
| Weighted average number of ordinary shares in issue ('000) | 4,984,556 | 4,993,895 |
| Diluted earnings per share (sen)* | 3.32 | 3.08 |
| <u>Discontinued operation</u> | | |
| Loss attributable to Owners of the Company (RM'000) | (3,640) | (4,422) |
| Weighted average number of ordinary shares in issue ('000) | 4,378,914 | 4,347,889 |
| Assumed shares issued from the exercise of warrants ('000) | 345,635 | 346,302 |
| Assumed shares issued from the exercise of ESOS ('000) | 260,007 | 299,704 |
| Weighted average number of ordinary shares in issue ('000) | 4,984,556 | 4,993,895 |
| Diluted loss per share (sen)* | (0.07) | (0.09) |

* The comparative figure was recomputed based on the enlarged number of ordinary shares in issue after the share split exercise, which was completed on 27 September 2017, in accordance with MFRS 133 "Earnings per Share".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

17 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RM'000 | Long leasehold land RM'000 | Buildings RM'000 | Renovation RM'000 | Medical and other equipment RM'000 | Furniture, fittings, motor vehicles and computers RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|---|----------------------------|-------------------------------------|---------------------|----------------------|---|---|---|-----------------|
| Group | | | | | | | | |
| 2017 | | | | | | | | |
| At 1 January | | | | | | | | |
| - Cost | 5,900 | - | - | 248,609 | 752,760 | 359,011 | 276,717 | 1,642,997 |
| - Valuation | 228,981 | 140,249 | 678,538 | - | - | - | - | 1,047,768 |
| | 234,881 | 140,249 | 678,538 | 248,609 | 752,760 | 359,011 | 276,717 | 2,690,765 |
| Exchange differences | (1,008) | (4,703) | (5,081) | (799) | (2,734) | (1,071) | (16) | (15,412) |
| Additions | - | 18,678 | 52,781 | 36,784 | 54,716 | 23,002 | 280,680 | 466,641 |
| Disposals | - | - | (443) | (342) | (13,313) | (5,084) | - | (19,182) |
| Written-off | - | - | - | (331) | (9,679) | (4,282) | - | (14,292) |
| Reclassification - cost | - | - | 22,959 | - | - | - | (22,959) | - |
| Transfer to investment properties (Note 18) | (3,900) | - | (193) | - | - | - | - | (4,093) |
| Transfer from intangible assets (Note 19) | - | - | - | - | - | 12,328 | - | 12,328 |
| Transfer to assets held for sale (Note 28) | (39,467) | - | (54,120) | (4,184) | (2,540) | (1,133) | (1,162) | (102,606) |
| Revaluation surplus | - | - | 13,432 | - | - | - | - | 13,432 |
| Elimination of accumulated depreciation on revaluation | - | - | (9,921) | - | - | - | - | (9,921) |
| | 190,506 | 154,224 | 697,952 | 279,737 | 779,210 | 382,771 | 533,260 | 3,017,660 |
| At 31 December | | | | | | | | |
| - Cost | - | - | - | 279,737 | 779,210 | 382,771 | 533,260 | 1,974,978 |
| - Valuation | 190,506 | 154,224 | 697,952 | - | - | - | - | 1,042,682 |
| | 190,506 | 154,224 | 697,952 | 279,737 | 779,210 | 382,771 | 533,260 | 3,017,660 |
| Less: Government grant received | - | - | - | - | - | - | (2,731) | (2,731) |
| | 190,506 | 154,224 | 697,952 | 279,737 | 779,210 | 382,771 | 530,529 | 3,014,929 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Freehold land RM'000 | Long leasehold land RM'000 | Buildings RM'000 | Renovation RM'000 | Medical and other equipment RM'000 | Furniture, fittings, motor vehicles and computers RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|---|----------------------------|-------------------------------------|---------------------|----------------------|---|---|---|-----------------|
| Group | | | | | | | | |
| 2017 | | | | | | | | |
| <u>Accumulated depreciation</u> | | | | | | | | |
| At 1 January | - | (726) | (8,484) | (86,749) | (417,289) | (210,982) | - | (724,230) |
| Exchange differences | - | 7 | 112 | 20 | 1,779 | 563 | - | 2,481 |
| Charge for the financial year (Note 9) | - | (3,070) | (12,063) | (20,238) | (54,364) | (38,140) | - | (127,875) |
| Disposals | - | - | 213 | 108 | 12,060 | 4,126 | - | 16,507 |
| Written-off | - | - | - | 141 | 9,828 | 4,311 | - | 14,280 |
| Elimination of accumulated depreciation on revaluation | - | - | 9,921 | - | - | - | - | 9,921 |
| At 31 December | - | (3,789) | (10,301) | (106,718) | (447,986) | (240,122) | - | (808,916) |
| <u>Net carrying amounts</u> | | | | | | | | |
| - Cost | - | - | - | 173,019 | 331,224 | 142,649 | 530,529 | 1,177,421 |
| - Valuation | 190,506 | 150,435 | 687,651 | - | - | - | - | 1,028,592 |
| At 31 December | 190,506 | 150,435 | 687,651 | 173,019 | 331,224 | 142,649 | 530,529 | 2,206,013 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Freehold land RM'000 | Long leasehold land RM'000 | Buildings RM'000 | Renovation RM'000 | Medical and other equipment RM'000 | Furniture, fittings, motor vehicles and computers RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|---|----------------------------|-------------------------------------|---------------------|----------------------|---|---|---|-----------------|
| Group | | | | | | | | |
| 2016 | | | | | | | | |
| At 1 January | | | | | | | | |
| - Cost | 46,700 | - | 33,300 | 223,757 | 770,653 | 377,261 | 293,288 | 1,744,959 |
| - Valuation | 174,694 | 124,226 | 499,563 | - | - | - | - | 798,483 |
| | 221,394 | 124,226 | 532,863 | 223,757 | 770,653 | 377,261 | 293,288 | 2,543,442 |
| Exchange differences | 4,727 | 1,120 | 3,926 | 1,087 | 2,748 | - | - | 13,608 |
| Additions | 5,900 | 1,056 | 12,162 | 33,276 | 49,418 | 15,198 | 143,915 | 260,925 |
| Acquisition of a subsidiary | - | - | - | - | 37 | - | - | 37 |
| Revaluation surplus | 2,860 | 15,555 | 1,277 | - | - | - | - | 19,692 |
| Disposals | - | - | - | (11,184) | (14,440) | (6,751) | - | (32,375) |
| Written-off | - | - | (3,124) | - | (65,837) | (36,800) | - | (105,761) |
| Reclassification - cost | - | - | 138,529 | 1,673 | 10,181 | 10,103 | (160,486) | - |
| Elimination of accumulated depreciation on revaluation | - | (1,708) | (1,628) | - | - | - | - | (3,336) |
| | 234,881 | 140,249 | 684,005 | 248,609 | 752,760 | 359,011 | 276,717 | 2,696,232 |
| At 31 December | | | | | | | | |
| - Cost | - | - | - | 248,609 | 752,760 | 359,011 | 276,717 | 1,637,097 |
| - Valuation | 234,881 | 140,249 | 684,005 | - | - | - | - | 1,059,135 |
| | 234,881 | 140,249 | 684,005 | 248,609 | 752,760 | 359,011 | 276,717 | 2,696,232 |
| Less: Government grant received | - | - | (5,467) | - | - | - | - | (5,467) |
| | 234,881 | 140,249 | 678,538 | 248,609 | 752,760 | 359,011 | 276,717 | 2,690,765 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Freehold land RM'000 | Long leasehold land RM'000 | Buildings RM'000 | Renovation RM'000 | Medical and other equipment RM'000 | Furniture, fittings, motor vehicles and computers RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|--|----------------------------|-------------------------------------|---------------------|----------------------|---|---|---|-----------------|
| Group | | | | | | | | |
| 2016 | | | | | | | | |
| <u>Accumulated depreciation</u> | | | | | | | | |
| At 1 January | - | (12) | (837) | (58,040) | (431,975) | (220,629) | - | (711,493) |
| Exchange differences | - | 1,494 | - | 533 | (2,150) | (505) | - | (628) |
| Charge for the financial year (Note 9) | - | (3,916) | (12,399) | (33,071) | (51,760) | (28,728) | - | (129,874) |
| Disposals | - | - | - | 3,829 | 10,974 | 4,263 | - | 19,066 |
| Written-off | - | - | 3,124 | - | 57,622 | 34,617 | - | 95,363 |
| Elimination of accumulated depreciation on revaluation | - | 1,708 | 1,628 | - | - | - | - | 3,336 |
| At 31 December | - | (726) | (8,484) | (86,749) | (417,289) | (210,982) | - | (724,230) |
| <u>Net carrying amounts</u> | | | | | | | | |
| - Cost | 5,900 | - | - | 161,860 | 335,471 | 148,029 | 276,717 | 927,977 |
| - Valuation | 228,981 | 139,523 | 670,054 | - | - | - | - | 1,038,558 |
| At 31 December | 234,881 | 139,523 | 670,054 | 161,860 | 335,471 | 148,029 | 276,717 | 1,966,535 |

Revaluation of land and buildings

The Group's land and buildings, except for those under constructions, were fully revalued as at 31 December 2015. As at year end, the Group assess whether there is an indication that the carrying values of these assets have defer materially from its fair value. Where an indication exist, revaluations were carried out and the carrying value of these assets were updated to reflect its fair value based on independent valuation. Certain land and buildings that were completed and commenced operations during the year were also revalued as at year end.

Land and buildings comprise mainly those that are used by the Group as purpose-built private specialist hospitals. Land and buildings that were revalued on 31 December 2017 were based on the Cost Method, which entails separate valuations of the land and buildings to arrive at the market value of the subject property. The lands were valued by reference to transactions of similar lands in the surrounding with adjustments made for difference in accessibility, terrain, size and shape of the land, tenure, title restrictions if any and other relevant characteristics. The buildings were valued by reference to their depreciated replacement costs, i.e. the replacement cost new less an appropriate adjustments for depreciation or obsolescence to reflect the existing condition of the buildings at the date of valuation. The book values of the land and buildings were adjusted to reflect the revaluation and the resultant surpluses were credited to revaluation reserve. These were all Level 3 in the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation of land and buildings (continued)

The valuations were carried out by independent firms of professional valuers, Messrs CH Williams Talhar & Wong Sdn Bhd, Messrs Raine & Horne International Zaki + Partners Sdn Bhd, Messrs IM Global Property Consultants Sdn Bhd, Messrs Cheston International (KL) Sdn Bhd and Messrs Knight Frank Ptd Ltd ("the Valuers").

If the total amounts of the land and buildings had been determined in accordance with the historical cost convention, they would have been included at:

| | Group | |
|---------------------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| <u>Cost</u> | | |
| Freehold land | 96,482 | 135,949 |
| Leasehold land | 60,158 | 41,480 |
| Buildings | 306,029 | 279,394 |
| | 462,669 | 456,823 |
| <u>Accumulated depreciation</u> | | |
| Leasehold land | (608) | (248) |
| Buildings | (6,121) | (5,588) |
| Net carrying amounts | 455,940 | 450,987 |

The net book value of assets under finance leases as at 31 December 2017 is RM70,902,000 (2016: RM71,296,000).

The net book value of property, plant and equipment pledged for borrowing facilities as at 31 December 2017 is RM389,100,000 (2016: RM338,784,000) as disclosed in Note 30.

During the financial year, a subsidiary received a government grant in relation to the construction of a hospital building amounting to RM2,731,000 (2016 : RM5,467,000). The amount has been set-off against the cost of building included in capital work-in-progress.

Capitalisation of borrowing costs

The capital work-in-progress includes borrowing costs arising from general and specific borrowings. During the financial year, borrowing costs capitalised as part of capital work-in-progress amounted to RM15,115,000 (2016: RM16,310,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

18 INVESTMENT PROPERTIES

| | Group | |
|---|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| At fair value: | | |
| At 1 January | 280,436 | 279,833 |
| Exchange differences | (123) | 695 |
| Gain/(loss) on fair value recognised during the year (Note 9) | 2,313 | (92) |
| Transfer from property, plant and equipment | 4,093 | - |
| Transfer to assets held for sale (Note 28) | (12,514) | - |
| At 31 December | 274,205 | 280,436 |

The valuations were carried out by third party valuers, Messrs CH Williams Talhar & Wong Sdn Bhd.

The fair value of the properties was estimated at RM274,205,000 (2016: RM280,436,000) based on valuations performed by independent professionally qualified valuers, using either the comparison or investment method as described below.

Fair value hierarchy disclosures for investment properties are in Note 5.

The balance is in Level 3 fair value hierarchy.

Description of valuation techniques used and key inputs to valuation on investment properties.

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | |
|--|---------------------|---|--------------------------|-----------------|
| | | | 2017 | 2016 |
| Land and buildings | Comparison method | Location, visibility, size and tenure | - | - |
| (Carrying value as at 31 December 2017 of RM64,377,000 (2016 : RM 66,855,000)) | | | | |
| Office properties | Investment method | Estimated rental value per sqft per month | RM3.80 - RM5.50 | RM3.80 - RM5.00 |
| | | Outgoings per sqft per month | RM1.50 - RM1.54 | RM1.50 - RM1.52 |
| | | Void rate | 7.5% | 7.5% |
| | | Term yield | 6.0% - 6.25% | 6.0% - 6.25% |

(Carrying value as at 31 December 2017 of RM209,828,000 (2016 : RM210,654,000)).

Inter-relationship between significant unobservable inputs and fair value measurement

(a) Comparison method

Generally a location and visibility that is relatively more prominent will result in a higher fair value. A longer tenure will have the same effect.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

18 INVESTMENT PROPERTIES (CONTINUED)

Inter-relationship between significant unobservable inputs and fair value measurement (continued)

(b) Investment method

Increases/(decreases) in estimated rental value per sqft in isolation would result in a higher/(lower) fair value of the properties. Increases/(decreases) in the long-term vacancy rate (void rate) and discount rate (term yield) in isolation would result in a lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rental value per sqft and an opposite change in the void rate and term yield.

A sensitivity analysis has been performed on the significant assumptions that impact the fair value of the office properties. Arising thereof, the impact of a 10 basis points increase/decrease in the term yield will result in a lower/higher fair value change by RM4.5 million, while a void rate of 10% will result in a lower fair value change by RM4.0 million.

19 INTANGIBLE ASSETS

| | Goodwill RM'000 | Software expenditure RM'000 | Software expenditure under development RM'000 | Total RM'000 |
|---|--------------------|-----------------------------------|---|-----------------|
| 2017 | | | | |
| <u>Cost</u> | | | | |
| At 1 January 2017 | 195,891 | 28,386 | 43,086 | 267,363 |
| Additions | - | 1,600 | 7,688 | 9,288 |
| Transfer to property, plant and equipment (Note 17) | - | - | (12,328) | (12,328) |
| Reclassification | - | 10,350 | (10,350) | - |
| At 31 December 2017 | 195,891 | 40,336 | 28,096 | 264,323 |
| <u>Accumulated amortisation</u> | | | | |
| At 1 January 2017 | - | (5,440) | - | (5,440) |
| Amortisation charge for the year (Note 9) | - | (3,090) | - | (3,090) |
| At 31 December 2017 | - | (8,530) | - | (8,530) |
| <u>Accumulated impairment</u> | | | | |
| At 1 January / 31 December 2017 | (16,356) | - | - | (16,356) |
| <u>Net carrying amount</u> | | | | |
| At 31 December 2017 | 179,535 | 31,806 | 28,096 | 239,437 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

19 INTANGIBLE ASSETS (CONTINUED)

| | Goodwill RM'000 | Software expenditure RM'000 | Software expenditure under development RM'000 | Total RM'000 |
|--|--------------------|-----------------------------------|---|-----------------|
| 2016 | | | | |
| <u>Cost</u> | | | | |
| At 1 January 2016 | 195,891 | 28,386 | 31,144 | 255,421 |
| Additions | - | - | 11,942 | 11,942 |
| At 31 December 2016 | 195,891 | 28,386 | 43,086 | 267,363 |
| <u>Accumulated amortisation</u> | | | | |
| At 1 January 2016 | - | (3,295) | - | (3,295) |
| Amortisation charge for the year (Note 9) | - | (2,145) | - | (2,145) |
| At 31 December 2016 | - | (5,440) | - | (5,440) |
| <u>Accumulated impairment</u> | | | | |
| At 1 January 2016 | - | - | - | - |
| Impairment charge during the year (Note 9) | (16,356) | - | - | (16,356) |
| At 31 December 2016 | (16,356) | - | - | (16,356) |
| <u>Net carrying amount</u> | | | | |
| At 31 December 2016 | 179,535 | 22,946 | 43,086 | 245,567 |

20 IMPAIRMENT OF INTANGIBLE ASSETS

Impairment tests for goodwill and software expenditure under development

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Malaysia: | | |
| - goodwill | 177,913 | 177,913 |
| - software expenditure under development | 28,096 | 43,086 |
| Others | 1,622 | 1,622 |
| | 207,631 | 222,621 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

20 IMPAIRMENT OF INTANGIBLE ASSETS (CONTINUED)

Recoverable amount based on fair value less costs to sell

Malaysia

The recoverable amount of the CGU is determined based on fair value less cost to sell calculation (level 3 fair value hierarchy). These calculations use cash flow projections based on financial budgets approved by the Directors covering a five-year period.

Aged care facility

In prior financial year, the Group's investment in its Aged care facility has been written down to its net recoverable value resulting in a full impairment of the goodwill of RM16,356,000 that has been charged in the income statement.

The key assumptions used are as follows:

| | Malaysia | |
|-----------------------------------|-------------|-------------|
| | 2017 | 2016 |
| | % | % |
| Revenue ¹ | 6 - 12 | 16 - 20 |
| EBITDA margin ² | 13.3 - 15.7 | 12.5 - 13.7 |
| Discount rate ³ | 12 | 12 |
| Terminal growth rate ⁴ | 5 | 5 |

Assumptions:

- ¹ Based on revenue range
- ² EBITDA margin over the budget period
- ³ Post-tax discount rate applied to the cash flow projections
- ⁴ Terminal growth rate used to extrapolate cash flows beyond the budget period

The Directors have determined the revenue and EBITDA margin based on expectations of market development. The post-tax discount rates used are based on comparable healthcare companies and adjusted for projection risk. The terminal growth rate does not exceed the long-term average growth rate for the relevant group of CGUs.

Management believes that any reasonable change to the above key assumptions would not cause the carrying value of the CGU to materially exceed its reasonable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

21 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries is made up as follows:

| | Company | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Cost | 964,424 | 948,618 |
| Addition and subscription during the financial year | - | 15,805 |
| Preference shares | 300 | 300 |
| Capital contribution reserve on share based payments | 61,724 | 51,478 |
| Unquoted shares | 1,026,448 | 1,016,201 |

The following are subsidiaries of the Company:

| Name of company | Country of incorporation | Group's effective interest | | Principal activities |
|---|--------------------------|----------------------------|-----------|--|
| | | 2017 % | 2016 % | |
| Kumpulan Perubatan (Johor) Sdn Bhd | Malaysia | 100 | 100 | Managing and investment holding company for Medical sector |
| Point Zone (M) Sdn Bhd | Malaysia | 100 | 100 | Providing treasury management services to the companies within the group |
| Tawakal Holdings Sdn Bhd* | Malaysia | 100 | 100 | Investment holding company |
| 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 |
| Puteri Specialist Hospital (Johor) Sdn Bhd [#] | Malaysia | 100 | 100 | Dormant |
| <u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd</u> | | | | |
| Ampang Puteri Specialist Hospital Sdn Bhd | Malaysia | 100 | 100 | Operating as a specialist hospital |
| Bandar Baru Klang Specialist Hospital Sdn Bhd | Malaysia | 100 | 100 | Operating as a specialist hospital |
| Kajang Specialist Hospital Sdn Bhd | Malaysia | 100 | 100 | Operating as a specialist hospital |
| Maharani Specialist Hospital Sdn Bhd | Malaysia | 100 | 100 | Operating as a specialist hospital |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company (continued):

| Name of company | Country of incorporation | Group's effective interest | | Principal activities |
|---|--------------------------|----------------------------|--------|--|
| | | 2017 % | 2016 % | |
| <u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u> | | | | |
| Pasir Gudang Specialist Hospital Sdn Bhd | Malaysia | 100 | 100 | Operating as a specialist hospital |
| Penang Specialist Hospital Sdn Bhd | Malaysia | 100 | 100 | Operating as a specialist hospital |
| Pusat Pakar Kluang Utama Sdn Bhd | Malaysia | 100 | 100 | Operating as a specialist hospital |
| Rawang Specialist Hospital Sdn Bhd | Malaysia | 100 | 100 | Operating as a specialist hospital |
| Sentosa Medical Centre Sdn Bhd | Malaysia | 100 | 100 | Operating as a specialist hospital |
| Sibu Medical Centre Corporation Sdn Bhd | Malaysia | 100 | 100 | Operating as a specialist hospital |
| SMC Healthcare Sdn Bhd | Malaysia | 100 | 100 | Operating as a specialist hospital |
| Kota Kinabalu Specialist Hospital Sdn Bhd | Malaysia | 97 | 97 | Operating as a specialist hospital |
| PT Khidmat Perawatan Jasa Medika* | Indonesia | 80 | 80 | Operating as a specialist hospital |
| PT Khasanah Putera Jakarta Medica* | Indonesia | 75 | 75 | Operating as a specialist hospital |
| Kuching Specialist Hospital Sdn Bhd | Malaysia | 70 | 70 | Operating as a specialist hospital |
| Pahang Specialist Hospital Sdn Bhd | Malaysia | 70 | 70 | Operating as a specialist hospital |
| Perdana Specialist Hospital Sdn Bhd | Malaysia | 61 | 61 | Operating as a specialist hospital |
| Selangor Specialist Hospital Sdn Bhd* | Malaysia | 60 | 60 | Operating as a specialist hospital |
| Advanced Health Care Solutions Sdn Bhd* | Malaysia | 100 | 100 | Providing healthcare information system services |
| Crossborder Aim (M) Sdn Bhd* | Malaysia | 100 | 100 | Investment holding company |
| Crossborder Hall (M) Sdn Bhd* | Malaysia | 100 | 100 | Investment holding company |
| KPJ Dhaka (Pte) Ltd* | Bangladesh | 100 | 100 | Providing management services to a specialist hospital |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company (continued):

| Name of company | Country of incorporation | Group's effective interest | | Principal activities |
|--|--------------------------|----------------------------|--------|---|
| | | 2017 % | 2016 % | |
| <u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u> | | | | |
| KPJ Eyecare Specialist Sdn Bhd* | Malaysia | 100 | 100 | Providing medical and consultancy services |
| KPJ Healthcare University College Sdn Bhd (formerly known as Puteri Nursing College Sdn Bhd) | Malaysia | 100 | 100 | Operating as a private university college of nursing and allied health |
| KPJ HealthShoppe Sdn Bhd* | Malaysia | 100 | 100 | Operating as pharmacy retail outlet |
| Kuantan Specialist Hospital Sdn Bhd | Malaysia | 100 | 100 | Operating as a dialysis centre |
| Lablink (M) Sdn Bhd | Malaysia | 100 | 100 | Providing pathology and laboratory services |
| PharmaCARE Sdn Bhd* | Malaysia | 100 | 100 | Providing human resource, training services and rental of human resource information system |
| Pharmaserv Alliances Sdn Bhd | Malaysia | 100 | 100 | Marketing and distributing medical and pharmaceutical products |
| PT Al-Aqar Bumi Serpong Damai* | Indonesia | 100 | 100 | Operating as building management company |
| PT Al-Aqar Permata Hijau* | Indonesia | 100 | 100 | Operating as building management company |
| Sibu Geriatric Health & Nursing Centre Sdn Bhd | Malaysia | 100 | 100 | Operating and managing an aged care facilities |
| Sterile Services Sdn Bhd* | Malaysia | 100 | 100 | Providing sterile services |
| Fabricare Laundry Sdn Bhd* | Malaysia | 95 | 95 | Providing laundry services |
| Diaper Technology Industries Sdn Bhd | Malaysia | 94 | 94 | Providing information technology related services and rental of software |
| Pride Outlet Sdn Bhd* | Malaysia | 90 | 90 | Providing maintenance services for medical equipment |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company (continued):

| Name of company | Country of incorporation | Group's effective interest | | Principal activities |
|---|--------------------------|----------------------------|--------|--|
| | | 2017 % | 2016 % | |
| <u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u> | | | | |
| Healthcare IT Solutions Sdn Bhd* | Malaysia | 70 | 70 | Providing healthcare information technology services |
| Skop Yakin (M) Sdn Bhd* | Malaysia | 70 | 70 | Marketing and distributing general merchandise |
| Total Meal Solution Sdn Bhd* | Malaysia | 70 | 70 | Providing central kitchen services |
| Teraju Farma Sdn Bhd | Malaysia | 65 | 65 | Marketing and distributing medical and pharmaceutical products |
| Jeta Gardens (Qld) Pty Ltd* | Australia | 57 | 57 | Providing retirement village and aged care facilities |
| BDC Specialist Hospital Sdn Bhd | Malaysia | 100 | 100 | To be operating as a specialist hospital |
| KPJ Medik TV Sdn Bhd* | Malaysia | 100 | 100 | To be operating as medical service provider |
| Massive Hybrid Sdn Bhd* | Malaysia | 100 | 100 | To be operating as a specialist hospital |
| UTM KPJ Specialist Hospital Sdn Bhd* | Malaysia | 100 | 100 | To be operating as a specialist hospital |
| Miri Specialist Hospital Sdn Bhd* | Malaysia | 70 | 70 | To be operating as a specialist hospital |
| Perlis Specialist Hospital* | Malaysia | 60 | 60 | To be operating as a specialist hospital |
| Damansara Specialist Hospital Sdn Bhd | Malaysia | 100 | 100 | Dormant |
| Seremban Specialist Hospital Sdn Bhd | Malaysia | 100 | 100 | Dormant |
| Taiping Medical Centre Sdn Bhd | Malaysia | 100 | 100 | Dormant |
| Energy Excellent Sdn Bhd* | Malaysia | 100 | 100 | Dormant |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company (continued):

| Name of company | Country of incorporation | Group's effective interest | | Principal activities |
|---|--------------------------|----------------------------|--------|--|
| | | 2017 % | 2016 % | |
| <u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u> | | | | |
| KPJ Education Services Sdn Bhd* | Malaysia | 100 | 100 | Dormant |
| Pharmacare Surgical Technologies (M) Sdn Bhd* | Malaysia | 100 | 100 | Dormant |
| Freewell Sdn Bhd* | Malaysia | 80 | 80 | Dormant |
| Bayan Baru Specialist Hospital Sdn Bhd | Malaysia | 55 | 55 | Dormant |
| <u>Subsidiary of Tawakal Holdings Sdn Bhd</u> | | | | |
| Pusat Pakar Tawakal Sdn Bhd* | Malaysia | 100 | 100 | Operating as a specialist hospital |
| <u>Subsidiary of Johor Specialist Hospital Sdn Bhd</u> | | | | |
| Bandar Dato Onn Specialist Hospital Sdn Bhd | Malaysia | 100 | 100 | To be operating as specialist hospital |
| <u>Subsidiary of Ipoh Specialist Hospital Sdn Bhd</u> | | | | |
| Sri Manjung Specialist Centre Sdn Bhd* | Malaysia | 100 | 100 | Operating as a specialist hospital |
| <u>Subsidiary of Selangor Specialist Hospital Sdn Bhd</u> | | | | |
| Hospital Pusrawi SMC Sdn Bhd* | Malaysia | 51 | 51 | Dormant |
| <u>Subsidiary of SMC Healthcare Sdn Bhd</u> | | | | |
| Amity Development Sdn Bhd | Malaysia | 100 | 100 | Dormant |
| <u>Subsidiary of PharmaCARE Sdn Bhd</u> | | | | |
| Open Access Sdn Bhd* | Malaysia | 100 | 100 | Dormant |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company (continued):

| Name of company | Country of incorporation | Group's effective interest | | Principal activities |
|---|--------------------------|----------------------------|--------|--|
| | | 2017 % | 2016 % | |
| <u>Subsidiaries of Pharmaserv Alliances Sdn Bhd</u> | | | | |
| Medical Supplies (Sarawak) Sdn Bhd | Malaysia | 75 | 75 | Marketing and distributing medical pharmaceutical products |
| Malaysian Institute of Healthcare Management Sdn Bhd* | Malaysia | 75 | 75 | Dormant |
| FP Marketing (S) Pte Ltd* | Singapore | 100 | 100 | Dormant |
| <u>Subsidiary of KPJ Healthcare University College Sdn Bhd (formerly known as Puteri Nursing College Sdn Bhd)</u> | | | | |
| KPJ Education (M) Sdn Bhd (formerly known as KFCH Education (M) Sdn Bhd) | Malaysia | 100 | 100 | Operating as a college and training centre |
| <u>Subsidiaries of Jeta Gardens (Qld) Pty Ltd</u> | | | | |
| Jeta Gardens Aged Care (Qld) Pty Ltd* | Australia | 100 | 100 | Operating and managing an aged care facility |
| Jeta Gardens Management(Qld) Pty Ltd* | Australia | 100 | 100 | Providing management to an aged care facility |

Direct equity holding by the Company is 84% (2016: 84%)

+ Direct equity holding by the Company is 14% (2016: 14%)

* Audited by firms other than PricewaterhouseCoopers PLT, Malaysia

On 1 May 2016, KPJ Healthcare University College Sdn Bhd (formerly known as Puteri Nursing College Sdn Bhd), a wholly-owned subsidiary of the Kumpulan Perubatan (Johor) Sdn Bhd acquired a 100% equity interest in KPJ Education (M) Sdn Bhd (formerly known as KFCH Education (M) Sdn Bhd) for a total cash consideration of RM1.

There is no acquisition of subsidiary during the financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information of Perdana Specialist Hospital Sdn Bhd and Selangor Specialist Hospital Sdn Bhd which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests in respect of other subsidiaries are not material to the Group.

(i) Summarised statements of financial position

| | Perdana Specialist Hospital Sdn Bhd | | Selangor Specialist Hospital Sdn Bhd | | Total | |
|--|-------------------------------------|----------------|--------------------------------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Non-current assets | 52,366 | 50,900 | 147,366 | 95,597 | 199,732 | 146,497 |
| Current assets | 19,572 | 26,920 | 48,724 | 100,042 | 68,296 | 126,962 |
| Total assets | 71,938 | 77,820 | 196,090 | 195,639 | 268,028 | 273,459 |
| Current liabilities | 17,834 | 30,401 | 46,908 | 40,229 | 64,742 | 70,630 |
| Non-current liabilities | 8,759 | 1,804 | 21,200 | 28,187 | 29,959 | 29,991 |
| Total liabilities | 26,593 | 32,205 | 68,108 | 68,416 | 94,701 | 100,621 |
| Net assets | 45,345 | 45,615 | 127,982 | 127,223 | 173,327 | 172,838 |
| Net equity attributable | 45,345 | 45,615 | 127,982 | 127,223 | 173,327 | 172,838 |
| Equity attributable to owners of the company | 27,660 | 27,825 | 76,789 | 76,334 | 104,449 | 104,159 |
| Non-controlling interests | 17,685 | 17,790 | 51,193 | 50,889 | 68,878 | 68,679 |

(ii) Summarised statements of comprehensive income

| | Perdana Specialist Hospital Sdn Bhd | | Selangor Specialist Hospital Sdn Bhd | | Total | |
|---|-------------------------------------|----------------|--------------------------------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Revenue | 89,437 | 89,178 | 164,932 | 155,666 | 254,369 | 244,844 |
| Profit for the year | 3,149 | 6,082 | 19,080 | 18,235 | 22,229 | 24,317 |
| Profit attributable to the owners of the company | 1,921 | 3,710 | 11,448 | 10,941 | 13,369 | 14,651 |
| Profit attributable to the non-controlling interest | 1,228 | 2,372 | 7,632 | 7,294 | 8,860 | 9,666 |
| Total comprehensive income | 3,149 | 6,082 | 19,080 | 18,235 | 22,229 | 24,317 |
| Total comprehensive income attributable to owners of the company | 1,921 | 3,710 | 11,448 | 10,941 | 13,369 | 14,651 |
| Total comprehensive income attributable to the non-controlling interest | 1,228 | 2,372 | 7,632 | 7,294 | 8,860 | 9,666 |
| | 3,149 | 6,082 | 19,080 | 18,235 | 22,229 | 24,317 |
| Dividends paid to non-controlling interests | 623 | 623 | 4,800 | 4,800 | 5,423 | 5,423 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(iii) Summarised statements of cash flows

| | Perdana Specialist Hospital Sdn Bhd | | Selangor Specialist Hospital Sdn Bhd | | Total | |
|---|--|----------------|---|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Net cash generated from operating activities | 7,212 | 17,784 | 34,426 | 9,987 | 41,638 | 27,771 |
| Net cash used in investing activities | (5,587) | (17,877) | (8,821) | (3,476) | (14,408) | (21,353) |
| Net cash (used in)/ generated from financing activities | (3,979) | 122 | (27,716) | (3,293) | (31,695) | (3,171) |
| Net changes in cash and cash equivalents | (2,354) | 29 | (2,111) | 3,218 | (4,465) | 3,247 |
| Cash and cash equivalents at the beginning of the year | 3,172 | 3,143 | 10,395 | 7,177 | 13,567 | 10,320 |
| Cash and cash equivalents at the end of the year | 818 | 3,172 | 8,284 | 10,395 | 9,102 | 13,567 |

22 INVESTMENTS IN ASSOCIATES

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Quoted ordinary shares in Al-'Aqar Healthcare REIT, at cost | 234,982 | 315,564 |
| Disposals | (7,215) | (47,010) |
| Transfer to assets held for sale (Note 28) | (17,688) | - |
| Unrealised gains** (Note 36) | - | (33,572) |
| | 210,079 | 234,982 |
| Unquoted ordinary shares, at cost | 65,229 | 65,229 |
| Group's share of post-acquisition reserves | 130,676 | 91,329 |
| | 405,984 | 391,540 |
| Market value of quoted ordinary shares in Al-'Aqar Healthcare REIT | 368,267 | 430,144 |

** This represents restricted profits arising from the disposal of assets in Al-'Aqar Healthcare REIT.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

22 INVESTMENTS IN ASSOCIATES (CONTINUED)

The associates of the Group are as follows:

| | Country of incorporation | Effective equity interest | | Principal activities |
|--|--------------------------|---------------------------|--------|---|
| | | 2017 % | 2016 % | |
| <u>Associates of Company</u> | | | | |
| Damansara REIT Managers Sdn Bhd** | Malaysia | - | - | Manager of Al-'Aqar Healthcare REIT |
| Al-'Aqar Healthcare REIT*^ | Malaysia | 37 | 38 | Real estate investment trust |
| <u>Associates of KPJSB</u> | | | | |
| Kedah Medical Centre Sdn Bhd* | Malaysia | 46 | 46 | Operating as a specialist hospital |
| Healthcare Technical Services Sdn Bhd* | Malaysia | 30 | 30 | Providing management and engineering maintenance services for specialist hospital |
| Vejthani Public Company Limited* | Thailand | 23 | 23 | Operating as an international specialist hospital |

^ Listed on the Main Market of Bursa Malaysia Securities Berhad.

* Audited by a firm other than PricewaterhouseCoopers PLT, Malaysia.

Entity over which the Company exercises significant influence by virtue of its' board representation in Damansara REIT Managers Sdn Bhd., which controls Al-'Aqar Healthcare REIT.

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information represents the amounts in the MFRS financial statements of the associate and not the Group's share of those amounts.

(i) Summarised statement of financial position

| | Al-'Aqar Healthcare REIT | |
|-------------------------|--------------------------|-------------|
| | 2017 RM'000 | 2016 RM'000 |
| Non-current assets | 1,459,703 | 1,424,360 |
| Current assets | 96,722 | 186,853 |
| Total assets | 1,556,425 | 1,611,213 |
| Current liabilities | 622,459 | 50,128 |
| Non-current liabilities | 10,676 | 665,017 |
| Total liabilities | 633,135 | 715,145 |
| Net asset | 923,290 | 896,068 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

22 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information represents the amounts in the MFRS financial statements of the associate and not the Group's share of those amounts (continued):

(ii) Summarised statement of comprehensive income

| | Al-'Aqar Healthcare REIT | |
|--|--------------------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Revenue | 99,648 | 103,839 |
| Profit before tax | 86,154 | 63,986 |
| Net profit for the financial year | 84,644 | 63,440 |
| Other comprehensive loss | (2,442) | (373) |
| Dividends received from associates during the year | 20,482 | 13,789 |

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in material associate

| | Al-'Aqar Healthcare REIT | |
|------------------------------------|--------------------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Net assets at 1 January | 896,068 | 879,826 |
| Profit for the financial year | 84,644 | 63,440 |
| Other comprehensive loss | (2,442) | (373) |
| Dividend paid during the year | (54,980) | (46,825) |
| Net assets at 31 December | 923,290 | 896,068 |
| Interest in associates | 37% | 38% |
| Carrying value of Group's interest | 341,617 | 340,506 |

(iv) Aggregate information of associates that are not individually material

| | 2017 RM'000 | 2016 RM'000 |
|---|----------------|----------------|
| The Group's share of profit before tax | 10,387 | 8,691 |
| The Group's share of profit after tax | 8,011 | 6,313 |
| The Group's share of total comprehensive income | 8,011 | 6,313 |

(v) Commitments and contingent liabilities

There are neither commitment nor contingent liabilities relating to the Group's interest in the associates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| At 1 January | 2,146 | 282 | 1,864 | - |
| Purchased during the year | 2,532 | 1,864 | 2,532 | 1,864 |
| At 31 December | 4,678 | 2,146 | 4,396 | 1,864 |
| Analysed as follows: | | | | |
| - Listed equity securities in Malaysia | 1,864 | 1,864 | 1,864 | 1,864 |
| - Unlisted equity securities in Malaysia | 2,814 | 282 | 2,532 | - |
| | 4,678 | 2,146 | 4,396 | 1,864 |

The fair values of these available-for-sale financial assets do not materially differ from their carrying values. Refer to Note 5 for fair value hierarchy disclosures.

24 DEFERRED TAX

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

| | Group | |
|--------------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Deferred tax assets | 24,682 | 18,757 |
| Deferred tax liabilities | (60,206) | (63,041) |
| At 31 December | (35,524) | (44,284) |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

24 DEFERRED TAX (CONTINUED)

The movement in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follow:

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| At 1 January | (44,284) | (50,221) |
| Credit/(charged) to income statement (Note 13) | | |
| - Property, plant and equipment | 443 | 22,041 |
| - Investment properties | (358) | 30 |
| - Trade and other receivables | (1,028) | (11,158) |
| - Unutilised tax losses | 8,467 | 3,939 |
| - Deferred revenue | 2,975 | (891) |
| - Trade and other payables | 1,485 | (3,852) |
| | 11,984 | 10,109 |
| Charged to other comprehensive income | (3,224) | (4,172) |
| At 31 December | (35,524) | (44,284) |
| Subject to income tax: | | |
| Deferred tax assets (before offsetting): | | |
| - Unutilised tax losses | 20,402 | 11,935 |
| - Deferred revenue | 21,008 | 18,033 |
| - Trade and other payables | 6,968 | 5,483 |
| | 48,378 | 35,451 |
| Offsetting | (23,696) | (16,694) |
| Deferred tax assets (after offsetting) | 24,682 | 18,757 |
| Deferred tax liabilities (before offsetting): | | |
| - Property, plant and equipment | (48,411) | (45,630) |
| - Investment properties | (16,239) | (15,881) |
| - Trade and other receivables | (19,252) | (18,224) |
| | (83,902) | (79,735) |
| Offsetting | 23,696 | 16,694 |
| Deferred tax liabilities (after offsetting) | (60,206) | (63,041) |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

24 DEFERRED TAX (CONTINUED)

The amount of unabsorbed capital allowance and unutilised tax losses for which no deferred tax asset are recognised on the statements of financial position are as follows:

| | Group | | Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Unabsorbed capital allowance | 4,876 | 31,633 | - | - |
| Unutilised tax losses | 40,220 | 70,771 | 25,047 | 20,916 |

No deferred tax assets are recognised as the above due to uncertainties of their recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

25 TRADE AND OTHER RECEIVABLES AND AMOUNT DUE FROM SUBSIDIARIES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Non-current: | | | | |
| Amount due from an associate | - | 34,621 | - | - |
| Current: | | | | |
| Trade receivables | 457,561 | 412,129 | - | - |
| Less: Impairment of trade receivables | (44,873) | (34,621) | - | - |
| Trade receivables - net | 412,688 | 377,508 | - | - |
| Amount due from ultimate holding corporation | 2,790 | 1,936 | 6 | 5 |
| Amounts due from related companies | 5,325 | 1,634 | 5 | 5 |
| Amounts due from associates | 1,744 | 66,415 | 42 | 57 |
| Other receivables | 134,781 | 54,510 | 10,543 | 35,276 |
| Deposits | 47,592 | 33,341 | 45 | 41 |
| Prepayments | 19,976 | 20,174 | - | - |
| | 624,896 | 555,518 | 10,641 | 35,384 |
| Amounts due from subsidiaries | - | - | 474,817 | 390,355 |
| Total | 624,896 | 590,139 | 485,458 | 425,739 |

Credit terms of trade receivables range from 30 to 60 days (2016: 30 to 60 days).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

25 TRADE AND OTHER RECEIVABLES AND AMOUNT DUE FROM SUBSIDIARIES (CONTINUED)

As at 31 December 2017, trade receivables of RM149,986,000 (2016: RM116,183,000) was neither past due nor impaired and RM262,702,000 (2016: RM261,325,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default or secured by collateral from customers.

The non-current amount due from an associate was related to the deferred consideration arising from the disposal of two pieces of lands, owned by a subsidiary of the Group, KPJ Healthcare University College Sdn Bhd (formerly known as Puteri Nursing College Sdn Bhd) to Al-'Aqar Healthcare REIT for a total consideration of RM77,800,000, including deferred consideration which is payable in 2018. The disposal was completed in 2015.

Amounts due from ultimate holding corporation and related companies are interest free and repayable on demand.

Included in amount due from subsidiaries are advances receivable from subsidiaries amounting to RM93,193,349 (2016: RM93,193,349) which are unsecured, bearing effective weighted average interest rate of 5.85% (2016: 5.85%) per annum and with no repayment terms.

Included in amounts due from associates in prior financial year was RM63,911,660 being an amount due from Al-'Aqar Healthcare REIT for the cost of building land and construction, which will be reimbursed by Al-'Aqar Healthcare REIT once completed under Al-'Aqar Development Agreement.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivable is as follows:

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Neither past due nor impaired | 149,986 | 116,183 |
| 1 to 30 days past due not impaired | 109,026 | 92,634 |
| 31 to 60 days past due not impaired | 53,613 | 55,827 |
| 61 to 91 days past due not impaired | 23,398 | 22,199 |
| 91 to 120 days past due not impaired | 20,859 | 19,688 |
| More than 121 days past due not impaired | 55,806 | 70,977 |
| | 262,702 | 261,325 |
| Impaired | 44,873 | 34,621 |
| | 457,561 | 412,129 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

25 TRADE AND OTHER RECEIVABLES AND AMOUNT DUE FROM SUBSIDIARIES (CONTINUED)

As at 31 December 2017, trade receivables of RM44,873,000 (2016: RM34,621,000) were impaired and provided for. Movement in allowance accounts:

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| At 1 January | 34,621 | 25,745 |
| Charge for the financial year (Note 9) | 15,484 | 11,113 |
| Written-off | (3,550) | (1,280) |
| Reversal of impairment loss (Note 9) | (1,682) | (957) |
| At 31 December | 44,873 | 34,621 |

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

| | Group | | Company | |
|-------------------|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Ringgit Malaysia | 592,734 | 543,799 | 485,458 | 425,739 |
| Indonesian Rupiah | 11,845 | 16,940 | - | - |
| Australian Dollar | - | 8,953 | - | - |
| Bangladesh Taka | 323 | 260 | - | - |
| Singapore Dollar | 18 | 13 | - | - |
| | 604,920 | 569,965 | 485,458 | 425,739 |

The other classes 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.

26 INVENTORIES

| | Group | |
|----------------------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| At cost: | | |
| Pharmaceutical products | 32,756 | 29,397 |
| Medical supplies | 14,638 | 14,388 |
| Laboratory chemicals | 2,032 | 1,675 |
| Consumables and disposable items | 945 | 874 |
| Other supplies | 713 | 785 |
| | 51,084 | 47,119 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

27 DEPOSITS, BANK AND CASH BALANCES

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Deposits with licensed banks | 73,762 | 47,970 | - | - |
| Cash and bank balances | 126,780 | 311,429 | 3,903 | 4,112 |
| Total cash and bank balances | 200,542 | 359,399 | 3,903 | 4,112 |
| Less: Bank overdrafts (Note 30) | (2,094) | (12,613) | - | - |
| Deposits with licensed banks with maturity of more than 3 months | (8,496) | (3,555) | - | - |
| Designated account (FSRA & DSRA) | (5,105) | (8,106) | - | - |
| Cash and cash equivalents | 184,847 | 335,125 | 3,903 | 4,112 |

Included in the deposits with licensed banks of the Group is an amount of RM5,105,339 (2016: RM8,106,000) being minimum balance required in the Financial Service Reserve Account ("FSRA") and Deposit Service Reserve Account ("DSRA") for loans purposes (Note 30).

The weighted average interest rate of deposits with licensed banks of the Group during the financial year is 2.90% (2016: 3.00%) per annum. Bank balances are deposits held at call with banks and earn no interest.

Deposits of the Group and of the Company have maturity period that ranges from 1 to 180 days (2016: 1 to 180 days).

The currency exposure profile of deposits, cash and bank balances as at end of the reporting period is as follows:

| | Group | | Company | |
|-------------------|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Ringgit Malaysia | 183,320 | 304,210 | 3,903 | 4,112 |
| Indonesia Rupiah | 16,540 | 24,605 | - | - |
| Bangladesh Taka | 371 | 170 | - | - |
| Singapore Dollar | 311 | 405 | - | - |
| Australian Dollar | - | 30,009 | - | - |
| | 200,542 | 359,399 | 3,903 | 4,112 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

28 ASSETS HELD FOR SALE

As at 31 December 2017, the assets held for sale and liabilities associated with assets held for sale, relate to the subsidiary which the Board had resolved to divest as state in Note 14 to the financial statements.

The Directors are of the view that the subsidiary is expected to be disposed of within the next twelve months.

Assets and liabilities of disposal group classified as assets held for sale are as follows:

| | Group |
|---|---------|
| | 2017 |
| | RM'000 |
| Assets held for sale: | |
| - Property, plant and equipment | 102,606 |
| - Investment properties (Note 18) | 12,514 |
| - Available-for-sale financial asset (Note 22) | 17,688 |
| - Other receivables | 12,458 |
| - Deposits, cash and bank balances | 27,780 |
| - Deferred tax assets | 781 |
| | 173,827 |
| Liabilities associated with assets held for sale: | |
| - Trade and other payables | 156,360 |
| - Borrowings | 34,204 |
| | 190,564 |

Borrowings consist of the followings:

| | 2017 | 2016 |
|-----------------------------|--------|---------|
| | RM'000 | RM'000 |
| <u>Current</u> | | |
| Conventional financing: | | |
| - Term loans | 28,283 | 40,976 |
| - Finance lease liabilities | 50 | 95 |
| - Revolving credits | 5,871 | 5,905 |
| | 34,204 | 46,976* |

The borrowings are denominated in Australian Dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

28 ASSETS HELD FOR SALE (CONTINUED)

The finance rate and effective finance rate is as follows:

| | Finance rate | Effective finance rate at reporting date (% p.a) |
|---------------------------|----------------|--|
| 2017 | | |
| Term loans | Fixed/Floating | 4.74 |
| Finance lease liabilities | Fixed | 5.85 |
| Revolving credits | Fixed/Floating | 4.60 |
| 2016 | | |
| Term loans | Fixed/Floating | 5.76* |
| Finance lease liabilities | Fixed | 5.43* |
| Revolving credits | Fixed/Floating | 4.64* |

The fair value of the borrowing is approximately at its carrying value.

The borrowing is secured by:

- (a) a Letter of Undertaking cum Awareness
- (b) a charge on the specific FSRA & DSRA

Jeta Gardens (Qld) Pty Ltd and its subsidiaries have to comply with the following covenants:

- (i) Debt service current ratio to be maintained at a minimum of 1.5 times.
- (ii) Gearing ratio to be maintained not more than 3.5 times;

* Comparative figures are adjusted in Borrowings (Note 30).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

29 TRADE AND OTHER PAYABLES AND AMOUNT DUE TO SUBSIDIARIES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Non-current: | | | | |
| Amounts due to subsidiaries | - | - | 200,359 | 241,269 |
| Other payables | 30,299 | - | - | - |
| | 30,299 | - | 200,359 | 241,269 |
| Current: | | | | |
| Trade payables | 184,837 | 196,794 | - | - |
| Other payables | 33,392 | 75,122 | 468 | 3,583 |
| Resident upfront contribution | - | 80,338 | - | - |
| Accruals | 226,295 | 129,841 | 16,945 | 12,012 |
| Amount due to ultimate holding corporation | 1,183 | 2,219 | 584 | 219 |
| Amounts due to related companies | 3,378 | 5,940 | 357 | 419 |
| Amounts due to associates | 3,762 | 668 | - | - |
| | 452,847 | 490,922 | 18,354 | 16,233 |
| Amounts due to subsidiaries | - | - | 157,136 | 174,280 |
| Total | 483,146 | 490,922 | 375,849 | 431,782 |

Non-current other payables comprises of retention sum that is not repayable in the next 12 months.

Advances from subsidiaries are unsecured and bear an effective weighted average interest rate of 5.85% (2016: 5.85%) per annum and are not repayable in the next 12 months.

Amounts due to ultimate holding corporation, subsidiaries and other related companies are unsecured, interest free and repayable on demand.

Credit terms of trade payables ranges from 30 to 60 days (2016: 30 to 60 days). The currency exposure profile of payables is as follows:

| | Group | | Company | |
|-------------------|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Ringgit Malaysia | 472,805 | 325,814 | 375,849 | 431,782 |
| Indonesian Rupiah | 8,666 | 59,321 | - | - |
| Bangladesh Taka | 1,626 | 10,644 | - | - |
| Singapore Dollar | 49 | 71 | - | - |
| Australian Dollar | - | 95,072 | - | - |
| | 483,146 | 490,922 | 375,849 | 431,782 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

30 BORROWINGS

| | Group | | Company | |
|---|------------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| <u>Current</u> | | | | |
| Islamic financing | | | | |
| - Term loans (secured) | 22,853 | 26,082 | - | - |
| - Revolving credits (unsecured) | 309,500 | 212,500 | 257,000 | 160,000 |
| - Finance lease liabilities (secured) | 13,794 | 28,475 | - | - |
| - Bank overdrafts (unsecured) | 2,094 | 5,369 | - | - |
| | 348,241 | 272,426 | 257,000 | 160,000 |
| Conventional financing | | | | |
| - Term loans (secured) | 1,237 | 41,398 | - | - |
| - Revolving credits (unsecured) | - | 5,905 | - | - |
| - Finance lease liabilities (secured) | 891 | 6,472 | - | - |
| - Bank overdrafts (unsecured) | - | 7,244 | - | - |
| | 2,128 | 61,019 | - | - |
| | 350,369 | 333,445 | 257,000 | 160,000 |
| <u>Non-current</u> | | | | |
| Islamic financing | | | | |
| - Islamic Medium Term Notes (unsecured) | 900,000 | 900,000 | - | - |
| - Term loans (secured) | 323,166 | 330,333 | - | - |
| - Finance lease liabilities (secured) | 15,803 | 9,086 | - | - |
| | 1,238,969 | 1,239,419 | - | - |
| Conventional financing | | | | |
| - Term loans (secured) | 1,188 | 2,375 | - | - |
| - Finance lease liabilities (secured) | 2,183 | 519 | - | - |
| | 3,371 | 2,894 | - | - |
| | 1,242,340 | 1,242,313 | - | - |
| | 1,592,709 | 1,575,758 | 257,000 | 160,000 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

30 BORROWINGS (CONTINUED)

| | Group | | Company | |
|---|------------------|------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| <u>Total borrowing</u> | | | | |
| Islamic financing | | | | |
| - Islamic Medium Term Notes (unsecured) | 900,000 | 900,000 | - | - |
| - Term loans (secured) | 346,019 | 356,414 | - | - |
| - Revolving credits (unsecured) | 309,500 | 212,500 | 257,000 | 160,000 |
| - Finance lease liabilities (secured) | 29,597 | 37,561 | - | - |
| - Bank overdrafts (unsecured) | 2,094 | 5,369 | - | - |
| Conventional financing | | | | |
| - Term loans (secured) | 2,425 | 43,774 | - | - |
| - Revolving credits (unsecured) | - | 5,905 | - | - |
| - Finance lease liabilities (secured) | 3,074 | 6,991 | - | - |
| - Bank overdrafts (unsecured) | - | 7,244 | - | - |
| | 1,592,709 | 1,575,758 | 257,000 | 160,000 |
| The maturity profile of borrowings is as follows: | | | | |
| Less than 1 year | 350,369 | 333,445 | 257,000 | 160,000 |
| Between 1 and 5 years | 977,362 | 475,306 | - | - |
| More than 5 years | 264,978 | 767,007 | - | - |
| | 1,592,709 | 1,575,758 | 257,000 | 160,000 |

Finance lease obligations

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Gross finance lease liabilities - minimum lease payments: | | |
| - due not later than 1 year | 15,284 | 36,381 |
| - due later than 1 year and not later than 5 years | 18,657 | 9,924 |
| | 33,941 | 46,305 |
| Future finance charges | (1,220) | (1,753) |
| | 32,721 | 44,552 |
| Transfer to liabilities associated with assets held for sale (Note 28) | (50) | - |
| Present value of finance lease liabilities | 32,671 | 44,552 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

30 BORROWINGS (CONTINUED)

The present value of finance lease liabilities is analysed as follows:

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| <u>Current</u> | | |
| Due not later than 1 year | 14,722 | 34,947 |
| <u>Non-current</u> | | |
| Due later than 1 year and not later than 5 years | 17,999 | 9,605 |
| | 32,721 | 44,552 |
| Transfer to liabilities associated with assets held for sale (Note 28) | (50) | - |
| Present value of finance lease liabilities | 32,671 | 44,552 |

The borrowings are denominated as follows:

| | Group | | Company | |
|-------------------|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Ringgit Malaysia | 1,554,606 | 1,479,915 | 257,000 | 160,000 |
| Australian Dollar | - | 46,976 | - | - |
| US Dollar | 38,103 | 48,867 | - | - |
| | 1,592,709 | 1,575,758 | 257,000 | 160,000 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

30 BORROWINGS (CONTINUED)

| | Finance rate | Effective finance rate at reporting date (% p.a) |
|---------------------------|----------------|--|
| 2017 | | |
| Term loans | Fixed/Floating | 4.10 - 5.97 |
| Finance lease liabilities | Fixed | 2.40 - 5.45 |
| Islamic Medium Term Notes | Fixed | 5.70 - 5.95 |
| Bank overdrafts | Floating | 6.85 |
| Revolving credits | Fixed/Floating | 3.67 - 4.97 |
| 2016 | | |
| Term loans | Fixed/Floating | 4.50 - 5.97 |
| Finance lease liabilities | Fixed | 2.64 - 5.43 |
| Islamic Medium Term Notes | Fixed | 5.70 - 5.95 |
| Bank overdrafts | Floating | 6.85 |
| Revolving credits | Fixed/Floating | 4.34 - 4.70 |

Stated below are the fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

| | Group | | | |
|---------------------------|------------------|----------------|------------------|----------------|
| | Carrying value | | Fair value | |
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Term loans | 324,354 | 332,708 | 281,146 | 274,234 |
| Finance lease liabilities | 17,986 | 9,605 | 17,334 | 9,035 |
| Islamic Medium Term Notes | 900,000 | 900,000 | 718,116 | 663,783 |
| | 1,242,340 | 1,242,313 | 1,016,596 | 947,052 |

The significant borrowings are secured by:

Term loan - Syariah compliant

A third party, first legal charge over certain investment property including the building with a carrying amount of RM209,828,606 (2016: RM210,654,000) (Note 18).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

30 BORROWINGS (CONTINUED)

Other borrowings are secured by:

- (a) a Letter of Undertaking cum Awareness;
- (b) negative pledge;
- (c) an assignment of the proceeds to be received from the disposal of the building and lease/rentals;
- (d) fixed and floating charge over certain present and future assets;
- (e) third party's loan agreement cum assignment over certain leasehold land;
- (f) jointly and severally guaranteed by certain directors of a subsidiary;
- (g) Corporate Guarantee;
- (h) assignment of all Rights & Benefits or its equivalent over the relevant Takaful cover;
- (i) a charge on the specific FSRA & DSRA and all monies standing to the credit of certain subsidiaries.

Finance lease liabilities are secured by the related equipment and motor vehicles.

In connection with certain borrowings, the Group and its subsidiaries have to comply with the following significant covenants:

At Group level:

- (i) Gearing ratio being not more than 1.5 times for Islamic Medium Term Notes;
- (ii) Gearing ratio of not more than 1.25 times for revolving credit facility.

At subsidiaries level:

- (i) Gearing ratio of not more than 1.5 times;
- (ii) Dividend declared or paid not more than fifty percent (50%) of profit after tax;
- (iii) Debt service current ratio not more than 4.0 times.

31 DEFERRED REVENUE

| | Group | |
|----------------------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| At 1 January | 76,804 | 78,849 |
| Additions | 44,490 | 52,196 |
| Earned during the financial year | (52,830) | (54,241) |
| At 31 December | 68,464 | 76,804 |
| Represented by: | | |
| Tuition fees | 8,270 | 11,751 |
| Wellness | 60,194 | 65,053 |
| | 68,464 | 76,804 |

The Wellness programme provides healthcare service packages over various contracted periods and can be utilised at any point in time, subject to full payment of all applicable fees. Consequently, the amounts are classified as current.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

32 PROVISION FOR RETIREMENT BENEFITS

The Group operates an unfunded lump-sum benefit plan for eligible employees at a subsidiary company.

The movements during the financial year in the amount recognised in the statement of financial position are as follows:

| | Group | |
|---------------------------------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| At 1 January | 2,548 | 2,298 |
| Charged to income statement (Note 10) | 270 | 250 |
| Retirement benefits paid | (202) | - |
| | 2,616 | 2,548 |

The amount recognised in income statement is as follows:

| | | |
|-------------------------------------|-----|-----|
| Current service cost | 133 | 126 |
| Interest cost on benefit obligation | 137 | 124 |
| | 270 | 250 |

The principal assumptions used in respect of the defined benefit plan of the Group are as follows:

| | Group | |
|-------------------------------------|---|---|
| | 2017 % | 2016 % |
| Discount rate ¹ | 5.4 | 5.4 |
| Expected rate of salary increase | | |
| - Non-management staff ² | 5.0 | 5.0 |
| - Management staff ² | 5.0 | 5.0 |
| Turnover ³ | Age related scale of 25% per annum prior age 25, gradually reducing to 0% per annum by age 50. | Age related scale of 25% per annum prior age 25, gradually reducing to 0% per annum by age 50. |

¹ Discount rate is reflective of 10-15 year yield for AAA rated bond

² Expected rate of salary increase is as per industry average

³ Turnover rate is relatively influenced by average employee age

The above assumptions derived from the latest actuarial valuation of the plan.

The valuation was carried out by third party actuaries, Towers Watson (Malaysia) Sdn Bhd.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

32 PROVISION FOR RETIREMENT BENEFITS (CONTINUED)

| | | | 2017 | 2016 |
|----|---|--|--------|--------|
| | | | RM'000 | RM'000 |
| 1. | A | 1% increase in salary increment rate | | |
| | a | Increase on defined benefit obligation | 2,869 | 2,800 |
| | b | Increase in net defined liability | 254 | 254 |
| 2. | A | 1% decrease in salary increment rate | | |
| | a | Decrease on defined benefit obligation | 2,869 | 2,802 |
| | b | Decrease in net defined liability | 254 | 254 |

33 DEPOSITS

Deposits represent amounts received from consultants, which are repayable on death, retirement (at age 65) or disability of the consultants. Deposits are forfeited on termination of a consultant's practice either by the Group due to events of breach or on early termination by the consultant unless approval to refund is obtained from the board of directors.

34 SHARE CAPITAL

| | | Group/Company | |
|--|----------------------------------|---------------|---------|
| | | 2017 | 2016 |
| | | RM'000 | RM'000 |
| Issued and fully paid ordinary shares: | | | |
| At 1 January | | 531,784 | 527,246 |
| Issued during the financial year: | | | |
| - | Exercise of warrants (2014/2019) | 730 | 1 |
| - | ESOS | 24,075 | 4,537 |
| | | 24,805 | 4,538 |
| Transfer pursuant to Section 618 of Companies Act 2016 (Note (a))* | | 179,480 | - |
| At 31 December | | 736,069 | 531,784 |

* Pursuant to Section 618 of the Companies Act 2016, any outstanding Share Premium accounts shall become part of Ordinary Share Capital.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

34 SHARE CAPITAL (CONTINUED)

- (a) Transition to no-par value regime on 31 January 2017 under the Companies Act 2016

The Companies Act 2016 which came into effect on 31 January 2017 has repealed the Companies Act 1965. The Companies Act 2016 has abolished the concept of par or nominal value of shares and hence, the share premium and authorised capital are abolished. In accordance with section 618 of the new Companies Act 2016, any amount standing to the credit of the Company's share premium account become part of the Company's share capital upon commencement of the Act. Notwithstanding this provision, the Company may within 24 months from the date of the Act came into effect, use the amount standing to the credit of its share premium accounts of RM179,480,000 for purposes as set out in Section 618 of the Act.

- (b) Share split

At an Extraordinary General Meeting held on 24 August 2017, the shareholders of the Company approved the subdivision of every 1 ordinary share in the company into 4 ordinary shares ("Share Split exercise" or "Subdivision of shares"). The Share Split was effected on 26 September 2017 and was completed with the listing and quotation for 4,280,627,292 Subdivided Shares and 259,226,010 Additional Warrants on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 27 September 2017.

- (c) Warrants (2014/2019)

On 29 January 2014, Warrants 2014/2019 were issued for free to the subscribers of the renounceable rights issue of 43,637,326 new ordinary shares of RM0.50 each in the Company's Rights Shares on the basis of one (1) Rights Share for every fifteen (15) existing shares held by the entitled shareholders of the Company, together with 87,274,652 free detachable new warrants ("Warrants 2014/2019") on the basis of two (2) Warrants 2014/2019 for every one (1) Rights Share subscribed at an issue price of RM4.01 per Rights Share ("Rights Issue").

Each new warrant (2014/2019) is entitled at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price of RM4.01. During the year, each warrant has been adjusted to RM1.0025 each pursuant to the Share Split exercise on 26 September 2017.

Set out below are details of the Warrants (2014/2019) issued by the Company during the financial year:

| Issuance date | Expiry date | Exercise price RM/share | Number of Warrants 2014/2019 | | |
|---------------------|-----------------|----------------------------|------------------------------|------------------------------------|-------------------|
| | | | 1.1.2017 '000 | (Exercised)/ Granted '000 | 26.9.2017 '000 |
| Before share split: | | | | | |
| 29 January 2014 | 23 January 2019 | 4.01 | 86,575 | (166) | 86,409 |
| | | | | Adjustment Under Share Split | |
| | | | 26.09.2017 '000 | 31.12.2017 '000 | |
| After share split: | | | | | |
| 29 January 2014 | 23 January 2019 | 1.0025 | 86,409 | 259,226 | 345,635 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

34 SHARE CAPITAL (CONTINUED)

Details relating to warrants exercised during the financial year are as follows:

| | Group/Company | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Ordinary share capital | 730 | 1 |
| Share premium | 1 | 1 |
| Warrants (2014/2019) | (61) | (1) |
| Proceeds from exercise of warrants | 670 | 1 |
| Fair value at exercise date of shares issued | 711 | 1 |

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 Bursa Malaysia on the day prior to the exercise of the warrants.

(d) Treasury shares

On 20 April 2017, at the Annual General Meeting, the shareholders of the Company renewed their approval for the Company to buy-back its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company.

During the financial year, the Company repurchased 687,000 ordinary shares of its issued share capital from the open market at an average price of RM0.92 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares and accounted for in accordance with the requirement of Section 127 of the Companies Act 2016.

As at 31 December 2017, the Company held a total of 63,047,000 of its 4,281,413,272 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM55,411,213.

35 SHARE-BASED PAYMENTS

An Employees Share Option Scheme ("ESOS") was implemented on 27 February 2015 for the benefit of senior executives and certain employees of the Company. The ESOS shall be in-force for a period of 5 years. The fair value of each share option on the grant date is RM1.01. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The exercise price of the share options granted under the ESOS is RM3.64 each. The options granted are divided into 5 equal tranches which vest on 14 April 2015, 27 February 2016, 27 February 2017, 27 February 2018 and 27 February 2019. The vesting condition is that the offeree must be an employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates. The options expire on 27 February 2020.

During the year, the company offered additional ESOS to eligible employees. The fair value of additional ESOS issued during the financial year is RM1.01 and the exercise price is RM3.64 (2016: RM3.64).

Following the Share Split exercise which was completed on 27 September 2017, the exercise price of the share options granted under the ESOS has been adjusted to RM0.91, while fair value is now RM0.25.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

35 SHARE-BASED PAYMENTS (CONTINUED)

Movement of share options during the financial year

The following table illustrates the number of, and movements in, share options of the Company during the financial year.

| | 2017 Unit '000 | 2016 Unit '000 |
|---|-------------------|-------------------|
| Number of share options at exercise price of RM 3.64 each: | | |
| Outstanding as at 1 January | 74,926 | 88,009 |
| - Granted | 534 | 1,048 |
| - Exercised | (6,421) | (9,075) |
| - Lapsed | (2,658) | (5,056) |
| Outstanding as at 26 September 2017/31 December 2016 | 66,381 | 74,926 |
| Number of share options at exercise price of RM 0.91 each (Adjusted pursuant to the Share Split on 26 September 2017) | | |
| Outstanding as at 27 September 2017 | 265,524 | - |
| - Exercised | (786) | - |
| - Lapsed | (4,731) | - |
| Outstanding as at 31 December 2017 | 260,007 | - |
| Exercisable at end of financial year | 114,534 | 23,416 |

The fair value of the ESOS granted in which MFRS 2 applies, were determined using the Black-Scholes valuation model. The significant inputs in the model are as follows:

| Description of ESOS | Before share split | After share split |
|--|--------------------|-------------------|
| Fair value per option | RM1.01 | RM0.25 |
| Exercise price | RM3.64 | RM0.91 |
| Option life | 5 years | No changes |
| Weighted average share price at grant date | RM4.04 | No changes |
| Expected dividend yield | 1.90% | No changes |
| Risk free interest rates | 3.35% to 3.62% | No changes |
| Expected volatility | 20% | No changes |

The amounts recognised in the financial statements is as disclosed in Notes 10 to the financial statements arising from the ESOS granted to Directors and employees of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

36 OTHER RESERVES

| | Warrant reserve (Note a) RM'000 | Merger reserve (Note b) RM'000 | Exchange reserves (Note c) RM'000 | Revaluation reserve (Note d) RM'000 | Share option reserve (Note e) RM'000 | Total RM'000 |
|--|--|---|--|--|---|-----------------|
| Group | | | | | | |
| At 1 January 2017 | 31,692 | (3,367) | (2,099) | 87,862 | 50,111 | 164,199 |
| Other comprehensive income | | | | | | |
| Translation of foreign subsidiaries | - | - | (3,035) | - | - | (3,035) |
| Revaluation surplus | - | - | - | 10,208 | - | 10,208 |
| Total other comprehensive loss | - | - | (3,035) | 10,208 | - | 7,173 |
| | 31,692 | (3,367) | (5,134) | 98,070 | 50,111 | 171,372 |
| Transactions with owners: | | | | | | |
| Issue of share capital: | | | | | | |
| - warrants | (61) | - | - | - | - | (61) |
| - ESOS | - | - | - | - | (1,324) | (1,324) |
| | (61) | - | - | - | (1,324) | (1,385) |
| ESOS expenses during the financial year | - | - | - | - | 13,171 | 13,171 |
| Lapsed ESOS | - | - | - | - | (769) | (769) |
| Total transactions with Owners | (61) | - | - | - | 11,078 | 11,017 |
| At 31 December 2017 | 31,631 | (3,367) | (5,134) | 98,070 | 61,189 | 182,389 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

36 OTHER RESERVES (CONTINUED)

| | Warrant reserve (Note a) RM'000 | Merger reserve (Note b) RM'000 | Exchange reserves (Note c) RM'000 | Revaluation reserve (Note d) RM'000 | Share option reserve (Note e) RM'000 | Total RM'000 |
|---|--|---|--|--|---|-----------------|
| Group | | | | | | |
| At 1 January 2016 | 31,693 | (3,367) | (2,028) | 105,914 | 24,496 | 156,708 |
| Other comprehensive income | | | | | | |
| Translation of foreign subsidiaries | - | - | (71) | - | - | (71) |
| Revaluation surplus | - | - | - | 15,520 | - | 15,520 |
| Reclassification of unrealised gain in relation to an associate (Note 22) | - | - | - | (33,572) | - | (33,572) |
| Total other comprehensive loss | - | - | (71) | (18,052) | - | (18,123) |
| | 31,693 | (3,367) | (2,099) | 87,862 | 24,496 | 138,585 |
| Transactions with owners: | | | | | | |
| Issue of share capital: | | | | | | |
| - warrants | (1) | - | - | - | - | (1) |
| - ESOS | - | - | - | - | (1,815) | (1,815) |
| | (1) | - | - | - | (1,815) | (1,816) |
| ESOS expenses during the financial year | - | - | - | - | 27,818 | 27,818 |
| Lapsed ESOS | - | - | - | - | (388) | (388) |
| Total transactions with Owners | (1) | - | - | - | 25,615 | 25,614 |
| At 31 December 2016 | 31,692 | (3,367) | (2,099) | 87,862 | 50,111 | 164,199 |

- (a) Warrant reserve is a reserve arising from the fair value of the right issue discount. When the warrants are exercised, the related amounts are transferred to share capital. When the warrants are not exercised and lapsed, the related warrant reserve is transferred to retained earnings.
- (b) The difference between the issue price and the nominal value of shares issued that arose from a merger was classified as merger reserve.
- (c) Exchange reserve is used to record exchange differences arising from the translation of financial statements of subsidiaries/ associate whose functional currency differs from the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

36 OTHER RESERVES (CONTINUED)

- (d) Revaluation reserve (non-distributable)

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| At 1 January | 87,862 | 105,914 |
| Revaluation surplus, net of tax | 10,208 | 15,520 |
| Reclassification of unrealised gain in relation to an associate* (Note 22) | - | (33,572) |
| At 31 December | 98,070 | 87,862 |

The revaluation reserve represents surplus from the revaluation of the Group's land and buildings.

* This relates to portion of unrealised gain from disposal of land and building to an associate in prior year.

- (e) Share option reserve is a reserve created arising from the fair value of the employee services provided. When the ESOS options are exercised, the related amounts are transferred to share capital. When options are not exercised and lapsed, the related share option reserve is transferred to retained earnings.

37 SIGNIFICANT RELATED PARTY DISCLOSURES

The Group is a subsidiary of Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995). During the ordinary course of business, the Group transacts with various state related government agencies and departments, mainly relating to land premiums, utilities payments and administrative services. These are based on normal commercial terms and are individually immaterial to warrant separate disclosure.

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 negotiated terms.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

37 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| <u>Type of transactions</u> | | | | |
| Group and Company | | | | |
| Project management fee to associate | - | 5,481 | - | - |
| Proceeds receivable from disposal of carparks to an associate* | 13,000 | - | - | - |
| Rental expense to an associate* | 93,063 | 102,143 | - | - |
| Payments under Development Agreement (Note 25) on behalf of an associate* | - | 6,466 | - | - |
| Management fee from subsidiaries | - | - | (48,014) | (43,240) |
| Dividend received (net) from subsidiaries | - | - | (108,388) | (141,546) |
| Interest expense to subsidiaries | - | - | 10,347 | 9,740 |
| Advances from subsidiaries | - | - | - | 20,162 |
| Dividends received from associates | 23,390 | 22,889 | - | - |
| *Al-'Aqar Healthcare REIT | | | | |
| Johor Corporation group of companies | | | | |
| Secretarial fee | 427 | 1,245 | 56 | 151 |
| Insurance premiums | 2,910 | 5,147 | - | - |
| Dividend paid | - | - | 27,226 | 23,900 |
| Contribution to Klinik Waqaf An-Nur | 3,174 | 3,498 | - | - |
| Purchase of land | 12,060 | - | - | - |

Management fees charged to subsidiaries are in respect of operational and administrative function of the subsidiaries which are performed by employees of the Company.

Information regarding outstanding balances arising from related party transactions as at the financial year end are disclosed in Note 25 and 29.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

37 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company whether directly or indirectly. The key management personnel of the Company comprise Directors and the Executive Committee of the Company. Details on the compensation for these key management personnel are disclosed as below:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Directors' remuneration (Note 11) | 3,829 | 3,229 | 3,634 | 3,040 |
| Salaries, allowances and bonuses | 1,913 | 3,356 | 1,826 | 3,356 |
| Contributions to defined contribution plan | 250 | 369 | 250 | 369 |
| Share based payments | 84 | 187 | 84 | 187 |
| | 6,076 | 7,141 | 5,794 | 6,952 |

38 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows:

| | Group | |
|---|------------------|------------------|
| | 2017 RM'000 | 2016 RM'000 |
| Represented by: | | |
| Not later than 1 year | 102,608 | 100,909 |
| Later than 1 year and not later than 2 years | 205,719 | 204,957 |
| Later than 2 years and not later than 5 years | 305,430 | 308,992 |
| Later than 5 years | 2,357,340 | 2,453,835 |
| | 2,971,097 | 3,068,693 |

The Group has entered into contractual agreements with Amanah Raya Berhad (as Trustee for Al-'Aqar Healthcare REIT) and Damansara REIT Managers Sdn Bhd to lease certain 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.

The minimum lease payments above are also subject to an incremental rental payable every 3 years based on the adjusted risk free government security rate but subject to a minimum yield of the market value of the property.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

39 CONTINGENT LIABILITIES

The Group is subject to litigations in the ordinary course of business, mainly arising from its subsidiaries hospital operations. The Directors are of the opinion that, based on legal advice and malpractice insurance taken by the Group, no significant exposure will arise that requires recognition.

40 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements is as follows:

| | Group | |
|--|----------------|----------------|
| | 2017 RM'000 | 2016 RM'000 |
| Approved by the Directors and contracted | 187,065 | 235,874 |
| Approved by the Directors but not contracted | 273,337 | 159,297 |
| | 460,402 | 395,171 |
| Analysed as follows: | | |
| - Buildings | 314,490 | 310,962 |
| - Medical equipments | 111,993 | 57,092 |
| - Other property, plant and equipment | 33,919 | 27,117 |
| | 460,402 | 395,171 |

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Disposal of carpark block to Al-'Aqar Healthcare REIT

On 11 December 2017, the Board of Directors of the Group had announced that the Group's Subsidiary, KPJ Selangor Specialist Hospital had entered into a Sale and Purchase Agreement ("SPA") with the REIT Trustee, being the trustee of Al-'Aqar Healthcare REIT to dispose a 5-storey carpark block together with a half basement level and an open roof level (building only) in Shah Alam for a consideration of RM13,000,000. The Conditions Precedent stated in the Sale and Purchase Agreement had been fulfilled on 27 December 2017.

(b) Planned disposal of aged care of operation in Australia

During the year, the Directors have approved the divestment of aged care operations in Australia, by disposing its shares in Jeta Gardens (Qld) Pty Ltd ("Jeta Gardens") and its subsidiaries.

As of 31 December 2017, Jeta Gardens is in a net liability position of RM16.7 million.

The disposal is expected to be completed in 2018. The investment in Jeta Gardens has been presented as an asset held for sale as at 31 December 2017 in the financial statements in accordance with the criteria set out in MFRS 5 "Non-current Assets Held For Sale and Discontinued Operations" (Note 28).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

42 EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

On 23 January 2018, the Board of Directors of the Group had announced that the Group's wholly-owned subsidiary, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") and KPJSB's wholly owned subsidiary Lablink (M) Sdn Bhd ("Lablink"), had entered into a Subscription and Share Purchase Agreement ("SSPA") with KL Kappa Sdn Bhd ("KL Kappa" or "Investor") for the subscription of new shares in Lablink by KL Kappa and for the purchase of certain existing shares in Lablink by KL Kappa from KPJSB.

The proposed SSPA marks the beginning of the partnership between the company and KL Kappa to grow Lablink's pathology and diagnostics businesses in Malaysia and explore new growth markets in Southeast Asia to become the region's leader in pathology and diagnostics services. The SSPA involves the proposed issuance of new shares in Lablink to KL Kappa and the selling of existing Lablink shares by KPJSB to KL Kappa that will collectively result in KL Kappa having a 49% stake in Lablink's enlarged share capital, with the remaining 51% held by KPJSB.

Subject to the adjustment mechanism contained in the SSPA, KL Kappa shall subscribe for new Lablink shares and purchase existing Lablink shares from KPJSB for a total cash consideration of RM119,920,226.

43 SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker ("CODM"), which is the Board of Directors ("BOD"). The BOD considers the business by geographical location. The reportable segments for the financial year have been identified as follows:

Continuing operations

- (i) Malaysia - All healthcare activities including the private hospitals, pathology and laboratory services and distribution of pharmaceutical, medical and consumer healthcare products.
- (ii) Others - Operating segments involved in provision of hospital services in Indonesia, Thailand and Bangladesh, private university college of nursing and allied health and sale of hospital merchandise and other similar activities, none of which are individually significant to warrant separate disclosure per quantitative thresholds required by MFRS 8.

Discontinued operation

- (i) Australia - Providing retirement village and aged care facilities

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The BOD assesses the performance of the operating segments based on EBITDA and profit before zakat and tax.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

43 SEGMENTAL REPORTING (CONTINUED)

| | Continuing operations | | | Discontinued operation | |
|--|-----------------------|------------------|---------------------|------------------------|-----------------|
| | Malaysia RM'000 | Others RM'000 | Sub-total RM'000 | Australia RM'000 | Total RM'000 |
| <u>Year ended 31 December 2017</u> | | | | | |
| <u>Revenue</u> | | | | | |
| Revenue from external customers | 3,071,356 | 108,642 | 3,179,998 | 54,816 | 3,234,814 |
| <u>Year ended 31 December 2017</u> | | | | | |
| <u>Results</u> | | | | | |
| EBITDA* | 444,871 | (3,240) | 441,631 | (3,130) | 438,501 |
| Profit/(loss) before zakat and tax | 249,206 | (15,880) | 233,326 | (8,050) | 225,276 |
| Total assets | 3,747,427 | 312,654 | 4,060,081 | 173,827 | 4,233,908 |
| Total liabilities | 2,143,915 | 84,218 | 2,228,133 | 190,564 | 2,418,697 |
| Additions to property, plant and equipment | 461,099 | 5,524 | 466,623 | 18 | 466,641 |

* Earnings before interest, taxation, depreciation and amortisation ("EBITDA")

| | Continuing operations | | | Discontinued operation | |
|--|-----------------------|------------------|---------------------|------------------------|-----------------|
| | Malaysia RM'000 | Others RM'000 | Sub-total RM'000 | Australia RM'000 | Total RM'000 |
| <u>Year ended 31 December 2016</u> | | | | | |
| <u>Revenue</u> | | | | | |
| Revenue from external customers | 2,855,588 | 114,015 | 2,969,603 | 51,491 | 3,021,094 |
| <u>Year ended 31 December 2016</u> | | | | | |
| <u>Results</u> | | | | | |
| EBITDA* | 411,729 | 18,431 | 430,160 | (4,833) | 425,327 |
| Profit/(loss) before zakat and tax | 214,242 | 6,455 | 220,697 | (10,526) | 210,171 |
| Total assets | 3,322,014 | 417,035 | 3,739,049 | 196,450 | 3,935,499 |
| Total liabilities | 1,683,370 | 358,270 | 2,041,640 | 209,130 | 2,250,770 |
| Additions to property, plant and equipment | 247,776 | 8,773 | 256,549 | 4,376 | 260,925 |

* Earnings before interest, taxation, depreciation and amortisation ("EBITDA")

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (Continued)

43 SEGMENTAL REPORTING (CONTINUED)

The reconciliation of EBITDA to profit for the financial year is as follows:

| | 2017 RM'000 | 2016 RM'000 Restated |
|-------------------------------|----------------|----------------------------|
| Continuing operations: | | |
| EBITDA | 441,631 | 430,160 |
| Depreciation and amortisation | (128,355) | (129,277) |
| Finance cost | (79,950) | (80,186) |
| Profit before zakat and tax | 233,326 | 220,697 |
| Zakat and tax | (60,030) | (57,064) |
| Profit for the financial year | 173,296 | 163,633 |
| Discontinued operation: | | |
| Loss for the financial year | (6,386) | (7,758) |

SHAREHOLDINGS STATISTICS

as at 28 February 2018

| | |
|-------------------|---|
| Authorised Shares | : 1,500,000,000 |
| Issued Shares | : 4,281,823,992 less 65,770,600 Treasury Shares = 4,216,053,392 |
| Class of Shares | : Ordinary Share |

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 | 125 | 1.85 | 4,522 | - |
| 100 - 1000 | 646 | 9.53 | 351,423 | 0.01 |
| 1,001 - 10,000 | 2,684 | 39.61 | 14,460,449 | 0.34 |
| 10,001 - 100,000 | 2,632 | 38.84 | 82,067,582 | 1.95 |
| 100,001 to less than 5% of Issued Capital | 682 | 10.07 | 1,568,062,704 | 37.19 |
| 5% and above of Issued Capital | 7 | 0.10 | 2,551,106,712 | 60.51 |
| TOTAL | 6,776 | 100.00 | 4,216,053,392 | 100.00 |

SHAREHOLDINGS STATISTICS

as at 28 February 2018

Top Thirty Securities Account Holders

(Without aggregating the securities from different securities accounts belonging to the same depositor)

| No. | Name | No. of Shares | % |
|-----|---|---------------|-------|
| 1. | Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board | 534,868,380 | 12.69 |
| 2. | Johor Corporation | 443,962,269 | 10.53 |
| 3. | Maybank Noms (T) Sdn Bhd - A/C Johor Corporation | 425,560,000 | 10.09 |
| 4. | Johor Corporation | 377,499,780 | 8.95 |
| 5. | Waqaf An-Nur Corporation Berhad | 304,575,636 | 7.22 |
| 6. | RHB Noms (T) Sdn Bhd - A/C Johor Corporation | 252,028,247 | 5.98 |
| 7. | AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera | 212,612,400 | 5.04 |
| 8. | Lembaga Tabung Haji | 151,900,000 | 3.60 |
| 9. | AmanahRaya Trustees Berhad - A/C Amanah Saham Malaysia | 100,000,000 | 2.37 |
| 10. | Maybank Noms (T) Sdn Bhd - A/C Maybank Trustees Berhad for Public Ittikal Fund (N14011970240) | 71,047,100 | 1.69 |
| 11. | AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera 2 | 70,000,000 | 1.66 |
| 12. | AmanahRaya Trustees Berhad - A/C Amanah Saham Didik | 68,193,600 | 1.62 |
| 13. | AmanahRaya Trustees Berhad - A/C Public Islamic Dividend Fund | 56,396,940 | 1.34 |
| 14. | AmanahRaya Trustees Berhad - A/C Public Ittikal Sequel Fund | 56,221,064 | 1.33 |
| 15. | AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund | 51,835,572 | 1.23 |
| 16. | Kumpulan Wang Persaraan (Diperbadankan) | 50,164,000 | 1.19 |
| 17. | AmanahRaya Trustees Berhad - A/C AS 1MALAYSIA | 48,089,900 | 1.14 |
| 18. | AmanahRaya Trustees Berhad - A/C Public Islamic Sector Select Fund | 38,400,000 | 0.91 |
| 19. | HSBC Noms (A) Sdn Bhd - A/C BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund | 36,377,600 | 0.86 |
| 20. | Cartaban Noms (A) Sdn Bhd - A/C Exempt An for State Street Bank & Trust Company (WEST CLT OD67) | 35,620,100 | 0.84 |
| 21. | Johor Corporation | 34,565,248 | 0.82 |
| 22. | Cartaban Noms (T) Sdn Bhd - A/C PAMB for Prulink Equity Fund | 32,113,200 | 0.76 |
| 23. | Citigroup Noms (A) Sdn Bhd - A/C Exempt An for Citibank New York (NORGES Bank 9) | 29,029,278 | 0.69 |
| 24. | HSBC Noms (A) Sdn Bhd - A/C JPMCB NA for Vanguard Total International Stock Index Fund | 27,566,760 | 0.65 |
| 25. | AmanahRaya Trustees Berhad - A/C Public Islamic Equity Fund | 26,786,544 | 0.64 |
| 26. | AmanahRaya Trustees Berhad - A/C Public Islamic Select Enterprises Fund | 26,094,484 | 0.62 |
| 27. | Citigroup Noms (A) Sdn Bhd - A/C CBNY for DFA Emerging Markets Small Cap Series | 21,715,000 | 0.52 |
| 28. | AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund | 18,964,100 | 0.45 |
| 29. | Kulim (Malaysia) Berhad | 18,938,600 | 0.45 |
| 30. | HSBC Noms (A) Sdn Bhd - A/C JPMBL SA For Aviva Investors | 17,244,600 | 0.41 |

SHAREHOLDINGS STATISTICS

as at 28 February 2018

Substantial Shareholders

| No. | Name | Direct | | Indirect | |
|-----|--|---------------|-------|---------------|------|
| | | No. of Shares | % | No. of Shares | % |
| 1. | Johor Corporation - 6 a/cs | 1,533,915,544 | 36.38 | 325,979,376 | 7.73 |
| 2. | Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board - 3 a/cs | 543,591,780 | 12.89 | - | - |
| 3. | Waqaf An-Nur Corporation Berhad | 304,575,636 | 7.22 | - | - |
| 4. | AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera | 212,612,400 | 5.04 | - | - |

Analysis of Shareholders

| | No. of Shareholders | % | No. of Shares | % |
|--------------|---------------------|---------------|----------------------|---------------|
| Malaysian | | | | |
| - Bumiputra | 1,626 | 24.00 | 3,102,506,765 | 73.59 |
| - Others | 4,952 | 73.08 | 812,321,736 | 19.27 |
| Foreigners | 198 | 2.92 | 301,224,891 | 7.14 |
| TOTAL | 6,776 | 100.00 | 4,216,053,392 | 100.00 |

Directors' Shareholding as at 28 February 2018

| No. | Name of Directors | No. of Shares | % |
|-----|---|---------------|------|
| 1. | Dato' Kamaruzzaman Abu Kassim | 254,500 | 0.01 |
| 2. | Dato' Amiruddin Abdul Satar | 25,064 | - |
| 3. | Tan Sri Datin Paduka Siti Sa'diah Sh Bakir - 2 a/cs | 4,800,000 | 0.11 |
| 4. | Dr. Kok Chin Leong | 1,516,400 | 0.04 |
| 5. | Datuk Azzat Kamaludin | 1,200,000 | 0.03 |
| 6. | Zainah Mustafa | 1,000,000 | 0.02 |
| 7. | Mohd Sahir Rahmat | 860,000 | 0.02 |
| 8. | Dato' Dr. Zaki Morad Mohamad Zaher | 80,000 | - |
| 9. | Aminudin Dawam | 44,788 | - |
| 10. | Zulkifli Ibrahim | - | - |
| 11. | Prof. Dato' Dr. Azizi Haji Omar | - | - |

WARRANTHOLDINGS STATISTICS

as at 28 February 2018

Break down of Warrantholdings

| Size of Warrantholdings | No. of Warrantholders | % | No. of Warrants | % |
|---|-----------------------|---------------|--------------------|---------------|
| Less than 100 | 39 | 2.61 | 1,021 | - |
| 100 - 1000 | 317 | 21.20 | 176,228 | 0.05 |
| 1,001 - 10,000 | 810 | 54.18 | 2,795,796 | 0.81 |
| 10,001 - 100,000 | 268 | 17.93 | 9,272,324 | 2.68 |
| 100,001 to less than 5% of Issued Capital | 58 | 3.88 | 48,974,535 | 14.17 |
| 5% and above of Issued Capital | 3 | 0.20 | 284,414,776 | 82.29 |
| TOTAL | 1,495 | 100.00 | 345,634,680 | 100.00 |

Top Thirty Securities Account Holders

(Without aggregating the securities from different securities accounts belonging to the same depositor)

| No. | Name | No. of Warrants | % |
|-----|---|-----------------|-------|
| 1. | RHB Noms (T) Sdn Bhd - A/C Johor Corporation | 145,677,976 | 42.15 |
| 2. | Kulim (Malaysia) Berhad | 119,493,800 | 34.57 |
| 3. | CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank for Liew Jun Kuan (MY0750) | 19,243,000 | 5.57 |
| 4. | Waqaf An-Nur Corporation Berhad | 8,009,376 | 2.32 |
| 5. | CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank For Liew Jun Kuan (MH6869) | 7,255,600 | 2.10 |
| 6. | Amanahraya Trustees Berhad - A/C Public Islamic Dividend Fund | 3,787,680 | 1.10 |
| 7. | RHB Capital Noms (T) Sdn Bhd - A/C Sher Khan bin Khan Mohamad (CEB) | 2,507,000 | 0.73 |
| 8. | Maybank Secs Noms (A) Sdn Bhd - A/C Maybank Kim Eng Securities Pte Ltd for Poh Eng Choo | 2,200,000 | 0.64 |
| 9. | CIMSec Noms (T) Sdn Bhd - A/C For Koh Chong Hap (Penang-CL) | 2,157,200 | 0.62 |
| 10. | Amanahraya Trustees Berhad - A/C Public Islamic Equity Fund | 2,021,488 | 0.58 |
| 11. | Affin Hwang Noms (T) Sdn. Bhd. - A/C For Mohd Fauzy Bin Abdullah (M09) | 1,600,000 | 0.46 |
| 12. | Johor Corporation | 1,370,800 | 0.40 |
| 13. | RHB Capital Noms (T) Sdn Bhd - A/C For Nor Azizy binti Abdul Aziz (CEB) | 1,343,800 | 0.39 |
| 14. | HSBC Noms (A) Sdn Bhd - A/C JPMCB NA for Vanguard Total International Stock Index Fund | 1,277,920 | 0.37 |
| 15. | Lim Yong Hiang | 1,233,100 | 0.36 |
| 16. | Maybank Noms (T) Sdn Bhd - A/C Kek Lian Lye | 1,102,000 | 0.32 |
| 17. | Amanahraya Trustees Berhad - A/C Public Islamic Select Enterprises Fund | 1,070,068 | 0.31 |
| 18. | Sher Khan bin Khan Mohamad | 980,000 | 0.28 |
| 19. | Ahmad Suhaimie bin Mohammed Yassin | 970,000 | 0.28 |
| 20. | Mohd Firdauz bin Mohd Fauzy | 960,000 | 0.28 |
| 21. | Yeoh Siew Leng | 919,200 | 0.27 |
| 22. | Caroline Ang Chai Boon | 464,000 | 0.13 |
| 23. | Citigroup Noms (A) Sdn Bhd - A/C Exempt AN for Citibank New York (Norges Bank 1) | 401,715 | 0.12 |
| 24. | Lee Thian Chai | 373,016 | 0.11 |
| 25. | MERCSec Noms (T) Sdn Bhd - A/C For Mohd Fauzy bin Abdullah | 372,000 | 0.11 |
| 26. | Public Noms (T) Sdn Bhd - A/C For Cheong Yew Fatt (E-BPJ) | 340,000 | 0.10 |
| 27. | Yeoh Huat Chee | 331,664 | 0.10 |
| 28. | Liew Lee Kien | 330,000 | 0.10 |
| 29. | RHB Noms (T) Sdn Bhd - A/C For Lim Yong Kee | 320,000 | 0.09 |
| 30. | Yew Chee Yoon | 300,000 | 0.09 |

WARRANTHOLDINGS STATISTICS

as at 28 February 2018

Substantial Warranholders

| No. | Name | No. of Warrants | % |
|-----|--|-----------------|-------|
| 1. | RHB Noms (T) Sdn Bhd - A/C Johor Corporation | 145,677,976 | 42.15 |
| 2. | Kulim (Malaysia) Berhad | 119,493,800 | 34.57 |
| 3. | CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank for Liew Jun Kuan (MY0750) | 19,243,000 | 5.57 |

Analysis of Warranholders

| | No. of Warranholders | % | No. of Warrants | % |
|--------------|----------------------|---------------|--------------------|---------------|
| Malaysian | | | | |
| - Bumiputra | 363 | 24.28 | 324,883,736 | 93.99 |
| - Others | 1,095 | 73.24 | 16,027,913 | 4.64 |
| Foreigners | 37 | 2.48 | 4,723,031 | 1.37 |
| TOTAL | 1,495 | 100.00 | 345,634,680 | 100.00 |

Directors' Warranholding as at 28 February 2018

| No. | Name of Directors | No. of Shares | % |
|-----|---|---------------|------|
| 1. | Dato' Kamaruzzaman Abu Kassim | 223,000 | 0.06 |
| 2. | Dato' Amiruddin Abdul Satar | 2,128 | - |
| 3. | Tan Sri Datin Paduka Siti Sa'diah Sh Bakir - 2 a/cs | 437,992 | 0.13 |
| | - Indirect (Amy Nadzlina binti Mohamed) | 664 | - |
| 4. | Dr. Kok Chin Leong | 84,800 | 0.03 |
| 5. | Datuk Azzat Kamaludin | 32,000 | 0.01 |
| 6. | Zainah Mustafa | - | - |
| 7. | Mohd Sahir Rahmat | 44,800 | 0.01 |
| 8. | Dato' Dr. Zaki Morad bin Mohamad Zaher | - | - |
| 9. | Aminudin Dawam | - | - |
| 10. | Zulkifli Ibrahim | - | - |
| 11. | Prof. Dato' Dr. Azizi Haji Omar | - | - |

CLASSIFICATION OF SHAREHOLDERS

as at 28 February 2018

| ROD | TOTAL | | BUMIPUTRA | | NON -BUMIPUTRA | | FOREIGN | |
|---------------------|---------------|----------------------|--------------|----------------------|----------------|--------------------|-------------|--------------------|
| | Holder | Shares | Holder | Shares | Holder | Shares | Holder | Shares |
| Government Bodies | 16 | 1,863,120,252 | 16 | 1,863,120,252 | - | - | - | - |
| Finance | 32 | 1,027,727,396 | 27 | 1,010,246,132 | 5 | 17,481,264 | - | - |
| Investment Trust | 6 | 1,240,576 | 6 | 1,240,576 | - | - | - | - |
| Nominees | 1,471 | 1,052,209,912 | 772 | 150,315,881 | 567 | 607,770,088 | 132 | 294,123,943 |
| Companies | 79 | 25,690,648 | 33 | 18,779,704 | 41 | 5,404,044 | 5 | 1,506,900 |
| Clubs / Association | 1 | 1,770,000 | 1 | 1,770,000 | - | - | - | - |
| Co - Operatives | 4 | 630,000 | 4 | 630,000 | - | - | - | - |
| Others | 1 | 40 | - | - | 1 | 40 | - | - |
| Individuals | 5,166 | 243,664,568 | 767 | 56,404,220 | 4,338 | 181,666,300 | 61 | 5,594,048 |
| TOTAL | 6,776 | 4,216,053,392 | 1,626 | 3,102,506,765 | 4,952 | 812,321,736 | 198 | 301,224,891 |
| % | 100.00 | 100.00 | 24.00 | 73.59 | 73.08 | 19.27 | 2.92 | 7.14 |

CLASSIFICATION OF WARRANTHOLDERS

as at 28 February 2018

| ROD | TOTAL | | BUMIPUTRA | | NON -BUMIPUTRA | | FOREIGN | |
|---------------------|---------------|--------------------|--------------|--------------------|----------------|-------------------|-------------|------------------|
| | Holder | Shares | Holder | Shares | Holder | Shares | Holder | Shares |
| Government Bodies | 8 | 274,772,400 | 8 | 274,772,400 | - | - | - | - |
| Finance | 4 | 6,884,564 | 4 | 6,884,564 | - | - | - | - |
| Investment Trust | 2 | 27,192 | 2 | 27,192 | - | - | - | - |
| Nominees | 357 | 43,954,719 | 189 | 35,976,672 | 144 | 3,528,328 | 24 | 4,449,719 |
| Companies | 28 | 1,221,120 | 18 | 925,000 | 10 | 296,120 | - | - |
| Clubs / Association | 1 | 157,328 | 1 | 157,328 | - | - | - | - |
| Individuals | 1,095 | 18,617,357 | 141 | 6,140,580 | 941 | 12,203,465 | 13 | 273,312 |
| TOTAL | 1,495 | 345,634,680 | 363 | 324,883,736 | 1,095 | 16,027,913 | 37 | 4,723,031 |
| % | 100.00 | 100.00 | 24.28 | 93.99 | 73.24 | 4.64 | 2.47 | 1.37 |

LIST OF TOP 10 PROPERTIES

| No. | Company | Location | Description | Latest date of valuation | Market value 2017 RM million | NBV as at 31.12.2017 RM million | Tenure & expiry date | Area (in sq metre) | Age of building |
|-----|--|--|----------------------------|--------------------------|---------------------------------|------------------------------------|--|--------------------|-----------------|
| 1. | Kumpulan Perubatan (Johor) Sdn Bhd | Menara KPJ, 238 Jalan Tun Razak, 50400 Kuala Lumpur | Land and office building | 31-Dec-17 | 231.5 | 231.5 | Freehold land | 51,505 | 19 years |
| 2. | SMC Healthcare Sdn Bhd | TL 017553221, Jalan Bersatu, Off Jalan Damai, Luyang, Kota Kinabalu, Sabah | Hospital building | 31-Dec-16 | 186.1 | 186.1 | NA | 42,211 | 4 years |
| 3. | Pahang Specialist Hospital Sdn Bhd | Lot 105703 (HSM 65652) Jalan Tanjung Lumpur, 26060 Kuantan, Pahang Darul Makmur | Land and hospital building | 31-Dec-16 | 83.6 | 83.6 | Leasehold land (99 years expiring on 17 April 2106) | 12,940 | 2 years |
| 4. | Rawang Specialist Hospital Sdn Bhd | PT 4156, Section 16, Jalan Rawang, Bandar Baru Rawang, 48000 Rawang, Selangor | Land and hospital building | 31-Dec-16 | 80.0 | 80.0 | Leasehold land (99 years expiring on 7 September 2103) | 33,771 | 5 years |
| 5. | PT Al-Aqar Bumi Serpong Damai | Jalan Letnan Soetopo, Kav. Kom. IIIA No 07, Serpong District, Tangerang, 15330 Banten, Indonesia | Land and hospital building | 31-Dec-17 | 70.5 | 70.5 | Leasehold land (20 years expiring on 15 July 2027) | 34,172 | 12 years |
| 6. | Pasir Gudang Specialist Hospital Sdn Bhd | Lot PTD 204781, Mukim Plentong, Johor Bahru, Johor | Land and hospital building | 31-Dec-16 | 69.9 | 69.9 | Leasehold land (99 years expiring on 28 December 2108) | 13,144 | 5 years |
| 7. | Maharani Specialist Hospital Sdn Bhd | Lot 2024, Bandar Maharani, Muar, Johor | Land and hospital building | 31-Dec-15 | 65.0 | 65.0 | Freehold land | 30,224 | 4 years |
| 8. | Amity Development Sdn Bhd | TL 017553221, Jalan Damai, District of Kota Kinabalu, Sabah | Land | 31-Dec-17 | 57.0 | 57.0 | Leasehold land (999 years expiring on 5 February 2910) | 16,850 | NA |
| 9. | Selangor Specialist Hospital Sdn Bhd | PT No. 2, Section 20, Town of Shah Alam, District Petaling, Selangor Darul Ehsan | Land and hospital building | N/A | 52.8 | 52.8 | Leasehold land (99 years expiring on 1 July 2096) | 18,984 | 1 year |
| 10. | Bandar Dato Onn Specialist Hospital Sdn Bhd | HSD 501209 PTD 163189, Bandar Dato' Onn, Mukim Tebrau, Daerah Johor Bahru | Land | 31-Dec-15 | 47.0 | 47.0 | Freehold land | 54,034 | NA |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Fifth (25th) Annual General Meeting (“**AGM**”) of KPJ Healthcare Berhad (“**KPJ**” or the “**Company**”) will be held at Tanjung Puteri 302, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor, on Monday 23 April 2018 at 12.00 p.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 December 2017 and the Reports of the Directors and Auditors thereon. **Please refer Note (4)(i)**
2. To re-elect the following Directors of the Company who will retire in accordance with the Articles of Association of the Company:-

| | | |
|--|--------------|--------------------------------|
| Tan Sri Datin Paduka Siti Sa’diah Sh Bakir | - Article 96 | (Ordinary Resolution 1) |
| Prof Dato’ Dr. Azizi Hj Omar | - Article 96 | (Ordinary Resolution 2) |
| Mohd Sahir Rahmat | - Article 97 | (Ordinary Resolution 3) |
| Dato’ Dr. Zaki Morad Mohamad Zaher | - Article 97 | (Ordinary Resolution 4) |
3. To approve the Proposed Directors’ fees of RM925,000 (“Proposed Directors’ Fees”) for the financial year ending 31 December 2018 (2017 : RM925,000). (Note (4)(ii)) **(Ordinary Resolution 5)**
4. To approve the payment of Directors’ Remuneration (excluding Proposed Directors’ Fees) to Non-Executive Directors (“NED”) for the period from 1 May 2018 until the conclusion of the next AGM of the Company (“Relevant Period”). (Note (4)(ii)) **(Ordinary Resolution 6)**
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 7)**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:

CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS

6. “**THAT** Zainah Mustafa who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM.” (Note (5)(i)) **(Ordinary Resolution 8)**
7. “**THAT** Datuk Azzat Kamaludin who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be hereby re-appointed as an Independent Non-Executive Director of the Company until the conclusion of the next AGM.” (Note (5)(i)) **(Ordinary Resolution 9)**
8. “**THAT** Dr. Kok Chin Leong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM.” (Note (5)(i)) **(Ordinary Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING**9. AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016**

"THAT pursuant to Section 75 of the Companies Act, 2016 ("Act"), and approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in 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 ten percent (10%) of the total number of issued shares 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 Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and that such authority shall continue in force until the conclusion of the next AGM of the Company. (Note (5)(ii))

(Ordinary Resolution 11)**10. PROPOSED RENEWAL OF THE SHARE BUY-BACK AUTHORITY ("PROPOSED SHARE BUY BACK")**

"THAT, subject to Section 127 of the Act, the provisions of the Main Market Listing Requirements of the Bursa Securities ("**Listing Requirements**") and all 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 in the Company on Bursa Securities subject to the following:-

(Ordinary Resolution 12)

- (a) The maximum number of shares which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the total number of issued shares of the Company for the time being subject to the restriction that the issued 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 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 manner:-
 - (i) cancel the shares so purchased; or
 - (ii) retain the shares so purchased as treasury shares and held by the Company; or
 - (iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or,
 - (iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or
 - (v) transfer all or part of the treasury shares for purposes of an employees' share scheme, and/or as purchase consideration; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act, the Listing Requirements and other relevant guidelines issued by Bursa Securities and any other relevant authority for the time being in force;

NOTICE OF ANNUAL GENERAL MEETING

AND THAT the authority conferred by this resolution shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company at which such resolution was passed, at which time the authority will lapse unless renewed by ordinary resolution passed at the AGM either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the Listing Requirements and other relevant guidelines issued by the Bursa Securities or any other relevant authorities.

AND THAT the Directors of the Company be and are authorised to take all such steps to implement, finalise and give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, revaluations and/or amendments as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter in accordance with the Act, the Listing Requirements and other relevant guidelines issued by Bursa Securities and any other relevant authorities." (Note (5)(iii))

11. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

"**THAT** subject always to the provisions of the Act, the Listing Requirements or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries ("**Group**"), to enter into and give effect to the Recurrent Related Party Transactions of a Revenue or Trading nature, all with the particulars of which are set out in Part B of the Circular to Shareholders dated 22 March 2018 ("**Circular**") with the Related Parties as described in the Circular, provided that such transactions are:-

(Ordinary Resolution 13)

- (a) recurrent transactions of a revenue or trading nature;
- (b) necessary for the day-to-day operations of the Company and/or its subsidiaries;
- (c) carried out in the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms not more favourable to the Related Parties than those generally available to the public; and
- (d) not detrimental to the minority shareholders of the Company;

AND THAT such authority shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following this AGM, at which time the authority will 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 to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting;

whichever is earlier;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or give effect to the Proposed Shareholders' Mandate." (Note (5)(iv))

NOTICE OF ANNUAL GENERAL MEETING**12. SPECIAL RESOLUTION
PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY**

"THAT approval be and is hereby given to adopt the new Constitution of the Company as set out in Part C of the Circular to Shareholders dated 22 March 2018 accompanying the Company's Annual Report 2017 in place of the existing Memorandum and Articles of Association of the Company with immediate effect.

(Special Resolution 14)

**By Order of the Board,
KPJ HEALTHCARE BERHAD**

SALMAH BINTI HJ ABD WAHAB (LS 0002140)
HANA BINTI AB RAHIM @ ALI, ACIS (MAICSA 7064336)
Secretaries

Johor Bahru
Dated: 22 March 2018

NOTES:**(1) Members Entitled to Attend**

Only members whose names appear on the Record of Depositors as at 16 April 2018 are entitled to attend, speak and vote at the meeting.

(2) Appointment of Proxy

- a. A member entitled to attend and vote at this meeting is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at this AGM.
- b. If a corporation is a member of the Company, the corporation may by resolution of its Board or other governing body authorize a person or persons to act as its representative or representatives at this AGM.
- c. A certificate of authorization by the corporation shall be prima facie evidence of the appointment or the revocation of the appointment, as the case may be, of a representative under Section 333(5) of the Companies Act 2016 ("**Act**").
- d. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, ("**SICDA**"), it may appoint at least one (1) proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- e. Where a member of the Company is an exempt authorized nominee, as defined under the SICDA, which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
- f. Where a member appoints more than one (1) proxy, the proxies shall not be valid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.
- g. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, shall be deposited at the registered office of the Company at: KPJ HEALTHCARE BERHAD, Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

(3) Voting by Poll

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all the resolutions set out in this Notice shall be put to vote by poll.

NOTICE OF ANNUAL GENERAL MEETING

(4) EXPLANATORY NOTES ON ORDINARY BUSINESSES:

(i) Agenda 1 - Audited Financial Statements

This item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require the Company to obtain shareholders' approval for its Audited Financial Statements. Henceforth, this Agenda is not put forward for voting.

(ii) Agenda 3 and Agenda 4

Pursuant to Section 230(1) of the Companies Act 2016 ("Act") which came into force on 31 January 2017, the fees and benefits ("Remuneration") payable to the Directors of the Company will have to be approved by the shareholders of the Company at a general meeting. In this respect, the Board of Directors of the Company hereby agree that the shareholders' approval shall be sought at the Twenty Fifth (25th) AGM commencing 1 May 2018 until the conclusion of the next AGM of the Company in 2019.

The proposed Resolution 6, if passed, will allow the payment of the Directors' Remuneration (excluding Directors' fees) to the NED of the Company on a monthly basis and/or as and when incurred within the Relevant Period.

The Board is of the view that it is just and equitable for the NED to be paid the Directors' Remuneration on a monthly/quarterly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

In the event that the Directors' Remuneration (excluding Proposed Directors' Fees) proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval of the shareholders of the Company will be sought at the next AGM for the additional remuneration to meet the shortfall. The estimated amount of RM920,000 for the Relevant Period is derived from a total of RM805,000 for FY2018 and a total of RM115,000 for the period from 1 January 2019 until the next AGM in 2019.

Details of the estimated Directors' Remuneration for NEDs for the Relevant Period are as below:-

(a) Directors' Fees

| | 2018 | 2017 |
|------------------------|---------------------|---------------------|
| Non-Executive Chairman | RM150,000 per annum | RM150,000 per annum |
| NED | RM75,000 per annum | RM75,000 per annum |

(b) Directors' Remuneration (excluding Directors' fees)

| Description | Chairman | NED |
|--|------------------|--|
| Other Benefits | Medical benefits | Medical benefits and company car for 1 NED |
| Meeting Allowance (per meeting) | Chairman | NED |
| Board of KPJ | RM3,500 | RM2,500 |
| Audit Committee | RM3,500 | RM2,500 |
| Medical Advisory Committee | RM500 | RM400 |
| Nomination & Remuneration Committee | RM1,000 | RM500 |
| Building Committee | RM1,000 | RM500 |
| Tender Board Committee | RM1,000 | RM500 |
| Allowance for Professional Advisory Services | | 2018 |
| Monthly Allowance as Chairman of Medical Advisory Committee | | RM18,000 |
| Monthly allowance on implementation of KPJ Clinical Information System | | RM7,000 |

NOTICE OF ANNUAL GENERAL MEETING**(5) EXPLANATORY NOTES ON SPECIAL BUSINESSES:****(i) Agenda 6, Agenda 7 and Agenda 8 - Continuing in Office as Independent Non-Executive Directors**

Zainah Binti Mustafa, Datuk Azzat bin Kamaludin and Dr Kok Chin Leong who seek shareholders' approval on their re-appointment as Independent Non-Executive Directors via proposed Ordinary Resolution 8, 9 and 10 respectively, have expressed their intention not to seek for re-appointment. Hence, they will retire at the conclusion of the Twenty Fifth (25th) AGM.

(ii) Agenda 9 - Authority to Issue Shares Pursuant to Section 75(1) and 76(1) of the Act

The proposed Ordinary Resolution 11 if passed is primarily to give flexibility to the Directors of the Company to issue up to a maximum amount not exceeding in total ten percent (10%) of the total number of issued shares in the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM or the expiration of the period within the next AGM required by law to be held, whichever is earlier.

(i) The mandate sought under proposed Ordinary Resolution 11 is a renewal of an existing mandate particularly on the conversion of KPJ ESOS and KPJ warrants into ordinary shares at the price of RM0.91 and RM1.01 per ordinary share respectively.

(ii) The proceeds raised from the previous mandate were RM 24,758,277.

(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 placement of shares, for the purpose of funding future investment(s), project(s), working capital and/or acquisitions.

(iii) Agenda 10 - Proposed Renewal of the Share Buy-Back Authority ("Proposed Share Buy Back")

The proposed Ordinary Resolution 12 if passed will empower the Directors of the Company to utilise any of its surplus financial resources to purchase the Company's own shares through Bursa Malaysia at any time within the time stipulated by utilizing the funds allocated out of the audited retained profit of the Company.

(iv) Agenda 11 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

The proposed Ordinary Resolution 13 if passed, is primarily to authorise the Company and/its subsidiaries ("**Group**") to enter into arrangements or transactions with Related Parties, particulars of which are set out in the Circular to Shareholders dated 22 March 2018 ("**Circular**") 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.

The procurement of the Proposed Shareholders' Mandate would reduce substantially administrative time, effort and expenses associated with the convening of separate general meetings to seek shareholders' approval as and when potential Recurrent Related Party Transactions arise.

(v) Agenda 12 - Special Resolution - Proposed Adoption of New Constitution of the Company

Please refer to explanatory information in the Circular to Shareholders dated 22 March 2018.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia:-

- The Directors who are retiring pursuant to Article 96 of the Company's Articles of Association are as follows:-
Tan Sri Datin Paduka Siti Sa'diah Sh Bakir - Article 96
Prof Dato' Dr. Azizi Hj Omar - Article 96
- The Directors who are retiring pursuant to Article 97 of the Company's Articles of Association are as follows:-
Mohd Sahir Rahmat - Article 97
Dato' Dr. Zaki Morad Mohamad Zaher - Article 97
- A total of five Board Meetings were held during the financial year ended 31 December 2017.
- Details of Directors at Board Meetings held during the financial year ended 31 December 2017 are as follows:-

| Date | 14 Feb | 25 Feb | 20 Apr (Special Board of Directors Meeting) | 24 Aug | 21 Nov |
|---|--------------------------------|--------------------------------|--|--|--|
| Directors/Venue | Level 16, Menara KPJ, KL | Level 16, Menara KPJ, KL | Puteri Pacific Hotel, Johor Bahru | Level 24, Menara KOMTAR, JBCC, Johor Bahru | Level 24, Menara KOMTAR, JBCC, Johor Bahru |
| Non Independent Non-Executive Director | | | | | |
| Dato' Kamaruzzaman Abu Kassim | / | / | / | / | / |
| Ahamad Mohamad | / | / | / | - | - |
| Zulkifli Ibrahim | / | / | / | / | / |
| Mohd Sahir Rahmat | - | - | - | / | / |
| Independent Non-Executive Director | | | | | |
| Tan Sri Datin Paduka Siti Sa'diah Sh Bakir | / | / | / | / | / |
| Zainah Mustafa | / | / | / | / | / |
| Datuk Azzat Kamaludin | / | / | - | / | / |
| Dr. Kok Chin Leong | / | / | / | / | / |
| Dr. Yoong Fook Ngian | / | / | / | - | - |
| Dato' Dr. Azizi Hj Omar | / | / | / | / | / |
| Dato' Dr. Zaki Morad Mohamad Zaher | - | - | - | / | / |
| Managing/Executive Director | | | | | |
| Dato' Amiruddin Abdul Satar | / | / | / | / | / |
| Aminudin Dawam | / | / | / | / | / |

- Particulars of Directors seeking re-election at the Annual General Meeting are set out in Directors' Profile appearing in pages 108 to 118 of the Annual Report.

PROXY FORM



KPJ HEALTHCARE BERHAD

Company No. 247079-M

| 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)

hereby appoint _____
(Full name and NRIC in block letters)

of _____
(Full address in block letters)

or failing him/her, **THE CHAIRMAN** of the meeting as my/our proxy to vote for me/us* on my/our* behalf at the Twenty Fifth (25th) Annual General Meeting of the Company to be held at Tanjung Puteri 302, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on Monday 23 April 2018 at 12 p.m. and at any adjournment in respect of my/our holdings of shares in the manner indicated below:

| RESOLUTION | DESCRIPTION | FOR | AGAINST |
|------------|---|-----|---------|
| | To Re-Elect Directors: | | |
| 1 | Tan Sri Datin Paduka Siti Sa'diah Sh Bakir | | |
| 2 | Prof. Dato' Dr. Azizi Bin Hj Omar | | |
| 3 | Mohd Sahir Rahmat | | |
| 4 | Dato' Dr. Zaki Morad Mohamad Zaher | | |
| 5 | To Approve Directors' Fee | | |
| 6 | To Approve Payment of Directors' Remuneration | | |
| 7 | To Re-Appoint Auditors | | |
| | Any Other Business | | |
| 12 | Authority to Issue Shares | | |
| 13 | Proposed Share Buy Back | | |
| 14 | Proposed Shareholders' Mandate | | |
| | Special Resolution | | |
| 15 | Proposed Adoption of New Constitution | | |

(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 _____ 2018

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NOTE:

- a. A member entitled to attend and vote at this meeting is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at this AGM.
- b. If a corporation is a member of the Company, the corporation may by resolution of its Board or other governing body authorize a person or persons to act as its representative or representatives at this AGM.
- c. A certificate of authorization by the corporation shall be prima facie evidence of the appointment or the revocation of the appointment, as the case may be, of a representative under Section 333(5) of the Companies Act 2016 ("**Act**").
- d. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, ("**SICDA**"), it may appoint at least one (1) proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- e. Where a member of the Company is an exempt authorized nominee, as defined under the SICDA, which holds shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
- f. Where a member appoints more than one (1) proxy, the proxies shall not be valid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.
- g. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, shall be deposited at the registered office of the Company at: KPJ HEALTHCARE BERHAD, Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

Then fold here

Affix postage
stamp

KPJ HEALTHCARE BERHAD (247079-M)
Level 16
Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor, Malaysia

1st fold here

WWW.KPJHEALTH.COM.MY

KPJ HEALTHCARE BERHAD (247079-M)

Level 12, Menara KPJ, 238 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

t (603) 2681 6222 | f (603) 2681 6888