

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2020

Registration No.

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KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

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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 2020.

PRINCIPAL ACTIVITIES

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

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

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

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	150,810	58,581
Tax	(39,998)	(643)
Profit for the financial year	<u>110,812</u>	<u>57,938</u>
Profit for the financial year attributable to:		
Owners of the Company	110,443	57,938
Non-controlling interests	369	-
Profit for the financial year	<u>110,812</u>	<u>57,938</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 2019 are as follows:

	RM
In respect of the financial year ended 31 December 2020:	
First interim single tier dividend of 0.50 sen per share on 4,279,593,856 ordinary shares, declared on 26 February 2020 and paid on 20 April 2020.	21,397,969
Second interim single tier dividend of 0.30 sen per share on 4,279,610,036 ordinary shares, declared on 10 June 2020 and paid on 28 July 2020.	12,838,830
Third interim single tier dividend of 0.40 sen per share on 4,279,610,036 ordinary shares, declared on 30 November 2020 and paid on 31 December 2020.	17,118,438
	<hr/> <u>51,355,237</u>

The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2020.

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 2020, the Company held a total of 162,306,700 of its 4,442,042,736 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 RM2,760,330 through the issuance of 2,845,561 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.

EMPLOYEES' SHARE OPTION SCHEME

The Company implemented ESOS in 2015 for a period of 5 years for eligible employees and Directors of the Group. Details of ESOS are set out in Note 35 to the financial statements.

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

Dato' Yusli bin Mohamed Yusoff	(Chairman, appointed on 18 February 2020)
Ahmad Shahizam bin Mohd Shariff	(Managing Director, appointed on 1 July 2020)
Christina Foo	
Prof Dato' Dr. Azizi bin Haji Omar	
Datuk Mohd Radzif bin Mohd Yunus	
Mohamed Ridza bin Mohamed Abdulla	(Appointed on 1 April 2020)
Dato' Dr Ngun Kok Weng	(Appointed on 1 April 2020)
Khairuddin bin Jaflus	(Appointed on 7 May 2020)
Dato' Mohd Redza Shah Bin Abdul Wahid	(Appointed on 7 May 2020)
Rozaini bin Mohd Sani	(Appointed on 7 May 2020)
Shamsul Anuar bin Abdul Majid	(Appointed on 7 May 2020)
Dato' Dr Sivamohan A/L S.Namasivayam	(Appointed on 7 May 2020)
Wan Azman bin Ismail	(Appointed on 1 April 2020, resigned on 7 May 2020)
Dato' Seri (Dr) Mohamed Azahari Bin Mohamed Kamil	(Appointed on 1 April 2020, resigned on 8 October 2020)
Dato' Kamaruzzaman bin Abu Kassim	(Resigned on 15 January 2020)
Mohd Sahir bin Rahmat	(Resigned on 31 March 2020)
Dato' Muthanna bin Abdullah	(Resigned on 31 March 2020)
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir	(Resigned on 31 March 2020)
Zulkifli bin Ibrahim	(Resigned on 31 March 2020)
Aminudin bin Dawam	(Resigned on 7 May 2020)
Dato' Dr. Bajit Kor A/P Teja Singh	(Resigned on 7 May 2020)
Jasimah binti Hassan	(Resigned on 7 May 2020)
Dato' Dr. Zaki Morad bin Mohamad Zaher	(Resigned on 7 May 2020)
Dato' Amiruddin bin Abdul Satar	(Resigned on 1 July 2020)

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

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, other than the Company's ESOS (see Note 35 to the financial statements).

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DIRECTORS' REPORT (CONTINUED)

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:

	<u>Number of ordinary shares</u>			
	<u>At 1.1.2020/date of appointment</u>	<u>Acquired</u>	<u>Disposed</u>	<u>At 31.12.2020</u>
<u>KPJ Healthcare Berhad</u>				
Prof Dato' Dr. Azizi bin Haji Omar	330,000	-	-	330,000
Dato Dr Ngun Kok Weng	440,000	-	-	440,000

	<u>Number of units</u>			
	<u>At date of appointment</u>	<u>Acquired</u>	<u>Disposed</u>	<u>At 31.12.2020</u>
<u>Al-'Aqar Healthcare REIT</u>				
Ahmad Shahizam bin Mohd Shariff	-	500,000	-	500,000
Dato Dr Ngun Kok Weng	9,000	-	-	9,000

	<u>Number of options over ordinary shares</u>			
	<u>At date of appointment</u>	<u>Acquired</u>	<u>Disposed</u>	<u>At 31.12.2020</u>
<u>KPJ Healthcare Berhad</u>				
Dato Dr Sivamohan A/L S.Namasivayam	330,000	-	-	330,000

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 12 to the financial statements.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

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

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that 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

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DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps: (continued)
- (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.
- (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 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 21 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 2020.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 18 February 2021.



DATO' YUSLI BIN MOHAMED YUSOFF
DIRECTOR



AHMAD SHAHIZAM BIN MOHD SHARIFF
DIRECTOR

Kuala Lumpur, Malaysia

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

We, Dato' Yusli bin Mohamed Yusoff and Ahmad Shahizam bin Mohd Shariff, 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 14 to 135 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 2020 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 18 February 2021.



DATO' YUSLI BIN MOHAMED YUSOFF
DIRECTOR



AHMAD SHAHIZAM BIN MOHD SHARIFF
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 14 to 135 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 18 February 2021



NORHAIZAM BINTI MOHAMMAD

Before me,

COMMISSIONER FOR OATH



Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur
Tel: 019-6680745

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**Independent auditors' report to the members of
KPJ Healthcare Berhad
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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 2020 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 14 to 135.

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 2020, 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, 7 and 41 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 2020 which amounted to approximately RM 2,266 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.

In addition, the Group's hospitals involve medical consultants in providing services to its customers. Significant judgement is required to assess the arrangements between the hospitals and its medical consultants to determine whether the Group is a principal or an agent in the provision of services to its customers, which will affect whether revenue is recognised on a gross or net basis.

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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**Independent auditors' report to the members of
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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;
- Using data analytics, we performed correlation analysis between revenue, trade receivables and cash and bank balances; and
- We reviewed samples of contracts between the Group and its medical consultants to evaluate management's assessment of whether the Group is a principal or an agent in the provision of services to its customers.

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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**Independent auditors' report to the members of
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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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**Independent auditors' report to the members of
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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.

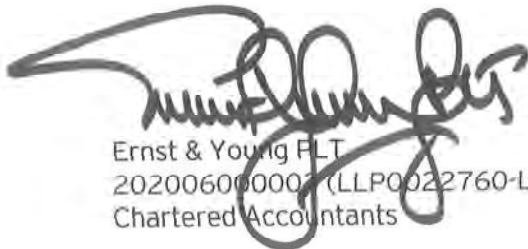
From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law 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 21 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 FLT
202006000007 (LLP0022760-LCA) & AF 0039
Chartered Accountants



Ismed Darwis Bin Bahatlar
No. 02921/04/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
18 February 2021

KPJ HEALTHCARE BERHAD
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**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	Group		Company	
		2020 RM'000	2019 RM'000 Restated	2020 RM'000	2019 RM'000
Revenue	7	2,397,443	2,737,919	144,077	245,963
Cost of sales		(1,494,888)	(1,627,665)	-	-
Gross profit		902,555	1,110,254	144,077	245,963
Administrative expenses		(647,345)	(751,990)	(61,258)	(68,890)
Other income		29,776	21,652	482	974
Zakat	8	(1,810)	(3,443)	(300)	(300)
Operating profit		283,176	376,473	83,001	177,747
Finance income	9	14,164	14,206	-	-
Finance costs	9				
- Borrowings		(94,252)	(89,534)	(24,420)	(25,212)
- Lease liabilities		(69,224)	(69,631)	-	-
Finance costs - net		(149,312)	(144,959)	(24,420)	(25,212)
Share of results of associates, net of tax		16,946	43,879	-	-
Profit before tax	10	150,810	275,393	58,581	152,535
Tax	13	(39,998)	(48,696)	(643)	(15,184)
Profit for the financial year		110,812	226,697	57,938	137,351
Other comprehensive income:					
Item that may be subsequently reclassified to profit or loss:					
- Currency translation differences		(9,743)	5,266	-	-

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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	Group		Company	
		2020 RM'000	2019 RM'000 Restated	2020 RM'000	2019 RM'000
Items that will not be reclassified to profit or loss:					
- Gains on revaluation of land and building		127,649	1,000	-	-
- Deferred tax on revaluation surplus	13	(22,943)	(240)	-	-
Other comprehensive income for the financial year, net of tax		94,963	6,026	-	-
Total comprehensive income for the financial year		<u>205,775</u>	<u>232,723</u>	<u>57,938</u>	<u>137,351</u>
Profit for the financial year attributable to:					
Owners of the Company		110,443	211,368	57,938	137,351
Non-controlling interests		369	15,329	-	-
		<u>110,812</u>	<u>226,697</u>	<u>57,938</u>	<u>137,351</u>
Total comprehensive income for the financial year attributable to:					
Owners of the Company		205,406	217,394	57,938	137,351
Non-controlling interests		369	15,329	-	-
		<u>205,775</u>	<u>232,723</u>	<u>57,938</u>	<u>137,351</u>
Earnings per share attributable to Owners of the Company:					
Basic (sen)	15(a)	2.58	4.95		
Diluted (sen)	15(b)	2.48	4.74		

KPJ HEALTHCARE BERHAD
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STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment	16	2,863,583	2,598,686	1,064	188
Right-of-use assets	17	1,051,172	1,084,159	-	-
Investment properties	18	337,748	328,582	-	-
Intangible assets	19	235,828	235,402	-	-
Investments in subsidiaries	21	-	-	1,039,101	1,038,704
Investments in associates	22	450,794	445,715	-	-
Equity instruments classified as FVOCI	23	1,120	4,678	1,120	4,396
Deferred tax assets	24	130,921	109,126	152	-
		<u>5,071,166</u>	<u>4,806,348</u>	<u>1,041,437</u>	<u>1,043,288</u>
<u>Current assets</u>					
Inventories	25	52,052	53,609	-	-
Trade and other receivables	26	457,400	549,602	881	780
Amounts due from subsidiaries	26	-	-	480,169	456,935
Tax recoverable		93,737	92,679	-	1,004
Deposits, bank and cash balances	27	462,234	478,335	4,137	4,540
Dividend receivable		4,842	5,274	76,695	1,326
		<u>1,070,265</u>	<u>1,179,499</u>	<u>561,882</u>	<u>464,585</u>
Total assets		<u><u>6,141,431</u></u>	<u><u>5,985,847</u></u>	<u><u>1,603,319</u></u>	<u><u>1,507,873</u></u>
EQUITY AND LIABILITIES					
<u>Current liabilities</u>					
Trade and other payables	28	605,055	770,523	14,368	23,073
Amounts due to subsidiaries	28	-	-	97,898	38,102
Contract liabilities	29	55,978	66,896	-	-
Current tax liabilities		19,638	2,252	26	-
Borrowings	30	505,776	289,513	112,129	187,000
Lease liabilities	31	45,531	47,359	-	-
Dividend payable		-	21,390	-	21,390
		<u>1,231,978</u>	<u>1,197,933</u>	<u>224,421</u>	<u>269,565</u>
Net current (liabilities)/assets		<u>(161,713)</u>	<u>(18,434)</u>	<u>337,461</u>	<u>195,020</u>

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STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (CONTINUED)

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Non-current liabilities</u>					
Trade and other payables	28	4,281	7,744	-	-
Amounts due to subsidiaries	28	-	-	343,204	212,910
Borrowings	30	1,449,231	1,473,812	505	-
Lease liabilities	31	1,153,419	1,174,790	-	-
Deferred tax liabilities	24	85,650	64,962	-	-
Provision for retirement benefits	32	2,786	2,775	-	-
Deposits	33	11,874	14,567	-	-
		<u>2,707,241</u>	<u>2,738,650</u>	<u>343,709</u>	<u>212,910</u>
Total liabilities		<u>3,939,219</u>	<u>3,936,583</u>	<u>568,130</u>	<u>482,475</u>
Net assets		<u>2,202,212</u>	<u>2,049,264</u>	<u>1,035,189</u>	<u>1,025,398</u>
<u>Equity attributable to Owners of the Company</u>					
Share capital	34	909,504	906,743	909,504	906,743
Less: Treasury shares		(155,310)	(155,310)	(155,310)	(155,310)
Reserves		1,295,890	1,141,392	280,995	273,965
		<u>2,050,084</u>	<u>1,892,825</u>	<u>1,035,189</u>	<u>1,025,398</u>
Non-controlling interests		152,128	156,439	-	-
Total equity		<u>2,202,212</u>	<u>2,049,264</u>	<u>1,035,189</u>	<u>1,025,398</u>
Total equity and liabilities		<u>6,141,431</u>	<u>5,985,847</u>	<u>1,603,319</u>	<u>1,507,873</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Ordinary share capital (Note 34) RM'000	Treasury shares RM'000	Other reserves (Note 36) RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
<u>Group</u>							
At 1 January 2020	906,743	(155,310)	188,014	953,378	1,892,825	156,439	2,049,264
Comprehensive income:							
Profit for the financial year	-	-	-	110,443	110,443	369	110,812
Other comprehensive income:							
Currency translation differences of foreign subsidiaries	-	-	(9,743)	-	(9,743)	-	(9,743)
Revaluation surplus	-	-	104,706	-	104,706	-	104,706
Total other comprehensive income	-	-	94,963	-	94,963	-	94,963
	<u>906,743</u>	<u>(155,310)</u>	<u>282,977</u>	<u>1,063,821</u>	<u>2,098,231</u>	<u>156,808</u>	<u>2,255,039</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

<u>Group</u>	Ordinary share <u>capital</u> (Note 34) RM'000	Treasury <u>shares</u> RM'000	Other <u>reserves</u> (Note 36) RM'000	Retained <u>earnings</u> RM'000	<u>Total</u> RM'000	Non- controlling <u>interests</u> RM'000	Total <u>equity</u> RM'000
Transactions with Owners:							
Issue of share capital:							
- ESOS	2,761	-	(172)	-	2,589	-	2,589
- Share buy-back	-	-	-	-	-	-	-
	2,761	-	(172)	-	2,589	-	2,589
ESOS expenses during the financial year	-	-	619	-	619	-	619
Lapsed ESOS	-	-	(1,802)	1,802	-	-	-
Dividends on ordinary shares (Note 14)	-	-	-	(51,355)	(51,355)	-	(51,355)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	(4,680)	(4,680)
Total transactions with Owners	2,761	-	(1,355)	(49,553)	(48,147)	(4,680)	(52,827)
At 31 December 2020	909,504	(155,310)	281,622	1,014,268	2,050,084	152,128	2,202,212

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	Ordinary share capital (Note 34) RM'000	Treasury shares RM'000	Other reserves (Note 36) RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
<u>Group</u>							
At 1 January 2019							
As previously reported	860,295	(111,319)	222,087	1,012,837	1,983,900	152,803	2,136,703
Adjustment on adoption of MFRS 16	-	-	-	(223,828)	(223,828)	-	(223,828)
As restated	860,295	(111,319)	222,087	789,009	1,760,072	152,803	1,912,875
Acquisition of interest in a subsidiary (Note 21)	-	-	-	1,203	1,203	1,156	2,359
Comprehensive income:							
Profit for the financial year	-	-	-	211,368	211,368	15,329	226,697
Other comprehensive income:							
Currency translation differences of foreign subsidiaries	-	-	5,266	-	5,266	-	5,266
Revaluation surplus	-	-	760	-	760	-	760
Disposal of property, plant and equipment	-	-	(5,331)	5,331	-	-	-
Total other comprehensive income	-	-	695	5,331	6,026	-	6,026
	860,295	(111,319)	222,782	1,006,911	1,978,669	169,288	2,147,957

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Ordinary share capital (Note 34) RM'000	Treasury shares RM'000	Other reserves (Note 36) RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
<u>Group</u>							
Transactions with Owners:							
Issue of share capital:							
- Warrants	25,230	-	(2,117)	-	23,113	-	23,113
- ESOS	21,218	-	(5,599)	-	15,619	-	15,619
- Share buy-back	-	(43,991)	-	-	(43,991)	-	(43,991)
	46,448	(43,991)	(7,716)	-	(5,259)	-	(5,259)
ESOS expenses during the financial year	-	-	3,827	-	3,827	-	3,827
Lapsed ESOS	-	-	(8,635)	8,635	-	-	-
Lapsed warrants	-	-	(22,244)	22,244	-	-	-
Dividends on ordinary shares (Note 14)	-	-	-	(86,019)	(86,019)	-	(86,019)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	(6,861)	(6,861)
Acquisition of interest in subsidiaries (Note 21)	-	-	-	1,537	1,537	(5,938)	(4,401)
Sale of interest in a subsidiary to non-controlling interest (Note 21)	-	-	-	70	70	(50)	20
Total transactions with Owners	46,448	(43,991)	(34,768)	(53,533)	(85,844)	(12,849)	(98,693)
At 31 December 2019	906,743	(155,310)	188,014	953,378	1,892,825	156,439	2,049,264

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COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Ordinary share capital (Note 34) RM'000	Treasury reserves RM'000	Share option reserves RM'000	Retained earnings RM'000	Total equity RM'000
<u>Company</u>					
At 1 January 2020	906,743	(155,310)	61,153	212,812	1,025,398
Profit for the financial year	-	-	-	57,938	57,938
Transactions with Owners:					
Issue of share capital:					
- ESOS	2,761	-	(172)	-	2,589
Dividends on ordinary shares (Note 14)	-	-	-	(51,355)	(51,355)
ESOS - expense during the financial year	-	-	619	-	619
Lapsed ESOS	-	-	(1,802)	1,802	-
Total transactions with Owners	2,761	-	(1,355)	(49,553)	(48,147)
At 31 December 2020	909,504	(155,310)	59,798	221,197	1,035,189

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**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	Ordinary share capital (Note 34) RM'000	Treasury shares RM'000	Warrant reserves RM'000	Share option reserves RM'000	Retained earnings RM'000	Total equity RM'000
<u>Company</u>						
At 1 January 2019	860,295	(111,319)	24,361	71,560	130,601	975,498
Profit for the financial year	-	-	-	-	137,351	137,351
Transactions with Owners:						
Issue of share capital:						
- Warrants	25,230	-	(2,117)	-	-	23,113
- ESOS	21,218	-	-	(5,599)	-	15,619
- Share buy-back	-	(43,991)	-	-	-	(43,991)
	46,448	(43,991)	(2,117)	(5,599)	-	(5,259)
Dividends on ordinary shares (Note 14)	-	-	-	-	(86,019)	(86,019)
ESOS - expense during the financial year	-	-	-	3,827	-	3,827
Lapsed ESOS	-	-	-	(8,635)	8,635	-
Lapsed warrants	-	-	(22,244)	-	22,244	-
Total transactions with Owners	46,448	(43,991)	(24,361)	(10,407)	(55,140)	(87,451)
At 31 December 2019	906,743	(155,310)	-	61,153	212,812	1,025,398

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Operating activities</u>					
Profit before tax		150,810	275,393	58,581	152,535
Adjustments for:					
Share of results of associates		(16,946)	(43,879)	-	-
Finance income	9	(14,164)	(14,206)	-	-
Finance costs:	9				
- Borrowings		94,252	89,534	24,420	25,212
- Lease liabilities		69,224	69,631	-	-
Dividend income from subsidiaries		-	-	(76,695)	(119,789)
Dividend income from Al-Salam REIT		(50)	(89)	(50)	(89)
Trade receivables:					
- (Reversal)/impairment charge for the year (net)	26	(21)	4,654	-	-
Share-based payments	11	619	3,827	84	512
Gain on disposal of shares in associates (net)		-	(1,687)	-	-
Gain on disposal of shares in subsidiaries	21	-	(117)	-	-
Property, plant and equipment:					
- Depreciation	16	172,699	159,082	139	53
- Written-off		1,067	2,124	-	-
- Gain on disposal		(342)	(861)	-	-
- Impairment		16,973	-	-	-
Right-of-use assets:					
- Depreciation	17	50,644	57,165	-	-
Investment properties:					
- Gain on fair value	18	(464)	(1,830)	-	-
- Written-off	18	420	-	-	-
Intangible asset:					
- Amortisation of software development expenditure	19	15,413	4,013	-	-
- Impairment of goodwill	19	1,610	-	-	-
Equity instruments classified as FVOCI					
- Impairment on quoted shares	23	744	-	744	-
- Impairment on unquoted shares	23	2,814	-	2,532	-
Inventories written-off		387	460	-	-
Provision for retirement benefits	32	321	322	-	-
Negative goodwill on acquisition	21	-	(213)	-	-
Operating profit before working capital changes		546,010	603,323	9,755	58,434

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
<u>Operating activities (continued)</u>					
Changes in working capital:					
Inventories		1,170	(3,899)	-	-
Receivables		98,493	(21,535)	(93)	1,298
Payables		(238,282)	101,568	(8,705)	3,547
Contract liabilities		(10,918)	(3,378)	-	-
Related companies		-	-	(21,778)	81,179
		<u>396,473</u>	<u>676,079</u>	<u>(20,821)</u>	<u>144,458</u>
Cash flows generated from/ (used in) operations					
		396,473	676,079	(20,821)	144,458
Income tax refund		10,071	17,928	2,274	861
Income tax paid		(69,487)	(112,970)	(2,039)	(10,793)
Retirement benefits paid	32	(310)	(225)	-	-
		<u>336,747</u>	<u>580,812</u>	<u>(20,586)</u>	<u>134,526</u>
Net cash generated from/(used in) operating activities					
		336,747	580,812	(20,586)	134,526
<u>Investing activities</u>					
Additions to property, plant and equipment	16	(240,489)	(397,382)	(323)	-
Additions to investment properties	18	(677)	(4,720)	-	-
Additions to intangible assets	19	(1,516)	(6,680)	-	-
Proceeds from disposal of property, plant and equipment		680	2,007	-	-
Proceeds from disposal of shares in an associate		-	9,510	-	-
Proceeds from disposal of interest in subsidiary	21	-	1,148	-	-
Interest received		14,164	14,206	-	-
Increase in deposits with licensed banks with maturity of more than 3 months	27	(34,023)	(74,363)	-	-
Dividends received from associates/ subsidiaries		15,551	21,118	50	3,507
Investment in a subsidiary	21	(27,404)	2,720	-	-
Additional investments in subsidiaries	21	(2,000)	(1,810)	-	-
		<u>(275,714)</u>	<u>(434,246)</u>	<u>(273)</u>	<u>3,507</u>
Net cash (used in)/generated from investing activities					
		(275,714)	(434,246)	(273)	3,507

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Financing activities</u>					
Proceeds from dilution of interest in subsidiary	21	-	20	-	-
Grant income received	16	3,003	10,384	-	-
Dividends paid to non-controlling interests		(4,680)	(6,861)	-	-
Issue of shares:					
- Warrants		-	23,113	-	23,113
- ESOS		2,589	15,619	2,589	15,619
- Share buy-back		-	(43,991)	-	(43,991)
Borrowings:					
- Drawdown		348,177	52,327	-	-
- Repayments		(194,144)	(75,325)	(75,058)	-
- Proceeds / (Repayments) of amounts due to subsidiaries		-	-	190,090	(97,093)
Payment of lease liabilities		(98,978)	(110,333)	-	-
Interest paid		(94,252)	(89,534)	(24,420)	(25,212)
Dividends paid to shareholders		(72,745)	(86,166)	(72,745)	(86,166)
Designated account	27	(269)	(182)	-	-
Net cash (used in)/generated from financing activities		(111,299)	(310,929)	20,456	(213,730)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(50,266)	(164,363)	(403)	(75,697)
CURRENCY TRANSLATION DIFFERENCES		(3,076)	6,795	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		268,362	404,214	4,540	80,237
RECLASSIFICATION FROM NON-CURRENT ASSETS HELD FOR SALE		-	21,716	-	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	27	215,020	268,362	4,137	4,540

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**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1.1.2020 RM'000	Cashflows			Non-cash movement			At 31.12.2020 RM'000
		Drawdowns RM'000	Repayments RM'000	Finance costs paid RM'000	Finance costs RM'000	Foreign exchange movement RM'000	Hire purchase/ lease RM'000	
<u>Group</u>								
Borrowings (exclude overdraft)	1,754,637	348,177	(194,144)	(93,358)	93,358	680	34,020	1,943,370
Lease liabilities	1,222,149	-	(98,978)	-	69,224	4,004	2,551	1,198,950
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Company</u>								
Borrowings	187,000	-	(75,058)	(24,420)	24,420	-	692	112,634
Amount due to subsidiaries	251,012	-	172,063	-	18,027	-	-	441,102
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	At 1.1.2019 RM'000	Reclassification from MFRS 5 RM'000	Cashflows			Non-cash movement			At 31.12.2019
			Drawdowns RM'000	Repayments RM'000	Finance costs paid RM'000	Finance costs RM'000	Foreign exchange movement RM'000	Hire purchase/ lease RM'000	
<u>Group</u>									
Borrowings (exclude overdraft)	1,736,703	22,189	52,327	(75,325)	(88,989)	88,989	543	18,200	1,754,637
Lease liabilities	1,156,850	-	-	(110,333)	-	69,631	-	106,001	1,222,149
<u>Company</u>									
Borrowings	187,000	-	-	-	(25,212)	25,212	-	-	187,000
Amount due to subsidiaries	348,105	-	-	(114,188)	-	17,095	-	-	251,012

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1 GENERAL INFORMATION

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

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

The address of principal place of business of the Company is Level 12, Menara KPJ, 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 21 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 18 February 2021.

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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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2020:

- MFRS 3: Definition of a Business
- Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
- Amendments to MFRS 101 and MFRS 108: Definition of Material
- Amendment to MFRS 16 Leases: Covid-19-Related Rent Concessions

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.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018-2020:	
• Amendments to MFRS 1: First-time Adoption of International Financial Reporting Standards – Subsidiary as A First-time Adopter	1 January 2022
• Amendments to MFRS 9: Financial Instruments – Fees in the '10 percent' Test for Derecognition of Financial Liabilities	1 January 2022
• Amendments to MFRS 141: Agriculture – Taxation in Fair Value Measurements	1 January 2022
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
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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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.

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investments in associates (continued)

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.

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (continued)

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.

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (continued)

(a) Goodwill (continued)

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.

(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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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.

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(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").

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.

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.

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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 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.

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. 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 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

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.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities 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.

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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 (continued)

The results of discontinued operations are presented separately in the statement of comprehensive income.

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 are 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. Wellness packages

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

Advance payment received are recognised as contract liabilities.

(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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Revenue recognition (continued)

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.

(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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Foreign currencies (continued)

(b) Transactions and balances (continued)

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.

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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”) (formerly known as Executive Committee) 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 Key Management Personnel 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.

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 profit or loss. Zakat expense is derived from the net adjusted amount of zakat assets and liabilities used for or derived from business activities.

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3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

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

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

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

Exposure to credit risk

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

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3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

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:

Category	Group’s and Company’s definition of category	Basis for recognising ECL
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 Note 2.12(d) 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 Note 2.12(d) above)	Lifetime ECL (credit impaired)
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 Note 2.12(d) above)	Asset is written off

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3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Group impairment policy (continued)

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 when the amount due exceed 90 days and 365 days for individual and corporate customers respectively. The loss allowance recognised as at 31 December 2020 for individual and corporate customers is RM13,237,680 and RM21,598,320 respectively.

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.

(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.

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3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

(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	1,365,000	-	-	1,365,000
Underperforming	-	-	-	-
Non-performing	-	-	-	-
Total amount guaranteed	1,365,000	-	-	1,365,000
Loss allowance	-	-	-	-

(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.

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3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

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

	On demand or within <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>2020</u>				
<u>Group</u>				
Trade and other payables	605,055	4,281	-	609,336
Borrowings	526,424	1,434,619	84,584	2,045,627
Lease liabilities	115,236	458,906	1,420,277	1,994,419
Deposits	-	-	11,874	11,874
Total undiscounted financial liabilities	<u>1,246,715</u>	<u>1,897,806</u>	<u>1,516,735</u>	<u>4,661,256</u>
<u>Company</u>				
Trade and other payables	14,368	-	-	14,368
Amounts due to subsidiaries	97,898	355,051	261	453,210
Borrowings	115,313	516	-	115,829
Financial guarantee contracts*	1,365,000	-	-	1,365,000
Total undiscounted financial liabilities	<u>1,592,579</u>	<u>355,567</u>	<u>261</u>	<u>1,948,407</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>2019</u>				
<u>Group</u>				
Trade and other payables	770,523	7,744	-	778,267
Borrowings	298,556	1,528,681	26,839	1,854,076
Lease liabilities	113,450	453,510	1,516,945	2,083,905
Dividend payable	21,390	-	-	21,390
Deposits	-	-	14,567	14,567
Total undiscounted financial liabilities	<u>1,203,919</u>	<u>1,989,935</u>	<u>1,558,351</u>	<u>4,752,205</u>
<u>Company</u>				
Trade and other payables	23,073	-	-	23,073
Amounts due to subsidiaries	38,102	223,385	429	261,916
Borrowings	195,041	-	-	195,041
Dividend payable	21,390	-	-	21,390
Financial guarantee contracts*	1,162,517	-	-	1,162,517
Total undiscounted financial liabilities	<u>1,440,123</u>	<u>223,385</u>	<u>429</u>	<u>1,663,937</u>

* Related to Islamic Medium Term Notes (Note 30)

The Group has total undrawn borrowing facilities amounting to RM0.62 billion (2019: RM0.74 billion) as at 31 December 2020.

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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 (2019: 25 basis points) lower/higher, with all other variables held constant, the Group's profit before tax for the financial year would have been RM1,106,256 (2019: RM1,047,933) 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 2020 and 2019 were as follows:

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Current borrowings	505,776	289,513
Non-current borrowings	1,449,231	1,473,812
Total borrowings (Note 30) – [A]	<u>1,955,007</u>	<u>1,763,325</u>
Shareholders' funds – [B]	<u>2,050,084</u>	<u>1,892,825</u>
Gross gearing ratio (%) – [A] / [B]	<u>0.95</u>	<u>0.93</u>

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 30.

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	27
Trade and other payables and amounts due to subsidiaries	28
Borrowings	30
Deposits	33

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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 (continued)

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 30.

(b) Fair value measurement

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

	Level 1		Level 3	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Equity instruments classified as FVOCI (Note 23)	1,120	1,864	-	2,814
Property, plant and equipment (Note 16):				
- Freehold land	-	-	260,714	228,958
- Buildings	-	-	1,528,257	1,306,863
Investment properties (Note 18)	-	-	337,748	328,582
	<u>1,120</u>	<u>1,864</u>	<u>2,126,719</u>	<u>1,867,217</u>
<u>Company</u>				
Equity instruments classified as FVOCI (Note 23)	<u>1,120</u>	<u>1,864</u>	<u>-</u>	<u>2,532</u>

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 2020 and 31 December 2019.

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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) Revenue recognition

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. In addition, the Group's hospitals involve medical consultants in providing services to its customers. Significant judgement is required to assess the arrangements between the hospitals and its medical consultants to determine whether the Group is a principal or an agent in the provision of services to its customers, which will affect whether revenue is recognised on a gross or net basis.

(b) Impairment of goodwill

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

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

(c) 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.

(d) 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 18 to the financial statements.

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6 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (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 are discussed below. (continued)

(e) 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 17 for details about Group's ROU assets.

7 REVENUE

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
		Restated		
<u>Revenue from contract with customers:</u>				
Revenue from hospital and healthcare charges				
- Revenue from inpatient and outpatient hospital charges				
- Revenue from hospital	2,190,438	2,501,466	-	-
- Management fees from consultants	75,238	91,868	-	-
- Wellness packages	7,486	7,325	-	-
- Aged care revenue	49,393	51,893	-	-
Tuition fees	34,157	38,066	-	-
Management fees	4,168	6,390	48,314	53,262
	2,360,880	2,697,008	48,314	53,262
<u>Revenue from other sources:</u>				
Dividend income	50	89	76,745	119,878
Interest income	-	-	19,018	72,823
Rental income	35,496	38,967	-	-
Other revenue	1,017	1,855	-	-
	36,563	40,911	95,763	192,701
	2,397,443	2,737,919	144,077	245,963

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7 REVENUE (CONTINUED)

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.

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
	Malaysia RM'000	Others RM'000	Malaysia RM'000	Others RM'000	
<u>2020</u>					
Segment revenue	2,736,478	87,975	281,276	36,431	3,142,160
Intersegment revenue	(501,897)	-	(240,546)	(2,274)	(744,717)
Revenue from external customers	<u>2,234,581</u>	<u>87,975</u>	<u>40,730</u>	<u>34,157</u>	<u>2,397,443</u>
<u>2019</u>					
Segment revenue	3,105,845	112,337	412,741	44,695	3,675,618
Intersegment revenue	(565,630)	-	(366,023)	(6,046)	(937,699)
Revenue from external customers	<u>2,540,215</u>	<u>112,337</u>	<u>46,718</u>	<u>38,649</u>	<u>2,737,919</u>

8 ZAKAT

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

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9 FINANCE INCOME AND COSTS

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</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	64,355	63,490	-	-
- Term loans	20,015	20,702	-	-
- Revolving credits	7,370	8,119	6,380	8,117
- Hire purchase creditors	2,311	1,712	13	-
- Bank overdrafts	894	545	-	-
Interest expense on conventional financing:				
- Term loans	2,623	498	-	-
- Hire purchase creditors	66	584	-	-
- Interest on advances from subsidiaries	-	-	18,027	17,095
- Revolving credits	103	243	-	-
	<u>97,737</u>	<u>95,893</u>	<u>24,420</u>	<u>25,212</u>
Less: Interest expense capitalised in:				
- Property, plant and equipment (Note 16)	(3,485)	(6,359)	-	-
	<u>94,252</u>	<u>89,534</u>	<u>24,420</u>	<u>25,212</u>
Lease liabilities	69,224	69,631	-	-
	<u>163,476</u>	<u>159,165</u>	<u>24,420</u>	<u>25,212</u>
<u>Finance income</u>				
Profit sharing from deposits with licensed banks				
	(14,164)	(14,206)	-	-
	<u>(14,164)</u>	<u>(14,206)</u>	<u>-</u>	<u>-</u>
Net finance costs	<u>149,312</u>	<u>144,959</u>	<u>24,420</u>	<u>25,212</u>

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5% (2019: 6%)

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10 PROFIT BEFORE TAX

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

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration:					
- Statutory audits					
- EY Malaysia		2,309	-	374	-
- PricewaterhouseCoopers ("PwC") Malaysia		-	1,797	-	321
- Non-EY/PwC		695	679	-	-
- Other services					
- EY Malaysia		1,511	42	1,511	42
- PwC		931	625	931	209
- Non-EY/PwC		561	471	525	243
Trade receivables:					
- (Reversal)/Impairment charge for the year (net)	26	(21)	4,654	-	-
Contribution to Klinik Waqaf An-Nur	37	2,657	1,858	27	-
Directors' remuneration	12	7,004	7,147	6,889	7,099
Cost of medical supplies		762,279	856,922	-	-
External lab services		5,745	4,965	-	-
Inventories written-off		387	460	-	-
Professional fees		3,192	7,138	2,640	1,768
Repair and maintenance		74,291	74,314	928	1,435
Investment properties:					
- Rental income		(15,871)	(16,195)	-	-
- Direct operating expenses		11,132	12,449	-	-
- Written-off	18	420	-	-	-
Property, plant and equipment:					
- Depreciation	16	172,699	159,082	139	53
- Written-off		1,067	2,124	-	-
- Gain on disposal		(342)	(861)	-	-
- Impairment loss		16,973	-	-	-
Right-of-use assets:					
- Depreciation	17	50,644	57,165	-	-
Equity instruments classified as FVOCI:					
- Impairment on quoted shares	23	744	-	744	-
- Impairment on unquoted shares	23	2,814	-	2,532	-
Rental expense of land and buildings		8,902	6,212	3,015	3,600
Rental of equipment and vehicles		7,688	7,061	158	212
Employee benefits costs	11	688,267	821,457	28,264	38,122
Intangible assets:					
- Amortisation of software expenditure	19	15,413	4,013	-	-
- Impairment of goodwill	19	1,610	-	-	-

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10 PROFIT BEFORE TAX (CONTINUED)

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

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Gain on fair value of investment properties	18	(464)	(1,830)	-	-
Negative goodwill on acquisition	21	-	(213)	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

11 EMPLOYEE BENEFITS COSTS

		Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Staff costs (excluding Directors' remuneration):					
- Salaries, allowances and bonuses		604,935	742,253	24,102	34,005
- Contributions to defined contribution plan		82,392	75,055	4,078	3,605
- Share-based payments – ESOS (Note 36)		619	3,827	84	512
- Provision for retirement benefits (Note 32)		321	322	-	-
		<u>688,267</u>	<u>821,457</u>	<u>28,264</u>	<u>38,122</u>

12 DIRECTORS' REMUNERATION

		Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Managing and Executive Directors:					
- Fees		97	555	-	555
- Salaries, allowances and bonuses		3,812	3,826	3,812	3,826
- Contributions to defined contribution plan		251	449	251	449
- Benefits-in-kind		46	150	46	150
		<u>4,206</u>	<u>4,980</u>	<u>4,109</u>	<u>4,980</u>
Non-Independent Non-Executive Directors:					
- Fees		594	420	588	420
- Allowances		596	87	596	87
		<u>1,190</u>	<u>507</u>	<u>1,184</u>	<u>507</u>

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12 DIRECTORS' REMUNERATION (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Independent Non-Executive Directors:				
- Fees	821	720	821	720
- Allowances	755	914	743	866
- Benefits-in-kind	32	26	32	26
	<u>1,608</u>	<u>1,660</u>	<u>1,596</u>	<u>1,612</u>
	<u>7,004</u>	<u>7,147</u>	<u>6,889</u>	<u>7,099</u>

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>2020</u>	<u>2019</u>
<u>Managing and Executive Directors:</u>		
RM1 - RM900,000	2	-
RM900,001 - RM1,000,000	1	-
RM1,000,001 - RM1,500,000	-	2
RM2,000,001 - RM2,500,000	-	1
RM2,500,001 - RM3,000,000	1	-
<u>Non-Executive Directors:</u>		
RM1 - RM100,000	6	-
RM100,001 - RM200,000	3	2
RM200,001 - RM300,000	1	1
<u>Independent Non-Executive Directors</u>		
RM1 - RM100,000	3	-
RM100,001 - RM200,000	4	3
RM200,001 - RM300,000	3	2
RM400,001 - RM500,000	-	1
	<u>24*</u>	<u>12</u>

* Including 12 (2019: 1) Directors that have resigned during the financial year.

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13 TAX

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- In respect of current financial year	71,888	72,862	226	2,470
- (Over)/Under provision of prior years income tax	(9,419)	(50,785)	569	12,714
Foreign income tax:				
- In respect of current financial year	1,579	816	-	-
- Over provision of prior years income tax	-	(113)	-	-
	64,048	22,780	795	15,184
Deferred tax (Note 24)	(24,050)	25,916	(152)	-
Income tax expense recognised in the profit or loss	39,998	48,696	643	15,184
Deferred tax related to other comprehensive income (Note 24)	22,943	240	-	-

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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax	150,810	275,393	58,581	152,535
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	36,194	66,094	14,059	36,608
Tax effects of:				
- Different tax rates	65	140	-	-
- Income not subject to tax	(1,926)	(3,408)	(20,650)	(42,442)
- Expenses non-deductible for tax purposes	16,680	24,348	8,836	7,890
- Share of results of associates	(473)	(995)	-	-
- (Over)/Under provision of prior years income tax	(9,419)	(50,898)	569	12,714
- Deductible temporary differences not recognised	3,453	16,131	17	414
- Utilisation/Realisation of deductible temporary differences previously not recognised	(4,576)	-	(2,188)	-
- Investment tax allowances utilised during the year	-	(2,716)	-	-
Income tax expense	39,998	48,696	643	15,184

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14 DIVIDENDS

Group and Company
RM'000

Declared in 2020 in respect of:

Financial year ended 31 December 2020

First interim single tier dividend of 0.50 sen per ordinary share paid on 20 April 2020	21,398
Second interim single tier dividend of 0.30 sen per ordinary share paid on 28 July 2020	12,839
Third interim single tier dividend of 0.40 sen per ordinary share paid on 31 December 2020	17,118
	<u>51,355</u>

Declared in 2019 in respect of:

Financial year ended 31 December 2019

First interim single tier dividend of 0.50 sen per ordinary share paid on 19 April 2019	21,598
Second interim single tier dividend of 0.50 sen per ordinary share paid on 28 June 2019	21,610
Third interim single tier dividend of 0.50 sen per ordinary share paid on 10 October 2019	21,421
Fourth interim single tier dividend of 0.50 sen per ordinary share paid on 14 February 2020	21,390
	<u>86,019</u>

The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2020.

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15 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>2020</u>	<u>Group</u> <u>2019</u>
Profit attributable to Owners of the Company (RM'000)	110,443	211,368
Weighted average number of ordinary shares in issue ('000)	4,279,293	4,271,338
Basic earnings per share (sen)	<u>2.58</u>	<u>4.95</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.

	<u>2020</u>	<u>Group</u> <u>2019</u>
Profit attributable to Owners of the Company (RM'000)	110,443	211,368
Weighted average number of ordinary shares in issue ('000)	4,279,293	4,271,338
Assumed shares issued from the exercise of ESOS ('000)	180,510	188,403
Weighted average number of ordinary shares in issue ('000)	<u>4,459,803</u>	<u>4,459,741</u>
Diluted earnings per share (sen)	<u>2.48</u>	<u>4.74</u>

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16 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in- progress RM'000	Total RM'000
<u>Group</u>							
<u>2020</u>							
At 1 January							
- Cost	-	-	342,403	954,217	473,595	310,971	2,081,186
- Valuation	228,958	1,340,733	-	-	-	-	1,569,691
	<u>228,958</u>	<u>1,340,733</u>	<u>342,403</u>	<u>954,217</u>	<u>473,595</u>	<u>310,971</u>	<u>3,650,877</u>
Exchange differences	(456)	(5,828)	-	(290)	(90)	-	(6,664)
Additions	-	26,783	28,537	81,608	41,180	96,401	274,509
Disposals	-	-	-	(10,669)	(745)	-	(11,414)
Written-off	-	-	(265)	(11,373)	(2,557)	-	(14,195)
Reclassifications	-	83,937	37,344	5,117	17,370	(143,768)	-
Acquisition of a subsidiary (Note 21)	5,092	77,262	-	-	-	-	82,354
Transfer to investment property (Note 18)	(7,200)	-	-	-	-	(329)	(7,529)
Revaluation surplus	50,510	62,731	-	-	-	-	113,241
Impairment loss (Note 10)	(16,190)	(783)	-	-	-	-	(16,973)
Elimination of accumulated depreciation on revaluation	-	(53,575)	-	-	-	-	(53,575)
	<u>260,714</u>	<u>1,531,260</u>	<u>408,019</u>	<u>1,018,610</u>	<u>528,753</u>	<u>263,275</u>	<u>4,010,631</u>

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16 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>2020</u>							
At 31 December							
- Cost	-	-	408,019	1,018,610	528,753	263,275	2,218,657
- Valuation	260,714	1,531,260	-	-	-	-	1,791,974
	<u>260,714</u>	<u>1,531,260</u>	<u>408,019</u>	<u>1,018,610</u>	<u>528,753</u>	<u>263,275</u>	<u>4,010,631</u>
Less: Government grant received	-	(3,003)	-	-	-	-	(3,003)
	<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>

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16 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>2020</u>							
<u>Accumulated depreciation</u>							
At 1 January	-	(33,870)	(160,935)	(543,488)	(313,898)	-	(1,052,191)
Exchange differences	-	2,739	-	276	51	-	3,006
Charge for the financial year (Note 10)	-	(23,242)	(38,239)	(63,628)	(47,590)	-	(172,699)
Disposals	-	-	-	10,457	619	-	11,076
Written-off	-	-	264	11,106	1,758	-	13,128
Elimination of accumulated depreciation on revaluation	-	53,575	-	-	-	-	53,575
Reclassifications	-	798	(423)	(40)	(335)	-	-
At 31 December	-	-	(199,333)	(585,317)	(359,395)	-	(1,144,045)
<u>Net carrying amounts</u>							
- Cost	-	-	208,686	433,293	169,358	263,275	1,074,612
- Valuation	260,714	1,528,257	-	-	-	-	1,788,971
At 31 December	260,714	1,528,257	208,686	433,293	169,358	263,275	2,863,583

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16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in- progress RM'000	Total RM'000
<u>Group</u>								
<u>2019</u>								
At 1 January								
- Cost	-	-	-	316,516	823,750	414,878	654,585	2,209,729
- Valuation	193,156	175,681	775,175	-	-	-	-	1,144,012
	193,156	175,681	775,175	316,516	823,750	414,878	654,585	3,353,741
- Reclassification to right-of-use assets upon adoption of MFRS 16 (Note 17)	-	(175,681)	-	-	-	-	-	(175,681)
	193,156	-	775,175	316,516	823,750	414,878	654,585	3,178,060
Reclassification from non-current assets held for sale	36,380	-	48,541	3,754	2,175	2,161	-	93,011
Exchange differences	(578)	-	360	221	(708)	(2,024)	-	(2,729)
Additions	-	-	4,533	19,589	145,165	63,745	182,550	415,582
Disposals	-	-	-	(135)	(12,204)	(2,445)	-	(14,784)
Written-off	-	-	(546)	-	(4,601)	(6,467)	-	(11,614)

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16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in- progress RM'000	Total RM'000
<u>Group</u>								
<u>2019</u>								
Reclassification – cost	-	-	512,670	2,458	640	12	(515,780)	-
Transfer from intangible assets (Note 19)	-	-	-	-	-	3,735	-	3,735
	<u>228,958</u>	<u>-</u>	<u>1,340,733</u>	<u>342,403</u>	<u>954,217</u>	<u>473,595</u>	<u>321,355</u>	<u>3,661,261</u>
At 31 December								
- Cost	-	-	-	342,403	954,217	473,595	321,355	2,091,570
- Valuation	<u>228,958</u>	<u>-</u>	<u>1,340,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,569,691</u>
	<u>228,958</u>	<u>-</u>	<u>1,340,733</u>	<u>342,403</u>	<u>954,217</u>	<u>473,595</u>	<u>321,355</u>	<u>3,661,261</u>
Less: Government grant received	-	-	-	-	-	-	(10,384)	(10,384)
	<u>228,958</u>	<u>-</u>	<u>1,340,733</u>	<u>342,403</u>	<u>954,217</u>	<u>473,595</u>	<u>310,971</u>	<u>3,650,877</u>

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16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture fittings, motor vehicles and computers RM'000	Capital work-in- progress RM'000	Total RM'000
<u>Group</u>								
<u>2019</u>								
<u>Accumulated depreciation</u>								
At 1 January	-	(7,392)	(23,708)	(124,309)	(492,854)	(275,115)	-	(923,378)
- Reclassification to right-of-use assets upon adoption of MFRS 16 (Note 17)	-	7,392	-	-	-	-	-	7,392
	-	-	(23,708)	(124,309)	(492,854)	(275,115)	-	(915,986)
Exchange differences	-	-	(356)	(3,596)	2,520	1,181	-	(251)
Charge for the financial year (Note 10)	-	-	(9,878)	(33,193)	(68,448)	(47,563)	-	(159,082)
Disposals	-	-	-	119	11,099	2,420	-	13,638
Written-off	-	-	72	-	4,238	5,180	-	9,490
Reclassifications	-	-	-	44	(43)	(1)	-	-
At 31 December	-	-	(33,870)	(160,935)	(543,488)	(313,898)	-	(1,052,191)
<u>Net carrying amounts</u>								
- Cost	-	-	-	181,468	410,729	159,697	310,971	1,062,865
- Valuation	228,958	-	1,306,863	-	-	-	-	1,535,821
At 31 December	228,958	-	1,306,863	181,468	410,729	159,697	310,971	2,598,686

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16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computers	
	2020 RM'000	2019 RM'000
<u>Company</u>		
<u>Cost</u>		
At 1 January	258	258
Additions	1,015	-
At 31 December	1,273	258
<u>Accumulated depreciation</u>		
At 1 January	(70)	(17)
Charge for the financial year (Note 10)	(139)	(53)
At 31 December	(209)	(70)
<u>Net carrying amounts</u>		
At 31 December	1,064	188

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.

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

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16 **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>2020</u>	<u>Group</u> <u>2019</u>
	RM'000	RM'000
<u>Cost</u>		
Freehold land	86,719	94,619
Buildings	710,043	547,428
	<u>796,762</u>	<u>642,047</u>
<u>Accumulated depreciation</u>		
Buildings	(48,625)	(44,483)
Net carrying amounts	<u>748,137</u>	<u>597,564</u>

The net book value of assets under hire purchase creditors as at 31 December 2020 is RM15,640,000 (2019: RM17,220,000).

The net book value of property, plant and equipment pledged for borrowing facilities as at 31 December 2020 is RM183,664,000 (2019: RM176,151,000) as disclosed in Note 30.

During the financial year, a subsidiary received a government grant in relation to the construction of a hospital building amounting to RM3,003,000 (2019: RM10,384,000). The amount has been set-off against the cost of building.

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 RM3,485,000 (2019: RM6,359,000).

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17 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. 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>2020</u>			
At 1 January 2020	170,688	913,471	1,084,159
Additions	-	2,551	2,551
Depreciation (Note 10)	(4,025)	(46,619)	(50,644)
Revaluation surplus	14,408	-	14,408
Exchange differences	-	698	698
At 31 December 2020	<u>181,071</u>	<u>870,101</u>	<u>1,051,172</u>

<u>2019</u>			
At 1 January 2019, upon adoption of MFRS 16	-	862,508	862,508
Reclassification from property, plant and equipment (Note 16)	168,289	-	168,289
Transfer from investment properties (Note 18)	1,340	-	1,340
Additions	3,186	106,001	109,187
Depreciation (Note 10)	(2,127)	(55,038)	(57,165)
At 31 December 2019	<u>170,688</u>	<u>913,471</u>	<u>1,084,159</u>

	<u>Group</u>		<u>Company</u>	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
Expenses related to short-term leases (included in cost of sales and administrative expenses) (Note 10)	(8,902)	(6,212)	(3,015)	(3,600)
Expenses relating to lease of low-value assets (included in cost of sales and administrative expenses) (Note 10)	<u>(7,688)</u>	<u>(7,061)</u>	<u>(158)</u>	<u>(212)</u>

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18 INVESTMENT PROPERTIES

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
At fair value:		
At 1 January	328,582	311,460
Reclassification from non-current assets held for sale	-	12,104
Additions	677	4,720
Written-off (Note 10)	(420)	-
Exchange differences	916	(192)
Gain on fair value recognised during the year (Note 10)	464	1,830
Transfer from property, plant and equipment (Note 16) / transfer (to) ROU (Note 17) (net)	7,529	(1,340)
At 31 December	<u>337,748</u>	<u>328,582</u>

The valuations were carried out by third party valuers, Messrs Raine & Horne International Zaki + Partners Sdn Bhd and Messrs CBRE Valuations Pty Limited.

The fair value of investment property pledged for borrowing facilities as at 31 December 2020 is RM244,000,000 (2019: RM242,000,000).

The fair value of the properties was estimated at RM337,748,000 (2019: RM328,582,000) based on valuations performed by independent professionally qualified valuers, using either the comparison or investment method as described below.

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

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>2020</u>	<u>2019</u>
Land and buildings	Comparison method	Location, visibility, size and tenure Estimated value per sq ft	RM22 – RM1,856	RM55 – RM1,800
(Carrying value as at 31 December 2020 of RM93,748,000 (2019: RM86,582,000).				
Office properties	Investment method	Estimated rental value per sq ft per month Outgoings per sq ft per month Void rate Term yield	RM3.00 – RM7.50 RM1.89 8% 6%	RM3.00 – RM7.50 RM1.89 10% 6%
(Carrying value as at 31 December 2020 of RM244,000,000 (2019: RM242,000,000).				

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18 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.

(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 has 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 will result in a lower/higher fair value change by RM9.4 million and RM10.6 million, while an increase in void rate to 10% will result in a lower fair value change by RM4.4 million.

19 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>2020</u>				
<u>Cost</u>				
At 1 January 2020	195,522	40,420	32,157	268,099
Additions	15,933	-	1,516	17,449
Reclassifications	-	30,235	(30,235)	-
At 31 December 2020	<u>211,455</u>	<u>70,655</u>	<u>3,438</u>	<u>285,548</u>

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19 INTANGIBLE ASSETS (CONTINUED)

	<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>2020</u>				
<u>Accumulated amortisation</u>				
At 1 January 2020	-	(16,341)	-	(16,341)
Amortisation charge for the year (Note 10)	-	(15,413)	-	(15,413)
At 31 December 2020	-	(31,754)	-	(31,754)
<u>Accumulated impairment</u>				
At 1 January 2020	(16,356)	-	-	(16,356)
Impairment loss for the year (Note 10)	(1,610)	-	-	(1,610)
At 31 December 2020	(17,966)	-	-	(17,966)
<u>Net carrying amount</u>				
At 31 December 2020	193,489	38,901	3,438	235,828
<u>2019</u>				
<u>Cost</u>				
At 1 January 2019	195,522	40,336	29,296	265,154
Additions	-	84	6,596	6,680
Transfer to property, plant and equipment (Note 16)	-	-	(3,735)	(3,735)
At 31 December 2019	195,522	40,420	32,157	268,099

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19 INTANGIBLE ASSETS (CONTINUED)

<u>Group</u>	<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>2019</u>				
<u>Accumulated amortisation</u>				
At 1 January 2019	-	(12,328)	-	(12,328)
Amortisation charge for the year (Note 10)	-	(4,013)	-	(4,013)
At 31 December 2019	-	(16,341)	-	(16,341)
<u>Accumulated impairment</u>				
At 1 January / 31 December 2019	(16,356)	-	-	(16,356)
<u>Net carrying amount</u>				
At 31 December 2019	179,166	24,079	32,157	235,402

20 IMPAIRMENT OF INTANGIBLE ASSETS

Impairment tests for goodwill and software expenditure under development

	<u>2020</u> RM'000	<u>Group</u> <u>2019</u> RM'000
Malaysia:		
- Goodwill	193,489	177,544
- Software expenditure under development	3,438	32,157
Others	-	1,622
	196,927	211,323

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20 **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>2020</u> %	<u>2019</u> %
Revenue growth rate ¹	7 - 11	7 - 10
EBITDA margin ²	23.5– 28.3	23.1 – 24.9
Discount rate ³	13	13
Terminal growth rate ⁴	5	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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21 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are made up as follows:

	<u>Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Cost	965,024	965,024
Preference shares	300	300
Capital contribution reserve relating to share-based payments	73,777	73,380
	<u>1,039,101</u>	<u>1,038,704</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>2020</u>	<u>2019</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
Ipoh Specialist Hospital Sdn Bhd	Malaysia	99	99	Operating as a specialist hospital
Pusat Pakar Tawakal Sdn Bhd +	Malaysia	100	100	Operating as a specialist hospital
Puteri Specialist Hospital (Johor) Sdn Bhd #	Malaysia	100	100	Dormant

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21 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>2020</u> %	<u>2019</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
PT Khidmat Perawatan Jasa Medika *	Indonesia	80	80	Operating as a specialist hospital
PT Khasanah Putera Jakarta Medica *	Indonesia	75	75	Operating as a specialist hospital
Kuching Specialist Hospital Sdn Bhd	Malaysia	70	70	Operating as a specialist hospital

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21 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>2020</u> %	<u>2019</u> %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u>				
Miri Specialist Hospital Sdn Bhd *	Malaysia	70	70	Operating as a specialist hospital
Pahang Specialist Hospital Sdn Bhd	Malaysia	70	70	Operating as a specialist hospital
Perdana Specialist Hospital Sdn Bhd	Malaysia	61	61	Operating as a specialist hospital
Perlis Specialist Hospital Sdn Bhd	Malaysia	60	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
Crossborder Aim (M) Sdn Bhd *	Malaysia	100	100	Investment holding company
Crossborder Hall (M) Sdn Bhd *	Malaysia	100	100	Investment holding company
Healthcare Technical Services Sdn Bhd *	Malaysia	51	51	Providing management and engineering maintenance services for specialist hospital
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
KPJ Dhaka (Pte) Ltd *	Bangladesh	100	100	Providing management services to a specialist hospital

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21 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>2020</u> %	<u>2019</u> %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u>				
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
Lablink (M) Sdn Bhd	Malaysia	51	51	Providing pathology and laboratory services
PharmaCARE Sdn Bhd *	Malaysia	100	100	Providing human resource, training services and rental of human resource information system
Pharmaserv Alliances Sdn Bhd	Malaysia	100	100	Marketing and distributing medical and pharmaceutical products
PT Al-Aqar Bumi Serpong Damai *	Indonesia	100	100	Operating as building management company
PT Al-Aqar Permata Hijau *	Indonesia	100	100	Operating as building management company
Sibu Geriatric Health & Nursing Centre Sdn Bhd	Malaysia	100	100	Operating and managing an aged care facilities
Sterile Services Sdn Bhd *	Malaysia	100	100	Providing sterile services

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21 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>2020</u> %	<u>2019</u> %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd</u> (continued)				
Fabricare Laundry Sdn Bhd *	Malaysia	98	95	Providing laundry services
DTI Resources Sdn Bhd (Formerly known as Diaper Technology Industries Sdn Bhd)	Malaysia	94	94	Providing information technology related services and rental of software
Healthcare IT Solutions Sdn Bhd	Malaysia	100	100	Providing healthcare information technology services
Pride Outlet Sdn Bhd *	Malaysia	75	75	Providing maintenance services for medical equipment
Skop Yakin (M) Sdn Bhd *	Malaysia	100	100	Marketing and distributing general merchandise
Total Meal Solution Sdn Bhd *	Malaysia	70	70	Providing central kitchen services
Teraju Farma Sdn Bhd	Malaysia	65	65	Marketing and distributing medical and pharmaceutical products
Jeta Gardens (Qld) Pty Ltd *	Australia	57	57	Providing retirement village and aged care facilities
BDC Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a building management company
Massive Hybrid Sdn Bhd *	Malaysia	100	100	To be operating as a specialist hospital
UTM KPJ Specialist Hospital Sdn Bhd *	Malaysia	100	100	To be operating as a specialist hospital

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21 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>2020</u> %	<u>2019</u> %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u>				
Damansara Specialist Hospital Sdn Bhd	Malaysia	100	100	Dormant
Seremban Specialist Hospital Sdn Bhd	Malaysia	100	100	Dormant
Taiping Medical Centre Sdn Bhd	Malaysia	100	100	Dormant
Bayan Baru 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
Pharmacare Surgical Technologies (M) 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	0	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

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21 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>2020</u> %	<u>2019</u> %	
<u>Subsidiary of Selangor Specialist Hospital Sdn Bhd</u>				
Pusrawi SMC Sdn Bhd *	Malaysia	52	52	Operating as a polyclinic
<u>Subsidiary of SMC Healthcare Sdn Bhd</u>				
Amity Development Sdn Bhd	Malaysia	100	100	Dormant
<u>Subsidiaries of Pharmaserv Alliances Sdn Bhd</u>				
Malaysian Institute of Healthcare Management Sdn Bhd *	Malaysia	75	75	Dormant
FP Marketing (S) Pte Ltd *	Singapore	0	100	Dissolved during the financial year
<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

Direct equity holding by the Company is 84% (2019: 84%)

* Direct equity holding by the Company is 68% (2019: 68%)

* Audited by firms other than EY PLT, Malaysia

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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of a subsidiary

On 2 November 2020, Kumpulan Perubatan (Johor) Sdn Bhd (“KPJSB”) acquired 100% equity interest in Kluang Specialist Hospital Sdn Bhd (“KSHSB”) for a total cash consideration of RM27,475,000.

	<u>Acquiree's carrying amounts</u> RM'000	<u>Fair value at date of acquisition</u> RM'000
<u>Kluang Specialist Hospital Sdn Bhd</u>		
Property, plant and equipment (Note 16)	82,354	82,354
Receivables, deposits and prepayments	3,788	3,788
Deposits, bank and cash balances	71	71
Payables	(74,671)	(74,671)
	<u>11,542</u>	<u>11,542</u>
Fair value of net assets acquired		
		<u>27,475</u>
Less: Purchase consideration settled in cash		<u>15,933</u>
Goodwill		<u>11,542</u>
Purchase consideration settled in cash		27,475
Less: Cash and cash equivalents acquired		(71)
Cash outflow of the Group on acquisition		<u>27,404</u>

The amounts of net loss of KSHSB since the acquisition date included in the consolidated statement of comprehensive income for the reporting period is RM707,000. The net profit of KPJ Group for the current reporting period had the acquisition occurred on 1 January 2020 would be RM109,334,000.

Acquisition of additional interest in a subsidiary

On 9 October 2020, KPJSB acquired additional 2,000,000 new shares in Fabricare Laundry Sdn Bhd (“FLSB”), representing 3% equity interest in FLSB, for a total consideration of RM2,000,000. With this acquisition, the Group now holds 98% shareholding of FLSB.

Disposal of interest in a subsidiary

On 29 July 2020, KPJSB, entered into two the Shares Sale and Purchase Agreements (“SSPA”) with Mr Irfan Jasri and Ms Annie Trisusilo (“new shareholders”) for the disposal of 80% of KPJSB’s entire stake in PT Khidmat Perawatan Jasa Medika (“KPJ Medika”) for a total consideration of RM28,000,000 (IDR96.0 billion). The transfer of shares of KPJ Medika was completed on 21 October 2020, which was the date of the confirmation letter from Indonesia’s Ministry of Law and Human Rights.

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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Disposal of interest in a subsidiary (continued)

The Group continues to control and consolidate KPJ Medika due to the following:

- a. Each of the new shareholders gives Power of Attorney to Vote and Power of Attorney to Sell (collectively referred to as "Power of Attorney") to the Group. The Power of Attorney gives the authorisation over 80% shares in KPJ Medika. In this regard, since most of the corporate actions of a company will require a shareholders' resolution, the Group is able to obtain majority votes and hence control KPJ Medika.
- b. Most of the members of the Board of Directors and the Board of Commissioners of KPJ Medika are appointed by the Group. Therefore, the Group is able to control KPJ Medika at the management and operation level.
- c. The Power of Attorney does not stipulate any granting of the shares ownership or assert that the shares of ownership transferred to the new shareholders are still belong to the Group. In that regard, the arrangement does not circumvent the Article 33 in Investment Law in Indonesia.

Acquisition of additional interest in a subsidiary in 2019:

- (i) On 5 April 2019, KPJSB acquired 21% equity interest in Healthcare Technical Services Sdn Bhd ("HTS") for a total cash consideration of RM335,000. With this acquisition, the Group now holds 51% shareholding of HTS. Following this acquisition, HTS, previously an associate became a subsidiary of the Group.

	<u>Acquiree's carrying amounts</u> RM'000	<u>Fair value at date of acquisition</u> RM'000
<u>Healthcare Technical Services Sdn Bhd</u>		
Receivables, deposits and prepayments	16,188	16,188
Deposits, bank and cash balances	3,055	3,055
Payables	(16,884)	(16,884)
	<u>2,359</u>	<u>2,359</u>
Fair value of net assets acquired		2,359
Less: Fair value attributable to non-controlling interest		(1,156)
Fair value attributable to Owners of the Company		1,203
Less: Purchase consideration settled in cash		(335)
Less: Fair value of previously held investments		(655)
Negative goodwill		<u>213</u>
Purchase consideration settled in cash		335
Less: Cash and cash equivalents acquired		(3,055)
Cash inflow of the Group on acquisition		<u>(2,720)</u>

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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of additional interest in a subsidiary in 2019: (continued)

The Group recognised a negative goodwill on acquisition of RM213,000. The amounts of revenue and loss of HTS since the acquisition date included in the consolidated statement of comprehensive income for the reporting period are RM5,585,000 and RM1,690,000 respectively. The revenue and net profit of KPJ Group for the current reporting period had the acquisition occurred on 1 January 2019 would be RM3,606,073,000 and RM226,870,000 respectively.

- (ii) On 10 September 2019, KPJSB acquired 30% equity interest in Healthcare IT Solutions Sdn Bhd for a total consideration of RM1,200,000. With this acquisition, the Group now holds 100% shareholding of Healthcare IT Solutions Sdn Bhd.
- (iii) On 18 September 2019, KPJSB acquired 45% equity interest in Bayan Baru Specialist Hospital Sdn Bhd for a total consideration of RM2,571,000 as settlement of amount owing to KPJSB. With this acquisition, the Group now holds 100% shareholding of Bayan Baru Specialist Hospital Sdn Bhd.
- (iv) On 30 December 2019, KPJSB acquired 30% equity interest in Skop Yakin (M) Sdn Bhd for a total consideration of RM30,000. Cash payment of RM10,000 was made with the balance via settlement of outstanding balance owed to KPJSB. With this acquisition, the Group now holds 100% shareholding of Skop Yakin (M) Sdn Bhd.
- (v) On 31 January 2019, the Company acquired 1% equity interest in Ipoh Specialist Hospital Sdn Bhd for a total cash consideration of RM600,000. With this acquisition, the Group now holds 99% shareholding of Ipoh Specialist Hospital Sdn Bhd.

Incorporation of subsidiary in 2019

On 19 March 2019, KPJSB incorporated a wholly owned subsidiary, KPJ Ambulatory Care Centre Sdn Bhd with cost of investment amounting to RM2,400,000.

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21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Disposal of interest in subsidiary in 2019:

- (i) On 17 April 2019, Pharmaserv Alliances Sdn Bhd (“PASB”) disposed its entire equity interest in a subsidiary, Medical Supplies (Sarawak) Sdn Bhd for a consideration of RM1,148,000. A gain on disposal of RM48,000 was recorded by the Group.

	<u>Group</u> <u>2019</u> RM'000
<u>Medical Supplies (Sarawak) Sdn Bhd</u>	
Consideration received	1,148
Less: Carrying amount of equity interest disposed	(308)
Less: Realisation of post-acquisition profits	(792)
	<hr/>
Gain on disposal	48
	<hr/> <hr/>

- (ii) On 1 July 2019, KPJSB disposed 15% interest in subsidiary, Pride Outlet Sdn Bhd for a total consideration of RM20,000. With this disposal, the Group now holds 75% shareholding of Pride Outlet Sdn Bhd.

	<u>Group</u> <u>2019</u> RM'000
<u>Pride Outlet Sdn Bhd</u>	
Carrying amount of equity interest disposed	49
Consideration received	20
	<hr/>
Excess of consideration received recognised in the transactions with non-controlling interest reserve within equity	69
	<hr/> <hr/>

The Board has assessed and concluded that the Group continues to have control over this subsidiary, thus continue to be consolidated.

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21 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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	93,099	95,698	190,152	195,322	31,857	25,313	163,720	208,211	478,828	524,544
Current assets	15,552	18,323	54,251	58,913	198,233	156,324	37,278	18,195	305,314	251,755
Current liabilities	(20,736)	(24,315)	(47,001)	(53,121)	(22,389)	(17,740)	(202,506)	(151,189)	(292,632)	(246,365)
Non-current liabilities	(43,474)	(46,330)	(59,665)	(69,031)	(52)	(27)	(61,016)	(65,858)	(164,207)	(181,246)
Net assets	44,441	43,376	137,737	132,083	207,649	163,870	(62,524)	9,359	327,303	348,688
Net equity attributable	44,441	43,376	137,737	132,083	207,649	163,870	(62,524)	9,359	327,303	348,688
Equity attributable to:										
Owners of the Company	27,109	26,459	82,642	79,250	105,901	83,574	(35,639)	5,335	180,013	194,618
Non-controlling interests	17,332	16,917	55,095	52,833	101,748	80,296	(26,885)	4,024	147,290	154,070

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21 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	94,715	99,300	116,497	138,220	140,079	102,237	49,393	50,284	400,684	390,041
Profit for the year	3,297	4,869	10,380	34,667	42,407	19,219	(24,691)	(8,000)	31,393	50,755
Profit attributable to:										
Owners of the Company	2,011	2,970	6,228	20,800	21,628	9,802	(14,074)	(4,560)	15,793	29,012
Non-controlling interest	1,286	1,899	4,152	13,867	20,779	9,417	(10,617)	(3,440)	15,600	21,743
Total net profit	3,297	4,869	10,380	34,667	42,407	19,219	(24,691)	(8,000)	31,393	50,755
Total comprehensive income attributable to:										
Owners of the Company	1,939	3,042	6,018	21,010	21,628	9,802	(14,074)	(4,379)	15,583	29,475
Non-controlling interest	1,240	1,945	4,012	14,007	20,779	9,417	(10,617)	(3,304)	15,460	22,065
Total comprehensive income	3,179	4,987	10,030	35,017	42,407	19,219	(24,691)	(7,683)	31,043	51,540
Dividends paid to non-controlling interest	830	830	1,760	5,600	-	-	-	-	2,590	6,430

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21 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net cash generated from operating activities	6,744	12,586	18,083	22,080	26,235	3,692	2,527	1,060	53,589	39,418
Net cash (used in)/generated from investing activities	(3,426)	(8,404)	(8,588)	(9,711)	(26,904)	(107,895)	(779)	8,937	(39,697)	(117,073)
Net cash (used in)/generated from financing activities	(2,462)	(5,850)	(12,337)	(18,368)	(184)	(579)	8	(15,353)	(14,975)	(40,150)
Net changes in cash and cash equivalents	856	(1,668)	(2,842)	(5,999)	(853)	(104,782)	1,756	(5,356)	(1,083)	(117,805)
Cash and cash equivalents at the beginning of the year	2,199	3,867	9,652	15,651	1,301	106,083	13,920	19,473	27,072	145,074
Currency translation differences	-	-	-	-	-	-	984	(197)	984	(197)
Cash and cash equivalents at the end of the year	3,055	2,199	6,810	9,652	448	1,301	16,660	13,920	26,973	27,072

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22 INVESTMENTS IN ASSOCIATES

	Group	
	2020 RM'000	2019 RM'000
Quoted ordinary shares in Al-`Aqar Healthcare REIT, at cost	225,469	233,292
Disposals	-	(7,823)
	225,469	225,469
Unquoted ordinary shares, at cost	65,091	65,229
Disposal	-	(138)
	65,091	65,091
Group's share of post-acquisition reserves	160,234	155,673
Disposal	-	(518)
	160,234	155,155
	450,794	445,715
Market value of quoted ordinary shares in Al-`Aqar Healthcare REIT	352,488	355,179

The associates of the Group are as follows:

	Country of incorporation	Effective equity interest		Principal activities
		2020 %	2019 %	
<u>Associates of Company</u>				
Damansara REIT Managers Sdn Bhd #	Malaysia	-	-	Manager of Al-`Aqar Healthcare REIT
Al-`Aqar Healthcare REIT ^	Malaysia	37	37	Real estate investment trust
<u>Associates of KPJSB</u>				
Kedah Medical Centre Sdn Bhd *	Malaysia	46	46	Operating as a specialist hospital
Vejjhathi 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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22 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>2020</u>	<u>2019</u>
	RM'000	RM'000
Non-current assets	1,539,874	1,569,814
Current assets	108,112	104,538
Total assets	<u>1,647,986</u>	<u>1,674,352</u>
Current liabilities	583,371	53,839
Non-current liabilities	121,125	662,000
Total liabilities	<u>704,496</u>	<u>715,839</u>
Net assets	<u>943,490</u>	<u>958,513</u>

(ii) Summarised statement of comprehensive income

Revenue	115,710	106,110
Profit before tax	13,624	76,148
Total comprehensive income for the financial year	24,573	68,122
Dividends received from associates during the year	14,476	21,118

(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>2020</u>	<u>2019</u>
	RM'000	RM'000
Net assets at 1 January	958,513	947,798
Profit for the financial year	24,573	68,122
Dividend paid during the year	(39,596)	(57,407)
Net assets at 31 December	<u>943,490</u>	<u>958,513</u>
Interest in associates	37%	37%
Carrying value of Group's interest	<u>349,091</u>	<u>354,650</u>

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22 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
The Group's share of profit before tax	3,766	18,585
The Group's share of profit after tax	1,797	14,438
The Group's share of total comprehensive income	<u>1,797</u>	<u>14,438</u>

(v) Commitments and contingent liabilities

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

23 EQUITY INSTRUMENTS CLASSIFIED AS FVOCI

Equity investments at FVOCI comprise of the following individual investments:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Quoted shares:				
Al-Salam Real Estate Investment Trust	1,864	1,864	1,864	1,864
Less: Impairment on quoted shares	(744)	-	(744)	-
	1,120	1,864	1,120	1,864
Unquoted shares:				
Intrapreneur Value Creation Sdn Bhd	2,532	2,532	2,532	2,532
AHCS Advanced HealthCare Solutions AG	282	282	-	-
Less: Impairment on unquoted shares	(2,814)	-	(2,532)	-
	-	2,814	-	2,532
	<u>1,120</u>	<u>4,678</u>	<u>1,120</u>	<u>4,396</u>

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.

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24 DEFERRED TAX

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	130,921	109,126	152	-
Deferred tax liabilities	(85,650)	(64,962)	-	-
At 31 December	<u>45,271</u>	<u>44,164</u>	<u>152</u>	<u>-</u>

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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 January	44,164	(194)	-	-
Adjustment on adoption of MFRS16	-	70,514	-	-
(Charged)/credit to profit or loss (Note 13)				
- Property, plant and equipment	880	(3,891)	152	-
- Investment properties	7,264	598	-	-
- Trade and other receivables	20,682	(11,590)	-	-
- Unutilised tax losses	1,921	(8,262)	-	-
- Contract liabilities	3,678	(15,850)	-	-
- Leases	(2,717)	2,901	-	-
- Trade and other payables	(7,658)	10,178	-	-
	24,050	(25,916)	152	-
Charged to other comprehensive income (Note 13)				
- Deferred tax on revaluation surplus during the year	(22,943)	(240)	-	-
At 31 December	<u>45,271</u>	<u>44,164</u>	<u>152</u>	<u>-</u>

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24 DEFERRED TAX (CONTINUED)

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Subject to income tax:				
Deferred tax assets (before offsetting):				
- Unutilised tax losses	25,557	23,636	-	-
- Contract liabilities	12,182	8,504	-	-
- Leases	70,698	73,415	-	-
- Trade and other payables	31,419	39,077	-	-
	139,856	144,632	-	-
Offsetting	(8,935)	(35,506)	152	-
Deferred tax assets (after offsetting)	130,921	109,126	152	-
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	(79,420)	(57,357)	(152)	-
- Investment properties	(12,415)	(19,679)	-	-
- Trade and other receivables	(2,750)	(23,432)	-	-
	(94,585)	(100,468)	(152)	-
Offsetting	8,935	35,506	152	-
Deferred tax liabilities (after offsetting)	(85,650)	(64,962)	-	-

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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Unabsorbed capital allowances	11,894	18,747	99	28
Unutilised tax losses	111,686	98,041	3,444	3,444
Unutilised ITA	217,529	219,400	-	-
Other temporary differences	11,232	20,831	5,102	14,222
	141,731	256,919	8,645	17,702

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24 DEFERRED TAX (CONTINUED)

No deferred tax assets are recognised from the above due to uncertainties of their recoverability. The unutilised tax losses will substantially expire in year 2025. 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. The unabsorbed capital allowances and unutilised ITA do not expire under the current tax legislation.

25 INVENTORIES

	<u>2020</u>	<u>Group</u> <u>2019</u>
	RM'000	RM'000
At cost:		
Pharmaceutical products	31,064	34,467
Medical supplies	16,962	14,394
Laboratory chemicals	1,413	2,320
Consumables and disposable items	344	255
Other supplies	2,269	2,173
	<u>52,052</u>	<u>53,609</u>

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26 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM SUBSIDIARIES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Trade receivables	331,209	415,701	-	-
Less: Impairment of trade receivables	(34,836)	(39,678)	-	-
	296,373	376,023	-	-
Trade receivables (net)				
Amount due from ultimate holding corporation	1,924	3,494	13	12
Amounts due from related companies	6,161	5,576	8	7
Amounts due from associates	1,916	3,683	35	4
Other receivables	82,415	90,974	742	675
Deposits	49,947	48,755	26	30
Prepayments	18,664	21,097	57	52
	457,400	549,602	881	780
Amounts due from subsidiaries	-	-	480,169	456,935
Total	457,400	549,602	481,050	457,715

Credit terms of trade receivables range from 30 to 60 days (2019: 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% (2019: 5.85%) per annum and repayable on demand.

As at 31 December 2020, trade receivables of RM34,836,000 (2019: RM39,678,000) were impaired and provided for. Movement in allowance accounts:

	Group	
	2020	2019
	RM'000	RM'000
At 1 January	39,678	40,859
(Reversal)/Impairment charge for the year (net) (Note 10)	(21)	4,654
Written-off	(4,821)	(5,835)
At 31 December	34,836	39,678

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

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.

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	406,362	490,908	480,993	457,663
Indonesian Rupiah	13,518	15,481	-	-
Bangladesh Taka	1,410	1,236	-	-
Australian Dollar	17,446	20,880	-	-
	<u>438,736</u>	<u>528,505</u>	<u>480,993</u>	<u>457,663</u>

27 **DEPOSITS, BANK AND CASH BALANCES**

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	232,868	206,373	-	-
Cash and bank balances	229,366	271,962	4,137	4,540
Total cash and bank balances	<u>462,234</u>	<u>478,335</u>	<u>4,137</u>	<u>4,540</u>
Less: Bank overdrafts (Note 30)	(11,637)	(8,688)	-	-
Deposits with licensed banks with maturity of more than 3 months	(226,839)	(192,816)	-	-
Designated account (FSRA & DSRA)	(8,738)	(8,469)	-	-
Cash and cash equivalents	<u>215,020</u>	<u>268,362</u>	<u>4,137</u>	<u>4,540</u>

Included in the deposits with licensed banks of the Group is an amount of RM8,738,000 (2019: RM8,469,000) being minimum balance required in the Financial Service Reserve Account ("FSRA") and Deposit Service Reserve Account ("DSRA") for loans purposes (Note 30).

The weighted average interest rate of deposits with licensed banks of the Group during the financial year is 2.40% (2019: 3.64%) 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 (2019: 1 to 365 days).

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27 DEPOSITS, BANK AND CASH BALANCES (CONTINUED)

Deposits, cash and bank balances as at end of the reporting period are denominated in the following currencies:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Ringgit Malaysia	432,521	448,898	4,137	4,540
Indonesia Rupiah	9,591	13,146	-	-
Bangladesh Taka	470	350	-	-
Australian Dollar	19,652	15,941	-	-
	<u>462,234</u>	<u>478,335</u>	<u>4,137</u>	<u>4,540</u>

28 TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO SUBSIDIARIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current:				
Amounts due to subsidiaries	-	-	343,204	212,910
Other payables	4,281	7,744	-	-
	<u>4,281</u>	<u>7,744</u>	<u>343,204</u>	<u>212,910</u>
Current:				
Trade payables	247,024	256,223	-	-
Other payables	174,721	176,127	1,651	2,033
Accruals	180,090	321,343	12,373	19,502
Amount due to ultimate holding corporation	425	1,632	294	1,488
Amounts due to related companies	1,275	1,668	50	50
Amounts due to associates	1,520	13,530	-	-
	<u>605,055</u>	<u>770,523</u>	<u>14,368</u>	<u>23,073</u>
Amounts due to subsidiaries	-	-	97,898	38,102
Total	<u>609,336</u>	<u>778,267</u>	<u>455,470</u>	<u>274,085</u>

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28 **TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO SUBSIDIARIES (CONTINUED)**

Non-current other payables comprises of retention sum that is payable later than 1 year and not later than 4 years.

Included in amounts due to subsidiaries are advances from subsidiaries which are unsecured, bear an effective average interest rate of 4.48% (2019: 4.48%) per annum and are repayable on demand after 2020.

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 (2019: 30 to 60 days). Payables are denominated in the following currencies:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	440,259	615,874	455,470	274,085
Indonesian Rupiah	11,091	12,582	-	-
Bangladesh Taka	3,159	2,727	-	-
Australian Dollar	154,827	147,084	-	-
	609,336	778,267	455,470	274,085

29 **CONTRACT LIABILITIES**

	Group	
	2020	2019
	RM'000	RM'000
Balance at beginning of the year	66,896	70,274
Revenue recognised that was included in contract liability balance at the beginning of the year	(55,951)	(51,327)
Increases due to cash received, excluding amounts recognised as revenue during the year	45,033	47,949
At 31 December	55,978	66,896

Contract liabilities which consist of the amount of deposit 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.

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30 **BORROWINGS**

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
<u>Current</u>				
Islamic financing				
- Islamic Medium Term Notes (unsecured)	250,000	-	-	-
- Term loans (secured)	75,818	63,489	-	-
- Revolving credits (unsecured)	136,500	197,300	112,000	187,000
- Hire purchase creditors and finance lease (secured)	13,650	7,201	129	-
- Bank overdrafts (unsecured)	11,637	8,688	-	-
	487,605	276,678	112,129	187,000
Conventional financing				
- Term loans (secured)	11,898	7,120	-	-
- Hire purchase creditors and finance lease (secured)	539	388	-	-
- Revolving credits (unsecured)	5,734	5,327	-	-
	18,171	12,835	-	-
	505,776	289,513	112,129	187,000
<u>Non-current</u>				
Islamic financing				
- Islamic Medium Term Notes (unsecured)	1,050,000	1,100,000	-	-
- Term loans (secured)	302,778	343,786	-	-
- Hire purchase creditors and finance lease (secured)	44,420	24,291	505	-
	1,397,198	1,468,077	505	-
Conventional financing				
- Term loans (secured)	52,008	4,778	-	-
- Hire purchase creditors and finance lease (secured)	25	957	-	-
	52,033	5,735	-	-
	1,449,231	1,473,812	505	-
	1,955,007	1,763,325	112,634	187,000

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30 **BORROWINGS (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Total borrowings</u>				
Islamic financing				
- Islamic Medium Term Notes (unsecured)	1,300,000	1,100,000	-	-
- Term loans (secured)	378,596	407,275	-	-
- Revolving credits (unsecured)	136,500	197,300	112,000	187,000
- Hire purchase creditors (secured)	58,070	31,492	634	-
- Bank overdrafts (unsecured)	11,637	8,688	-	-
Conventional financing				
- Term loans (secured)	63,906	11,898	-	-
- Hire purchase creditors (secured)	564	1,345	-	-
- Revolving credits (unsecured)	5,734	5,327	-	-
	<u>1,955,007</u>	<u>1,763,325</u>	<u>112,634</u>	<u>187,000</u>

The maturity profile of borrowings is as follows:

Less than 1 year	505,776	289,513	112,129	187,000
Between 1 and 5 years	1,367,867	1,448,373	505	-
More than 5 years	81,364	25,439	-	-
	<u>1,449,231</u>	<u>1,473,812</u>	<u>505</u>	<u>-</u>
	<u>1,955,007</u>	<u>1,763,325</u>	<u>112,634</u>	<u>187,000</u>

Hire purchase creditors

Gross hire purchase creditors - minimum lease payments:

- due not later than 1 year	14,560	7,784	132	-
- due later than 1 year and not later than 5 years	45,608	25,895	516	-
	<u>60,168</u>	<u>33,679</u>	<u>648</u>	<u>-</u>
Future finance charges	(1,534)	(842)	(14)	-
Present value of hire purchase creditors	<u>58,634</u>	<u>32,837</u>	<u>634</u>	<u>-</u>

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30 BORROWINGS (CONTINUED)

Hire purchase creditors (continued)

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
The present value of hire purchase creditors is analysed as follows:				
<u>Current</u>				
Due not later than 1 year	14,189	7,589	129	-
<u>Non-current</u>				
Due later than 1 year and not later than 5 years	44,445	25,248	505	-
Present value of hire purchase creditors	<u>58,634</u>	<u>32,837</u>	<u>634</u>	<u>-</u>

The borrowings are denominated as follows:

Ringgit Malaysia	1,923,549	1,721,616	112,634	187,000
US Dollar	15,651	24,482	-	-
Australian Dollar	15,807	17,227	-	-
	<u>1,955,007</u>	<u>1,763,325</u>	<u>112,634</u>	<u>187,000</u>

	<u>Finance rate</u>	<u>Effective finance rate at reporting date</u>	
		<u>2020</u>	<u>2019</u>
		(% p.a)	
Term loans	Fixed / Floating	4.41	5.75
Hire purchase creditors	Fixed	2.62	2.56
Islamic Medium Term Notes	Fixed	5.33	5.76
Bank overdrafts	Floating	4.81	6.42
Revolving credits	Fixed / Floating	2.82	4.30

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30 **BORROWINGS (CONTINUED)**

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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Term loans	354,786	348,564	290,887	303,948
Hire purchase creditors	44,445	25,248	43,316	15,081
Islamic Medium Term Notes	1,050,000	1,100,000	941,041	869,453
	<u>1,449,231</u>	<u>1,473,812</u>	<u>1,275,244</u>	<u>1,188,482</u>

	Carrying value		Company Fair value	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Hire purchase creditors	<u>505</u>	<u>-</u>	<u>492</u>	<u>-</u>

The borrowings are secured by:

- The property, plant and equipment and investment property pledged for borrowing facilities as at 31 December 2020 is RM778,515,000 (2019: RM404,432,000);
- 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 FSRA & DSRA and all monies standing to the credit of certain subsidiaries;
- specific debenture charge over assets;
- legal charge and assignment over the FRA and all proceeds therein.

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

At Group level:

- Gearing ratio being not exceed 1.50 times for Islamic Medium Term Notes;
- Gearing ratio to not exceed 1.25 times for revolving credit facility;
- EBIT over Interest Ratio to not fall below 2 for revolving credit facility.

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30 BORROWINGS (CONTINUED)

At subsidiaries level:

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

31 LEASE LIABILITIES

	Group	
	2020	2019
	RM'000	RM'000
Amount due for settlement within 12 months	45,531	47,359
Amount due for settlement after 12 months	1,153,419	1,174,790
	<u>1,198,950</u>	<u>1,222,149</u>
Maturity analysis – lease payments		
Less than 1 year	115,236	113,450
Between 1 and 5 years	458,906	453,510
Later than 5 years and not later than 10 years	513,268	513,470
Later than 10 years and not later than 20 years	771,420	841,565
Later than 20 years and not later than 30 years	135,589	161,910
	<u>1,879,183</u>	<u>1,970,455</u>
	<u>1,994,419</u>	<u>2,083,905</u>

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32 **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>2020</u>	<u>Group</u> <u>2019</u>
	RM'000	RM'000
At 1 January	2,775	2,678
Charged to profit or loss (Note 11)	321	322
Retirement benefits paid	(310)	(225)
	<u>2,786</u>	<u>2,775</u>

The amount recognised in profit or loss is as follows:

Current service cost	155	159
Interest cost on benefit obligation	166	163
	<u>321</u>	<u>322</u>

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

	<u>2020</u>	<u>Group</u> <u>2019</u>
	%	%
Discount rate ¹	5.0	5.0
Expected rate of salary increase		
- Non-management staff ²	6.0	6.0
- Management staff ²	5.0	5.0
Turnover ³		
		Age related scale of 25% per annum prior age 25, gradually reducing to 0% per annum by age 50.

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32 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 AAA rated bond
2. Expected rate of salary increase is as per industry average
3. Turnover rate is relatively influenced by average employee age

The above assumptions derived from the latest actuarial valuation report dated on 11 January 2019. The valuation was carried out by third party actuaries, Towers Watson (Malaysia) Sdn Bhd.

Sensitivity analysis on present value of defined benefit obligation:

	<u>2020</u>	<u>Group</u> <u>2019</u>
	RM'000	RM'000
1. A 1% increase in salary increment rate		
a Increase on defined benefit obligation	3,089	3,077
b Increase in net defined liability	303	303
2. A 1% decrease in discount rate		
a Increase on defined benefit obligation	3,095	3,084
b Increase in net defined liability	309	309
	<u> </u>	<u> </u>

33 DEPOSITS

Deposits represent amounts received from consultants, which are repayable on death, retirement (at age 65) or disability of the consultants. Deposits are forfeited on termination of a consultant's practice either by the Group due to events of breach or on early termination by the consultant unless approval to refund is obtained from the Board of Directors.

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34 **SHARE CAPITAL**

	Group/Company			
	2020 Units'000	2020 RM'000	2019 Units'000	2019 RM'000
Issued and fully paid ordinary shares:				
At 1 January	4,439,197	906,743	4,399,148	860,295
Issued during the financial year:				
- Exercise of warrants	-	-	22,884	25,230
- ESOS	2,846	2,761	17,165	21,218
At 31 December	<u>4,442,043</u>	<u>909,504</u>	<u>4,439,197</u>	<u>906,743</u>

(a) Warrants

The warrants expired on 23 January 2019 and a total of 244,147,766 units lapsed and no longer valid to be exercised.

(b) 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 2020, the Company held a total of 162,306,700 of its 4,442,042,736 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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35 **SHARE-BASED PAYMENTS**

An Employees' Share Option Scheme ("ESOS") was implemented on 27 February 2015 for the benefit of senior executives and certain employees of the Company. The ESOS 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>2020</u> Units'000	<u>2019</u> Units'000
Number of share options at exercise price of RM0.91 each:		
Outstanding as at 1 January	188,403	212,955
- Granted	-	1,089
- Exercised	(2,846)	(17,165)
- Lapsed	(5,047)	(8,476)
Outstanding as at 31 December	<u>180,510</u>	<u>188,403</u>
Exercisable at end of financial year	<u>180,510</u>	<u>188,403</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%

The amounts recognised in the financial statements is as disclosed in Note 11 to the financial statements arising from the ESOS granted to Directors and employees of the Group and the Company.

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36 OTHER RESERVES

	Merger reserve (Note b) RM'000	Exchange reserve (Note c) RM'000	Revaluation reserve (Note d) RM'000	Share option reserve (Note e) RM'000	Total RM'000
<u>Group</u>					
At 1 January 2020	(3,367)	8,806	121,422	61,153	188,014
Other comprehensive income:					
Translation of foreign subsidiaries	-	(9,743)	-	-	(9,743)
Revaluation surplus	-	-	104,706	-	104,706
Disposal of property, plant and equipment	-	-	-	-	-
Total other comprehensive income	-	(9,743)	104,706	-	94,963
	<u>(3,367)</u>	<u>(937)</u>	<u>226,128</u>	<u>61,153</u>	<u>282,977</u>
Transactions with Owners:					
Issue of share capital:					
- ESOS	-	-	-	(172)	(172)
	-	-	-	(172)	(172)
ESOS expenses during the financial year (Note 11)	-	-	-	619	619
Lapsed ESOS	-	-	-	(1,802)	(1,802)
Total transactions with Owners	-	-	-	(1,355)	(1,355)
At 31 December 2020	<u>(3,367)</u>	<u>(937)</u>	<u>226,128</u>	<u>59,798</u>	<u>281,622</u>

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36 OTHER RESERVES (CONTINUED)

	<u>Warrant reserve</u> (Note a) RM'000	<u>Merger reserve</u> (Note b) RM'000	<u>Exchange reserve</u> (Note c) RM'000	<u>Revaluation reserve</u> (Note d) RM'000	<u>Share option reserve</u> (Note e) RM'000	<u>Total</u> RM'000
<u>Group</u>						
At 1 January 2019	24,361	(3,367)	3,540	125,993	71,560	222,087
Other comprehensive income:						
Translation of foreign subsidiaries	-	-	5,266	-	-	5,266
Revaluation surplus	-	-	-	760	-	760
Disposal of property, plant and equipment	-	-	-	(5,331)	-	(5,331)
Total other comprehensive income	-	-	5,266	(4,571)	-	695
	<u>24,361</u>	<u>(3,367)</u>	<u>8,806</u>	<u>121,422</u>	<u>71,560</u>	<u>222,782</u>
Transactions with Owners:						
Issue of share capital:						
- Warrants	(2,117)	-	-	-	-	(2,117)
- ESOS	-	-	-	-	(5,599)	(5,599)
	(2,117)	-	-	-	(5,599)	(7,716)
ESOS expenses during the financial year (Note 11)	-	-	-	-	3,827	3,827
Lapsed ESOS	-	-	-	-	(8,635)	(8,635)
Lapsed warrants	(22,244)	-	-	-	-	(22,244)
Total transactions with Owners	<u>(24,361)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,407)</u>	<u>(34,768)</u>
At 31 December 2019	<u>-</u>	<u>(3,367)</u>	<u>8,806</u>	<u>121,422</u>	<u>61,153</u>	<u>188,014</u>

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36 OTHER RESERVES (CONTINUED)

- (a) Warrant reserve is a reserve arising from the fair value of the warrants issue net of issuance cost. When the warrants are exercised, the related amounts are transferred to share capital. When the warrants are not exercised and lapsed, the related warrant reserve is transferred to retained earnings.
- (b) The difference between the issue price and the nominal value of shares issued that arose from a merger was classified as merger reserve.
- (c) Exchange reserve is used to record exchange differences arising from the translation of financial statements of subsidiaries/associate whose functional currency differs from the Group's presentation currency.
- (d) Revaluation reserve (non-distributable):

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
At 1 January	121,422	125,993
Revaluation surplus, net of tax	104,706	760
Disposal of property, plant and equipment	-	(5,331)
At 31 December	<u>226,128</u>	<u>121,422</u>

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

- (e) Share option reserve is a reserve created arising from the fair value of the employee services provided. When the ESOS options are exercised, the related amounts are transferred to share capital. When options are not exercised and lapsed, the related share option reserve is transferred to retained earnings.

37 SIGNIFICANT RELATED PARTY DISCLOSURES

The Group is a subsidiary of Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995). During the ordinary course of business, the Group transacts with various state related government agencies and departments, mainly relating to land premiums, utilities payments and administrative services. These are based on normal commercial terms and are individually immaterial to warrant separate disclosure.

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37 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

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
<u>Group and Company</u>				
Rental paid to an associate*	98,978	109,022	-	-
Management fee from subsidiaries	-	-	(48,314)	(53,262)
Dividend received (net) from subsidiaries	-	-	(76,745)	(119,789)
Interest income from subsidiaries	-	-	(19,019)	(72,823)
Interest expense to subsidiaries	-	-	18,027	17,095
Dividends received from associates	14,476	21,118	-	-
* Al-Aqar Healthcare REIT				
<u>Johor Corporation group of companies</u>				
Housekeeping contract fees	15,561	15,980	-	-
Security service fees	5,630	5,417	-	-
Medical service rendered	5,288	5,091	-	-
Insurance premiums	4,844	5,641	10	59
Contribution to Klinik Waqaf An-Nur	2,657	1,858	27	-
Car park rental income	2,266	1,588	-	-
Rental fees to Al-Salam REIT	2,041	2,683	-	-
Building management service fees	1,713	1,272	-	-
Purchase of food and beverage consumables	1,342	767	-	-
Secretarial fee	429	487	65	52
Training and seminar	278	238	277	229
Car park fees	240	-	-	-
Consultants' car park fees	189	94	-	-
Landscape	171	-	-	-
Registrar fees	164	328	164	328
Dividend paid	-	-	18,560	31,087

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37 **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 28.

(b) Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company whether directly or indirectly. The key management personnel of the Company comprise Directors and the Executive Committee of the Company. Details on the compensation for these key management personnel are disclosed as below:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 12)	7,004	7,147	6,889	7,099
Salaries, allowances and bonuses	4,239	2,553	4,239	2,553
Contributions to defined contribution plan	852	577	852	577
Share-based payments	5	35	5	35
	<u>12,100</u>	<u>10,312</u>	<u>11,985</u>	<u>10,264</u>

38 **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.

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39 CAPITAL COMMITMENTS

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

	<u>2020</u>	<u>Group</u> <u>2019</u>
	RM'000	RM'000
Approved by the Directors and contracted	206,154	235,895
Approved by the Directors but not contracted	199,882	176,522
	<u>406,036</u>	<u>412,417</u>
Analysed as follows:		
- Buildings	126,609	253,546
- Medical equipment	154,472	136,448
- Other property, plant and equipment	124,955	22,423
	<u>406,036</u>	<u>412,417</u>

40 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") (formerly known as Executive Committee). The KGMC considers the business by geographical location. The reportable segments for the financial year have been identified as follows:

- (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 Indonesia, 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.

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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40 SEGMENTAL REPORTING (CONTINUED)

Year ended 31 December 2020

	<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>Total</u> RM'000
<u>Revenue</u>					
Revenue from external customers	2,285,390	122,698	2,408,088	(10,645)	2,397,443
<u>Results</u>					
EBITDA *	557,228	(8,548)	548,680	(9,802)	538,878
Finance costs (net)	(126,574)	(32,114)	(158,688)	9,376	(149,312)
Depreciation and amortisation	(217,904)	(21,331)	(239,235)	479	(238,756)
Profit/(loss) before tax	212,750	(61,993)	150,757	53	150,810
Tax	(41,934)	1,936	(39,998)	-	(39,998)
Profit/(loss) after tax	170,816	(60,057)	110,759	53	110,812
Total assets	5,798,780	596,733	6,395,513	(254,082)	6,141,431
Total liabilities	3,544,399	648,902	4,193,301	(254,082)	3,939,219
Addition to property, plant and equipment	270,685	3,824	274,509	-	274,509

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40 SEGMENTAL REPORTING (CONTINUED)

Year ended 31 December 2019

	<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>Total</u> RM'000
<u>Revenue</u>					
Revenue from external customers	2,606,608	150,985	2,757,593	(19,674)	2,737,919
<u>Results</u>					
EBITDA *	634,670	24,492	659,162	(18,550)	640,612
Finance costs (net)	(120,138)	(31,001)	(151,139)	6,180	(144,959)
Depreciation and amortisation	(196,277)	(23,983)	(220,260)	-	(220,260)
Profit/(loss) before tax	318,255	(30,492)	287,763	(12,370)	275,393
Tax	(37,356)	(11,340)	(48,696)	-	(48,696)
Profit/(loss) after tax	280,899	(41,832)	239,067	(12,370)	226,697
Total assets	5,566,494	624,198	6,190,692	(204,845)	5,985,847
Total liabilities	3,515,188	626,240	4,141,428	(204,845)	3,936,583
Addition to property, plant and equipment	406,711	9,871	416,582	(1,000)	415,582

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

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40 SEGMENTAL REPORTING (CONTINUED)

	<u>2020</u>	<u>Group</u> <u>2019</u>
	RM'000	RM'000
Reconciliation of profit before tax		
Segment profit before tax	150,757	287,763
Lease	53	-
Dividend	-	(12,370)
Profit before tax	<u>150,810</u>	<u>275,393</u>
Reconciliation of assets		
Segment total assets	6,395,513	6,190,692
Lease	(2,393)	-
Interco	(251,689)	(204,845)
Total assets	<u>6,141,431</u>	<u>5,985,847</u>
Reconciliation of liabilities		
Segment total liabilities	4,193,301	4,141,428
New lease	(2,393)	-
Interco	(251,689)	(204,845)
Total liabilities	<u>3,939,219</u>	<u>3,936,583</u>

41 PRIOR YEAR ADJUSTMENT

During the current financial year, the Group has reassessed the contracts with its consultants and has established that the Group is an agent instead of a principal in the provision of healthcare consultation services to its customers. Accordingly, the Group's revenue and cost of sales for the year ended 31 December 2019 have been restated as shown below. This has no effect on the profit for the year ended 31 December 2019.

	<u>As previously</u> <u>reported</u>	<u>Adjustments</u> <u>to the revenue</u> <u>and cost of sales</u>	<u>As</u> <u>restated</u>
	RM'000	RM'000	RM'000
Revenue	3,604,364	(866,445)	2,737,919
Cost of sales	<u>(2,494,110)</u>	<u>866,445</u>	<u>(1,627,665)</u>