HOSPITAL OPERATIONS

KPJ CONTINUED TO EXPAND ITS CAPACITY AND RANGE OF SERVICES IN 2015 TOWARDS STRENGTHENING ITS COMPETITIVENESS AND ENSURING SUSTAINABILITY.

Bed capacity increased to 2,912

GROWING MALAYSIAN OPERATIONS

The Group's 25 hospitals in Malaysia registered year-on-year growth of 7.5% to reach RM2.71 billion in 2015, driven mainly by organic growth from existing operations and increasing activities at new hospitals. Its profit before zakat and tax amounted to RM209.61 million. The Group also recorded a turnaround to profitability at KPJ Klang, while KPJ Pasir Gudang and KPJ Rawang achieved positive earnings before interest, taxation, depreciation and amortisation ("EBITDA") and successfully narrowed losses during the year.

Following capacity expansion in KPJ Johor, KPJ Sabah, KPJ Penang, KPJ Rawang, KPJ Klang and KPJ Bandar Maharani, the Group's bed capacity increased to 2,912 in 2015 from 2,846 in 2014.

The Group's new hospitals, KPJ Rawang, KPJ Bandar Maharani, KPJ Pasir Gudang and KPJ Klang, have enabled the Group to penetrate and serve new markets. As a result, these hospitals recorded rapid inpatient and outpatient growth.

KPJ also continued to expand its services and healthcare team to cater to the growing needs of both existing and new patients. The Group recruited 48 new Resident Medical Consultants and 96 Sessional/Visiting Medical Consultants from diverse specialty areas, bringing the total number of consultants practising at KPJ Group of hospitals to 1,088. Medical Consultants of various sub-specialties further enhance the scope of clinical services provided in the Group, such as Vitro Retinal surgery, Paediatric Neurology, Paediatric Dentistry, Neonatology, Clinical Haematology, Colorectal Surgery, Medical Oncology and Infertility & IVF services.

HOSPITAL OPERATIONS

VisuMax Femtosecond System – which is a groundbreaking high-performance laser system for use in refractive surgery

In tandem with the expansion of services, the Group's total professional manpower, such as Medical Officers, Trained Nurses and Allied Health personnel rose to 5,714 in 2015 from 5,233 in 2014. These qualified and experienced professionals contribute towards enhancing and assuring the quality of our service delivery while strengthening KPJ Group's model of care for patients.

SERVICE DELIVERY

KPJ strives to provide patients with state-of-the-art medical facilities and the highest standard of care. During the year, the Group's matured hospitals underwent upgrading works. This comprised refurbishment and upgrading of wards and operating theatre, establishment of waiting lounges and expansion of dialysis services, as well as provision of accident and emergency ("A&E") services to cater to patients' increasing needs and expectations. Expansion work was also carried out to allow for new specialist clinics, retail spaces and premier wards.

In spite of challenging economic and operating conditions, the Group remains committed to delivering excellence in patient care. In 2015 a new Positron Emission Tomography scanning (PET Scan) service was launched at KPJ Johor, providing specialists in oncology, cardiology and neurology access to advanced radioisotope imaging techniques. KPJ also continued to expand its services by introducing more comprehensive outpatient services and making it available and accessible to patients in KPJ's regional network. The services include comprehensive audiology and speech therapy services, dental services, rehabilitation services, wellness programmes and IVF services.

The Hospital Operations division also undertook a number of service quality improvement initiatives in an effort to enhance patient care as KPJ continues to make patients' needs central to everything we do. In line with this, the Group continued to further streamline and improve the efficiency of its hospital operations through standardisation of the coding system, utilisation of the user access matrix

Introduction **of new modules** such as Electronic Medical Record Application ("EMRA")

and implementation of various best practices and business improvement exercises. Internal processes were also refined by enhancing KPJ's information systems through the establishment of the Cloud-based KPJ Data Centre, upgrading of the KPJ Clinical Information System ("KCIS") with new features and continuously refreshing its information technology systems. This saw the introduction of new modules such as Electronic Medical Record Application ("EMRA"), Risk Management and Incident Reporting system. These modules are expected to be fully rolled out Group-wide in 2016 to further improve communications flow and processes in an effort to achieve optimal effectiveness and efficiency.

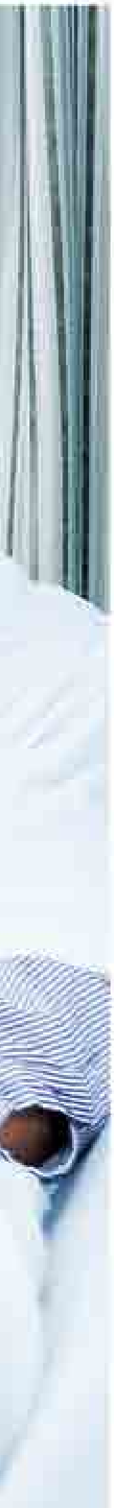
These internal quality improvement initiatives and efforts will support the Group Hospital Operations in weathering challenges ahead, including lower purchasing power and service acquisition due to rising living costs, uncertainty in the global and local economies, and tougher competition in the private hospital sector.

HOSPITAL OPERATIONS

EXTENDING PATIENT CARE BEYOND MALAYSIA

The Group currently operates three hospitals outside Malaysia, namely Rumah Sakit Medika Permata Hijau ("RSMPH") and Rumah Sakit Medika Bumi Serpong Damai ("RSMBSD") in Indonesia and Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College ("SFMM") in Bangladesh.

Number of outpatients **surged 12%** at KPJ's Indonesian Hospitals in 2015



Indonesian Hospitals

KPJ's Indonesia hospitals recorded encouraging activity in 2015, with the total bed capacity for RSMPH and RSMBSD rising to 167 from 148 in 2014. The number of outpatients surged 12% year-on-year to 91,091, although inpatient arrivals remained largely flat at 8,472 from 8,522 in the preceding year.

The growth in the number of patients was mainly contributed by the implementation of Indonesia's Jaminan Kesehatan Nasional ("JKN") scheme, which is expected to trigger further demand for hospital-based services in the country. Moving forward, KPJ will further enhance the façade of the hospitals and upgrade the services and facilities, in the belief that a progressive and well-maintained hospital environment is vital to ensure patients' total satisfaction.

Bangladeshi Hospital

Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College ("SFMM"), Dhaka

Following the commencement of SFMM's operations in 2014, the hospital now offers 50 beds and the services of 13 resident consultants, supported by 220 staff. The hospital registered 741 inpatients and 15,169 outpatients in 2015. The hospital commenced its Catheterisation Laboratory service in December 2015 and commissioned its MRI and CT scan services in January 2016. With these services, SFMM is expected to increase its activities in the near future, with plans to increase its number of beds accordingly in 2016.

Commencement of Nursing Programme at the Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College by the Prime Minister of Bangladesh, Sheikh Hasina Wazed

The Group will maintain and secure its position as a leading provider of quality healthcare services, living up to its tagline

"Care for Life"

Thai Hospital

Vejthani Hospital, Bangkok

The 194-bed Vejthani Hospital in Bangkok, Thailand, in which KPJ owns a 23.4% stake, is another of the Group's foreign ventures. Vejthani is renowned in the region for its Orthopaedic treatment facilities. During the year, the hospital recorded a 5% year-on-year growth in inpatients and outpatients, serving more than 300,000 outpatients and 8,914 inpatients.

MOVING FORWARD

Moving forward, KPJ's hospital expansion projects at KPJ Selangor, KPJ Seremban, KPJ Ampang Puteri, KPJ Puteri, KPJ Penang, KPJ Taiping and KPJ Sri Manjung will remain on-going as the Group pepares to accommodate increasing demand. The projects are expected for completion in 2016 and 2017. New hospitals, i.e. KPJ Pahang and KPJ Perlis are on track for opening in 2016.

The Group will also continuously upgrade the facilities and service offerings at its existing hospitals to maintain and secure its position as a leading provider of quality healthcare services, living up to its tagline "Care for Life".

BUSINESS REVIEW

NEW HOSPITAL DEVELOPMENT

KPJ encourages a culture of creativity and innovation. Through our talent, people and technology, the Group will continue to transform is quality of service and striving to deliver care beyond patients' expectations. KPJ will also leverage innovative strategies to capture sustainable opportunities and scale greater heights in 2016.

As the KPJ Group continues to seek opportunities for growth and remain committed to improving our services, during the year we undertook expansion of four of our hospitals and commenced planning the development of two new hospitals.

EXPANSION PROJECTS

Scheduled for completion in 2017, the KPJ Ampang Puteri Specialist Hospital will be expanded on a total land area of 1.37 acres with an approved development budget of RM134.8 million. With a total built-up area of 517,000 sq ft, the expansion will see the hospital adding 641 parking bays (250,000 sq ft), 150 beds (fitted), 33 clinics, 4 operating theatres, 5 beds at high dependency units (HDU), 1 linac bunker and 1 PET CT Scan. As at January 2016, the project has reached 9% completion.

Expanded KPJ Ampang Puteri Specialist Hospital on approved development budget of

RM134.8 million

Expansion on 1.6 acres of land at KPJ Seremban Specialist Hospital

We have also commenced expansion work on 1.6 acres of land at KPJ Seremban Specialist Hospital, costing RM71.5 million. The expansion encompasses a total built-up area of 200,000 sq ft, comprising two Annex Block wings offering 191,400 sq ft of 90 beds (fitted) and a 8,600 sq ft parking lot. The balance of the total built-up area has been allocated for future outpatient services. The project's progress as at the end of January 2016 is 88%, with target practical completion in April 2016 and Certificate of Completion and Compliance expected by the third quarter of 2016.

NEW HOSPITAL DEVELOPMENT

Furthermore, we are currently undertaking the expansion of KPJ Penang Specialist Hospital in Bukit Mertajam, Penang, with a total land area for expansion of 4.0 acres. The approved development budget for this project, which will provide a total of 168 beds, amounts to RM74.2 million. The project will be undertaken in phases, with Phase 1 currently underway to provide 141 hospital beds and 15 nursing home beds. The total built-up area for Phase 1 is 207,000 sq ft and as of January 2016 has commenced construction with completion scheduled for the second quarter of 2017.

However, both main contractor and the hospital have agreed on a mutual termination of the construction contract. We are also currently pursuing a tender to complete the open car park while undertaking the tendering process to appoint a new main contractor by the middle of 2016.

The KPJ Selangor Specialist Hospital in Shah Alam is also undergoing an expansion on 4.7 acres of land under an approved development budget of RM55.7 million. The project has entered Phase 2, with Phase 1 focused on the parking block which provides 489 parking bays. Phase 2 will cover the construction of a 7-storey Physician Consultant Block for 54 clinics with a total built-up area of 178,000 sq ft. Phase 1 was completed on 29 March 2012, while Phase 2 is 98% completed with Certificate of Completion and Compliance scheduled to be issued by mid 2016.

KPJ Miri Specialist Hospital: Phase 1 cost about

RM91.0 million

NEW HOSPITAL PROJECTS

In the year under review, we finalised plans for the construction of a new hospital, KPJ Miri Specialist Hospital in Sarawak on a total land area of 4.0 acres. Phase 1 of the project is expected to cost RM91.0 million to build. According to the Master Plan, the development of the hospital will provide capacity for 180 beds in total, of which 96 beds (61 fitted; 35 vacant) and open parking will be build under Phase 1.

Construction is scheduled to commence in March 2016, with the duration of the project scheduled for 16 months. Upon the finalisation of contract amount estimated at RM77.5 million subject to approval of building plan from the authorities and MOH.

We have also finalised plans for the construction of another new hospital project, KPJ BDC Specialist Hospital in Kuching, Sarawak, on a total land area of 4.74 acres. The approved development budget for the project is RM100.0 million, with the contract awarded to the Main Contractor amounting to RM89 million.

The hospital will offer 300 beds, of which 150 beds and a 107,000 sq ft car park will be built under Phase 1 of the project. The project commenced in January 2016 and scheduled for completion in 2017.

During the year, two of KPJ's new hospitals namely KPJ Pahang and KPJ Perlis Specialist Hospital to reschedule their openings due to contractor delays. The projects are being managed closely by KPJ's Project Management team and are now back on track. Management is confident that these hospitals will be completed soon and open their doors to the public in 2016.

MEDICAL TOURISM

Memento to Bangladesh High Commissioner His Excellency Mr. Md. Shahidul Islam during Bangladesh Independence Day

IN KEEPING WITH KPJ'S FOCUS ON STRENGTHENING ITS COMPETITIVENESS AND ENSURING LONG-TERM SUSTAINABILITY, MEDICAL TOURISM (MT) CONTINUED TO BE GIVEN STRONG EMPHASIS DURING THE YEAR UNDER REVIEW

In 2015, Malaysia recorded a total of RM820 million in revenue from healthcare travellers. The country is undertaking aggressive efforts to increase the number of medical tourists, particularly from Muslim countries. Last year alone, Malaysia welcomed some 790,000 tourists and aims to attract up to a million tourists in 2016. Most of these medical travellers come from the Middle East, Africa and other Asian counties, while a small percentage hail from the US and Europe, according to consumer markets consultancy Frost & Sullivan. A recent report entitled, "*Asia-Pacific Medical Tourism Outlook*," found that the market earned some US$9.6 billion in 2014 and is estimated to reach US$20.5 billion by 2019, based on an annual growth rate of 16.3%.

The country was also proclaimed as the "Medical Travel Destination of the Year" at the International Medical Travel (1MTJ) Awards 2015. This showcase Malaysia's strong potential for the long term.

KPJ recognises this opportnities presented by the Medical Tourism sector. The Group's medical tourism hubs are currently represented by four Joint Commission International (JCI)-accredited hospitals, namely the KPJ Ampang Puteri, KPJ Seremban, KPJ Penang and KPJ Johor Specialist Hospitals. The JCI accreditation reaffirm our commitment to patient safety and the quality of healthcare in the local and international communities.

Despite recording higher revenue for this year, the market experienced drop in the number of patients from Indonesia, the largest contributor to the MT division. The reduction is due to the introduction of the Indonesian health insurance scheme Jaminan Kesihatan Nasional (JKN) by Badan Penyelenggaraan Jaminan Sosial Kesehatan (BPJSK), social security management agency in the country.

The Group, together with the Malaysia Health Tourism Council (MHTC) and the Malaysia External Trade Development Corporation (Matrade), has started to penetrate new markets such as the Commonwealth of Independent States (CIS) countries made up of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. The year under review also saw the MT division pursuing opportunities in the Indian sub continent such as India, Pakistan, Bangladesh, Nepal and Sri Lanka.

RM820 million
in revenue from healthcare travellers

Malaysia welcomed
790,000
tourists and aims to attract up to a million tourists in 2016

Dr Shamsul Amri, Gastroenterologist Specialist - Radio Interview in Dhaka during Malaysia Healthcare Month

Bangladesh New Year Celebration

MyHealth Expo, Jakarta, Indonesia

KPJ Tawakkal was appointed as an **Elite Member of MHTC** to promote healthcare travel

Apart from participating in promotional missions and exhibitions to these countries, we continuously promote our brand of hospitals and services that we offer in the print media and through selected television advertising. These include publications in Ethiopia, Gulf Corporation Countries, Japan and Somalia, to name a few. Recognising the power of "*word of mouth*" recommendations and in the spirit of fostering enduring relations, we also work closely with the aforementioned embassies in our bid to promote the KPJ brand abroad.

We have also worked with the MHTC to increase awareness of our hospitals. In 2015, KPJ Tawakkal was appointed as an Elite Member of MHTC to promote healthcare travel and was allowed to provide approved services licensed by the Ministry of Health effective 1 July 2015 to 30 June 2017. KPJ Tawakkal has been a member of MHTC since January 2009. Subsequently, Damansara and KPJ Ampang Puteri Specialist Hospitals also received their Elite Memberships last year.

These Elite Member Hospitals had in 2015 launched International Desks abroad to assist our overseas patients with all aspects of medical tourism, including setting doctor's appointments, finding accommodation and applying for visas, representing the first point of reference for prospective foreign patients.

In order to better reach our target market, we also established representative offices in Dubai, Acheh, Permatang Siantar and Medan to promote our accredited hospitals. While Dubai promotes all four of our MT hospitals, the other 3 offices promote specific hospitals ie Acheh for KPJ Tawakkal and Permatang Siantar and Medan for KPJ Penang.

We also established representative offices in Dubai, Acheh, Permatang Siantar and Medan to promote

our accredited hospitals

Additionally, specially appointed medical travel agencies arrange for welcome services and transport at destination airports. This is on top of KPJ's dedicated MT International Patient Centres housed in our four MT hospitals. These International Patient Centres are charged with accommodating to our patients' requirements, and are usually staffed with translators and interpreters for Arabic, Korean, Japanese, Kazakh, Mandarin, Russian, Indonesian and Bengali native speakers.

In an effort to uphold the highest standards of service, during the year we made continuous improvements to our service quality, shifting towards a more patient-centric approach and emphasising patient satisfaction. To this end, we undertook measures to be included in the Planetree programme.

Astana Sales Visit September

IMTEC Oman 2015

MyHealth Expo, Jakarta, Indonesia

BIOMEDICAL SERVICES

KPJ'S BIOMEDICAL SERVICES PROVIDE A COMPREHENSIVE RANGE OF TECHNICAL AND ADMINISTRATIVE SERVICES RELATING TO THE HOSPITALS' MEDICAL EQUIPMENT.

The new MRI system is **light and easy to manoeuvre,** and is designed to transport patients to the MRI suite without the need for repositioning

MEDICAL EQUIPMENT TECHNOLOGY UPDATE

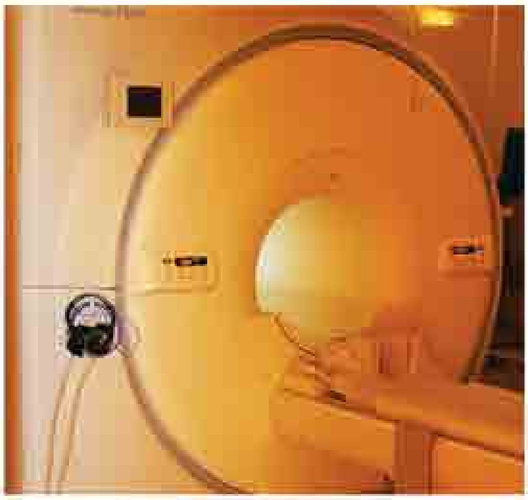
Magnetic Resonance Imaging ("MRI")

In line with global trends in MRI technology, KPJ hospitals have upgraded, refurbished and even replaced their MRI technology. This allows for faster imaging exams, better management of patient loads, increased patient comfort, versatility and economic value, as well as the expansion of MRI systems into more clinical areas.

KPJ Kajang has installed a new MRI system. The new MRI system is light and easy to manoeuvre, and is designed to transport patients to the MRI suite without the need for repositioning. The system docks over the MR system's couch, allowing patients to remain on one table during the entire imaging process.

The new system is equipped with the following tools which make imaging faster, better quality and more comfortable:

- Advanced magnet system for a highly homogenous static magnetic field
- Advanced shielded gradient coil to generate the most uniform gradient parameters



BIOMEDICAL SERVICES

The new technology has enabled the Group to reduce the time taken for MRI exams, improve the quality of images, and reduce energy usage by 68% through the system's built-in ECO Mode.

Fully Digital Angiography System

In conjunction with the move towards cardiac and interventional specialisation, KPJ has installed the latest technology for cardiac care, i.e. the Fully Digital of Angiography System at KPJ Rawang.

The superiority of our system lies in its capability to support clear Fluoroscopy and Radiography services as well as enabling patient examination and treatment to proceed smoothly with a high level of safety. This, in turn, reduces the stress on cardiologist and interventionists, and provides a safe, comfortable environment for catheterisation examinations and treatment.

The system's general capabilities include reducing radiation, advanced imaging, guidance and planning, and advanced procedural image guidance.

The superiority of our system lies in its capability to support clear Fluoroscopy and Radiography as well as enabling patient examination and treatment to proceed smoothly with

a high level of safety

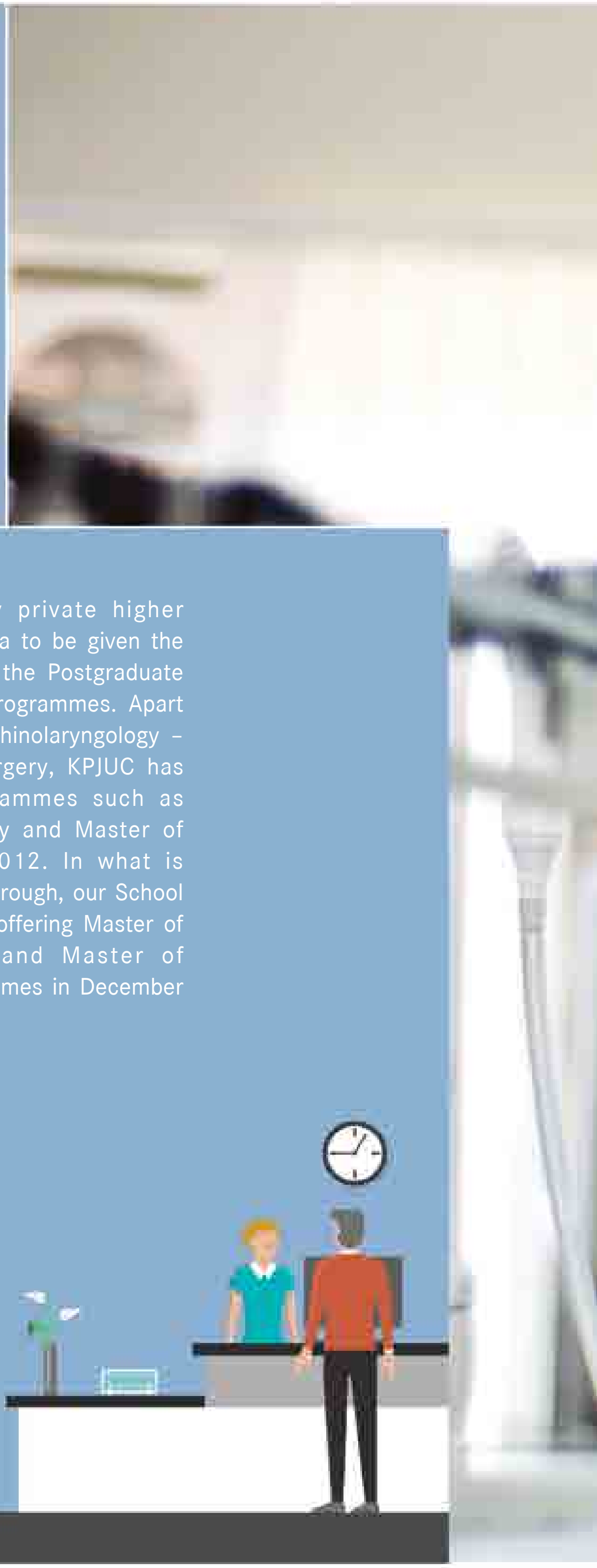
The benefits of the system include a patient-friendly low dose system and full-body coverage. It also reduces the need to move the patient during the procedure.

The new system has also increased the **efficiency, accuracy and workflow** of the imaging department

Computed Tomography ("CT") Scan Imaging

Achieving these goals in mature markets like CT scanning systems will demand reliability, longevity, cost and key features.

Management has upgraded the CT scanning technology at KPJ Kajang with a system which provides superior, high-resolution 3-D images 80 slice and reduces scan time, which allows for increased diagnostic accuracy and lower radiation exposure. The new system has also increased the efficiency, accuracy and workflow of the imaging department, while expanding access to more patients. Patients also benefit from better quality of care, higher patient safety and faster detection.



KPJUC is able to offer various new home-grown programmes for

PhD, Master and Bachelor degrees

Since its inception 25 years ago, KPJ Healthcare University College ("KPJUC") has achieved many significant milestones. This year, KPJUC achieved yet another significant turning point by offering various new home-grown programmes for PhD, Master and Bachelor degrees. At present, KPJUC offers a total of 38 academic programmes. It has commenced postgraduate students in PhD and Master of Nursing, Master of Pharmacy, Master of Pharmaceutical Technology, Master of Physiotherapy and Master of Medical Imaging.

KPJUC is the only private higher institution in Malaysia to be given the privilege of offering the Postgraduate Medical Specialist programmes. Apart from Master of Otorhinolaryngology – Head and Neck Surgery, KPJUC has also offered programmes such as Master of Radiology and Master of Paediatric since 2012. In what is considered a breakthrough, our School of Medicine started offering Master of General Surgery and Master of Orthopaedic programmes in December 2015.


COLLEGE
SCIENCES

EDUCATION

ACADEMIC PROGRAMME

KPJUC offers 38 programmes ranging from Foundation to PhD levels at all of it's three campuses. Current Programmes approved by the Ministry of Education and offered at KPJUC, as at 2015:-

NO	PROGRAMME	INTAKE
SCHOOL OF MEDICINE		
1	Master of Otorhinolaryngology - Head and Neck Surgery	2 - June, December
2	Master of Paediatrics	2 - June, December
3	Master of Radiology	2 - June, December
4	Master of General Surgery	2 - June, December
5	Master of Orthopedic	2 - June, December
SCHOOL OF PHARMACY		
6	Master of Pharmacy (Research)	3 - February/June/September
7	Master of Sciences in Pharmaceutical Technology (Research)	3 - February/June/September
8	Bachelor of Pharmacy (Hons)	1 - September
9	Bachelor of Pharmaceutical with Health Sciences (Hons)	2 - February/September
10	Diploma in Pharmacy (Nilai) Diploma in Pharmacy (Penang)	3 - February/May/September 2 – June/September
SCHOOL OF NURSING		
11	Doctor of Philosophy in Nursing	3 - February/June/September
12	Master of Nursing Science (Research)	3 - February/June/September
13	Bachelor of Science in Nursing (Hons)	1 - September
14	Bachelor of Science (Hons) International Nursing (in collaboration with University of Hertfordshire, UK)	2 - May/September
15	Certificate in Renal Nursing (Nilai) Certificate in Renal Nursing (JB)	2 - April/September 2 - April/September
16	Certificate in Paediatric Nursing	2 - April/September
17	Professional Certificate in Critical Care Nursing	1 - January
18	Professional Certificate in Education & Teaching for Nursing Professionals	1 - April
19	Professional Certificate in Gerontology Nursing	1 - June

NO	PROGRAMME	INTAKE
SCHOOL OF NURSING (continued)		
20	Post Basic Certificate in Orthopaedic Nursing (JB)	1 - December
21	Advanced Diploma in Perioperative Nursing (in collaboration with Liverpool John Moores University, UK)	1 - September
22	Advanced Diploma in Midwifery Nursing	1 - October
23	Diploma in Nursing (Nilai) Diploma in Nursing (JB)	3 - February/May/September 2 - June/September
24	Certificate in Aged Health Carer	2 - February/June
25	Certificate in Basic Patient Care Course for Healthcare Assistant	2 - February/July
26	Certificate in Dialysis Technician	1 - September
27	Certificate in Obstetric Care Assistant	1 - September
SCHOOL OF HEALTH SCIENCES		
28	Master of Medical Imaging (Research)	3 - February/June/September
29	Master of Physiotherapy (Research)	3 - February/June/September
30	Bachelor of Medical Imaging (Hons)	2 - May/September
31	Bachelor of Physiotherapy (Hons)	2 - May/September
32	Diploma in Medical Imaging	3 - February/May/September
33	Diploma in Physiotherapy	3 - February/May/September
34	Diploma of Higher Education in Operating Department Practise (in collaboration with Liverpool John Moores University, UK)	1 - September
SCHOOL OF BUSINESS AND MANAGEMENT		
35	Diploma in Health Information Management	1 - May
36	Certificate in Health Information Management	1 - May
SCHOOL OF BEHAVIOURAL SCIENCE AND HUMANITIES		
37	Bachelor in Strategic and Corporate Communication (Hons)	2 – June/September
38	Foundation in Science	2 - May/September

EDUCATION

Programmes awaiting approval from the Ministry of Higher Education, to be offered in 2016

NO	PROGRAMME	INTAKE
SCHOOL OF PHARMACY		
1	Advanced Diploma in Aseptic Services	1 - September
SCHOOL OF HEALTH SCIENCES		
2	Bachelor of Occupational Health Therapy (Hons)	1 - September
SCHOOL OF BUSINESS AND MANAGEMENT		
3	Diploma in Business Studies	2 - June/September
4	Bachelor in Business Management (Hons)	1 - September
SCHOOL OF BEHAVIOURAL SCIENCE AND HUMANITIES		
5	Bachelor of Psychology (Hons)	2 - February/September

New programmes currently being developed for submission to Ministry of Higher Education and to be offered in 2016

NO	PROGRAMME	INTAKE
SCHOOL OF NURSING		
1	Bachelor of Science in Nursing (Top-up)	1 - September
2	Bachelor of Science in Nursing (Public Health)	1 - September
3	Advanced Diploma in Perioperative Nursing	1 - January
4	Post Basic in Home Nursing	1 - June
SCHOOL OF PHARMACY		
5	PhD in Pharmacy	3 – February/June/September
SCHOOL OF BUSINESS AND MANAGEMENT		
6	Bachelor of Healthcare Business Management (Hons)	1 - September
7	Master in Healthcare Management	1 - September
8	Diploma in Healthcare Management	1 - September

Research/Conference Activities

In 2015, KPJUC strengthened its research and development (“R&D”) activities by focusing on clinical research that is beneficial to its growing Masters and PhD students. The R&D programmes are supported by the KPJ Group itself, and a network of collaborative alliances with international institutions. Moving forward, KPJUC intends to continue forging partnerships with international universities and to leverage on the cross-cultural academic teams to further strengthen our R&D arm. Out of 13 research programmes; 37 research have been completed, published and presented in the year 2015. Additionally, there are 12 new studies, and 30 research in progress, currently being undertaken at KPJUC.

School	Ongoing Research	New Research	Research Completed	Paper Publication	Conference/ Workshop Presentation
Medicine	5	0	0	0	4
Pharmacy	6	9	17	10	7
Nursing	11	0	10	0	6
Health Sciences – Medical Imaging	0	1	4	2	2
Health Sciences – Physiotherapy	4	1	3	1	2
Business and Management	0	1	0	0	0
Behavioural Science and Humanities	4	0	3	1	2
Total	**30**	**12**	**37**	**14**	**23**

Current Students And Alumni

Enrolment figures at all three KPJUC campuses as at December 2015:

NO	SCHOOL OF MEDICINE	December 2015	December 2014
1	Master of Otorhinolaryngology (Head and Neck Surgery)	7	4
2	Master of Radiology	5	3
3	Master of Paediatrics	0	1
4	Master of General Surgery	2	0
5	Master of Orthopaedic	3	0
TOTAL		**17**	**8**

EDUCATION

NO	SCHOOL OF PHARMACY	December 2015	December 2014
1	Master of Pharmacy	0	0
2	Master of Science in Pharmaceutical Technology	3	5
3	Bachelor of Pharmacy (Hons)	84	54
4	Bachelor of Pharmaceutical with Health Sciences (Hons)	132	89
5	Diploma in Pharmacy (Nilai) Diploma in Pharmacy (Penang)	357 180	366 133
TOTAL		**756**	**647**

NO	SCHOOL OF NURSING	December 2015	December 2014
1	Doctor of Philosophy in Nursing	4	6
2	Master of Nursing Science (Research)	10	8
3	Bachelor of Science in Nursing (Hons)	12	22
4	Bachelor of Science (Hons) International Nursing	6	4
5	Certificate in Renal Nursing (Nilai)	0	0
6	Certificate in Renal Nursing (JB)	10	0
7	Certificate in Paediatric Nursing	20	0
8	Professional Certificate in Critical Care Nursing	0	0
9	Professional Certificate in Education & Teaching for Nursing Professionals	0	0
10	Professional Certificate in Gerontology Nursing	0	0
11	Post Basic Certificate in Orthopaedic Nursing (JB)	0	10
12	Advanced Diploma in Perioperative Nursing 1+0 (in collaboration with Liverpool John Moores University, UK)	0	14
13	Advanced Diploma in Midwifery Nursing	15	0
14	Diploma in Nursing (Nilai)	498	426
15	Diploma in Nursing (JB)	308	308
16	Certificate in Teaching Methodology fro Nurses (JB)	0	0

NO	SCHOOL OF NURSING	December 2015	December 2014
17	Certificate in Aged Health Carer	0	0
18	Certificate in Basic Patient Care Course for Healthcare Assistant (JB)	0	0
TOTAL		**903**	**798**

NO	SCHOOL OF HEALTH SCIENCES	December 2015	December 2014
1	Master of Medical Imaging (Research)	0	0
2	Master of Physiotherapy (Research)	2	2
3	Bachelor of Medical Imaging (Hons)	36	27
4	Bachelor of Physiotherapy (Hons)	54	24
5	Diploma in Medical Imaging	140	84
6	Diploma in Physiotherapy	243	203
7	Diploma of Higher Education in Operating Department Practise (in collaboration with Liverpool John Moores University, UK)	90	58
TOTAL		**565**	**398**

NO	SCHOOL OF BUSINESS & MANAGEMENT	December 2015	December 2014
1	Diploma in Health Information Management	65	41
TOTAL		**65**	**41**

NO	SCHOOL OF BEHAVIOURAL SCIENCE & HUMANITIES	December 2015	December 2014
1	Bachelor (Hons) in Strategic and Corporate Communication	10	0
2	Foundation in Science	21	25
TOTAL		**31**	**25**
GRAND TOTAL		**2,337**	**1,987**

EDUCATION

ACADEMIC COLLABORATION AND SUPPORT

KPJUC is able to offer a major competitive advantage to students and healthcare professional, through the support of the Group's of 25 specialist hospitals, where students can undergo practical training. KPJUC also leverage on the knowledge and expertise of KPJ Group's medical specialists who contribute their time to guide and mentor specialists undergoing training at KPJUC.

In addition, KPJUC's tradition of academic excellence is supported by a team of dedicated, highly qualified and experienced lecturers who are well positioned to inspire and unlock our students' full potential. To strengthen our academia, KPJUC has forged successful working relationships with several international universities. This includes the University of South Australia (1994), Liverpool John Moores University, UK (1997) and the University of Hertfordshire, UK (2009).

At the beginning of 2011, KPJUC started working closely with Universiti Kebangsaan Malaysia ("UKM") to develop specialist medical programmes. One of the first few programmes to be developed was the Master of Otorhinolaryngology – Head and Neck Surgery, Master of General Surgery and Master of Orthopaedics.

To ensure that we are updated on the latest medical technologies in the industry, an academic collaboration with the Chemical Company of Malaysia Bhd ("CCM") was established. This relationship was created to integrate industry developments in the teaching and learning sessions at KPJUC.

MANPOWER

The University and Colleges employ a total of 239 staff, consisting of:

Category	Total (Year)	
	2015	2014
Corporate Staff	9	9
Academic Staff	133	134
Non-Academic Staff	97	85
Total	**239**	**228**

Faculty/Department	No. of Staff
Management	5
Medicine	3
Pharmacy	30
Nursing	51
Health Sciences	27
Business and Management	5
Behavioural Science	22
Administrative	96
Total	**239**

KPJUC Board of Directors 2015

Tan Sri Datin Paduka
Siti Sadiah Sheikh Bakir
(Chairman)

Jasimah Hassan
(Deputy Chairman)

Ahmad Nasirruddin Harun
(Executive Director)

Aminudin Dawam

Prof. Dato' Dr. Azizi Omar

Prof. (C) Dato' Dr. Shahrudin Mohd Dun

Prof. (C) Dr. Wan Hazmy Che Hon

Dr. Ab Razak Samsudin

Dr. Mohd Harris Lu @ Lu Ping Neng

Khairun Ahmad

SENIOR LIVING CARE

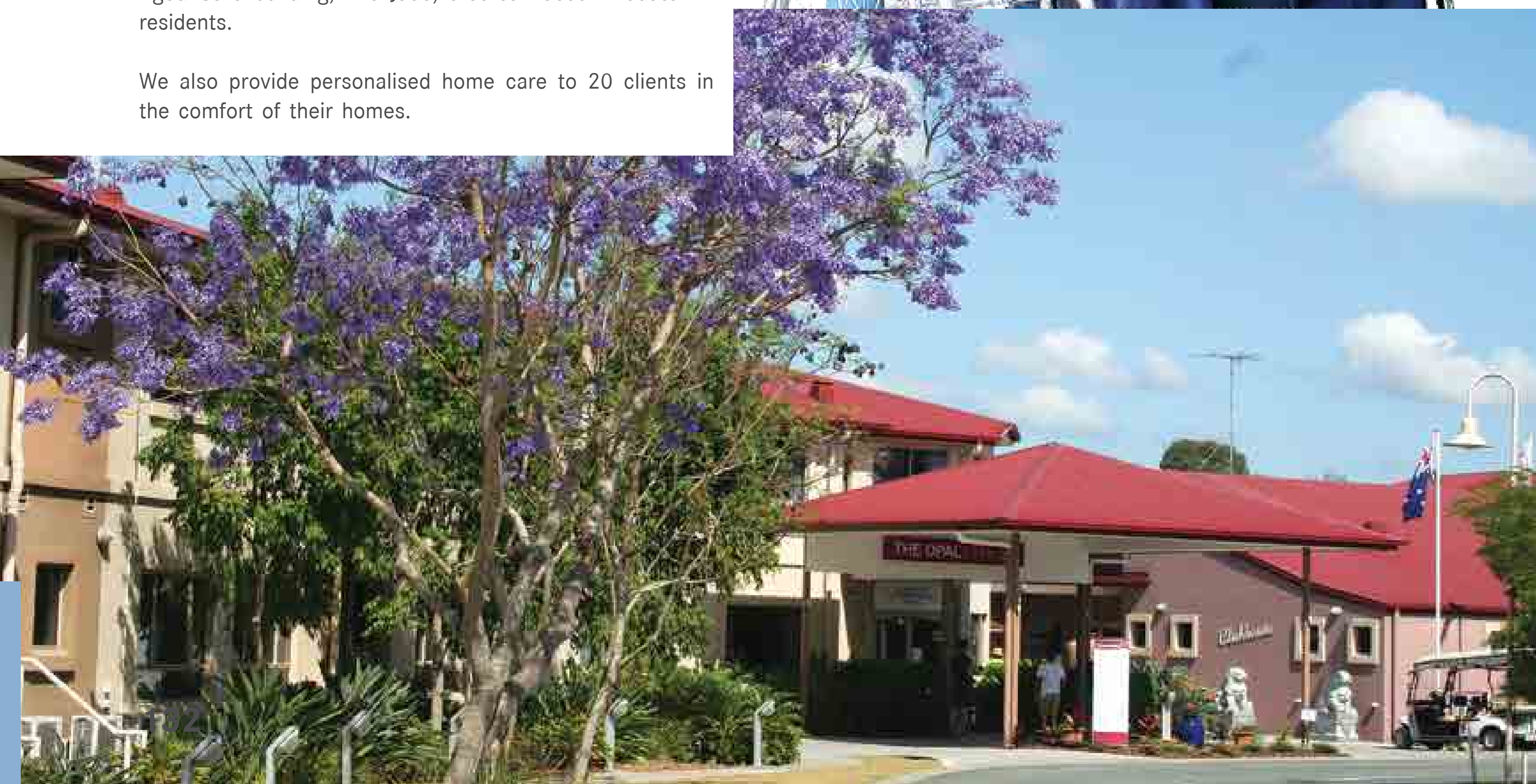
As the lifespans of Malaysians increase the seniors in our communities across the nation want to continue enjoying good health services. KPJ understands their needs and have introduced several innovative age – centered care packages, both at home and abroad.

JETA GARDENS

Established in 2007, our aged care and retirement resort facility in Brisbane, Australia, remains impeccably maintained, offering its residents accommodation of exceptional quality and comfort with personalised support available for those in need, including dementia, palliative and respite care.

The retirement village consists of 65 independent living units comprising of 33 villas and 32 apartments. All units are leased out to retired residents on a pre-paid long-term lease. Meanwhile, our Aged Care facility has a total capacity of 178 beds. In June 2015, we launched a new residential Aged Care building, The Jade, that can accommodate 72 residents.

We also provide personalised home care to 20 clients in the comfort of their homes.



Home care services include:

Personal care services
such as help with bathing, showering, dressing and personal hygiene

Domestic services
that include cleaning and laundry services

Meal
preparation and assistance

Assistance with
transportation for shopping and medical appointments

Recreational programs
to help residents stay active and social

The Jeta Garden Home Care Service is subsidised by the Federal Government of Australia. The Aged Care residential service facilitates ageing-in-place for the residents in the retirement village.

The retirement village consists of 65 independent living units comprising of 33 villas and 32 apartments. All units are leased out to retired residents on a

pre-paid long-term lease

SENIOR LIVING CARE

KPJ SENIOR LIVING CARE (SLC), KUALA LUMPUR

KPJ Senior Living Care ("SLC") represents one of the unique value-added services offered in KPJ Tawakkal Health Centre. SLC currently houses a total of 33 residents today and can accommodate up to 42. In 2015, the Group recorded a 59% increase in the number of residents compared to the previous year. Of these, 24% are categorised as Low Care, 33% are under Moderate Care and 19% are in High Care residents. Low Care residents are classified as independent but require assistance with medication, while Moderate Care residents are those who require assistance with meals, hygiene and medication. Those in High Care are totally dependent on a caretaker or those who are bedridden. Our SLC unit also receives post-operations and recovering stroke patients.

As the number of residents increase, KPJ ensures that our residents are occupied with daily activities such as exercise, morning walks, board games, physical games, as well as arts and crafts which help keep these seniors maintain an active lifestyle suited for their age. We also celebrate the festive seasons, birthdays and 'Hari Warga Emas' with our residents, with family members encouraged to join in the activities as part of the therapy for our residents. In an effort to contribute further to the community, the KPJ SLC unit also organised Corporate Social Responsibility activities at Pusat Jagaan Warga Emas Darul Mawaddah, Lembaga Zakat Selangor.

Our SLC team consists of a doctor in-charge, unit managers, as well as registered nurses and carers who are available onsite on a 24-7 basis. Nursing care includes assisting with daily living activities such as bathing, hygiene, dressing and grooming. It also includes higher level of care such as regular positioning to prevent pressure sores, wound management, ryles tube feeding and administration of drugs and insulin injections.

Our SLC unit also receives post-operations and

recovering stroke patients

SIBU GERIATRIC HEALTH AND NURSING CENTRE (KNOWN AS 'LOVE CARE CENTRE')

This Senior Living Care Centre was established in 2007 as a private limited company incorporated in Malaysia. Also known as the 'Love Care Centre', it is located adjacent to the Sibu Specialist Medical Centre and became part of the KPJ Family in April 2011.

The Centre is KPJ's first geriatric care centre, with the support of qualified specialist consultants and healthcare professionals to provide services to fulfill the needs of the elderly.

KPJ continues to grow the senior living care niche services at 'Love Care Centre'.

BUSINESS REVIEW

AMBULATORY SERVICES

The KPJ Group continued to enhance its provision of quality healthcare services through the launch of the KPJ Tawakkal Health Centre ("THC") - ambulatory care centre in Kuala Lumpur. THC, which offers several niche services such as the KPJ KL Dental Specialist Centre, KPJ KL Rehabilitation Centre, our haemodialysis service, consultant clinics and KPJ Senior Living Care; our nursing home for the elderly, was launched on 11 August 2015 by YB Dato' Seri Rohani Abdul Karim, Minister of Women, Community and Development.

THC registered an encouraging year in 2015, achieving sound progress in implementing its strategy and improving its financial performance. Following an investment of RM24.5 million to renovate the hospital and improve its services, THC also recorded great strides in extending both the scale and scope of its operations.

KPJ KL Dental Specialist Centre registered a
42% increase
in new dental patients

KPJ KL DENTAL SPECIALIST CENTRE

The dental service at KPJ KL Dental Specialist Centre has already grown by leaps and bounds into one the main dental specialist centres in Kuala Lumpur.

The dental team has now expanded to consist of three resident consultants, five sessional consultants and five dental surgery assistants, headed by Dr Mohamed Muzafar Hamirudin, Consultant Prosthodontist/Dental Restorative Specialist. The centre provides total dental solutions under one roof and is equipped to undertake oral & maxillofacial surgery, prosthodontics, orthodontics, paediatric dentistry & endodontics. It also provides dental diagnostic services such as Orthopantomogram (OPG), Occipitomental (OM) Straight, Lateral Cephalostat, Temporo Medibular Joint (TMJ) Open/Close & Panoramic 3D Cone Beam Computed Tomography (CBCT).

In spite of the challenging economic conditions witnessed by the health sector during the year, KPJ KL Dental Specialist Centre registered a 42% increase in new dental patients, and contributed to a 43% year-on-year growth in health tourism patients, most of whom were from Africa and the Middle East.

In an effort to continuously raise public awareness on its services, during the year KPJ KL Dental Specialist Centre participated in programmes with established suppliers of oral health brands during oral health month, initiated special dental packages for new patients and corporate clients and held open days to inform the public on the services available at the centre. Articles on dental health were also featured in magazines and newspapers to increase awareness on the centre.

The centre also participated in health tourism programmes such as International Community Day and CSR programmes for the African and Middle Eastern community residing in Kuala Lumpur in a bid to support the Group's health tourism initiatives.

KPJ KL Rehabilitation Centre also organises group activities for residents centred on

physical and creative development

KPJ KL REHABILITATION CENTRE

Rehabilitation is a process aimed at removing, or reducing as far as possible, restrictions on the activities of people with disabilities and enable them to become more independent and enjoy the highest possible quality of life.

In 2015, KPJ KL Rehabilitation Centre continued its effort to help patients gain independence quickly and safely by enhancing its quality of service. Throughout the year, this was achieved by providing one-on-one therapy sessions, in line with our belief that personalised therapy is vital in helping patients overcome their physical disabilities. For the year in review, KPJ KL Rehabilitation Centre recorded an increase of 72% in its number of new cases from 2014.

KPJ also renewed its contract with PERKESO as part of the Return to Work (RTW) programme for another three years, reflecting the quality of service and commitment provided to our patients. The RTW programme was introduced to help those suffering from employment injuries to resume working as soon as medically possible through the provision of appropriate treatment plans.

Another key development for the centre during the year was the integration of our rehabilitation health tourism package which covers consultations, treatment packages, airport transfer, shuttle services and accommodation. KPJ KL Rehabilitation Centre has received a number of cases from the Middle East, especially Oman, Iran and the UAE, as well as Africa, particularly from Somalia.

In collaboration with KPJ Senior Living Care, the KPJ KL Rehabilitation Centre also provides treatment for residents of the nursing facility, focusing on post-stroke and post-operations rehabilitation. This is in line with the Group's mission to make KPJ KL Rehabilitation Centre a centre of excellence for stroke and neurological rehabilitation. As part of value-added services for KPJ Senior Living Care, KPJ KL Rehabilitation Centre also organises group activities for the elderly residents centred on physical and creative development.

As part of efforts at the Group and Hospital level to create awareness on the Group's rehabilitative services, during the year we undertook activities including our Open Day, exhibitions, packages and media promotions and social awareness. Coverage of the promotions were inclusive within KPJ hospitals and were offered on patient referrals as well as to the public locally and abroad, focusing on positioning KPJ KL Rehabilitation Centre as the premiere facility for stroke and neurological rehabilitation.

ANCILLARY SERVICES

Quick Facts

- Lablink is the largest chain of private hospital laboratories in Malaysia
- Lablink is the first certified Biosafety Level 3 facilities for private laboratory in the country
- As at end-2015, Lablink's total manpower stood at 369 staff compared to 338 staff at end 2014, of which 271 personnel (73%) are allied health professionals
- Lablink has eight consultant pathologists including four visiting consultants and one OSH-qualified Medical Officer

The centralisation of KPJ's laboratory services under Lablink has standardised the laboratory operating systems, making them more cost efficient and more comprehensive

Medical Specialist Laboratory Services

LABORATORY SERVICES

Lablink (M) Sdn Bhd offers medical laboratory services with a mission of becoming the country's preferred laboratory service provider. Lablink has been tasked with managing all of the Group's hospital laboratories, starting with KPJ Ampang Puteri Specialist Hospital in January 1999. To date, Lablink operates the largest network of private hospital laboratories in the country, managing 23 KPJ hospital laboratories in addition to its Main Laboratory (Lablink Central) and a laboratory in Nilai Medical Centre, Negeri Sembilan.

The centralisation of laboratory services under Lablink has standardised the laboratory operating systems to be more cost-efficient and provide comprehensive medical specialist laboratory services. Under the centralisation, all laboratories are also linked through a Laboratory Information System, which facilitates on line test request, result and inventory request. All of KPJ's laboratories will have access to Lablink Central for technical, clinical and professional consultation for each specialty. KPJ's consolidated laboratory services have also helped the Group gain greater recognition in the private medical laboratory sector.

Following the launch of a transformation programme in 2015, Lablink central has been developed as a reference centre for KPJ laboratories equipped with world-class, state-of-the-art technology. Lablink Central provides ample working space and segregation between the laboratory and the management office. The completion of this first phase development enable Lablink Central to be certified with Biosafety Level 3 (BSL3) facilities according to WHO standard which is the first for private laboratory to achieve that in Malaysia. With the BSL3 facilities, Lablink Central able to handle and test the highly infectious pathogenic agents such as tuberculosis ("TB") and Middle East respiratory syndrome coronavirus (Mers-CoV). Currently we have a comprehensive TB Diagnostic Laboratory in the country comprises of microscopy, culture, sensitivity and molecular testing of Mycobacterium.

With the completion of Molecular Diagnostic Laboratory, Lablink Central will transform the molecular diagnostic testing facilities to Syndromic Molecular Approach to serve the clinical needs. In 2015 Lablink Central also a National Testing Centre for Mers-CoV PCR for private healthcare facilities.

ANCILLARY SERVICES

In addition to catering to the needs of KPJ Hospitals and other healthcare facilities, Lablink Central is also equipped to collaborate with public and private healthcare institutions on research into highly infectious and pathogenic organisms.

In 2015, Lablink recorded an 18% increase in revenue from RM55.5 million in 2014 to RM65.6 million as at December 2015, mainly due to an increase in the volume of General laboratory, Microbiology, Molecular and Cytopathology tests.

Going forward, Lablink will continue to integrate all laboratories under its management and work towards ISO15189 accreditation. This will play a vital role in gaining greater recognition among the public, clients and other medical laboratories. With Lablink Central, Lablink also aims to offer consultation services for all pathology disciplines and to promote the medical laboratory profession.

STERILISATION SERVICES

At KPJ, the sterilisation of surgical instruments is undertaken by a centralised body, the Centralised Sterilisation Service Centre ("CSSC") in Rawang. The centre not only ensures a standard level of quality from one hospital to another within the Group, but also creates additional operational and cost-efficiencies in the management, supply, collection and delivery of sterile goods to hospitals throughout the KPJ network.

Operations at CSSC are appropriately documented, with processes carried out in an efficient and consistent manner in conformance with international quality standards such as ISO 9001:2008, ISO 13485:2012 and ISO 17665-1:2006.

CSSC has gained prominence since the start of its operations in 2011, with external hospitals within the Klang Valley beginning to appreciate the value of its business model and engaging its sterilisation services as it moves towards becoming the leader in Malaysia's independent sterilisation and decontamination services sub-sector.

PASB committed to ensuring quality services

CENTRALISED PURCHASING AND DISTRIBUTION CAPABILITY

As the central procurement arm of pharmaceutical and medical disposable items for the KPJ Group of hospitals, PharmaServ Alliances Sdn Bhd ("PASB") is committed in ensuring the quality of quality of services are maintained throughout the distribution network, despite current challenges from the increase of the acquisition price of supplies due to currency fluctuations and global economic conditions.

In an effort to ensure the products are delivered according to the Good Distribution Practice Medical Devices ("GDPMD") standard, PASB has aligned the distribution network towards increased reliability and consistency, improving overall distribution efficiency. Aggressive tendering exercises were also conducted to optimise the Stock Keeping Unit ("SKU") rationalisation within the Group.

Following the introduction of the Goods and Services Tax on 1 April 2015, the Management has complied with requirements to file GST returns on a monthly basis. For the period April to December 2015, PASB received RM1.2 million in GST refunds from the Royal Malaysian Customs Department ("RMCD"). In an effort to avoid the risk of being penalised by the RMCD, PASB proactively identifies and resolves the risk areas within the GST reporting structure. The three major areas which require close scrutiny are people, process and technology.

On 11 May 2015, PASB received the GDPMD Establishment License, valid for three years. In addition to ISO 9001:2008 certification, PASB has also implemented the standard requirements of the Quality Environment Management System (5S) on 8 June 2015. These underline PASB's dedication and commitment towards quality and further strengthening its capabilities and service offerings to customers.

By the third quarter of 2016, PASB Johor branch will move into its own building located at Tampoi Entrepreneur Park, Kawasan Perindustrian Kempas. The building consists of a spacious warehouse equipped with modern facilities to cater to the needs of KPJ hospitals in the Southern Region.

For 2015, the central procurement unit recorded an 4.7% year-on-year increase in revenue to RM366 million, in tandem with the growth in the activities within the Group's network.

KPJ PUSAT PAKAR MATA CENTRE FOR SIGHT

KPJ Pusat Pakar Mata Centre For Sight ("CFS") operates in Rawang, Petaling Jaya and Kuala Lumpur. CFS's latest branch in Kuala Lumpur at KPJ Tawakkal is equipped with the latest femtosecond laser vision correction technology and offers small incision corneal refractive surgery called ReLEx® SMILE; a bladeless, flapless and painless procedure performed using the Visumax machine manufactured by Carl Zeiss, a German manufacturer of optical instruments. CFS's three branches treat more than 20,000 patients and performs about 2,500 procedures annually.

CFS performs all types of laser refractive surgery methods which include surface ablations, blade LASIK, femtosecond LASIK and Presbyopia Presbyond treatment. CFS also offers a comprehensive range of eye surgery services including subspecialties in cornea, vitreo-retinal, glaucoma, cataract, oculoplasty and paediatric ophthalmology.

In October 2015, CFS had launched World Sight Day 2015 in the presence of Deputy Women, Family and Community Development Minister YB Senator Datin Paduka Chew Mei Fun. The event was held in collaboration with NGOs and provided free cataract surgeries to 20 needy patients.

The centre also rolled out 40 external and eight in-house screenings during public talk activities held over the course of the year. These activities created public awareness that ignorance and delay in seeking medical help were the common reasons for loss of sight among patients with eye diseases. The public is advised to have eye checks annually for the possible early detection of "silent" eye diseases, such as glaucoma.

For 2015, CFS registered a total turnover of RM11.4 million, 17% higher than in 2014, as a result of its investments in state-of-the-art equipment and continuous aggressive marketing strategies.

ANCILLARY SERVICES

INTRAPRENEUR COMPANIES

Healthcare Engineering Services ("HES")

Pride Outlet Sdn Bhd is an Intrapreneur Company established in 2014 to provide planned preventive maintenance services for non-imaging medical devices in the hospitals within the Group.

POSB has a staff strength of seven, with five qualified biomedical engineers. All technical staff have been trained in-house by certified trainers before being sent to each hospital. By the end of 2016, POSB plans to increase its test equipment and their staff strength to 22. After covering KPJ hospitals in the Central region in 2015, POSB also plans to expand its coverage in 2016 to the Southern, Northern and Eastern regions, as well as Sabah and Sarawak.

Planned Preventive Maintenance Services

In 2015 alone, POSB scheduled 1,754 planned preventive maintenance activities for eight hospitals in the Central region. On average, this has resulted in savings of 19% for the Central region, even though POSB mobilises its team to hospitals in stages, with some hospitals realising savings of up to 24%.

In spite of teething problems faced in its first year of operation, POSB remains positive on the future and viability of its business, and is proud to contribute to the reduction of the Group's hospital operating costs.

Healthcare IT Solutions

Healthcare IT Solution Sdn Bhd ("HITSSB") is tasked with implementing and managing the healthcare IT system throughout KPJ's hospital network. The company has grown into a key player in healthcare IT solutions.

During the year, HITSSB continued to actively implement and enhance software solutions within KPJ's hospitals to strengthen the efficiency of the hospital information system. In 2015, in line with the implementation of the GST, the company successfully developed and implemented the GST module for the whole Group. The company will continue to enhance the existing HITS system to accommodate new requirements and achieve process improvements.

Having provided accounting systems to the healthcare industry for over 15 years, HITSSB recently reinvented itself and moved from a client-based system to a web-based system. The system is now ready for its first roll-out.

This move will ensure the company remains abreast with market developments and is able to expand its market share. Overall, HITSSB's efforts to strengthen the Group's centralised IT infrastructure and hardware supports the Group's efforts to optimise its technology investment as well as ensuring continuous improvements to the systems.

HITSSB also continues to offer healthcare IT services to external customers, locally and abroad. To date, it has expanded its product chain by providing integrated multimedia systems which include videos, video walls, kiosks, queue management systems and other elements. In 2015, the company expanded its scope by venturing into Digital Advertising through the installation of LED billboards. The company's positive growth in 2015 reflects the HITSSB team's success in fending off stiff competition in this segment.

Stationery and Printing Materials

Skop Yakin (M) Sdn Bhd was initially established to provide KPJ Perdana Specialist Hospital in Kelantan with cost-efficient supply of stationary and printing materials, namely marketing collateral such as brochures, leaflets, banners and buntings. The company has since expanded its business to the Group's hospitals in other states, offering a wider product range. Skop Yakin also supplies other hospital-specific needs to add value to the Group's existing hospital packages, such as providing baby products for our maternity package.

KPJ Wellness & Lifestyle programme has garnered tremendous response from its target audience of corporates, individuals, couples and family members

The company has recorded positive revenue growth in its first year of operation, driven by its expanding customer base and its competitive pricing. Going forward, Skop Yakin's goals include expanding regionally in the areas of large format printing and office documents as well as further diversifying its business. This will be achieved through a strategy of differentiation and price flexibility, collaborating with established manufacturers, establishing retail outlets and showrooms and developing its online ordering system.

Pharmaceuticals

Teraju Farma Sdn Bhd ("TFSB"") is an entrepreneur company involved in the wholesale supply of pharmaceuticals and healthcare related products to the public and private medical field.

TFSB aims to provide a challenging environment for growth, advancement and development of our people while focusing on value-added services to customers and business partners.

In 2015, TFSB recorded revenue of RM60 million and PBT of RM1.3 million.

KPJ WELLNESS & LIFESTYLE PROGRAMME

The KPJ Wellness and Lifestyle Programme were established eight years ago in 2008 as a business opportunity to strengthen the revenues of all the KPJ Wellness & Lifestyle Centres in KPJ Hospitals under the Group.

By enforcing the importance and the positive benefits derived from leading a healthy lifestyle, the programme has garnered tremendous response from its target audience of corporates, individuals, couples and family members.

The programme has garnered a tremendous response from its target audience of corporates, individuals, couples and family members by emphasising the importance and benefits derived from leading a healthy lifestyle.

In 2015, this business recorded a strong increment in sales and its net profit margin, despite the challenging economic environment and the implementation of the new GST. As of 31 December 2015, the programme has registered more than 18,000 subscribers nationwide since its inception.

The KPJ Wellness and Lifestyle Programme is currently available at 16 KPJ Hospitals. Our vision is to expand to all 25 of KPJ's hospitals nationwide.

The 16 participating hospitals are as follow:

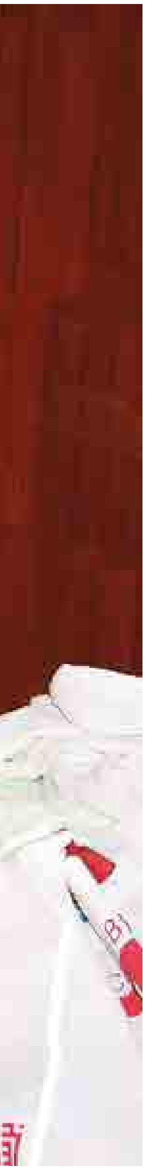
1. KPJ Damansara Specialist Hospital (since March 2008)
2. KPJ Ampang Puteri Specialist Hospital (since March 2008)
3. KPJ Seremban Specialist Hospital (since May 2008)
4. KPJ Kuantan Specialist Hospital (since September 2008)
5. KPJ Selangor Specialist Hospital (since October 2008)
6. KPJ Perdana Specialist Hospital (since January 2009)
7. KPJ Ipoh Specialist Hospital (since May 2009)
8. KPJ Johor Specialist Hospital (since May 2009)
9. KPJ Penang Specialist Hospital (since March 2011)
10. KPJ Kuching Specialist Hospital (since March 2012)
11. KPJ Sabah Specialist Hospital (since June 2014)
12. KPJ Rawang Specialist Hospital (since September 2014)
13. Kluang Utama Specialist Hospital (since June 2014)
14. KPJ Puteri Specialist Hospital (since June 2014)
15. KPJ Klang Specialist Hospital (since December 2014)
16. KPJ Tawakkal Specialist hospital (since August 2014)

The unit looks forward to the introduction of new and exciting products in the coming year. Furthermore, we plan to increase more collaboration with merchants and banks to increase our revenue stream.

CORPORATE RESPONSIBILITY

Sharing Nurses Day caring spirit with senior citizens: KPJ Nurses Day brought smiles to the face of Al-Fikrah Care Centre Residents

AS ONE OF MALAYSIA'S LEADING NAMES IN PRIVATE HEALTHCARE SERVICES, THE KPJ GROUP REMAINS COGNISANT OF OUR RESPONSIBILITY TO GIVE BACK TO THE COMMUNITIES WE SERVE AND CONTRIBUTE TO THE WELLBEING OF OUR ENVIRONMENT. IN DOING SO, WE SEEK NOT ONLY TO BALANCE OUR COMMERCIAL INTERESTS WITH THAT OF THOSE AROUND US, BUT ALSO TO MAINTAIN THE TRUST AND CONFIDENCE IN OUR BUSINESS THAT WE HAVE EARNED AS A MEDICAL GROUP THAT PROVIDES "CARE FOR LIFE".



COMMUNITY

We believe that our duty as a healthcare provider starts first and foremost with providing access to healthcare to those who need it most. Additionally, beyond caring for the welfare of our patients, we also bear a responsibility to educate the public on health issues, while taking steps to improve the wellbeing of the community as a whole.

Klinik Waqaf An-Nur (Kwan)

Since the establishment of the first Klinik Waqaf An-Nur ("KWAN") in Johor 1998, the charity clinic has become our flagship Corporate Social Responsibility ("CSR") programme.

The main objective of KWAN is to provide healthcare treatment and dialysis facilities to the underprivileged communication regardless of ethnicity and religion.

KPJ manages the KWAN network, with one hospital in Johor and more than 20 clinics throughout Malaysia. These include two new KWAN clinics opened in 2015 namely KWAN Masjid Al Ismaili Pasir Pekan in Tumpat, Kelantan, operated by KPJ Perdana, and KWAN Masjid Bandar Baru Sultan Suleiman Klang, operated by KPJ Klang.

By the end of 2015, we have served more than 1.16 million patients through the KWAN clinics, compared with 1.14 million patients in 2014, marking an increase of 1.8%.

The KWAN network is further supported by one mobile clinic service in Johor and two in Selangor. The mobile clinics in Selangor are managed by KPJ Selangor in collaboration with Lembaga Zakat Selangor, and KPJ Damansara in partnership with Waqaf Selangor Muamalat. In August 2015 the Group also signed a Memorandum of Understanding with Yayasan Semesta Berdaftar from Masjid Tun Abd. Aziz in Petaling Jaya to partner in the establishment of another mobile clinic, which will be operated by KPJ Tawakkal.

The following table details KWAN's network of hospitals and clinics:

No.	Location	Managed by	Date of Opening	Facilities
1.	KWAN Kotaraya@Galeria	KPJ Johor	01.11.1998	Clinic & Dialysis (6 machines)
2.	KWAN Batu Pahat	KPJ Johor	16.03.2001	Clinic & Dialysis (9 machines)
3.	KWAN Senawang	KPJ Seremban	06.10.2003	Clinic & Dialysis (12 machines)
4.	HWAN P.Gudang	KPJ Puteri	16.06.2006	Dialysis with 24 machines
5.	KWAN Sg.Buloh	KPJ Damanasara	23.06.2006	Clinic & Mobile Clinic
6.	KWAN Muar	KPJ Johor	01.08.2007	Clinic
7.	KWAN Kluang	KPJ Kluang	01.08.2007	Clinic
8.	KWAN Ijok	KPJ Selangor	01.11.2007	Clinic, Dialysis (3 machines) & Mobile clinic
9.	KWAN Satok, Kucing	KPJ Kuching	19.02.2008	Clinic & Dialysis (3 machines)
10.	KWAN Samariang	KPJ Kuching	23.12.2009	Clinic
11.	KWAN Bkt Indah Ampang	KPJ Ampang Puteri	24.12.2009	Clinic
12.	KWAN Larkin Sentral	KPJ Puteri	29.12.2009	Clinic
13.	KWAN Manjoi, Perak	KPJ Ipoh	15.01.2010	Clinic
14.	KWAN Rembau	KPJ Seremban	01.11.2011	Conversion from cabin clinic. Awaiting license approval from MOH
15.	KWAN Masjid Al Falah USJ	KPJ Damanasara	10.10.2012	Clinic
16.	KWAN Seberang Jaya	KPJ Penang	01.03.2013	Clinic
17.	KWAN Bukit Tiram	KPJ Johor	29.02.2014	Clinic & Dialysis (6 machines)
18.	KWAN Masjid Al Ismaili	KPJ Perdana	02.02.2015	Clinic
19.	KWAN Masjid Sultan Suleiman	KPJ Klang	28.06.2015	Clinic

CORPORATE RESPONSIBILITY

KPJ's main annual CSR effort is the managing of Klinik Wakaf An-Nur located in many states across the conutry.

No.	Hospital	Date organised	No. of participants
1.	HWAN P.Gudang	02.12.2015	27
2.	KPJ Ipoh	02.12.2015	4
3.	KPJ Kajang	05.12.2015	16
4.	KPJ Damansara	10.12.2015	20
5.	KPJ Johor	12.12.2015	20
6.	KPJ Seremban	13.12.2015	40
7.	KPJ Perdana	17.12.2015	7
8.	KPJ Ampang	19.12.2015	9

Circumcision Programme 2015

During the year, KWAN Masjid Jamek Kajang, managed by KPJ Kajang, was identified for relocation to Masjid Ar Ridha in Jenderam Hulu, Dengkil to enable the clinic to reach a wider community. The move is now awaiting approval from Jabatan Agama Islamic Selangor.

Additionally, KWAN Masjid Jamek Rembau, managed by KPJ Seremban in a joint venture with Majlis Agama Islam Negeri Sembilan has been upgraded to a new building. The clinic is now awaiting its license following the completion of the Ministry of Health's licensing inspection. Plans are also underway to convert KWAN Rembau into a Dialysis Centre.

Mobile Clinic handover by Yayasan Semesta Berdaftar

Community Outreach

As part of our CSR initiatives for our employees, the Group participates in activities with Mutiara Johor Corporation, a women's club chaired by Datin Noor Laila Yahaya the wife of Dato' Kamaruzzaman Abu Kasim, Chairman of KPJ Healthcare Berhad. This association is open to female staff and extended to spouses of the male staff of Johor Corporation and its subsidiaries.

The objective of the club is to contribute charitable services to its members and society through beneficial activities. It is also aims to instil family values and foster closer ties among its members through gatherings held throughout the year. All the activities are coordinated by the Bureaus of Religious, Social, Education, Welfare, Sports, Bureau Mutiara KPJ KL and QSR. Among activities that have been undertaken by Mutiara Johor Corporation include visits to orphanages and elderly care homes.

East Coast Flood Relief

In response to the unprecedented flooding which struck the East Coast of Malaysia at the end of 2014, the year 2015 saw the Group provided financial support to volunteer relief organisation, MERCY Malaysia to help rebuild communities affected by the disaster. The funds were channelled in aid of MERCY Malaysia's medical and humanitarian relief efforts.

Marks a Bright Future For Eye Patients

In conjunction with World Sight Day 2015 on 8 October, the Group launched a month-long eye care campaign to help raise public awareness about the importance of good eye health. Activities undertaken during the campaign included surgeries provided by KPJ Pusat Pakar Mata Centre For Sight's ("CFS")

Health Check-up and Gotong Royong at Al-Fikrah Care Centre

Pink October – The Launch of PinkSaves Annual Screening Programme

specialist consultants for 20 underprivileged elderly patients suffering from cataracts. The patients were made up residents from the Lotus Heart Association, Pusat Jagaan Warga Emas Zakat Selangor, Rumah Seri Kenangan Cheras and Rumah Victory.

The cataract operations were co-sponsored by CFS and the Lions Club of Kuala Lumpur Bukit Kiara, which received a grant from the CIMB Foundation.

KWAN established a circumcision programme for **underprivileged children**

PinkSaves Initiative

In October 2015, KPJ Sentosa KL Specialist Hospital launched the PinkSaves programme to raise awareness on early detection of breast cancer. The programme is aimed at paving the way for a deeper and greater awareness among the public, especially women, on the need to take action against breast cancer. It is also promotes the importance of embracing a healthier lifestyle.

Mask Distribution Programme

Following the poor air conditions in Pahang due to the haze, KPJ Kuantan led the distribution of masks to schools, colleges and universities within the vicinity of Balok and Bandar Indera Mahkota, which recorded unhealthy API readings exceeding 100. A total of 25,000 masks were distributed to 17 schools.

CORPORATE RESPONSIBILITY

MARKETPLACE

As a result of our nurses' passion for baby safety,
12 of our hospitals
have been awarded Baby-Friendly Hospital Status

JCorp Leadership Programme presentation

As a healthcare services provider the Group contributes to the development of our marketplace by ensuring the highest levels of quality in patient care. To this end, the Group participates in a number of initiatives which promote exemplary standards of medical treatment and innovation in healthcare.

Planetree Programme

KPJ is proud to be the only Planetree-affiliated hospital group in Malaysia, underlining our commitment to providing quality healthcare which truly puts patients first. Guided by 10 components of patient-centred care, Plantree is positioned to represent the patient voice and advance how caregivers engage with patients and families. Two KPJ hospitals have received Planetree affiliation for actively practicing the 10 components, which are human interactions, human touch, nutrition and nurturing, healthy community, architecture & design, information & education, healing arts, social support, complimentary therapy, and spirituality.

KPJ has initiated the programme at KPJ Damansara Specialist Hospital and Ampang Puteri Specialist Hospital, where the programme will be undertaken for at least two years. The Group has already made great strides in our development under the programme, receiving recognition from Planetree for our use of technology to resolve issues quickly by connecting different staff communities through real-time communication with the use of *WhatsApp* chat groups.

Hari Mekar

As part of quality activities organised by JCorp, Hari Mekar (or "Mengejar Kecemerlangan"), is conducted annually and hosted by the identified subsidiaries under JCorp. During the event, all ICC (Innovative Creative Circle) teams, Suggestion Schemes (improvement techniques in small team), innovative exhibitions and quality posters from all JCorp subsidiaries are displayed and presented to judges. The winner of each category will be given marks, with the subsidiary that scores the highest marks announced as the overall winner. For 2015, the Group sent 17 teams from our hospitals and companies, and emerged as the year's overall winner. KPJ's participation in Hari Mekar reflects KPJ's quality-driven culture.

Quality Nursing

In acknowledging our nursing professionals as the driving force in the overall patient experience, KPJ strives to provide an environment which empowers them through training and recognition to enable them to further enhance the patient experience. KPJ nurses routinely go over and above the traditional call of duty and are prominently involved in a range of value-added services at our hospitals.

These include:

- Home Nursing Service – Our nurses make home visits to provide wound care, aged care, post-natal care, breast feeding counselling and lactation management.
- Baby-Friendly Hospital Initiative – As a result of our nurses' passion for baby safety, 12 of our hospitals have been awarded Baby-Friendly Hospital Status. Our nurses also lead parent craft class as well as pre-operative clinics and pain management classes.

Clinical Policies

Ensuring patient safety and the adherence to best clinical practices are an integral part of KPJ's corporate culture, and are continuously safeguarded by our clinical governance framework.

The Group Medical Advisory Committee ("MAC") develops and monitors clinical governance activities and guidelines and oversees a range of Clinical Governance Committees, including the Clinical Governance Policy Committee, the Clinical Governance Action Committee, the Clinical Risk Management Committee, the Central Mortality Review Committee, the Clinical Ethics Committee and the Research and Development Committee.

At the individual hospital level, the Hospital MAC, under the chairmanship of the respective Medical Director, facilitates the implementation and oversees compliance of clinical governance through various clinical sub-committees.

All our hospitals adhere to the six International Patient Safety Goals set by the World Health Organisation, namely:

- Identify patients correctly
- Improve effective communication
- Improve the safety of using medication
- Ensure correct-site, correct-procedure and correct-patient surgery
- Improve hand hygiene to prevent health care associated infection
- Reduce the risk of patient harm resulting from falls

Hospital Safety Standards

In recognition of our high medical standards, KPJ holds a range of certifications from prestigious medical bodies including the Malaysian Society for Quality in Healthcare ("MSQH") and Joint Commission International ("JCI"). As at March 2016, 16 KPJ hospitals have been accredited by MSQH and four hold JCI accreditation. We also hold the Integrated Management System certification and 5S which covers proper documentation and processes.


5S programme


Hari Mekar 2015

As at 31 March 2016,
16 KPJ hospitals
have been accredited by MSQH and four hold JCI accreditation

CORPORATE RESPONSIBILITY

WORKPLACE

KPJ recognises that our employees are the keystone to our success, adding important value to our services. To this end, we have taken it upon ourselves to make the KPJ Group a progressive and rewarding place to work and develop our employees' talents.

Talent Management

Our talent strategies represent a vital component to the Group's success, ensuring our employees are adequately equipped with the skills and knowledge to carry out their duties. In view of this, we strive to provide our staff with opportunities for learning and development and exposure to work experiences that contribute to their breadth and depth as employees while keeping them engaged at work. We have also taken great strides in promoting a healthy work-life balance as we believe this will add value to the way they serve our patients.

In the year under review, the Group's efforts in talent management earned recognition at the Malaysia HR Awards 2015, where we were named the Grand Winner under the Employer of Choice category.

As one of Malaysia's leading healthcare groups with an extensive network, we also recognise that each individual possesses their own unique strengths that can contribute to the Group's further growth. In view of this, our Talent Management team endeavours to identify the individual career needs of each employee. This is supported by the use of recruitment analytics which help us to better understand our workforce needs.

Championing Teamwork

Teamwork is essential to the optimising the efficiency and quality of our operations. The Group also fosters a deep sense of loyalty and commitment among our workforce, inculcating strong bonds within our employees. KPJ also organise Group wide activities such as the KPJ Sports Carnival.

Launch of KPJ Comel Child Centre

KPJ organised donations

from within the Group to be channelled to the staff of three of our hospitals affected by the east coast flood

Study Support for Employees' Children

Our staff benefits are extended to the children of our employees, where children pursuing education in healthcare-related programmes at KPJ Healthcare University College ("KPJUC") provided with study assistance. Since 2012, this initiative has been offered to the children of our employees in their second and third year of Diploma and Bachelor's education at KPJUC. Apart from providing support to our employees, the initiative also allows the Group to contribute to the deepening of the country's healthcare talent pool.

Fostering a Culture of Transparency and Ethics

At KPJ, we place value on the culture of ethics, accountability and transparency and have adopted 'Borang Peradaban' to ensure this culture is adhered to at all times. The Group is also among public listed companies which have signed the Corporate Integrity Pledge spearheaded by the Malaysian Institute of Integrity. The Pledge represents our promise to uphold transparency and reject corruption in all our dealings.

A Safe Working Environment

As a healthcare provider, the Group is acutely aware of the need to maintain a safe working environment for our employees, especially as they may be exposed to harmful materials and health hazards in carrying out their duties. In an effort to do so, we have implemented stringent policies on planned preventive maintenance; safe and proper disposal of sharp and hazardous materials; and strict monitoring of the exposure levels of employees who work in close proximity with radiation and diagnostic imaging services.

Bomba training

BMI programme

the Group is acutely aware of the need to maintain a **safe working environment** for our employees

Furthermore, we regularly organise on-site training and drills, such as fire and disaster deals, to prepare our employees to respond appropriately in the event of emergency situations.

Additionally, specific employees are sent for Occupational Safety and Health ("OSH") training to ensure the Group adheres to the latest OSH practices and procedures.

Contracted vendors and suppliers are also required to adhere to our health and safety measures implemented at our hospitals as the nature of our business involves the use and disposal of sharp and other clinical materials.

Advocating Work-Life Balance

As a caring employer, we advocate a healthy work-life balance for our employees as we believe a wholesome lifestyle brings out the best in our workforce. In support of this philosophy, we offer our flexible working hours and childcare services to help our workers balance their work and family lives. To further strengthen employee and familial ties.

In line with our responsibility as a healthcare provider, we have also made our employees' health among our main concerns, offering a range of voluntary wellness and health initiatives. These include our Body Mass Index programme which encourages employees to participate in healthy activities. We are pleased to note that this has contributed to a 5% decline in the number of our workers categorise as pre-obese and obese, and a 2.5% increase in the number of employees categories as normal and underweight.

CORPORATE RESPONSIBILITY

ENVIRONMENT

The KPJ Group is committed to contributing to the betterment of our environment as we seek to help create a brighter future for everyone. In addition to external activities, we have also put in place a number of internal initiatives to limit the impact of our operations on the environment while preserving it for generations to come.

KL Car-Free Morning Programme

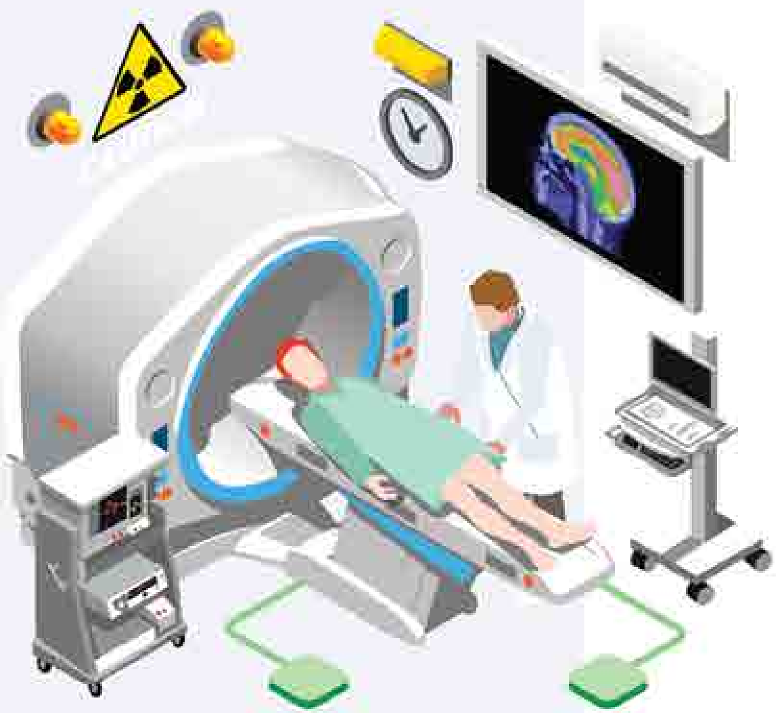
The Group has been an active participant of the KL Car-Free Morning Programme organised by Dewan Bandaraya Kuala Lumpur and the Malaysian National Cycling Federation. Held throughout the year on the first Sunday of every month, the initiative seeks to reduce pollution in the city and promote a healthy lifestyle by encouraging those travelling in the city to forego their cars and get around by bicycle. In tandem with the event, nurses from our hospitals in the Klang Valley provided health screenings at Dataran Merdeka for all participants.

Picture Archiving and Communications System

As a healthcare group which relies strongly on innovative technology to treat our patients, much of our medical equipment also contributes to environmental preservation. These include our Picture Archiving and Communications System ("PACS"), a medical imaging technology which digitally transmits information such as scan imagines and radiologist reports. Apart from improving our efficiency by providing convenient access to electronic images, it also eliminates the use of paper, film and chemicals, reducing waste that may be harmful to the environment.

Apart from improving our efficiency by providing convenient access to electronic images, it also eliminates the use of paper, film and chemicals

Picture Archiving and Communications System ("PACS")



Waste Disposal

The Group is acutely aware that the waste produced in our operations must be disposed of in an appropriate manner to avoid causing damage to the environment and ensure the safety of our workers, patients and community at large. To this end, the Group implements to strict guidelines in the disposal of clinical waste such as needles, samples and fluids. We have also appointed a clinical waste disposal contractor which adheres to our safety standards. Our nursing professionals and hospital staff are also well-trained on proper disposal methods. Additionally, our non-clinical waste, such as paper and other recyclable items are sent for recycling to further reduce our environmental footprint.

Health, Safety and Environment Policy

All hospitals within our network have adopted a robust Health, Safety and Environment ("HSE") policy and comply with the Integrated Management System ("IMS") quality certification which covers the OHSAS 18001 standard on worker health and safety, the EMS 14001 environmental standard and the ISO 9001 mark of corporate governance and quality. The IMS requires the Group to undergo an annual audit by external surveyors.

Other Environmental Considerations

In a continuous effort to enhance the patient experience, we pride ourselves on our green landscaping and abundant use of plants both within and outside our hospitals. We have also designated all of our hospitals as no smoking zones, further emphasising our commitment not only to the environment, but also to public health.

We have also designated all of
our hospitals as no smoking zones,
further emphasising our commitment not only to the environment, but also to public health

SERVICE QUALITY MANAGEMENT

The Service Quality Management ("SQM") services is committed to raising KPJ's standard of delivery to all by ensuring the quality of people who interact and engage with the Group's customers. SQM also constantly monitors the effectiveness of the service delivery process to ensure it is aligned with the standards stipulated by the Malaysian Society for Quality in Health ("MSQH") and Joint Commission International ("JCI"). Furthermore, this services oversees the quality of hospital facilities to provide an unrivalled customer experience to our patients.

SQM division oversees the quality of our facilities to provide an

unrivalled customer experience

to our patients

ESTABLISHING THE SERVICE CULTURE

In line with one of KPJ's core values of continuous improvement, the SQM division continuously undertakes measures to enhance customer service experience. In 2015, with the introduction of Service Quality Coaches ("SQCs"), SQM held staff training for more than 3,000 staff and senior management. The training was conducted by the Group's own SQCs in the areas of customer service and service delivery improvement. By having its own SQCs, the Group can ensure the training addresses and incorporates its core values and culture.


Conflict Resolution Workshop conducted by Mike Wagner

In the coming year, SQM will strive to train all employees within the Group with the third phase of SQC deployment as well as the third phase of content development for the Group's Standard People Practice ("SPP") training manual. The division also plans to introduce a digital copy of the SPP manual for easy reference for all staff. Additionally, SPP audits will be introduced to ensure that all staff practice the SPP in their service transactions according to the manual, as well as to monitor the effectiveness of the SPP training and the SQC coaching.

Following a conflict resolution workshop for all senior management of our hospitals held in 2015, SQM also plans to conduct more workshops on service culture in 2016.

Collectively, these efforts aim to reinforce a high level of service among all our staff to enhance KPJ's competitiveness and sustain the trust from the community which we have gained over the years.

PUTTING PERFORMANCE TO THE FORE

In an effort to further enhance our strong culture and history of performance and accountability, KPJ and the SQM division have incorporated the Customer Service Indexing ("CSI") system, which not only achieves unified quantitative benchmarking from external customers and patients, but also includes mechanisms to measure the satisfaction of services delivered by support departments to internal customers.

The CSI system enables KPJ to measure the quality of the service output of each department at every hospital, aiding in the annual performance appraisals of all employees. With the online survey, hospitals are able to generate their results faster and more accurately.

In addition to bolstering the people and processes which make up key areas of the service experience, the SQM division also updated the Service Environment Auditing ("SEA") system to include more items and to emphasise the importance of physical facilities on the service experience. The SEA allows for the physical assessment of common service areas and the identification of opportunities for improvement.

INFUSING INNOVATION IN SERVICE DELIVERY

Since 2014, KPJ Hospitals have been required to propose 36 innovations that enhance our various services provided to better serve our customers. The SQM division has developed a reporting system for the proposals to be systematically documented and reported for further implementation and knowledge-sharing. Under the exercise, nine categories of innovation were identified to classify the close to 1,000 innovations submitted by the KPJ group of hospitals.

The categories comprise inpatient safety and security; patient loyalty programme; patient communication and education; new patient service; patient event; community service; environmental enhancement; and internal process. The innovations implemented vary from minor aesthetic enhancements to broad process re-engineering.

We are pleased to note that as a reflection of our strong commitment towards continuous improvement, individuals, departments and hospitals have embraced the change-process and new methods. The introduction of an online system for hospitals to submit their initiatives has further cultivated the culture of innovation and encouraged broader adoption of innovations within the KPJ Group.

SERVICE QUALITY MANAGEMENT

THE CARE PROCESS AND DELIVERY

With a focus on continued process enhancement and service delivery effectiveness, the SQM division utilises various Lean and Six Sigma practices to enhance and improve its existing processes and promote best practices. Workshops conducted with personnel directly involved in the processes ensure that the key pathways are scrutinised and optimal process outcomes can be achieved.

Profiling our customers according to market segmentation will enable us to link our services to the target population and better serve them according to their expectations.

In 2015, the VIP alert system ensured that all front line staff are able to correctly identify key stakeholders and communication sent to hospital management for appropriate escalation and attention. The SQM division also developed the SQM portal which houses all SQM systems, namely the Patient Communication Management system, which relate to customer matters and improve efficiency through an extensive knowledge base and managerial monitoring of service level agreements ("SLAs").

2016 AND BEYOND

The continued focus and mission of the SQM division is to enhance and improve the service delivered within the KPJ group of hospitals. In view of this, the division has planned a number of activities and projects focused on building, sustaining and facilitating continuous service improvement for years to come.

Conflict Resolution Workshop conducted by Mike Wagner

The year ahead will also see the introduction of a new group of trainers, raising the Group's capacity to conduct more training with coaches. This will equip more hospital employees with knowledge of service delivery practices and continue to transform the culture of KPJ Healthcare. Furthermore, additional training content will be introduced in 2016 to enhance the capabilities of SQM trainers and strengthen our foundation in training.

In 2016, the Group will also undertake hospital-wide implementation of the CSI measurements through the automation of various processes in the SQM Portal. The automation of the SQM External Survey will provide vast improvements in analysis, allowing for more strategic information in managerial decision-making. Additionally, Service Initiatives automation will better facilitate the submission of service improvements and make these innovations available for broader implementation.

Improvements in measurements in the Patient Communication Management system, which will include new areas of monitoring such as telecommunications and various efficiency mechanisms to improve SLA inspection, will also be undertaken. This will ensure that service delivery is further incorporated into the performance of employees and instil greater ownership on processes and service outcomes.

SQM continues to focus on creating market differentiation through service excellence. Profiling our customers according to market segmentation will enable us to link our services to the target population and better serve them according to their expectations. We recognise that our past success has been achieved through diligent adherence towards continuously improving our healthcare services. This, in turn, supports employee adoption of our culture of service excellence.

QUALITY CULTURE

As part of our quality assurance in the year, the Group embraces key tenets of organisational and operational quality. One initiative in this culture is participation in Hari Mekar Johor Corporation annually.

SPP training by Service Quality Coach (SQC)

TALENT MANAGEMENT

EMPOWERING TRANSFORMATION; NURTURING WHAT WE BUILD

The KPJ Group has grown in leaps and bounds since our inception 34 years ago, contributed by the dedication and commitment of our workforce. With more than 12,000 employees serving 25 hospitals in Malaysia and three of our own hospitals abroad, the Group has provided health care services to almost three million patients.

As the main driver of our growth, our employee services and programmes are continuously refined to help all of us succeed at every stage of employment and to make KPJ Healthcare Berhad a better place to work. Our strategy has always been anchored on maximising our employees' capabilities and leveraging on their strengths to deliver outstanding performance to our shareholders and stakeholders alike.

In moving forward, the Talent Management (TM) Services has targeted to align its operational initiatives with the Group's strategic plan by initially identifying ways to leverage and develop technology as a means to cut costs and improve internal efficiencies. In the coming year, TM will use its resources and staff to become a more active, consulting partner for the organisation.

The Group was named the Grand Winner under the Employer of Choice category at the

Malaysia HR Awards in 2015

2015 ACCOMPLISHMENTS

As a result of our talent strategies, the Group was named the Grand Winner under the Employer of Choice category at the Malaysia HR Awards in 2015, surpassing more than 100 companies vying for the same award. This internationally-recognised Grand Award is one of the highest recognition for companies in Malaysia. It also acknowledges the sustained and continuous commitment by organisations and corporations for the development of its human talent.

The Malaysia HR Awards has been organised annually since 1999 by the Malaysian Institute of Human Resource Management ("MIHRM") in partnership with JobStreet.com. This event is strongly supported and endorsed by the human resource community. MIHRM is affiliated with the World Federation of People Management Association (USA), Asia Pacific Federation of Human Resource Management ("APFHRM"), Balai Ikhtisas Malaysia ("BIM") and the HRDF ("Human Resource Development Fund").

The Group was also presented with an ATE Appreciation Award during the Institute of Chartered Accountants in England & Wales ("ICAEW") Malaysia City Group Dinner on 6 November 2015. The award recognises KPJ's role in nurturing the financial talent in our company and the country in general through the ACA programme.

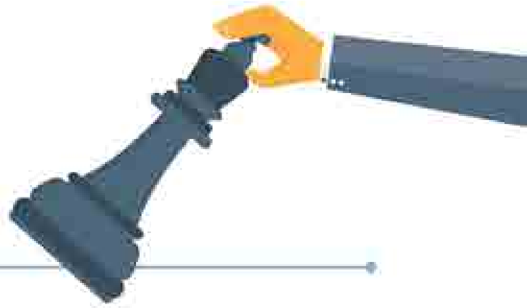
During the year, the Group was also identified as a finalist in the Life at Work Award 2015 organised by TalentCorp. The recognition was presented during the award ceremony held on 9 September 2015, in appreciation of KPJ's effort and initiative in implementing flexible work-life benefits to our employees.

This year, we also designed a standardised salary scale applicable across all regions. It has ensured more transparency and uniformity in our compensation package to employees. We also developed our Performance-Linked Incentive programme which rewards employee based on their performance.

Improving employee engagement and two-way communication is another top priority within our talent management activities. In view of this, we conducted the KPJ Pulse Survey as a follow-up to our Employee Engagement survey conducted in the previous year. The survey was conducted for us by Hay Group. Our employees reported increased engagement and enablement levels, which ultimately provide them with adequate to perform at work.


Finalist for TalentCorp Flex Worklife Balance initiative


Team building at Agrotek.



The Group was also identified as a finalist in the

Life at Work Award 2015

organised by TalentCorp

TALENT MANAGEMENT

ORGANISATIONAL EFFECTIVENESS

- **Manpower Strength**

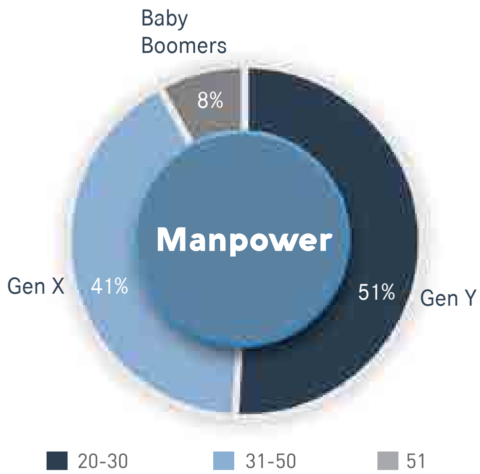
As at December 2015, the Group's workforce totalled 12,329 employees against to 11,626 in 2014, representing a growth of 6%. The increase in manpower is due to the opening of KPJ Bandar Maharani Muar and higher workforce requirements at KPJ Klang, Tawakal Health Centre, KPJ Pasir Gudang, KPJ Rawang and KPJ Sabah.

Our manpower-to-bed ratio for the year was 4:1, as the Group's total bed capacity rose 2.3% year-on-year to 2,912 as at December 2015.

Overall, there has been a 9.2% increase in professional manpower to 5,759 as at December 2015 from 5,233 the previous year. Professional manpower consists of Medical Officers, Nurses and Allied Health employees.

Workforce Composition – Celebrating Diversity in the Workplace

Female workforce makes up the bulk of our manpower with our female to male employee ratio at 4:1. With women making up the majority of our workforce, we have thus explored benefits which can help our employees achieve work life balance. KPJ is also involved in programmes that celebrate diversity such as the flexWorkLife.my initiative organised by the TalentCorp and the Ministry of Women, Family and Community Development.



Gen Y remains the largest age group of employees at 51% of our total manpower, with other generations making up the balance of 49%.

With a larger pool of younger employees, there exists a challenge to provide benefits and facilities that fulfil their needs while balancing the needs of our mature employees.

As such, we relentlessly pursuit to gain more information to further improve our benefits via town hall sessions and workplace social engagement activities with our employees.

Our Talent Management team is committed to recruit candidates in a competency based manner. As such, we are in constant communication with other Heads of Services to discuss the needs of their services and provide advice on recruitment strategies. At KPJ, specific key positions which require comprehensive knowledge on the operations of the healthcare industry are recruited from within. However, we constantly ensure that there is a healthy mix of external candidates in our talent pool in order to bring in fresh ideas and innovations.

Combining these internal and external pipelines, of the 2,317 recruitments that took place in 2015; 74% were replacement positions while 26% were additional manpower requirements due to the opening of new hospitals. The attrition rate as at December 2015 stood at 14% for the Group, which is within industry trends.

TM Open Day at Menara 238

As at December 2015, the

Group's workforce totalled 12,329

employees against to 11,626 in 2014

We recognise that the successful recruitment of potential employees is critical to maintaining a vibrant workforce and we continue to explore ways to improve and leverage our recruitment technology to reach future talent. We also recognise the need to capture further analytics surrounding our recruitment efforts to enable us to understand our workforce needs, levels and the effectiveness of our recruitment strategies.

Team Building

Enhancement to Staff Performance Appraisal ("SPAR") – Performance Management

In a bid to improve performance management and communication, we introduced the two-way joint agreement between superiors and staff in e-SPAR. This will serve as a motivation for both the appraiser and the appraised to cultivate an open communication culture, where feedback is always welcomed. KPJ has made it its mission to provide all employees with an opportunity to discuss their performance and career development. We believe this create a more harmonious and conducive working environment.

TALENT MANAGEMENT

ESOS Briefing to KPJ staff

Employee Benefits and Wellness

- **ESOS**: In rewarding, employees for their loyalty, the Group launched the Employee Share Option Scheme ("ESOS"), which is eligible for employees in the Executive and above categories who have served our company for at least three years continuously. A total of 95 million shares were allocated for the scheme, with the shares attached with the option to be exercised over a period of five years. The objectives of the ESOS are to:

  i. Recognise employees' valuable contributions;

  ii. Motivate all staff to improve their performance through productivity and loyalty to the KPJ Group; and

  iii. Retain, reward and attract potential candidates (Experienced & Skilled) to work within the KPJ Group.

  Additionally, employees in the Executive Assistant category will be given a cash consideration every years over the 5-year period (2015 – 2019). We hoped that with this added incentive, our employees will be geared towards driving a better performance for KPJ.

- **Increase in employer EPF contribution**: At KPJ, we think far ahead into the future of our employees. Beginning 2015, we increased the employer EPF contribution up to a maximum of 15% for employees who have been with us for at least four years. Through our contribution, we hope that our employees will be able to plan a better future for themselves.

- **Yearly medical screening for employees:** As a caring employer and a healthcare provider, the health and wellbeing of our employees is one of the Group's main concerns. We want to ensure that all our employees are fit and healthy in body, mind and spirit. With this in mind, in 2015 KPJ approved the provision of yearly medical screenings to all employees age 45 and above. This initiative is expected to benefit more than 200 employees.

Recognition for Worklife Balance initiative

Majlis Penyerahan Sumbangan Amal Ramadhan Mutiara JCorp

Employee Engagement

- **Pulse Survey**: Following the Employee Climate Survey conducted in 2014, the Group executed the Pulse Survey 2015, administered by Hay Group from 17 to 28 August 2015. The survey recorded a 90% response rate. The objective of the Pulse Survey was to determine whether initiatives we implemented in 2015 had resulted in better engagement levels and to further understand employees' views and thoughts on the benefits that we have provided for them. We are pleased to announce that the results showed an increase in employee engagement levels to 74% and enablement levels to 79%. This is a strong indication that we had implemented positive initiatives for the benefit of employees. Through the comments received from employees, we found that they were very receptive and appreciative of the pulse survey, providing a tremendous opportunity for every voice in the hospital to be heard. This, in turn, allows the Group to continuously improve the quality of benefits we provide to employees.

TALENT MANAGEMENT

Breakthrough Leadership Fellowship with Mike Wagner, Advisory Board USA

- **Talent Management ("TM") Roadshow**: Since 2014, Group Talent Management have held a yearly roadshow to visit all our hospitals in Malaysia. The roadshows have provided us the opportunity to interact with employees and obtain feedback on a real-time basis. For 2015, our TM Roadshow focused on the compensation & benefits initiative 2015 and the ESOS. The roadshow was conducted from May to September 2015, during which employees were given opportunity to raise any issues that they have and communicate directly with Group TM. Our future plan is for Talent Management to improve communications using different platforms and channels e.g. e-bulletins, desktop screensavers, email blasts, etc.
- **TM Open day**: For 2015, all hospitals and companies were encouraged to organise the TM Open day. The event aimed to provide employees the opportunity to gain information and knowledge on various HR-related issues, as well as register and open accounts with various government bodies. The event was supported by Lembaga Tabung Haji, SOCSO, Pusat Zakat, Lembaga Hasil Dalam Negeri, banks and others. This is an event that we will continue to hold annually.

Training and development

As at December 2015, the Group's total HRDF utilisation stood at 89% against 90% in 2014, due to increased contributions from new hospitals. During the year, the Group also spent a total of RM8.29 million on various employee training and development programmes. These programmes were conducted throughout the year to ensure our employees' skills are upgraded and to enhance their knowledge. Aside from internal and external training, the training programmes also include additional qualifications such as Masters, Professional Certifications and Post Basic Certifications.

Group TM, with the involvement of hospitals' respective Heads of Services, completed a total of 144 training manuals for use in training of new and promoted employees. The manuals, which have been distributed for use, cover cross-learning across all services. The Heads of Services are responsible for ensuring that their subordinates complete the training manual, while progress of employees is monitered by Group TM. In an effort to attract more students from Sabah and Sarawak to study at KPJUC, Management has endorsed a special sponsorship package to be offered to interested candidates. The sponsorship includes full coverage of tuition fees and provision of an allowance, among others.

Pedoman KPJ 2015 – Pledge Reading by new employees

Integrity

Integrity forms an integral part of our core values. Ever since our Corporate Integrity pledge was made, we have taken strides forward in ensuring that integrity, ethical practices, compliance and adherence to corporate governance is inculcated in all our dealings with both internal and external parties.

Group Talent Management upholds this value through our development of HR policies and procedures, monitoring compliance and creating leaders who exemplify personal credibility and integrity. We are committed in promoting a culture of fair and ethical behaviour and encouraging the reporting of behaviour which is not in alignment with this culture.

As part of activities to realise this commitment, Group TM carried out an HR Audit at all KPJ hospitals and companies in Malaysia. The objectives of the HR Audit are as follows:

i. To review the implementation of TM policies & procedures

ii. To ensure compliance with legal requirements

iii. To implement best practices and educate.

Since 1 July 2014, the Group has advocated our No Gift and Entertainment Policy. As such, each year Group TM will issue a reminder to all employees to reinforce the standards of the policy. We are serious in our commitment towards upholding the principles laid out in this policy. Employees are required to professionally inform external parties on our adoption of this policy. In circumstances where employees had to receive the gifts, they are to submit a declaration form to the Management.

We are committed in promoting a

culture of fair and ethical behaviour

and encouraging the reporting of behaviour which is not in alignment with this culture.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of KPJ Healthcare Berhad ("KPJ") subscribes to and supports the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") as a minimum basis for corporate governance practices and continues to ensure that the highest standards of corporate governance have been upheld in accordance with the requirements of MCCG 2012.

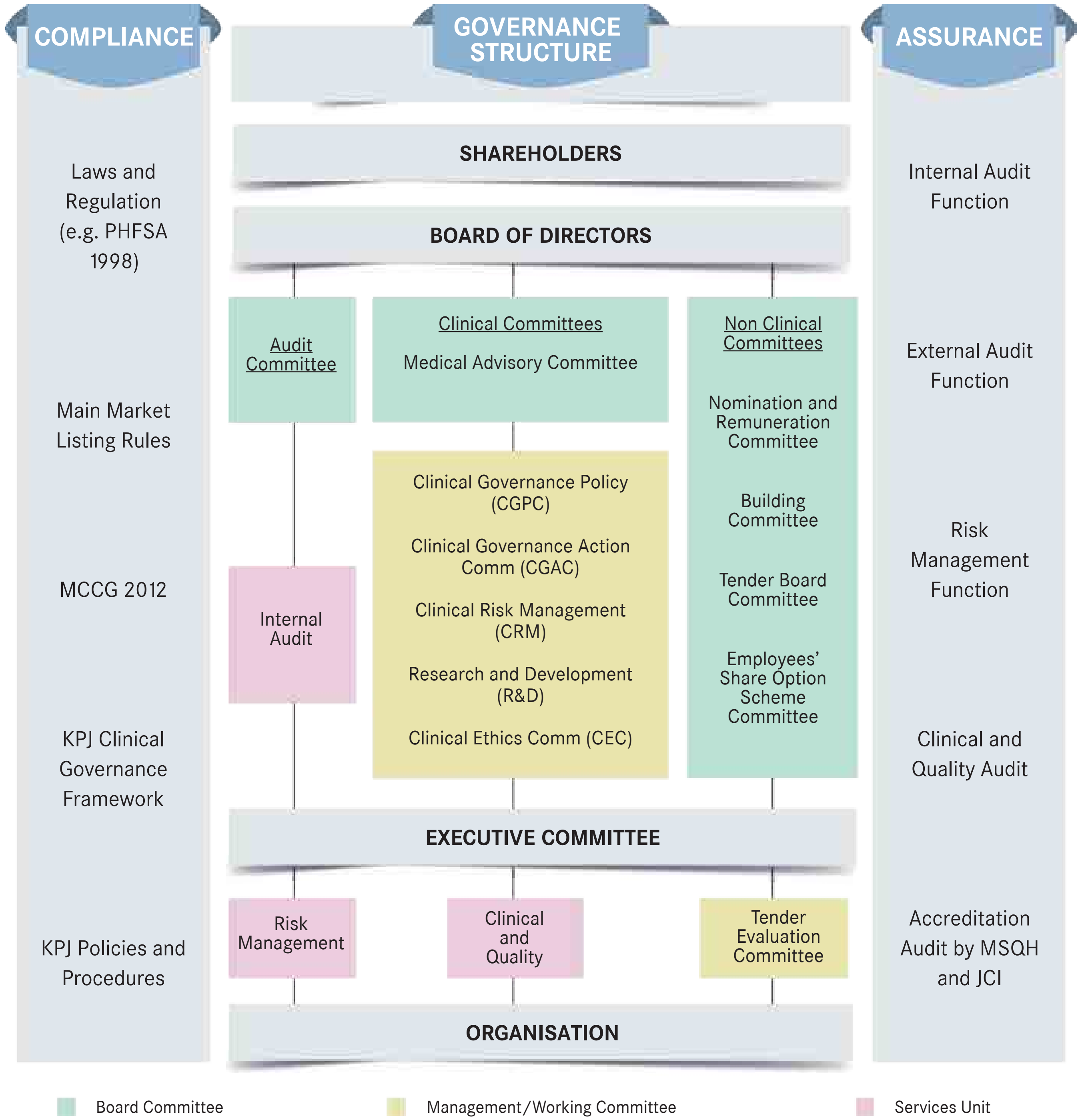
The Board recognises the importance of corporate governance and conscientiously strives to attain the highest business ethics and governance in conducting the day-to-day business and affairs of the Group, so as to safeguard and enhance shareholders' value, which includes protecting the interests of all stakeholders.

Good Governance is the cornerstone of Our Corporate Culture

The Board believes that good corporate governance adds value to the business of the Group and will ensure that this practice continues. The Board of Directors believes in playing an active role in guiding the Management through its oversight review while at the same time steer the Group's business direction and strategy.

STATEMENT ON CORPORATE GOVERNANCE

The chart below illustrates the Corporate Governance Model adopted by the Group:



In line with this commitment, the Board is continuously reviewing and has taken, where appropriate, the necessary steps to comply with the requirements on the standards of corporate responsibility, integrity and accountability as enshrined in the eight (8) Principles and 26 Recommendations of the MCCG 2012. The Board is pleased to elaborate on the Group's application and extent of compliance with MCCG 2012 during the financial year 2015 in this statement:

1. ESTABLISHED CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

Separation of Power between the Board and Management

The Group has documented clear policies for identifying and separating the functions of the Board and Management, Chairman as well as the President and Managing Director in ensuring the smooth running of the Group's business and operations. These are enshrined in the Board Policy Manual, a copy of which is made available to all Directors of the Company.

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

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

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

The Board has also developed and approved the Corporate Objectives for 2015, for which the President and Managing Director has the responsibility to achieve them. It also forms the basis where the performance of Management will be assessed.

Board Structure, Composition and Balance

The composition of the Board of Directors is as follows:

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

The present size and composition remains well-balanced and is made up of professionals with a wide range of knowledge and experience in business, operations and finance, all relevant to the direction of a large, expanding Group. The profiles of all Board Members, comprising of their qualification, experience and calibre are disclosed on pages 74 to 85 of this Annual Report.

The Company's Chairman is a Non-Independent Non-Executive Director and there are six (6) Independent Non-Executive Directors out of the eleven (11) Board members.

As the Chairman is representing JCorp which has a substantial interest in the Company, he is well-placed to act on behalf of and in the best interest of all shareholders. The Board believes that the current Chairman and Board members comprise of a well-balanced mix of professionals with a diverse range of knowledge and experience which are relevant to guide the Company and the Group.

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

STATEMENT ON CORPORATE GOVERNANCE

The current Board composition complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and Recommendation 3.5 of the MCCG 2012, whereby six (6) out of eleven (11) members are Independent Non-Executive Directors who meet the criteria of "Independent Director", as defined in Paragraph 1.01 of the MMLR. The high number of Independent Non-Executive Directors further provides for diversity of views as well as effective check and balances in the functioning of the Board.

Although all the Directors have equal oversight responsibilities for the Group, the role of these Independent Non-Executive Directors is particularly important in ensuring that all business strategies proposed by the Management are fully and independently deliberated and assessed, takes into account the long term interest of, not only the shareholders, but also employees, customers, suppliers and the many communities in which the Group operates.

Board Duties and Responsibilities

All members of the Board contribute significantly in the areas of formulation of strategic direction and policies, performance monitoring and allocation of resources and enhancement of controls and governance.

As prescribed by the MCCG 2012, the Board assumes six (6) principal stewardship responsibilities as follows:-

- **Reviews and approves the strategic business plans for the Group**

  The Strategic Business Plan for the period 2016 –2020 was tabled, discussed and approved by the Board at its meeting on November 2015. Additionally, on an ongoing basis, the Board will assess whether projects, purchases and sales of equity as well as other strategic considerations proposed at Board meetings during the year, are in line with the objectives and broad outline of the adopted strategic plans.

- **Oversees the conduct of the Company's business to evaluate whether the business is being properly managed**

  The Board has the responsibility to oversee and review the Group's annual budget, operational and financial performance on a periodic basis against the budget.

  At Board meetings, all operational matters will be discussed and the appropriate consultation will be sought, where necessary. Periodically, the performance of the Group will be benchmarked against the performance of its competitors.

- **Identifies and manages principal risks while ensuring the implementation of appropriate systems to manage these risks**

  Various Committees, in relation to clinical and operational risks, have been set up under the Medical Advisory Committee. The functions of each Committee have been disclosed in the Statement on Risk Management and Internal Control on pages 184 to 189 of this Annual Report.

- **Succession planning, which includes the appointment, training, determination of compensation levels and where appropriate, the replacement of senior management**

  The Board will deliberate on the latest plans and actions taken in respect of the succession planning as provided by the Group Talent Management Services.

  More importantly, after several years of continuous efforts in emphasising and communicating the importance of succession planning, the subject has now become an on-going agenda, reviewed and discussed at various high-level management and operational meetings of the Group. An overview of the Group Talent Management Services and its importance to the Group are elaborated on pages 158 to 164 of this Annual Report.

- **Develops and implements the Investor Relations programme or shareholder communications policy for the Group**

  The Group has introduced many activities with regard to engagement and communication with investors to ensure that they are well-informed about the Group affairs and developments. Details of Investor Relations activities are disclosed on pages 63 to 65 and 182 to 183 of this Annual Report.

- **Reviews the adequacy and integrity of the Group's internal controls and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines**

  The Board's function with regards to fulfilling these responsibilities effectively are supported and reinforced through the various Committees established at both Board and Management levels. Aided by the Group Internal Audit division that operates independently, the active functioning of these Committees through their regular meetings and discussions provide not only a strong check and balance, but also reasonable assurance on the adequacy of the Group's internal controls. Detailed discussion of these functions are elaborated in the Statement on Risk Management and Internal Control; and the Audit Committee Report on pages 190 to 197 of this Annual Report.

  The Board is also responsible in ensuring the smooth function of core processes, board governance, corporate values and ethical oversight. The Independent Non-Executive Directors will further provide an independent and objective perspective that acts as an effective check and balance mechanism in deliberating the above mentioned.

Formalised Ethical Standards through Code of Ethics

Terms of reference have been developed for both the Board and Management, defining their respective authorities, duties and responsibilities, and this is covered by the Group's Code of Conduct and Business Ethics. While the Chairman encourages full discussion and deliberation of issues affecting the Group by all Board Members, the Board has also appointed Zainah Mustafa, the Independent Non-Executive Director who is also the Chairman of the Audit Committee, to whom concerns pertaining to the Group may be conveyed by shareholders and other stakeholders.

The Directors adhere to the Code of Ethics which is contained in the Board Policy Manual, the important aspects of which are as follows:

- Members must represent non-conflicted loyalty to the interests of the Group;
- Members must avoid conflict of interests with respect to their fiduciary responsibilities;
- Members may not attempt to exercise individual authority over the Group unless it is explicitly provided for in the Board Policy Manual; and
- Members will respect the confidentiality appropriate to issues of a sensitive nature.

Strategies Promoting Sustainability

The Board believes that developing sustainable business practices is not only critical to the future of the Group, but also for the benefit of future generations as well. For the Group, sustainability means operating a competitive and ethical business through good processes and policies which are applied by competent and responsible employees.

The rewards given to the employees are not only denominated by compensation and benefits but also through structured professional development and career progression plans. The Group implements a system of rewards based on the "pay for performance" concept.

Employees are rewarded based on their contributions and level of productivity towards the Group objectives.

Access to Information and Advice

Prior to each Board meeting, the Board Report will be circulated to all Directors so that each Director has ample time to peruse and review papers for further deliberation at the Board meeting. The Board Report includes among others, the following details:

- Minutes of meeting of all Committees of the Board;
- Any matters arising from previous meetings;
- Business strategies and corporate proposals;
- Review of operational matters and financial report of the Group;
- Review of clinical and professional services report;
- Approval sought for capital expenditure and expansion project reports;
- Report on Audit Committee and Risk Management matters; and
- Report of the Registrar.

STATEMENT ON CORPORATE GOVERNANCE

There is also a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and budgets; acquisition and disposal of assets that are material to the Group; major investments; changes to management and control structure of the Group, including key policies, procedures and authority limits.

The Board is fully aware of its duties and responsibilities with regards to the matters stated above. Decisions and deliberations at the Board meetings are recorded in the minutes of the meeting by the Company Secretary. All minutes will be confirmed prior to the meeting.

The Directors, whether as a full Board member or in their individual capacities, have full access to all information within the Company and could, where necessary take independent advice at the Group's expense, in furtherance of their duties and responsibilities.

Qualified and Competent Company Secretaries

The Company Secretaries are appointed by the Board and attend all Board and Board Committee Meetings. They are responsible for providing Directors with advice on compliance and corporate governance issues.

The Board has unrestricted access to the advice and services of Company Secretaries. In between meetings, the President and Managing Director meets regularly with the Chairman and other Board Members to keep them abreast on the Group's current developments.

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

The Company Secretaries safeguard all statutory books and records of the Group, which are maintained in the statutory register of the Group. Company Secretaries also ensure that all Board meetings are properly convened, ensuring accurate and proper records of the proceedings and resolutions passed are recorded. The Company Secretaries also have to ensure that any change in the Group's statutory information be duly completed in the relevant prescribed forms and lodged with the Companies Commission of Malaysia within the prescribed period of time.

Board Charter

A Board Charter was adopted in 2014. It captures and formalises governance practices, Board policies and guidelines subsisting throughout the Company onto one formal document in providing clear guidance to all stakeholders. The Board Charter is available to the public on the Group website at **www.kpjhealth.com.my**.

The Charter is regularly reviewed and kept up-to-date with changes in regulations and best practices, while ensuring its effectiveness and relevance to the Board's objectives.

2. STRENGTHENED COMPOSITION

Nomination and Remuneration Committee

The Board has established its own Nomination and Remuneration Committee ("NRC"). The composition of the NRC complies with the requirements of Paragraph 15.08A of the MMLR.

The terms of reference of the NRC are available to the public on the Group website at **www.kpjhealth.com.my**.

The NRC consists of the following members:

a) Dato' Kamaruzzaman Abu Kassim (Chairman)– Non-Independent Non-Executive Director
b) Zainah Mustafa – Independent Non-Executive Director
c) Tan Sri Datin Paduka Siti Sadiah Sheikh Bakir – Independent Non-Executive Director
d) Datuk Azzat Kamaludin – Independent Non-Executive Director

The Board believes that the current composition of NRC is capable of acting collectively in the best overall interests of shareholders with reference to nomination and remuneration of Board members. In 2015, the NRC meeting was held as follows:

	2 April 2015	10 December 2015
Dato' Kamaruzzaman Abu Kassim	✓	✓
Tan Sri Datin Paduka Siti Sadiah Sheikh Bakir	✓	✓
Datuk Azzat Kamaludin	✓	✓
Zainah Mustafa	✓	x

Remuneration policies and procedures

The Board believes that the levels of remuneration offered by the Group are sufficient to attract Directors of calibre as well as sufficient experience and talent to contribute to the performance of the Group. The remuneration framework for the President and Managing Director has the underlying objective of attracting and retaining an Executive Director needed to manage the Company successfully. The remuneration package of the President and Managing Director is structured to commensurate with the achievement of corporate targets set by the Board and his individual performance. The Non-Executive Directors are remunerated based on fixed annual fees approved by the shareholders of the Company.

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

	Salary and Others (RM)	Allowances and Fees (RM)	Fees from Subsidiaries (RM)	Benefit in Kind (RM)	Provision of ESOS[e] (RM)	TOTAL (RM)
President and Managing Director						
Dato' Amiruddin Abdul Satar	1,241,352	118,500	50,000	21,250	503,100	1,934,202
Executive Director						
Aminudin Dawam		93,500	–		201,240	294,740
Non-Independent Non-Executive Directors						
Dato' Kamaruzzaman Abu Kassim[a]		175,000	–			175,000
Ahamad Mohamad[a]		87,500	–			87,500
Zulkifli Ibrahim[a]		93,000	–			93,000
Independent Non-Executive Directors						
Zainah Mustafa		116,000	–		201,240	317,240
Datuk Azzat Kamaludin[c]		106,000	22,500		201,240	329,740
Dr. Kok Chin Leong[d]		93,600	84,000		201,240	378,840
Dr. Yoong Fook Ngian[b]		308,000	–		201,240	509,240
Tan Sri Dato' Dr. Yahya Awang#		75,800	29,833		201,240	306,873
Tan Sri Datin Paduka Siti Sadiah Sheikh Bakir		392,500	–	21,250	201,240	614,990

(a) Representative of majority shareholders
(b) Received allowance for professional advisory services as Medical Advisory Chairman
(c) Received allowances for appointment as Independent Director of subsidiary hospitals
(d) Received allowances for professional advisory services on implementation of KPJ Clinical Information System (K-CIS)
(e) Represent ESOS granted but yet to be exercised by all Directors as at 31 December 2015. ESOS is computed based on option price of RM1.0062 per share against the exercise price of RM3.64 per share
Resigned as Independent Non-Executive Director with effect from 27 August 2015

Recruitment Process and Annual Assessment

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

The Company has in place a formal and transparent procedure on the appointment of new Directors. All nominees to the Board are first considered by the NRC, taking into account the mix of skills, competencies, experience and other qualities required to oversee a highly-regulated healthcare business, before they are recommended to the Board.

While the Board is responsible for the appointment of new Directors, the NRC is delegated to the role of screening and conducting an initial selection, which includes an external search, before making a recommendation to the Board. The NRC evaluates the nominees' ability to discharge their duties and responsibilities before recommending their appointment as Directors to the Board for approval.

Board Performance Evaluation

The effectiveness of the Board is vital to the success of the Group. For that reason, a large portion of the Board Policy Manual is devoted to explaining and outlining the format and procedure for evaluating Board Members performance. The availability of the structured format for Board Members evaluation assists the members in discharging their duties effectively and efficiently.

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

The evaluation covers the Board's composition, skills mix, experience, communication, roles and responsibilities, effectiveness as well as conduct. All Directors complete a questionnaire regarding the Board and Committees' processes, their effectiveness and where improvements may be considered. The process also includes a peer review in which Directors assess their fellow Directors' performance against a set criteria, including the skills they bring to the Group and the contribution they make. The Company Secretary reports the outcome of the evaluation exercise to the NRC and then to the Board for notation.

Following the performance evaluation process for 2015 which was conducted in February 2016, the Board has concluded that the Board and its Committees operate effectively. Additionally, the Chairman is satisfied that each Director continues to make an effective contribution to the work of the Board, is well prepared and informed concerning matters to be considered by the Board, has a good understanding of the Group's business and their commitment to the role remains strong.

3. REINFORCE INDEPENDENCE

Assessment of Independence Annually

The independence of all Directors, including the Non-Independent Non-Executive Directors is reviewed annually via the NRC which undertakes the independent assessment by taking into account their skills, experience and contributions as well as their background, economic viability and family relationships, and thereafter determines whether the Directors can continue to bring independent and objective judgement to the Board. The NRC shall also determine whether there are relationships or circumstances which could affect, or appear to affect, the Independent Non-Executive Directors' judgement.

Tenure is not part of the independence assessment criteria as the Board is of the view that the fiduciary duties as promulgated in the Act are paramount for all Directors, irrespective of their status. The ability of a Director to serve effectively is very much dependent on his calibre, qualifications, experience and personal qualities, particularly his integrity and objectivity.

The Directors' Peer Evaluation would also indicate the Independent Directors' ability or inability to act independently. Furthermore, the Board agrees that there are significant advantages to be gained from long-serving

Directors who not only possess tremendous insight but also in-depth knowledge of the Company's business and affairs. The Directors are enthusiastic and passionate about spearheading the Group to the next level.

Tenure of Independent Directors

As advocated in Recommendation 3.3 of the MCCG 2012, the Board should justify and seek the shareholders' approval for the retention of the independent status of four (4) existing Directors who have served in that capacity for more than nine (9) years. Zainah Mustafa (appointed 1 December 2004), Datuk Azzat Kamaludin (appointed on 01 September 1994), Dr. Yoong Fook Ngian (appointed 7 July 2005) and Dr. Kok Chin Leong (appointed 7 July 2005) have served the Company for more than nine (9) years.

Shareholders' Approval for the re-appointment of Independent Directors

The Board recommends that the tenure of Zainah Mustafa, Datuk Azzat Kamaludin, Dr Yoong Fook Ngian and Dr Kok Chin Leong as Independent Board Members be retained subject to the shareholders' approval at the forthcoming Annual General Meeting (AGM), on the basis of their strong professionalism, competencies and vast experience in the healthcare industry and corporate world.

Separate Positions of the Chairman and President and Managing Director

The Chairman as well as the President and Managing Director of the Company are held by two separate individuals. This complies with the requirements of MCCG 2012.

Composition of the Board

As mentioned in the Board Structure, Composition and Balance section above, the Board believes that the present size and composition remains well-balanced, ensuring that the necessary checks and balances are conducted with regard to the decision-making process of the Board.

4. FOSTER COMMITMENT

Commitment of Board Members and Protocols for Accepting New Directorship

The Board meets on a quarterly basis with additional meetings convened for specific matters when necessary. Meetings are scheduled ahead to facilitate Directors' attendance. For the financial year 2015 the schedule of meetings were fixed in December 2014.

During the year ended 31 December 2015, the Board convened six (6) meetings on the following dates and venues:

Date	Venue
27 February 2015	Level 16, Menara 238, Kuala Lumpur
2 April 2015	Level 16, Menara 238, Kuala Lumpur
28 May 2015	Puteri Pacific Hotel, Johor Bahru
9 July 2015	Puteri Pacific Hotel, Johor Bahru
27 August 2015	KPJ Maharani Specialist Hospital, Muar
26 November 2015	Level 24, Menara KOMTAR, JBCC, Johor Bahru

STATEMENT ON CORPORATE GOVERNANCE

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

	27 February 2015	2 April 2015	28 May 2015	9 July 2015	27 August 2015	26 November 2015
Dato' Kamaruzzaman Abu Kassim	✓	✓	✓	✓	✓	✓
Dato' Amiruddin Abdul Satar	✓	✓	✓	✓	✓	✓
Tan Sri Datin Paduka Siti Sadiah Sheikh Bakir	✓	✓	x	✓	✓	✓
Tan Sri Dato' Dr. Yahya Awang*	✓	✓	✓	✓	–	–
Datuk Azzat Kamaluddin	✓	✓	✓	✓	✓	x
Zainah Mustafa	✓	✓	✓	✓	✓	✓
Aminudin Dawam	✓	✓	✓	✓	✓	✓
Dr. Yoong Fook Ngian	✓	✓	✓	x	✓	✓
Dr. Kok Chin Leong	✓	✓	x	✓	✓	✓
Zulkifli Ibrahim	✓	✓	✓	✓	✓	✓
Ahamad Mohamad	✓	✓	✓	x	✓	✓

* resigned on 27 August 2015

All Directors have complied with the minimum of 50% attendance as stipulated by Paragraph 15.05(3)(c) of the MMLR.

Continuing Education Programmes

As an integral element of the process of appointing new Directors, the Board ensures that there is an orientation and education programme for new Board Members. Directors also receive further training from time to time through the Continuous Education Programmes (CEP), particularly on relevant laws, regulations, changing commercial risks and environment as required by Paragraph 15.08(3) of the MMLR. It regularly assesses the training needs of its Directors to ensure that they are updated with the latest requirements. The Company Secretary will assist to schedule dates for training of Directors whether in a group or on an ad-hoc basis.

During the year, the Board members have attended the following training programmes organised by various parties:

TRAINING FOCUS	CONFERENCES/SEMINARS AND TRAINING PROGRAMMES
Strategy/Risk	– Asia Regional Strategic Forecast: The Edge of Our Seats – International Forum on Quality and Safety in Healthcare – CCM Berhad – Seminar on Enterprise Risk Management Axiata Board Strategy Programme, San Francisco – Risk Management and Internal Control Workshop – is our line of defence adequale and effective
Internal Operation	– CXO Technology Conference Summit 2015 – 2nd Annual Malaysia's War on Corruption Symposium (Keynote Adress by Ybhg Tun Dr. Mahathir) – 7th Annual Corporate Governance Summit Directorship – "No Longer a Profit and Prestige Affair" – MSQH Conference "Measuring Performance: 15th Years MSQH Hospital Accreditation Programme & Achievement & Challenges" – ISQUA 32nd International Conference – "Building Quality & Safety into the Healthcare System"
Compliance	– Seminar/Workshop on "Governance, Director Duties and Listing Requirements Updates for Directors of PLCs 2015" – MSQH Conference and Exhibition 2015 – BMJ Conference on Quality and Safety in Healthcare – 7th Annual Corporate Governance Summit 2015
Industry	– 23rd APHM Healthcare Conference 2015 – "Impact of Hospital Design and Medical Technology on Patients Safety: Getting it Right Safe More Life" – *KPJ Healthcare Workshop and Exhibition 2015 – Asia Pacific Regional Speaker's Forum – Paediatric Vaccine – Workshop on National Immunisation Programme and Vaccine Coverage in ASEAN Countries – Malaysia Paediatric Association (MPA) Annual Congress 2015 – ASEAN Business Club (ABS Forum 2015) – Healthcare Sector Speaker of Lifting – The Barriers – Konferen Amalan Pengurusan Terbaik Nasional (KAPTEN)-Organisational Transformation & Sustainability – *2nd KPJUC International Conference on Multidisciplinary Healthcare – Optimising Care in Chronic Diseases – From Prevention to Rehabilitation – Khazanah Megatrends 2015 – "Harnessing Creative Disruption – Unlocking the Power of Inclusive Innovation". – TowerXchange – MeetUp 2015 – Project Management Workshop, Jabatan Kerja Raya
Performance Management	– Corporate Director Advance Programme (CDAP) 2015 – *KPJ Executive Programme for Transformation and Visionary Leadership – RSOG MINDA International Directors Summit (IDS) 2015 "Inculcating Innovation Catalysing Growth Through Public Private Partnership" – Women's Institute of Management & Corporate Networking Malaysia Talk "Transformational Leadership Building & Sustaining Capabilites" – PEMANDU – Lead the Change: "Getting Women on Board" – CEO Leadership forum Sustainability – "The Challenges of Leadership" – Corporate Board Leadership Symposium 2015 – "Advancing the Board from A to A+" – Bursa Malaysia – Board Chairman Series Part 2 – "Leadership Excellence from the Chair"

TRAINING FOCUS	CONFERENCES/SEMINARS AND TRAINING PROGRAMMES
Finance/Audit	– The National Seminar on Trans-Pacific Partnership Agreement 2015 – Misi Kesinambungan Bisnes JCorp 2015: Inovasi & Tanggungjawab Korporate – Luncheon Forum "The Business Landscape Redefined: The Significant of Innovation via-a-vis the Trans-Pacific Partnership Agreement" – PWC – Audit Committee Members' Workshop – Corporate Training on Directors' Roles and Responsibilities in Relation to Financial Statements
Others	– Forum – Introduction to Zarith Sofiah Center for Global Islamic Studies – Islam Beyond Media Driven Narratives: "Muslims and Non-Muslims in Search for Common Ground" – INPUma Public Lecture Series "The Roles of Education in The Development of Youth towards Nation – Building" – CCM Berhad – "Driving Integrity in Turbulent Times & An Introduction to Mega Trends Visionary briefing highlighting.

*- KPJ Internal Workshop/Conferences

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with Applicable Malaysian Financial Reporting Standards

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

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

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

The Directors are required by the Companies Act 1965 to prepare financial statements for each financial year which have been made in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards. This is to ensure a true and fair view of the financial position of the Group and the Company at the end of the financial year, and of the results and cash flows of the Group and Company for the financial year.

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

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

The Statement by Directors pursuant to Section 169(15) of the Companies Act 1965 is set out in the Financial Statements on page 222 of the Annual Report.

Assessment of Suitability and Independence of External Auditors

The Board, through the Audit Committee has maintained an appropriate relationship with the External Auditors as there is a formal and transparent arrangement in the review of the External Auditors' audit plan, report, internal control issues and procedures.

In 2015, the External Auditors attended all four (4) Audit Committee Meetings which were held on 10 February 2015, 14 May 2015, 12 August 2015 and 12 November 2015. They also attended the Company's 22nd AGM held on 28 May 2015 and the EGMs held on 13 October 2015.

The Audit Committee met with the External Auditors without the presence of the Executive Board Member and Senior Management once (1) during the year, on 10 February 2015. The Board is of the view that the External Auditors are independent and they are re-appointed annually at the AGM.

6. RECOGNISE AND MANAGE RISKS

Framework to Manage Risk

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

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

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

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

Board Committees

Audit Committee (AC)

The Audit Committee is chaired by Zainah Mustafa, and comprises of two (2) other members, Datuk Azzat Kamaludin and Dr. Kok Chin Leong, all of whom are Independent Non-Executive Directors. The Committee meets on a scheduled basis at least four (4) times a year. The profiles of each AC Member are disclosed on pages 74 to 85 of this Annual Report.

Pursuant to Paragraph 15.15 of the MMLR, the Audit Committee Report for the financial year which sets out the composition, terms of reference and a summary of activities of the Audit Committee is presented on pages 190 to 197 of this Annual Report.

Building Committee (BC)

The main purpose of the Committee is to oversee the timeline and costs of each development project undertaken by the Group and to address any issues relating to these projects.

Members of the Committee:

a) Tan Sri Datin Paduka Siti Sadiah Sheikh Bakir (Chairman) – Independent Non-Executive Director
b) Dato' Amiruddin Abdul Satar – President and Managing Director
c) Dr. Yoong Fook Ngian – Independent Non-Executive Director
d) Aminudin Dawam – Executive Director

The Committee meets on a scheduled basis at least four (4) times a year. All reports and minutes of the meeting are escalated to the Board.

Medical Advisory Committee (MAC)

The Committee's role is to ensure that the best clinical governance activities and guidelines are adopted and practised by the Group. The Committee meets on a scheduled basis at least four (4) times a year and is chaired by Dr. Yoong Fook Ngian, Independent Non-Executive Director

STATEMENT ON CORPORATE GOVERNANCE

The functions and activities carried out by the Committee are set out under the Medical Advisory Committee Report on pages 198 to 205 of this Annual Report.

Tender Board Committee (TBC)

In an effort to achieve high standards of corporate governance, the Board established the Tender Board Committee (TBC) in 2014. The main purpose of the Committee is to evaluate any major purchases, acquisitions or disposals of assets, awards of contracts and appointments of consultants/advisors for the Group.

Members of the Committee are:

a) Zulkifli Ibrahim (Chairman) – Non-Independent Non-Executive Director
b) Datuk Azzat Kamaludin – Independent Non-Executive Director
c) Dr. Yoong Fook Ngian – Independent Non-Executive Director
d) Dato' Amiruddin Abdul Satar – President & Managing Director
e) Aminudin Dawam – Executive Director

In 2015, the TBC held three (3) meetings to evaluate major purchases, awards of contracts and made its recommendations to the Board accordingly.

	23 January 2015	7 February 2015	3 July 2015
Zulkifli Ibrahim	✓	✓	✓
Datuk Azzat Kamaludin	✓	✓	✓
Aminudin Dawam	✓	✓	✓
Dr. Yoong Fook Ngian	✓	x	✓
Dato' Amiruddin Abdul Satar	✓	✓	✓

Employees' Share Option Scheme Committee (ESOS Committee)

The ESOS Committee was established on 26 November 2014, comprising of a majority of independent directors. The Board has delegated the ESOS Committee to review the rules and regulations relating to the ESOS scheme and ensure that the ESOS scheme is implemented in accordance with the ESOS By-Laws with regard to amongst others, eligibility, options offer and allocation, basis of allotment, termination and appeals, if any.

The ESOS Committee members are as follows:

a) Dato' Kamaruzzaman Abu Kassim (Chairman) – Chairman
b) Zainah Mustafa – Independent Non-Executive Director
c) Datuk Azzat Kamaludin – Independent Non-Executive Director

The ESOS Committee reports to the Board of their deliberations and recommendations. Minutes of the ESOS Committee are presented at the Board meetings for further discussion and direction. While the ESOS Committee has the authority to deliberate on matters delegated to them, all decisions and/or recommendations made by the ESOS Committee will be brought to the attention of the Board.

In 2015, the ESOS Committee met twice (2) in 2015 to deliberate and approve the ESOS options granted to employees and eligible directors, as well as the Restricted Issue that was implemented on 27 February 2015.

	19 January 2016	2 April 2016
Dato' Kamaruzzaman Abu Kassim	✓	✓
Zainah Mustafa	✓	✓
Datuk Azzat Kamaludin	✓	✓

Management Committees

The Management Committees comprise of two (2) main Committees:

- Executive Committee
- Tender Evaluation Committee

Executive Committee (EXCO)

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

1. Purpose

The main objective and purpose of the EXCO are as follows:

- To manage all aspects of the Group's business;
- To implement the strategic business plans and policies approved by the Board of Directors; and
- To identify, formulate and prioritise strategic issues as well as chart strategic directions for action by Management and employees.

2. Members

There are 15 members of EXCO as follows:

- One (1) President and Managing Director
- One (1) Excutive Director
- One (1) Vice President I – Business Operations & Clinical Services
- One (1) Vice President I – Corporate and Financial Services
- One (1) Vice President I – Business Development Services
- One (1) Vice President II – Project, Management, Bio Medical and International Operation Services
- One (1) Vice President II – Group Talent Management Services
- One (1) Senior General Manager – Group Operations
- One (1) Senior General Manager – Group Education and Strategic Support Services
- One (1) Senior General Manager – Group Finance Services
- One (1) Senior General Manager – Group International Marketing and Strategic Communication Services
- Two (2) Senior General Manager – Group Business Operation
- One (1) Chief Information Officer
- One (1) General Manager – Product and Services Development

3. Meetings

Meetings are usually held on every Tuesday of the week.

Tender Evaluation Committee (TEC)

In an effort to achieve high standards of corporate governance, the Board had in February 2014 resolved to establish the Tender Evaluation Committee (TEC). The main purpose of the Committee is to evaluate and make its recommendations to the TBC on major purchases, acquisitions or disposals of assets, awards of contracts and appointments of consultants/advisors for the Group.

The members of the TEC are:

a) Mohd Sahir Rahmat (Chairman) – Vice President (I), Corporate and Financial Services
b) Jasimah Hassan – Vice President (I), Business Operations and Clinical Services
c) Ahmad Nasirruddin Harun – Senior General Manager – Group Education and Strategic Support Services
d) Mohd Taufik Ismail – Executive Director Central Region (Northern)
e) Roslan Ahmad – Senior General Manager – Group Operations

In 2015, the TEC met five (5) times and made its findings and recommendations to the TBC as required.

Internal Audit Function

The Board acknowledges its primary responsibility for the Group's system of internal controls and risk management. The effectiveness of the system of internal controls and risk management of the Group is reviewed by the Audit Committee. A more detailed discussion is set out in the Statement on Risk Management and Internal Control as well as the Audit Committee Report on pages 184 to 189 of this Annual Report.

The Internal Audit function is undertaken in-house, headed by a General Manager who is a certified auditor and is assisted by 13 experienced Internal Auditors of various disciplines. In 2015, the Group spent around RM1.27 million on the Internal Audit function in terms of employee remuneration and benefits.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

The Company has in place policies and procedures for compliance with the MMLR and ensures that all material information are announced immediately to Bursa Malaysia Securities Berhad as required.

The Compliance Department was set up in January 2014 and is tasked with monitoring all compliance matters that require disclosure in accordance with the requirements of MMLR.

Leverage on Information Technology

The corporate website at **www.kpjhealth.com.my** is maintained to disseminate information and create greater awareness of the Group activities, performance and other relevant information for the benefit of all stakeholders and general public.

The Group also has a dedicated website for Investor Relations where all information relating to quarterly result announcements, Annual Reports, changes to shareholding and press releases are published concurrently with Bursa Malaysia website. This website also sends out alerts to investors for any announcement made in relation to the Company.

8. STRENGTHEN RELATIONSHIP WITH THE SHAREHOLDERS

Shareholder Participation at the AGM

At each AGM, the Chairman presents the progress and performance of the Company, in addition to encouraging shareholders to participate in the question-and-answer session. The President and Managing Director, the Chairman of the Audit Committee and other Board Members are available to respond to shareholders' questions during the meeting. Where appropriate, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered at the meeting. Apart from the Board Chairman and President and Managing Director, shareholders or stakeholders may convey any concerns that they may have to Zainah Mustafa, the Independent Non-Executive Director who is also the Chairman of the Audit Committee.

Each item of special business included in the notice of the meeting will be accompanied by detailed explanations. Separate resolutions are proposed for substantially different issues at the meeting and the Chairman declares the number of proxy votes received both for and against each resolution. The Company also provides shareholders with a summary of the discussions at the AGM by publishing the minutes on the website.

Encourage Poll Voting

The Board encourages poll voting for the specific resolutions which require a poll vote, for example reappointment of Directors whom are above the age of 70 years old and also the Related Party Transactions.

During the AGM, the Chairman will inform the shareholders prior to the discussion of such specific resolutions.

The recurrent related party transactions for the financial year ended 31 December 2015 are set out in the notes to the financial statements on pages 319 to 320 of the Annual Report.

At the 22nd Annual General Meeting held on 28 May 2015, the Company obtained the shareholders' mandate to allow the Group to enter into recurrent related party transactions as set out in the Notes of the Compliance Information on pages from 210 to 211. As required by the MMLR and the Company's Articles of Association, a Director who has an interest in a transaction shall abstain from deliberation and voting on the relevant resolution in respect of such transaction at the Board and general meetings convened to consider such matters.

Effective Communication and Proactive Engagements with Shareholders

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

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

The President and Managing Director and senior management personnel hold discussions with analysts, investors and shareholders from time to time on the Group's results and performance.

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

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

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

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

The Senior Management personnel involved in Investor Relations activities are:

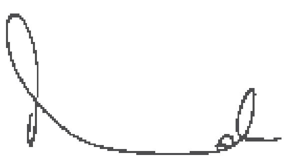
- Dato' Amiruddin Abdul Satar – President & Managing Director
- Mohd Sahir Rahmat – Vice President (I) – Corporate & Financial Services
- Khairul Annuar Azizi – General Manager – Risk, Compliance & Investor Relations

Compliance Statement

Pursuant to Paragraph 15.25 of the MMLR, the Board is pleased to report that this Statement on Corporate Governance provides the Corporate Governance practices of the Company with reference to the MCCG 2012.

The Board, however, has reserved several of the Recommendations and their Commentaries, and has rationalised and provided justifications for any deviations in this Statement. Nevertheless, KPJ will continue to strengthen its governance practices to safeguard the best interests of its shareholders and other stakeholders.

Signed on behalf of the Board of Directors in accordance with its resolution on 17 March 2016.



DATO' KAMARUZZAMAN BIN ABU KASSIM
CHAIRMAN

DATO' AMIRUDDIN BIN ABDUL SATAR
PRESIDENT & MANAGING DIRECTOR

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of KPJ Healthcare Berhad (KPJ) is pleased to provide the following statement on the state of internal controls of the Group which has been prepared in accordance with the Statement on Risk Management & Internal Control – Guidelines for Directors of Listed Issuers endorsed by Bursa Malaysia Securities Berhad.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for establishing the Group's system of internal controls and risk management framework as well as reviewing its adequacy, integrity and effectiveness. The Board has put in place a sound governance structure, risk management framework and internal control system pursuant to Principle 6 of the Malaysian Code on Corporate Governance 2012 to ensure effective oversight of controls and risks in the Group.

The Audit Committee ("AC") reviews the adequacy and effectiveness of internal controls system and risk management framework through the internal audits and risk management reviews conducted by the Group Internal Audit Services and the Risk & Compliance Services respectively. Issues raised and actions taken by Management to address these issues were deliberated in the AC meetings and the minutes of the AC meetings were then presented to the Board.

MANAGEMENT RESPONSIBILITY

The Management is overall responsible for implementing the Board's policies on risks and controls by allocating resources for the design and implementation of policies and procedures on risk management and internal control system to facilitate the identification and evaluation of significant risks faced by the Group and formulating adequate controls to manage these risks, according to the risk appetite set by the Board.

The principal objective of the risk management framework and internal control system is to identify and manage business risks effectively and safeguard assets.

As the internal controls system is designed to manage and reduce risks rather than eliminating them, the system can only provide reasonable assurance to the Board regarding the achievement of company objectives through:-

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations

The likelihood of achievement of the Group's objectives is affected by limitations inherent in any internal control systems. The Management therefore has to consider the cost of implementation of internal controls against the expected benefits to be derived.

RISK MANAGEMENT AND INTERNAL CONTROL STRUCTURE

Integrity and Ethical Values

The Group is committed to promote ethical behaviour culture in employees and medical consultants. At the annual staff assembly called "Pedoman" (Perhimpunan, Dialog dan Anugerah Tahunan Anggota Pekerja), all employees and medical consultants are reminded of the five Core Values adopted by the Group, which are Safety, Courtesy, Integrity, Professionalism and Continuous Improvement.

Employees are expected to be transparent in their conduct to promote high ethical values and reaffirm their commitment to the Group through the Staff Integrity Pledge ceremony.

In addition, the Group also encourages employees to report directly to the Managing Director of any misconduct or unethical behaviour committed by any staff of the Group through the annual Borang Peradaban declaration.

To complement this expectation, the Group also has in place a comprehensive Whistle-Blowing Policy that outlines the Group's commitment to promote the highest standards of governance, ethics and integrity in all aspects of business dealings. The Policy covers, inter-alia, 3 tiers of whistle-blowing reporting line, comprising of the Managing Director, the Chairman of the Audit Committee and the Chairman of the Board, to facilitate whistle-blowing activities according to different possible circumstances. In order to encourage a conducive environment for effective whistle-blowing, the Policy also provides assurances on the preservation of identity, confidentiality of information and protection of whistle-blowers from possible retaliation.

The Group is also a signatory to the "Malaysian Corporate Integrity Pledge" since 2011, introduced by the Malaysian Institute of Integrity (MII) in support of the Government efforts to combat corruption and unethical practices. Please refer to page 212 for the Group's Corporate Integrity Statement.

The Group has put in place the "No Gifts and Entertainment" policy applicable to all staff and the "Asset Declaration" policy applicable to staff of Manager grade and above. The purpose of these policies is to uphold ethical and responsible behaviour by all its employees and to avoid conflict of interest situation in any ongoing or potential business dealings in the Group with various suppliers and service providers.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Control Structure

The Group adopts the COSO Internal Control Framework as a guide to ensure an appropriate and sound system of internal controls are in place, which encompasses five inter-related components i.e. the Control Environment, Risk Assessment Framework, Control Activities, Information and Communication and Continuous Monitoring process.

The Group's operations is headed by the President & Managing Director, who is assisted by five (5) Vice Presidents for the following functions:

- Business Operations and Clinical Services
- Corporate and Finance Services
- Project Management and Biomedical Services
- Business Development Services
- Talent Management Services

All the hospitals within the Group are clustered into five (5) zones, whereby one hospital at each cluster will act as the control hub of the other hospitals within the cluster. Each cluster is headed by an executive director who will oversee and control all the hospitals' operations.

At the hospital level, the Executive Directors and the Chief Executive Officers are assisted by the Medical Directors who oversee all clinical governance in the hospitals.

At the Corporate level, the Group exercises its oversight via the Medical Advisory Committee on clinical matters and the Executive Committee ("EXCO") on all hospital operations matters.

Assignment of Authority and Responsibility

The Board has delegated certain responsibilities to Board Committees which function with clearly defined terms of reference. The functions and activities carried out by the Board Committees are set out in the Statement On Corporate Governance on pages 166 to 183 of this Annual Report.

The Board also assigns authority and responsibility mainly to the EXCO which is headed by the President/Managing Director, to manage operations as well as discuss strategic issues pertaining to the delivery of services and business operations of the Group.

Several committees have been formed to identify, evaluate, monitor and manage the significant risks affecting the Group operations:-

1. **Medical Advisory Committee ("MAC")**

   MAC is the apex clinical committee that is responsible for the Group's clinical governance framework and guidelines for sound and ethical medical practices.

   There are various sub-committees under the MAC; namely Clinical Governance Policy Committee, Clinical Governance Action Committee, Clinical Ethics Committee and Research & Development Committee

2. **Clinical Risk Management Committee ("CRMC")**

   CRMC is entrusted to review and oversee the effectiveness of the clinical ERM framework. All major clinical risk incidents related to patient and staff safety are presented to CRMC.

3. **Tender Evaluation Committee ("TEC")**

   TEC is responsible for evaluating all tenders for purchases, acquisitions or disposals of assets, award of contracts and appointment of project development consultants/advisors for the Group. TEC will make appropriate recommendation to the Tender Board Committee.

Commitment to Continuous Learning

The Group, being in a service-oriented industry, recognises the importance of sustainable investment in improving the skills and competencies of its management, medical consultants and employees. This is achieved through facilitating various training programs, seminars, workshops and service quality initiatives.

To improve staff competency in delivering quality service, the Group spends annually around 1% in addition to the total staff remuneration costs on conducting staff training and development programs. Each employee is mandated to undergo at least 30 hours of training per year on work related areas such as customer service, clinical safety and leadership program, facilitated by the Group's Talent Management Services in collaboration with KPJ Healthcare University College's ("KPJUC") teaching professionals or external trainers.

To promote continuous learning and upgrading of knowledge, the Group has a sponsorship program for eligible executives to further their studies in various post-graduate program in hospital management and clinical disciplines. In 2015, 4 executives obtained their Masters degrees from various universities. Since this program was started in 2005, 86 staff have benefited and obtained their Masters degrees.

Nurses, which represent around half of the Group's total workforce, are also encouraged to further their studies either for the Degree in Nursing or Masters in Science (Nursing) through collaboration with KPJUC, foreign universities or to take up post-basic courses in OT, ICU, CICU, renal and midwifery to enhance their knowledge and skills. The Group also organises the KPJ Medical Conference, Medical Workshop and Nursing Convention annually for the medical consultants, nurses and allied health staff to deliberate and discuss medical and clinical issues related to their practices to promote patient safety and standardisation of clinical practices.

Currently, 16 hospitals in the Group have received their accreditation certifications from the Malaysian Society for Quality in Health (MSQH), out of which 4 hospitals namely KPJ Johor Specialist Hospital, KPJ Seremban Specialist Hospital, KPJ Ampang Puteri Specialist Hospital and KPJ Penang Specialist Hospital, have also been certified by the Joint-Commission International with the internationally recognised and prestigious "JCI Accreditation". It is the Group's aspiration that all hospitals in its network would be accredited upon reaching operational maturity.

RISK MANAGEMENT FRAMEWORK

Group-Wide Objectives

The Board has established an organisational structure with clearly defined lines of accountability and responsibility to support the ideal control environment. The Audit Committee's responsibilities have been expanded to include the assessment of risks that the Group faces in its operations.

The Group subscribes to the "Australian/New Zealand Standard 4360:1999 Risk Management" to guide its risk management activities and adopted the "Australian/New Zealand Standard HB228:2001 Guidelines for Managing Risk in Healthcare" as its base framework in managing its business risks, comprising as follows:-

- Patient Care
- Clinical Staff
- Employee
- Property
- Financial
- Corporate Governance
- Others

The Group has put in place an Enterprise-Wide Risk Management ("ERM") framework for managing risks associated with its business and operations. The ERM framework features a risk governance structure that comprises of 3 levels of defence with clear lines of responsibilities and accountabilities as follows:-

Level 1 - Hospital-level Management and Board
Level 2 – Clinical Services & Risk Management Services at HQ
Level 3 – Group Internal Audit at HQ

Risk Coordinators are appointed at each hospital to co-ordinate and monitor the implementation of risk management activities across all aspects of operations. All hospitals and subsidiaries are required to identify and mitigate relevant risks that may affect the achievement of the Group's objectives and report all significant risks arising from operations to their respective Boards.

The Group coordinates its risk management activities through a risk reporting & escalation framework called "Incident Reporting & Root Cause Analysis". This is to ensure that all risk incidents are documented, investigated and root causes are identified to prevent future recurrence and ensure patient safety is given top priority.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

As a healthcare service provider, clinical risk forms the biggest risk class the Group faces. Therefore, the Board has entrusted the CRM committee which comprises of medical consultants of various disciplines to review and deliberate on all reported risk incidences. The minutes and decisions of this committee are presented to the MAC, which is the apex-committee for all clinical matters of the Group.

Both clinical and non-clinical risk matters are also reported to the AC which has oversight authority on all risk management and internal control issues of the Group.

CONTROL ACTIVITIES

Policies and Procedures

Policies and procedures are documented comprehensively, which are reviewed regularly to ensure relevance and compliance with the current and applicable laws and regulations. These policies and procedures help to ensure that appropriate authority limits are in place, business activities are carried out according to set standards and necessary actions are taken to address and minimise risks and ensure the orderliness and continuity of business functions.

Segregation of Duties

The delegation of responsibilities by the Board to the Management and Operating Units are clearly defined and authority limits are strictly enforced and reviewed regularly. Different authority limits are set for different categories of managers for the procurement of capital expenditure, donations and approval of general and operational expenses. Similarly, cheque signatories and authority limits are clearly defined and enforced.

INFORMATION AND COMMUNICATION

Information Technology

Information technology continues to be the backbone of the hospital operations whereby the Group has a strong dedicated team of IT professionals to deliver and manage its in-house developed integrated systems comprising of Hospital Information Technology System ("HITS") and KPJ Clinical Information System ("KCIS").

HITS is an integrated hospital management system covering the complete range of patient service processes from registration to billing. HITS also has functionalities covering financial and material management modules, making it a truly reliable and robust system that has served the Group's information needs well since 1997.

KCIS on the other hand is a system that caters to the clinical activity needs of the hospitals to facilitate seamless communication amongst clinical professionals. KCIS key functionalities include patient clinical information, e-pharmacy, e-ordering and clinical reporting. KCIS was launched in 2011 and is being rolled-out in phases to all hospitals. Presently, 17 hospitals have started using KCIS with 3 more hospitals identified for implementation in 2016.

Since 2014, the Group has implemented a nationwide cloud infrastructure for its hospital network. The cloud-enabled infrastructure has benefited the Group to optimise the IT capital expenditure with greater efficiency, reliability and flexibility. By moving the IT infrastructure to the cloud, the Group is able to centrally deliver IT services to the hospitals nationwide in an efficient, reliable and secure manner. At present, 5 hospitals have migrated to the cloud infrastructure with 5 more hospitals planned for 2016.

Communication and Information Sharing

The Group promotes the culture of effective communication and information sharing amongst the hospitals and key subsidiaries through the holding of functional group meetings and conferences. The objective behind these meetings and conferences is to share and reinforce key business strategies, review performance, discuss current issues and communicate new policies and procedures.

Such meetings and conferences are held either on monthly, quarterly or annual basis, comprising of diverse functional groups such as hospital management, chief nursing officers, finance managers, pharmacists and risk coordinators.

The Group conducts the Pedoman annual staff gathering at the beginning of every year, whereby achievements and challenges faced during the previous financial year are shared with staff, new strategic initiatives, corporate KPI and business targets for the new financial year are also presented.

CONTINUOUS MONITORING AND ASSURANCE

Ongoing Monitoring

The main assurance process of the Group is primarily undertaken by the Level 2 and Level 3 defence line functions. The effectiveness of internal control systems implemented throughout the Group is assessed primarily by the Group Internal Audit through the conduct of regular audits on the hospitals and key subsidiaries.

The assurance on the effectiveness of the ERM framework is provided primarily by the Clinical & Quality Services and Risk Management Services through on-site and off-site reviews. In 2015, 25 clinical audits and 16 risk & compliance reviews were conducted by these departments respectively.

Reports generated by the Level 2 and Level 3 lines of defence mentioned above are presented to the Clinical Risk Management Committee and Audit Committee respectively for deliberation.

The Group's risk management framework and internal control systems do not apply to the associate companies where it does not exercise management control over their operations. The Group's interests are served through representation on the Board of Directors of these associate companies as well as through regular review of management accounts that they provide to the Group. The Board is satisfied with the information provided to assess the associates' performance for informed and timely decision-making on the Group's investments in these associates.

Independent Evaluation

All hospitals certified with the MSQH and JCI accreditation have to undergo stringent surveillance audit by the respective surveyors and audit teams to ensure compliance with accreditation standards and requirements before accreditation certification can be renewed, usually every three (3) years.

In 2015, MSQH conducted 7 hospital accreditation audits and JCI conducted 2 hospital audits as part of the accreditation process cycle.

Review Of This Statement By The External Auditors

This Statement on Risk Management and Internal Control has been reviewed by the External Auditors as required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad for the inclusion in the Annual Report for the year ended 31 December 2015. The limited assurance review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control of the Group.

The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of risk management and internal controls systems of the Group.

ASSURANCE

The Board has received assurance from the Managing Director and Vice President (I) – Corporate and Financial Services, that the Group's risk management framework and internal control system are operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report, based on the risk management and internal control system adopted by the Group.

The Board is of the view that the system of internal controls instituted throughout the Group is sound and effective and provides a level of confidence on which the Board relies for assurance. In the year under review and up to the date of this report, there was no significant control failure or weakness that would result in any material separate disclosure in the Annual Report. The Board ensures that the internal control system and the risk management practices of the Group are reviewed regularly to meet the changing and challenging operating environment.

The Board is therefore pleased to disclose that the system of internal control and risk management of the Group is sufficient, appropriate, effective and in line with the Malaysian Code of Corporate Governance and the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

AUDIT COMMITTEE REPORT AND TERMS OF REFERENCE

Zainah Mustafa
Chairman
Independent
Non-Executive Director

Datuk Azzat Kamaludin
Member
Independent
Non-Executive Director

Tan Sri Dato' Dr Yahya Awang
Member
Independent
Non-Executive Director

Dr Kok Chin Leong
Member
Independent
Non-Executive Director

1. COMPOSITION AND ATTENDANCE

1.1 COMPOSITION

The Audit Committee ("AC" or "the Committee") comprises of three (3) Independent Non-Executive Directors, all of whom are also members of the Board of KPJ Healthcare Berhad.

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

Name of Member	Status of Directorship	No. of Meeting Attended
Zainah Mustafa *Chairman*	Independent Non-Executive Director	7/7
Datuk Azzat Kamaludin *Member*	Independent Non-Executive Director	6/7
Tan Sri Dato' Dr Yahya Awang *Member* (Resigned as Member on 27 August 2015)	Independent Non-Executive Director	4/4
Dr Kok Chin Leong *Member* (Appointed as Member on 27 August 2015)	Independent Non-Executive Director	1/1

The Chairman of the Committee, Zainah Mustafa, is a member of the Malaysian Institute of Accountants (MIA). This meets the requirement of Section 15.09 (1) of the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Main Market Listing Requirements ("Listing Requirements") which stipulates that at least one of the Committee members should be financially literate.

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

1.2 ATTENDANCE

AC meetings for 2015 were pre-arranged in December 2014 and communicated to the members early to ensure their time commitment. A minimum of four (4) meetings a year shall be planned, although additional meetings may be called at any time at the Chairman's discretion.

The quorum for all seven (7) meetings held during financial year 2015 were fulfilled. The meetings were held on 19 January 2015, 26 January 2015, 10 February 2015, 14 April 2015, 14 May 2015, 12 August 2015 and 12 November 2015 respectively.

The Company Secretary acts as the AC Secretary at all AC meetings. The President & Managing Director, Vice President (I) Corporate and Financial Services, Vice President (I) Business Operations & Clinical Services together with Head of Internal Audit and other members of Senior Management and External Auditors shall normally attend the meetings. Other Directors, Executive Directors of the hospitals and employee of the company and/or Group may attend any particular meeting upon invitation where appropriate.

In 2015, the External Auditors attended two (2) out of seven (7) meetings which were held on 10 February 2015 and 12 November 2015 respectively. A separate private session were also conducted without Management's presence on 10 February 2015.

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

2. CHANGES IN AUDIT COMMITTEE MEMBER

The Audit Committee member, Tan Sri Dato' Dr. Yahya Awang resigned as Committee Member with effect from 27 August 2015. Dr. Kok Chin Leong was appointed on the same date. His profile, qualifications and experience can be found on page 84 of this Annual Report.

3. CHANGE OF EXTERNAL AUDITORS

The change of external auditors from Messrs Ernst & Young to Messrs PricewaterhouseCoopers is a group-wide exercise driven by the change at Johor Corp level, whereby the external auditor appointment is rotated on a 5-year cycle in consultation with the Auditor-General office.

4. TERMS OF REFERENCE (TOR)

The ToR of the AC is aligned to the Main Listing Requirements, recommendations of the Malaysian Code on Corporate Governance 2012 (MCCG 2012) and relevant best practices including those identified in the Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition), issued by Bursa Securities on 2 October 2013.

AUDIT COMMITTEE REPORT AND TERMS OF REFERENCE

4.1 OBJECTIVES OF THE COMMITTEE

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

b. To provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;

c. To improve the Group's business efficiency, the quality of the accounting and audit function as well as strengthen public confidence in the Group's reported financial results;

d. To maintain a direct line of communication between the Board and the External and Internal Auditors;

e. To ensure the independence of the External and Internal Audit functions; and

f. To create a climate of discipline and control which would reduce the opportunity for fraud.

4.2 MEMBERSHIP

a. The Committee members shall be appointed by the Board, amongst its Directors which fulfils the following requirements:

   i. the Committee must comprise of not less than three (3) members;

   ii. all members must be Non-Executive Directors, with a majority of them being Independent Directors; and

   iii. all members should be financially literate and at least one (1) of them must meet the criteria set by the Bursa Malaysia Listing Requirements i.e.:

   - must be a member of the Malaysian Institute of Accountants (MIA) or
   - if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience, and:
     - must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
     - must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

b. The Chairman of the Committee that is elected by the Board shall be an Independent Director as set by Bursa Malaysia Listing Requirements;

c. The term of office and performance of the Committee shall be reviewed by the Board to determine whether the Committee has carried out its duties in accordance with its terms of reference; and

d. No alternate Director of the Board shall be appointed as a member of the Committee.

4.3 REPORTING RESPONSIBILITIES

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

4.4 MEETINGS AND ATTENDANCE

a. At a minimum, the Committee should meet at least four (4) times a year, which is on a quarterly basis, to properly carry out its duties and ensure effective discharge of its responsibilities. Additional meetings may be called at any time at the Chairman's discretion;

b. The External Auditor should normally be invited to attend the meeting to present their findings and opinion to the financial statements;

c. The Committee has the right to convene separate meetings with the Internal Auditors, External Auditors or both, without the attendance of Management;

d. The Company Secretary, who acts as the secretary of the Committee meeting plays an important role in organising and providing assistance for the meetings. The meeting agenda shall be drawn up in consultation with the Chairman of the Committee. The minutes shall be circulated to and confirmed by the Committee before disseminating to the Board.

4.5 AUTHORITY

The Committee is empowered by the Board to:-

a. investigate any matter within its terms of reference or as directed by the Board;

b. determine and obtain the resources which are required to perform its duties;

c. have full and unrestricted access to any information pertaining to the Group;

d. have direct communication channels with the External and Internal Auditors; and

e. obtain external independent professional advice, legal or otherwise deemed necessary.

5. DUTIES AND RESPONSIBILITIES

The functions of the Committee have been expanded to include matters specified in the Malaysian Code of Corporate Governance 2012 2nd Edition (MCCG 2012 2nd Edition) that shall be:-

a. Financial Reporting

i. To review and recommend acceptance or otherwise of accounting policies, principles and practices;

ii. To review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:

- any changes in existing accounting policies or implementation of new accounting policies;
- major judgement areas, significant and unusual events;
- significant adjustments resulting from the audit;
- the going concern assumptions;
- compliance with accounting standards; and
- in compliance with Bursa Malaysia Listing Requirements and other legal and statutory requirements.

iii. To review with Management and the external auditors the results of the audit, including any difficulties encountered; and

iv. To review and verify the allocation of scheme options pursuant to the Company's Employees' Share Option Scheme (ESOS) in accordance with the Bursa Malaysia Listing Requirements, following which a statement shall be provided by the AC in the Annual Report.

b. Risk Management

i. To review the adequacy and provide independent assurance to the Board on the effectiveness of risk management functions in the Group;

ii. To ensure that the principles and requirements of managing risk are consistently adopted throughout the Group; and

iii. To review the risk profile of the Group and major initiatives having significant impact on the business.

c. **Internal Control**

i. To assess the quality and effectiveness of the system of internal control and the efficiency of the Group's operations; and

ii. To review the findings on internal control within the Group by the Internal and External Auditors.

d. **Internal Audit**

i. To approve the Audit Charter and ensure the Internal Audit functions are adequately resourced;

ii. To review the adequacy of Internal Audit Plan, the scope of audits and that the Internal Audit function has the necessary authority, competency and resources to carry out its work;

iii. To review the results of the Internal Audit process and where necessary, to ensure that appropriate action is taken on the recommendations of the Internal Audit function;

iv. To approve appointment, replacement and dismissal of the Head of Internal Audit;

v. To evaluate the performance of the Head of Internal Audit; and

vi. To direct any special investigation to be carried out by the Internal Audit.

e. **External Audit**

i. To review the External Audit plans, scope of work and their audit reports;

ii. To consider the appointment of the External Auditor, the audit fee and any questions of resignation or dismissal of the External Auditor before making any recommendation to the Board;

iii. To discuss issues and reservations arising from the interim and final audits, as well as any matters the Auditor may wish to discuss;

iv. To review the External Audit reports and Management's response and actions taken in respect of the findings; and

v. To review the independence and objectivity of the External Auditors and their services, including non-audit services.

f. **Corporate Governance**

i. To review the effectiveness of the system for monitoring compliance in line with the laws and regulations, the results of Management's investigation and follow up (including disciplinary action) of any instances of non-compliance;

ii. To review the findings of any examinations by regulatory authorities.

iii. To review reports of related party transactions, deliberated on the nature of the transactions and that proper disclosures were made in line with the listing requirements;

iv. To review any conflict of interest situation that arises within the Group including any transaction, procedure or course of conduct that raises questions of integrity;

v. To review and approve the Statement of Corporate Governance for the Annual Report as required under Bursa Malaysia Listing Requirements; and

vi. To examine instances and matters that may have compromised the principles of corporate governance and report back to the Board.

g. **Other Matters**
Consider such other matters as the Committee considers appropriate or as authorised by the Board.

6. SUMMARY OF ACTIVITIES

During the year 2015, the Committee carried out the following activities:

a. Financial results

i. Reviewed the quarterly unaudited financial result announcements before recommending the same to the Board for approval; and

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

b. Risk Management

i. Reviewed the system in place to identify, assess, mitigate and monitor Group-Wide Risk Assessment in order to promote and improve risk management awareness and processes; and

ii. Reviewed the risk profile of the Group and major initiatives that had significant impact on the business.

c. Internal Audit

i. Reviewed and approved the revised Audit Charter;

ii. Reviewed and approved the annual Audit Plan for the year 2014/2015 to ensure adequate resources, competencies as well as comprehensive audit scope and coverage over the significant and high risk audit activities;

iii. Deliberated on the Internal Audit Reports that were tabled and appraised the adequacy of Management's responsiveness to the audit findings and recommendations;

iv. Evaluated the results of scheduled follow-ups, investigations and special audits performed and confirmed that the appropriate actions were taken to correct the weaknesses;

v. Assessed the status of audit activities as compared to the approved annual Audit Plan; and

vi. Deliberated on the results and opportunities for improvement identified from the Quality Assessment Review (QAR) by a qualified independent assessor and was updated on the progress of recommendation made.

d. External Audit

i. Reviewed the audit plan, audit strategy and scope of work for the year;

ii. Reviewed the results of the annual audit, audit reports and Management Letter together with Management's response to their findings;

iii. Assessed the independence and objectivity of the External Auditors during the year and prior to the appointment of External Auditors for ad-hoc non-audit services. The Committee also received from the External Auditors their policies and written confirmation regarding their independence and the measures used to control the quality of their work;

iv. Assessed the performance of the External Auditors and recommended their appointment and remuneration to the Board of Directors; and

v. Met with the External Auditors without the presence of Management to discuss matters that they may wish to present.

e. Related Party Transactions

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

f. Annual Reporting

Reviewed and recommended the Statement on Risk and Internal Control, Audit Committee Report as well as Statement on Corporate Governance for Annual Report, prior to Board approval.

g. Other Matters

i. Deliberated on the progress and status of IT strategy issues; and

ii. Reviewed and deliberated on the subsidiaries' performance.

h. Directors' Training

For the year under review, the relevant Committee members have attended various conferences, seminars and trainings and the details of the training attended are reported under the Statement on Corporate Governance in pages 176 to 178.

7. INTERNAL AUDIT FUNCTION

The in-house Internal Audit Services carries out KPJ's internal audit function in assisting the Board to oversee that Management has in place a sound risk management, internal control and governance systems.

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

Internal Audit Services reports functionally to the AC and administratively to the President. It is independent of the activities or operations of other operating units. Internal Audit Service's authority, scope and responsibilities are governed by its Audit Charter which is approved by AC and aligned with the International Professional Practice Framework on Internal Auditing, as issued by the Institute of Internal Auditors.

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

As part of the quality assurance and improvement programmes, Internal Audit Service had underwent external quality assessment conducted by a qualified independent assessor in March 2015. The results and opportunities for improvement identified from the assessment were tabled at the AC meeting for deliberation and information. The QAR shall be performed once in every five (5) years. In addition, peer review mechanism had been developed prior to QAR as part of internal assessment to ensure a consistently high quality output of each audit engagement.

The total costs incurred for maintaining the internal audit function for the financial year ended 31 December 2015 was approximately RM1.8 million, comprising mainly salaries and incidental costs such as travelling, accommodation and training cost as well as consultancy fees. Various in-house training programmes and external courses were provided to staff members in the areas of auditing skills, technical skills, business acumen, strategic management and personal development to enhance the desired competency level.

The Internal Audit Services within its terms and reference undertook the following activities during the financial year 2015:-

i. Reviewed and appraised the adequacy and integrity of the internal financial controls so as to ensure that it provided a reasonable but not absolute assurance that assets are properly safeguarded;

ii. Ascertained the effectiveness of Management in identifying principal risks and managed such risks through the Risk Management Framework set-up by the Group;

iii. Ascertained the level of compliance with the Group's plans, policies, procedures and adherence to laws and regulations;

iv. Appraised the effectiveness of administrative and financial controls applied and the reliability and integrity of data that is produced within the Group;

v. Performed follow-up reviews of previous audit reports to ensure appropriate actions were implemented to address control weaknesses highlighted;

vi. Carried out investigations and special reviews requested by the Committee and/or Management;

vii. Witnessed the tender opening process for procurement of services or assets. The witnessing process was done to ensure the activities in the tendering process were conducted in a fair, transparent and consistent manner; and

viii. Prepared the AC Report for the Company's Annual Report for financial year ended 31 December 2015.

During the financial year ended 31 December 2015, Internal Audit Services accomplished a total of 85 audits comprising scheduled financial and operational audits at the hospitals and support companies including due diligence, special audits and ad-hoc assignments. Reviews on compliance with the established procedures, guidelines and statutory obligations were also performed.

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

All findings resulting from the audits were reported to the AC, Senior Management and relevant Management of operating hospitals and support companies. Management of the operating hospitals and support companies were accountable to ensure proper rectification of the audit issues and implementation of action plans within the timeframe specified. Follow up by Internal Audit Services on the actions taken will be updated in the subsequent audits.

MEDICAL ADVISORY COMMITTEE (MAC) REPORT

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

"At the Group level, the Group Medical Advisory Committee (MAC) develops and monitors clinical governance activities and guidelines for the Group."

KPJ defines clinical governance as "A framework through which organisations are accountable for continually improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish."

This definition is intended to embody three key attributes: recognisably high standards of care; transparent responsibility and accountability for those standards; and a constant dynamic of improvement.

At KPJ hospitals, overall responsibility for clinical governance lies with the hospital's Medical Director. However, clinical governance is the responsibility of every member including doctors, nurses, physiotherapists, radiographers, laboratory staff, cleaners, porters and administrative staff. Everyone works together to ensure that patients receive the best possible care.

At the Group level, the Group Medical Advisory Committee (MAC) develops and monitors clinical governance activities and guidelines for the Group (Figure 1). Whereas at the individual hospital level, the Hospital MAC under the chairmanship of the Medical Director facilitates the implementation and oversees compliance to clinical governance through various clinical sub-committees such as the Hospital Credentialing & Privileging; Infection Control; Medical Records; Mortality Review; Pharmacy & Therapeutics; Surgical and Medical Intervention Committee and other hospital Committees.

All hospitals have complied with the Hospital Clinical Committee meetings as stipulated in the KPJ Medical Professional By-Laws. The reports from the Hospital Clinical Committee meetings are collected and compiled and discussed during the various hospital meetings and finally presented to the Hospital Board of Directors. Eventually the statistics and trends are reported to the Group MAC meeting quarterly.

Safety is a priority at KPJ. We focus on reconnecting quality and patient safety with clinical care. We are committed to a just culture of safety in which employees are encouraged to come forward when they or others make mistakes, allowing us the opportunity to improve the care we deliver and prevent potential errors. Reducing risk and ensuring safety requires increased attention to systems that prevent and mitigate errors.

MAC overseas the clinical governance and patient safety programs at the hospitals focusing on continuous enhancement of safety for all patients, visitors and employees. Every employee plays a critical role in ensuring the safety of the patient and visitor.

The KPJ hospitals' success in continuously improving the culture of safety can be shown by the various initiatives by the KPJ Hospitals. For example, reporting to the Ministry of Health (MOH) on the compliance to the National Patient Safety Goals, being accredited by national and international accreditation bodies, Risk Management and Incident Reporting System is in place, complying to Infection Control standards and many other healthcare initiatives that are monitored nationally.

KPJ ensures that all our hospitals are continually in compliance with the highest level of quality care and patient safety standards as set by the Malaysian

MEDICAL ADVISORY COMMITTEE (MAC) REPORT

Standards for Quality and Health (MSQH), Joint Commission International (JCI), Integrated Management Systems (IMS) and other regulatory, licensing and accreditation agencies.

HOSPITAL ACCREDITATION

KPJ ensures that our hospitals are always prepared and in compliance with the highest levels of quality care and patient safety standards as set by MSQH and Joint Commission International.

Table 1: List of Accredited Hospitals

HOSPITALS	JCI	MSQH
1. KPJ Ampang Puteri	√	√
2. KPJ Seremban	√	√
3. KPJ Penang	√	√
4. KPJ Johor	√	√
5. KPJ Damansara		√
6. KPJ Ipoh		√
7. KPJ Selangor		√
8. KPJ Perdana		√
9. KPJ Kajang		√
10. KPJ Tawakkal		√
11. Kedah Medical Centre		√
12. KPJ Puteri		√
13. Kuantan Specialist Hospital		√
14. KPJ Sentosa KL		√
15. KPJ Klang		√
16. KPJ Damai Specialist Hospital		√

CLINICAL RISK MANAGEMENT

Clinical Risk Management Approach is to improve the quality and safe delivery of care by identifying situations that may put patients at risk and acting to prevent or control those risks.

MANAGEMENT BY WALK ABOUT

These executive walk-about offer insight into the care process and the potential of harm to the next patient. Team representatives from the Quality & Safety, Clinical Risk Management, unit/area management, a senior executive and the hospital's Medical Director walk a particular unit/area on a monthly basis.

The goals of these rounds are to:

1. Demonstrate to frontline staff, senior leadership's commitment to patient safety and develop an ongoing relationship with the staff
2. Emphasise dual ownership for unit level safety i.e. both staff and senior leadership
3. Facilitate a non-punitive just culture of safety
4. Encourage reporting of safety opportunities
5. Speak directly to frontline staff regarding how we can improve our systems and processes.

INCIDENT REPORTING SYSTEM

KPJ's Incident Reporting System allows any employee to report a near miss, process problem, or a patient event. An event is anything that occurs in the hospital or outpatient setting that caused or has the potential to cause a medical error or injury.

Our doctors and employees are encouraged to report events even if it did not cause harm to the patient. Reporting of "near misses" provides an opportunity for the Risk Management Committee to identify flaws in the system and to implement changes before they impact the patient adversely.

INFECTION CONTROL

Infection Control practitioners diligently work to improve the quality of healthcare through infection control practices and ongoing education. KPJ is dedicated to improve patient care, preventing adverse outcomes and promoting patient safety while minimising occupational hazards for our employees.

A new initiative is the Antibiotic Stewardship program. The objective is to improve patient outcome (e.g. Reduce morbidity and mortality from infection) and to optimise antimicrobial therapy, by promoting judicious use of antimicrobials, optimising antimicrobial selection, dosing, route and duration of therapy in order to maximise clinical cure or prevent hospital acquired infections.

HAND HYGIENE

Clean hands are the best protection against infection. With an increase in drug-resistant bacteria present in all hospital settings, it is increasingly important for healthcare personal to follow hand hygiene guidelines.

When you clean your hands, you reduce the likelihood of spreading bacteria from one patient to another. In fact, KPJ hospitals are part of a growing number of hospitals that monitor hand hygiene among doctors and staff. Look for alcohol-based hand sanitisers around our facilities to protect the health of patients, visitors and staff.

NATIONAL PATIENT SAFETY GOALS

These goals are designed to ensure all KPJ hospitals are offering patients the best care possible. Medication safety measures, following hand hygiene guidelines and preventing patient falls are examples of these goals.

FALL REDUCTION PROGRAM

Reducing the risk of patient harm resulting from falls is one of the National Patient Safety Goals. KPJ has a fall-reduction program that provides guidelines for everyone involved in the care of patients in our hospitals. The fall-reduction program includes patient evaluation, interventions, staff education and training, patient education and outcomes assessment.

MEDICAL ADVISORY COMMITTEE (MAC) REPORT

PATIENTS FOR PATIENT SAFETY PROGRAM

In 2013, two KPJ hospitals KPJ Ampang Puteri and KPJ Damansara implemented this program that encourages patients to take an active, involved and informed role in their own care. Patients who do so, according to research, are more likely to have better outcomes.

These hospitals have initiated a number of programs to encourage patients to get involved with their care. They are encouraged to voice their medication or safety concerns. All admitted patients receive comprehensive guides to the services they will encounter at the hospital.

ENVIRONMENTAL HEALTH AND SAFETY

Our hospitals are committed to create and maintain a safe and healthy environment for all employees, patients and visitors. It's our policy to maintain a safety program conforming to all applicable local, state and federal safety and health standards, fire and environmental regulations.

KPJ Hospitals adhere to all safety requirements that hospitals must comply with and are enforced by national bodies i.e. Ministry of Health (MOH), Fire Department (BOMBA), Department of Environment (DOE) & Occupational Safety & Health (OSH).

Whenever possible, our hospitals make every effort to be of a higher standard than is required.

INTEGRATED MANAGEMENT SYSTEM (IMS)

The Quality Services monitors and assess patients' data to improve the quality of patient care and operational processes delivered at our hospitals. The healthcare personal works hand in hand with all the different clinical units to identify and address quality.

Some of the quality initiatives for all KPJ Hospitals is to be certified in IMS Integrated Management Systems (IMS) consists of ISO 9001, OHSAS 18001 and ISO 14001.

- ISO 9001 is a certified quality management system (QMS) for organisations who want to prove their ability to consistently provide products and services that meet the needs of their customers and other relevant stakeholders.
- OHSAS 18001 is an Occupation Health and Safety Assessment Series for health and safety management systems. It is intended to help an organisation to control occupational health and safety risks.
- ISO 14000 is a family of standards related to environmental management that exists to help organisations to minimise their operations (processes, etc.) that negatively affect the environment (i.e. cause adverse changes to air, water, or land) and to comply with applicable laws, regulations, and other environmentally oriented requirements, hence to continually improve the overall environmental management system of the organisation.

BABY FRIENDLY HOSPITAL INITIATIVE AND CERTIFICATION

The Baby Friendly Hospital Initiative (BFHI) and certification, is a global program that was launched by the World Health Organisation (WHO) and the United Nations Children's Fund (UNICEF) to encourage and recognise hospitals and birthing centres that offer optimal level of care for infant feeding and mother/baby bonding. The BFHI aims to increase the numbers of babies who are exclusively breastfed worldwide, a goal which the WHO estimates could contribute to avoiding over a million child deaths each year, and potentially many premature maternal deaths as well. (Table 3)

ELECTRONIC MEDICAL RECORD

KPJ is one of the leaders in the healthcare industry's conversion to the electronic medical record, a computer-based version of the patients' records in KPJ known as KPJ Clinical Information System (KCIS).

Initially launched in KPJ Puteri in year 2007, currently 16 hospitals have started using KCIS in the Group. KCIS allows healthcare providers immediate access to a patient's medical records, prescriptions and laboratory results. This has virtually eliminated the risk of lost information and thus coordinated care is enhanced greatly by improving communication in a seamless process for all healthcare providers.

PROCESS IMPROVEMENT

The healthcare personal work together to provide appropriate solutions to ensure best practices, resulting in quality patient care and service, using various improvement techniques. Using a variety of improvement techniques, these include:

- 5S Philosophy: A process and method for creating and maintaining an organised, safe, clean and high performance workplace.
- Lean Management: A systematic method for the elimination of waste within a system. It also takes into account waste created through overburden and waste created through unevenness in work loads.
- Other improvement techniques and tools being used include PDCA (Plan, Do, Check, and Act), RCA (Root Cause Analysis) and FMEA (Failure Mode and Effects Analysis).

Table 2: Hospitals with IMS Certification

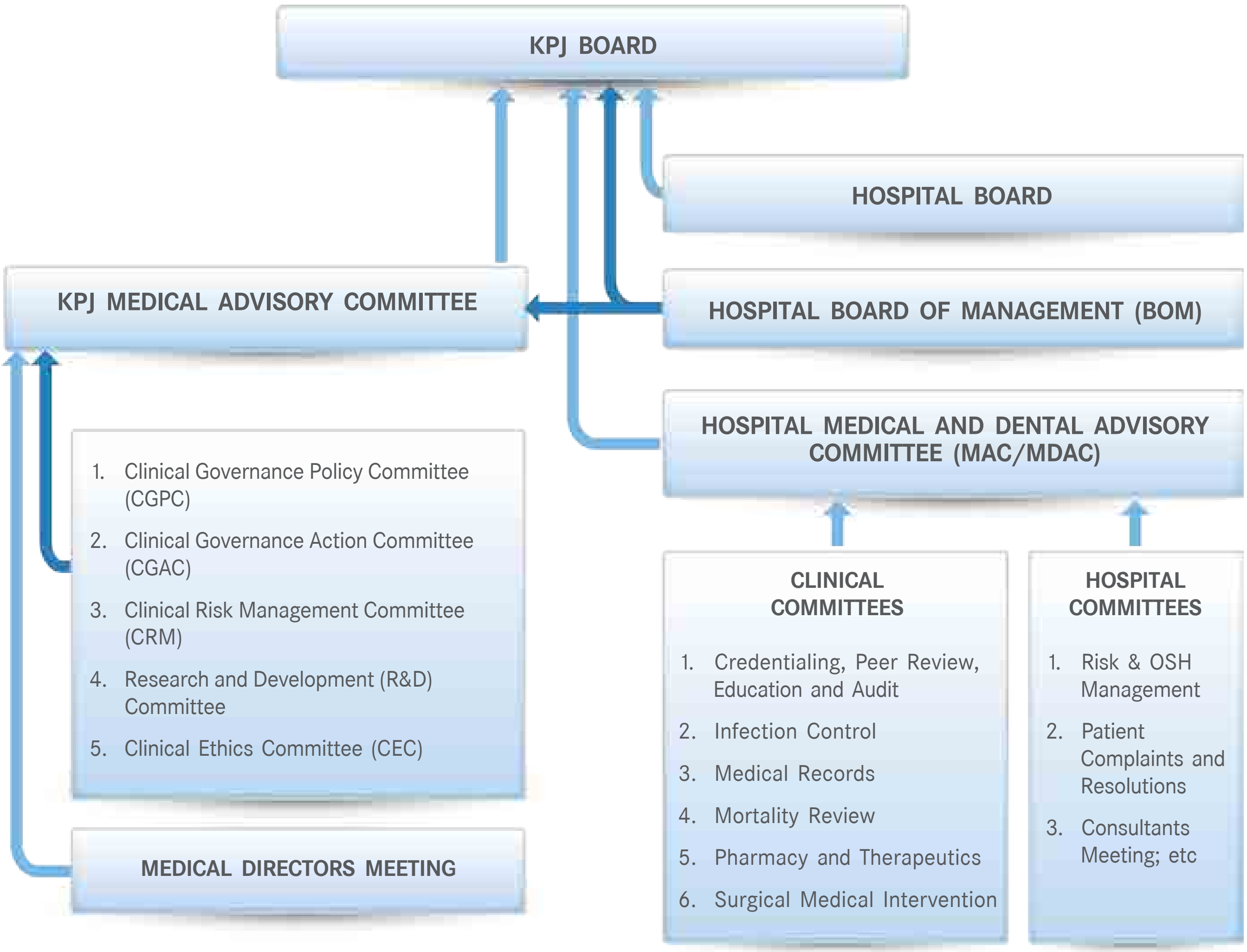
HOSPITALS	ISO 9001	OHSAS 18001	ISO 14001
1. KPJ Ampang Puteri	√	√	√
2. KPJ Seremban	√	√	√
3. KPJ Penang	√	√	√
4. KPJ Johor	√	√	√
5. KPJ Damansara	√	√	√
6. KPJ Ipoh	√	√	√
7. KPJ Selangor	√	√	√
8. KPJ Perdana	√	√	√
9. KPJ Kajang	√	√	√
10. KPJ Tawakkal	√	√	√
11. Kedah Medical Centre	√	√	√
12. KPJ Puteri	√	√	√
13. Kuantan Specialist	√	√	√
14. KPJ Sentosa KL	√	√	√
15. KPJ Klang	√	√	√
16. Kluang Utama Specialist	√	√	√
17. Taiping Medical Centre	√	√	√
18. KPJ Pasir Gudang	√	√	√
19. Kuching Specialist Hospital	√	√	√
20. KPJ Rawang	√	√	√

Table 3: KPJ's Baby Friendly Hospitals

HOSPITALS	BFHI Certified	BFH Initiative
1. KPJ Ampang Puteri	√	
2. KPJ Seremban	√	
3. KPJ Penang	√	
4. KPJ Johor	√	
5. KPJ Damansara	√	
6. KPJ Ipoh	√	
7. KPJ Selangor	√	
8. KPJ Perdana	√	
9. KPJ Kajang	√	
10. KPJ Tawakkal	√	
11. KPJ Puteri	√	
12. KPJ Sentosa KL	√	
13. Kedah Medical Centre		√
14. Taiping Medical Centre		√

MEDICAL ADVISORY COMMITTEE (MAC) REPORT

STRUCTURAL OF CLINICAL GOVERNANCE



MEDICAL ADVISORY COMMITTEE

1. **Dr. Yoong Fook Ngian**
   Chairman & KPJHB Board Member

2. **Dato' Amiruddin Abdul Satar**
   President & Managing Director

3. **Dr. Kok Chin Leong**
   Chairman & KPJHB Board Member
   Group Clinical Governance Policy Committee

4. **Dato' Dr. S Jenagaratnam**
   Consultant Anaesthetist, KPJ Ipoh Specialist Hospital

5. **Prof. (C) Dato' Dr. Shahrudin Mohd Dun**
   Chairman
   Group Clinical Governance Action Committee

6. **Datuk Dr. Hussein Awang**
   Chairman
   Medical Directors' Meeting

7. **Prof. Dato' Dr. Azizi Omar**
   Chairman
   Group Research & Development Committee

8. **Dato' Dr. Zaki Morad Mohamad Zaher**
   Chairman
   Group Clinical Ethics Committee

9. **Dato' Dr. Ngun Kok Weng**
   Chairman
   Group Clinical Risk Management Committee

10. **Dr. Mohd Hafetz Ahmad**
    Chairman
    Group Research Ethics Committee

11. **Jasimah Hassan**
    Vice President (I)
    Business Operation and Clinical Services

12. **Mah Lai Heng**
    Senior General Manager
    Group Operation Services

13. **Gunavathy Kalee**
    Deputy General Manager
    Clinical and Quality Services

BUSINESS CONTINUITY MANAGEMENT

In the dawn of 4th Industrial Revolution or building on the Third, the digital revolution that has been evolving since the middle of the last century, resulting in blurring of lines between human and humanoid by fusion of technologies between the physical, digital, and biological spheres has made it immensely important to ensure the continuity of business in the realm of evolving dynamics of change at breakneck pace. Having huge systems which impact businesses overnight by trends in social and societal background make it really challenging to defy the adoption of those. Adopting those brings another challenge of having too little understanding as being in evolution and resulting that puts a fear of loss of business and causing a disruption in continuity of business.

BUSINESSES HAVE TO CONTINUE ADOPTING THE PACE OF THE CHANGE AND ENSURING THE CONTINUITY OF BUSINESS IN CHALLENGING ENVIRONMENTS AND ADDING MORE RESILIENCE TO IT

These changes in business landscape are resulting in a frenzy of discussions over Business Continuity and ability to manage disruption and thus becoming a core focus of an organisation and build into a lead discipline along-side other disciplines such as business development, risk management, disaster/crisis management and emergency management all evolving around the notion of business continuity management. The discussion over this topic will certainly increase due to ever increasing business disruptions due to blurring of borders between what businesses can do and what they are doing because of pleasing the customer of safeguarding the business interest against competition. Businesses have to continue adopting the pace of the change and ensuring the continuity of business in challenging environments and adding more resilience to it.

Taking cue from above KPJ Healthcare in this era of fast evolving business changes due to technological shift and consumer adoption of cloud, social and mobile requires more efforts to ensure to maintain the best possible continuity of business based on its Corporate Vision i.e. "The Preferred Healthcare Provider". To ensure that KPJ Healthcare provides such care in-line with the best practices of healthcare, benchmarked against the best in the industry and equally best in the business world. And

Business Continuity Plan is conducted through a working committee

The execution is properly phased in a step by step fashion and through a model of solutions suggested

this is not possible if without having a robust plan of business continuity in testing times. KPJ Healthcare keeps it a top priority to maintain an ability to perform at best possible in the event of a disaster of natural causes or otherwise.

To organisations such as KPJ Healthcare to operate in the event of disaster encompasses a variety of operational excellence and a thorough preparedness, developed over a very comprehensive and established working plan of business continuity i.e. a "Business Continuity Plan". The key aspects of this plan are to ensure best possible operational continuity in the event of such occurrences and how best we can protect the business interests both from medical and non-medical aspects and ensure safeguard the interests of all involved parties, may it be patients, doctors or corporates.

It requires the use of standard practices of experience in the industry to chart out these plans and review these at regular intervals in a structured format to ensure continuous feedback and improvements from a top level working committee and cascading mechanism of evaluation and enhancement by end users at our partner hospitals. We keep regular updated risk registers and incidence reporting to ensure updated preparedness in handling the crises. We work on a severity index to label events and then develop a plan to counter those and thus allaying risks and mitigating the consequences. These are worked out in a way that we regularly update our staff members and partners on these to ensure proper learning from these occurrences and ensuring to avoid them through the shared knowledge of these in the future. We have a mechanism of collecting regular updates from these and tabulate these accordingly to get best possible outcomes, through a team of dedicated staff working on these in an elaborate and structured manner.

The Business Continuity Plan clearly guides to escalate these occurrences to all the stakeholders and to ensure proper input and provide an insight into such events. This mechanism helps to build a proper trust and reliance to fall back in times of need. Related information and knowledge is also shared at all levels if required and after proper filtration as per each level at organisation role, to ensure that the importance of such events is internalised and objectives of organisation development and upbringing are met in well-defined and well-structured manner and thus creating a model of trust and belief in the system at all levels and all stakeholders.

Business Continuity Plan also referred as BCM is conducted through a working committee headed by Vice President 1, reporting to President Office. The working Committee reviews the conduct of such occurrences and looks into the aspects of decision making, approves the proper decision making steps and resolves any pressing needs as to handle the challenges and difficulties in time of the disasters and need. The other important contributors to this operational excellence are risk management and all key unit heads.

THE BUSINESS CONTINUITY PLAN PROCESSES

A well thought and structured approach is adopted to craft and develop Business Continuity Plan Process, with regular feedback and enhancements based on such feedback as integral part of the process. Risks are identified based on the industry knowledge of threats to the business both from internal and external factors. Risks are escalated as per their severity and urgency based on risk register and are labeled with the possible approaches in handing those from knowledge base and an urgent action plan is always on the cards through the team approah. The workup is properly initiated with proper documentation based on the knowledge and a well-structured design plan is laid down for best possible solution. A response is graduated and a mode of escalation and risk mitigation and risk reduction is executed under the key committee headed by the business operations in charge. The execution is properly phased in a step by step fashion and through a model of solutions suggested. At all levels of execution feedback is gathered and well documented and this is a very important aspect of the whole process of BCM implementation. Postmortems are conducted and follow through is always an important aspect of the action plan.

BUSINESS CONTINUITY MANAGEMENT

Learning from our past experience of system downtime, plans were laid out for risk assessment and business impact analysis on the areas of information technology problems causing sudden downtime, were well structured based on previous documentation of such incidences and available knowledge in the system at department of IT. Solutions are in place in getting a fast and satisfactory recovery followed by proper command and control system of the business and a good and favorable outcome. These type of occurrences build a strong belief in the Business Continuity Management team. A Follow through on these plans are well documented with the emphasis on coordination, execution and right outcome with idea of minimum business impacts and assurance on the reliability.

Follow through on these plans are well documented with emphasis on coordination, execution and right outcome with idea of minimum business impacts and assurance on the reliability of the system at large and process of business continuity in short. A system of accountability is an integral part of the overall business continuity capability. A focused approach in building a team effort with a structured approach is a hallmark of the whole effort. The focus areas range from clinical issues affecting operations and potentially impactful on business are always taken up with care and a thorough approach is developed to handle these issues, like HINI readiness or issues around sudden eruption of endemic caused by a resistant strain in a localized area of hospitals, like ICU or operations theater. Or a BCM plan for an issue arising from an operational challenge due to system unavailability due to major hardware failure in business critical server. The BCM plan will revolve around the clinical aspects of management this impactful incident or workout with KPJ IT Services to reduce the impact to minimal possible and ensure fastest recovery and follow through on the incidence.

The regular review of the incidences is one of the core activity of the committee under business operations and these are discussed every fortnightly meeting at business operations. Every two months risk register meetings are held to vet through impacts and challenges and input is recorded on improvements and fine tuning of the issues as per planned executions. All initiatives and any of the BCM related activity is always updated in the top management meetings regularly to ensure organisation wide continuity on reliance of the fall back mechanisms under BCM.

CONTINUITY AND PROGRESS OF THE BCM PLAN

Risk register maintenance at KPJ Healthcare is an important part of continuum of business process development. Also area of impacts to business under each business units are a regular feature of development at respective business units. The input from all the business units are gathered under business development, Risk Office, to structure the risk register and create best possible approaches to handle the probability built around the scenarios. For IT related risks we conduct, once yearly regular DR Drill and for last 3 years our gradual transfer from virtualised/client based implementation to cloud has enabled us to build more robust DR a more of active-active sync. We are planning to bring more hospitals on to the cloud model due to better through put and a more robust centralised command and control for business critical applications and processes in the cloud. KPJ IT Services are currently working on even

we have learned over the years that we not only build these mechanisms but we need to keep improving the capability to bring **the notion of readiness and ability to deal with the untoward situation through an orchestrated** and well planned system

further improved DR system, which will enable the system to be recovered at processor level for each virtual machine in the Data Centre at KPJ Cloud.

We routinely discuss the scenarios around the development of IT and impact on the business. A structured approach is employed to evaluate business impact coming from the ever changing environments in the fast paced dynamics of information technology at KPJ Healthcare. A very robust Helpdesk is developed around this to gather proper feedback and a system of aligning the change management in line with the development of DR Plans and stream lining those changes to ensure proper recovery protocols are adhered, at times of need. This has helped hospitals to adopt cloud with ever increasing confidence, as assurance of reliability remains at the core of shift from conventional to new. As ever increasing need of technology driven approaches are fast taking place, it becomes even more important in ascertaining that change brings positive impact, when an untoward disaster due to some hardware/software glitch occurs. The ever improving system built around these conceptual and real events has resulted in greater confidence in developing business and not fearing the onslaught of technological advances and handling the likelihood of incidences in a very measured approach and ensuring minimal catastrophic risk.

The capability and capacity to build the Business Continuity Plan is a long haul journey, which is best accomplished by setting target and aim at the destination and as the wish of destination keeps on improving to a better, journey continues to be more challenging. BCM team is always eager to build more robust plans, based knowledge driven templates with input from systems and processes both manual and auto driven. All this is to ensure that KPJ Healthcare continues to grow faster and in right direction with right dashboard and dials to steer the onslaught of challenging weathers from disasters and difficulties. BCM team is always eager to improve coverage of more areas and system under the BCM and help remain more predictive and perceptive rather erratic and ethereal.

DESTINATION INSIGHT

In the very fast changing and challenging world of business, it becomes top priority to have a solid plan of continuity of business and it becomes a top priority to ensure effective and updated Business Continuity Management for KPJ Healthcare. And as we have learned over the years that we not only build these mechanisms but we need to keep improving the capability to bring the notion of readiness and ability to deal with the untoward situation through an orchestrated and well planned system. It's a fundamental aspect to design our workload and processes based on BCM plan and ensure the implementation is properly executed with users rightly aligned to the aspects of handling untoward challenges, disasters and catastrophes. Thus to better fight the challenge of potential business loss or disruption of mission critical services.

As business challenges and changing landscape leads to a very dynamic environment of business and KPJ Healthcare puts every effort to remain at the forefront in redefining the new dynamics of this important change and adopting this as the core competency in handling business from the angle of risk and sudden untoward change. Change, as is always imminent and with the fast paced change in businesses due to increasing complexities and rapid flow of information, it brings an element of disasters and hazards and thus it becomes increasingly important to handle the onslaught of such competitive situations with well-defined and well documented methodology or in other words Business Continuity Plan and ensure to have continuous learning and progress to handle these situations with deft and ability.

COMPLIANCE INFORMATION

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

1. UTILISATION OF SUKUK PROGRAMME

During the year, Point Zone (M) Sdn Bhd has raised RM1,500.0 million to be utilised for refinancing outstanding amount of previous Islamic Commercial Papers/Islamic Medium Term Notes Programme of up to RM500.0 million and to finance the expansion and working capital requirements of the KPJ Groups' healthcare and healthcare related businesses.

	Amount up to (RM Million)
At 1 April 2015	1,500.0
Issued during the financial year	800.0
At 31 December 2015	**700.0**

2. TREASURY SHARES

In the previous financial year, the Company repurchased 15,520,000 of its issued share capital from the open market on Bursa Malaysia Securities Berhad ("Bursa Malaysia") at an average price of RM3.46 per share. The total consideration paid for the repurchase including transaction costs was RM54,413,249. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

Each new warrant (2014/2019) is entitled at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price of RM4.01.

4. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

During the financial year, the Company did not issue any ADR or GDR Programme.

5. IMPOSITIONS OF SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

6. NON-AUDIT FEES

During the financial year, the Company paid RM796,160 in relations to corporate exercise.

7. PROFIT ESTIMATE, FORECAST OR PROJECTIONS

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

8. PROFIT GUARANTEE

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

9. MATERIAL CONTRACTS

There is no material contract by the Company and its subsidiaries, involving Directors' and major shareholders' interest substituting at the end of the financial year.

10. RECURRENT RELATED PARTY TRANSACTIONS STATEMENT

At Annual General Meeting (AGM) held on 29 May 2015, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of revenue or trading nature with the following parties:

Party Transacted with	Nature of Transactions	Estimated aggregate value from 29 May 2015 to date of next AGM RM'000	Frequency of transactions
Metro Parking (M) Sdn Bhd	Rental Income for renting of land for car park	1,815	Monthly
Teraju Fokus Sdn Bhd	Security service fees payable	5,462	Monthly
HC Duraclean Sdn Bhd	Housekeeping contract fees payable	13,841	Monthly
Pro Corporate Management Services Sdn Bhd	Registrar fees payable	500	Monthly
Healthcare Technical Services Sdn Bhd	Project management and maintenance fee	9,795	Contract Basis
TMR Urusharta (M) Sdn Bhd	Project and maintenance fees of lab premises payable	139	Contract Basis
MIT Insurance Brokers Sdn Bhd	Insurance coverage payable	5,325	Contract Basis
Al-'Aqar Healthcare REIT	Rental payable for renting or retirement village building and aged care facility in Australia	8,330	Monthly
Johor Corporation	Secretarial fees payable	200	Monthly
Damansara Asset Sdn Bhd	Building management service fees payable	1,416	Monthly
		46,823	

CORPORATE INTEGRITY

In November 2011, KPJ Healthcare Berhad had signed the Malaysian Corporate Integrity (CI) Pledge and was included amongst the list of signatories of Public Listed Companies that are registered under the Malaysian Institute of Integrity.

In addition to this, effective from 1 January 2012, all hospitals and companies Management and Officers were required to use CI Agreement in their interactions with business counterparts, whether they are a vendor, supplier, JV Partner or any other counterpart to operate using the same principles. The CI Agreement acts as a tool to engage in clean business relations with one another.

KPJ has implemented the KPJ Whistle Blowing Policy since 2015 to provide specific means for employees and stakeholders to disclose unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements if any. It is enforced by the Whistleblower and Protection Act 2010, which came into force on 15 December 2010.

Following to the Corporate Integrity program, a Corporate Integrity Self Assessments was conducted throughout the Group's Hospitals & Companies.

As a continuance to our effort in promoting integrity, a No Gift policy statement was communicated to all existing vendors, supplier and other external parties with effect from 1 July 2014. Under this policy statement the following are defined (but not limited to) as gifts and services:-

- Cash or cash vouchers;
- Gift vouchers;
- General gifts (e.g. flowers, wine, chocolates, gift baskets, hampers);
- Corporate merchandise;
- Products (e.g. promotional products, samples etc.);
- Souvenirs; other than corporate souvenirs;
- Entertainment (e.g. luncheons, dinners, theatre, sporting events, conferences etc.);
- Traveling expenses (e.g. a third party paying for or subsidising flights, accommodation, meals etc.);

KPJ will continue to enforce and uphold the principles of integrity by monitoring hospitals/ companies compliance to statutory requirements as well as KPJ Group's policies and procedures.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors are pleased to submit their annual report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

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 20 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	145,129	92,466
Profit attributable to:		
Owners of the Company	135,330	92,466
Non-controlling interest	9,799	–
	145,129	92,466

DIRECTORS' REPORT
(CONTINUED)

DIVIDENDS

The dividends paid or declared by the Company since 31 December 2014 were as follows:

	RM'000
In respect of the financial year ended 31 December 2014:	
Fourth interim single tier dividend of 2.60 sen per share on 1,034,831,401 ordinary shares, declared on 27 February 2015 and paid on 10 April 2015	26,906
In respect of the financial year ended 31 December 2015:	
First interim single tier dividend of 1.75 sen per share on 1,036,961,766 ordinary shares, declared on 28 May 2015 and paid on 14 July 2015	18,147
Second interim single tier dividend of 1.75 sen per share on 1,038,341,384 ordinary shares, declared on 27 August 2015 and paid on 19 October 2015	18,171
Third interim single tier dividend of 1.75 sen per share on 1,038,902,605 ordinary shares, declared on 26 November 2015 and paid on 15 January 2016	18,181
	81,405

On 29 February 2016, the Directors declared a fourth interim dividend of 1.75 sen per share on 1,038,902,605 ordinary shares amounting to RM18,181,000.

The Directors do not recommend any payment of final dividend in respect of the financial year ended 31 December 2015.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM515,374,316 to RM527,246,303 as follows:

(a) RM1,082,385 through the issuance of 2,164,770 ordinary shares of RM0.50 each by way of the conversion of Warrants 2010/2015 at an exercise price of RM1.13 per warrant.

(b) RM349,513 through the issuance of 699,026 ordinary shares of RM0.50 each by way of the conversion of Warrants 2014/2019 at an exercise price of RM4.01 per warrant.

(c) RM8,754,500 through the issuance of 17,509,000 ordinary shares of RM0.50 each pursuant to the Restricted Issue at an issue price of RM3.64 per share.

(d) RM1,686,089 through the issuance of 3,372,178 ordinary shares of RM0.50 each pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at an exercise price of RM3.64 per option.

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

TREASURY SHARES

In the previous financial year, the Company repurchased 15,520,000 of its issued share capital from the open market on Bursa Malaysia Securities Berhad ("Bursa Malaysia") at an average price of RM3.46 per share. The total consideration paid for the repurchase including transaction costs was RM54,413,249. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

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

EMPLOYEES' SHARE OPTION SCHEME

The Company implemented an employee's share option scheme ("ESOS") in 2015 for a period of 5 years for eligible employees and Directors of the Group. Details of ESOS are set out in Note 34 to the financial statements.

The Company was granted exemption by the Companies Commission of Malaysia via a letter dated 14 January 2016 from having to disclose in this report the names of the persons to whom less than 200,000 options have been granted during the financial year and details of their holdings pursuant to Section 169(11) of the Companies Act, 1965. Other than the Directors, the persons to whom 200,000 and more options have been granted comprise the following:

	Number of options over ordinary shares of RM0.50 each				
	At 1.1.2015	Granted	(Exercised)	At 31.12.2015	Unvested options at 31.12.2015
Mohd Sahir bin Rahmat	–	250,000	–	250,000	200,000
Jasimah bt Hassan	–	250,000	(25,000)	225,000	200,000
Abdol Wahab bin Baba	–	225,000	–	225,000	180,000
Mohd Nasir bin Mohamed	–	200,000	–	200,000	160,000
Sabariah Fauziah bte Jamaluddin	–	200,000	–	200,000	160,000
Mah Lai Heng	–	200,000	–	200,000	160,000
Ahmad Nasirruddin bin Harun	–	200,000	–	200,000	160,000

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

DIRECTORS' REPORT
(CONTINUED)

DIRECTORS

The Directors in office during the period since the date of the last report are as follows:

Dato' Kamaruzzaman bin Abu Kassim	(Chairman)
Dato' Amiruddin bin Abdul Satar	(Managing Director)
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir	
Datuk Azzat bin Kamaludin	
Zainah binti Mustafa	
Ahamad bin Mohamad	
Dr Kok Chin Leong	
Dr Yoong Fook Ngian	
Zulkifli bin Ibrahim	
Aminudin bin Dawam	
Prof Dato' Dr Azizi bin Haji Omar	(Appointed on 1 February 2016)
Tan Sri Dato' Dr Yahya bin Awang	(Resigned on 27 August 2015)

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

In accordance with Article 97 of the Company's Articles of Association, Prof. Dato' Dr Azizi bin Hj Omar, who was appointed during the year, retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

Pursuant to Section 129(6) of the Companies Act 1965, Datuk Azzat bin Kamaludin and Dr Yoong Fook Ngian, who are above the age of seventy (70) retire at the forthcoming Annual General Meeting and resolutions will be proposed for their re-appointment as Directors and to hold office until the next Annual General Meeting.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Company's ESOS (see Note 34 to the financial statements).

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

DIRECTORS' INTERESTS IN SHARES AND IN OPTIONS

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2015	Acquired	(Sold)	At 31.12.2015
KPJ Healthcare Berhad				
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir				
– Direct	1,147,124	–	–	1,147,124
– Indirect (Amy Nadzlina binti Mohamed)	19,583	–	–	19,583
Dato' Amiruddin bin Abdul Satar	6,266	–	–	6,266
Datuk Azzat bin Kamaludin	94,000	–	–	94,000
Ahamad bin Mohamad	1,125	–	–	1,125
Dr Kok Chin Leong	249,100	–	–	249,100
Dr Yoong Fook Ngian				
– Maybank Noms (T) Sdn Bhd	430,666	–	(60,000)	370,666
Aminudin bin Dawam	750	10,447	–	11,197

	Number of ordinary shares of RM0.25 each			
	At 1.1.2015	Acquired	(Sold)	At 31.12.2015
Kulim (Malaysia) Berhad				
Dato' Kamaruzzaman bin Abu Kassim				
– Maybank Noms (T) Sdn Bhd	200,000	–	–	200,000
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir	378,000	–	–	378,000
Ahamad bin Mohamad	963,400	–	–	963,400
Dr Kok Chin Leong	40,000	–	–	40,000
Dr Yoong Fook Ngian				
– Maybank Noms (T) Sdn Bhd	20,000	–	–	20,000

DIRECTORS' REPORT
(CONTINUED)

DIRECTORS' INTERESTS IN SHARES AND IN OPTIONS (CONTINUED)

	Number of Warrants of 2014/2019			
	At 1.1.2015	Granted	(Exercised)/ (Lapsed)	At 31.12.2015
KPJ Healthcare Berhad				
Warrants (2014/2019)				
Dato' Amiruddin bin Abdul Satar	532	–	–	532
Datuk Azzat bin Kamaludin	8,000	–	–	8,000
Dr Kok Chin Leong	21,200	–	–	21,200
Dr Yoong Fook Ngian				
– Maybank Noms (T) Sdn Bhd	37,332	–	–	37,332
Warrants (2010/2015)				
Ahamad bin Mohamad	132	–	(132)	–
Aminudin bin Dawam	10,447	–	(10,447)	–

	Number of options over ordinary shares of RM0.50 each				
	At 1.1.2015	Granted	(Exercised)	At 31.12.2015	Unvested options at 31.12.2015
KPJ Healthcare Berhad					
Dato' Amiruddin bin Abdul Satar	–	500,000	–	500,000	–
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir	–	200,000	–	200,000	–
Dr Yoong Fook Ngian	–	200,000	–	200,000	–
Datuk Azzat bin Kamaludin	–	200,000	–	200,000	–
Dr Kok Chin Leong	–	200,000	–	200,000	–
Aminudin bin Dawam	–	200,000	–	200,000	–
Zainah binti Mustafa	–	200,000	–	200,000	–

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares and options over shares in the Company or shares, options over shares and debentures of its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets other than debts, which were unlikely to be realised at their book value in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

(a) which would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading; or

(c) which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

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

(b) any contingent liabilities of the Group or the Company which have arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statement, which would render any amount stated in the financial statements of the Group or the Company misleading.

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; other than as disclosed in the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made, other than as disclosed in the financial statements.

DIRECTORS' REPORT
(CONTINUED)

ULTIMATE HOLDING CORPORATION

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 March 2016.

DATO' KAMARUZZAMAN BIN ABU KASSIM
CHAIRMAN

DATO' AMIRUDDIN BIN ABDUL SATAR
PRESIDENT & MANAGING DIRECTOR

STATEMENT BY DIRECTORS

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

We, Dato' Kamaruzzaman bin Abu Kassim and Dato' Amiruddin bin Abdul Satar, two of the Directors of KPJ Healthcare Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 226 to 326 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2015 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

The supplementary information set out in Note 42 on page 326 to the financial statements have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 March 2016.

DATO' KAMARUZZAMAN BIN ABU KASSIM
CHAIRMAN

DATO' AMIRUDDIN BIN ABDUL SATAR
PRESIDENT & MANAGING DIRECTOR

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Mohd Sahir bin Rahmat, the officer primarily responsible for the financial management of KPJ Healthcare Berhad, do solemnly and sincerely declare that the financial statements set out on pages 226 to 326 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.

MOHD SAHIR BIN RAHMAT

Subscribed and solemnly declared by the abovenamed Mohd Sahir bin Rahmat

At:

On: 17 March 2016

Before me:

PESURUHJAYA SUMPAH
No. J 204
MOHDZAR BIN KHALID
P.L.P., P.I.S.,
MALAYSIA
No. 89, Jalan Trus
80000 Johor Bahru

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of KPJ Healthcare Berhad on pages 226 to 325, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 41.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KPJ HEALTHCARE BERHAD (CONTINUED)
(INCORPORATED IN MALAYSIA)
(COMPANY NO. 247079 M)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 20 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 42 on page 326 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SHIRLEY GOH
(No. 1778/08/16 (J))
Chartered Accountant

Kuala Lumpur
17 March 2016

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	7	2,847,593	2,639,136	158,715	148,931
Cost of sales		(2,021,222)	(1,865,438)	–	–
Gross profit		826,371	773,698	158,715	148,931
Administrative expenses		(644,617)	(602,567)	(42,893)	(43,448)
Other income		39,082	36,413	–	–
Operating profit		220,836	207,544	115,822	105,483
Finance income	8	13,731	12,982	–	–
Finance costs	8	(64,157)	(42,857)	(22,625)	(22,519)
Finance costs – net		(50,426)	(29,875)	(22,625)	(22,519)
Share of results of associates		39,198	40,415	–	–
Profit before zakat and tax	9	209,608	218,084	93,197	82,964
Zakat	12	(2,280)	(2,272)	(277)	(70)
Taxation	13	(62,199)	(68,566)	(454)	1,103
Profit for the financial year		145,129	147,246	92,466	83,997
Other comprehensive income:					
Item that may be subsequently reclassified to profit or loss:					
Currency translation differences		(3,923)	157	–	–
Share of other comprehensive income of associates		–	221	–	–
Item that will not be reclassified to profit or loss:					
Gains on revaluation of land and building	16	58,114	9,147	–	–
Deferred tax on revaluation surplus	13	(10,629)	(1,105)	–	–
Other comprehensive income for the financial year, net of tax		43,562	8,420	–	–
Total comprehensive income for the financial year		188,691	155,666	92,466	83,997
Profit for the financial year attributable to:					
Owners of the Company		135,330	143,030	92,466	83,997
Non-controlling interests		9,799	4,216	–	–
		145,129	147,246	92,466	83,997
Total comprehensive income attributable to:					
Owners of the Company		178,892	151,564	92,466	83,997
Non-controlling interests		9,799	4,102	–	–
		188,691	155,666	92,466	83,997
Earnings per share attributable to owners of the Company:					
– Basic (sen)	15(a)	13.04	14.06		
– Diluted (sen)	15(b)	12.74	14.04		

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	16	1,831,949	1,461,201	–	–
Investment properties	17	279,833	267,750	–	–
Intangible assets	18	252,126	243,662	–	–
Investment in subsidiaries	20	–	–	981,496	948,920
Investments in associates	21	475,495	474,991	–	–
Available-for-sale financial assets	22	282	288	–	–
Deferred tax assets	23	18,956	27,841	–	–
Trade and other receivables	25	32,661	–	–	–
		2,891,302	2,475,733	981,496	948,920
Current assets					
Inventories	24	48,053	44,567	–	–
Trade and other receivables	25	517,375	437,855	427	329
Amount due from subsidiaries	25	–	–	370,193	229,693
Tax recoverable		25,646	14,687	6,924	6,924
Deposits, bank and cash balances	26	433,206	305,276	1,866	66,013
		1,024,280	802,385	379,410	302,959
Non-current assets held for sale	27	–	57,886	–	–
		1,024,280	860,271	379,410	302,959
Total assets		3,915,582	3,336,004	1,360,906	1,251,879
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	28	616,883	565,158	9,188	12,001
Amount due to subsidiaries	28	–	–	197,905	222,852
Current tax liabilities		18,225	18,361	–	–
Borrowings	29	359,149	915,921	130,000	250,000
Deferred revenue	30	78,849	13,012	–	–
Dividend payable		18,181	20,304	18,181	20,303
		1,091,287	1,532,756	355,274	505,156
Net current (liabilities)/assets		(67,007)	(672,485)	24,136	(202,197)

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015 (CONTINUED)

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current liabilities					
Trade and other payables	28	–	–	258,559	125,447
Borrowings	29	1,178,881	335,467	–	–
Deferred tax liabilities	23	69,177	42,673	–	–
Deferred revenue	30	–	55,712	–	–
Provision for retirement benefits	31	2,298	2,260	–	–
Deposits	32	13,914	17,996	–	–
		1,264,270	454,108	258,559	125,447
Total liabilities		2,355,557	1,986,864	613,833	630,603
Net assets		1,560,025	1,349,140	747,073	621,276
Equity attributable to owners of the Company					
Share capital	33	527,246	515,374	527,246	515,374
Share premium	33	147,827	70,507	147,827	70,507
Less: Treasury shares	33	(54,777)	(54,777)	(54,777)	(54,777)
Reserves		851,287	728,256	126,777	90,172
		1,471,583	1,259,360	747,073	621,276
Non-controlling interests		88,442	89,780	–	–
Total equity		1,560,025	1,349,140	747,073	621,276
Total equity and liabilities		3,915,582	3,336,004	1,360,906	1,251,879

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share capital (Note 33) RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves (Note 35) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
At 1 January 2015	515,374	70,507	(54,777)	88,909	639,347	1,259,360	89,780	1,349,140
Comprehensive income:								
Profit for the financial year	-	-	-	-	135,330	135,330	9,799	145,129
Other comprehensive income:								
Translation of foreign subsidiaries	-	-	-	(3,923)	-	(3,923)	-	(3,923)
Revaluation surplus	-	-	-	47,485	-	47,485	-	47,485
Total other comprehensive income	-	-	-	43,562	-	43,562	-	43,562
	515,374	70,507	(54,777)	132,471	774,677	1,438,252	99,579	1,537,831
Group								
Transactions with owners:								
Change in ownership interest in subsidiaries	-	-	-	-	-	-	(5,370)	(5,370)
Issue of shares:								
- Warrants	1,432	4,076	-	(259)	-	5,249	-	5,249
- restricted issue	8,754	61,982	-	-	-	70,736	-	70,736
- ESOS	1,686	11,262	-	(674)	-	12,274	-	12,274
	11,872	77,320	-	(933)	-	88,259	-	88,259
ESOS - granted during the year	-	-	-	26,477	-	26,477	-	26,477
Lapsed ESOS	-	-	-	(1,307)	1,307	-	-	-
Dividends on ordinary shares	-	-	-	-	(81,405)	(81,405)	-	(81,405)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	(5,767)	(5,767)
At 31 December 2015	527,246	147,827	(54,777)	156,708	694,579	1,471,583	88,442	1,560,025

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Share capital (Note 33) RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves (Note 35) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
At 1 January 2014	490,955	-	(364)	48,423	546,622	1,085,636	84,981	1,170,617
Comprehensive income:								
Profit net of tax	-	-	-	-	143,030	143,030	4,216	147,246
Other comprehensive income:								
Translation of foreign subsidiaries	-	-	-	271	-	271	(114)	157
Revaluation surplus	-	-	-	8,042	-	8,042	-	8,042
Share of other comprehensive income of associates	-	-	-	221	-	221	-	221
Total other comprehensive income	-	-	-	8,534	-	8,534	(114)	8,420
	490,955	-	(364)	56,957	689,652	1,237,200	89,083	1,326,283
Group								
Transactions with owners:								
Changes in ownership interest in subsidiaries	-	-	-	-	(464)	(464)	697	233
Issue of shares:								
- exercise of share warrants	2,600	3,276	-	-	-	5,876	-	5,876
- purchase of treasury shares	-	-	(54,413)	-	-	(54,413)	-	(54,413)
Rights issue	21,819	68,414	-	31,952	-	122,185	-	122,185
Rights issue cost	-	(1,183)	-	-	-	(1,183)	-	(1,183)
Dividends on ordinary shares	-	-	-	-	(49,841)	(49,841)	-	(49,841)
At 31 December 2014	515,374	70,507	(54,777)	88,909	639,347	1,259,360	89,780	1,349,140

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Ordinary share capital RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserves RM'000	Share option RM'000	Retained earnings RM'000	Total equity RM'000
Company							
At 1 January 2015	515,374	70,507	(54,777)	31,952	-	58,220	621,276
Profit net of tax, representing total comprehensive income for the year	-	-	-	-	-	92,466	92,466
Dividends on ordinary shares	-	-	-	-	-	(81,405)	(81,405)
Issue of shares:							
- warrants	1,432	4,076	-	(259)	-	-	5,249
- restricted issue	8,754	61,982	-	-	-	-	70,736
- ESOS	1,686	11,262	-	-	(674)	-	12,274
	11,872	77,320	-	(259)	(674)	-	88,259
ESOS - granted during the year	-	-	-	-	26,477	-	26,477
Lapsed ESOS	-	-	-	-	(1,307)	1,307	-
At 31 December 2015	527,246	147,827	(54,777)	31,693	24,496	70,588	747,073
At 1 January 2014	490,955	-	(364)	-	-	24,064	514,655
Profit net of tax, representing total comprehensive income for the year	-	-	-	-	-	83,997	83,997
Dividends on ordinary shares	-	-	-	-	-	(49,841)	(49,841)
Issue of shares:							
- exercise of share warrants	2,600	3,276	-	-	-	-	5,876
Purchase of treasury shares	-	-	(54,413)	-	-	-	(54,413)
Right issue	21,819	68,414	-	31,952	-	-	122,185
Right issue cost	-	(1,183)	-	-	-	-	(1,183)
At 31 December 2014	515,374	70,507	(54,777)	31,952	-	58,220	621,276

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Operating activities					
Profit before zakat and tax		209,608	218,084	93,197	82,964
Adjustments for:					
Share of results of associates		(39,198)	(40,415)	–	–
Finance income	8	(13,731)	(12,982)	–	–
Finance costs	8	64,157	42,857	22,625	22,519
Dividend income from subsidiaries		–	–	(111,482)	(107,118)
Trade receivables:					
– Impairment	25	5,814	6,843	–	–
– Reversal of impairment loss	25	(947)	(917)	–	–
Impairment of goodwill		–	728	–	–
Share based payments		26,477	–	3,037	–
Gain on fair value on investment properties	17	(11,421)	(14,461)	–	–
Gain on disposal of investment property		–	(166)	–	–
Gain on disposal of shares in an associate		(1,577)	(1,732)	–	–
Gain on disposal of non-current assets held for sale		(5,986)	(1,577)	–	–
Property, plant and equipment:					
– Depreciation	16	118,713	108,268	–	–
– Written off		6,374	473	–	–
– Loss on disposal		154	266	–	–
– Reversal of impairment loss		–	(3,581)	–	–
Inventories written off		120	96	–	–
Available-for-sale financial assets written off		6	266	–	–
Amortisation of software development expenditure		456	1,140	–	–
Operating profit/(loss) before working capital changes		359,019	303,190	7,377	(1,635)
Changes in working capital:					
Inventories		(3,606)	8,013	–	–
Receivables		(109,085)	(16,700)	(398)	(54)
Payables		(73,440)	86,708	(2,038)	2,804
Deferred revenue		65,837	6,547	–	–
Related companies		–	–	(27,593)	56,042
Cash flows generated from/(used in) operations		238,725	387,758	(22,652)	57,157

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Zakat paid		(2,280)	(2,272)	(277)	(70)
Income tax refund		24,452	3,482	–	–
Income tax paid		(71,837)	(70,451)	(416)	(534)
Net cash generated from/(used in) operating activities		189,060	318,517	(23,345)	56,553
Investing activities					
Additions to property, plant and equipment		(344,562)	(372,417)	–	–
Additions to intangible assets		(8,920)	(2,166)	–	–
Additions to investment properties		(130)	(195,218)	–	–
Proceeds from disposal of property, plant and equipment	16	9,788	2,183	–	–
Proceeds from disposal of investment properties		–	1,375	–	–
Proceeds from disposal of non-current assets held for sale		38,900	3,590	–	–
Acquisition of subsidiaries, net of cash acquired		(1,988)	(16,516)	–	(999)
Proceeds from disposal of shares in an associate		9,286	6,350	–	–
Interest received		13,731	12,982	–	–
Decrease in deposits with licensed banks		4,135	–	–	–
Advances to subsidiaries		–	–	(140,500)	–
Dividends received from associate/subsidiaries		27,675	28,952	111,482	6,381
Net cash (used in)/generated from investing activities		(252,085)	(530,885)	(29,018)	5,382

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Financing activities					
Grant income received		1,245	–	–	–
Advances from subsidiaries		–	–	133,112	–
Acquisition of non-controlling interests		(7,839)	–	–	–
Dividends paid to non-controlling interests		(5,767)	(366)	–	–
Issue of shares:					
– Rights issue		–	121,002	–	121,002
– Warrants		5,249	5,876	5,249	5,876
– Restricted issue		63,733	–	63,733	–
– ESOS		12,274	–	12,274	–
Purchase of treasury shares		–	(54,413)	–	(54,413)
Borrowings:					
– Drawdown		1,201,945	776,302	130,000	(16)
– Repayment		(915,303)	(568,686)	(250,000)	(25,000)
Interest paid		(64,157)	(42,857)	(22,625)	(9,713)
Dividends paid to shareholders		(83,527)	(42,629)	(83,527)	(42,629)
Net cash generated from/ (used in) financing activities		207,853	194,229	(11,784)	(4,893)
NET CHANGES IN CASH AND CASH EQUIVALENTS		144,828	(18,139)	(64,147)	57,042
CURRENCY TRANSLATION DIFFERENCES		(4,099)	(430)	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		279,340	297,909	65,485	8,443
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	26	420,069	279,340	1,338	65,485

NON-CASH TRANSACTIONS

The principal non-cash transaction during the financial year is the acquisition of property, plant and equipment of which RM16,412,000 (2014: RM10,107,650) is by means of finance lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor.

The address of principal place of business of the Company is Level 12, Menara 238, Jalan Tun Razak, 50400 Kuala Lumpur.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution on 17 March 2016.

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 provision of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2015:

- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle
- Amendments to MFRS 119 "Defined Benefit Plans: Employees Contributions"

The adoption of these standards has required additional disclosures. Other than that, the adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

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

A number of new standards and amendments to standards and interpretations are effective for financial years beginning on or after 1 January 2016.

- Amendment to MFRS 11 'Joint Arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
- Amendments to MFRS 116 'Property, Plant and Equipment' and MFRS 138 'Intangible Assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

  The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- Amendments to MFRS 127 'Equity Method in Separate Financial Statements' (effective from 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively.
- Amendments to MFRS 10, MFRS 12 and MFRS 128 'Investment Entities: Applying the Consolidation Exception' (effective from 1 January 2016). The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Amendments to MFRS 101 'Disclosure Initiatives' (effective from 1 January 2016). The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

  (a) Materiality

  (b) Disaggregation and subtotals

  (c) Notes structure

  (d) Disclosure of accounting policies

  (e) Presentation of items of other comprehensive income arising from equity accounted investments

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

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

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

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

- MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

  Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  The effects of the above amendments to published standards are currently being assessed by the Directors.

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 interest, is recognised in 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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Business combinations

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

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

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 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 reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented if the entities had always been combined since the date the entities had come under common control.

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

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

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

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

2.7 Investments in associates

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

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

On acquisition of an investment in 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 statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investments in associates (continued)

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

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (continued)

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%
Motor vehicles	10% –20%
Computers	10% – 33%

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

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

2.9 Investment properties

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

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 when either 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 profit or loss in the year 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2.11 and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

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

(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 a 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 least at each financial year-end.

Software development expenditure

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

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")).

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

Impairment losses are recognised in 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.

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 profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.12 Financial assets

(a) Classification

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(a) Classification (continued)

(1) Loans and receivables

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

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

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

(2) Available-for-sale financial assets

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(b) Recognition and initial measurement

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

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

(c) Subsequent measurement – gains and losses

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

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

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2.11) and foreign exchange gains and losses on monetary assets (Note 2.33).

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

(d) Subsequent measurement – Impairment

Assets carried at amortised cost

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

Assets carried at amortised cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(e) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

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

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.14 Financial guarantee contracts

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

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

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

2.15 Leases

(a) As lessee

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (continued)

(a) As lessee (continued)

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

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

(b) As lessor

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

2.16 Trade and other receivables

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2.18 Inventories

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

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

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

2.19 Cash and cash equivalents

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

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

2.20 Trade payables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Financial liabilities

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

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

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

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

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

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

(b) Other financial liabilities

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

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Borrowings and borrowing costs

(a) Borrowings

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

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Income taxes (continued)

(b) Deferred tax (continued)

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

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

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

2.24 Employee benefits

(a) Short term benefits

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

(b) Defined contribution plans

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Share-based payments – Employee options

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Provisions

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

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

2.27 Resident upfront contributions

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

2.28 Current versus non-current classification

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

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;

(ii) held primarily for the purpose of trading;

(iii) expected to be realised within twelve months after the reporting period; or

(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

(i) it is expected to be settled in normal operating cycle;

(ii) it is held primarily for the purpose of trading;

(iii) it is due to be settled within twelve months after the reporting period; or

(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Contingent liabilities

The Group does not recognise contingent liabilities but discloses their existence in the notes to the financial statements. A contingent liability is a possible obligation that arises from past events whose crystallisation will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that is not recognised because it cannot be measured reliably. However contingent liabilities do not include financial guarantee contracts.

2.30 Share capital and share issuance expenses

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

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

2.31 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in 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.

2.32 Revenue recognition

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

(a) Sale of goods and rendering of services

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

(b) Wellness subscription fees

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

(c) Tuition fees

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 Revenue recognition (continued)

(d) Aged care revenue

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

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

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

(e) Dividend income

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

(f) Management fees

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

(g) Interest income

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

(h) Rental income

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

2.33 Foreign currency

(a) Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Foreign currency (continued)

(b) Foreign currency transactions

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

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

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

(c) Foreign operations

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

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

2.34 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.35 Fair value measurement

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

(i) In the principal market for the asset or liability, or

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

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

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

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

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

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

(i) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

(ii) Level 2 – Valuation techniques for the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

(iii) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

2.36 Government grants

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

Government grants relating to costs are recognised in 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 profit or loss over the life of the related property, plant and equipment as a reduced depreciation expense.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency 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 end of the reporting date, there was no indication that the subsidiary would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

<u>Exposure to credit risk</u>

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 contract as disclosed in Note 3(b).

<u>Financial assets that are neither past due nor impaired</u>

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

<u>Financial assets that are either past due or impaired</u>

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

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

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

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

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

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

Analysis of financial instruments by remaining contractual maturities

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

	On demand or within 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
2015				
Group				
Trade and other payables	616,883	–	–	616,883
Borrowings	359,149	334,702	888,071	1,581,922
Deposits	–	–	13,914	13,914
Total undiscounted financial liabilities	976,032	334,702	901,985	2,212,719
Company				
Trade and other payables	207,093	258,599	–	465,692
Borrowings	130,120	–	–	130,120
Financial guarantee contracts*	800,000	–	–	800,000
Total undiscounted financial liabilities	1,137,213	258,599	–	1,395,812

* Related to Islamic Medium Term Notes (Note 29)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	On demand or within 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
2014				
Group				
Payables	565,158	–	–	565,158
Borrowings	960,277	258,140	153,119	1,371,536
Deposits	17,996	–	–	17,996
Total undiscounted financial liabilities	1,543,431	258,140	153,119	1,954,690
Company				
Payables	234,853	125,911	–	360,764
Borrowings	260,100	–	–	260,100
Total undiscounted financial liabilities	494,953	125,911	–	620,864

The Group has total undrawn borrowing facilities amounting to RM1.0 billion as at 31 December 2015.

(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 10 basis points lower/higher, with all other variables held constant, the Group's profit for the financial year would have been RM51,901 (2014: RM724,000) 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 risk

Foreign currency 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 risk.

(e) Offsetting financial assets and financial liabilities

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

4 CAPITAL MANAGEMENT

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

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

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

The Group's gross gearing ratios as at 31 December 2015 and 2014 were as follows:

	Group	
	2015 RM'000	2014 RM'000
Current borrowings	359,149	915,921
Non-current borrowings	1,178,881	335,467
Total borrowings (Note 29)	1,538,030	1,251,388
Shareholders' fund	1,471,583	1,259,360
Gross gearing ratio (%)	1.05	0.99

The Group has complied with all material external financial covenants during the financial year as disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

5 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

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

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

Current asset/liability	Note
Trade and other receivables and amounts due from subsidiaries	25
Deposits, cash and bank balances	26
Trade and other payables and amounts due to subsidiaries	28
Borrowings	29
Deposits	32

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

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

(b) Fair value measurement

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

	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value			
Group			
2015			
Property, plant and equipment (Note 16):			
– Freehold land	–	174,694	174,694
– Long leasehold land	–	124,226	124,226
– Buildings	–	499,563	499,563
Investment properties (Note 17)	–	279,833	279,833
	–	1,078,316	1,078,316

5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (continued)

	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value			
Group			
2014			
Property, plant and equipment (Note 16):			
– Long leasehold land	43,093	–	43,093
– Buildings	12,685	20,647	33,332
Investment properties (Note 17)	62,342	205,408	267,750
	118,120	226,055	344,175

Level 3 fair value

Level 3 fair value has been derived as described in Note 16 and 17. There were no material transfer between Level 2 and Level 3 during the financial year other than as described above.

The Group and Company do not have any financial liabilities carried at fair value nor any financial instruments classified as Level 1 as at 31 December 2015 and 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

6 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Key sources of estimation uncertainty

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

(a) Impairment of goodwill

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

The recoverable amounts of cash-generating units have been determined based on fair value less cost to sell calculations. The calculations require the use of estimates as set out in Note 19.

(b) Income tax

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

(c) Valuation of property, plant and equipment and investment properties

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

The key assumptions are as disclosed in Notes 16 and 17 to the financial statements.

7 REVENUE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Hospital and healthcare charges	2,739,920	2,539,099	–	–
Tuition fees	38,759	31,717	–	–
Aged care revenue	35,502	29,502	–	–
Rental income	19,053	3,094	–	–
Wellness revenue	9,034	13,340	–	–
Dividend income	–	–	111,482	107,118
Management fees	–	–	43,211	39,029
Interest income	–	–	2,038	2,032
Other revenue	5,325	22,384	1,984	752
	2,847,593	2,639,136	158,715	148,931

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

8 FINANCE INCOME AND COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Finance costs				
Profit sharing from Islamic financing:				
– Term loans	–	713	–	–
– Islamic Medium Term Notes	33,749	7,100	–	–
– Revolving credits	8,775	11,646	8,394	11,646
Interest expense from conventional financing:				
– Bank overdrafts	84	369	–	–
– Interest on advances from subsidiaries	–	–	13,827	10,867
– Term loans	26,297	16,498	–	–
– Revolving credits	–	2,274	–	–
– Finance lease liabilities	3,192	2,779	–	–
– Others	2,125	3,235	404	6
	74,222	44,614	22,625	22,519
Less: Interest expense capitalised in:				
– Property, plant and equipment	(10,065)	(1,757)	–	–
	64,157	42,857	22,625	22,519
Finance income				
Profit sharing from deposits with licensed banks	13,731	12,982	–	–
Net finance costs	50,426	29,875	22,625	22,519

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

9 PROFIT BEFORE ZAKAT AND TAX

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

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Auditors' remuneration:					
– Statutory audits		2,207	1,822	260	98
– Other services		986	743	–	–
Trade receivables:					
– Impairment charge for the year	25	5,814	6,843	–	–
– Reversal of impairment loss	25	(947)	(917)	–	–
Contribution to Klinik Waqaf An-Nur		3,120	3,120	–	–
Directors' remuneration	11	5,041	2,656	4,855	2,178
Consultants fees		701,864	647,769	–	–
Cost of medical supplies		712,328	657,426	–	–
External lab services		67,750	62,528	–	–
Inventories written off		120	96	–	–
Professional fees		2,712	5,771	1,234	1,990
Repair and maintenance		37,700	35,072	152	195
Direct operating expenses for investment properties		8,900	2,959	–	–
Property, plant and equipment:					
– Depreciation	16	118,713	108,268	–	–
– Write off		6,374	473	–	–
– Loss on disposal		154	266	–	–
– Reversal of impairment loss		–	(3,581)	–	–
Rental expense of land and buildings		115,398	104,907	3	2
Rental of equipment and vehicles		5,600	5,088	92	142
Employee benefits costs	10	641,510	567,173	24,352	24,101
Intangible assets:					
– Impairment of goodwill	18	–	728	–	–
Available-or-sale financial assets written off	22	6	266	–	–
Share based payment – restricted issue	34	7,004	–	–	–
Amortisation of software expenditure	18	456	1,140	–	–
Gain on fair value of investment properties	17	(11,421)	(14,461)	–	–
Gain on disposal of investment property		–	(166)	–	–
Gain on disposal of shares in an associate		(1,577)	(1,732)	–	–
Gain on disposal of non-current assets	27	(5,986)	(1,577)	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

10 EMPLOYEE BENEFITS COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Staff costs (excluding Directors' remuneration):				
– Salaries, allowances and bonus	544,379	514,844	20,625	21,262
– Contribution to defined contribution plan	72,319	52,098	2,601	2,839
– Share-based payments	24,566	–	1,126	–
– Provision for retirement benefits	246	231	–	–
	641,510	567,173	24,352	24,101

11 DIRECTORS' REMUNERATION

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Executive Director:				
– Fees	150	125	100	75
– Salaries, allowances and bonuses	1,112	947	1,112	947
– Contribution to defined contribution plan	148	140	148	140
– Share-based payments	503	–	503	–
– Benefits-in-kind	22	22	22	22
	1,935	1,234	1,885	1,184
Non-Executive Directors:				
– Fees	375	250	375	250
– Allowances	74	41	74	34
– Share-based payments	201	–	201	–
– Benefits-in-kind	–	–	–	–
	650	291	650	284
Independent Non-Executive Directors:				
– Fees	684	412	641	300
– Allowances	544	698	451	389
– Share-based payments	1,207	–	1,207	–
– Benefits-in-kind	21	21	21	21
	2,456	1,131	2,320	710
	5,041	2,656	4,855	2,178

11 DIRECTORS' REMUNERATION (CONTINUED)

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

	Number of directors	
	2015	2014
Executive Director:		
RM1,200,001 – RM1,300,000	–	1
RM1,400,001 – RM1,500,000	–	–
RM1,500,001 – RM2,000,000	1	–
Non-Executive Directors:		
RM1 – RM100,000	2	3
RM100,001 – RM200,000	1	1
RM200,001 – RM300,000	1	–
	5	5
Independent Non-Executive Directors:		
RM1 – RM100,000	–	2
RM100,001 – RM200,000	–	2
RM200,001 – RM300,000	–	1
RM300,001 – RM400,000	4	–
RM400,001 – RM500,000	–	1
RM500,001 – RM600,000	1	–
RM600,001 – RM700,000	1	–
	6	6

12 ZAKAT

Zakat expense is zakat provided and paid during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

13 TAXATION

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysian income tax:				
– In respect of current financial year	42,782	81,712	454	–
– In respect of prior financial year	(5,369)	(4,871)	–	(1,103)
Foreign income tax:				
– In respect of current financial year	26	21	–	–
	37,439	76,862	454	(1,103)
Deferred tax (Note 23)	24,760	(8,296)	–	–
Income tax expense/(income) recognised in profit or loss	62,199	68,566	454	(1,103)
Deferred tax related to other comprehensive income:				
– Net surplus on revaluation of land and buildings	10,629	1,105	–	–
	10,629	1,105	–	–

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before tax after zakat	207,328	215,812	92,920	82,894
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	51,832	53,953	23,230	20,724
Tax effect of:				
– Different tax rates	(80)	(65)	–	–
– Income not subject to tax	(2,588)	(6,693)	(29,231)	(27,760)
– Expenses not-deductible for tax purposes	21,951	29,336	6,455	7,036
– Share of results of associates	(9,161)	(10,104)	–	–
– (Over)/under provision of income tax	(5,369)	(4,871)	–	(1,103)
– Temporary differences not recognised as deferred tax assets	5,614	7,010	–	–
Income tax expense/(credit)	62,199	68,566	454	(1,103)

14 DIVIDENDS

	Group and Company	
	2015 RM'000	2014 RM'000
2014		
Fourth interim tax exempt (single tier) dividend of 5.2% for 2014 (2.6 sen per ordinary share) paid on 10 April 2015	26,906	–
2015		
First interim tax exempt (single tier) dividend of 3.5% for 2015 (1.75 sen per ordinary share) paid on 14 July 2015	18,147	–
Second interim tax exempt (single tier) dividend of 2.9% for 2015 (1.75 sen per ordinary share) paid on 19 October 2015	18,171	–
Third interim tax exempt (single tier) dividend of 4% for 2015 (1.75 sen per ordinary share) paid on 15 January 2016	18,181	–
	81,405	–
2014		
First interim tax exempt (single tier) dividend of 2.9% for 2014 (1.45 sen per ordinary share) paid on 18 July 2014	–	14,826
Second interim tax exempt (single tier) dividend of 2.9% for 2014 (1.45 sen per ordinary share) paid on 21 October 2014	–	14,712
Third interim tax exempt (single tier) dividend of 4% for 2014 (2.0 sen per ordinary share) paid on 22 January 2015	–	20,303
	–	49,841

On 29 February 2016, the Directors declared a fourth interim tax exempt (single tier) dividend of 1.75 sen per share on 1,038,902,605 ordinary shares amounting to RM18,181,000.

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

15 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group	
	2015	2014
Profit attributable to ordinary equity holders of the Company (RM'000)	135,330	143,030
Weighted average number of ordinary shares in issue ('000)	1,037,588	1,017,122
Basic earnings per share (sen)	13.04	14.06

(b) Diluted earnings per share

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

For the warrants and ESOS granted to employees issued, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscriptions rights attached to outstanding warrants and ESOS. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants and ESOS. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the "bonus" element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to profit for the financial year for the warrants and ESOS calculation.

	Group	
	2015	2014
Profit attributable to equity holders of the Company (RM'000)	135,330	143,030
Weighted average number of ordinary shares in issue ('000)	1,037,588	1,017,122
Assumed shares issued from the exercise of warrants ('000)	3,917	1,583
Assumed shares issued from the exercise of ESOS ('000)	20,881	-
Weighted average number of ordinary shares in issue ('000)	1,062,386	1,018,705
Diluted earnings per share (sen)	12.74	14.04

16 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, vehicles and computers RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
2015								
At 1 January								
– Cost	113,949	53,103	312,954	157,791	711,288	323,283	307,673	1,980,041
– Valuation	12,750	53,200	41,331	–	–	–	–	107,281
	126,699	106,303	354,285	157,791	711,288	323,283	307,673	2,087,322
Exchange differences	2,518	1,200	(2,348)	916	4,579	(1,240)	3,378	9,003
Additions	1,770	2,500	23,915	50,908	70,523	35,497	175,861	360,974
Acquisition of a subsidiary	46,700	–	33,300	–	–	–	–	80,000
Revaluation surplus	17,153	17,252	23,709	–	–	–	–	58,114
Elimination of accumulated depreciation on revaluation	–	(3,029)	(11,341)	–	–	–	–	(14,370)
Disposals	(3,433)	–	(1,664)	(3,278)	(6,000)	(4,666)	(3,105)	(22,146)
Written off	–	–	(1,225)	(45)	(9,762)	(766)	(3,657)	(15,455)
Reclassification – cost	29,987	–	114,232	17,465	25	25,153	(186,862)	–
	221,394	124,226	532,863	223,757	770,653	377,261	293,288	2,543,442

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, vehicles and computers RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
2015								
At 31 December								
– Cost	46,700	–	33,300	223,757	770,653	377,261	293,288	1,744,959
– Valuation	174,694	124,226	499,563	–	–	–	–	798,483
	221,394	124,226	532,863	223,757	770,653	377,261	293,288	2,543,442
Accumulated depreciation								
At 1 January	–	(1,358)	(6,199)	(44,936)	(384,083)	(189,545)	–	(626,121)
Elimination of accumulated depreciation on revaluation	–	3,029	11,341	–	–	–	–	14,370
Exchange differences	–	–	648	(29)	(1,043)	(1,890)	–	(2,314)
Charge for the financial year	–	(1,683)	(6,685)	(16,040)	(61,370)	(32,935)	–	(118,713)
Reclassification	–	–	–	(210)	–	210	–	–
Disposals	–	–	33	3,130	5,822	3,219	–	12,204
Written off	–	–	25	45	8,699	312	–	9,081
At 31 December	–	(12)	(837)	(58,040)	(431,975)	(220,629)	–	(711,493)
Net carrying amounts								
At 31 December 2015	221,394	124,214	532,026	165,717	338,678	156,632	293,288	1,831,949

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, vehicles and computers RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
2014								
At 1 January								
– Cost	72,295	62,596	261,197	128,213	631,797	305,010	267,105	1,728,213
– Valuation	12,750	18,460	3,999	–	–	–	–	35,209
	85,045	81,056	265,196	128,213	631,797	305,010	267,105	1,763,422
Exchange differences	(594)	(4)	88	(589)	741	(777)	(1,441)	(2,576)
Additions	3,100	6,652	27,952	22,965	83,330	45,016	193,510	382,525
Acquisition of a subsidiary	–	16,516	–	–	–	–	–	16,516
Revaluation surplus	–	2,100	7,047	–	–	–	–	9,147
Elimination of accumulated depreciation on revaluation	–	(17)	(3,251)	–	–	–	–	(3,268)
Disposals	–	–	–	(69)	(5,661)	(5,778)	(172)	(11,680)
Written off	–	–	–	–	(1,760)	(202)	(230)	(2,192)
Reclassification – cost	46,620	–	105,143	7,271	2,841	(10,776)	(151,099)	–
Reclassification to non-current assets held for sale	(9,872)	–	(48,745)	–	–	–	–	(58,617)
Transfer from investment properties	2,400	–	855	–	–	–	–	3,255
Transfer to intangible assets	–	–	–	–	–	(9,210)	–	(9,210)
	126,699	106,303	354,285	157,791	711,288	323,283	307,673	2,087,322

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, vehicles and computers RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
2014								
At 31 December								
– Cost	113,949	53,103	312,954	157,791	711,288	323,283	307,673	1,980,041
– Valuation	12,750	53,200	41,331	–	–	–	–	107,281
	126,699	106,303	354,285	157,791	711,288	323,283	307,673	2,087,322
Accumulated depreciation								
At 1 January	–	(869)	(5,069)	(31,605)	(330,227)	(169,255)	–	(537,025)
Elimination of accumulated depreciation on revaluation	–	17	3,251	–	–	–	–	3,268
Reversal of impairment loss	–	–	3,581	–	–	–	–	3,581
Exchange differences	–	–	(63)	(2)	(332)	(101)	–	(498)
Charge for the financial year	–	(506)	(7,362)	(12,964)	(57,211)	(30,225)	–	(108,268)
Disposals	–	–	–	14	4,743	4,474	–	9,231
Written off	–	–	–	–	1,522	197	–	1,719
Reclassification	–	–	(1,268)	(379)	(2,578)	4,225	–	–
Reclassification to non-current assets held for sale	–	–	731	–	–	–	–	731
Transfer to intangible assets	–	–	–	–	–	1,140	–	1,140
At 31 December	–	(1,358)	(6,199)	(44,936)	(384,083)	(189,545)	–	(626,121)
Net carrying amounts								
At 31 December 2014	126,699	104,945	348,086	112,855	327,205	133,738	307,673	1,461,201

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation of land and buildings

Land and buildings have been revalued on 31 December 2015 based on comparison method carried out by independent firms of professional valuers in determining its fair value. These were based on recent sale transactions of comparable properties with adjustments made to reflect location, visibility, size, tenure and age. 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.

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

	Group	
	2015 RM'000	2014 RM'000
Cost		
Freehold land	80,923	5,899
Leasehold land	35,580	33,080
Buildings	205,752	37,214
	322,255	76,193
Accumulated depreciation		
Leasehold land	(232)	(216)
Buildings	(4,115)	(6,030)
Net carrying amounts	317,908	69,947

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

	Group	
	2015 RM'000	2014 RM'000
Assets under finance leases:		
– Addition during the financial year	16,412	10,108
– Net book value at the end of financial year	60,239	78,201

The net book value of property, plant and equipment pledged for borrowing facility as at 31 December 2015 is RM372,332,000 (2014: RM425,992,000) as disclosed in Note 29.

During the year, a subsidiary received a government grant in relation to the purchase of assets amounting to RM1,245,000 (2014 : Nil). 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. During the financial year, borrowing costs capitalised as part of capital work-in-progress amounted to RM10,065,000 (2014: RM1,757,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

17 INVESTMENT PROPERTIES

	Group	
	2015 RM'000	2014 RM'000
At fair value:		
At 1 January	267,750	62,746
Additions	130	195,218
Transfer to property, plant and equipment (Note 16)	–	(3,255)
Disposal	–	(1,209)
Exchange differences	532	(211)
Gain on fair value recognised in other income (Note 9)	11,421	14,461
At 31 December	279,833	267,750

The fair value of the properties was estimated at RM279,833,000 (2014: RM267,750,000) based on valuations performed by independent professionally qualified valuers, using either the comparison or investment method as described below.

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

The following table shows a reconciliation of Level 3 fair value:

	Group	
	2015 RM'000	2014 RM'000
At 1 January	205,408	–
Additions	–	192,875
Reclassification from Level 2	63,004	–
Re-measurement recognised in profit or loss	11,421	12,533
At 31 December	279,833	205,408

17 INVESTMENT PROPERTIES (CONTINUED)

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

	Valuation technique	Significant unobservable inputs	Range (weighted average)	
			2015	2014
Land and buildings	Comparison method	Location, visibility, size and tenure	–	–

(Carrying value as at 31 December 2015 of RM69,179,000)

	Valuation technique	Significant unobservable inputs	2015	2014
Office properties	Investment method	Estimated rental value per sqft per month	RM3.00 – RM4.00	RM3.00 – RM3.80
		Outgoings per sqft per month	RM1.45 – RM1.52	RM1.45 – RM1.56
		Void rate	5%-7.5%	5%-10%
		Term yield	6%-6.25%	6.2%-6.5%

(Carrying value as at 31 December 2015 of RM210,654,000)

Inter-relationship between significant unobservable inputs and fair value measurement

(a) Comparison method

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

(b) Investment method

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

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

A sensitivity analysis has been performed on the significant assumptions that impact the fair value of the office properties. Arising thereof, the impact of a 10 basis points increase/decrease in the term yield will result in a lower/higher fair value charge by RM3 million, while a void rate of 10% will result in a lower fair value charge by RM3 million.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

18 INTANGIBLE ASSETS

	Goodwill RM'000	Software expenditure RM'000	Software expenditure under development RM'000	Total RM'000
2015				
Cost				
At 1 January 2015	195,891	22,955	27,655	246,501
Additions	–	1,756	7,164	8,920
Reclassification	–	3,675	(3,675)	–
At 31 December 2015	195,891	28,386	31,144	255,421
Accumulated amortisation				
At 1 January 2015	–	(2,839)	–	(2,839)
Amortisation charge for the year (Note 9)	–	(456)	–	(456)
At 31 December 2015	–	(3,295)	–	(3,295)
Net carrying amount				
At 31 December 2015	195,891	25,091	31,144	252,126
2014				
Cost				
At 1 January 2014	196,619	13,745	25,489	235,853
Transfer from property, plant and equipment (Note 16)	–	9,210	–	9,210
Additions	–	–	2,166	2,166
Impairment (Note 9)	(728)	–	–	(728)
At 31 December 2014	195,891	22,955	27,655	246,501
Accumulated amortisation				
At 1 January 2014	–	(1,699)	–	(1,699)
Transfer from property, plant and equipment (Note 16)	–	(1,140)	–	(1,140)
At 31 December 2014	–	(2,839)	–	(2,839)
Net carrying amount				
At 31 December 2014	195,891	20,116	27,655	243,662

19 IMPAIRMENT OF INTANGIBLE ASSETS

Impairment tests for goodwill and software expenditure under development

	Group	
	2015 RM'000	2014 RM'000
Malaysia*:		
– goodwill	177,913	177,913
– software expenditure under development	31,144	27,655
Indonesia	1,622	1,622
Aged care facility	16,356	16,356
	227,035	223,546

* The impairment testing for the goodwill allocated to Malaysian includes the software expenditure under development, as this represents software projects to develop new information processing and clinical systems for use in the hospitals.

Recoverable amount based on fair value less costs to sell

The recoverable amount of the CGU is determined based on fair value less cost to sell calculation (level 3 fair value hierarchy). These calculations use cash flow projections based on financial budgets approved by the Directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

19 IMPAIRMENT OF INTANGIBLE ASSETS (CONTINUED)

The key assumptions used are as follows:

	2015 %	2014 %
Malaysia		
Revenue[1]	11	12
EBITDA margin[2]	31 – 33	30
Discount rate[3]	12	12
Terminal growth rate[4]	5	5
Indonesia		
Revenue[1]	24	25
EBITDA margin[2]	16 – 20	30
Discount rate[3]	15	12
Terminal growth rate[4]	4	5
Aged care facility		
Revenue[1]	6	8
EBITDA margin[2]	2 – 8	30
Discount rate[3]	10	12
Terminal growth rate[4]	3	5

Assumptions:

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

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

20 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries is made up as follows:

	Company	
	2015 RM'000	2014 RM'000
Unquoted shares, at cost	981,496	948,920

The following are subsidiaries of the Company:

Name of company	Country of incorporation	Group's effective interest 2015 %	Group's effective interest 2014 %	Principal activities
Johor Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Ipoh Specialist Hospital Sdn Bhd	Malaysia	98	98	Operating as a specialist hospital
Kumpulan Perubatan (Johor) Sdn Bhd	Malaysia	100	100	Management and investment holding company for medical sector
Puteri Specialist Hospital (Johor) Sdn Bhd#	Malaysia	100	100	Operating as a specialist hospital
Tawakal Holdings Sdn Bhd	Malaysia	100	100	Investment holding
Point Zone (M) Sdn Bhd	Malaysia	100	100	Providing treasury management to the companies within the group
Subsidiary of Johor Specialist Hospital Sdn Bhd				
Bandar Dato Onn Specialist Hospital Sdn Bhd	Malaysia	100	100	To be operating as an international specialist hospital
Subsidiary of Ipoh Specialist Hospital Sdn Bhd				
Sri Manjung Specialist Centre Sdn Bhd*	Malaysia	100	100	Operating as a specialist hospital
Subsidiary of Tawakal Holdings Sdn Bhd				
Pusat Pakar Tawakal Sdn Bhd+	Malaysia	100	100	Operating as a specialist hospital

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

Name of company	Country of incorporation	Group's effective interest 2015 %	Group's effective interest 2014 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd				
Bukit Mertajam Specialist Hospital Sdn Bhd	Malaysia	100	100	Dormant
Kota Kinabalu Specialist Hospital Sdn Bhd	Malaysia	97	97	Operating as a specialist hospital
Damansara Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Kuantan Specialist Hospital Sdn Bhd	Malaysia	100	77	Operating as a specialist hospital
Perdana Specialist Hospital Sdn Bhd	Malaysia	61	61	Operating as a specialist hospital
Ampang Puteri Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Kuching Specialist Hospital Sdn Bhd	Malaysia	70	70	Operating as a specialist hospital
Selangor Specialist Hospital Sdn Bhd*	Malaysia	60	60	Operating as a specialist hospital
Sentosa Medical Centre Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Seremban Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Kajang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Taiping Medical Centre Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Pusat Pakar Kluang Utama Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Penang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Bandar Baru Klang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Sterile Services Sdn Bhd	Malaysia	100	100	Providing sterile services
Puteri Nursing College Sdn Bhd	Malaysia	100	100	Operating a private university college of nursing and allied health
Pharmaserv Alliances Sdn Bhd	Malaysia	100	100	Marketing and distribution of medical and pharmaceutical products

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

Name of company	Country of incorporation	Group's effective interest 2015 %	Group's effective interest 2014 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
PT Khasanah Putera Jakarta Medica*	Indonesia	75	75	Operating as a specialist hospital
PharmaCARE Sdn Bhd*	Malaysia	100	100	Providing human resource, training services and rental of human resource information system
SMC Healthcare Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Sibu Medical Centre Corporation Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Sibu Geriatric Health & Nursing Centre Sdn Bhd	Malaysia	100	100	Providing aged care services
Diaper Technology Industries Sdn Bhd	Malaysia	94	94	Providing information technology related services and rental of software
Fabricare Laundry Sdn Bhd*	Malaysia	95	95	Providing business of laundry services
Teraju Farma Sdn Bhd	Malaysia	75	75	Distribution of medical/pharmaceutical products
Maharani Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Perlis Specialist Hospital Sdn Bhd*	Malaysia	60	60	To be operating as a specialist hospital
KPJ Education Services Sdn Bhd*	Malaysia	100	100	Dormant
Freewell Sdn Bhd	Malaysia	80	80	Dormant
Jeta Gardens (Qld) Pty Ltd*	Australia	57	57	Providing retirement village and aged care services
Bayan Baru Specialist Hospital Sdn Bhd	Malaysia	55	55	Dormant
Pharmacare Surgical Technologies (M) Sdn Bhd	Malaysia	100	100	Dormant
Lablink (M) Sdn Bhd	Malaysia	100	100	Pathology and laboratory services

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

Name of company	Country of incorporation	Group's effective interest 2015 %	2014 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
KPJ Medik TV Sdn Bhd*	Malaysia	100	100	Dormant
Pasir Gudang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Pahang Specialist Hospital Sdn Bhd*	Malaysia	70	70	To be operating as a specialist hospital
Skop Yakin (M) Sdn Bhd*	Malaysia	89	89	General merchandise
Healthcare IT Solutions Sdn Bhd*	Malaysia	70	70	Providing healthcare information technology services
Renal-Link Sentosa Sdn Bhd	Malaysia	100	100	Dormant
KPJ Eyecare Specialist Sdn Bhd*	Malaysia	100	100	Providing medical and consultancy services
Advanced Healthcare Solution Sdn Bhd*	Malaysia	100	100	Providing healthcare information system services
Miri Specialist Hospital Sdn Bhd* (formerly known as Bima Galeksi Sdn. Bhd.)	Malaysia	70	70	To be operating as a specialist hospital
Energy Excellent Sdn Bhd*	Malaysia	100	100	To be operating as a specialist hospital
BDC Specialist Hospital Sdn Bhd*	Malaysia	100	100	To be operating as a specialist hospital
Rawang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Massive Hybrid Sdn Bhd*	Malaysia	100	100	To be operating as a specialist hospital
PT Khidmat Perawatan Jasa Medika*	Indonesia	80	80	Operating as a specialist hospital
KPJ Dhaka (Pte) Ltd*	Bangladesh	100	100	Providing management services to hospital
UTM KPJ Specialist Hospital Sdn Bhd*	Malaysia	100	100	To be operating as a specialist hospital

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

Name of company	Country of incorporation	Group's effective interest 2015 %	Group's effective interest 2014 %	Principal activities
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Crossborder Aim (M) Sdn Bhd	Malaysia	100	-	Investment holding
Crossborder Hall (M) Sdn Bhd	Malaysia	100	-	Investment holding
Pride Outlet Sdn Bhd	Malaysia	75	-	Providing maintenance services for medical equipment
PT Al-Aqar Bumi Serpong Damai*	Indonesia	100	-	Operating as building management company
PT Al-Aqar Permata Hijau*	Indonesia	100	-	Operating as building management company
Subsidiary of PharmaCARE Sdn Bhd				
Open Access Sdn Bhd	Malaysia	100	100	Dormant
Subsidiary of Selangor Specialist Hospital Sdn Bhd				
Hospital Pusrawi SMC Sdn Bhd*	Malaysia	51	51	Operating as a hospital
Subsidiary of Pharmaserv Alliances Sdn Bhd				
Medical Supplies (Sarawak) Sdn Bhd	Malaysia	75	75	Distributor of pharmaceutical products
Malaysian Institute of Healthcare Management Sdn Bhd	Malaysia	75	75	Dormant
FP Marketing (S) Pte Ltd*	Singapore	100	100	Dormant
Subsidiary of SMC Healthcare Sdn Bhd				
Amity Development Sdn Bhd	Malaysia	100	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

Name of company	Country of incorporation	Group's effective interest 2015 %	Group's effective interest 2014 %	Principal activities
Subsidiaries of Jeta Gardens (Qld) Pty Ltd				
Jeta Gardens Aged Care (Qld) Pty Ltd*	Australia	100	100	Operates and manages an aged care facility
Jeta Gardens Management (Qld) Pty Ltd*	Australia	100	100	Providing management to an aged care facility

Direct equity holding by the Company is 84% (2014: 84%)
+ Direct equity holding by the Company is 14% (2014: 14%)
* Audited by firms other than PricewaterhouseCoopers, Malaysia

(a) On 22 December 2014, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, acquired a 75% equity interest in Pride Outlet Sdn Bhd for a total cash consideration of RM74,998. The acquisition was completed on 1 January 2015. The impact of the acquisition was immaterial.

(b) On 31 March 2015, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, acquired 100% equity interest in Crossborder Hall (M) Sdn Bhd and Crossborder Aim (M) Sdn Bhd for a total cash consideration of RM5.2 million. Both Crossborder Hall (M) Sdn Bhd and Crossborder Aim (M) Sdn Bhd owned 50% share each of PT Al-'Aqar PH and PT Al-'Aqar BSD (collectively, "Crossborder Group"). The acquisition was completed on 16 December 2015.

(c) On 1 December 2015, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, acquired the remaining non-controlling interest of Kuantan Specialist Hospital Sdn Bhd for a purchase consideration of RM7.8 million.

The effect of the Crossborder Group acquisitions on the financial results of the Group was immaterial.

Had the acquisition took effect at the beginning of the financial year, the revenue and loss of the Group would have increased by RM7.6 million and RM1.7 million respectively. These amounts have been calculated using Group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2015, together with the consequential tax effect.

The net assets recognised in the 31 December 2015 financial statements were based on provisional assessments of fair value.

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

A summary of the details of the net assets acquired and cash flows arising from the acquisitions during the financial year are as follows:

	Acquiree's carrying amounts RM'000	Provisional fair value RM'000
Crossborder group		
Property, plant and equipment (Note 16)	80,000	80,000
Trade and other receivables	4,599	4,599
Deposits, bank and cash balance	3,179	3,179
Trade and other payables	(82,611)	(82,611)
Provisional fair value of net assets acquired		5,167
Goodwill on acquisition		–
Purchase consideration settled in cash		5,167
Less: Cash and cash equivalents of subsidiaries acquired		(3,179)
Cash outflow of the Group on acquisition		1,988

Transaction costs of RM719,000 has been recognised as an expense during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

(i) Summarised statements of financial position

	Jeta Gardens (Qld) Pty Ltd		Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current assets	118,485	119,880	38,326	36,664	80,015	77,282	236,826	233,826
Current assets	18,405	16,379	26,806	26,283	96,345	72,761	141,556	115,423
Total assets	136,890	136,259	65,132	62,947	176,360	150,043	378,382	349,249
Current liabilities	165,015	126,863	24,841	30,798	38,317	40,262	228,173	197,923
Non-current liabilities	6,671	2,101	3,727	647	25,664	6,519	36,062	9,267
Total liabilities	171,686	128,964	28,568	31,445	63,981	46,781	264,235	207,190
Net assets	(34,796)	7,295	36,564	31,502	112,379	103,262	114,147	142,059
Net equity attributable	(34,796)	7,295	36,564	31,502	112,379	103,262	114,147	142,059
Equity attributable to owners of the Company	(19,834)	4,158	22,143	19,078	67,427	61,957	69,736	85,193
Non-controlling interests	(14,962)	3,137	14,421	12,424	44,952	41,305	44,411	56,866

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) (ii) Summarised statements of comprehensive income

	Jeta Gardens (Qld) Pty Ltd		Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	40,258	36,231	92,222	84,959	157,593	153,399	290,073	274,589
Profit/(loss) for the year	(11,607)	(1,862)	6,161	7,802	20,415	20,300	14,969	26,240
Profit/(loss) attributable to the owners of the company	(6,616)	(1,061)	3,731	4,725	12,249	12,180	9,364	15,844
Profit/(loss) attributable to the non-controlling Interest	(4,991)	(801)	2,430	3,077	8,166	8,120	5,605	10,396
Total comprehensive income	(11,607)	(1,862)	6,161	7,802	20,415	20,300	14,969	26,240
Total comprehensive income attributable to owners of the Company	(6,616)	(1,061)	3,731	4,725	12,249	12,180	9,364	15,844
Total comprehensive income attributable to the non-controlling interest	(4,991)	(801)	2,430	3,077	8,166	8,120	5,605	10,396
	(11,607)	(1,862)	6,161	7,802	20,415	20,300	14,969	26,240
Dividends paid to non-controlling interests	-	-	967	967	4,800	4,000	5,767	4,967

(iii) Summarised statements of cash flows

Net cash (used in)/generated from operating activities	(4,010)	(4,738)	3,467	2,445	(12,487)	10,080	(13,030)	7,787
Net cash (used in)/generated from investing activities	(12,786)	(24,205)	(442)	(2,418)	(1,540)	(123)	(14,768)	(26,746)
Net cash (used in)/generated from financing activities	24,488	33,752	(4,657)	155	13,231	(12,270)	33,062	21,637
Net changes in cash and cash equivalents	7,692	4,809	(1,632)	182	(796)	(2,313)	5,264	2,678
Cash and cash equivalents at the beginning of the year	11,491	6,682	4,103	3,921	8,525	10,838	24,119	21,441
Cash and cash equivalents at the end of the year	19,183	11,491	2,471	4,103	7,729	8,525	29,383	24,119

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

21 INVESTMENTS IN ASSOCIATES

	Group 2015 RM'000	Group 2014 RM'000
Quoted ordinary shares in Al-'Aqar Healthcare REIT, at cost	323,273	327,891
Disposal	(7,709)	(4,618)
	315,564	323,273
Unquoted ordinary shares, at cost	65,799	65,799
Group's share of post-acquisition retained profits and reserves less losses	94,132	85,919
	475,495	474,991
Market value of quoted ordinary shares in Al-'Aqar Healthcare REIT	458,940	461,967

The associates of the Group are as follows:

Associates of Company	Country of incorporation	Effective equity interest 2015 %	Effective equity interest 2014 %	Principal activities
Damansara REIT Managers Sdn Bhd*#	Malaysia	–	–	Manager of Al-'Aqar Healthcare REIT
Al-'Aqar Healthcare REIT*^	Malaysia	45	49	Real estate investment trust
Associates of KPJSB				
Kedah Medical Centre Sdn Bhd*	Malaysia	46	46	Operating as a specialist hospital
Hospital Penawar Sdn Bhd*	Malaysia	30	30	Operating as a specialist hospital
Healthcare Technical Services Sdn Bhd*	Malaysia	30	30	Project management and engineering maintenance services for specialist hospital
Vejthani Public Company Limited*	Thailand	23	23	International specialist hospital

^ Listed on the Main Market of Bursa Malaysia Securities Berhad.
* Audited by a firm other than PricewaterhouseCoopers.
# Entity over which the Company exercises significant influence by virtue of it's' board representation in Damansara REIT Managers Sdn Bhd., which controls Al-'Aqar Healthcare REIT.

21 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

(i) Summarised statement of financial position

	Al-'Aqar Healthcare REIT	
	2015 RM'000	2014 RM'000
Non-current assets	1,521,523	1,509,996
Current assets	72,859	82,426
Total assets	1,594,382	1,592,422
Current liabilities	49,739	96,627
Non-current liabilities	664,817	664,332
Total liabilities	714,556	760,959
Net asset	879,826	831,463

(ii) Summarised statement of comprehensive income

	Al-'Aqar Healthcare REIT	
	2015 RM'000	2014 RM'000
Revenue	110,945	109,946
Profit before tax	67,912	73,148
Profit for the year	67,446	71,209
Other comprehensive income	3,505	94
Dividend received from the associates during the year	27,675	26,357

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

21 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	Al-'Aqar Healthcare REIT	
	2015 RM'000	2014 RM'000
Net assets at 1 January	831,463	814,814
Profit for the year	67,446	71,209
Other comprehensive income	3,505	94
Issuances of new units during the year	39,714	-
Dividend paid during the year	(62,302)	(54,654)
Net assets at 31 December	879,826	831,463
Interest in associates	45%	49%
Carrying value of Group's interest	395,922	407,417

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

	2015 RM'000	2014 RM'000
The Group's share of profit before tax	11,127	7,471
The Group's share of profit after tax	8,583	5,400
The Group's share of total comprehensive income	8,583	5,400

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2015 RM'000	2014 RM'000
At 1 January	288	554
Written off (Note 9)	(6)	(266)
At 31 December	282	288
Analysed as follows:		
– Listed equity securities in Malaysia	–	6
– Unlisted equity securities in Malaysia	282	282

The fair values of these available-for-sale financial assets do not materially differ from their carrying values.

23 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	
	2015 RM'000	2014 RM'000
Deferred tax assets	18,956	27,841
Deferred tax liabilities	(69,177)	(42,673)
At 31 December	(50,221)	(14,832)

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	
	2015 RM'000	2014 RM'000
At 1 January	(14,832)	(22,023)
(Charged)/credit to profit or loss (Note 13)		
– Property, plant and equipment	(11,350)	(5,706)
– Investment property	(1,441)	(1,338)
– Trade and other receivables	285	12,573
– Tax losses	(10,487)	2,328
– Deferred revenue	3,800	439
– Trade and other payables	(5,567)	–
	(24,760)	8,296
Charged to other comprehensive income	(10,629)	(1,105)
At 31 December	(50,221)	(14,832)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

23 DEFERRED TAX (CONTINUED)

	Group	
	2015 RM'000	2014 RM'000
Subject to income tax:		
Deferred tax assets (before offsetting):		
– Tax losses	7,996	18,483
– Unabsorbed capital allowances	–	4,910
– Deferred revenue	18,924	15,124
– Trade and other payables	9,335	14,902
	36,255	53,419
Offsetting	(17,299)	(25,578)
Deferred tax assets (after offsetting)	18,956	27,841
Deferred tax liabilities (before offsetting):		
– Property, plant and equipment	(63,499)	(46,430)
– Investment property	(15,911)	(14,470)
– Trade and other receivables	(7,066)	(7,351)
	(86,476)	(68,251)
Offsetting	17,299	25,578
Deferred tax liabilities (after offsetting)	(69,177)	(42,673)

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unabsorbed capital allowance	41,100	44,769	-	-
Unutilised tax losses	37,600	54,141	7,133	12,922

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

24 INVENTORIES

	Group	
	2015 RM'000	2014 RM'000
At cost:		
Pharmaceutical products	32,868	30,858
Medical supplies	11,563	10,739
Consumables and disposable items	2,196	1,592
Laboratory chemicals	725	574
Other supplies	701	804
	48,053	44,567

25 TRADE AND OTHER RECEIVABLES AND AMOUNT DUE FROM SUBSIDIARIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current:				
Amount due from associate	32,661	–	–	–
Current:				
Trade receivables	410,248	324,384	–	–
Less: Impairment of trade receivables	(25,745)	(30,168)	–	–
Trade receivables – net	384,503	294,216	–	–
Amount due from ultimate holding corporation	1,040	1,258	2	–
Amounts due from related companies	3,886	3,183	–	–
Amounts due from associates	32,832	43,789	77	37
Other receivables	27,039	23,386	314	49
Deposits	39,455	53,294	34	31
Prepayments	28,620	18,729	–	212
Total	517,375	437,855	427	329
Amounts due from subsidiaries	–	–	370,193	229,693

Credit terms of trade receivables range from 30 to 60 days (2014: 30 to 60 days).

As at 31 December 2015, trade receivables of RM134,724,000 (2014: RM201,684,000) was neither past due nor impaired and RM249,779,000 (2014: RM92,532,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

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

The non-current amount due from associate relates to the deferred consideration arising from the disposal of certain assets as disclosed in Note 27.

Included in amount due from subsidiaries are advances receivable from subsidiaries amounting to RM93,790,000 (2014: RM93,790,000) which are unsecured, bearing effective weighted average interest rate of 5.85% (2014: 3.7%) and with no repayment terms.

Included in amount due from associates is an amount of RM60,530,000 (2014: RM39,000,000) being an amount due from Al-‘Aqar Healthcare REIT for the cost of building land and construction, which will be reimbursed by Al-‘Aqar Healthcare REIT once completed under Al-‘Aqar Development Agreement.

Ageing analysis of trade receivables

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

	Group	
	2015 RM’000	2014 RM’000
Neither past due nor impaired	134,724	201,684
1 to 30 days past due not impaired	107,362	35,526
31 to 60 days past due not impaired	49,688	21,292
61 to 91 days past due not impaired	25,448	14,397
91 to 120 days past due not impaired	16,030	6,981
More than 121 days past due not impaired	51,251	14,336
	249,779	92,532
Impaired	25,745	30,168
	410,248	324,384

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

As at 31 December 2015, trade receivables of RM25,745,000 (2014: RM30,168,000) were impaired and provided for. Movement in allowance accounts:

	Group	
	2015 RM'000	2014 RM'000
At 1 January	30,168	29,555
Charge for the year (Note 9)	5,814	6,843
Written off	(9,290)	(5,313)
Reversal of impairment loss (Note 9)	(947)	(917)
At 31 December	25,745	30,168

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Ringgit Malaysia	461,409	403,926	370,193	229,481
Singapore Dollar	767	1,126	–	–
Indonesian Rupiah	21,578	10,140	–	–
Australian Dollar	4,930	3,934	–	–
Bangladesh Taka	71	–	–	–
	488,755	419,126	370,193	229,481

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.

Certain financial assets are pledged as collateral for security.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

26 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits with licensed banks	43,112	126,504	528	61,332
Cash and bank balances	390,094	178,772	1,338	4,681
Total cash and bank balances	433,206	305,276	1,866	66,013
Less: Bank overdrafts (Note 29)	(7,063)	(15,727)	-	-
Deposits with licensed banks with maturity of more than 3 months	(6,074)	(10,209)	(528)	(528)
Cash and cash equivalents	420,069	279,340	1,338	65,485

The weighted average interest rates of cash and bank balances of the Group during the financial year were 3.25% (2014: 3.36%) per annum.

The currency exposure profile of deposits, cash and bank balances as at end of the reporting period is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Ringgit Malaysia	415,934	271,177	1,866	66,013
Singapore Dollar	1,258	7,967	-	-
Indonesia Rupiah	5,862	14,299	-	-
Australian Dollar	9,978	11,833	-	-
Bangladesh Taka	174	-	-	-
	433,206	305,276	1,866	66,013

Deposits of the Group have maturity periods that ranges from 1 to 365 days (2014: 1 to 730 days).

27 NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2015 RM'000	2014 RM'000
At 1 January	57,886	2,013
Reclassification from property, plant and equipment (Note 16)	–	57,886
Disposals	(57,886)	(2,013)
At 31 December	–	57,886

On 3 October 2014, Puteri Nursing College Sdn Bhd ("PNC"), a subsidiary of the Group had entered into an agreement to dispose two pieces of lands together with buildings erected thereon, both situated in Nilai, Negeri Sembilan to Al-'Aqar Healthcare REIT for a total consideration of RM77,800,000, including deferred consideration which is payable in 2018. The disposal was completed in 2015.

28 TRADE AND OTHER PAYABLES AND AMOUNT DUE TO SUBSIDIARIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current:				
Advances from subsidiaries	–	–	258,559	125,447
Current:				
Trade payables	269,575	276,291	–	–
Other payables	151,707	135,183	5,985	2,270
Resident upfront contribution	46,655	34,793	–	–
Accruals	141,123	111,509	2,322	8,743
Amount due to ultimate holding corporation	344	260	438	219
Amounts due to related companies	2,026	1,594	443	769
Amounts due to associates	5,453	5,528	–	–
	616,883	565,158	9,188	12,001
Amounts due to subsidiaries	–	–	197,905	222,852
Total	616,883	565,158	465,652	360,300

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

28 TRADE AND OTHER PAYABLES AND AMOUNT DUE TO SUBSIDIARIES (CONTINUED)

Advances from subsidiaries are unsecured and bear an effective weighted average interest rate of 5.85% (2014: 3.70%) per annum and are not repayable in the next 12 months.

Amounts due to ultimate holding corporation, subsidiaries and other related companies are unsecured, interest free and repayable on demand.

Credit terms of trade payables ranges from 30 to 60 days (2014: 30 to 60 days). The currency exposure profile of payables is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Ringgit Malaysia	506,946	443,532	465,652	360,300
Singapore Dollar	49	210	-	-
Indonesian Rupiah	3,081	2,273	-	-
Australian Dollar	60,100	119,143	-	-
Bangladesh Taka	46,707	-	-	-
	616,883	565,158	465,652	360,300

29 BORROWINGS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current				
Secured:				
Term loans				
– Conventional	61,597	38,506	–	–
– Syariah compliant	88,333	18,675	–	–
Finance lease liabilities	19,656	16,513	–	–
Unsecured:				
Revolving credits	182,500	377,500	130,000	250,000
Term loan				
– Conventional	–	449,000	–	–
Bank overdrafts	7,063	15,727	–	–
	359,149	915,921	130,000	250,000
Non-current				
Secured:				
Term loans				
– Conventional	49,545	42,776	–	–
– Syariah compliant	302,701	257,383	–	–
Finance lease liabilities	31,416	35,308	–	–
Unsecured:				
Islamic Medium Term Notes	795,219	–	–	–
	1,178,881	335,467	–	–
	1,538,030	1,251,388	130,000	250,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

29 BORROWINGS (CONTINUED)

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Total borrowing				
Revolving credits	182,500	377,500	130,000	250,000
Term loans				
– Conventional	111,142	530,282	–	–
– Syariah compliant	391,034	276,058	–	–
Islamic Medium Term Notes	795,219	–	–	–
Finance lease liabilities	51,072	51,821	–	–
Bank overdrafts	7,063	15,727	–	–
	1,538,030	1,251,388	130,000	250,000
Less: Repayable after 1 year	(1,178,881)	(335,467)	–	–
	359,149	915,921	130,000	250,000
The maturity profile of borrowings are as follows:				
Less than 1 year	359,149	915,921	130,000	250,000
Between 1 and 5 years	204,208	190,635	–	–
More than 5 years	974,673	144,832	–	–
	1,538,030	1,251,388	130,000	250,000
The borrowings are denominated as follows:				
Ringgit Malaysia	1,430,741	1,225,348	130,000	250,000
Australian Dollar	53,242	26,040	–	–
US Dollar	54,047	–	–	–
	1,538,030	1,251,388	130,000	250,000

29 BORROWINGS (CONTINUED)

	Finance rate	Effective finance rate at date of statement of financial position (% p.a)
2015		
Term loans	Fixed/Floating	4.50 – 5.70
Finance lease liabilities	Fixed	2.40 – 8.20
Islamic Medium Term Notes	Fixed	5.75 – 5.98
Bank overdrafts	Floating	6.72
2014		
Term loans	Fixed/Floating	2.83 – 7.29
Finance lease liabilities	Fixed/Floating	3.12 – 7.77
Bank overdrafts	Floating	7.77

Set below is fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Group			
	Carrying value		Fair value	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Term loans	162,538	116,820	141,333	99,913
Finance lease liabilities	51,072	51,821	50,898	51,536
Islamic Medium Term Notes	795,219	–	532,489	–
	1,008,829	168,641	724,720	151,449

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

29 BORROWINGS (CONTINUED)

The significant borrowings are secured by:

Term loan - Syariah compliant

A third party, first legal change over certain investment property including the building with a carrying amount of RM210,654,000 (Note 17).

Other borrowings are secured by:

(a) a Letter of Undertaking cum Awareness;

(b) a fresh negative pledge;

(c) an assignment of the proceeds to be received from the disposal of the building;

(d) facility agreement;

(e) fixed and floating charge over certain present and future assets;

(f) third party's loan agreement cum assignment over certain the leasehold land;

(g) jointly and severally guaranteed by certain directors of a subsidiary;

(h) for certain loans by a subsidiary, a letter of awareness;

(i) negative pledge.

Finance lease liabilities are secured by the related equipment and motor vehicles.

In connection with certain borrowings, the Group has to comply with the following significant covenants:

(i) The Group finance to equity ratio being not more than 1.5 times (Islamic Medium Term Notes).

(ii) A subsidiary's dividends declared or paid being not more than fifty percent (50%) of profit after tax.

(iii) A subsidiary's debt service current ratio to be maintained at a minimum of 1.5 times.

(iv) A subsidiary's borrowings over net tangible assets being not more than 2.0 times.

30 DEFERRED REVENUE

	Group	
	2015 RM'000	2014 RM'000
At 1 January	68,724	63,110
Additions	63,584	48,948
Earned during the financial year	(53,459)	(43,334)
At 31 December	78,849	68,724
Current	78,849	13,012
Non-current	-	55,712
At 31 December	78,849	68,724
Represented by:		
Tuition fees	10,132	8,231
Wellness	68,717	60,493
	78,849	68,724

The Wellness programme provides healthcare service packages over various contracted periods and can be utilised at any point in time, subject to full payment of all applicable fees. Consequently, the amounts are classified as current.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

31 PROVISION FOR RETIREMENT BENEFITS

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

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

	Group	
	2015 RM'000	2014 RM'000
At 1 January	2,260	2,038
Charge to profit or loss (Note 10)	246	231
Retirement benefits paid	–	(9)
Effect of re-measurement gain recognised in other comprehensive income	(208)	–
	2,298	2,260

The amount recognised in profit or loss is as follows:

	2015 RM'000	2014 RM'000
Current service cost	127	122
Interest cost on benefit obligation	122	109
Past service cost	(3)	–
	246	231

31 PROVISION FOR RETIREMENT BENEFITS (CONTINUED)

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

	Group	
	2015 %	2014 %
Discount rate[1]	5.4	5.4
Expected rate of salary increase		
– Non-management staff[2]	5.0	5.5
– Management staff[2]	5.0	5.5
Turnover[3]	Age related scale of 25% per annum prior age 25, gradually reducing to 0% per annum by age 50	Age related scale of 25% per annum prior age 25, gradually reducing to 0% per annum by age 50

[1] Discount rate is reflective of 10-15 year yield for AAA rated bond
[2] Expected rate of salary increase is as per industry average
[3] Turnover rate is relatively influenced by average employee age

The above assumptions derived from the latest actuarial valuation of the plan.

	2015 RM'000	2014 RM'000
1. A 1% increase in salary increment rate		
a Defined benefit obligation	2,550	2,262
b Effect an increase of net defined liability	252	2
2. A 1% decrease in salary increment rate		
a Defined benefit obligation	2,552	2,257
b Effect an decrease of net defined liability	254	(2)

32 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

33 SHARE CAPITAL

	Group/Company	
	2015 RM'000	2014 RM'000
Authorised ordinary shares of RM0.50 each:		
At 1 January/31 December	750,000	750,000
Issued and fully paid ordinary shares of RM0.50 each:		
At 1 January	515,374	490,955
Issued during the financial year:		
– Exercise of warrants (2010/2015)	1,082	2,600
– Exercise of warrants (2014/2019)	350	–
– Restricted Issue	8,754	–
– Rights issue	–	21,819
– ESOS	1,686	–
At 31 December	527,246	515,374

(a) Treasury shares

In the previous financial year, 15,520,000 units of KPJ Healthcare Berhad shares were bought by the Company from the open market, listed on the Bursa Malaysia, at an average buy-back price of RM3.46 per share for a total consideration of RM54,413,249 including transaction cost and was financed by internally generated fund. The shares were retained as treasury shares.

33 SHARE CAPITAL (CONTINUED)

(b) Warrants

(i) Warrants (2010/2015)

On 15 January 2010, the Company issued up to 131,906,635 free warrants on the basis of one (1) free warrant for every four (4) shares held by the entitled shareholders of the Company.

The new shares issued arising from the Warrants (2010/2015) exercised shall upon issue and allotment, rank pari passu in all respects.

Each new warrant (2010/2015) is entitled at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price of RM1.13.

Set out below are details of the Warrants (2010/2015) issued by the Company during the financial year:

			Number of Warrants 2010/2015			
Issuance date	Expiry date	Exercise price RM/share	1.1.2015 '000	Expired '000	Exercised '000	31.12.2015 '000
15 January 2010	12 January 2015	1.13	2,250	(85)	(2,165)	–

The Warrants (2010/2015) expired on 12 January 2015.

(ii) Warrants (2014/2019)

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

Each new warrant (2014/2019) is entitled at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price of RM4.01.

Set out below are details of the Warrants (2014/2019) issued by the Company during the financial year:

			Number of Warrants 2014/2019		
Issuance date	Expiry date	Exercise price RM/share	1.1.2015 '000	Exercised '000	31.12.2015 '000
21 January 2014	23 January 2019	4.01	87,275	(699)	86,576

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

33 SHARE CAPITAL (CONTINUED)

(b) Warrants (continued)

Details relating to warrants exercised during the year are as follows:

	Group/Company	
	2015 RM'000	2014 RM'000
Ordinary share capital – at par	1,432	2,600
Share premium		
(i) Warrants (2010/2015)	1,364	3,276
(ii) Warrants (2014/2019)	2,453	–
Proceeds from exercise of warrants	5,249	5,876
Fair value at exercise date of shares issued	17,660	19,816

The fair value of shares issued on the exercise of warrants is the mean market price at which the Company's shares were traded on Bursa Malaysia on the day prior to the exercise of the warrants.

34 SHARE-BASED PAYMENTS

(i) Employee Share Option Scheme (ESOS)

An Employees Share Option Scheme ("ESOS") was implemented on 27 February 2015 for the benefit of senior executives and certain employees of the Company. The ESOS shall be in-force for a period of 5 years. The fair value of each share option on the grant date was RM1.01. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The exercise price of the share options granted under the ESOS is RM3.64 each. The options granted are divided into 5 equal tranches which vest on 14 April 2015, 27 February 2016, 27 February 2017, 27 February 2018 and 27 February 2019. The vesting condition is that the offeree must be an employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates. The options expire on 27 February 2020.

Movement of share options during the financial year

The following table illustrates the number of, and movements in, share options of the Company during the financial year.

	Number of share options at exercise price of RM3.64 each	
	2015 Unit'000	2014 Unit'000
Outstanding at beginning of financial year	–	–
– Granted	95,054	–
– Exercised	(3,372)	–
– Lapsed	(3,673)	–
Outstanding at end of financial year	88,009	–
Exercisable at end of financial year	12,600	–

The fair value of the ESOS granted during the financial year in which MFRS 2 applies, were determined using the Black–Scholes valuation model. The significant inputs in the model are as follows:

Fair value per option	RM1.01
Exercise price	RM3.64
Option life	5 years
Weighted average share price at grant date	RM4.04
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 10 and Note 11 to the financial statements arising from the ESOS granted to Directors and employees of the Group and Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

34 SHARE-BASED PAYMENTS (CONTINUED)

(ii) Restricted Issue

The key features of the restricted issue as stated in circular to shareholders dated 4 November 2014 are as follows:

(a) The restricted issue is intended to enable the resident consultant under the KPJ Group, who are not eligible to participate in the ESOS, to also have an opportunity to share and invest in the equity growth of the Company as well as to serve as a reward to the resident consultants for their overall contribution to the KPJ Group.

(b) The resident consultant is offered to purchase allocated shares at the discounted price (below market price) and to be accepted within the allocated period.

The fair value of the discount amounting to RM7,004,000 relating to 17,509,000 shares at RM0.40 per share has been recognised as an expense during the financial year.

35 OTHER RESERVES

	Warrant reserve (Note a) RM'000	Merger reserve (Note b) RM'000	Exchange reserve (Note c) RM'000	Revaluation reserves (Note d) RM'000	Share option reserve (Note e) RM'000	Total RM'000
Group						
At 1 January 2015	31,952	(3,367)	1,895	58,429	–	88,909
Other comprehensive income						
Translation of foreign subsidiaries	–	–	(3,923)	–	–	(3,923)
Revaluation surplus	–	–	–	47,485	–	47,485
Total other comprehensive (loss)/income	–	–	(3,923)	47,485	–	43,562
Total comprehensive (loss)/income	–	–	(3,923)	47,485	–	43,562
Transactions with owners:						
Issue of shares:						
– warrants	(259)	–	–	–	–	(259)
– ESOS	–	–	–	–	(674)	(674)
	(259)	–	–	–	(674)	(933)
ESOS granted during the year	–	–	–	–	26,477	26,477
Lapsed ESOS	–	–	–	–	(1,307)	(1,307)
At 31 December 2015	31,693	(3,367)	(2,028)	105,914	24,496	156,708

35 OTHER RESERVES (CONTINUED)

	Warrant reserve (Note a) RM'000	Merger reserve (Note b) RM'000	Exchange reserve (Note c) RM'000	Revaluation reserves (Note d) RM'000	Share option reserve (Note e) RM'000	Total RM'000
Group						
At 1 January 2014	–	(3,367)	1,403	50,387	–	48,423
Other comprehensive income						
Translation of foreign subsidiaries	–	–	271	–	–	271
Revaluation surplus	–	–	–	8,042	–	8,042
Share of other comprehensive income of associates	–	–	221	–	–	221
Total other comprehensive (loss)/income	–	–	492	8,042	–	8,534
Total comprehensive income	–	–	492	8,042	–	8,534
Transactions with owners:						
Issue of shares:						
– Right issue	31,952	–	–	–	–	31,952
At 31 December 2014	31,952	(3,367)	1,895	58,429	–	88,909

(a) Warrant reserve is a reserve created based arising from the fair value of the right issue discount. When the warrants are exercised, the related amounts are transferred to share premium. When the warrants are not exercised and lapse, 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).

	Group	
	2015 RM'000	2014 RM'000
At 1 January	58,429	50,387
Revaluation surplus, net of tax	47,485	8,042
At 31 December	105,914	58,429

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

(e) ESOS 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 premium. When options are not exercised and lapse, the related ESOS reserve is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

36 SIGNIFICANT RELATED PARTY DISCLOSURES

The Group is a subsidiary of Johor Corporation, a state government related entity. During the ordinary course of business, the Group transacts with various state related government agencies and departments, mainly relating to land premiums, utilities payments and administrative services. These are based on normal commercial terms and are individually immaterial to warrant separate disclosure.

In addition to the related party disclosures elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on negotiated terms.

(a) Significant related party transactions

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Type of transactions				
Group and Company				
Project management fee to associate	14,385	8,716	–	–
Proceeds from disposal of land and buildings to associate*	43,150	3,590	–	–
Rental expense to associate*	111,234	101,451	–	–
Payments under Development Agreement (Note 25) on behalf of an associate*	18,555	20,320	–	–
Management fee from subsidiaries	–	–	(43,211)	(39,029)
Dividend received (net) from subsidiaries	–	–	(111,482)	(107,118)
Interest expense to subsidiaries	–	–	13,827	10,867
Interest income from subsidiaries	–	–	(1,896)	(1,516)
* Al-'Aqar Healthcare REIT				
Johor Corporation group of companies				
Secretarial fee	316	306	–	–
Insurance premiums	3,736	5,073	–	–
Dividend paid	–	–	27,893	14,430
Contribution to Klinik Waqaf An-Nur	3,120	3,120	–	–

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

Information regarding outstanding balances arising from related party transactions as at the financial year end are disclosed in Note 25 and 28.

36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Key management personnel compensation

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors' remuneration (Note 11)	5,041	2,656	4,855	2,178
Salaries, allowances and bonus	3,348	3,044	3,348	3,044
Contribution to defined contribution plan	362	329	362	329
Share based payments	1,006	-	1,006	-
	9,757	6,029	9,571	5,551

37 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2015 RM'000	2014 RM'000
Represented by:		
Not later than 1 year	104,161	100,920
Later than 1 year and not later than 2 years	104,654	116,702
Later than 2 years and not later than 5 years	314,949	249,981
Later than 5 years	2,428,395	280,583
	2,952,159	748,186

The Group has entered into contractual agreements with Amanah Raya Berhad (as Trustee for Al-'Aqar Healthcare REIT) and Damansara REIT Managers Sdn Bhd to lease certain hospital land and buildings including certain equipment for a period of fifteen years, with an option to renew for another fifteen years subject to terms and conditions as stipulated in the agreement.

Contingent rent recognised as an expense during the financial year amounted to RM29,000. Contingent rent related to the incremental rental payable every 3 years is based on the adjusted risk free government security rate but subject to a minimum yield of the market value of the property.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

38 CONTINGENT LIABILITIES

The Group is subject to litigation in the ordinary course of business, mainly arising from its subsidiaries hospital operations. The Directors are of the opinion, based on legal advice and malpractice insurance, that no significant exposure will arise that requires recognition.

39 SIGNIFICANT EVENTS

(a) Puteri Nursing College Sdn. Bhd. ("PNCSB"") on 3 October 2014 has entered into a sale and purchase agreement ("SPA") with Amanah Raya Trustees Berhad ("Trustee" or "Purchaser"), on behalf of Al-'Aqar, to dispose the Properties for a total disposal consideration of RM77,800,000 ("Disposal Consideration") upon the terms and conditions of the SPA ("Proposed Disposal").

Upon completion of the Proposed Disposal, PNCSB will enter into a lease agreement ("Lease Agreement") with Al-'Aqar, represented by its Trustee, and Damansara REIT Managers Sdn Berhad, being the manager of Al-'Aqar ("Manager"), for the lease of the Properties to PNCSB upon terms and conditions of the Lease Agreement to be agreed between the aforesaid parties ("Proposed Leaseback").

On 12 February 2015, PNCSB exchanged letter with the Purchaser, to vary the terms of the Deferred Consideration Unit ("Exchange Letter") for the inclusion of certain additional terms.

The Proposed Disposal had completed on 1 December 2015 in accordance with the terms and conditions of the SPA and following the receipt of RM38.90 million by PNCSB.

(b) On 18 March 2015, Seremban Specialist Hospital Sdn Bhd, a wholly-owned subsidiary of Kumpulan Perubatan Johor Sdn Bhd ("SSHSB"), had entered into a sale and purchase agreement with the Amanah Raya Trustees Berhad, being the trustee of Al-'Aqar Healthcare REIT ("Trustee" or "Purchaser"), to dispose a parcel of freehold land in Seremban, Negeri Sembilan ("SSH Land") to Al-'Aqar for a total cash consideration of RM4.25 million.

As a condition to the Proposed Disposal, SSHSB will enter into a supplemental lease agreement with the Trustee and Damansara REIT Managers Sdn Berhad, being the manager of Al-'Aqar ("DRMSB" or "Manager"), for the lease of the SSH Land to SSHSB ("SSH Supplemental Lease Agreement") upon the terms and conditions to be agreed between the aforesaid parties ("Proposed Leaseback"). The SSH Supplemental Lease Agreement shall supplement a lease agreement dated 12 December 2012 entered into between SSHSB, the Trustee and DRMSB for the lease of the Existing Properties for the second (2nd) lease term period (as defined herein) to SSHSB ("SSH Existing Lease Agreement").

On 29 September 2015, the parties had exchanged letters to extend the completion period by an additional three (3) months to 27 December 2015.

On 11 November 2015, the Proposed Disposal has been completed following the receipt of the purchase consideration and transfer of beneficial ownership of the SSH Land from SSHSB to the Trustee.

39 SIGNIFICANT EVENTS (CONTINUED)

(c) On 31 March 2015, Kumpulan Perubatan (Johor) Sdn Bhd, a wholly owned subsidiary of the Company, had entered into share sale agreement with Amanah Raya Trustee Berhad, being the trustee for Al-'Aqar Healthcare REIT for the acquisition of the entire equity interests in Crossborder Hall (M) Sdn Bhd and Crossborder Aim (M) Sdn Bhd for a total cash consideration of RM5.17 million upon the terms and conditions of the Crossborder SSA.

The Proposed Acquisition had been completed in December 2015.

(d) On 3 November 2014, Point Zone (M) Sdn Bhd ("Point Zone") (a wholly-owned subsidiary of the company) had received the authorisation from the Securities Commission Malaysia (the "SC") to establish the issuance of Islamic Commercial Papers ("ICP") pursuant to an ICP programme and Islamic Medium Term Notes ("IMTN") pursuant to an IMTN programme collectively known as "Sukuk Programme" up to RM1.5 billion.

The proceeds raised from the Sukuk Programme shall be utilised to refinance the outstanding amount under the existing Islamic Commercial Papers/Islamic Medium Term Notes Programme of up to RM500.0 million issued by Point Zone or under a Bridging Loan Facility of up to RM450.0 million (as the case may be); and to advance to the Company to finance the expansion and working capital requirements of the KPJ group's healthcare and healthcare related businesses (Including to finance/refinance any borrowings incurred in relation there to).

The ICP Programme shall have a tenure of 7 years from the first issuance date whilst the IMTN Programme shall have a tenure of 10 years from the first issuance.

40 CAPITAL COMMITMENTS

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

	Group	
	2015 RM'000	2014 RM'000
Approved by the Directors and contracted	502,890	99,513
Approved by the Directors but not contracted	189,528	238,825
	692,418	338,338
Analysed as follows:		
– Leasehold land	–	2,880
– Buildings	572,733	205,784
– Medical equipments	56,775	39,919
– Other property, plant and equipment	62,910	89,755
	692,418	338,338

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

41 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 Executive Committee ("EXCO"). The EXCO 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) Indonesia - Private hospitals

(iii) Australia - Providing retirement village and aged care facilities

(iv) Others – Operating segments involved in provision of hospital services in Thailand and Bangladesh, private university college of nursing and allied health and sale of hospital merchandise and other similar activities, none of which are individually significant to warrant separate disclosure.

The reportable segments have changed from the previous financial year due to the changes in the internal management reporting structure of the CODM. Comparatives have been restated to conform to the revised reportable segments.

The EXCO assesses the performance of the operating segments based on EBITDA and profit before zakat and tax.

41 SEGMENTAL REPORTING (CONTINUED)

	Malaysia RM'000	Indonesia RM'000	Aged care facility Australia RM'000	Others RM'000	Group RM'000
Year ended 31 December 2015					
Revenue					
Revenue from external customers	2,711,897	52,032	40,258	43,406	2,847,593
Year ended 31 December 2015					
Results					
EBITDA*	381,502	4,299	(12,550)	19,227	392,478
Profit/(loss) before zakat and tax	213,340	3,039	(16,602)	9,831	209,608
Total assets	3,490,170	145,162	136,890	143,360	3,915,582
Total liabilities	1,939,770	143,692	171,686	100,409	2,355,557
Additions to property, plant and equipment	280,694	47,189	27,949	5,142	360,974
Year ended 31 December 2014					
Revenue					
Revenue from external customers	2,521,025	39,714	36,231	42,166	2,639,136
Year ended 31 December 2014					
Results					
EBITDA*	374,442	240	(3,839)	(1,634)	369,209
Profit before zakat and tax	231,683	(2,332)	(4,817)	(6,450)	218,084
Total assets	3,035,120	47,554	136,259	117,071	3,336,004
Total liabilities	1,720,636	48,088	128,964	89,176	1,986,864
Additions to property, plant and equipment	312,466	41,182	24,391	4,486	382,525

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

41 SEGMENTAL REPORTING (CONTINUED)

The reconciliation of EBITDA to profit for the financial year is as follows:

	2015 RM'000	2014 RM'000
EBITDA	392,478	369,209
Depreciation and amortisation	(118,713)	(108,268)
Finance cost	(64,157)	(42,857)
Profit before zakat and tax	209,608	218,084
Zakat and tax	(64,479)	(70,838)
Profit for the year	145,129	147,246

SUPPLEMENTARY INFORMATION

42 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENT

The following analysis of realised and unrealised retained earnings is prepared pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No. 1 – Determination of Realised and Unrealised Profit or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings of KPJ Healthcare Berhad and its subsidiaries:				
– Realised	648,529	585,978	70,588	58,220
– Unrealised	(45,603)	(29,453)	–	–
	602,926	556,525	70,588	58,220
Total shares of retained earnings from associates:				
– Realised	36,240	33,545	–	–
– Unrealised	57,892	61,945	–	–
	697,058	652,015	70,588	58,220
Less: Consolidated adjustments	(2,479)	(12,668)	–	–
Total Group retained earnings	694,579	639,347	70,588	58,220

The disclosure of realised and unrealised earnings above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

SHAREHOLDINGS STATISTICS

as at 31 March 2016

Authorised Share Capital	:	RM750,000,000
Issued & Fully Paid-Up Capital	:	RM528,138,623.50 less RM7,795,000 Treasury Shares = RM520,343,623.50
Class of Shares	:	Ordinary Share of RM0.50 each

VOTING RIGHT OF SHAREHOLDERS

Every member of the Company present in person or by proxy shall have one vote on a show of hand and in the case of a poll shall have one vote for every share of which he/she is the holder.

BREAK DOWN OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	294	6.16	11,684	-
100 – 1,000	665	13.93	414,902	0.04
1,001 – 10,000	2,620	54.88	11,264,136	1.08
10,001 – 100,000	931	19.50	31,901,331	3.07
100,001 to less than 5% of Issued Capital	260	5.45	440,387,866	42.32
5% and above of Issued Capital	4	0.08	556,707,328	53.49
TOTAL	**4,774**	**100.00**	**1,040,687,247**	**100.00**

SHAREHOLDINGS STATISTICS

as at 31 March 2016

TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same depositor)

	Name	No. of Shares	%
1	Johor Corporation	262,873,879	25.26
2	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	123,314,595	11.85
3	Johor Corporation	94,374,945	9.07
4	Waqaf An-Nur Corporation Berhad	76,143,909	7.32
5	Kumpulan Wang Persaraan (Diperbadankan)	35,522,400	3.41
6	Maybank Noms (T) Sdn Bhd - A/C Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	18,000,000	1.73
7	RHB Noms (T) Sdn Bhd - A/C Johor Corporation	17,500,000	1.68
8	AmanahRaya Trustees Berhad - A/C Amanah Saham Malaysia	17,444,600	1.68
9	AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	17,270,593	1.66
10	Cartaban Noms (T) Sdn Bhd - A/C Exempt AN for Eastspring Investments Berhad	15,211,700	1.46
11	AmanahRaya Trustees Berhad - A/C Public Islamic Dividend Fund	14,374,310	1.38
12	AmanahRaya Trustees Berhad - A/C Amanah Saham Didik	13,798,400	1.33
13	Citigroup Noms (A) Sdn Bhd - A/C Exempt AN for Citibank New York (Norges Bank 12)	13,382,200	1.29
14	Lembaga Tabung Haji	12,933,963	1.24
15	AmanahRaya Trustees Berhad - A/C Public Islamic Select Enterprises Fund	11,154,246	1.07
16	AmanahRaya Trustees Berhad - A/C Public Islamic Sector Select Fund	9,585,886	0.92
17	Maybank Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Family PRF EQ)	9,272,316	0.89
18	HSBC Noms (A) Sdn Bhd - A/C TNTC for Mondrian Emerging Markets Small Cap Equity Fund, L.P.	9,266,986	0.89
19	AmanahRaya Trustees Berhad - A/C Public Ittikal Sequel Fund	9,265,766	0.89
20	Johor Corporation	8,641,312	0.83
21	AmanahRaya Trustees Berhad - A/C AS 1MALAYSIA	8,402,800	0.81
22	AmanahRaya Trustees Berhad - A/C Amanah Saham Nasional	7,625,700	0.73
23	HSBC Noms (A) Sdn Bhd - A/C Exempt AN for The Bank of New York Mellon (Mellon Acct)	7,457,646	0.72
24	HSBC Noms (A) Sdn Bhd - A/C Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	6,980,028	0.67
25	HSBC Noms (A) Sdn Bhd - A/C HSBC-FS I for Best Investment Corporation (Deutsche Asia)	6,772,816	0.65
26	AmanahRaya Trustees Berhad - A/C Public Islamic Equity Fund	6,696,636	0.64
27	AmanahRaya Trustees Berhad - A/C Amanah Saham Nasional 3 Imbang	5,949,300	0.57
28	Citigroup Noms (A) Sdn Bhd - A/C CBNY for DFA Emerging Markets Small Cap Series	5,758,825	0.55
29	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	4,741,025	0.46
30	HSBC Noms (A) Sdn Bhd - A/C BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	4,284,100	0.41

SUBSTANTIAL SHAREHOLDERS

	Name	Direct No. of Shares	%	Indirect No. of Shares	%
1	Johor Corporation – 4 a/cs	365,965,136	35.17	97,855,694	9.40
2	Citigroup Noms (T) Sdn Bhd – A/C Employees Provident Fund Board – 3 a/cs	127,905,495	12.29	–	–
3	Waqaf An-Nur Corporation Berhad	76,143,909	7.32	–	–

ANALYSIS OF SHAREHOLDERS

Size of Shareholders		Direct No. of Shares	%	Indirect No. of Shares	%
Malaysian	– Bumiputra	1,192	24.97	731,587,786	70.30
	– Others	3,379	70.78	212,029,691	20.37
Foreigners		203	4.25	97,069,770	9.33
TOTAL		**4,774**	**100.00**	**1,040,687,247**	**100.00**

DIRECTORS' SHAREHOLDING

as at 31 March 2016

	Name of Directors'	No. of Shares	%
1	Dato' Kamaruzzaman Abu Kassim	–	–
2	Dato' Amiruddin Abdul Satar	6,266	–
3	Tan Sri Datin Paduka Siti Sadiah Sheikh Bakir – 2 a/cs	1,147,124	0.11
	– Indirect (Amy Nadzlina Mohamed)	13,083	–
4	Dr. Yoong Fook Ngian – Maybank Noms (T) Sdn Bhd – A/C Yoong Fook Ngian		
5	Dr. Kok Chin Leong	346,666	0.03
6	Datuk Azzat Kamaludin	249,100	0.03
7	Aminudin Dawam	94,000	0.01
8	Ahamad Mohamad	11,197	–
9	Zainah Mustafa	1,125	–
10	Zulkifli Ibrahim	–	–
11	Prof Dato' Dr. Azizi Omar	–	–

WARRANTHOLDINGS STATISTICS

as at 31 March 2016

BREAKDOWN OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
Less than 100	109	5.30	4,736	0.01
100 – 1,000	1,082	52.63	526,730	0.61
1,001 – 10,000	569	27.67	2,360,300	2.73
10,001 – 100,000	237	11.53	7,007,504	8.09
100,001 to less than 5% of Issued Capital	55	2.68	20,874,304	24.11
5% and above of Issued Capital	4	0.19	55,801,920	64.45
TOTAL	**2,056**	**100.00**	**86,575,494**	**100.00**

TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same depositor)

	Name	No. of Warrants	%
1	Johor Corporation	18,419,494	21.28
2	RHB Capital Noms (T) Sdn Bhd - A/C Johor Corporation (Jedcon ESSB)	18,000,000	20.79
3	Kulim (Malaysia) Berhad	11,438,100	13.21
4	Lembaga Tabung Haji	7,944,326	9.18
5	CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank for Liew Jun Kuan (MY0750)	2,771,400	3.20
6	Waqaf An-Nur Corporation Berhad	2,002,344	2.31
7	Amanahraya Trustees Berhad - A/C Public Islamic Dividend Fund	946,920	1.09
8	Chue Ching Wen	862,300	1.00
9	AllianceGroup Noms (T) Sdn Bhd - A/C Mohan a/l Perumal (8077481)	808,000	0.93
10	Dai Shek Hung	709,000	0.82
11	Suraya Elland Yusoff	688,400	0.80
12	HSBC Noms (A) Sdn Bhd - A/C TNTC for Mondrian Emerging Markets Small Cap Equity Fund, L.P.	656,372	0.76
13	Citigroup Noms (A) Sdn Bhd - A/C Exempt AN for Citibank New York (Norges Bank 1)	645,702	0.75
14	Amanahraya Trustees Berhad - A/C Public Islamic Select Enterprises Fund	570,692	0.66
15	Amanahraya Trustees Berhad - A/C Public Islamic Equity Fund	567,372	0.66
16	Alliancegroup Noms (T) Sdn Bhd - A/C Sureasan @ Suresh a/l Nadasan (6000007)	523,400	0.60
17	Maybank Noms (T) Sdn Bhd - A/C Lai Fon Yew	488,200	0.56
18	Maybank Noms (T) Sdn Bhd - A/C Kek Lian Lye	471,000	0.54
19	Lim Yong Hiang	429,100	0.50
20	Ng Sow Teng	355,000	0.41

	Name	No. of Warrants	%
21	HSBC Noms (A) Sdn Bhd - A/C Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	346,104	0.40
22	Public Noms (T) Sdn Bhd - A/C Tan Chiam Hua (E-BPT)	319,600	0.37
23	HSBC Noms (A) Sdn Bhd - A/C Exempt AN for The Bank Of New York Mellon (Mellon Acct)	313,000	0.36
24	Public Noms (T) Sdn Bhd - A/C Fong Kwee Min (E-KPG)	300,000	0.35
25	Yap Nyuk Fui	300,000	0.35
26	U Yong Doong @ U Sung Kwi	298,500	0.34
27	CimSec Noms (T) Sdn Bhd - A/C CIMB Bank for Mohammed Amin Mahmud (MM1004)	294,786	0.34
28	CimSec Noms (T) Sdn Bhd - A/C Koh Chong Hap (Penang-CL)	256,100	0.30
29	Cheah Chong Yein	250,000	0.29
30	Ng Seng Nam	225,000	0.26

SUBSTANTIAL WARRANTHOLDERS

	Name	No. of Warrants	%
1	Johor Corporation	18,419,494	21.28
2	RHB Capital Noms (T) Sdn Bhd - A/C Johor Corporation (Jedcon ESSB)	18,000,000	20.79
3	Kulim (Malaysia) Berhad	11,438,100	13.21
4	Lembaga Tabung Haji	7,944,326	9.18

ANALYSIS OF WARRANTHOLDERS

Size of Warrantholders		No. of Warrantholders	%	No. of Warrants	%
Malaysian	– Bumiputra	444	21.60	67,729,224	78.23
	– Others	1,556	75.68	14,671,983	16.95
Foreigners		56	2.72	4,174,287	4.82
TOTAL		**2,056**	**100.00**	**86,575,494**	**100.00**

WARRANTHOLDINGS STATISTICS

as at 31 March 2016

DIRECTORS' WARRANTHOLDING

as at 31 March 2016

	Name of Directors	No. of Warrants	%
1	Dato' Kamaruzzaman Abu Kassim	–	–
2	Dato' Amiruddin Abdul Satar	532	–
3	Tan Sri Datin Paduka Siti Sadiah Sheikh Bakir – 2 a/cs	109,498	0.13
	– Indirect (Amy Nadzlina Mohamed)	1,666	–
4	Dr. Yoong Fook Ngian		
	– Maybank Noms (T) Sdn Bhd – A/C Yoong Fook Ngian	32	–
5	Dr. Kok Chin Leong	21,200	0.02
6	Datuk Azzat Kamaludin	8,000	0.01
7	Ahamad Mohamad	–	–
8	Aminudin Dawam	–	–
9	Zainah Mustafa	–	–
10	Zulkifli Ibrahim	–	–
11	Prof Dato' Dr. Azizi Omar	–	–

CLASSIFICATION OF SHAREHOLDERS

as at 31 March 2016

Category	TOTAL		BUMIPUTRA		NON-BUMIPUTRA		FOREIGN	
	Holder	Shares	Holder	Shares	Holder	Shares	Holder	Shares
Government Bodies	15	464,619,161	15	464,619,161	–	–	–	–
Finance	43	200,400,356	41	196,975,890	2	3,424,466	–	–
Investment Trust	5	308,578	5	308,578	–	–	–	–
Nominees	1,215	314,319,579	561	51,342,496	508	167,265,368	146	95,711,715
Companies	55	7,661,241	21	5,089,418	30	2,196,023	4	375,800
Clubs/Association	1	442,500	1	442,500	–	–	–	–
Co-Operatives	3	27,500	3	27,500	–	–	–	–
Others	1	10	–	–	1	10	–	–
Individuals	3,436	52,908,322	545	12,782,243	2,838	39,143,824	53	982,255
TOTAL	**4,774**	**1,040,687,247**	**1,192**	**731,587,786**	**3,379**	**212,029,691**	**203**	**97,069,770**
%	**100.00**	**100.00**	**24.97**	**70.30**	**70.78**	**20.37**	**4.25**	**9.33**

LIST OF TOP 10 PROPERTIES

No.	Location	Description	Market value 2015 (RM million)	Net book value 2015 (RM million)	Tenure & Expiry Date	Area (in sq metre)
Kumpulan Perubatan (Johor) Sdn Bhd						
1	Mukim of Klang, District of Klang State of Selangor.	Vacant Land	27.5	27.5	Freehold	18,397
2	Menara 238, 238 Jalan Tun Razak, 50400 Kuala Lumpur.	Building	231.5	231.5	Freehold	8,330
Pasir Gudang Specialist Hospital Sdn Bhd						
3	Lot PTD 204781, Mukim Plentong, Johor Bahru, Johor.	Land and building	70.0	70.0	Leasehold 99 years expiring 2108	13,142
Maharani Specialist Hospital Sdn Bhd						
4	Lot 2024, Bandar Maharani, Muar, Johor.	Land and building	65.0	65.0	Freehold	6,944
Rawang Specialist Hospital Sdn Bhd						
5	Jalan Rawang, Bandar Baru Rawang, 48000 Rawang, Selangor.	Land and building	80.0	80.0	Leasehold 99 years expiring 2103	7,264
Bandar Dato Onn Specialist Hospital Sdn Bhd						
6	HSD 501209 PTD 163189, Bandar Dato' Onn, Mukim Tebrau Daerah Johor Bahru, Johor.	Commercial Land	47.0	47.0	Freehold	54,034
Amity Development Sdn Bhd						
7	TL 017553221, Jalan Damai Kota Kinabalu, Sabah.	Development Land	42.0	42.0	Leasehold 999 years expiring 2910	16,850
SMC Healthcare Sdn Bhd						
8	Jalan Bersatu, Off Jalan Damai, Luyang, Kota Kinabalu, Sabah.	Building	121.3	121.3	N/A	29,728
Jeta Gardens (QLD) Pte Ltd						
9	Lots 1 & 5, 86 Albert Street, Bethania 4205, Queensland, Australia.	Development Land	59.5	58.6	Freehold	10,940
BDC Specialist Hospital Sdn Bhd						
10	Lot 18807, Block 11, Muara Tebas Land District, Kuching, Sarawak.	Suburban Land	23.0	23.0	Leasehold 60 years expiring 2072	19,180

NETWORK OF KPJ HOSPITALS AND COMPANIES

MSQH Accredited Hospitals

KPJ IPOH SPECIALIST HOSPITAL
26, Jalan Raja Dihilir, 30350 Ipoh, Perak.
Tel: 605-240 8777 Fax: 605-254 1388
Emergency: 605-241 8989
Website: www.kpjipoh.com
Email: ish@ish.kpjhealth.com.my

KPJ DAMANSARA SPECIALIST HOSPITAL
119, Jalan SS20/10, Damansara Utama,
47400 Petaling Jaya, Selangor.
Tel: 603-7718 1000 Fax: 603-7722 2617
Emergency: 603-7722 3500
Website: www.kpjdamansara.com
Email: info@kpjdamansara.com

KPJ SELANGOR SPECIALIST HOSPITAL
Lot 1, Jalan Singa 20/1, Section 20,
40300 Shah Alam, Selangor.
Tel: 603-5543 1111 Fax: 603-5543 1722
Emergency: 603-5540 3361
Website: www.kpjselangor.com
Email: kpjselangor@kpjselangor.kpjhealth.com.my

KPJ PERDANA SPECIALIST HOSPITAL
Lot PT 37 & 600,
Seksyen 14, Jalan Bayam,
15200 Kota Bharu, Kelantan.
Tel: 609-745 8000 Fax: 609-747 2877
Emergency: 609-747 3140
Website: www.kpjperdana.com
Email: perdana@perdana.kpjhealth.com.my

KPJ KAJANG SPECIALIST HOSPITAL
Jalan Cheras, 43000 Kajang, Selangor.
Tel: 603-8769 2999 Fax: 603-8769 2808
Emergency: 603-8769 2911
Website: www.kpjkajang.com
Email: kpjkajang@kpjkajang.kpjhealth.com.my

KEDAH MEDICAL CENTRE
Pumpong, 05250 Alor Star, Kedah.
Tel: 604-730 8878 Fax: 604-733 2869
Emergency: 604-730 8878
Website: www.kedahmedical.com.my
Email: kmccustcare@kedahmedical.com.my

KPJ TAWAKKAL SPECIALIST HOSPITAL
No. 1, Jalan Pahang Barat,
53000 Kuala Lumpur.
Tel: 603-4026 7777 Fax: 603-4023 8063
Emergency: 603-4026 7777
Website: www.kpjtawakkal.com
Email: tawakkal@kpjtawakkal.com

KPJ PUTERI SPECIALIST HOSPITAL
33, Jalan Tun Abdul Razak (Susur 5),
80350 Johor Bahru, Johor.
Tel: 607-225 3222 Fax: 607-223 8833
Emergency: 607-225 3203
Website: www.kpjputeri.com
Email: psh@psh.kpjhealth.com.my

KPJ KUANTAN SPECIALIST HOSPITAL
51, Jalan Alor Akar, Taman Kuantan,
25250 Kuantan, Pahang.
Tel: 609-567 8588 Fax: 609-567 8098
Emergency: 609-567 8588
Website: www.ksh.kpjhealth.com.my
Email: ksh@ksh.kpjhealth.com.my

KPJ SENTOSA KL SPECIALIST HOSPITAL
No. 36 Jalan Cemor, Kompleks Damai,
50400 Kuala Lumpur.
Tel: 603-4043 7166 Fax: 603-4043 7761
Emergency: 603-4043 7166
Website: www.kpjsentosa.com
Email: kpjsentosa@kpjsentosa.com.my

KPJ DAMAI SPECIALIST HOSPITAL
DSC Building, Lorong Pokok Tepus 1,
Off Jalan Damai, 88300 Kota Kinabalu, Sabah.
Tel: 6088-222 922 Fax: 6088-243 540
Emergency: 6088-250 060
Website: www.kpjdamai.com
Email: paul@dsc.kpjhealth.com.my
barbara@dsc.kpjhealth.com.my

KPJ KLANG SPECIALIST HOSPITAL
No.102, Persiaran Rajawali/KU1,
Bandar Baru Klang, 41150 Klang, Selangor.
Tel: 603-3377 7888 Fax: 603-3377 7800
Emergency: 603-3377 7999
Website: www.kpjklang.com
Email: customer@kpjklang.com

MSQH & JCI Accredited Hospitals

KPJ AMPANG PUTERI SPECIALIST HOSPITAL
No. 1, Jalan Mamanda 9, Taman Dato' Ahmad Razali,
68000 Ampang, Selangor.
Tel: 603-4270 2500 Fax: 603-4270 2443
Emergency: 603-4270 7060
Website: www.kpjampang.com
Email: apsh@kpjampang.com

KPJ SEREMBAN SPECIALIST HOSPITAL
Lot 6219 & 6220, Jalan Toman 1, Kemayan Square,
70200 Seremban, Negeri Sembilan.
Tel: 606-767 7800 Fax: 606-767 5900
Emergency: 606-763 6900
Website: www.kpjseremban.com
Email: ssk_prcassh.kpjhealth.com.my

KPJ PENANG SPECIALIST HOSPITAL
570, Jalan Perda Utama, Bandar Perda,
14000 Bukit Mertajam, Seberang Prai, Pulau Pinang.
Tel: 604-548 6688 Fax: 604-548 6700
Emergency: 604-548 6799
Website: www.kpjpenang.com
Email: inquiry@kpjpenang.kpjhealth.com.my
Tol free: 1800 22 2692

KPJ JOHOR SPECIALIST HOSPITAL
39-B, Jalan Abdul Samad, 80100 Johor Bahru, Johor.
Tel: 607-225 3000 Fax: 607-224 8213
Emergency: 607-225 3199
Website: www.kpjjohor.com
Email: jsh@jsh.kpjhealth.com.my

Moving Towards Accreditation

TAIPING MEDICAL CENTRE
45-49, Jalan Medan Taiping 2,
Medan Taiping, 34000 Taiping, Perak.
Tel: 605-807 1049 Fax: 605-806 3713
Emergency: 605-807 1049
Website: www.tmc.kpjhealth.com.my
Email: tmc@tmc.kpjhealth.com.my

KPJ KUCHING SPECIALIST HOSPITAL
Lot 10420, Block 11,
Tabuan Stutong Commercial Centre,
Jalan Setia Raja, 93350 Kuching, Sarawak.
Tel: 6082-365 777 Fax: 6082-364 666
Emergency: 6082-365 030
Website: www.kpjkuching.com
Email: kcsh@kcsh.kpjhealth.com.my

KLUANG UTAMA SPECIALIST HOSPITAL
No. 1, Susur 1, Jalan Besar, 86000 Kluang, Johor.
Tel: 607-771 8999 Fax: 607-772 8999
Emergency: 607-771 6999
Website: www.kpjkluang.com
Email: kush@kush.kpjhealth.com.my

KPJ SABAH SPECIALIST HOSPITAL
Lot No. 2, Off Jalan Damai, Luyang,
88300 Kota Kinabalu, Sabah.
Tel: 6088-211 333 Fax: 6088-272 622
Emergency: 6088-322 199
Website: www.kpjsabah.com
Email: prsmckk@smckk.kpjhealth.com.my

SIBU SPECIALIST MEDICAL CENTRE
No. 52A-G, Brooke Drive, 96000 Sibu, Sarawak.
Tel: 6084-329 900 Fax: 6084-327 700
Emergency: 6084-329 900
Website: www.kpjsibu.com
Email: enquiry@kpjsibu.com

NETWORK OF KPJ HOSPITALS AND COMPANIES

SRI MANJUNG SPECIALIST CENTRE
Lot 14777, Jalan Lumut, 32000 Sitiawan, Perak.
Tel: 05-691 8153 Fax: 05-691 5368
Email: kpjsmscprm@gmail.com

KPJ PASIR GUDANG SPECIALIST HOSPITAL
Lot PTD 204871, Jalan Persiaran Dahlia 2,
Taman Bukit Dahlia, 81700 Pasir Gudang,Johor.
Tel: 07-257 3999 Fax: 07-257 3974
Emergency: 07-257 3900
Website: www.kpjpgsh.com
Email: pgsh@kpjpgsh.com

KPJ RAWANG SPECIALIST HOSPITAL
Hospital Pakar Rawang, Jalan Rawang,
Bandar Baru Rawang, 48000 Rawang, Selangor.
Tel: 03-6099 8999 Fax: 03-6099 8927
Website: www.kpjrawang.com
Email: customerservice@kpjrawang.com

KPJ BANDAR MAHARANI SPECIALIST HOSPITAL
73-1 Jalan Stadium, 84000 Muar, Johor.
Tel: 06-956 4500 Fax: 06-956 4556
Website: www.kpjmaharani.com
Email: maharani@kpjmaharani.com

KPJ TAWAKKAL HEALTH CENTRE
202-A Jalan Pahang, 53000 Kuala Lumpur.
Tel: 03-4023 3599 Fax: 03-4023 8063
Website: www.kpjhealthcentre.com
Email: info@kpjhealthcentre.com

KPJ International Network

RUMAH SAKIT MEDIKA PERMATA HIJAU
Jl Raya Kebayoran Lama 64,
11560 Jakarta Barat, Indonesia.
Tel: 62021-530 5288 Fax: 62021-530 5291
Emergency: 62021-530 5288
Website: www.rsmph.co.id
Email: info@rsmph.co.id

RUMAH SAKIT MEDIKA BUMI SERPONG DAMAI
Jl Letnan Soetopo Kav Kom 111A,
No.7, BSD City Tangerang, Banten,
15330, Indonesia.
Tel: 62021-537 2296 Fax: 62021-538 2296
Emergency: 62021-537 8609
Website: www.rs-medikabsd.co.id
Email: marketing@rs-medikabsd.co.id

VEJTHANI HOSPITAL
1 Ladprao Road 111, Klong-Chan Bangkapi,
Bangkok 10240, Thailand.
Tel: +66-2734 0000 Fax: +66-2734 0088
Emergency: (+66)8-522 38888
Website: www.vejthani.com
Email: int.mkt@vejthani.com

SHEIKH FAZILATUNNESSA MUJIB MEMORIAL KPJ SPECIALIZED HOSPITAL & NURSING COLLEGE
12 Block C, Tetuibari,
Kashimpur, Gazipur, Bangladesh.
Tel: +088-017 0378 8561 Fax: +088-017 0378 8562
Emergency: (+66)8-522 38888
Website: www.sfmmkpjsh.com
Email: info@sfmmkpjsh.com

KPJ Aged Care

JETA GARDENS
Retirement and Aged Care Resort,
27 Clarendon Ave Bethania, 4205,
Queensland, Australia.
Free call: 1800 227 818
Tel: +617 3200 7188 Fax: +617 3200 7100
Website: www.jetagardens.com
Email: enquiry@jetagardens.com

KPJ Healthcare Education

KPJ Healthcare University College (KPJUC)
Email: info@kpjuc.edu.my
Website: www.kpjuc.edu.my

Main Campus (Nilai, Negeri Sembilan)
Lot PT 17010, Persiaran Seriemas,
Kota Seriemas, 71800 Nilai,
Negeri Sembilan Darul Khusus.
Tel: 1300 88 5758 Fax: 606-794 2669

Branch Campus (Johor Bahru, Johor)
Level 24, Metropolis Tower,
Jalan Dato' Abdullah Tahir,
80250 Johor Bahru, Johor.
Tel: 607-335 2692 Fax: 607-333 6392

Branch Campus (Penang)
565, Jalan Sg. Rambai, Seberang Perai,
14000 Bukit Mertajam, Pulau Pinang.
Tel: 604-538 2692 Fax: 604-530 8695

KPJ Healthcare Related Companies

KPJ PUSAT PAKAR MATA CENTRE FOR SIGHT (PJ)
1-1, Jalan SS23/15, Taman SEA,
47400 Petaling Jaya,
Selangor Darul Ehsan, Malaysia.
Tel: 03-7804 4051 Fax: 03-7804 6052
Website: www.kpjcfs.com
Email: info@kpjcfs.com

KPJ PUSAT PAKAR MATA CENTRE FOR SIGHT (KL)
Lot 100-102, Level 4, KPJ Tawakkal Health Centre,
202-A Jalan Pahang, 53000 Kuala Lumpur.
Tel: 03-4022 6222 Fax: 03-4021 1409
Website: www.kpjcfs.com
Email: infokl@kpjcfs.com

KPJ PUSAT PAKAR MATA CENTRE FOR SIGHT (RAWANG)
88, Jalan Bandar Rawang 1,
Pusat Bandar Rawang, 48000 Rawang, Selangor.
Tel: 03-6093 1051 Fax: 03-6093 1052
Website: www.kpjcfs.com
Email: inforw@kpjcfs.com

PHARMASERV ALLIANCES SDN BHD
Tel: 603-5632 2692
Fax: 603-5624 1330
Website: www.kpjpharmaserv.com
Email: pasb@kpjpharmaserv.com

LABLINK (M) SDN BHD
Tel: 603-4023 4588
Fax: 603-4023 4298
Website: www.kpjlablink.com
Email: enquiry@kpjlablink.com

STERILE SERVICES SDN BHD
Tel: 603-6092 2692
Fax: 603-6091 6200
Website: www.kpjsterile.com
Email: info@kpjsterile.com

HEALTHCARE TECHNICAL SERVICES SDN BHD
Tel: 603-4021 2331
Fax: 603-4021 2337
Website: www.hts.com.my
Email: hts@hts.kpjhealth.com.my

KPJ Intrapreneur Companies

TERAJU FARMA SDN BHD
Tel: 603-7874 4212
Fax: 603-7874 4126

FABRICARE LAUNDRY SDN BHD
Tel: 607-232 7231/3
Fax: 607-232 723

SKOP YAKIN
Tel: 609-2681 6222
Fax: 609-2681 6888
Email: skop.yakin@gmail.com

HEALTHCARE IT SOLUTIONS SDN BHD
Tel: 603-2260 1020
Fax: 603-2260 1464
Website: www.hitssb.com
Email: general@hitssb.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Third (23rd) Annual General Meeting ("**AGM**") of KPJ Healthcare Berhad ("**KPJ**" or the "Company") will be held at the Permata Ballroom, Level B2, The Puteri Pacific Hotel, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor, on Thursday, 19 May 2016 at 12.30 pm for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2015 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To re-elect the following Directors who retire in accordance with the Articles of Association of the Company:-

   (i) Dato' Kamaruzzaman Abu Kassim – Article 96 **(Resolution 2)**

   (ii) Ahamad Mohamad – Article 96 **(Resolution 3)**

   (iii) Prof. Dato' Dr. Azizi Hj. Omar – Article 97 **(Resolution 4)**

3. To consider, and if thought fit, to pass the following resolutions pursuant to Section 129(6) of the Companies Act 1965:-

   (i) That Datuk Azzat Kamaludin, who is above the age of seventy (70), be and is hereby re-appointed as Director and to hold office until the next AGM of the Company. **(Resolution 5)**

   (ii) That Dr. Yoong Fook Ngian, who is above the age of seventy (70), be and is hereby re-appointed as Director and to hold office until the next AGM of the Company. **(Resolution 6)**

4. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2015. **(Resolution 7)**

5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:

6. **ORDINARY RESOLUTION 1**

   CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS

   In line with Recommendation 3.2 and 3.3 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), the Nomination & Remuneration Committee ("NRC") had conducted an assessment of independence under the nomination and election process of Independent Non-Executive Directors ("INED"), whereby the NRC reviewed whether the nominated candidates have satisfied the criteria for an independent director as prescribed in Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") and its Practice Note 13 prior to seeking shareholders' approval at the 23rd AGM on the appointment of INEDs.

"**THAT** Zainah Mustafa who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM. (See Note f) **(Resolution 9)**

"**THAT** Dr. Kok Chin Leong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM. (See Note f) **(Resolution 10)**

"**THAT**, subject to the passing of Resolution 5, approval be and is hereby given to Datuk Azzat Kamaludin who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be hereby re-appointed as an Independent Non-Executive Director of the Company until the conclusion of the next AGM. (See Note f) **(Resolution 11)**

"**THAT**, subject to the passing of Resolution 6, approval be and is hereby given to Dr. Yoong Fook Ngian who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM. (See Note f) **(Resolution 12)**

7. **ORDINARY RESOLUTION 2**

AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 **(Resolution 13)**

"**THAT** pursuant to Section 132D of the Companies Act, 1965 ("Act"), the Articles of Association of the Company and subject to the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered to issue shares of the Company, from time to time, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10 percent (10%) of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities and that such authority shall continue in force until the conclusion of the next AGM of the Company. (See Note g)

ORDINARY RESOLUTION 3

PROPOSED RENEWAL OF THE SHARE BUY-BACK AUTHORITY ("PROPOSED SHARE BUY BACK") **(Resolution 14)**

"**THAT**, subject to Section 67A of the Act, Part IIIA of the Companies Regulations 1966, the provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements ("Listing Requirements") of the Bursa Securities and any other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised, to make purchase(s) of ordinary shares of RM0.50 each in the Company's issued and paid-up capital on Bursa Securities subject to the following:-

(a) The maximum number of shares which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company for the time being subject to the restriction that the issued and paid-up capital of the Company does not fall below the applicable minimum share capital requirement of the Listing Requirements;

(b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits and the share premium account of the Company; and

(c) Upon completion of the purchase by the Company of its own shares, the Directors of the Company are authorised to deal with the shares so bought-back in their absolute discretion in any of the following manner:-

(i) cancel the shares so purchased; or

(ii) retain the shares so purchased as treasury shares and held by the Company; or

(iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or,

(iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the authority conferred by this resolution shall continue to be in force until:-

(a) the conclusion of the next AGM of the Company at which such resolution was passed, at which time the authority will lapse unless renewed by ordinary resolution passed at the AGM either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM is required by law to be held; or

(c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the Listing Requirements of Bursa Securities or any other relevant authorities.

AND THAT the Directors of the Company be and are authorised to take all such steps to implement, finalise and give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, revaluations and/or amendments as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements and the guidelines issued by Bursa Securities and any other relevant authorities." (See Note h)

ORDINARY RESOLUTION 4

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE") **(Resolution 15)**

"THAT subject always to the provisions of the Act, the Memorandum and Articles of Association of the Company, the Listing Requirements or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries, to renew the shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading nature, and to enter into and give effect to the specified Recurrent Related Party Transactions;

all with the particulars of which are set out in Part B of the Circular to Shareholders dated 27 April 2016 ("**Circular**") with the Related Parties as described in the Circular, provided that such transactions are:-

(a) recurrent transactions of a revenue or trading nature;

(b) necessary for the day-to-day operations of the Company and/or its subsidiaries;

(c) carried out in the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which those generally available to the public; and

(d) not detrimental to the minority shareholders of the Company;

AND THAT such authority shall continue to be in force until:-

(a) the conclusion of the next AGM of the Company following this AGM, at which time the authority will lapse unless by a resolution passed at the AGM, such authority is renewed; or

(b) the expiration of the period within which the next AGM after the date that is required to be held pursuant to Section 143(1) of the Companies Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Companies Act); or

(c) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting;

whichever is earlier;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or give effect to the Proposed Shareholders' Mandate." (See Note i)

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 23rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 58 of the Company's Articles of Association and Paragraph 7.16 of the Listing Requirements to issue a General Meeting Record of Depositors ("ROD") as at 12 May 2016. Depositors whose names appear on the ROD as at 12 May 2016 are entitled to attend, speak and vote at the said meeting.

By Order of the Board,
KPJ HEALTHCARE BERHAD

SALMAH ABD WAHAB (LS 0002140)
HANA AB RAHIM @ ALI, ACIS (MAICSA 7064336)
Secretaries

Johor Bahru
Dated: 27 April 2016

NOTES:

Proxy

a. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of Companies Act, 1965 need not be complied with.

b. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, under its common seal or in other manner approved by its Board of Directors.

c. Where a member of the Company is an Authorised Nominee as defined under the Central Depositories Act 1991, he may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

d. Any alteration made in this form should be initialed by the person who signs it.

e. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the registered office of the Company at: KPJ HEALTHCARE BERHAD, Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

Abstention from Voting

1. All the Non-Executive Directors ("NED") of the Company who are shareholders of the Company shall abstain from voting on Resolution 6 concerning remuneration to the NED at the 23rd AGM.

2. Any Director referred to in Resolutions 2, 3 and 4, who is a shareholder of the Company shall abstain from voting on the resolution in respect his election or re-appointment at the 23rd AGM.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

f. The Ordinary Resolutions 9, 10, 11 and 12 if passed, will enable Zainah Mustafa, Dr. Kok Chin Leong, Datuk Azzat Kamaludin and Dr. Yoong Fook Ngian, to continue to act as Independent Directors notwithstanding that they have served the Board as Independent Non-Executive Directors for a term of more than 9 years. The Board strongly believes that a director's independence cannot be determined arbitrarily with reference only to the tenure of service. To qualify as independent, a director must be independent in character and judgement, independent of management and free from any relationship or circumstances as set out in Chapter 1 of the Listing Requirements, which are likely to affect or appear to affect their independent judgement. Following an assessment, the Board concluded that the INEDs' length of service do not interfere with the exercise of independent judgement and ability to act in the best interests of the shareholders. In addition, the Board believes that their detailed knowledge of the Group's business and their proven commitment, experience and competence will greatly benefit the Company. The Directors' concerned had declared their independence and desire to continue as Independent Non-Executive Directors of the Company.

g. The proposed Resolution 13 if passed is primarily to give flexibility to the Directors to issue up to a maximum amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM or the expiration of the period within the next AGM required by law to be held, whichever is earlier.

    (i) The mandate sought under Resolution 13 is a renewal of an existing mandate particularly on the conversion of KPJ warrants into ordinary shares of RM0.50 at the price of RM4.01 per share.

    (ii) The proceeds raised from the previous mandate were RM15,077,822.26.

    (iii) The proceeds were utilised for working capital purposes.

    (iv) The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

h. The proposed Resolution 14 if passed will enable the Company to utilise any of its surplus financial resources to purchase its own shares from the market.

i. The proposed Resolution 15 if passed is primarily to authorise the Company and/its unlisted subsidiaries to enter into arrangements or transactions with Related Parties, particulars of which are set out in the Circular to Shareholders dated 27 April 2016 circulated together with this Annual Report, which are necessary for the day-to-day operations of the Group and are based on normal commercial terms that are not more favourable to the Related Parties than those generally made to the public.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia:-

1. The Directors who are retiring pursuant to Article 96 of the Company's Articles of Association are as follows:-
   (i) Dato' Kamaruzzaman Abu Kassim – Article 96
   (ii) Ahamad Mohamad – Article 96
   (iii) Prof. Dato' Dr. Azizi Hj. Omar – Article 97

2. The Directors who are standing for re-appointment under Section 129(6) of the Companies Act, 1965 are:-
   (i) Datuk Azzat Kamaludin
   (ii) Dr. Yoong Fook Ngian

3. A total of five (5) Board Meetings were held during the financial year ended 31 December 2015.

4. Details of attendance of Directors at Board Meetings held during the financial year ended 31 December 2015 are as follows:-

	27 February 2015	2 April 2015	28 May 2015	9 July 2015	27 August 2015	26 November 2015
Non-Independent Non-Executive Director						
Dato' Kamaruzzaman Abu Kassim	√	√	√	√	√	√
Ahamad Mohamad	√	√	√	x	√	√
Zulkifli Ibrahim	√	√	√	√	√	√
Aminudin Dawam	√	√	√	√	√	√
Independent Non-Executive Directors						
Zainah Mustafa	√	√	√	√	√	√
Datuk Azzat Kamaludin	√	√	√	√	√	x
Tan Sri Dato Dr. Yahya Awang*	√	√	√	√	–	–
Dr. Kok Chin Leong	√	√	x	√	√	√
Dr. Yoong Fook Ngian	√	√	√	x	√	x
Tan Sri Datin Paduka Siti Sadiah Sheikh Bakir	√	√	x	√	√	√
President/Managing Director						
Dato' Amiruddin Abdul Satar	√	√	√	√	√	√

* resigned on 27 August 2015

Date of Meeting	Venue
27 February 2015	Level 16, Menara 238, Kuala Lumpur
2 April 2015	Level 16, Menara 238, Kuala Lumpur
28 May 2015	Puteri Pacific Hotel, Johor Bahru
9 July 2015	Puteri Pacific Hotel, Johor Bahru
27 August 2015	KPJ Maharani Specialist Hospital, Muar
26 November 2015	Level 24, Menara KOMTAR, JBCC, Johor Bahru

5. Particulars of Directors seeking re-election at the Annual General Meeting are set out in the Directors' Profile appearing in pages 74 to 85 of the Annual Report.

PROXY FORM

No. of ordinary shares held	CDS account no.

KPJ HEALTHCARE BERHAD

Company No. 247079-M
Incorporated in Malaysia under the Companies Act, 1965

I/We* ____
(Full name and NRIC No./Company No. in block letters)

of ____
(Full address in block letters)

being a member(s) of KPJ HEALTHCARE BERHAD hereby appoint Chairman of the meeting, or ______________

____
(Full name and NRIC in block letters)

of ____
(Full address in block letters)

or failing him/her ____
(Full name and NRIC in block letters)

of ____
(Full address in block letters)

As my/our proxy to vote for me/us* on my/our* behalf at the Twenty Third (23rd) Annual General Meeting of the Company to be held at the Permata Ballroom, Level B2, The Puteri Pacific Hotel, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on Thursday 19 May 2016 at 12.30 p.m. and at any adjournment in respect of my/our holdings of shares in the manner indicated below:

RESOLUTION	DESCRIPTION	FOR	AGAINST
1	TO RECEIVE THE REPORT AND AUDITED ACCOUNTS		
	TO RE-ELECT DIRECTORS:		
2	DATO' KAMARUZZAMAN ABU KASSIM		
3	AHMAD MOHAMAD		
4	PROF DATO' DR. AZIZI OMAR		
	TO RE-APPOINT:		
5	DATUK AZZAT KAMALUDIN		
6	DR. YOONG FOOK NGIAN		
7	TO APPROVE DIRECTORS' FEE		
8	TO RE-APPOINT AUDITORS		
	ANY OTHER BUSINESS		
	PROPOSED DIRECTOR TO CONTINUE AS INDEPENDENT NON-EXECUTIVE DIRECTOR:		
9	ZAINAH MUSTAFA		
10	DR. KOK CHIN LEONG		
11	DATUK AZZAT KAMALUDIN		
12	DR. YOONG FOOK NGIAN		
13	AUTHORITY TO ISSUE SHARES		
14	PROPOSED SHARE BUY BACK		
15	PROPOSED SHAREHOLDERS' MANDATE		

(Please indicate with a (√) in the appropriate box whether you wish your vote to be cast for or against the resolution. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.)

____
Signature(s)/Common Seal of Shareholder(s)

Dated this ____________ day of ____________ 2016

Fold this flap for sealing

NOTE:

1. A member of the Company entitled to be present and vote at the Meeting may appoint a proxy to vote instead of him. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 need not be complied with.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under the hand of its common seal or under the hand of an officer or attorney duly authorised. The instrument appointing the proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, he may appoint at least one (1) proxy in respect of each securities account he holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Any alteration made in this form should be initialled by the person who signs it.
5. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the registered office of the Company at Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the person so named shall not be entitled to vote in respect thereof.

Then fold here

Affix postage stamp

KPJ HEALTHCARE BERHAD (247079-M)
Level 11
Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor, Malaysia

1st fold here

KPJ HEALTHCARE BERHAD
(247079-M)

Level 12, Menara 238, 238 Jalan Tun Razak,
50400, Kuala Lumpur, Malaysia.
Tel : 603-2681 6222 Fax : 603-2681 6888

www.kpjhealth.com.my