

Registration No.

199201015575 (247079-M)

**KPJ HEALTHCARE BERHAD**  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**

**31 DECEMBER 2022**

Registration No.

199201015575 (247079-M)

**KPJ HEALTHCARE BERHAD**  
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**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 2022.

**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 22 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

**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.

**FINANCIAL RESULTS**

	<u>Group</u> RM'000	<u>Company</u> RM'000
Profit before tax	263,532	99,596
Tax	(73,208)	254
	<hr/>	<hr/>
Profit for the financial year from continuing operations	190,324	99,850
Loss for the financial year from discontinued operations	(7,671)	-
	<hr/>	<hr/>
Net profit for the financial year	<u>182,653</u>	<u>99,850</u>
Profit for the financial year attributable to:		
Owners of the Company		
- continuing operations	171,992	99,850
- discontinued operations	(5,011)	-
Non-controlling interest		
- continuing operations	18,332	-
- discontinued operations	(2,660)	-
	<hr/>	<hr/>
Profit for the financial year	<u>182,653</u>	<u>99,850</u>

**RESERVES AND PROVISIONS**

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

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## DIRECTORS' REPORT (CONTINUED)

### DIVIDENDS

The dividends paid or declared by the Company since 31 December 2021 are as follows:

	RM
In respect of the financial year ended 31 December 2022:	
First interim single tier dividend of 0.20 sen per share on 4,342,734,981 ordinary shares, declared on 18 February 2022 and paid on 22 April 2022.	8,685,470
Second interim single tier dividend of 0.25 sen per share on 4,343,203,561 ordinary shares, declared on 26 May 2022 and paid on 29 July 2022.	10,858,009
Third interim single tier dividend of 0.55 sen per share on 4,343,221,161 ordinary shares, declared on 29 August 2022 and paid on 21 October 2022.	23,887,716
Fourth interim single tier dividend of 1.00 sen per share on 4,343,221,161 ordinary shares, declared on 23 November 2022 and paid on 28 December 2022.	43,432,212
	<hr/>
	<u>86,863,407</u>

The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2022.

### TREASURY SHARES

On 9 July 2020, 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.

The Company did not purchase any ordinary shares from the open market on Bursa Malaysia Securities Berhad ("Bursa Malaysia") during the financial year.

As at 31 December 2022, the Company held a total of 162,306,700 of its 4,505,527,861 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM155,310,152 at an average price of RM0.96 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.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company's issued share capital was increased by RM16,808,088 through the issuance of 16,368,760 ordinary shares pursuant to the exercise of the Employees' Share Option Scheme ("ESOS") at an exercise price of RM0.91 per ordinary share.

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

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## DIRECTORS' REPORT (CONTINUED)

### ISSUE OF SHARES AND DEBENTURES (CONTINUED)

During the financial year, the Group made an issuance of RM650.0 million from its Sukuk Wakalah Programme. The Group also made payments amounting RM400.0 million for its Sukuk Murabahah Programme.

### EMPLOYEES' SHARE OPTION SCHEME

The Company implemented ESOS in 2015 for a period of 5 years for eligible employees and Directors of the Group. In 2019, the Board of Directors gave its approval for the ESOS period to be extended to another 3 years and expiring on 27 February 2023. Details of ESOS are set out in Note 37 to the financial statements.

### 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:

Datuk Md Arif Bin Mahmood	(Chairman, appointed on 1 April 2022)
Dato' Mohd Shukrie Bin Mohd Salleh	(Managing Director, appointed on 1 April 2022, resigned on 7 September 2022)
Dato' Mohd Redza Shah Bin Abdul Wahid#	
Prof Dato' Dr. Azizi Bin Haji Omar#	
Mohamed Ridza Bin Mohamed Abdulla	
Khairuddin Bin Jaflus#	
Rozaini Bin Mohd Sani	
Shamsul Anuar bin Abdul Majid	
Annie Binti Rosle	
Hisham Bin Zainal Mokhtar	
Lee Lai Fan	(Appointed on 7 July 2022)
Dato' Yusli Bin Mohamed Yusoff	(Deceased on 10 March 2022)
Tan Sri Dr Ali Bin Hamsa	(Resigned on 31 March 2022)
Ahmad Shahizam Bin Mohd Shariff#	(Resigned on 31 March 2022)
Lydia Anne Abraham	(Retired on 28 June 2022)

# Directors who are also Directors of the subsidiaries

### List of Directors of Subsidiaries

The list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) during the financial year and up to date of this report is as follows:

Prof (C) Dato' Dr. Shahrudin Bin Mohd Dun	Dr. Ahmad Syukri Bin Jamaluddin
Assoc Prof (C) Dato' Dr. Azlin Bin Azizan	Dr. Aliza Binti Jamaluddin
Assoc Prof Dr. Thajunnisa Binti Hassan Mohd	Dr. David Sylvester Ling Sheng Tee
Datuk Hasmi Bin Hasnan	Dr. Hari Ram Ramayya
Datuk Syed Mohamed Bin Syed Ibrahim	Dr. Kok Chin Leong
Dato' Dr. Khaled Bin Mat Hassan	Dr. Mahadhir Alhady Bin Sulaiman
Dato' Mohamad Farid Bin Salim	Dr. Mahayidin Bin Muhamad
Dato' Md Aini Bin Taib	Dr. Mohamad Bin Hamzah
Dato' Ngeng Eng Cheng	Dr. Mohamed Ahsan Bin Mohamed Ismail
Dato' Shamshudin Bin Nor	Dr. Mohd Hafetz Bin Ahmad
Dato' Zabir Bin Bajuri	Dr. Mohd Harris Lu @ Lu Ping Neng

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## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS (CONTINUED)

#### List of Directors of Subsidiaries (continued)

Dr. Muhammad Nazri Bin Aziz	Mohd Azhar Bin Abdullah
Dr. Muhammad Zachruddin Habie	Mohd Faizal Bin Mohamed
Dr. Munirah Binti Khudri	Mohd Helmi Bin Daud
Dr. Nik Fawaz Bin Nik Abdul Aziz	Mohd Nabil Fawzi Bin Ab Rani
Dr. Norazlina Binti Bachik	Mohd Nuri Bin Abd Aziz
Dr. Rafiza Binti Mohamed Nazir	Mohd Sahir Bin Rahmat
Dr. Ronald Nurjas	Mohd Taufik Bin Ismail
Dr. Toh Siu Gap	Muhamad Amin Bin Othman
Dr. Wong Chya Wei	Muhammad Badri Bin Hussin
Drg. Annie Trisusilo	Muhammad Iqbal Bin Ibrahim
Ab Aziz Bin Yunus	Muhammad Samson Mikail Bin Abdullah
Abdul Halim Bin Mahalil	Nazmul Hassan Papon MP
Ahmad Adli Bin Kamaruzaman	Noor Haslina Binti Harun
Ahmad Rafiquddin Bin Mohd Amran	Nor Aidil Ikram Bin Muhamad
Ariesza Noor	Nor Arfah Binti Arshad
Asmadi Bin Che Mat @ Abd Rahman	Nor Azlina Binti Jemain
Asmadi Bin Mohd Bakri	Noreen Binti Abdul Rashid
Badrul Hisham Bin Abdullah	Norhaizam Binti Mohammad
Badrul Hisyam Bin Ibrahim	Norherienda Bt Abdul Kadir
Basar Bin Juraimi	Raja Syahiran Bin Raja Ahmad Supian
Beh Boon Ewe	Rajkumar S/O Rengaraju
Christopher Ting Yew Ping	Renuga A/P Muniandy
Emily Hii San	Ros Maliya Binti Mamat
Erniza Binti Md Badursah	Roslan Bin Ahmad
Esther Woo Yann Fong	Ross David Morgan
Farahiyah Binti Badri	Thomas Ho Yee Jong
Fauziah Begum Binti Najibullah Khan	Wan Nur Amira Binti Wan Ariffin
Gordana Dermody	Yusmah Binti Salleh
Gunavathy A/P K Kalee	Yusri Bin Ali
Hafiz Bin Mohamed	Zabidi Bin Abdul Razak
Hafsah Binti Mukhtar	Zaharah Binti Osman
Haliza Binti Khalid	Zaiton Binti Sulaiman
Hazarul Azly Bin Hamzah	Zalina Binti Osman
Ibnu Mardini	Zamri Bin Yusof
Irfan Jasri	Zarihasyum Binti Wan Zein @ Md Zain
Izzhar Putra Bin Amirudin	Zawari Bin Abdullah
Khairul Hasanain Bin Abdul Hamid	Zulkifli Bin Abdullah
Liew Chai Sen	Dr. Jamal Azmi Bin Mohamad*
Lim Su Ying	Ahmad Firdaus Bin Mohd Nor*
Mahazan Bin Kamis	Nurol Wahida Binti Othman*
Maisarah Binti Omar	Dr. Zainal Abidin Bin Mohd Yusuf^
Md Zin Bin Md Yasin	Gunasingam Retnasabapathy^
Mohamad Faizal Bin Mohamed	Shah Ruddin Bin Abd Hamid^
Mohamad Sofian Bin Ismail	Suriaghandi A/L P. Suppiah^
Mohammad Hafidz Bin Dato' Shamshudin (Alternate Director to Dato' Shamshudin Bin Nor)	

\* Appointed during the financial year and up to date of this report

^ Resigned during the financial year and up to date of this report

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### 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 12 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.

#### 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 1.1.2022	Newly Appointed/ Acquired	Disposed	At 31.12.2022
<u>KPJ Healthcare Berhad</u>				
Datuk Md Arif Bin Mahmood	-	60,000	-	60,000
Prof Dato' Dr. Azizi Bin Haji Omar	330,000	-	-	330,000

#### DIRECTORS' REMUNERATION

	Group		Company	
	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000
Fees	1,320	1,421	1,320	1,421
Salaries, allowances and bonuses	4,079	2,624	4,079	2,624
Contributions to defined contribution plan	221	221	221	221
Benefits-in-kind	74	55	74	55
	<u>5,694</u>	<u>4,321</u>	<u>5,694</u>	<u>4,321</u>

#### 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.

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**DIRECTORS' REPORT (CONTINUED)**

**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 proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets, which were unlikely to realise 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.
- (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, as disclosed in Note 2.1 to the financial statements.
- (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) no item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements, has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**SUBSIDIARIES**

Details of subsidiaries are set out in Note 22 to the financial statements.



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## DIRECTORS' REPORT (CONTINUED)

### AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 10 to the financial statements.

### AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT for the financial year ended 31 December 2022.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 February 2023.



DATUK MD ARIF BIN MAHMOOD  
DIRECTOR



DATO' MOHD REDZA SHAH BIN ABDUL  
WAHID  
DIRECTOR

Kuala Lumpur, Malaysia

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**STATEMENT BY DIRECTORS PURSUANT TO  
SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Datuk Md Arif Bin Mahmood and Dato' Mohd Redza Shah Bin Abdul Wahid, being two of the directors of KPJ Healthcare Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 144 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 February 2023.



DATUK MD ARIF BIN MAHMOOD  
DIRECTOR



DATO' MOHD REDZA SHAH BIN ABDUL  
WAHID  
DIRECTOR

Kuala Lumpur, Malaysia

**STATUTORY DECLARATION PURSUANT TO  
SECTION 251(1)(B) OF THE COMPANIES ACT 2016**

I, Norhaizam Binti Mohammad, Malaysian Institute of Accountants No. 45153, being the officer primarily responsible for the financial management of KPJ Healthcare Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 144 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Norhaizam Binti Mohammad  
at Kuala Lumpur in the Federal Territory  
on 17 February 2023



NORHAIZAM BINTI MOHAMMAD

Before me,

  
COMMISSIONER FOR OATH

NO. 33-4, JALAN MEDAN TUANKU,  
50300 KUALA LUMPUR.

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**Independent auditors' report to the members of  
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**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of KPJ Healthcare Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and statements of profit or loss and other 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 15 to 144.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, 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.

*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 audit 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context



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Independent auditors' report to the members of  
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*Key audit matters (cont'd.)*

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

#### **Revenue recognition from healthcare services**

Refer to notes 2.30 and 7 to the financial statements.

Revenue recognised in respect of hospital operations and sales of pharmaceutical products ("healthcare services") for the financial year ended 31 December 2022 which amounted to approximately RM2,815 million, represented about 95% of total revenue of the Group.

The Group relies heavily on information technology systems in accounting for its revenue from healthcare services. Such information systems process large volumes of data with combinations of different products and services, which consist of individually low value transactions.

The above factors gave rise to higher risk of material misstatement in the timing and amount of revenue recognised. Accordingly, we identified revenue recognition to be an area of focus.

#### How our audit addressed this matter

In addressing this area of focus, we performed, amongst others, the following procedures:

- We obtained an understanding of the management's internal controls over the timing and amount of revenue recognised;
- We tested the relevant internal controls in place to address completeness and accuracy of revenue recognised including timely updating of approved billing rate changes in the system. We also involved our information technology specialist to test the operating effectiveness of automated controls over the billing system;

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*Key audit matters (cont'd.)*

**Revenue recognition from healthcare services (cont'd)**

- We tested the data interface between the billing system and the general ledger;
- We inspected samples of documents which evidenced the rendering of services to customers;
- We tested samples of documents to establish whether transactions were recorded in the correct accounting period; and
- Using data analytics, we performed correlation analysis between revenue, trade receivables and cash and bank balances.

*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 the Directors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.



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**Independent auditors' report to the members of  
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*Information other than the financial statements and auditors' report thereon (cont'd.)*

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

*Responsibilities of the directors for the financial statements*

The directors of the Company are responsible for the preparation of 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 judgment and maintain professional skepticism throughout the audit. We also:

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*Auditors' responsibilities for the audit of the financial statements (cont'd)*

- 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.
- 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 the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.
- 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.
- 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.



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*Auditors' responsibilities for the audit of the financial statements (cont'd)*

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, actions taken to eliminate threats or safeguards applied.

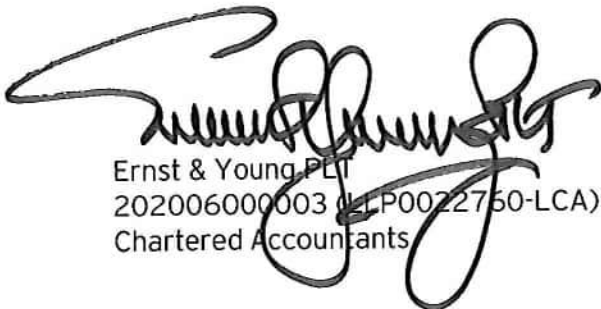
From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law 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 22 to the financial statements.

**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.



Ernst & Young PLT  
202006000003 (MLP0022750-LCA) & AF 0039  
Chartered Accountants



Ismed Darwis Bin Bahatjar  
No. 02921/04/2024 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
17 February 2023



**KPJ HEALTHCARE BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	Note	Group		Company	
		2022 RM'000	2021 RM'000 Restated	2022 RM'000	2021 RM'000
<u>Continuing operations</u>					
Revenue	7	2,920,658	2,589,851	213,865	156,139
Cost of sales		(1,751,150)	(1,663,940)	-	-
Gross profit		1,169,508	925,911	213,865	156,139
Administrative expenses		(796,244)	(708,174)	(98,531)	(73,753)
Other income		28,604	37,978	5,708	444
Zakat	8	(2,680)	(2,144)	(300)	(300)
Operating profit		399,188	253,571	120,742	82,530
Finance income	9	12,174	8,552	-	-
Finance costs	9	(92,012)	(89,991)	(21,146)	(23,278)
- Borrowings		(103,582)	(76,745)	-	-
- Lease liabilities					
Finance costs - net		(183,420)	(158,184)	(21,146)	(23,278)
Share of results of associates, net of tax		47,764	25,856	-	-
Profit before tax	10	263,532	121,243	99,596	59,252
Tax	13	(73,208)	(48,868)	254	56
Profit for the financial year from continuing operations		190,324	72,375	99,850	59,308
<u>Discontinued operations</u>					
Loss for the financial year from discontinued operations	14	(7,671)	(6,724)	-	-
Net profit for the financial year		182,653	65,651	99,850	59,308

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**KPJ HEALTHCARE BERHAD**  
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**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

	Note	Group		Company	
		2022 RM'000	2021 RM'000 Restated	2022 RM'000	2021 RM'000
<b>Other comprehensive income:</b>					
<u>Continuing operations</u>					
<b>Item that may be subsequently reclassified to profit or loss:</b>					
- Currency translation differences		2,400	32	-	-
<b>Items that will not be reclassified to profit or loss:</b>					
- (Reversal) / gains on revaluation of land and building		(40)	11,413	-	-
- Deferred tax on revaluation deficit/(surplus)		5	(1,868)	-	-
- Fair value loss on equity instruments classified as fair value through other comprehensive income		(217)	-	(217)	-
Other comprehensive income for the financial year, net of tax from continuing operations		2,148	9,577	(217)	-
<u>Discontinued operations</u>					
Other comprehensive income from discontinued operations		89	2,275	-	-
Total comprehensive income for the financial year		184,890	77,503	99,633	59,308
Profit for the financial year attributable to:					
Owners of the Company					
- continuing operations		171,992	54,785	99,850	59,308
- discontinued operations	14	(5,011)	(3,752)	-	-
Non-controlling interests					
- continuing operations		18,332	17,590	-	-
- discontinued operations	14	(2,660)	(2,972)	-	-
		182,653	65,651	99,850	59,308

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**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

	<u>Note</u>	<u>Group</u>	<u>Company</u>
		<u>2022</u> RM'000	<u>2021</u> RM'000 Restated
		<u>2022</u> RM'000	<u>2021</u> RM'000
Total comprehensive income for the financial year attributable to:			
Owners of the Company			
- continuing operations		174,140	64,362
- discontinued operations	14	(4,922)	(1,477)
Non-controlling interests			
- continuing operations		18,332	17,590
- discontinued operations	14	(2,660)	(2,972)
		<u>184,890</u>	<u>77,503</u>
		<u>99,633</u>	<u>59,308</u>
Earnings per share attributable to Owners of the Company:			
Basic (sen)	16(a)		
- continuing operations		3.96	1.28
- discontinued operations		(0.12)	(0.09)
Diluted (sen)	16(b)		
- continuing operations		3.87	1.24
- discontinued operations		(0.11)	(0.08)

**KPJ HEALTHCARE BERHAD**  
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**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000
<b>ASSETS</b>					
<u>Non-current assets</u>					
Property, plant and equipment	17	2,760,222	2,676,238	1,628	1,258
Right-of-use assets	18	1,577,039	1,149,310	-	-
Investment properties	19	360,420	346,116	-	-
Intangible assets	20	206,043	220,010	-	-
Investments in subsidiaries	22	-	-	1,037,253	1,033,399
Investments in associates	23	486,308	437,052	-	-
Equity instruments classified as FVOCI	24	1,241	1,458	26,251	1,458
Deferred tax assets	25	114,281	125,218	236	152
Trade and other receivables	26	17,115	13,501	-	-
Amounts due from subsidiaries	26	-	-	7,224	-
		<u>5,522,669</u>	<u>4,968,903</u>	<u>1,072,592</u>	<u>1,036,267</u>
<u>Current assets</u>					
Inventories	27	65,872	53,753	-	-
Trade and other receivables	26	645,705	481,393	2,994	892
Amounts due from subsidiaries	26	-	-	631,426	661,546
Tax recoverable		126,380	106,170	848	186
Deposits, bank and cash balances	28	467,919	318,011	3,315	3,642
Dividend receivable		8,066	9,248	55,434	23,496
		<u>1,313,942</u>	<u>968,575</u>	<u>694,017</u>	<u>689,762</u>
Assets held for sale	29	157,455	250,163	-	-
		<u>1,471,397</u>	<u>1,218,738</u>	<u>694,017</u>	<u>689,762</u>
<b>Total assets</b>		<u><u>6,994,066</u></u>	<u><u>6,187,641</u></u>	<u><u>1,766,609</u></u>	<u><u>1,726,029</u></u>
<b>EQUITY AND LIABILITIES</b>					
<u>Current liabilities</u>					
Trade and other payables	30	720,220	618,260	19,722	15,688
Amounts due to subsidiaries	30	-	-	97,192	103,533
Contract liabilities	31	48,708	50,922	-	-
Current tax liabilities		4,321	18,255	-	-
Borrowings	32	839,415	860,457	214,941	206,135
Lease liabilities	33	44,677	31,178	-	-
Dividend payable		2,980	1,074	-	-
		<u>1,660,321</u>	<u>1,580,146</u>	<u>331,855</u>	<u>325,356</u>

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**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022 (CONTINUED)**

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Liabilities associated with assets held for sale	29	13,163	-	-	-
		1,673,484	1,580,146	331,855	325,356
Net current (liabilities)/assets		(202,087)	(361,408)	362,162	364,406
<u>Non-current liabilities</u>					
Trade and other payables	30	1,743	4,740	-	-
Amounts due to subsidiaries	30	-	-	293,214	286,657
Borrowings	32	1,047,763	968,007	229	370
Lease liabilities	33	1,818,168	1,288,083	-	-
Deferred tax liabilities	25	84,530	81,592	-	-
Provision for retirement benefits	34	2,212	2,355	-	-
Deposits	35	11,948	12,210	-	-
		2,966,364	2,356,987	293,443	287,027
Total liabilities		4,639,848	3,937,133	625,298	612,383
Net assets		2,354,218	2,250,508	1,141,311	1,113,646
<u>Equity attributable to Owners of the Company</u>					
Share capital	36	976,329	959,521	976,329	959,521
Less: Treasury shares		(155,310)	(155,310)	(155,310)	(155,310)
Reserves		1,406,241	1,331,219	320,292	309,435
		2,227,260	2,135,430	1,141,311	1,113,646
Non-controlling interests		126,958	115,078	-	-
Total equity		2,354,218	2,250,508	1,141,311	1,113,646
Total equity and liabilities		6,994,066	6,187,641	1,766,609	1,726,029

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KPJ HEALTHCARE BERHAD  
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Ordinary share <u>capital</u> (Note 36) RM'000	Treasury <u>shares</u> RM'000	<u>Non-distributable</u>		<u>Distributable</u> Retained earnings RM'000	<u>Total</u> RM'000	Non- controlling <u>interests</u> RM'000	Total <u>equity</u> RM'000
			Other <u>reserves</u> (Note 38) RM'000					
<u>Group</u>								
At 1 January 2022	959,521	(155,310)	279,298		1,051,921	2,135,430	115,078	2,250,508
Comprehensive income:								
Profit for the financial year	-	-	-		166,981	166,981	15,672	182,653
Other comprehensive income:								
Currency translation differences of foreign subsidiaries	-	-	2,489		-	2,489	-	2,489
Revaluation deficit	-	-	(35)		-	(35)	-	(35)
Fair value loss on equity instrument classified as FVOCI	-	-	(217)		-	(217)	-	(217)
Total other comprehensive income	-	-	2,237		-	2,237	-	2,237
	<u>959,521</u>	<u>(155,310)</u>	<u>281,535</u>		<u>1,218,902</u>	<u>2,304,648</u>	<u>130,750</u>	<u>2,435,398</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Ordinary share capital (Note 36) RM'000	Treasury shares RM'000	Non- distributable	Distributable	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
			Other reserves (Note 38) RM'000	Retained earnings RM'000			
<u>Group</u>							
Transactions with Owners:							
Issue of share capital:							
- ESOS	16,808	-	(1,913)	-	14,895	-	14,895
Acquisition of non-controlling interest	-	-	-	(5,420)	(5,420)	(392)	(5,812)
Lapsed ESOS	-	-	(3,433)	3,433	-	-	-
Dividends on ordinary shares (Note 15)	-	-	-	(86,863)	(86,863)	-	(86,863)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	(3,400)	(3,400)
Total transactions with Owners	16,808	-	(5,346)	(88,850)	(77,388)	(3,792)	(81,180)
At 31 December 2022	976,329	(155,310)	276,189	1,130,052	2,227,260	126,958	2,354,218

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Ordinary share <u>capital</u> (Note 36) RM'000	Treasury <u>shares</u> RM'000	<u>Non-</u> <u>distributable</u>	<u>Distributable</u>	<u>Total</u> RM'000	<u>Non-</u> <u>controlling</u> <u>interests</u> RM'000	<u>Total</u> <u>equity</u> RM'000
			Other <u>reserves</u> (Note 38) RM'000	Retained <u>earnings</u> RM'000			
<u>Group</u>							
At 1 January 2021	909,504	(155,310)	281,622	1,014,268	2,050,084	152,128	2,202,212
Comprehensive income:							
Profit for the financial year	-	-	-	51,033	51,033	14,618	65,651
Other comprehensive income:							
Currency translation differences of foreign subsidiaries	-	-	212	-	212	-	212
Revaluation surplus	-	-	11,640	-	11,640	-	11,640
Total other comprehensive income	-	-	11,852	-	11,852	-	11,852
	<u>909,504</u>	<u>(155,310)</u>	<u>293,474</u>	<u>1,065,301</u>	<u>2,112,969</u>	<u>166,746</u>	<u>2,279,715</u>



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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

	Ordinary share <u>capital</u> (Note 36) RM'000	Treasury <u>shares</u> RM'000	<u>Non-</u> <u>distributable</u>	<u>Distributable</u>	<u>Total</u> RM'000	Non- controlling <u>interests</u> RM'000	<u>Total</u> <u>equity</u> RM'000
			Other <u>reserves</u> (Note 38) RM'000	Retained <u>earnings</u> RM'000			
<u>Group</u>							
Transactions with Owners:							
Issue of share capital:							
- ESOS	50,017	-	(7,141)	-	42,876	-	42,876
Actuarial gain on defined benefit obligation	-	-	-	508	508	-	508
Disposal of interest in a subsidiary	-	-	-	2,804	2,804	(1,244)	1,560
Lapsed ESOS	-	-	(7,035)	7,035	-	-	-
Dividends on ordinary shares (Note 15)	-	-	-	(23,727)	(23,727)	-	(23,727)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	(50,424)	(50,424)
Total transactions with Owners	50,017	-	(14,176)	(13,380)	22,461	(51,668)	(29,207)
At 31 December 2021	959,521	(155,310)	279,298	1,051,921	2,135,430	115,078	2,250,508

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KPJ HEALTHCARE BERHAD  
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COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Ordinary share capital (Note 36) RM'000	Treasury reserves RM'000	Non- distributable Share option reserves RM'000	Distributable		Total equity RM'000
				FVOCI Reserve RM'000	Retained earnings RM'000	
<u>Company</u>						
At 1 January 2022	959,521	(155,310)	45,622	-	263,813	1,113,646
Comprehensive income:						
Profit for the financial year	-	-	-	-	99,850	99,850
Other comprehensive income:						
Loss on fair value of equity instrument classified as FVOCI	-	-	-	(217)	-	(217)
Transactions with Owners:						
Issue of share capital:						
- ESOS	16,808	-	(1,913)	-	-	14,895
Dividends on ordinary shares (Note 15)	-	-	-	-	(86,863)	(86,863)
Lapsed ESOS	-	-	(3,433)	-	3,433	-
Total transactions with Owners	16,808	-	(5,346)	-	(83,430)	(71,968)
At 31 December 2022	976,329	(155,310)	40,276	(217)	280,233	1,141,311

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KPJ HEALTHCARE BERHAD  
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COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Ordinary share capital (Note 36) RM'000	Treasury reserves RM'000	Non- distributable Share option reserves RM'000	Distributable Retained earnings RM'000	Total equity RM'000
<u>Company</u>					
At 1 January 2021	909,504	(155,310)	59,798	221,197	1,035,189
Profit for the financial year	-	-	-	59,308	59,308
Transactions with Owners:					
Issue of share capital:					
- ESOS	50,017	-	(7,141)	-	42,876
Dividends on ordinary shares (Note 15)	-	-	-	(23,727)	(23,727)
Lapsed ESOS	-	-	(7,035)	7,035	-
Total transactions with Owners	50,017	-	(14,176)	(16,692)	19,149
At 31 December 2021	959,521	(155,310)	45,622	263,813	1,113,646

**KPJ HEALTHCARE BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Operating activities</u>					
Profit before tax					
- Continuing operations		263,532	121,243	99,596	59,252
- Discontinued operations		(7,774)	(5,645)	-	-
		<u>255,758</u>	<u>115,598</u>	<u>99,596</u>	<u>59,252</u>
Adjustments for:					
Share of results of associates		(47,764)	(25,856)	-	-
Finance income		(12,259)	(8,683)	-	-
Finance costs:					
- Borrowings		92,084	90,544	21,146	23,278
- Lease liabilities		103,582	76,745	-	-
Dividend income from subsidiaries	7	-	-	(131,024)	(84,106)
Trade receivables:					
- Allowance for ECL	26	(5,755)	11,568	-	-
Amount due from subsidiaries:					
- Allowance for ECL		-	-	3,189	-
Loss on disposal of shares in subsidiaries	22	-	750	-	-
Property, plant and equipment:					
- Depreciation	17	189,933	185,782	399	294
- Written-off	10	1,875	702	-	-
- (Gain) / loss on disposal	10	(2,064)	(561)	4	-
- Impairment	10	(6,709)	10,073	-	-
Right-of-use assets:					
- Depreciation	18	67,313	57,981	-	-
- Gain on disposal	10	-	(137)	-	-
Investment properties:					
- Gain on fair value	19	(3,280)	(13,410)	-	-
- Written-off	19	-	-	-	-
Intangible asset:					
- Amortisation of software development expenditure	20	10,408	11,508	-	-
- Impairment of goodwill	20	-	4,028	-	-
- Written-off	20	3,559	474	-	-
Fair value loss on quoted shares	24	-	160	-	160
Fair value loss on unquoted shares	24	-	2	-	2
Inventories written-off	10	(64)	627	-	-
Provision for retirement benefits	34	197	214	-	-
Gain on disposal of assets held for sale	10	(4,353)	-	-	-
		<u>642,461</u>	<u>518,109</u>	<u>(6,690)</u>	<u>(1,120)</u>
Operating profit before working capital changes					

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**KPJ HEALTHCARE BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Operating activities (continued)</u>					
Changes in working capital:					
Inventories		(12,661)	(2,328)	-	-
Receivables		(171,562)	(54,218)	(2,102)	(3)
Payables		96,151	14,791	4,034	1,320
Contract liabilities		(2,233)	(5,056)	-	-
Related companies					
- Amount due from subsidiaries		-	-	79,641	(44,816)
- Amount due to subsidiaries		-	-	55,055	(11,160)
Cash flows generated from/ (used in) operations		552,156	471,298	129,938	(55,779)
Income tax refund		1,613	5,095	-	-
Income tax paid		(93,657)	(64,037)	(492)	(156)
Retirement benefits paid	34	(340)	(137)	-	-
Net cash generated from/(used in) operating activities		459,772	412,219	129,446	(55,935)
<u>Investing activities</u>					
Additions to property, plant and equipment	17	(234,181)	(216,572)	(776)	(488)
Additions to investment properties	19	-	(251)	-	-
Additions to intangible assets	20	-	(192)	-	-
Additions to equity instruments classified as FVOCI	24	-	(500)	(25,010)	(500)
Additions to investment in associates		(25,010)	-	-	-
Proceeds from disposal of property, plant and equipment		3,266	725	3	-
Proceeds from disposal of interest in subsidiary	22	-	1,560	-	-
Proceeds from disposal of assets held for sale		192,000	-	-	-
Interest received		12,259	8,683	-	-
Decrease in deposits with licensed banks with maturity of more than 3 months	28	663	223,295	-	-
Dividends received from associates/ subsidiaries		25,193	21,004	40,698	6,438
Net cash generated from/(used in) investing activities		(25,810)	37,752	14,915	5,450

**KPJ HEALTHCARE BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Financing activities</u>					
Grant income received	17	-	6,830	-	-
Acquisition of non-controlling interests	22	(5,812)	-	(5,400)	-
Dividends paid to non-controlling interests		(1,494)	(49,000)	-	-
Issue of shares:					
- ESOS		14,895	42,876	14,895	42,876
Borrowings:					
- Drawdown		840,755	235,285	93,000	146,000
- Repayments		(817,437)	(385,710)	(84,335)	(52,129)
- Repayments to subsidiaries		-	-	(54,839)	(39,752)
Payment of lease liabilities		(133,815)	(111,550)	-	-
Interest paid		(92,084)	(90,544)	(21,146)	(23,278)
Dividends paid to shareholders		(86,863)	(23,727)	(86,863)	(23,727)
Designated account	28	(4,683)	(18,283)	-	-
Net cash (used in)/generated from financing activities		(286,538)	(393,823)	(144,688)	49,990
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>147,424</b>	<b>56,148</b>	<b>(327)</b>	<b>(495)</b>
<b>CURRENCY TRANSLATION DIFFERENCES</b>		<b>(531)</b>	<b>(1,195)</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>269,973</b>	<b>215,020</b>	<b>3,642</b>	<b>4,137</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	28	<b>416,866</b>	<b>269,973</b>	<b>3,315</b>	<b>3,642</b>

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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

**RECONCILIATION OF LIABILITES ARISING FROM FINANCING ACTIVITES**

	<u>Cashflows</u>				<u>Non-cash movement</u>				
	<u>At</u>			<u>Finance</u>	<u>Finance</u>		<u>Foreign</u>	<u>Hire</u>	<u>At</u>
	<u>1 Jan</u>	<u>Drawdown</u>	<u>Repayments</u>	<u>costs paid</u>	<u>costs</u>	<u>Contra</u>	<u>exchange</u>	<u>purchase/</u>	<u>31 Dec</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>movement</u>	<u>leases</u>	<u>RM'000</u>
							<u>RM'000</u>	<u>RM'000</u>	
<u>2022</u>									
<u>Group</u>									
Borrowings (exclude overdraft)	1,810,991	840,755	(817,437)	(92,084)	92,084	-	-	36,401	1,870,710
Lease liabilities	1,319,261	-	(133,815)	-	103,582	-	(3,474)	577,291	1,862,845
<u>Company</u>									
Borrowings	206,505	93,000	(84,335)	(6,497)	6,497	-	-	-	215,170
Amount due to subsidiaries	390,190	-	(54,839)	(14,649)	14,649	55,055	-	-	390,406
<u>2021</u>									
<u>Group</u>									
Borrowings (exclude overdraft)	1,943,370	235,285	(385,710)	(90,544)	90,544	-	(53)	18,099	1,810,991
Lease liabilities	1,198,950	-	(111,550)	-	76,745	-	(1,007)	156,123	1,319,261
<u>Company</u>									
Borrowings	112,634	146,000	(52,129)	(5,571)	5,571	-	-	-	206,505
Amount due to subsidiaries	441,102	-	(39,752)	(17,707)	17,707	(11,160)	-	-	390,190

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

### 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 13, Menara KPJ, 238 Jalan Tun Razak, 50400 Kuala Lumpur.

The address of principal place of business of the Company is Level 12, Menara KPJ, 238 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 22 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution on 17 February 2023.

### 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.



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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 2.1 Basis of preparation (continued)

For the financial year ended 31 December 2022, the Group recorded a profit for the year of RM182,653,000, operating cash inflows of RM459,772,000 and shareholders' equity of RM2,354,218,000. The Directors believe that there are no material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern and it is appropriate to prepare the financial statements of the Group and of the Company on a going concern basis.

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

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2022:

Amendments to MFRS 3: Reference to the Conceptual Framework

Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use

Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018-2021:

- Amendments to MFRS 1: First-time Adoption of International Financial Reporting Standards – Subsidiary as A First-time Adopter
- Amendments to MFRS 9: Financial Instruments – Fees in the '10 percent' Test for Derecognition of Financial Liabilities

The adoption of the above standards and interpretations did not give rise to significant effect on the financial performance or position of the Group and of the Company.

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

The standards and interpretations that are issued but not yet effective are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101 and MFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group intends to adopt these standards when they become effective. The Directors of the Company do not anticipate that the application of these standards will have a significant impact on the Group's financial statements.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Basis of consolidation**

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

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

- (i) Power over the investee (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.

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 interests, is recognised in the profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to the profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.5 Business combinations**

Acquisitions of subsidiaries are accounted for using the acquisition method except for Johor Specialist Hospital Sdn Bhd and Ipoh Specialist Hospital Sdn Bhd which were consolidated using the merger method of accounting as disclosed below. 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 9 in profit or loss. 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 9, it is measured in accordance with the appropriate MFRS.

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.6 Subsidiaries**

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.11.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are included in the profit or loss.

**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 profit or loss for the period in which the investment is acquired.

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

Under the equity method, 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 other comprehensive income ("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 the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.7 Investments in associates (continued)**

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 profit or loss after tax and non-controlling interests in the subsidiaries of the associate. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf 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 within 'Share of profit of an associate' in the income statement.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in profit or loss.

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.8 Property, plant and equipment**

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at fair value less subsequent depreciation and impairment losses. Valuations are performed in every five years by external valuers to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.11.

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

Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Note 2.21 on borrowing costs).

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in other income/loss in profit or loss.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (continued)

When revalued assets are sold, the revaluation surplus included in equity is transferred directly to retained earnings when the asset is retired or disposed of.

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%

Depreciation on assets under construction commences when the assets are ready for their intended use.

Leased assets (including leasehold land) are presented as a separate line item within right-of-use assets in statement of financial position. See accounting policy Note 2.15(a)(ii) on right-of-use assets for these assets.

2.9 Investment properties

Investment properties are initially measured at cost, including professional fees for legal services, property transfer taxes, other transaction costs and borrowing costs if the investment property meets the definition of a qualifying asset. 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 profit or loss 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.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.9 Investment properties (continued)**

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

Investment properties are derecognised 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 profit or loss 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 profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.31.



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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, which includes cost to purchase the software and direct cost such as salaries and hardware usage costs specifically attributable to each project.

Software development expenditure is capitalised when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and use or sell the asset;
- the ability to use or sell the intangible asset generated;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

When development is complete and the asset is available for use, it is amortised over the straight-line basis over a period of 5 to 10 years. During the period of development, the asset is tested for impairment annually. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.11. Cost incurred in software development which have ceased to be technically viable, are written off.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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").

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

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.

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 profit or loss.

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured subsequently at amortised cost

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(c) Measurement (continued)

**Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost and are subject to impairment. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and recognised in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income as applicable.

(ii) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income as applicable.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(c) Measurement (continued)

**Debt instruments (continued)**

(iii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

**Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial assets, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable.

(d) Subsequent measurement - Impairment

**Impairment for debt instruments and financial guarantee contracts**

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

**Impairment for debt instruments and financial guarantee contracts (continued)**

The Group and the Company has the followings financial instruments that are subject to the ECL model:

- Trade receivables and other receivables and intercompany receivables
- Financial guarantee contracts

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss is immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(d) Subsequent measurement - Impairment (continued)

**Impairment for debt instruments and financial guarantee contracts (continued)**

The ECL approach can be classified into the categories below:

- (i) General 3-stage approach for other receivables, intercompany receivables (non-trade) and financial guarantee contracts issued.

At each reporting date, the Group and the Company measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 3(a)(ii) sets out the measurement details of ECL.

- (ii) Simplified approach for trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 3(a)(i) sets out the measurement details of ECL.

**Significant increase in credit risk**

The Group and the Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(d) Subsequent measurement - Impairment (continued)

**Significant increase in credit risk (continued)**

- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

**Definition of default and credit-impaired financial assets**

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

**Groupings of instruments for ECL measured on collective basis**

(i) Collective assessment

To measure ECL, trade receivables arising from hospital operations have been grouped based on shared credit risk characteristics such as type of receivables and the days past due.

(ii) Individual assessment

Trade receivables which are in default or credit-impaired are assessed individually.



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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(d) Subsequent measurement - Impairment (continued)

**Write-off**

(i) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period after schedule payment was made.

Impairment losses on trade receivables are presented as impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other receivables

The Group's and the Company's assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is 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 to 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.

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.

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.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under *MFRS 9: Financial instruments* and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of *MFRS 15: Revenue from Contracts with Customers*, where appropriate.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.15 Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) Accounting by lessee

Leases are recognised as right-of-use (“ROU”) asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

i) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to (iv) below).

ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs, if any.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset’s useful life and the lease term on the straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset’s useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

While the Group revalues land and building (presented as part of property, plant and equipment) that it owns, it has chosen not to revalue the ROU building held by the Group.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (continued)

(a) Accounting by lessee (continued)

iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of comprehensive income.

iv) Reassessment of lease liabilities

The carrying amount of lease liabilities is remeasured and adjusted against the ROU assets if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

v) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on the straight-line basis as an expense in profit or loss.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (continued)

(b) Accounting by lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(i) Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investment is subject to MFRS 9 impairment (refer to Note 2.12(d) on impairment of financial assets). In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

(ii) Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(iii) Sublease classification

When the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

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

**2.17 Non-current assets (or disposal groups) classified as assets held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Assets and liabilities classified as held for sale are presented as separately as current items in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented as a single amount in the statement of comprehensive income

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.17 Non-current assets (or disposal groups) classified as assets held for sale and discontinued operations (continued)**

Additional disclosures are provided in Note 14. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

**2.18 Inventories**

Inventories are stated at the lower of cost (determined on the weighted average basis and includes expenditure incurred in bringing the inventories to its present location and condition) and net realisable value.

Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

**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.

**2.20 Trade and other payables**

Trade and other payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade and other 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 and other payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

**2.21 Borrowings and borrowing costs**

**(a) Borrowings**

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Borrowings and borrowing costs (continued)

(a) Borrowings (continued)

Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss 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.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in profit or loss.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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 profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

When borrowings measured at amortised cost is modified without this resulting in derecognition, any gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, shall be recognised immediately in profit or loss.

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 profit or loss in the period in which they are incurred.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.22 Current and deferred income taxes**

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(a) Current tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

**(b) Deferred tax**

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

The Group's accounting policy in respect of reinvestment allowance/investment tax allowance tax credit is to recognise the tax credit when it is utilised as a reduction of current income tax liability and no deferred tax asset is recognised when the tax credit arises.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the investor is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the investor the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.



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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.22 Current and deferred income taxes (continued)**

**(b) Deferred tax (continued)**

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**2.23 Employee benefits**

**(a) Short-term benefits**

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as accruals in the statement of financial position.

**(b) Defined contribution plans**

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(c) Defined benefit plans**

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.23 Employee benefits (continued)**

**(c) Defined benefit plans (continued)**

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in profit or loss in employee benefit expense, except where included in the cost of an asset.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income in the period in which they arise.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

**2.24 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 profit or loss, with a corresponding adjustment to share option reserve in equity.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.24 Share-based payments - Employee options (continued)**

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 when the options are exercised together with the share option reserve. 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.

The Company recharges the subsidiaries the difference between the market price at the date of exercise and the exercise price. When the Company recharges its subsidiaries, it is treated as a return of the capital contribution by the subsidiaries, with a corresponding credit to profit or loss.

**2.25 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

Onerous contracts

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

The present value of future payments for surplus leased properties under non-cancellable operating leases, net of estimated sub-leasing revenue, is recognised as a liability (or, if lower, the costs of exiting from the contract) for the leased property that is no longer part of a cash-generating unit.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.26 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.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

**2.27 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 terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

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

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.28 Share capital and share issuance expenses**

(a) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual arrangement of the particular instrument. See accounting policy Note 2.21 on borrowings.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

(c) Dividend distribution

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

Distributions to holders of an equity instrument is recognised directly in equity.

(d) Purchase of own shares

Where any company within the Group purchases the Company's equity instruments as a result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled, reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners of the Company.

**2.29 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 profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Revenue recognition

Revenue from contracts with customers

(a) Revenue from hospital and healthcare charges

Revenue from hospital and healthcare charges comprises inpatient and outpatient hospital charges and sales of pharmaceutical products, medical supplies and surgical products. These revenue are recognised as follows:

i. Revenue from inpatient and outpatient hospital charges

Inpatient revenue is recognised on a daily basis, as services are provided or goods delivered to patients. These services are typically provided over a short time frame, such as the use of medical equipment, drugs, nursing procedures, room charges and others.

Outpatient cases generally do not involve surgical procedures and revenue is recognised on an individual component basis when performance obligations are satisfied. The outpatient revenue charges are identified as separate performance obligations as the services are separately identifiable.

Revenue is recognised at a point in time as services are rendered or goods delivered. Revenue will only be recognised to the extent that if it is highly probable that a significant reversal will not occur, net of discounts. A receivable is recognised upon billing net of deposits received.

ii. Vaccine administration services

The Group has been appointed to administer Covid-19 vaccination under the Pusat Pemberian Vaksin Hospital Swasta scheme. While the vaccine is provided by the Ministry of Health, the Group incurs consumables in carrying out the services including vaccine cold chain management, vaccination pre-assessment, counseling and consent taking, vaccine administration, management and reporting of adverse event following immunisation during the post vaccination observation, and management and reporting of vaccine stock, use, wastage and disposal.

Revenue from vaccine administration services are recognised at a point of time when the vaccines are administered. The services offered are series of interdependent activities to administer vaccination services to vaccinees referred through MySejahtera application by the Malaysian Government. Revenue from vaccine administration services are recognised at RM14 per dose administered.

iii. Wellness packages / Aged care revenue

Revenue from wellness packages/aged care are recognised as and when the performance obligations are satisfied. Each service offered has been identified as a separate performance obligation.

Advance payment received are recognised as contract liabilities/deposit received.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.30 Revenue recognition (continued)**

Revenue from contracts with customers (continued)

(b) Tuition fees

Revenue from tuition fees will be recognised within the semester of each courses offered to the students. Each number of semesters are identified as a performance obligation and the transaction price is allocated according to each semester based on cost plus margin. The revenue will then be recognised over time throughout the semester. Advance payment received at the commencement of the semester will be recognised as contract liabilities. Non-refundable registration fees and enrolment fees are recognised at point in time.

(c) Management fees

Management fees are recognised in the accounting period in which the services are rendered to the subsidiaries and the Group has a present right to payment for the services.

Revenue from other sources

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established. Dividends that clearly represent a recovery of part of the cost of an investment is recognised in OCI if it relates to an investment in equity instruments measured at FVOCI.

(e) Interest income

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

(f) 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.

**2.31 Foreign currencies**

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.31 Foreign currencies (continued)**

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within finance income or expenses. All other foreign exchange gains and losses are presented in profit or loss on a net basis within finance income or expenses.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments classified as at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as at fair value through other comprehensive income, are included in other comprehensive income.

**(c) Group companies**

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

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



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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.31 Foreign currencies (continued)**

(c) Group companies (continued)

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

**2.32 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The Board of Directors has appointed KPJ Group Management Committee (“KGMC”) which assesses the financial performance and position of the Group, and makes strategic decisions. The KGMC, which has been identified as being the chief operating decision maker, consists of the Group Senior Management of the Company.

**2.33 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 are 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.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.33 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.

**2.34 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 profit or loss 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 profit or loss over the life of the related property, plant and equipment as a reduced depreciation expense.

**2.35 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.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.36 Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. parties are also considered related if they are subject to common control or common significant influence. related parties may be individuals including close members of the individuals, or corporate entities.

**2.37 Zakat**

This represents business zakat. The Group and Company recognise its obligation towards the payment of zakat on business income in the statement of comprehensive income. Zakat expense is derived from the net adjusted amount of zakat assets and liabilities used for or derived from business activities.

**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.

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**3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(a) Credit risk (continued)

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(a)(iii).

**Group impairment policy**

(i) Trade receivables using simplified approach

The historical loss rates are calculated based on the percentage of revenue that will turn into bad debts at the end of the period. The expected loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group have identified the gross domestic product ("GDP") and credit rating of each category of customers to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

(ii) Other receivables using general 3-stage approach

The Group and the Company use three categories for other receivables which reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's and the Company's ECL model is as follows:

<b>Category</b>	<b>Group's and Company's definition of category</b>	<b>Basis for recognising ECL</b>
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see <b>Note 2.12(d)</b> above)	Lifetime ECL
Non-performing	Interest and/or principal repayments are 90 days past due or there is evidence indicating the asset is credit-impaired (see <b>Note 2.12(d)</b> above)	Lifetime ECL (credit impaired)

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3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

**Group impairment policy (continued)**

Category	Group's and Company's definition of category	Basis for recognising ECL
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount (see <b>Note 2.12(d)</b> above)	Asset is written off

Based on the above, loss allowance is measured on either 12 month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ("probability of default") – the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ("loss given default") – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ("exposure at default") – the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group and the Company consider historical data by each debtor by category and adjusts for forward-looking macroeconomic data. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

**Maximum exposure to credit risk**

(i) Trade receivables using simplified approach

The Group recognises the ECL allowance using provision rates that are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The loss allowance recognised as at 31 December 2022 is RM15,306,000 (2021: RM32,307,000).

The remaining amount not provided are deemed recoverable, with low probability of default. This is supported after considering the historical data by each debtor category and the possibility of no credit loss may occur.

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3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

**Maximum exposure to credit risk (continued)**

(ii) Other receivables using general 3-stage approach

The maximum exposure to credit risk for other receivable balances is represented by the carrying amount recognised in the statement of financial position due to the balances are considered to be performing, have low risk of default and strong capacity to meet contractual cash flow.

(iii) Financial guarantee contracts using general 3-stage approach

The following table contains an analysis of the credit risk exposure of financial guarantee contracts for which an ECL allowance is recognised. The total amount guaranteed below also represents the maximum amount that the Company has to pay if the guarantee is called on:

	Stage 1 12 month ECL RM'000	Stage 2 Lifetime ECL RM'000	Stage 3 Lifetime ECL RM'000	Total RM'000
Company's internal credit rating				
Performing	1,388,393	-	-	1,388,393
Underperforming	-	-	-	-
Non-performing	-	-	-	-
Total amount guaranteed	1,388,393	-	-	1,388,393
Loss allowance	-	-	-	-

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**3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(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.

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.

	On demand or within <u>1 year</u> RM'000	<u>1 - 5 years</u> RM'000	Over <u>5 years</u> RM'000	<u>Total</u> RM'000
<u>2022</u>				
<u>Group</u>				
Trade and other payables	720,220	1,743	-	721,963
Borrowings	878,109	511,203	614,403	2,003,715
Lease liabilities	141,224	564,566	2,949,853	3,655,643
Deposits	-	-	11,948	11,948
	<u>1,739,553</u>	<u>1,077,512</u>	<u>3,576,204</u>	<u>6,393,269</u>
Total undiscounted financial liabilities	<u>1,739,553</u>	<u>1,077,512</u>	<u>3,576,204</u>	<u>6,393,269</u>

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3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	On demand or within <u>1 year</u> RM'000	<u>1 - 5 years</u> RM'000	Over <u>5 years</u> RM'000	<u>Total</u> RM'000
<u>2022 (continued)</u>				
<u>Company</u>				
Trade and other payables	19,722	-	-	19,722
Amounts due to subsidiaries	97,192	293,214	-	390,406
Borrowings	223,798	233	-	224,031
Financial guarantee contracts*	471,501	340,613	576,279	1,388,393
	<u>812,213</u>	<u>634,060</u>	<u>576,279</u>	<u>2,022,552</u>
<u>2021</u>				
<u>Group</u>				
Trade and other payables	618,260	4,740	-	623,000
Borrowings	894,969	937,097	77,135	1,909,201
Lease liabilities	100,983	413,461	1,918,051	2,432,495
Deposits	-	-	12,210	12,210
	<u>1,614,212</u>	<u>1,355,298</u>	<u>2,007,396</u>	<u>4,976,906</u>
<u>Company</u>				
Trade and other payables	15,688	-	-	15,688
Amounts due to subsidiaries	103,533	286,657	-	390,190
Borrowings	206,135	370	-	206,505
Financial guarantee contracts*	419,571	681,804	-	1,101,375
	<u>744,927</u>	<u>968,831</u>	<u>-</u>	<u>1,713,758</u>

\* Related to Islamic Medium Term Notes (Note 32)



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (c) Interest rate risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from their 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 (2021: 25 basis points) lower/higher, with all other variables held constant, the Group's profit before tax for the financial year would have been RM540,445 (2021: RM938,087) 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.

#### (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.

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4 CAPITAL MANAGEMENT (CONTINUED)

The Group's gross gearing ratios as at 31 December 2022 and 2021 were as follows:

	Group	
	2022	2021
	RM'000	RM'000
Current borrowings	839,415	860,457
Non-current borrowings	1,047,763	968,007
Total borrowings (Note 32) – [A]	1,887,178	1,828,464
Shareholders' funds – [B]	2,227,260	2,135,430
Gross gearing ratio (%) – [A] / [B]	0.85	0.86

Borrowings represent short-term borrowings and term loans from licensed banks, hire purchase creditors, Islamic Medium Term Notes and excludes lease liabilities.

The Group has complied with all material external financial covenants during the financial year as disclosed in Note 32.

5 FAIR VALUE DISCLOSURE

(a) Determination of fair value of financial instruments

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	26
Deposits, bank and cash balances	28
Trade and other payables and amounts due to subsidiaries	30
Borrowings	32
Deposits	35

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5 FAIR VALUE DISCLOSURE (CONTINUED)

(a) Determination of fair value of financial instruments (continued)

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

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 non-current financial liabilities, which primarily comprise advances to or from subsidiaries, borrowings and deposits, 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. The fair value of these financial liabilities are disclosed in their respective notes.

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

The fair values of the Group's non-current fixed-rate borrowings are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The fair values of these instruments are disclosed in Note 32.

(b) Fair value measurement

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

	Level 1		Level 3	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Equity instruments classified as FVOCI (Note 24)	1,241	1,458	-	-
Property, plant and equipment (Note 17):				
- Freehold land	-	-	247,534	245,564
- Buildings	-	-	1,454,790	1,346,160
Investment properties (Note 19)	-	-	360,420	346,116
	<u>1,241</u>	<u>1,458</u>	<u>2,062,744</u>	<u>1,937,840</u>
<u>Company</u>				
Equity instruments classified as FVOCI (Note 24)	26,251	1,458	-	-

The Group and the Company do not have any financial liabilities carried at fair value nor any assets or liabilities classified as Level 2 as at 31 December 2022 and 31 December 2021.

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**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 periods.

Key sources of estimation uncertainty or judgements made in applying accounting policies

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 and judgement in applying group accounting policies 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 value in use calculations. The calculations require the use of estimates as set out in Note 21.

(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 value. These require the use of external valuers and assumptions that are based on unobservable inputs. The key assumptions are as disclosed in Note 19 to the financial statements.

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6 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Key sources of estimation uncertainty or judgements made in applying accounting policies (continued)

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 and judgement in applying group accounting policies are discussed below. (continued)

(d) Extension and termination of options as lessee

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment that is within the control of the lessee. Refer to Note 18 for details about Group's ROU assets.

7 REVENUE

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
<u>Revenue from contract with customers</u>				
Recognised at a point in time:				
Revenue from hospital and healthcare charges				
- Revenue from inpatient and outpatient hospital charges				
- Revenue from hospital	2,674,231	2,361,107	-	-
- Management fees from consultants	103,060	74,000	-	-
- Wellness packages	6,266	7,080	-	-
- Vaccine administration services	1,830	15,125	-	-
- Aged care revenue	55,598	56,256	-	-
	<u>2,840,985</u>	<u>2,513,568</u>	<u>-</u>	<u>-</u>
Recognised over time :				
Tuition fees	36,028	32,848	-	-
Management fees	4,353	5,698	58,712	49,456
	<u>40,381</u>	<u>38,546</u>	<u>58,712</u>	<u>49,456</u>
	<u>2,881,366</u>	<u>2,552,114</u>	<u>58,712</u>	<u>49,456</u>

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7 REVENUE (CONTINUED)

	Group		Company	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
<u>Revenue from other sources</u>				
Dividend income	-	-	131,024	84,106
Interest income	-	-	24,129	22,577
Rental income	39,190	37,325	-	-
Other revenue	102	412	-	-
	<u>39,292</u>	<u>37,737</u>	<u>155,153</u>	<u>106,683</u>
	<u>2,920,658</u>	<u>2,589,851</u>	<u>213,865</u>	<u>156,139</u>

Hospital and healthcare charges generally relates to contracts with patients in which performance obligations are to provide healthcare services. The performance obligations for inpatient services are generally satisfied over a short period, and revenue from inpatients is recorded when the healthcare services is performed. The performance obligations for outpatient and daycare services are generally satisfied over a period of less than one day, and revenue is also recorded when the healthcare services is performed. Revenue from sales of pharmaceutical products are recognised upon delivery to customers.

There are no unsatisfied performance obligations at the end of the financial year.

Revenue from tuition fees and management fees are recognised over time.

Disaggregation of revenue from contracts with customers

The following tables show the Group's revenue disaggregated by the Group's major services and provide reconciliations of the disaggregated revenue with the major market segments.

	Hospital and healthcare charges		Others		Total
	<u>Malaysia</u>	<u>Others</u>	<u>Malaysia</u>	<u>Others</u>	
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2022</u>					
Segment revenue	3,354,554	73,158	371,180	36,631	3,835,523
Intersegment revenue	(586,727)	-	(327,572)	(566)	(914,865)
Revenue from external customers	<u>2,767,827</u>	<u>73,158</u>	<u>43,608</u>	<u>36,065</u>	<u>2,920,658</u>
<u>2021</u>					
Segment revenue	2,980,697	75,209	341,221	33,414	3,430,541
Intersegment revenue	(542,337)	-	(297,787)	(566)	(840,690)
Revenue from external customers	<u>2,438,360</u>	<u>75,209</u>	<u>43,434</u>	<u>32,848</u>	<u>2,589,851</u>

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8 ZAKAT

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

9 FINANCE INCOME AND COSTS

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
<u>Finance costs</u>				
<u>Borrowings</u>				
Profit sharing on Islamic financing:				
- Islamic Medium Term Notes	64,278	59,621	-	-
- Term loans	10,874	15,189	-	-
- Revolving credits	7,640	6,782	6,479	5,547
- Hire purchase creditors	2,829	2,625	18	24
- Bank overdrafts	1,419	1,411	-	-
Interest expense on conventional financing:				
- Term loans	5,012	4,604	-	-
- Hire purchase creditors	10	23	-	-
- Interest on advances from subsidiaries	-	-	14,649	17,707
- Revolving credits	1,012	1,409	-	-
	<u>93,074</u>	<u>91,664</u>	<u>21,146</u>	<u>23,278</u>
Less: Interest expense capitalised in:				
- Property, plant and equipment (Note 17)	(1,062)	(1,673)	-	-
	<u>92,012</u>	<u>89,991</u>	<u>21,146</u>	<u>23,278</u>
Lease liabilities	103,582	76,745	-	-
	<u>195,594</u>	<u>166,736</u>	<u>21,146</u>	<u>23,278</u>
<u>Finance income</u>				
Profit sharing from deposits with licensed banks	(12,174)	(8,552)	-	-
Net finance costs	<u>183,420</u>	<u>158,184</u>	<u>21,146</u>	<u>23,278</u>

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5% (2021: 5%).

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10 PROFIT BEFORE TAX

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

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Auditors' remuneration:					
- Statutory audits					
- EY Malaysia		1,724	1,765	378	354
- Non-EY		621	730	-	-
- Other services					
- EY Malaysia		2,165	992	2,165	992
- PwC		3,296	14	3,296	14
- Non-EY/PwC		147	1,228	147	1,228
Trade receivables:					
- Allowance for ECL	26	(5,755)	11,568	-	-
Amount due from subsidiaries:					
- Allowance for ECL	26	-	-	3,189	-
Contribution to Klinik Waqaf An-Nur	39	2,495	4,818	-	36
Directors' remuneration	12	5,702	4,321	5,461	4,321
Cost of medical supplies		811,347	834,482	-	-
Inventories written-off		(64)	627	-	-
Professional fees		8,422	7,424	3,544	3,737
Repair and maintenance		107,948	95,429	2,504	1,374
Investment properties:					
- Rental income		(15,625)	(15,365)	-	-
- Direct operating expenses		10,175	10,335	-	-
- Gain on fair value	19	(3,280)	(13,410)	-	-
Property, plant and equipment:					
- Depreciation	17	185,625	180,702	399	294
- Written-off		1,875	702	-	-
- (Gain)/ loss on disposal		(2,064)	(561)	4	-
- Impairment (gain)/loss	17	(6,709)	10,073	-	-
Gain on disposal of assets held for sale		(4,353)	-	-	-
Right-of-use assets:					
- Depreciation	18	65,793	56,701	-	-
- Gain on disposal		-	(137)	-	-
Rental expense of land and buildings	18	7,333	5,301	4,043	3,791
Rental of equipment and vehicles	18	7,596	6,198	-	153
Employee benefits costs	11	941,779	824,659	52,860	44,488
Intangible assets:					
- Amortisation of software expenditure	20	10,408	11,508	-	-
- Impairment of goodwill	20	-	4,028	-	-
- Written-off	20	3,559	474	-	-



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11 EMPLOYEE BENEFITS COSTS

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Staff costs (excluding Directors' remuneration):				
- Salaries, allowances and bonuses	848,486	736,507	45,114	38,883
- Contributions to defined contribution plan	93,096	87,938	7,746	5,605
- Provision for retirement benefits (Note 34)	197	214	-	-
	<u>941,779</u>	<u>824,659</u>	<u>52,860</u>	<u>44,488</u>

12 DIRECTORS' REMUNERATION

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Managing and Executive Directors:				
- Fees	-	-	-	-
- Salaries, allowances and bonuses	2,682	1,473	2,682	1,473
- Contributions to defined contribution plan	221	221	221	221
- Benefits-in-kind	45	24	45	24
	<u>2,948</u>	<u>1,718</u>	<u>2,948</u>	<u>1,718</u>
Non-Independent Non-Executive Directors:				
- Fees	700	653	700	653
- Allowances	558	450	558	450
- Benefits-in-kind	23	-	23	-
	<u>1,281</u>	<u>1,103</u>	<u>1,281</u>	<u>1,103</u>
Independent Non-Executive Directors:				
- Fees	620	768	620	768
- Allowances	839	701	839	701
- Benefits-in-kind	6	31	6	31
	<u>1,465</u>	<u>1,500</u>	<u>1,465</u>	<u>1,500</u>
	<u>5,694</u>	<u>4,321</u>	<u>5,694</u>	<u>4,321</u>

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12 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:

	<u>Number of directors</u>	
	<u>2022</u>	<u>2021</u>
<u>Managing and Executive Directors:</u>		
RM1,000,001 - RM1,500,000	1	-
RM1,500,001- RM2,000,000	1	1
<u>Non-Independent Non-Executive Directors:</u>		
RM1 - RM100,000	1	-
RM100,001 - RM200,000	1	5
RM200,001- RM300,000	4	2
<u>Independent Non-Executive Directors</u>		
RM1 – RM100,000	2	-
RM100,001 - RM200,000	1	4
RM200,001 - RM300,000	2	4
RM300,001 - RM400,000	2	-
	15*	16
	15*	16

\* Including 5 (2021:4) Directors that have resigned during the financial year.

13 TAX

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Malaysian income tax:				
- In respect of current financial year	61,822	65,508	-	170
- Over provision of prior years income tax	(1,024)	(15,962)	(170)	(226)
Foreign income tax:				
- In respect of current financial year	-	637	-	-
- Over provision of prior years income tax	(363)	(430)	-	-
	60,435	49,753	(170)	(56)
Deferred tax (Note 25)	12,773	(885)	(84)	-
	73,208	48,868	(254)	(56)
Income tax expense recognised in the profit or loss	73,208	48,868	(254)	(56)

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13 TAX (CONTINUED)

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Discontinued operations</u>				
Foreign income tax:				
- In respect of current financial year	583	1,079	-	-
- Over provision of prior years income tax	(997)	-	-	-
	(414)	1,079	-	-
Deferred tax (Note 25)	311	-	-	-
Income tax expense attributable to a discontinued operation (Note 14)	(103)	1,079	-	-
Total income tax expense recognised in the profit or loss	73,105	49,947	(254)	(56)
Deferred tax related to other comprehensive income (Note 25)	(5)	2,530	-	-

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before tax				
- continuing operations	263,532	121,243	99,596	59,252
- discontinued operation (Note 14)	(7,774)	(5,645)	-	-
	255,758	115,598	99,596	59,252
Tax at Malaysian statutory tax rate of 24% (2021: 24%)	61,382	27,744	23,903	14,220
Tax effects of:				
- Different tax rates	(685)	(602)	-	-
- Income not subject to tax	(3,705)	(2,159)	(33,741)	(22,375)
- Expenses non-deductible for tax purposes	22,538	25,520	8,352	7,722
- Share of results of associates	(11,463)	(6,205)	-	-
- Under/(Over) provision of prior years income tax	3,001	(16,392)	(170)	(226)
- Deductible temporary differences not recognised	29,892	23,180	1,402	603
- Utilisation/Realisation of deductible temporary differences previously not recognised	(27,855)	(1,139)	-	-
Income tax expense	73,105	49,947	(254)	(56)

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14 DISCONTINUED OPERATIONS

KPJ's Management had in April 2022, committed to a plan for the divestment of its 100% interest in PT Al-Aqar Bumi Serpong Damai, 100% interest in PT Al-Aqar Permata Hijau, 80% interest in PT Khidmat Perawatan Jasa Medika and 75% interest in PT Khasanah Putera Jakarta Medica (collectively referred as "divestment of Indonesia's Operation") by 2023 as part of its strategic plan to place greater focus on the Group's core Malaysia segment. As the operation was not a discontinued operation nor was it classified as held for sale as at 31 December 2021, the comparative consolidated statement of comprehensive income for the financial year ended 2022 has been re-presented to show the discontinued operation separately from continuing operations.

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

	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Revenue	37,844	36,998
Cost of sales	(24,329)	(22,847)
Gross profit	13,515	14,151
Administrative expenses	(21,736)	(20,207)
Other income	434	833
Operating loss	(7,787)	(5,223)
Finance income	85	131
Finance costs	(72)	(553)
Finance costs – net	13	(422)
Loss before tax (Note 13)	(7,774)	(5,645)
Tax (Note 13)	103	(1,079)
Net loss for the financial year from discontinued operations	(7,671)	(6,724)
Other comprehensive income	89	2,275
Total comprehensive loss from discontinued operations	(7,582)	(4,449)
Loss for the financial year attributable to:		
Owners of the company	(5,011)	(3,752)
Non-controlling interests	(2,660)	(2,972)
	(7,671)	(6,724)
Total comprehensive loss for the financial year attributable to:		
Owners of the company	(4,922)	(1,477)
Non-controlling interests	(2,660)	(2,972)
	(7,582)	(4,449)

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14 DISCONTINUED OPERATIONS (CONTINUED)

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

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Net cash used in operating activities	(8,260)	(2,943)
Net cash used in investing activities	(1,802)	(4,328)
Net cash generated from financing activities	11,953	10,048
	<u>1,891</u>	<u>2,777</u>

c. Included in the profit or loss are the following expenses:

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Auditors' remuneration:		
- Statutory audits	260	212
Cost of medical supplies	13,587	12,142
Directors' remuneration	165	154
Professional fees	91	123
Repair and maintenance	915	550
Property, plant and equipment:		
- Depreciation	4,308	5,080
Right-of-use assets:		
- Depreciation	1,520	1,280
Employee benefits costs	9,569	8,327
	<u>9,569</u>	<u>8,327</u>

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15 DIVIDENDS

Group and Company  
RM'000

Declared in 2022 in respect of:

Financial year ended 31 December 2022

First interim single tier dividend of 0.20 sen per ordinary share paid on 22 April 2022.	8,685
Second interim single tier dividend of 0.25 sen per ordinary shares paid on 29 July 2022.	10,858
Third interim single tier dividend of 0.55 sen per ordinary shares paid on 21 October 2022	23,888
Fourth interim single tier dividend of 1.00 sen per ordinary shares paid on 28 December 2022	43,432
	<u>86,863</u>

The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2022.

Declared in 2021 in respect of:

Financial year ended 31 December 2021

First interim single tier dividend of 0.25 sen per ordinary share paid on 15 October 2021	10,748
Second interim single tier dividend of 0.30 sen per ordinary share paid on 28 December 2021	12,979
	<u>23,727</u>

The Directors are of the opinion that the Company is able to pay its debts, identified as at the date of the statements of financial position, as being the debts as they fall due and that the company will remain solvent for the period of twelve months after the date of declaration.

The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2022.

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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.

	<u>2022</u>	<u>Group</u> <u>2021</u>
<u>Continuing operations</u>		
Profit attributable to Owners of the Company (RM'000)	171,992	54,785
Weighted average number of ordinary shares in issue ('000)	4,341,403	4,291,969
Basic earnings per share (sen)	<u>3.96</u>	<u>1.28</u>
<u>Discontinued operations</u>		
Loss attributable to Owners of the Company (RM'000)	(5,011)	(3,752)
Weighted average number of ordinary shares in issue ('000)	4,341,403	4,291,969
Basic earnings per share (sen)	<u>(0.12)</u>	<u>(0.09)</u>

(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 at reporting date is ESOS.

For the ESOS granted to employees, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding ESOS. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of 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 ESOS calculation.

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16 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (continued)

	<u>2022</u>	<u>Group</u> <u>2021</u>
<u>Continuing operations</u>		
Profit attributable to Owners of the Company (RM'000)	171,992	54,785
Weighted average number of ordinary shares in issue ('000)	4,341,403	4,291,969
Assumed shares issued from the exercise of ESOS ('000)	102,421	123,805
	<u>4,443,824</u>	<u>4,415,774</u>
Weighted average number of ordinary shares in issue ('000)	4,443,824	4,415,774
Diluted earnings per share (sen)	<u>3.87</u>	<u>1.24</u>
<u>Discontinued operations</u>		
Loss attributable to Owners of the Company (RM'000)	(5,011)	(3,752)
Weighted average number of ordinary shares in issue ('000)	4,341,403	4,291,969
Assumed shares issued from the exercise of ESOS ('000)	102,421	123,805
	<u>4,443,824</u>	<u>4,415,774</u>
Weighted average number of ordinary shares in issue ('000)	4,443,824	4,415,774
Diluted loss per share (sen)	<u>(0.11)</u>	<u>(0.08)</u>



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17 PROPERTY, PLANT AND EQUIPMENT

	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Renovation</u> RM'000	<u>Medical and other equipment</u> RM'000	<u>Furniture, fittings, motor vehicles and computers</u> RM'000	<u>Capital work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Group</u>							
<u>2022</u>							
At 1 January							
- Cost	-	-	435,715	1,078,817	562,231	296,584	2,373,347
- Valuation	245,564	1,367,880	-	-	-	-	1,613,444
	<u>245,564</u>	<u>1,367,880</u>	<u>435,715</u>	<u>1,078,817</u>	<u>562,231</u>	<u>296,584</u>	<u>3,986,791</u>
Exchange differences	-	(1,141)	(818)	(1,409)	(748)	-	(4,116)
Additions	-	10,298	50,774	119,462	35,172	54,876	270,582
Disposals	-	(909)	(11)	(218)	(3,029)	-	(4,167)
Written-off	-	-	(92)	(16,253)	(4,566)	(1,012)	(21,923)
Reclassifications	-	108,300	17,368	-	-	(125,668)	-
Transfer from/ (to) assets held for sale (Note 29)	-	15,696	(13,293)	(33,442)	(12,211)	-	(43,250)
Reversal of impairment loss (Note 10)	1,970	4,784	-	-	(45)	-	6,709
	<u>247,534</u>	<u>1,504,908</u>	<u>489,643</u>	<u>1,146,957</u>	<u>576,804</u>	<u>224,780</u>	<u>4,190,626</u>

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17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Renovation</u> RM'000	<u>Medical and other equipment</u> RM'000	<u>Furniture, fittings, motor vehicles and computers</u> RM'000	<u>Capital work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Group</u>							
<u>2022</u>							
At 31 December							
- Cost	-	-	489,643	1,146,957	576,804	224,780	2,438,184
- Valuation	247,534	1,504,908	-	-	-	-	1,752,442
	<u>247,534</u>	<u>1,504,908</u>	<u>489,643</u>	<u>1,146,957</u>	<u>576,804</u>	<u>224,780</u>	<u>4,190,626</u>

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17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Renovation</u> RM'000	<u>Medical and other equipment</u> RM'000	<u>Furniture fittings, motor vehicles and computers</u> RM'000	<u>Capital work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Group</u>							
<u>2022</u>							
<u>Accumulated depreciation</u>							
At 1 January	-	(21,720)	(231,317)	(651,122)	(406,394)	-	(1,310,553)
Exchange differences	-	(118)	746	1,289	1,059	-	2,976
Charge for the financial year (Note 10)	-	(31,711)	(38,215)	(74,545)	(41,154)	-	(185,625)
Disposals	-	54	2	180	2,729	-	2,965
Written-off	-	-	31	16,027	3,990	-	20,048
Transfer to assets held for sale (Note 29)	-	3,377	1,006	25,331	10,071	-	39,785
At 31 December	-	(50,118)	(267,747)	(682,840)	(429,699)	-	(1,430,404)
<u>Net carrying amounts</u>							
- Cost	-	-	221,896	464,117	147,105	224,780	1,057,898
- Valuation	247,534	1,454,790	-	-	-	-	1,702,324
At 31 December	247,534	1,454,790	221,896	464,117	147,105	224,780	2,760,222

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17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Renovation</u> RM'000	<u>Medical and other equipment</u> RM'000	<u>Furniture, fittings, motor vehicles and computers</u> RM'000	<u>Capital work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>2021</u>							
At 1 January							
- Cost	-	-	408,019	1,018,610	528,753	263,275	2,218,657
- Valuation	260,714	1,528,257	-	-	-	-	1,788,971
	<u>260,714</u>	<u>1,528,257</u>	<u>408,019</u>	<u>1,018,610</u>	<u>528,753</u>	<u>263,275</u>	<u>4,007,628</u>
Exchange differences	(1,077)	(875)	107	478	197	-	(1,170)
Additions	-	16,577	17,437	65,647	36,221	98,789	234,671
Disposals	-	-	-	(3,190)	(1,452)	-	(4,642)
Written-off	-	-	(2,467)	(2,728)	(1,584)	-	(6,779)
Reclassifications	-	52,765	12,619	-	96	(65,480)	-
Transfer from right-of-use assets (Note 18)	3,050	-	-	-	-	-	3,050
Transfer to investment property (Note 19)	-	(762)	-	-	-	-	(762)
Transfer to assets held for sale (Note 29)	(19,021)	(211,089)	-	-	-	-	(230,110)
Revaluation surplus	4,998	2,279	-	-	-	-	7,277
Impairment loss (Note 10)	(3,100)	(6,973)	-	-	-	-	(10,073)
Elimination of accumulated depreciation on revaluation	-	(5,469)	-	-	-	-	(5,469)
	<u>245,564</u>	<u>1,374,710</u>	<u>435,715</u>	<u>1,078,817</u>	<u>562,231</u>	<u>296,584</u>	<u>3,993,621</u>

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17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Renovation</u> RM'000	<u>Medical and other equipment</u> RM'000	<u>Furniture, fittings, motor vehicles and computers</u> RM'000	<u>Capital work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Group</u>							
<u>2021</u>							
At 31 December							
- Cost	-	-	435,715	1,078,817	562,231	296,584	2,373,347
- Valuation	245,564	1,374,710	-	-	-	-	1,620,274
	<u>245,564</u>	<u>1,374,710</u>	<u>435,715</u>	<u>1,078,817</u>	<u>562,231</u>	<u>296,584</u>	<u>3,993,621</u>
Less: Government grant received	-	(6,830)	-	-	-	-	(6,830)
	<u>245,564</u>	<u>1,367,880</u>	<u>435,715</u>	<u>1,078,817</u>	<u>562,231</u>	<u>296,584</u>	<u>3,986,791</u>

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17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Renovation</u> RM'000	<u>Medical and other equipment</u> RM'000	<u>Furniture fittings, motor vehicles and computers</u> RM'000	<u>Capital work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Group</u>							
<u>2021</u>							
<u>Accumulated depreciation</u>							
At 1 January	-	-	(199,333)	(585,317)	(359,395)	-	(1,144,045)
Exchange differences	-	214	(30)	(3)	(30)	-	151
Charge for the financial year (Note 10)	-	(30,502)	(34,421)	(71,668)	(49,191)	-	(185,782)
Disposals	-	-	-	3,155	1,323	-	4,478
Written-off	-	-	2,467	2,711	899	-	6,077
Elimination of accumulated depreciation on revaluation	-	5,469	-	-	-	-	5,469
Transfer to assets held for sale (Note 29)	-	3,099	-	-	-	-	3,099
At 31 December	-	(21,720)	(231,317)	(651,122)	(406,394)	-	(1,310,553)
<u>Net carrying amounts</u>							
- Cost	-	-	204,398	427,695	155,837	296,584	1,084,514
- Valuation	245,564	1,346,160	-	-	-	-	1,591,724
At 31 December	245,564	1,346,160	204,398	427,695	155,837	296,584	2,676,238

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17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>Motor vehicle</u>	<u>Computer</u>	<u>Company</u>
	RM'000	RM'000	Total
			RM'000
<u>2022</u>			
<u>Cost</u>			
At 1 January 2022	787	974	1,761
Additions	-	776	776
Disposal	-	(8)	(8)
At 31 December 2022	<u>787</u>	<u>1,742</u>	<u>2,529</u>
<u>Accumulated depreciation</u>			
At 1 January 2022	(230)	(273)	(503)
Charge for the financial year (Note 10)	(157)	(242)	(399)
Disposal	-	1	1
At 31 December 2022	<u>(387)</u>	<u>(514)</u>	<u>(901)</u>
<u>Net carrying amounts</u>			
At 31 December 2022	<u><u>400</u></u>	<u><u>1,228</u></u>	<u><u>1,628</u></u>
<u>2021</u>			
<u>Cost</u>			
At 1 January 2021	787	486	1,273
Additions	-	488	488
At 31 December 2021	<u>787</u>	<u>974</u>	<u>1,761</u>
<u>Accumulated depreciation</u>			
At 1 January 2021	(73)	(136)	(209)
Charge for the financial year (Note 10)	(157)	(137)	(294)
At 31 December 2021	<u>(230)</u>	<u>(273)</u>	<u>(503)</u>
<u>Net carrying amounts</u>			
At 31 December 2021	<u><u>557</u></u>	<u><u>701</u></u>	<u><u>1,258</u></u>

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17 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Revaluation of land and buildings

The Group's land and buildings were fully revalued as at 31 December 2020. As at year end, the Group assess whether there is an indication that the carrying values of these assets have differ materially from its fair value. Where an indication exists, 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. The lands were valued by reference to transactions of similar land 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 now less 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.

In current financial year, the reversal of impairment loss of RM6,709,000 (2021: impairment loss of RM10,073,000) represented the revaluation gain (2021: write-down) of certain freehold land and buildings mainly in the Malaysia (2021: others) segment to the recoverable amount as a result of the market conditions during and post pandemic based on revaluation carried out during the year. This was recognised in the statement of comprehensive income of the Group as administrative expenses.

The revaluations were made with reference to valuations carried out by independent firms of professional valuers, Messrs Raine & Horne International Zaki + Partners Sdn Bhd, Messrs Appraisal (Malaysia) Sdn Bhd and Messrs CBRE Valuations Pty Limited ("the Valuers").



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17 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

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:

	<u>2022</u>	<u>Group</u> <u>2021</u>
	RM'000	RM'000
<u>Cost</u>		
Freehold land	67,698	67,698
Buildings	715,949	602,701
	<u>783,647</u>	<u>670,399</u>
<u>Accumulated depreciation</u>		
Buildings	(72,433)	(49,791)
Net carrying amounts	<u>711,214</u>	<u>620,608</u>

The net book value of assets under hire purchase creditors as at 31 December 2022 is RM11,922,000 (2021: RM13,655,000).

The net book value of property, plant and equipment pledged for borrowing facilities as at 31 December 2022 is RM308,979,000 (2021: RM498,213,000) as disclosed in Note 32.

In 2021, a subsidiary received a government grant in relation to the construction of a hospital building amounting to RM6,830,000. The amount had been set-off against the cost of building. There are no government received during the financial year.

Capitalisation of borrowing costs

The capital work-in-progress includes borrowing costs arising from general and specific borrowings from licensed banks and related companies within KPJ Group. During the financial year, borrowing costs capitalised as part of capital work-in-progress amounted to RM1,062,000 (2021: RM1,673,000) as disclosed in Note 9.

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18 RIGHT-OF-USE ASSETS

The majority of the Group's leasing activities are lease of hospital buildings and land with Al-Aqar Healthcare REIT. The rental contracts are typically made for a period of 15 years with an option to extend for another 15 years. The lease terms are negotiated with the lessor, such that similar terms are set for properties with similar characteristics. These terms are used to maximise operational efficiencies in terms of managing contracts. The terms of certain leases were modified during the year resulting in a change in consideration payable. There are no covenants attached to these leases and the properties may not be used as security for borrowing purposes.

	<u>Group</u>		
	<u>Leasehold land</u> RM'000	<u>Land and buildings</u> RM'000	<u>Total</u> RM'000
<u>2022</u>			
At 1 January 2022	166,533	982,777	1,149,310
Addition	2,327	553,580	555,907
Lease modifications	-	1,830	1,830
Depreciation (Note 10)	(5,090)	(60,703)	(65,793)
Transfer to assets held for sales (Note 29)	(64,315)	-	(64,315)
Exchange differences	-	100	100
At 31 December 2022	<u>99,455</u>	<u>1,477,584</u>	<u>1,577,039</u>
<u>2021</u>			
At 1 January 2021	181,071	870,101	1,051,172
Lease modifications	-	165,993	165,993
Depreciation (Note 10)	(3,208)	(54,773)	(57,981)
Revaluation surplus	6,893	-	6,893
Transfer to property, plant and equipment (Note 17)	(3,050)	-	(3,050)
Transfer to investment properties (Note 19)	(4,480)	-	(4,480)
Transfer to assets held for sales (Note 29)	(11,977)	-	(11,977)
Exchange differences	1,284	1,456	2,740
At 31 December 2021	<u>166,533</u>	<u>982,777</u>	<u>1,149,310</u>
	<u>Group</u>	<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>
	RM'000	RM'000	RM'000
Expenses related to short-term leases (included in cost of sales and administrative expenses) (Note 10)	(7,333)	(5,301)	(4,043)
Expenses relating to lease of low-value assets (included in cost of sales and administrative expenses) (Note 10)	(7,596)	(6,198)	-
	<u>(7,596)</u>	<u>(6,198)</u>	<u>(4,043)</u>

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19 INVESTMENT PROPERTIES

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
At fair value:		
At 1 January	346,116	337,748
Additions	-	251
Exchange differences	(17)	640
Gain on fair value recognised during the year (Note 10)	3,280	13,410
Transfer from property, plant and equipment (Note 17)	-	762
Transfer from right of use assets (Note 18)	-	4,480
Transfer from/(to) assets held for sale (Note 29)	11,041	(11,175)
At 31 December	<u>360,420</u>	<u>346,116</u>

The valuations were carried out by third party valuers, Messrs Raine & Horne International Zaki + Partners Sdn Bhd and Messrs CBRE Valuations Pty Limited. In prior year, the valuations were carried out by third party valuers, Messrs Appraisal (Malaysia) Sdn Bhd.

The fair value of investment property pledged for borrowing facilities as at 31 December 2022 is RM255,000,000 (2021: 253,500,000).

The fair value of the properties was estimated at RM360,420,000 (2021: RM346,116,000) based on valuations performed by independent professionally qualified valuers, using the comparison and investment method as described below. In the prior year, comparison method was used in the valuation.

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

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

	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range</u>	
			<u>2022</u>	<u>2021</u>
Land and buildings	Comparison method	Location, visibility, size and tenure Estimated value per sq ft	RM30 – RM609	RM27 – RM607

(Carrying value as at 31 December 2022 of RM105,420,000 (2021: RM346,116,000)).

Office Properties	Investment method	Estimated rental value per sq ft per month	RM3.00 – RM7.50	-
		Outgoings per sq ft per month	RM1.80	-
		Void rate	5.0%	-
		Yield rate	6.0% - 6.5%	-

(Carrying value as at 31 December 2022 of RM255,000,000).

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19 INVESTMENT PROPERTIES (CONTINUED)

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.

A sensitivity analysis has been performed on the value per sq ft which was determined based on proprietary databases of prices of transactions for properties of similar nature, with adjustment made to the location, visibility and tenure, that impact the fair value of the land and buildings. Arising thereof, the impact of a 10% increase/decrease in the value per sq ft will result in a higher/lower fair value change by RM9.3 million.

(b) Investment method

Increases/decreases in estimated rental value per sq ft 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.

A sensitivity analysis had been performed on the significant assumptions that impact the fair value of the office properties. Arising thereof, the impact of a 25 basis points increase/decrease in the term yield would result in a lower/higher fair value change by RM9.4 million/RM10.3 million, while an increase in void rate to 8% would result in a lower fair value change by RM6.7 million.

20 INTANGIBLE ASSETS

	<u>Goodwill</u> RM'000	<u>Software expenditure</u> RM'000	<u>Software expenditure under development</u> RM'000	<u>Total</u> RM'000
<u>Group</u>				
<u>2022</u>				
<u>Cost</u>				
At 1 January 2022	211,455	73,811	-	285,266
Written-off	-	(3,559)	-	(3,559)
At 31 December 2022	<u>211,455</u>	<u>70,252</u>	<u>-</u>	<u>281,707</u>

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20 INTANGIBLE ASSETS (continued)

<u>Group</u>	<u>Goodwill</u> RM'000	<u>Software</u> <u>expenditure</u> RM'000	<u>Software</u> <u>expenditure</u> <u>under</u> <u>development</u> RM'000	<u>Total</u> RM'000
<u>2022</u>				
<u>Accumulated amortisation</u>				
At 1 January 2022	-	(43,262)	-	(43,262)
Amortisation charge for the year (Note 10)	-	(10,408)	-	(10,408)
At 31 December 2022	-	(53,670)	-	(53,670)
<u>Accumulated impairment</u>				
At 1 January 2022	(21,994)	-	-	(21,994)
At 31 December 2022	(21,994)	-	-	(21,994)
<u>Net carrying amount</u>				
At 31 December 2022	189,461	16,582	-	206,043
<u>2021</u>				
<u>Cost</u>				
At 1 January 2021	211,455	70,655	3,438	285,548
Additions	-	192	-	192
Written-off	-	(334)	(140)	(474)
Reclassifications	-	3,298	(3,298)	-
At 31 December 2021	211,455	73,811	-	285,266

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20 INTANGIBLE ASSETS (CONTINUED)

<u>Group</u>	<u>Goodwill</u> RM'000	<u>Software</u> <u>expenditure</u> RM'000	<u>Software</u> <u>expenditure</u> <u>under</u> <u>development</u> RM'000	<u>Total</u> RM'000
<u>2021</u>				
<u>Accumulated amortisation</u>				
At 1 January 2021	-	(31,754)	-	(31,754)
Amortisation charge for the year (Note 10)	-	(11,508)	-	(11,508)
At 31 December 2021	-	(43,262)	-	(43,262)
<u>Accumulated impairment</u>				
At 1 January 2021	(17,966)	-	-	(17,966)
Impairment loss for the year (Note 10)	(4,028)	-	-	(4,028)
At 31 December 2021	(21,994)	-	-	(21,994)
<u>Net carrying amount</u>				
At 31 December 2021	189,461	30,549	-	220,010

In prior financial year, the impairment loss of RM4,028,000 represented the write-down of goodwill arose from the acquisitions of certain subsidiaries in the Malaysia segment due to change in business plan. The impairment charge was recorded within administrative expenses in the statement of comprehensive income of the Group.

21 IMPAIRMENT OF INTANGIBLE ASSETS

Impairment tests for goodwill

	<u>2022</u> RM'000	<u>Group</u> <u>2021</u> RM'000
Malaysia:		
- Goodwill	189,461	189,461

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21 **IMPAIRMENT OF INTANGIBLE ASSETS (CONTINUED)**

Recoverable amount based on value-in-use

Malaysia

The recoverable amount of the cash-generating unit (“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.

The key assumptions used are as follows:

	<u>2022</u> %	<u>2021</u> %
Revenue growth rate <sup>1</sup>	10 - 18	9 - 22
EBITDA margin <sup>2</sup>	25.2 - 27.7	25.8 - 27.8
Discount rate <sup>3</sup>	13	13
Terminal growth rate <sup>4</sup>	3	5

Assumptions:

1. Revenue growth rate over the budget period
2. EBITDA margin over the budget period
3. Pre-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 growth rate and EBITDA margin based on expectations of market development. The pre-tax discount rate used is 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.

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22 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are made up as follows:

	<u>Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Cost	970,424	965,024
Preference shares	300	300
Capital contribution reserve relating to share-based payments	66,529	68,075
Unquoted shares	<u>1,037,253</u>	<u>1,033,399</u>

The following are subsidiaries of the Company:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2022</u>	<u>2021</u>	
		%	%	
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
Pusat Pakar Tawakal Sdn Bhd +	Malaysia	100	100	Operating as a specialist hospital
Ipoh Specialist Hospital Sdn Bhd	Malaysia	100	99	Operating as a specialist hospital
Puteri Specialist Hospital (Johor) Sdn Bhd #	Malaysia	100	100	Dormant



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22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2022</u> %	<u>2021</u> %	
<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
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
Kuching Specialist Hospital Sdn Bhd	Malaysia	93	93	Operating as a specialist hospital
Miri Specialist Hospital Sdn Bhd *	Malaysia	84	84	Operating as a specialist hospital
PT Khidmat Perawatan Jasa Medika *	Indonesia	80	80	Operating as a specialist hospital

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22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2022</u> %	<u>2021</u> %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u>				
PT Khasanah Putera Jakarta Medica *	Indonesia	75	75	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
Perlis Specialist Hospital Sdn Bhd	Malaysia	80	60	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
BDC Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a building management company
Crossborder Aim (M) Sdn Bhd *	Malaysia	100	100	Investment holding company
Crossborder Hall (M) Sdn Bhd *	Malaysia	100	100	Investment holding company
Healthcare IT Solutions Sdn Bhd	Malaysia	100	100	Providing healthcare information technology services
Kota Kinabalu Wellness Sdn Bhd	Malaysia	100	100	Operating as an assisted living care, after birth care and rehabilitation centre
KPJ Ambulatory Care Centre Sdn Bhd *	Malaysia	100	100	Management and operation of ambulatory care centre

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22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2022</u> %	<u>2021</u> %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u>				
KPJ Dhaka (Pte) Ltd *	Bangladesh	100	100	Providing management services to a specialist hospital
KPJ Eyecare Specialist Sdn Bhd *	Malaysia	100	100	Providing medical and consultancy services in eye care
KPJ Healthcare University 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
KPJ MedikTV Sdn Bhd *	Malaysia	100	100	Operating as medical service provider
Kuantan Wellness Center Sdn Bhd	Malaysia	100	100	Operating as a dialysis and aged-care centre
Massive Hybrid Sdn Bhd *	Malaysia	100	100	To be operating as a specialist hospital
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
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

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22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2022</u> %	<u>2021</u> %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd</u> (continued)				
UTM KPJ Specialist Hospital Sdn Bhd *	Malaysia	100	100	To be operating as a specialist hospital
Fabricare Laundry Sdn Bhd *	Malaysia	98	98	Providing laundry services
DTI Resources Sdn Bhd	Malaysia	94	94	Providing information technology related services and rental of software
Pride Outlet Sdn Bhd *	Malaysia	75	75	Providing maintenance services for medical equipment
Total Meal Solution Sdn Bhd *	Malaysia	100	70	Providing central kitchen services
Jeta Gardens (Qld) Pty Ltd *	Australia	57	57	Providing retirement village and aged care facilities
Lablink (M) Sdn Bhd	Malaysia	51	51	Providing pathology and laboratory services
Healthcare Technical Services Sdn Bhd *	Malaysia	51	51	Providing management and engineering maintenance services for specialist hospital
Bayan Baru Specialist Hospital Sdn Bhd *	Malaysia	100	100	Dormant
Damansara Specialist Hospital Sdn Bhd	Malaysia	100	100	Dormant
Energy Excellent Sdn Bhd *	Malaysia	100	100	Dormant
KPJ Education Services Sdn Bhd *	Malaysia	100	100	Dormant

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22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2022</u> %	<u>2021</u> %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u>				
Pharmacare Surgical Technologies (M) Sdn Bhd *	Malaysia	100	100	Dormant
Seremban Specialist Hospital Sdn Bhd	Malaysia	100	100	Dormant
Skop Yakin (M) Sdn Bhd *	Malaysia	100	100	Dormant
Taiping Medical Centre Sdn Bhd	Malaysia	100	100	Dormant
Freewell Sdn Bhd *	Malaysia	80	80	Dormant
<u>Subsidiary of Johor Specialist Hospital Sdn Bhd</u>				
Bandar Dato Onn Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Kluang Specialist Hospital Sdn Bhd *	Malaysia	100	100	Operating as a building management company
<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>				
Pusrawi SMC Sdn Bhd *	Malaysia	52	52	Operating as a polyclinic

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22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2022</u> %	<u>2021</u> %	
<u>Subsidiary of SMC Healthcare Sdn Bhd</u>				
Amity Development Sdn Bhd	Malaysia	100	100	Operating as a property holding company
<u>Subsidiaries of Pharmaserv Alliances Sdn Bhd</u>				
Malaysian Institute of Healthcare Management Sdn Bhd *	Malaysia	75	75	Dormant
<u>Subsidiary of KPJ Healthcare University College Sdn Bhd</u>				
KPJ 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	Dormant
<u>Subsidiaries of Crossborder Aim (M) Sdn Bhd and Crossborder Hall (M) Sdn Bhd</u>				
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

# Direct equity holding by the Company is 84% (2021: 84%)

\* Direct equity holding by the Company is 68% (2021: 68%)

\* Audited by firms other than EY PLT, Malaysia

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22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

**Acquisition of additional interest in subsidiaries in 2022:**

- (i) On 29 March 2022, KPJ Healthcare Berhad (“KPJ”) acquired additional 120,000 new shares in Ipoh Specialist Hospital Sdn Bhd (“ISH”), representing 1% equity interest in ISH, for a total consideration of RM5,400,000. With this acquisition, the Group now holds 100% shareholding of ISH.
- (ii) On 17 November 2022, Kumpulan Perubatan (Johor) Sdn Bhd (“KPJSB”) acquired additional 30,000 new shares in Total Meals Solution Sdn Bhd (“TMS”), representing 30% equity interest in TMS, for a total consideration of RM412,000. With this acquisition, the Group now holds 100% shareholding of TMS.
- (iii) On 23 December 2022, KPJSB acquired additional 16,750,000 new shares in Perlis Specialist Hospital Sdn Bhd (“PER”), representing 20% equity interest in PER, for a total consideration of RM16,750,000. With this acquisition, the Group now holds 80% shareholding of PER.

**Acquisition of additional interest in subsidiaries in 2021:**

- (i) On 1 November 2021, KPJSB acquired additional 18,330,000 new shares in Miri Specialist Hospital Sdn Bhd (“MSH”), representing 14% equity interest in MSH, for a total consideration of RM18,330,000. With this acquisition, the Group then holds 84% shareholding of MSH.
- (ii) On 24 December 2021, KPJSB acquired additional 15,300,000 new shares in Kuching Specialist Hospital Sdn Bhd (“KcSH”), representing 23% equity interest in KcSH, for a total consideration of RM15,300,000. With this acquisition, the Group then holds 93% shareholding of KcSH.

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22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information of Perdana Specialist Hospital Sdn Bhd, Selangor Specialist Hospital Sdn Bhd, Lablink (M) Sdn Bhd and Jeta Gardens (Qld) Pty Ltd 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		Lablink (M) Sdn Bhd		Jeta Gardens (Qld) Pty Ltd		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-controlling interests percentage of ownership interest and voting interest	39%	39%	40%	40%	49%	49%	43%	43%		
Non-current assets	98,174	89,524	209,486	208,728	23,497	26,536	92,564	35,326	423,721	360,114
Current assets	21,575	18,832	67,849	57,228	194,785	151,154	46,986	104,919	331,195	332,133
Current liabilities	(33,529)	(21,066)	(40,182)	(39,953)	(12,063)	(17,138)	(214,479)	(151,110)	(300,253)	(229,267)
Non-current liabilities	(39,938)	(41,420)	(82,448)	(83,733)	(1,534)	(1,054)	(19,357)	(64,795)	(143,277)	(191,002)
Net assets	46,282	45,870	154,705	142,270	204,685	159,498	(94,286)	(75,660)	311,386	271,978
Net equity attributable	46,282	45,870	154,705	142,270	204,685	159,498	(94,286)	(75,660)	311,386	271,978
Equity attributable to:										
Owners of the Company	28,232	27,981	92,823	85,362	104,389	81,344	(53,743)	(43,126)	171,701	151,561
Non-controlling interests	18,050	17,889	61,882	56,908	100,296	78,154	(40,543)	(32,534)	139,685	120,417



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22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(ii) Summarised statements of comprehensive income

	Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Lablink (M) Sdn Bhd		Jeta Gardens (Qld) Pty Ltd		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	81,126	68,515	152,579	128,123	157,020	184,850	55,598	54,178	446,323	435,666
Profit for the year	1,895	316	19,296	13,305	45,277	55,329	(20,976)	(14,730)	45,492	54,220
Profit attributable to:										
Owners of the Company	1,156	193	11,578	7,983	23,091	28,218	(11,956)	(8,396)	23,869	27,998
Non-controlling interest	739	123	7,718	5,322	22,186	27,111	(9,020)	(6,334)	21,623	26,222
Total net profit	1,895	316	19,296	13,305	45,277	55,329	(20,976)	(14,730)	45,492	54,220
Total comprehensive income attributable to:										
Owners of the Company	1,156	(886)	11,578	4,833	23,091	28,218	(11,956)	(8,668)	23,869	23,497
Non-controlling interest	739	(567)	7,718	3,222	22,186	27,111	(9,020)	(6,539)	21,623	23,227
Total comprehensive income	1,895	(1,453)	19,296	8,055	45,277	55,329	(20,976)	(15,207)	45,492	46,724
Dividends paid to non-controlling interest	830	-	3,560	1,400	-	49,000	-	-	4,390	50,400

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22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(iii) Summarised statements of cash flows

	Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Lablink (M) Sdn Bhd		Jeta Gardens (Qld) Pty Ltd		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash generated from/ (used in) operating activities	18,065	4,722	14,955	18,974	2,204	24,019	(4,876)	(2,740)	30,348	44,975
Net cash (used in)/generated from investing activities	(12,624)	(1,574)	(3,096)	(5,856)	(874)	76,086	(859)	(334)	(17,453)	68,322
Net cash (used in)/generated from financing activities	(5,222)	(4,801)	(11,100)	(16,548)	(169)	(100,167)	2,189	996	(14,302)	(120,520)
Net changes in cash and cash equivalents	219	(1,653)	759	(3,430)	1,161	(62)	(3,546)	(2,078)	(1,407)	(7,223)
Cash and cash equivalents at the beginning of the year	1,401	3,054	3,380	6,810	386	448	15,825	17,338	20,992	27,650
Currency translation differences	-	-	-	-	-	-	(1,535)	565	(1,535)	565
Cash and cash equivalents at the end of the year	1,620	1,401	4,139	3,380	1,547	386	10,744	15,825	18,050	20,992

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23 INVESTMENTS IN ASSOCIATES

	<u>2022</u>	<u>Group</u> <u>2021</u>
	RM'000	RM'000
Quoted ordinary shares in Al-`Aqar Healthcare REIT, at cost		
At 1 January	225,469	225,469
Addition	25,010	-
31 December	<u>250,479</u>	<u>225,469</u>
Unquoted ordinary shares, at cost	65,091	65,091
Group's share of post-acquisition reserves	170,738	146,492
	<u>486,308</u>	<u>437,052</u>
Market value of quoted ordinary shares in Al-`Aqar Healthcare REIT	<u>353,282</u>	<u>312,127</u>

The associates of the Group are as follows:

	Country of incorporation	Effective equity interest		Principal activities
		<u>2022</u> %	<u>2021</u> %	
<u>Associates of Company</u>				
Damansara REIT Managers Sdn Bhd #	Malaysia	-	-	Manager of Al-`Aqar Healthcare REIT
Al-`Aqar Healthcare REIT ^	Malaysia	38	37	Real estate investment trust
<u>Associates of KPJSB</u>				
Kedah Medical Centre Sdn Bhd *	Malaysia	46	46	Operating as a 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 EY 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.

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23 INVESTMENTS IN ASSOCIATES (CONTINUED)

The associates of the Group are as follows: (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 statutory financial statements of the associate and not the Group's share of those amounts.

(i) Summarised statement of financial position

	<u>Al-Aqar Healthcare REIT</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Non-current assets	1,725,781	1,538,210
Current assets	145,784	126,523
<b>Total assets</b>	<b>1,871,565</b>	<b>1,664,733</b>
Current liabilities	23,324	20,613
Non-current liabilities	871,904	699,118
<b>Total liabilities</b>	<b>895,228</b>	<b>719,731</b>
<b>Net assets</b>	<b>976,337</b>	<b>945,002</b>

(ii) Summarised statement of comprehensive income

Revenue	110,239	114,073
Profit before tax	64,536	72,782
Total comprehensive income for the financial year	63,732	71,062
Dividends received and receivables from associates during the year	20,988	25,428

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

	<u>Al-Aqar Healthcare REIT</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Net assets at 1 January	945,002	943,490
Addition	25,010	-
Profit for the financial year	63,732	71,062
Dividend paid during the year	(57,407)	(69,550)
<b>Net assets at 31 December</b>	<b>976,337</b>	<b>945,002</b>
Interest in associates	38%	37%
Carrying value of Group's interest	371,008	349,651

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23 INVESTMENTS IN ASSOCIATES (CONTINUED)

The associates of the Group are as follows: (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 statutory financial statements of the associate and not the Group's share of those amounts. (continued)

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

	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
The Group's share of profit before tax	29,813	12,220
The Group's share of profit after tax	23,879	9,473
The Group's share of total comprehensive income	<u>23,879</u>	<u>9,473</u>

(v) Commitments and contingent liabilities

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

24 EQUITY INSTRUMENTS CLASSIFIED AS FVOCI

Equity investments at FVOCI comprise of the following individual investments:

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Quoted shares:				
Al-Salam Real Estate Investment Trust	740	960	740	960
Al-'Aqar Healthcare REIT	-	-	25,010	-
Unquoted shares:				
PMB-An-Nur Waqf Income Fund	501	498	501	498
Intrapreneur Value Creation Sdn Bhd	-	-	-	-
AHCS Advanced HealthCare Solutions AG	-	-	-	-
	<u>1,241</u>	<u>1,458</u>	<u>26,251</u>	<u>1,458</u>

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24 EQUITY INSTRUMENTS CLASSIFIED AS FVOCI (CONTINUED)

The Group and the Company have irrevocably elected non-trading equity securities above at initial recognition to present its fair value changes in OCI. The Group and the Company consider this equity instruments classification to be more relevant as these instruments are strategic investments of the Group and not held for trading purpose.

Refer to Note 5 for disclosure of fair value information on the quoted and unquoted shares.

25 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		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	114,281	125,218	236	152
Deferred tax liabilities	(84,530)	(81,592)	-	-
	29,751	43,626	236	152
Assets held for sale				
- Deferred tax assets	796	-	-	-
At 31 December	30,547	43,626	236	152

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		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
At 1 January	43,626	45,271	152	152
(Charged)/credit to profit or loss (Note 13)				
- Property, plant and equipment	(27,078)	(3,646)	(337)	-
- Investment properties	(1,609)	(697)	-	-
- Trade and other receivables	3,390	3,303	765	-
- Unutilised tax losses	(4,166)	(4,442)	-	-
- Unutilised capital allowance	(3,879)	7,242	-	-
- Contract liabilities	(5,629)	(2,004)	-	-
- Leases	12,826	(2,222)	-	-
- Trade and other payables	13,061	3,351	(344)	-
	(13,084)	885	84	-

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25 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: (continued)

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Charged to other comprehensive income (Note 13)				
- Deferred tax on revaluation surplus during the year	5	(2,530)	-	-
At 31 December	30,547	43,626	236	152
	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Subject to income tax:				
Deferred tax assets (before offsetting):				
- Unutilised tax losses	16,949	21,115	-	-
- Unabsorbed capital allowance	27,688	31,567	-	152
- Contract liabilities	4,549	10,178	-	-
- Leases	81,302	68,476	-	-
- Trade and other payables	23,506	10,445	-	-
- Trade and other receivables	3,943	553	421	-
	157,937	142,334	421	152
Offsetting	(42,860)	(17,116)	(185)	-
Deferred tax assets (after offsetting)	115,077	125,218	236	152
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	(112,669)	(85,596)	(185)	-
- Investment properties	(14,721)	(13,112)	-	-
	(127,390)	(98,708)	(185)	-
Offsetting	42,860	17,116	185	-
Deferred tax liabilities (after offsetting)	(84,530)	(81,592)	-	-

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25 DEFERRED TAX (CONTINUED)

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Unabsorbed capital allowances	35,773	45,331	1,370	814
Unutilised tax losses	359,681	260,914	8,653	8,360
Unutilised ITA	350,641	429,015	-	-
Other temporary differences	22,946	25,293	7,111	2,120

No deferred tax assets are recognised from the above due to uncertainties of their recoverability. The availability of unutilised 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.

The Group was granted approval on ITA from Malaysian Investment Development Authority, which provides income tax exemption in the form of 100% on the qualifying capital expenditure incurred within a period of 5 years for new private healthcare facility projects, expansion, modernisation and refurbishment projects for existing facilities. ITA is recognised to the extent of reduction of current income tax liability and no deferred tax asset is recognised when the tax credit arises. The unabsorbed capital allowances and unutilised ITA do not expire under the current tax legislation.

26 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM SUBSIDIARIES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Non-current:				
Other receivables	331	389	-	-
Deposits	16,784	13,112	-	-
Amount due from subsidiaries	-	-	7,224	-
	17,115	13,501	7,224	-



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26 **TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Current:				
Trade receivables	454,330	377,243	-	-
Less: Allowance for ECL	(15,306)	(32,307)	-	-
Trade receivables (net)	439,024	344,936	-	-
Amount due from ultimate holding corporation	661	1,358	13	13
Amounts due from related companies	5,001	1,816	8	8
Amounts due from associates	4,431	2,356	154	56
Other receivables	125,183	61,394	2,742	742
Deposits	50,491	49,684	26	26
Prepayments	20,914	19,849	51	47
	<u>645,705</u>	<u>481,393</u>	<u>2,994</u>	<u>892</u>
Amounts due from subsidiaries	-	-	634,615	661,546
Less: Allowance for ECL	-	-	(3,189)	-
	-	-	<u>631,426</u>	<u>661,546</u>
<b>Total</b>	<u><u>662,820</u></u>	<u><u>494,894</u></u>	<u><u>641,644</u></u>	<u><u>662,438</u></u>

Credit terms of trade receivables range from 30 to 60 days (2021: 30 to 60 days).

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

Amount due from subsidiaries are unsecured, bearing interest rate of 5.85% (2021: 5.85%) per annum and repayable on demand.

The movement in allowance for ECL on trade receivables is as follows:

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
At 1 January	32,307	34,836
Allowance for ECL for the year (Note 10)	(5,755)	11,568
Written-off	(11,246)	(14,097)
At 31 December	<u><u>15,306</u></u>	<u><u>32,307</u></u>

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.

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26 **TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)**

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

	Total gross carrying amount <u>at default</u> RM'000	Allowance for expected <u>credit loss</u> RM'000	<u>Total</u> RM'000
<u>2022</u>			
1-30 days	202,667	(129)	202,538
31-60 days	130,158	(124)	130,034
61-90 days	45,711	(96)	45,615
91-120 days	13,969	(155)	13,814
121-150 days	24,436	(224)	24,212
151-180 days	3,252	(64)	3,188
181-365 days	7,431	(611)	6,820
>365 days	26,706	(13,903)	12,803
	<u>454,330</u>	<u>(15,306)</u>	<u>439,024</u>
<u>2021</u>			
1-30 days	158,352	-	158,352
31-60 days	94,402	(5)	94,397
61-90 days	30,056	(1)	30,055
91-120 days	13,506	(48)	13,458
121-150 days	21,086	(356)	20,730
151-180 days	2,506	(131)	2,375
181-365 days	7,497	(494)	7,003
>365 days	49,838	(31,272)	18,566
	<u>377,243</u>	<u>(32,307)</u>	<u>344,936</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000
Ringgit Malaysia	624,963	452,651	641,593	662,391
Indonesian Rupiah	-	9,806	-	-
Bangladesh Taka	795	990	-	-
Australian Dollar	16,148	11,598	-	-
	<u>641,906</u>	<u>475,045</u>	<u>641,593</u>	<u>662,391</u>

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27 INVENTORIES

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
At cost:		
Pharmaceutical products	42,074	31,449
Medical supplies	19,132	18,426
Laboratory chemicals	1,472	1,356
Consumables and disposable items	336	339
Other supplies	2,858	2,183
	<u>65,872</u>	<u>53,753</u>

28 DEPOSITS, BANK AND CASH BALANCES

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	88,621	84,325	-	-
Cash and bank balances	379,298	233,686	3,315	3,642
Total cash and bank balances	<u>467,919</u>	<u>318,011</u>	<u>3,315</u>	<u>3,642</u>
Less: Bank overdrafts (Note 32)	(16,468)	(17,473)	-	-
Deposits with licensed banks with maturity of more than 3 months	(2,881)	(3,544)	-	-
Designated account (FSRA & DSRA)	(31,704)	(27,021)	-	-
Cash and cash equivalents	<u>416,866</u>	<u>269,973</u>	<u>3,315</u>	<u>3,642</u>

Included in the deposits with licensed banks of the Group is an amount of RM31,704,000 (2021: RM27,021,000) being minimum balance required in the Financial Service Reserve Account ("FSRA") and Deposit Service Reserve Account ("DSRA") for loans purposes (Note 32).

The weighted average interest rate of deposits with licensed banks of the Group during the financial year is 1.97% (2021: 2.48%) 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 365 days (2021: 1 to 365 days).



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29 ASSETS HELD FOR SALE (CONTINUED)

- (a) KPJ's Management had in April 2022, committed to a plan for the divestment of its 100% interest in PT Al-Aqar Bumi Serpong Damai, 100% interest in PT Al-Aqar Permata Hijau, 80% interest in PT Khidmat Perawatan Jasa Medika and 75% interest in PT Khasanah Putera Jakarta Medica (collectively referred as "Indonesia's Operation") by 2023 as part of its strategic plan to place greater focus on the Group's core Malaysia segment.

The Directors are of the view that the above transactions are expected to be completed within the next 12 months.

The assets and liabilities of Indonesia's Operations are as follows:

	<u>Group</u> <u>2022</u> RM'000
Assets held for sale:	
- Property, plant and equipment (Note 17)	48,871
- Right-of-use assets (Note 18)	64,315
- Deferred tax assets	796
- Inventories	606
- Trade and other receivables	10,573
- Tax recoverable	1
- Cash and bank balances	13,499
	<u>138,661</u>
Liabilities associated with assets held for sale:	
- Trade and other payables	(13,110)
- Current tax liabilities	(53)
	<u>(13,163)</u>

- (b) As at 31 December 2021, the assets held for sale relate to the properties which the Directors had resolved to dispose under proposal to sell and subsequently leaseback to Al-`Aqar Healthcare REIT ("Al-`Aqar") ("Proposal"). The properties under this Proposal are in relation to the properties of the following subsidiaries:

- i) Pasir Gudang Specialist Hospital Sdn Bhd
- ii) Penang Specialist Hospital Sdn Bhd
- iii) Maharani Specialist Hospital Sdn Bhd
- iv) Jeta Gardens (Qld) Pty Ltd

The Proposal were completed and executed in current financial year except for (iv) of which the assets have been classified to property, plant and equipment and investment properties.

- (c) In 2021, the Directors had approved a proposal to dispose a land belonged to Jeta Gardens (Qld) Pty Ltd. As of 31 December 2022, the disposal process has yet to be completed and the planned disposal is still on track and is expected to be completed in 2023.

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30 **TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO SUBSIDIARIES**

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Current:				
Trade payables	238,671	234,525	-	-
Other payables	168,109	151,275	3,084	2,157
Accruals	283,278	198,394	15,445	12,822
Amount due to ultimate holding corporation	1,249	1,094	1,143	659
Amounts due to related companies	2,256	2,274	50	50
Amounts due to associates	26,657	30,698	-	-
	<u>720,220</u>	<u>618,260</u>	<u>19,722</u>	<u>15,688</u>
Amounts due to subsidiaries	-	-	97,192	103,533
Non-current:				
Amounts due to subsidiaries	-	-	293,214	286,657
Other payables	1,743	4,740	-	-
	<u>1,743</u>	<u>4,740</u>	<u>293,214</u>	<u>286,657</u>
<b>Total</b>	<u><u>721,963</u></u>	<u><u>623,000</u></u>	<u><u>410,128</u></u>	<u><u>405,878</u></u>

Non-current other payables comprises of retention sum payable later than 1 year and not later than 3 years.

Included in amounts due to subsidiaries are advances from subsidiaries which are unsecured, bear an effective average interest rate of 3.00% (2021: 4.48%) per annum and are repayable on demand after 2023.

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 (2021: 30 to 60 days). Payables are denominated in the following currencies:

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	574,645	463,864	410,128	405,878
Indonesian Rupiah	-	12,173	-	-
Bangladesh Taka	2,471	2,996	-	-
Australian Dollar	144,847	143,967	-	-
	<u>721,963</u>	<u>623,000</u>	<u>410,128</u>	<u>405,878</u>

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31 CONTRACT LIABILITIES

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
At 1 January	50,922	55,978
Revenue recognised that was included in contract liability balance at the beginning of the year	(48,570)	(48,401)
Increases due to cash received, excluding amounts recognised as revenue during the year	46,356	43,345
At 31 December	<u>48,708</u>	<u>50,922</u>

Contract liabilities represent amounts of deposits received from patients, the wellness subscription fees and tuition fees at the inception of the contract which services have not been rendered. Revenue is recognised as and when the performance obligations are satisfied.

32 BORROWINGS

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
<u>Current</u>				
Islamic financing				
- Islamic Medium Term Notes (unsecured)	450,000	400,000	-	-
- Term loans (secured)	55,234	85,844	-	-
- Revolving credits (unsecured)	292,800	279,000	214,800	206,000
- Hire purchase creditors (secured)	17,709	15,584	141	135
- Bank overdrafts (unsecured)	16,468	17,473	-	-
	832,211	797,901	214,941	206,135
Conventional financing				
- Term loans (secured)	1,620	6,885	-	-
- Hire purchase creditors (secured)	36	56	-	-
- Revolving credits (unsecured)	5,548	55,615	-	-
	7,204	62,556	-	-
	<u>839,415</u>	<u>860,457</u>	<u>214,941</u>	<u>206,135</u>

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32 **BORROWINGS (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
<u>Non-current</u>				
Islamic financing				
- Islamic Medium Term Notes (unsecured)	850,000	650,000	-	-
- Term loans (secured)	159,187	232,749	-	-
- Hire purchase creditors (secured)	38,342	35,367	229	370
	1,047,529	918,116	229	370
Conventional financing				
- Term loans (secured)	137	49,758	-	-
- Hire purchase creditors (secured)	97	133	-	-
	234	49,891	-	-
	1,047,763	968,007	229	370
	1,887,178	1,828,464	215,170	206,505
<u>Total borrowings</u>				
Islamic financing				
- Islamic Medium Term Notes (unsecured)	1,300,000	1,050,000	-	-
- Term loans (secured)	214,422	318,593	-	-
- Revolving credits (unsecured)	292,800	279,000	214,800	206,000
- Hire purchase creditors (secured)	56,051	50,951	370	505
- Bank overdrafts (unsecured)	16,468	17,473	-	-
Conventional financing				
- Term loans (secured)	1,756	56,643	-	-
- Hire purchase creditors (secured)	133	189	-	-
- Revolving credits (unsecured)	5,548	55,615	-	-
	1,887,178	1,828,464	215,170	206,505
The maturity profile of borrowings is as follows:				
Less than 1 year	839,415	860,457	214,941	206,135
Between 1 and 5 years	461,453	893,834	229	370
More than 5 years	586,310	74,173	-	-
	1,047,763	968,007	229	370
	1,887,178	1,828,464	215,170	206,505



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32 **BORROWINGS (CONTINUED)**

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Hire purchase creditors</u>				
Gross hire purchase creditors - minimum lease payments:				
- due not later than 1 year	18,199	16,052	154	154
- due later than 1 year and not later than 5 years	39,422	36,434	235	389
	57,621	52,486	389	543
Future finance charges	(1,437)	(1,346)	(19)	(38)
Present value of hire purchase creditors	56,184	51,140	370	505

The present value of hire purchase creditors is analysed as follows:

Current

Due not later than 1 year	17,745	15,640	141	135
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Non-current

Due later than 1 year and not later than 5 years	38,439	35,500	229	370
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Present value of hire purchase creditors	56,184	51,140	370	505
--	--------	--------	-----	-----

The borrowings are denominated as follows:

Ringgit Malaysia	1,879,873	1,809,151	215,170	206,505
US Dollar	-	8,678	-	-
Australian Dollar	7,305	10,635	-	-
	1,887,178	1,828,464	215,170	206,505

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32 **BORROWINGS (CONTINUED)**

	Finance rate	Effective finance rate at reporting date	
		(% p.a)	
		2022	2021
Term loans	Fixed / Floating	5.98	4.50
Hire purchase creditors	Fixed	2.56	2.63
Islamic Medium Term Notes	Fixed	4.77	5.23
Bank overdrafts	Floating	6.28	5.00
Revolving credits	Floating	4.27	2.95

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:

	Carrying value		Group Fair value	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Term loans	159,323	282,507	132,035	228,647
Hire purchase creditors	38,439	35,500	37,481	34,596
Islamic Medium Term Notes	850,000	650,000	670,124	604,300
	<u>1,047,762</u>	<u>968,007</u>	<u>839,640</u>	<u>867,543</u>

	Carrying value		Company Fair value	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Hire purchase creditors	229	370	221	360

The borrowings are secured by:

- The property, plant and equipment and investment property with carrying amount as at 31 December 2022 of RM563,979,000 (2021: RM751,713,000);
- a Letter of Undertaking cum Awareness;
- negative pledge;
- an assignment of the proceeds to be received from the disposal of the building and lease/rentals;
- fixed and floating charge over certain present and future assets;
- Corporate Guarantee;
- assignment of all Rights & Benefits or its equivalent over the relevant Takaful cover;
- a charge on the specific Finance Service Reserve Account ("FSRA"), Debt Service Reserve Account ("DSRA"), Finance Reserve Account ("FRA") and all monies standing to the credit of certain subsidiaries;
- specific debenture charge over assets;

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**32 BORROWINGS (CONTINUED)**

In connection with certain borrowings, the Group and its subsidiaries have to comply with the following significant covenants:

At Group level:

- (i) Gearing ratio to not exceed 1.50 times for Islamic Medium Term Notes;

At subsidiaries level:

- (i) Dividend declared or paid not more than fifty percent (50%) of profit after tax;  
(ii) Debt service coverage ratio to be more than 1.25 times;  
(iii) Gearing ratio to not exceed 3.50 times;  
(iv) Gearing ratio to not exceed 2.50 times;  
(v) Gearing ratio to not exceed 2.00 times.

As at 31 December 2022, tranches of the IMTN amounting to RM100 million, RM250 million and RM100 million will mature in March, April and June 2023 respectively. At the date of the financial statements, the Group is in the process to issue second tranche of the new IMTN as part of the Group's overall plan to refinance the IMTN which commenced since prior year.

**33 LEASE LIABILITIES**

	<u>2022</u>	<u>Group</u> <u>2021</u>
	RM'000	RM'000
Amount due for settlement within 12 months	44,677	31,178
Amount due for settlement after 12 months	1,818,168	1,288,083
	<u>1,862,845</u>	<u>1,319,261</u>
Maturity analysis – lease payments		
Less than 1 year	141,224	100,983
Between 1 and 5 years	564,566	413,461
Later than 5 years and not later than 10 years	704,337	496,523
Later than 10 years and not later than 20 years	1,317,529	927,834
Later than 20 years and not later than 30 years	927,987	493,694
	<u>3,514,419</u>	<u>2,331,512</u>
	<u>3,655,643</u>	<u>2,432,495</u>

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34 **PROVISION FOR RETIREMENT BENEFITS**

The Group operates an unfunded lump-sum benefit plan for eligible employees at a subsidiary.

The movements during the financial year in the amount recognised in the statement of financial position are as follows:

	<u>2022</u>	<u>Group</u> <u>2021</u>
	RM'000	RM'000
At 1 January	2,355	2,786
Charged to profit or loss (Note 11)	197	214
Remeasurement loss on defined benefit obligation	-	(508)
Retirement benefits paid	(340)	(137)
	<u>2,212</u>	<u>2,355</u>

The amount recognised in profit or loss is as follows:

Current service cost	105	106
Interest cost on benefit obligation	92	108
	<u>197</u>	<u>214</u>

The principal assumptions used in respect of the defined benefit plan of the Group are as follows:

	<u>2022</u>	<u>Group</u> <u>2021</u>
	%	%
Discount rate <sup>1</sup>	4.4	4.4
Expected rate of salary increase		
- Non-management staff <sup>2</sup>	6.0	6.0
- Management staff <sup>2</sup>	6.0	6.0
Turnover <sup>3</sup>		
	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

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34 **PROVISION FOR RETIREMENT BENEFITS (CONTINUED)**

The principal assumptions used in respect of the defined benefit plan of the Group are as follows:  
(continued)

1. Discount rate is reflective of 10 - 15 year yield for AA (2021: AA) 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 were derived from the latest actuarial valuation report dated 31 December 2022. The valuation was carried out by third party actuaries, Nicholas Actuarial Solutions Sdn Bhd.

Sensitivity analysis on present value of defined benefit obligation:

	<u>2022</u>	<u>Group</u> <u>2021</u>
	RM'000	RM'000
1. A 1% increase in salary increment rate		
a Increase on defined benefit obligation	2,498	2,512
b Increase in net defined liability	174	157
2. A 1% decrease in discount rate		
a Increase on defined benefit obligation	2,479	2,517
b Increase in net defined liability	154	162
	<u>          </u>	<u>          </u>

35 **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.

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36 SHARE CAPITAL

	Group/Company			
	<u>2022</u> Units'000	<u>2022</u> RM'000	<u>2021</u> Units'000	<u>2021</u> RM'000
Issued and fully paid ordinary shares:				
At 1 January	4,489,159	959,521	4,442,043	909,504
Issued during the financial year:				
- ESOS	16,369	16,808	47,116	50,017
At 31 December	<u>4,505,528</u>	<u>976,329</u>	<u>4,489,159</u>	<u>959,521</u>

Treasury shares

As at 31 December 2022, the Company held a total of 162,306,700 (2021: 162,306,700) of its 4,505,527,861 (2021: 4,489,159,101) issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM155,310,152 at an average price of RM0.96 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.

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37 **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 was initially be in-force for a period of 5 years. However, upon approval from KPJ's Board of Directors on 3 December 2019, it has been resolved that ESOS's period is extended to another 3 years, whereby no additional options will be granted. The options will expire on 27 February 2023.

The fair value of each share option on the grant date is RM0.25. 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 RM0.91 each. The options granted remained dividable 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.

Movement of share options during the financial year

	<u>2022</u>	<u>2021</u>
	Units'000	Units'000
Number of share options at exercise price of RM0.91 each:		
Outstanding as at 1 January	123,805	180,510
- Exercised	(16,369)	(47,116)
- Lapsed	(5,015)	(9,589)
Outstanding as at 31 December	<u>102,421</u>	<u>123,805</u>
Exercisable at end of financial year	<u>102,421</u>	<u>123,805</u>

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

Fair value per option	RM0.25
Exercise price	RM0.91
Option life	5 years
Weighted average share price at grant date	RM1.01
Expected dividend yield	1.90%
Risk free interest rates	3.35% to 3.62%
Expected volatility	20%

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38 OTHER RESERVES (NON-DISTRIBUTABLE)

	Merger reserve (Note a) RM'000	Exchange reserve (Note b) RM'000	Revaluation reserve (Note c) RM'000	Share option reserve (Note d) RM'000	FVOCI reserve (Note e) RM'000	Total RM'000
<u>Group</u>						
At 1 January 2022	(3,367)	(725)	237,768	45,622	-	279,298
Other comprehensive income:						
Translation of foreign subsidiaries	-	2,489	-	-	-	2,489
Revaluation deficit	-	-	(35)	-	-	(35)
Fair value loss on FVOCI	-	-	-	-	(217)	(217)
Total other comprehensive income	-	2,489	(35)	-	(217)	2,237
	<u>(3,367)</u>	<u>1,764</u>	<u>237,733</u>	<u>45,622</u>	<u>(217)</u>	<u>281,535</u>
Transactions with Owners:						
Issue of share capital:						
- ESOS	-	-	-	(1,913)	-	(1,913)
				(1,913)		(1,913)
Lapsed ESOS	-	-	-	(3,433)	-	(3,433)
Total transactions with Owners	-	-	-	(5,346)	-	(5,346)
At 31 December 2022	<u>(3,367)</u>	<u>1,764</u>	<u>237,733</u>	<u>40,276</u>	<u>(217)</u>	<u>276,189</u>



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38 OTHER RESERVES (NON-DISTRIBUTABLE) (CONTINUED)

	<u>Merger reserve</u> (Note a) RM'000	<u>Exchange reserve</u> (Note b) RM'000	<u>Revaluation reserve</u> (Note c) RM'000	<u>Share option reserve</u> (Note d) RM'000	<u>Total</u> RM'000
<u>Group</u>					
At 1 January 2021	(3,367)	(937)	226,128	59,798	281,622
Other comprehensive income:					
Translation of foreign subsidiaries	-	212	-	-	212
Revaluation surplus	-	-	11,640	-	11,640
Total other comprehensive income	-	212	11,640	-	11,852
	<u>(3,367)</u>	<u>(725)</u>	<u>237,768</u>	<u>59,798</u>	<u>293,474</u>
Transactions with Owners:					
Issue of share capital:					
- ESOS	-	-	-	(7,141)	(7,141)
	-	-	-	(7,141)	(7,141)
Lapsed ESOS	-	-	-	(7,035)	(7,035)
Total transactions with Owners	-	-	-	(14,176)	(14,176)
At 31 December 2021	<u>(3,367)</u>	<u>(725)</u>	<u>237,768</u>	<u>45,622</u>	<u>279,298</u>

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38 OTHER RESERVES (CONTINUED)

- (a) The difference between the issue price and the nominal value of shares issued that arose from a merger was classified as merger reserve.
- (b) 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.
- (c) Revaluation reserve (non-distributable):

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
At 1 January	237,768	226,128
Revaluation (deficit)/surplus, net of tax	(35)	11,640
At 31 December	<u>237,733</u>	<u>237,768</u>

The revaluation reserve represents surplus from the revaluation of the Group's land and buildings.

- (d) 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.
- (e) FVOCI reserve used to record the gain or loss arising from subsequent measurement of financial assets classified as FVOCI.

39 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.

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**39 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

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.

(a) Significant related party transactions

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Group and Company</u>				
Rental paid to an associate*	105,368	100,221	-	-
Rebate on rental paid to an associate*	-	5,488	-	-
Sale of assets held for sale to an associate*	192,000	-	-	-
Management fee from subsidiaries	-	-	58,712	49,456
Dividend received (net) from subsidiaries	-	-	131,024	84,106
Interest income from subsidiaries	-	-	24,129	22,577
Interest expense to subsidiaries	-	-	14,649	17,707
Dividends received and receivables from associates	20,988	25,428	-	-
* Al-`Aqar Healthcare REIT				
<u>Johor Corporation group of companies</u>				
Housekeeping contract fees	15,054	14,483	-	-
Security service fees	438	4,990	-	-
Medical service rendered	1,673	2,404	-	-
Insurance premiums	434	1,325	-	4
Contribution to Klinik Waqaf An-Nur	2,495	4,818	-	36
Car park rental income	2,393	2,288	-	-
Rental fees to Al-Salam REIT	2,235	2,456	-	-
Building management service fees	1,272	1,272	-	-
Purchase of food and beverage consumables	88	291	-	-
Secretarial fee	42	38	-	3
Training and seminar	53	14	53	14
Car park fees	264	264	-	-
Consultants' car park fees	179	177	-	-
Landscape	357	122	-	-
Registrar fees	107	243	107	243
Dividend paid	-	-	39,274	9,104

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**39 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

(a) Significant related party transactions (continued)

Management fees charged to subsidiaries are in respect of operational and administrative function of the subsidiaries which are performed by employees of the Company.

Information regarding outstanding balances arising from related party transactions as at the financial year end are disclosed in Note 26 and 30.

(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 Group Senior Management of the Company. Details on the compensation for these key management personnel are disclosed as below:

	Group		Company	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 12)	5,694	4,321	5,694	4,321
Salaries, allowances and bonuses	3,283	6,630	3,283	6,630
Contributions to defined contribution plan	417	771	417	771
Benefits-in-kind	30	71	30	71
	<u>9,424</u>	<u>11,793</u>	<u>9,424</u>	<u>11,793</u>

**40 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 nor disclosure to the financial statements.

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**41 CAPITAL COMMITMENTS**

Capital expenditure not provided for in the financial statements is as follows:

	<u>2022</u>	<u>Group</u> <u>2021</u>
	RM'000	RM'000
Approved by the Directors and contracted	94,361	266,478
Approved by the Directors but not contracted	305,507	260,199
	<u>399,868</u>	<u>526,677</u>
Analysed as follows:		
- Buildings	46,871	77,767
- Medical equipment	148,849	219,563
- Other property, plant and equipment	204,148	229,347
	<u>399,868</u>	<u>526,677</u>

**42 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 KPJ Group Management Committee ("KGMC"). The KGMC 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 and aged care services in Thailand, Bangladesh and Australia, 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) Indonesia – Provision of hospital services in Indonesia

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 KGMC assesses the performance of the operating segments based on EBITDA and profit before tax.

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42 SEGMENTAL REPORTING (CONTINUED)

	<u>Malaysia</u> RM'000	<u>Others</u> RM'000	<u>Total</u> <u>segments</u> RM'000	<u>Adjustments</u> <u>and</u> <u>eliminations</u> RM'000	<u>Sub-total</u> RM'000	<u>Indonesia</u> <u>operations</u> RM'000	<u>Total</u> RM'000
<u>31 December 2022</u>							
<u>Revenue</u>							
Revenue from external customers	2,825,304	109,789	2,935,093	(14,435)	2,920,658	37,844	2,958,502
<u>Results</u>							
Gain on fair value of investment properties	3,280	-	3,280	-	3,280	-	3,280
Reversal of Impairment loss	6,709	-	6,709	-	6,709	-	6,709
Depreciation and amortisation	(247,639)	(14,665)	(262,304)	478	(261,826)	(5,828)	(267,654)
Finance costs (net)	(168,762)	(16,664)	(185,426)	2,006	(183,420)	13	(183,407)
Share of results of associates	46,740	1,024	47,764	-	47,764	-	47,764
Profit/(loss) before tax	318,744	(44,328)	274,416	(10,884)	263,532	(7,774)	255,758
Tax	(72,215)	(993)	(73,208)	-	(73,208)	103	(73,105)
Profit/(loss) after tax	246,529	(45,321)	201,208	(10,884)	190,324	(7,671)	182,653
EBITDA	735,145	(12,999)	722,146	(13,368)	708,778	(1,959)	706,818

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42 SEGMENTAL REPORTING (CONTINUED)

	<u>Malaysia</u> RM'000	<u>Others</u> RM'000	<u>Total</u> <u>segments</u> RM'000	<u>Adjustments</u> <u>and</u> <u>eliminations</u> RM'000	<u>Sub-total</u> RM'000	<u>Indonesia</u> <u>operations</u> RM'000	<u>Total</u> RM'000
<u>31 December 2022 (continued)</u>							
Total assets	<u>6,854,141</u>	<u>354,546</u>	<u>7,208,687</u>	<u>(353,282)</u>	<u>6,855,405</u>	<u>138,661</u>	<u>6,994,066</u>
Total liabilities	<u>4,328,590</u>	<u>473,705</u>	<u>4,802,295</u>	<u>(175,610)</u>	<u>4,626,685</u>	<u>13,163</u>	<u>4,639,848</u>
Additions to property, plant and equipment	<u>263,304</u>	<u>1,135</u>	<u>264,439</u>	<u>-</u>	<u>264,439</u>	<u>6,143</u>	<u>270,582</u>

\* Earnings before interest, tax, depreciation and amortisation ("EBITDA")

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42 SEGMENTAL REPORTING (CONTINUED)

	<u>Malaysia</u> RM'000	<u>Others</u> RM'000	<u>Total</u> <u>segments</u> RM'000	<u>Adjustments</u> <u>and</u> <u>eliminations</u> RM'000	<u>Sub-total</u> RM'000	<u>Indonesia</u> <u>operations</u> RM'000	<u>Total</u> RM'000
<u>31 December 2021</u>							
<u>Revenue</u>							
Revenue from external customers	2,494,342	108,342	2,602,684	(12,833)	2,589,851	36,998	2,626,849
<u>Results</u>							
Gain on fair value of investment properties	13,410	-	13,410	-	13,410	-	13,410
Impairment loss							
- Property, plant and equipment	(10,073)	-	(10,073)	-	(10,073)	-	(10,073)
- Intangible assets	(4,028)	-	(4,028)	-	(4,028)	-	(4,028)
Depreciation and amortisation	(229,268)	(20,122)	(249,390)	479	(248,911)	(6,360)	(255,271)
Finance costs (net)	(143,208)	(16,564)	(159,772)	1,588	(158,184)	(422)	(158,606)
Share of results of associates	24,702	1,154	25,856	-	25,856	-	25,856
Profit/(loss) before tax	169,058	(37,799)	131,259	(10,016)	121,243	(5,645)	115,598
Tax	(46,455)	(2,413)	(48,868)	-	(48,868)	(1,079)	(49,947)
Profit/(loss) after tax	122,603	(40,212)	82,391	(10,016)	72,375	(6,724)	65,651
EBITDA	541,535	(1,113)	540,422	(12,083)	528,339	1,137	529,476



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42 SEGMENTAL REPORTING (CONTINUED)

	<u>Malaysia</u> RM'000	<u>Others</u> RM'000	<u>Total</u> <u>segments</u> RM'000	<u>Adjustments</u> <u>and</u> <u>eliminations</u> RM'000	<u>Sub-total</u> RM'000	<u>Indonesia</u> <u>operations</u> RM'000	<u>Total</u> RM'000
<u>31 December 2021 (continued)</u>							
Total assets	<u>5,915,289</u>	<u>367,914</u>	<u>6,283,203</u>	<u>(236,258)</u>	<u>6,046,945</u>	<u>140,696</u>	<u>6,187,641</u>
Total liabilities	<u>3,555,019</u>	<u>444,863</u>	<u>3,999,882</u>	<u>(82,686)</u>	<u>3,917,196</u>	<u>19,937</u>	<u>3,937,133</u>
Additions to property, plant and equipment	<u>232,231</u>	<u>1,566</u>	<u>233,797</u>	<u>-</u>	<u>233,797</u>	<u>874</u>	<u>234,671</u>

\* Earnings before interest, tax, depreciation and amortisation ("EBITDA")

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42 SEGMENTAL REPORTING (CONTINUED)

	<u>2022</u>	<u>Group</u> <u>2021</u>
	RM'000	RM'000
Reconciliation of profit before tax		
Segment profit before tax	274,416	131,259
Intercompanies	(10,884)	(10,016)
Profit before tax	<u>263,532</u>	<u>121,243</u>
Reconciliation of assets		
Segment total assets	7,208,687	6,283,203
Intercompanies	(353,282)	(236,258)
Total assets	<u>6,855,405</u>	<u>6,046,945</u>
Reconciliation of liabilities		
Segment total liabilities	4,802,295	3,999,882
Intercompanies	(175,610)	(82,686)
Total liabilities	<u>4,626,685</u>	<u>3,917,196</u>

43 SUBSEQUENT EVENT

On 27 January 2023, KPJ Kumpulan Perubatan (Johor) Sdn Bhd through its wholly owned subsidiaries Crossborder Aim (M) Sdn Bhd and Crossborder Hall (M) Sdn Bhd, collectively wholly owned subsidiaries of KPJ Healthcare Berhad, entered into a share sale agreement to dispose of its entire 100% participating interest in PT Al-Aqar Permata Hijau and 80% participating interest in PT Khidmat Perawatan Jasa Medika with a third party buyer for equity value consideration totalling RM25.7 million.

The sale of the 100% interest in PT Al-Aqar Bumi Serpong Damai and 75% interest in PT Khasanah Putera Jakarta Medica is expected to complete before the end of 2023.