



KPJ HEALTHCARE BERHAD



SUSTAINABLE HEALTHCARE

ANNUAL REPORT 2016





KPJ

HEALTHCARE BERHAD

2016

ANNUAL REPORT

SUSTAINABLE HEALTHCARE

KPJ Healthcare Bhd (KPJ)'s success journey in Malaysia for the last 35 years underscores our philosophy that building and growing our business sustainably in a responsible manner go hand-in-hand. We serve our mission to provide the rakyat of Malaysia with quality healthcare services as we continue to create long-term value for shareholders, and support the development and expansion of the healthcare industry in the country.

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Our core focus is ensuring that our customers enjoy a positive and holistic patient experience. We connect and engage with them as we improve our service delivery and offerings. We have our finger on the pulse of their needs which allows us to design innovative healthcare and medical packages that best provide relevant solutions that are for everyone.



OUR VALUES

what we strive for

As a global provider of premium healthcare services, KPJ is committed to world-class excellence in every aspect of healthcare. Our medical expertise and advanced facilities enable us to provide a one-stop continuum of care to cater to the rapidly growing demands of the markets we operate in.

KPJ HAS A WELL-DEFINED STRATEGY

○ VISION

The Preferred Healthcare Provider

Our fundamental purpose is the delivery of exceptional health treatment, care and diagnosis to all our patients. We are dedicated to being the preferred provider of care, with innovative use of technology, experienced doctors and well-trained staff who collaborate to offer the best diagnosis and treatment plans.

○ MISSION

Delivering Quality Healthcare Services

Our mission is to improve the health of the people and the communities we serve. Led by skilled and caring medical staff, we are consistently focused on clinical excellence and innovative technology for superior patient outcomes.



OUR CORE VALUES

a company dedicated to innovation



ENSURING
SAFETY



DELIVERING
SERVICE WITH
COURTESY



PERFORMING
DUTIES WITH
INTEGRITY



EXERCISING
PROFESSIONALISM
AT ALL TIMES

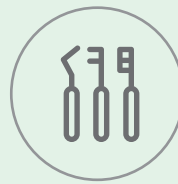


STRIVING FOR
CONTINUOUS
IMPROVEMENT

Our values represent the philosophy of our organisation and guide all our decision-making and actions. We strive to maintain a patient-centred environment focused on compassionate care. Our core values of Ensuring Safety, Delivering Service with Courtesy, Performing Duties with Integrity, Exercising Professionalism at All Times, and Striving for Continuous Improvement are an intrinsic part of our commitment to 'Care for Life' in every aspect of our operations.

We hold ourselves accountable to high standards and our core values reaffirm our commitment to serving all those who count on us.





DELIVERING

World class Services

◆ TO THE NATION ◆

We constantly innovate and upgrade our hospitals with the latest state-of-the-art medical technology and equipment, on par with international benchmarks and practices. We are committed to maintaining clinical excellence as we deliver quality healthcare services to all our patients.







OUR EXCELLENT SERVICES

Safety, speed and service are the hallmarks of every KPJ member interaction



When you are responsible for delivering high-quality healthcare to more than 2 million people, patient satisfaction is as critically important.



— responsible for delivering high-quality —

HEALTHCARE

①

ACCESSIBILITY

②

CLINICAL GOVERNANCE

③

24/7 CUSTOMER SERVICE

④

INTEGRATED NETWORKED PLATFORM

⑤

QUALITY



Accreditation



Integrated Management System Certification Body

RESULTS *that we have achieved*



IMPROVED SCORE

KPJ'S CUSTOMER
SATISFACTION
SURVEY

86.1%



IN 2016,
EMPLOYEES RECEIVED
AN AVERAGE OF

47 hours

OF TRAINING PER PERSON





ACHIEVING

Results

◆FOR OUR SHAREHOLDERS◆

We are committed to long-term growth, and with that, focus on creating long-term value for our shareholders by operating sustainably in a responsible manner.



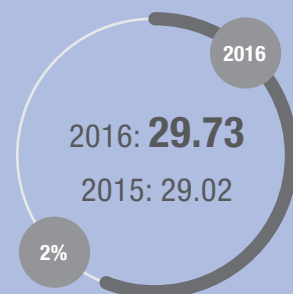


“
STRONG
PARTNERSHIPS
WILL CONTINUE TO
MATTER. WE MUST
CONVINCE THOSE
RESPONSIBLE IN
THE DIFFERENT
REGIONS OF OUR
QUALITY AND
RELIABILITY
”

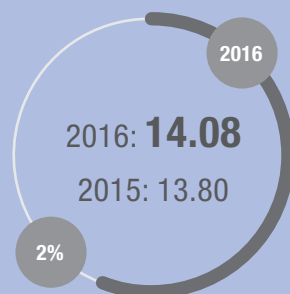


OUR MOTIVATION IN NUMBERS

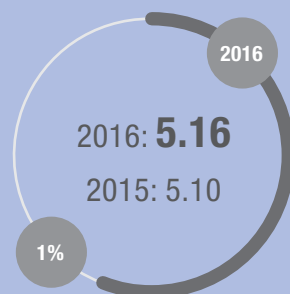
*2016 was both a successful and ambitious year
for KPJ Healthcare Berhad*



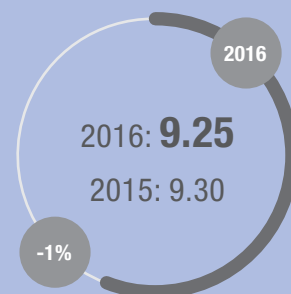
GROSS PROFIT MARGIN
(%)



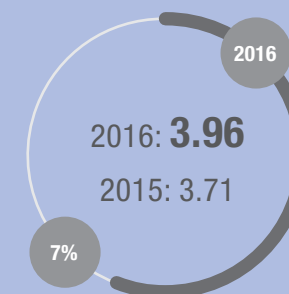
EBITDA MARGIN
(%)



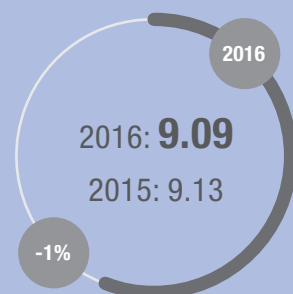
NET PROFIT MARGIN
(%)



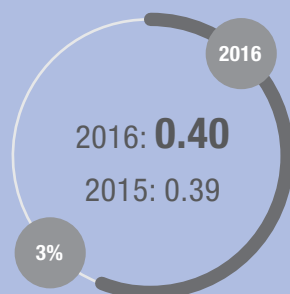
RETURN ON EQUITY
(%)



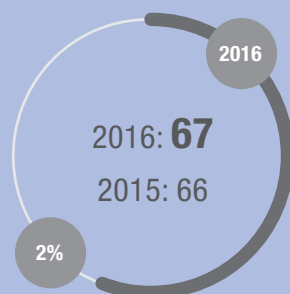
RETURN ON ASSETS
(%)



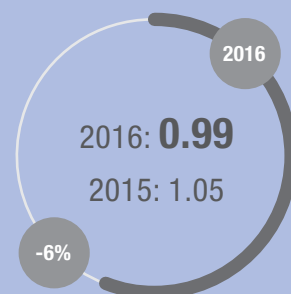
RETURN ON AVERAGE
CAPITAL EMPLOYED
(%)



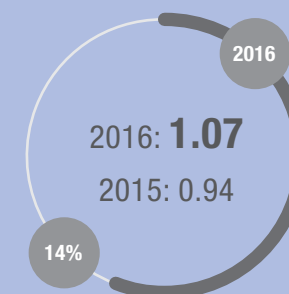
DEBT RATIO



DEBT TURNOVER
DAYS RATIO



DEBT EQUITY RATIO



CURRENT RATIO

RESULTS *that we have achieved*



FROST & SULLIVAN

RECOGNISES
KPJ HEALTHCARE BERHAD AS

“HOSPITAL OF
THE YEAR”



MSQH
ACCREDITATION

“KPJ RAWANG
SPECIALIST HOSPITAL”

“KPJ BANDAR MAHARANI
SPECIALIST HOSPITAL”



EXPANDED OUR
CSR OUTREACH

2 NEW
KWAN CLINICS

HOSPITALS

25 in Malaysia	2 in Indonesia	1 in Bangladesh	1 in Thailand
--------------------------	--------------------------	---------------------------	-------------------------

1,122
MEDICAL CONSULTANTS

RETIREMENT & AGED CARE CENTERS

1 in Australia	2 in Malaysia
--------------------------	-------------------------

INPATIENTS	OUTPATIENTS
279,794	2,464,704

2 BRANCHES

1 UNIVERSITY COLLEGE

38 PROGRAMMES

EMPLOYEES

12,635

2,929
OPERATING BEDS

ACCREDITED HOSPITALS

18 By Malaysian Society for Quality in Health (MSQH)	4 By Joint Commission International (JCI)
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Our Reporting Approach



ABOUT THIS REPORT AND OUR REPORTING SUITE

We have produced a full suite of reporting publications in line with Bursa Malaysia's revised Listing Requirements (24 March 2016).

KPJ Healthcare's Annual Report 2016 which contains its Sustainability Statement, has been prepared and curated within our best capacity to provide our stakeholders a clear and informed review of KPJ's 2016 performance and ongoing business delivery and creation of value, against the year's landscape of opportunities, challenges and developments. The Report has been tailored to meet our readers' specific information requirements.

This also marks the debut of the KPJ Sustainability Statement, as part of our commitment to, and in accordance with market regulation, share how our business integrates social value into our operations, in creating sustainable business value for all our stakeholders.

REPORT PUBLICATION	PURPOSE	FRAMEWORKS APPLIED	CROSS-REFERENCE
KPJ Annual Report 2016 	Provide a comprehensive discussion of KPJ's performance	✓ Companies Act, 1965 ✓ Bursa Malaysia Securities Berhad Listing Requirements ✓ Malaysian Financial Reporting Standards ✓ International Financial Reporting Standards	KPJ website
KPJ Sustainability Statement 2016 	Present a balanced and comprehensive analysis of KPJ's sustainability practices and performance in relation to issues material to our stakeholders. The statement scope covers KPJ's operations in Malaysia only.	✓ Bursa Malaysia Securities Berhad Listing Requirements relating to Sustainability Statements in Annual Report	

KPJ Healthcare Berhad

KPJ Healthcare Berhad (KPJ or the Group) is Malaysia's leading provider of private healthcare services. Since its introduction of the first private specialist hospital in Johor in 1981, the Group has been at the forefront of the healthcare industry.

Driven by its core values of Safety, Courtesy, Integrity, Professionalism and Continuous Improvement, KPJ's integrated network consists of 25 specialist hospitals located throughout the nation. With its expansion abroad, the Group currently has two hospitals in Indonesia, a sizable share in a hospital in Bangkok, a hospital in Bangladesh, as well as a retirement and age-care resort in Australia.

KPJ's competitive advantage lies in its extensive reach and presence in the highly competitive private healthcare industry. With its hospitals located in various parts of the nation, the Group's hospitals are easily accessible and offer a diverse range of medical specialist services, many of which are major firsts in the nation's healthcare industry.





The Group has made outstanding inroads in the application of integrated Group-wide technology. The adoption of Cloud Computing has further enhanced the ability of the medical consultants in assessing patient information in real-time, to ensure delivery of a seamless service. To further optimise the handling of patients' records and increase hospital efficiency, continuous improvements are being undertaken to advance its Clinical Information System (KCIS).

The Group's extensive experience in hospital development and management spanning three and a half decades also means that the Group is built based on strong, dependable fundamentals. These serve as a solid bedrock as the industry continues to evolve and change over time.

In growing the health tourism segment, our aggressive marketing strategies continue to show stellar results as we have expanded our footprint in Asia, the Middle East, Africa, Australasia, and Kazakhstan (a member of the Commonwealth of Independent Countries).

Apart from hospital-based care, the KPJ Group made its mark in healthcare-related industries, primarily KPJ Senior Living Care services and Healthcare Education. These thriving sub-sectors hold tremendous potential for the future, in line with the increasing consumer demand.

Our hospitals continue to be recognised by accreditation bodies such as the Malaysian Society for Quality in Health (MSQH) and the Joint

Commission International (JCI). KPJ hospitals have been certified by Integrated Management System (IMS) that integrates and emphasises on the Quality Management System (MS ISO 9001:2000); Environment (MS ISO 14001:2004); Occupational Safety and Health (OHSAS 18001:1999) Systems as well as other ISO and SIRIM certifications.

We continue to touch the lives of the impoverished and underprivileged in communities through our management of Klinik Wakaf An-Nur (KWAN) initiative. Since the inception of the first KWAN charity clinic in Johor in 1988, it has since served more than one million patients. Today, the KWAN network encompasses one hospital in Johor, 18 clinics throughout Malaysia, as well as four mobile clinics in Kuala Lumpur, Johor and Selangor.

What We Offer

● SURGICAL DISCIPLINES

1 Anaesthesiology

- Anaesthesiology and Critical Care
- Intensive Care (Anaesthesiology)

2 Cardiothoracic Surgery

3 Dental Specialties

- Dental Surgery
- Dental Implant
- Oral And Maxillofacial Surgery
- Oral Pathology And Oral Medicine
- Orthodontics
- Orthognathic
- Paediatric Dentistry
- Periodontics
- Prosthodontics
- Restorative Dentistry
- Endodontic
- Root Canal Treatment
- Denture
- Cosmetic Dentistry including Teeth Whitening

4 Neurosurgery

5 Obstetrics And Gynaecology (O & G)

- Obstetrics And Gynaecology (O & G)
- Gynae-Oncology
- Maternal Fetal Medicine
- Reproductive Medicine
- Uro-Gynaecology

6 Ophthalmology

- Cornea Transplant Surgery
- Vitreoretinal Surgery
- Oculoplastic Surgery
- Refractive Error Laser Vision
- Cataract
- Glaucoma

7 Orthopaedic Surgery

- Orthopaedic Surgery
- Spine Surgery
- Arthroplasty
- Upper Limb and Microsurgery

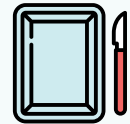
8 Otorhinolaryngology/Ear, Nose & Throat (ENT) including Cochlear Transplant Surgery

9 Paediatric Surgery

10 Plastic Surgery

11 Surgery

- General Surgery
- Breast and Endocrine Surgery
- Colorectal
- Hepatobiliary Surgery
- Thoracic Surgery
- Upper GIT
- Vascular Surgery
- Bariatric Surgery



● MEDICAL SPECIALTIES

1 Medicine

- Internal Medicine
- Cardiology
- Clinical Haematology
- Dermatology
- Endocrinology
- Gastroenterology & Hepatology
- Geriatric Medicine
- Infectious Diseases
- Clinical Oncology
- Nephrology
- Neurology
- Respiratory Medicine
- Rheumatology

2 Paediatrics

- General Paediatrics
- Neonatology
- Paediatric Cardiology
- Paediatric Dermatology
- Paediatric Haematology & Oncology
- Paediatric Infectious Diseases
- Paediatric Respiratory Medicine

3 Pathology

- Pathology
- Anatomical Pathology
- Haematology
- Medical Microbiology

4 Psychiatry

5 Radiology

- Clinical Radiology

6 Rehabilitation Medicine

- Neurological Rehabilitation
- Paediatric Rehabilitation
- Amputee Rehabilitation
- Orthopaedic Rehabilitation
- Work Assessment and Work Hardening





● HOSPITAL CLINICAL SERVICES & FACILITIES

1 Pain Management

- Acute Pain Management
- Interventional Chronic Pain Management

2 Bariatric (Obesity) Surgery Centre

- Roux en Y Gastric Bypass, Sleeve
- Weight Management Clinic
- Counselling
- Patient Support Group

3 Sleep Disorder Centre

4 Oncology Services

- Clinical / Medical Therapy – Chemotherapy, Hormonal Therapy
- Radiotherapy

5 Clinical Laboratory

6 Clinical Pathology

7 Pharmacy Services

8 Cardiac Catheterisation Laboratory (CATH LAB)

9 Endoscopy Services

- Gastroscopy
- Colonoscopy
- ERCP

10 In-Vitro Fertilisation (IVF) Services

11 Occupational Health Services



12 Rehabilitation Services

- Physiotherapy
- Occupational Therapy
- Speech Therapy

13 Specialised Neurodevelopmental/ Psycho-Educational Rehabilitation

14 Psychology Services (Adult & Paediatric)

15 LASIK Services

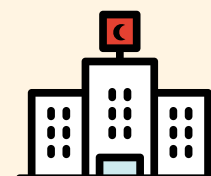
16 Diabetic Counselling Services

17 Home Nursing Services

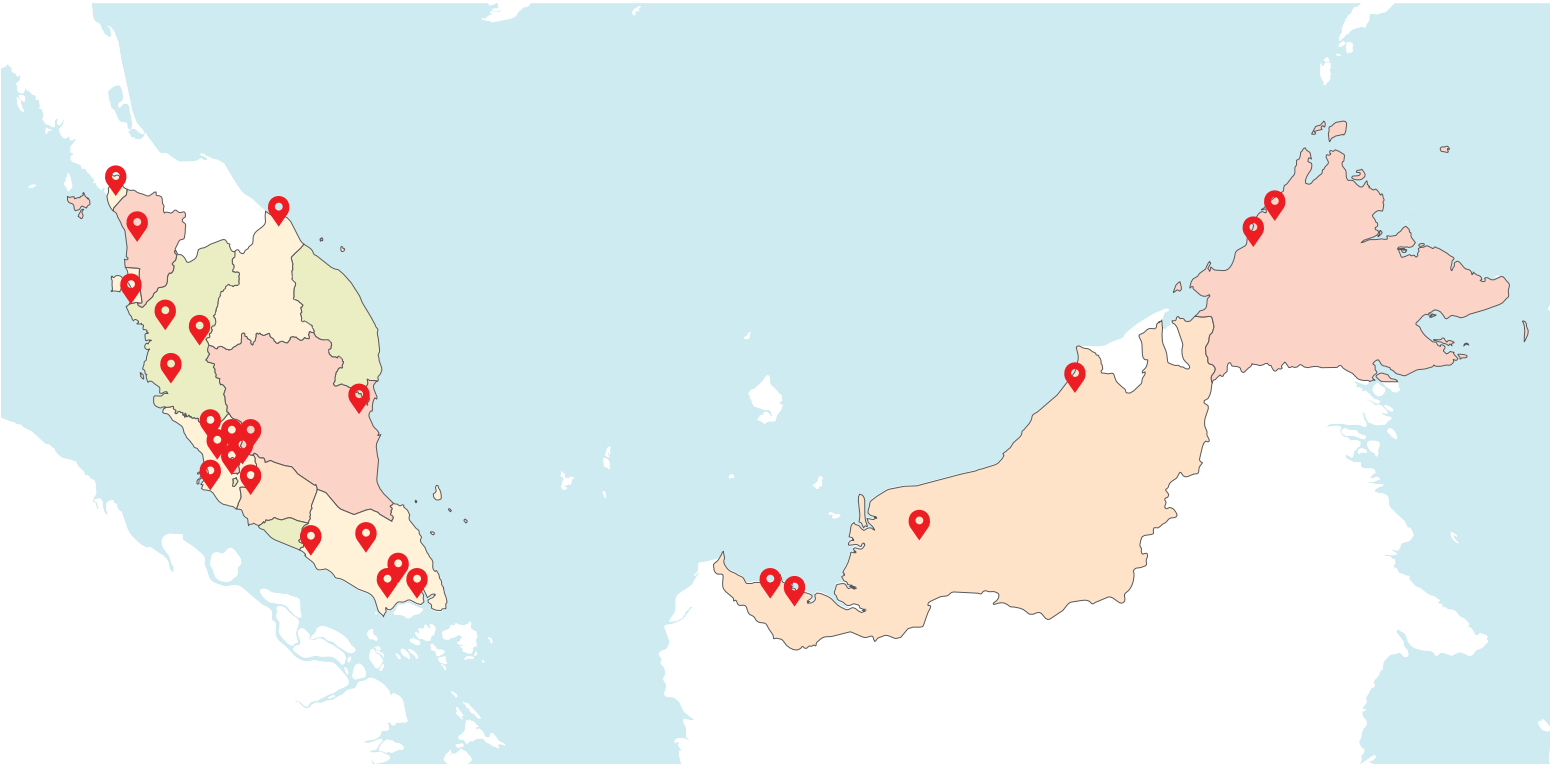
18 Ambulance Services

19 Pre and Post Natal Services

- Parent Craft Services
- Breast Feeding Counselling



Our Reach



CENTRAL

- KPJ Ampang Puteri Specialist Hospital
- KPJ Damansara Specialist Hospital
- KPJ Selangor Specialist Hospital
- KPJ Tawakkal Specialist Hospital
- KPJ Kajang Specialist Hospital
- KPJ Seremban Specialist Hospital
- KPJ Sentosa KL Specialist Hospital
- KPJ Klang Specialist Hospital
- KPJ Rawang Specialist Hospital
- KPJ Tawakkal Health Centre
- KPJ Pusat Pakar Mata Centre For Sight

SOUTHERN

- KPJ Johor Specialist Hospital
- KPJ Puteri Specialist Hospital
- Kluang Utama Specialist Hospital
- KPJ Pasir Gudang Specialist Hospital
- KPJ Bandar Maharani Specialist Hospital
- KPJ Bandar Dato’ Onn Specialist Hospital*

NORTHERN

- KPJ Ipoh Specialist Hospital
- KPJ Penang Specialist Hospital
- Taiping Medical Centre
- Kedah Medical Centre
- Sri Manjung Specialist Centre
- KPJ Perlis Specialist Hospital*

EAST COAST

- KPJ Perdana Specialist Hospital
- KPJ Pahang Specialist Hospital

SABAH & SARAWAK

- Kuching Specialist Hospital
- Damai Specialist Hospital
- KPJ Sabah Specialist Hospital
- Sibul Specialist Medical Centre
- BDC Specialist Hospital*
- KPJ Miri Specialist Hospital*

THAILAND

- Vejthani Hospital, Bangkok

AUSTRALIA

- Jeta Gardens Retirement and Aged Care Resort, Brisbane

INDONESIA

- RS Medika Permata Hijau, Jakarta
- RS Medika Bumi Serpong Damai, Jakarta

BANGLADESH

- Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College, Dhaka

* Hospitals under development



REGISTERED OFFICE

KPJ HEALTHCARE BERHAD

Level 11,
Menara KOMTAR,
Johor Bahru City Centre,
80000 Johor Bahru,
Johor, Malaysia.
T (607) 219 2692
F (607) 223 3175

CORPORATE OFFICE

KPJ HEALTHCARE BERHAD

Level 12, Menara 238,
Jalan Tun Razak,
50400 Kuala Lumpur, Malaysia.
T (603) 2681 6222
F (603) 2681 6888
E kpj@kpjhealth.com.my

PRINCIPAL BANKERS

HSBC AMANAH MALAYSIA BERHAD

No. 2, Lebuhr Ampang,
P. O. Box 10244,
50912 Kuala Lumpur, Malaysia.

MALAYAN BANKING BERHAD

343, Jalan Pahang,
Setapak,
53300 Kuala Lumpur, Malaysia.

REGISTRAR

PRO CORPORATE MANAGEMENT SERVICES SDN BHD

Level 16,
Menara KOMTAR,
Johor Bahru City Centre,
80000 Johor Bahru,
Johor, Malaysia.
T (607) 226 7692
F (607) 223 3175

AUDITOR

PRICEWATERHOUSECOOPERS (AF1146)

Level 10, 1 Sentral, Jalan Rakyat,
Kuala Lumpur Sentral,
P. O. Box 10192,
50706 Kuala Lumpur, Malaysia.

STOCK EXCHANGE LISTING

BURSA MALAYSIA SECURITIES BERHAD

MAIN MARKET

(Listed since 29 November 1994)
Stock code: KPJ(5878)

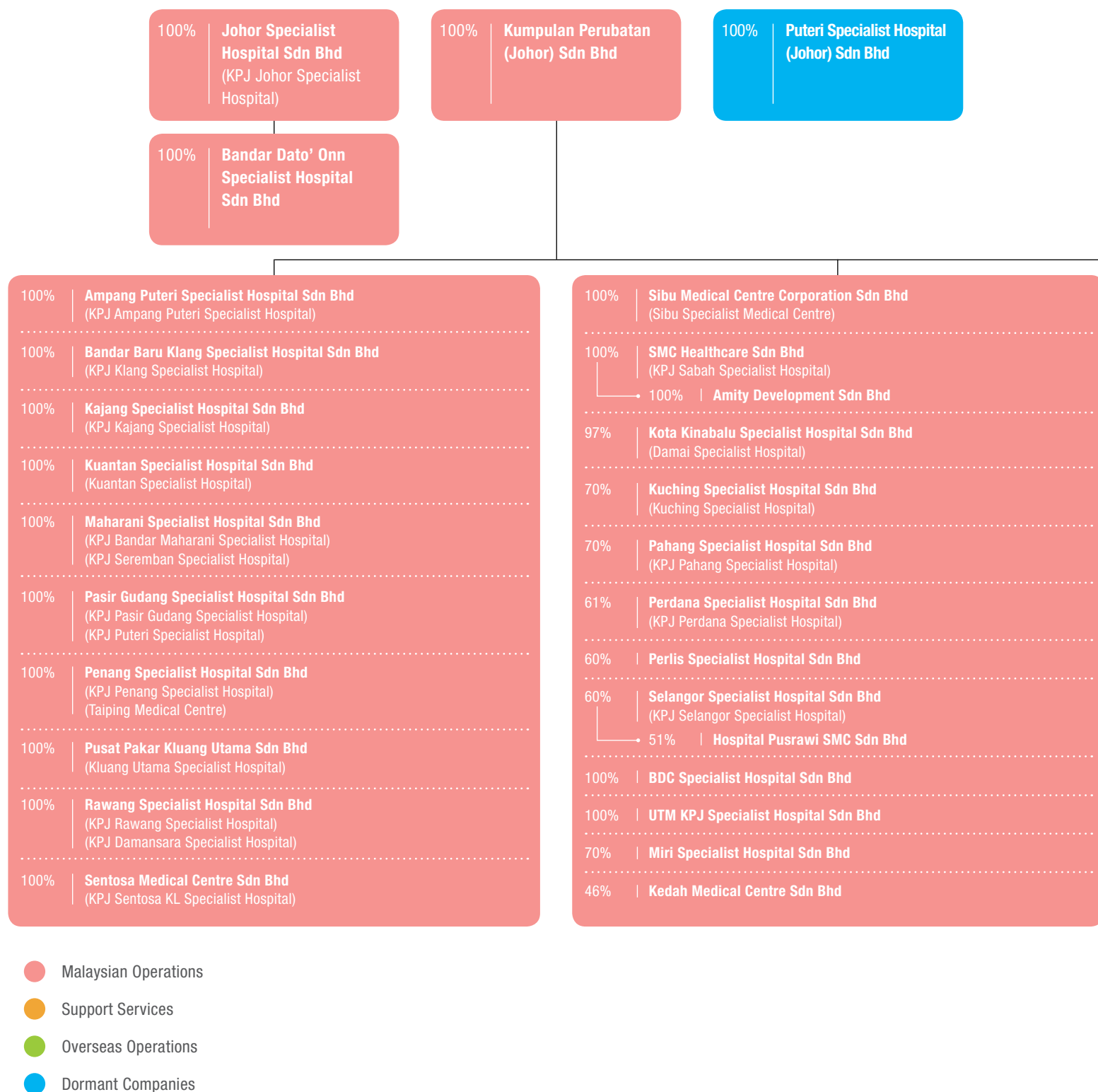
COMPANY SECRETARIES

Salmah Abd Wahab
(LS 0002140)

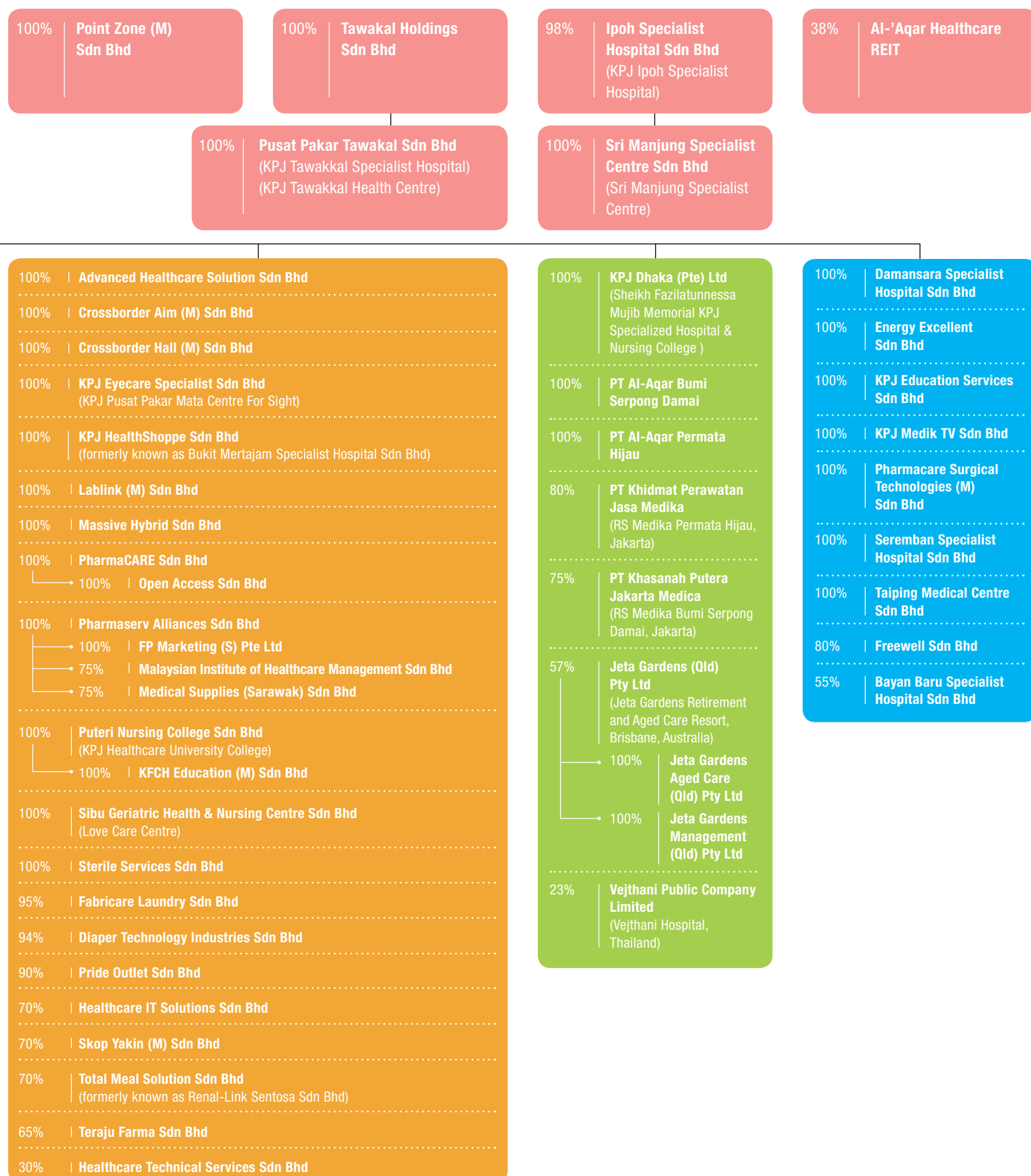
Hana Ab Rahim @ Ali
(MAICSA 7064336)



Corporate Structure



Corporate Structure



Corporate Milestones

August



KPJ COLLABORATES WITH JAPANESE PARTNERS TO SET UP ONCOLOGY CENTRE IN INDONESIA

KPJ Healthcare Berhad has entered into a memorandum of understanding (MoU) on 2 August 2016 with two Japanese partners to explore the possibility of developing an oncology centre at one of its hospitals located outside of Jakarta, Indonesia.



OFFICIAL OPENING OF KPJ SABAH SPECIALIST HOSPITAL

KPJ Sabah Specialist Hospital, the 22nd hospital in the Group, was officiated by Tuan Yang Terutama Yang Di-Pertua Negeri Sabah Tun Datuk Seri Panglima (Dr.) Haji Juhar bin Datuk Haji Mahiruddin, on 23 August 2016. KPJ Sabah broke new ground by being the first private healthcare provider in the state to provide haematology services, vitreo-retinal surgery, gynae-oncology services, non-invasive treatment for GERD, radiotherapy and oncology services.

September



MOU BETWEEN KPJ WITH SEBARUN HOSPITAL, DK MEDICAL CENTRE AND DAEJEON WELLNESS HOSPITAL

KPJ signed an agreement with Sebarun Hospital from Korea to set up a spine centre in KPJ Tawakkal Health Centre (THC), an MoU with DK Medical Centre (DKMC) for cosmetics & reconstructive surgery also in THC as well as with Daejeon Wellness Centre in Johor.

October



OFFICIAL LAUNCH OF KPJ PAHANG SPECIALIST HOSPITAL

KPJ Pahang Specialist Hospital, the latest private specialist hospital in Kuantan, was officiated by KDYMM Sultan Pahang on 6 October 2016. A key feature of this hospital is the fact that it is the only private service provider in Pahang to have its own Catheterisation Lab (Cath Lab), to diagnose and treat cardiovascular diseases. It also is the first to have a sea-fronting resort-like atmosphere.

October



GROUNDBREAKING CEREMONY OF KPJ BATU PAHAT SPECIALIST HOSPITAL

KPJ Healthcare Berhad signed an agreement to lease from Johor Corporation for the proposed development and leasing of KPJ Batu Pahat Specialist Hospital. The Hospital development could help to boost the state's economy. Johor Menteri Besar Datuk Mohamed Khaled Nordin officiated the groundbreaking ceremony on 19 October 2016.



OFFICIAL LAUNCH KPJ BANDAR MAHARANI SPECIALIST HOSPITAL

The launch of the KPJ Bandar Maharani Specialist Hospital – Muar's first private hospital on 30 October 2016, was graced by DYMM Raja Zarith Sofiah Binti Almarhum Sultan Idris Shah, Permaisuri Johor. KPJ Bandar Maharani Specialist Hospital offered full inpatient and outpatient medical and surgical services, diagnostic imaging and 24 hour emergency care services.

November



GROUNDBREAKING CEREMONY KPJ MIRI SPECIALIST HOSPITAL

A new full fledged KPJ specialist hospital will be built in Miri, where the groundbreaking ceremony was officiated by YB Datuk Seri Dr. S. Subramaniam, Minister of Health, Malaysia on 26 November 2016. This hospital is in collaboration with Naim Holdings Berhad (Naim), a leading developer. To be aptly known KPJ Miri Specialist Hospital (KPJ Miri), it is KPJ's third (3rd) hospital in the State of Sarawak.

December



GROUNDBREAKING CEREMONY KPJ KLUANG SPECIALIST HOSPITAL

KPJ Kluang Specialist Hospital is building its new hospital in Kluang, Johor which the groundbreaking ceremony was officiated by Yang Berhormat Datuk Halimah Binti Mohamed Sadique, Deputy Minister of Urban Wellbeing, Housing and Local Government on 19 December 2016. The development of the new hospital will provide more efficient healthcare service to residents of Kluang and its surrounding areas.

CHAIRMAN'S

Message



DATO'
KAMARUZZAMAN
ABU KASSIM



“ In 2016, strategic partnerships with well-established players from Japan and Korea were formed, for the benefit of knowledge transfer and increased regional opportunities. ”

*Dear Shareholders
and Stakeholders of KPJ,*

Welcome to the Annual Report of KPJ Healthcare Berhad ('KPJ' or 'the Group') for the Fiscal Year 2016.

It is imperative to note that the year under review had been characterised by ongoing uncertainty, marked with periods of market volatility, following a rather dismal trend of relatively modest global economic growth for several years.

Despite the myriad of macroeconomic and geopolitical challenges faced, KPJ never lost sight of our north star – which is to provide the highest levels of quality and safe services for our patients and communities, both at home and abroad. We are also deeply committed to creating economic and sustainable value for our shareholders.

Guided by these principles, KPJ has once again presented strong deliverables, registering a revenue of RM3.0 billion, a 6.1% year-on-year growth from 2015. In addition, net profit came in at RM155.9 million, compared to RM145.1 million the previous year, registering a 7.4% increase.

KPJ registered
a revenue of

RM **3.0** Billion
a 6.1% year-on-year
growth from 2015

Net Profit came in at

RM **155.9** Million
registering a 7.4% increase
from 2015



Three-Pronged Strategy

- **NETWORK EXPANSION**
- **STRONG GROWTH POTENTIAL**
- **NEW AND IMPROVEMENT ON PRODUCTS AND SERVICES**

Moving Forward

- expands our reach throughout the nation;
- strengthens our leading market position in the private healthcare industry;
- enables us to generate greater long term value.

Continuing our journey, we anchor our core strategies to a three-pronged strategy, namely network expansion to reach underserved areas with strong growth potential; cost containment measures to protect and improve margins; and ramping up operations of hospitals with new and improved products and services.

As we go forward, this strategy will evolve as we increase the level of engagement and interconnectedness with our patients and customers.

The decision to continue investing in more capital projects – though while being mindful of the current pressures faced by the construction industry – is essential, on three counts. First, it expands our reach throughout the nation; second, it strengthens our leading market position in the private healthcare industry; and finally it enables us to generate greater long term value.

To date, there are four (4) specialist hospitals already nearing completion. Out of these four, KPJ Perlis is set to be opened to the public in 2017. Further our sub-specialist hospital located in Bandar Dato' Onn in Johor is scheduled to be opened in 2018. In the meantime, the two hospitals in Sarawak targeted for opening in 2018 are part of KPJ's wider efforts to reach out to more communities in Malaysia's largest state.

Apart from hospitals, we pushed for growth in all other segments of the business, such as senior living care and healthcare education. Each of these have proven to be worthwhile investments for the Group.

In 2016, strategic partnerships with well-established players from Japan and Korea were formed, for the benefit of knowledge transfer and increased regional opportunities.

“

THE MARKETS ARE HIGHLY COMPETITIVE AND WE ARE CONFRONTED BY AGGRESSIVE COMPETITION IN ALL AREAS OF OUR BUSINESS.

”



Details of these initiatives are contained in this report.

More importantly, for me as Chairman, is to ensure that KPJ is constantly keeping abreast on the latest technological and medical advancements. We recognise that as service providers, we must continuously strive to improve our service and even exceed the service level expectations of our customers.

Moving in tandem with the markets – and, anticipating the next turns in the road ahead – is crucial in today's fast paced healthcare industry. In this regard, as is evident throughout this Report, KPJ is proactively and aggressively incorporating sustainable innovation into its business.

The Group has identified several factors that are material to our sustainability, potential disruptors to

our business, and the technology we can apply to manage the former – and control the latter. These initiatives are covered in greater depth within our Sustainability Summary report.

The markets are highly competitive and we are confronted by aggressive competition in all areas of our business. Through this I am pleased to say we have an excellent team on board to take on these challenges. The Board takes this opportunity to acknowledge and express our appreciation to the entire KPJ Group who have worked hard to get KPJ to where it is today. We have accomplished a lot in a year, and I am thankful to each and every one of you who has made this possible.

On a personal level, I would like to thank my colleagues on the Board for their unwavering support and guidance to the Management team in navigating these challenges.

I would like to express my utmost appreciation to our shareholders, business partners, customers and patients for your continued confidence and support as we work towards growing our business and increasing value for our shareholders.

Thank you.

A handwritten signature in black ink, appearing to be 'Dato' Kamaruzzaman Abu Kassim'.

Dato' Kamaruzzaman Abu Kassim
Chairman
KPJ Healthcare Berhad

Our Business Model

In KPJ, our patients are placed first and foremost at the heart of our business. Our core Business Model is built around our efforts to provide them with integrated and comprehensive healthcare excellence and solutions, through the best service delivery channels possible. Operationally, we optimise delivery by increasing efficiency and productivity through capacity-building measures and sharing of resources across our network. On the extended value-chain, our ancillary units form a support system for the network providing assurance of products, supplies and integrity of systems and processes. To sustain a strong talent pipeline, our medical university offers medical programmes from certificates to PhD.

ONE-STOP HEALTHCARE SOLUTIONS

At KPJ, we can cater across your healthcare and medical needs. Our centres of excellence across clinical and medical specialties, together with our ambulatory services, provide patients with a one-stop integrated care and solutions.

INCREASING ACCESSIBILITY TO HEALTHCARE BY GROWING THE HOSPITAL-NETWORK

By working towards having at least one in each state across the country, we are providing Malaysians with better access to quality private healthcare services.

CONTINUOUS DEVELOPMENT OF HUMAN & INTELLECTUAL CAPITAL

Staff and skills development have never been compromised. The Group has persistently invested in its medical and staff members, providing training from post-graduate to PhD.

INNOVATION

KPJ invests significantly in healthcare technologies eg. Internet of Things (IoT); bringing in new medical knowledge into the country, resulting in many breakthroughs in patient care. KPJ is at the forefront of applying and leveraging state-of-the-art technology in our hospital's medical equipment, operations and systems.

ANCILLARY UNITS

The extended support system that provides assurance of products, supplies and integrity of systems and processes (IT, inventory, etc) that underpin the smooth operations for KPJ hospitals.



QUALITY & SAFETY-CENTERED CULTURE

KPJ hospitals have won wide acclaim for their adherence to best practices – encompassing accreditation by the Malaysian Society for Quality in Health (MSQH) and Joint Commission International (JCI). KPJ hospitals have also been certified in the areas of quality management (MS ISO 9001:2008), environment management (MS ISO 14001:2004) and occupational safety and health (OHSAS 18001:2007), making them the preferred name in the Malaysian healthcare sector.

PROFESSIONAL EXPERTS

KPJ has a full-fledged experienced team of personnel, from medical specialists, nurses, allied health personnel as well as hospital management and the operations team.

INTEGRATED NETWORK

Centralised systems promote:

- Administration – encompassing centralised billings, patient records and feedback database helps provide convenience and easy retrieval of information for individual customers and corporate clients.
- Purchasing – benefiting from bulk discounts, efficiencies in inventory management and uniform distribution and availability of pharmaceutical products throughout KPJ's network of hospitals.

COLLABORATION WITH INDUSTRY LEADERS ACROSS THE REGION

Creates sustainable competitive advantage for the long term.



“
KPJ IS COMMITTED TO PROVIDING COMPREHENSIVE, PATIENT CENTRED CARE FOR LIFE TO ALL STAKEHOLDERS. THE GROUP’S MAIN AIM IS TO SUSTAIN ITS PREMIER POSITION IN MALAYSIA’S PRIVATE HEALTHCARE INDUSTRY.
”

Moving forward amidst the more challenging external environment, KPJ will focus on six (6) key thrusts namely:



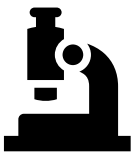
CAPACITY BUILDING

Strategic investments and enhancement in project development to maximise potential



ENRICHED CUSTOMER RELATIONSHIP

Attain strong market loyalty, built upon a patient-centric culture



INNOVATION @ THE CORE

Structured technology agenda for innovation and growth



NEW NICHES

Unlocking new sources of growth that contribute to overall business development



TALENT MANAGEMENT

Nurture dependable and high integrity world class talents who are capable of continuously driving positive performance



BUSINESS PROCESS IMPROVEMENT

Improve processes and systems to effectively sustain high performance



DATO'
AMIRUDDIN
ABDUL SATAR



OFFICIAL OPENING CEREMONIES

3

- KPJ Sabah Specialist Hospital
- KPJ Bandar Maharani Specialist Hospital
- KPJ Pahang Specialist Hospital

GROUNDBREAKING EVENTS

3

- KPJ Miri Specialist Hospital
- KPJ Batu Pahat Specialist Hospital
- KPJ Kluang Specialist Hospital

A year ago, I had shared about the foreseeable challenges in 2016 and the strategy to overcome them. I had stressed on the need to strengthen KPJ innovative capabilities in our journey to become the leading healthcare provider in Malaysia. The plan was to actively expand our capacity by either building new hospitals or increasing the number of beds. Besides that, we also foresee the importance of enhancing our capabilities by identifying new niches of services.

Against this backdrop, we are pleased to report that we had official opening ceremonies for 3 of our hospitals and also groundbreaking events for 3 other hospitals. The 3 hospitals which we had officially launched were the KPJ Sabah, KPJ Bandar Maharani and KPJ Pahang Specialist Hospitals whilst the groundbreaking was for the future KPJ Miri, KPJ Batu Pahat and KPJ Kluang Specialist Hospitals. This is part of our effort to increase our capabilities which will result in improvement of our performance and revenue.

Having identified the socioeconomic and geopolitical issues which will give adverse impact to KPJ, we proceeded to identify our strengths. This is necessary so as to soften the negative effects and allow us to remain as the leader in the provision of quality healthcare in the country. Among the major initiatives undertaken in 2016 were new and upgraded infrastructure for our IT system and also innovation initiatives which are hoped to strengthen our position.

Performance 2016

The year 2016 continued to be another sterling year for KPJ. Our efforts yielded a revenue of RM3.02 billion, which is a 6.1% growth year on year over 2015. This is also a new benchmark for KPJ having breached the RM3.0 billion revenue mark for the first time since its inception 35 years ago.

“ Having identified the socioeconomic and geopolitical issues which will give adverse impact to KPJ, we proceeded to identify our strengths. ”

KPJ's earning before interest, taxes depreciation and amortisation

RM **425.3** Million
a healthy 8.2% year-on-year growth

The Group has been consistently dedicated to reward its shareholders with quarterly dividend payout between **45% to 50%** of net profit.



Our earnings before interest, taxes, depreciation and amortisation grew a healthy 8.2% year-on-year, to over RM425.3 million. This was achieved despite of our ongoing expansion plans in 2016 and into the next three to four years. We foresee that our results will be improving further with more new hospitals completing their gestation periods.

This achievement was only made possible by lowering our operating costs by improving stock control measures at the hospitals. We had also embarked on lean management exercises at the hospitals hence reducing further the operational costs.

As previously shared, the gestation of new hospitals is between 3 to 5 years after commencement of operation. We are therefore proud to announce that KPJ Klang Specialist Hospital has successfully turned around during the year under review after only 3 years in operation, with an increase of 15% in its patient numbers year-on-year.

The net profit of the company recorded a 7.4% increase from 2015 at RM155.9 million. The increase was mainly due to lower tax charged during the year. The merger of matured hospitals with newly opened hospital under one entity has made the Group more tax efficient bringing it closer to the Malaysian statutory tax rate. KPJ had also contributed more than RM3.0 million towards zakat in 2016, which is higher than the contribution of RM2.3 million in 2015.

Our Indonesian operations saw heightened activity in 2016, reporting a revenue of RM59.6 million, an increase of 15% compared to RM52.0 million which was recorded in 2015. This is mainly due to our Rumah Sakit Medika Bumi Serpong Damai (RSMBS) which delivered a strong performance with a 17.1% increase in revenue, from RM22.9 million in 2015 to RM26.8 million in 2016. This was mainly due to the appointment of RSMBS as one of the panel hospitals under the Jaminan Kesehatan Nasional (JKN) scheme. The national healthcare scheme is under the management of the Social Security (Badan Penyelenggaraan Jaminan Sosial Kesehatan, BPJS). RSMBS had also recorded a significant increase in profit from RM8,161 in 2015 to RM346,428 in 2016.

The Group has been consistently dedicated to reward its shareholders with quarterly dividend payout between 45% to 50% of the annual net profit attributable to shareholders. For the year

under review on the back of net profit attributable to shareholders of RM149.2 million, the Group had declared and paid a total dividend of RM68.4 million. During the year, the Group was also able to significantly reduce its effective tax rate compared to the preceeding year. Fifteen (15) companies within the Group has utilised the benefits from tax losses and other tax incentives, resulting in deferred tax assets recognised during the year, as they are anticipating to have sufficient taxable profits in the foreseeable future years.

Driving Cost Efficiencies

KPJ has undertaken a series of measures to generate more value from our existing assets. One of such measures are by reviewing our operations so as to reduce costs and improve efficiency. We had also reviewed our pricing strategy so as to soften the impact brought about by the increasing material costs.

We also take pride in controlling our gearing to be at the lowest level possible. Realising the parallel growth of gearing with our expansion plans, we have now embarked on 'design, build and lease' arrangements for future hospitals. Other than helping to keep our gearing under check, such arrangements will also keep us focused in our business. The first project under this model is KPJ Damansara 2 followed by KPJ Batu Pahat and KPJ Kluang Specialist Hospital. These projects will be completed in stages by the next 3 years.

We realised that as the Group grows bigger, more efficiency can be achieved through consolidation of our hospitals. Hence, in the year under review, we had undertaken the consolidation of the hospital operations of KPJ Damansara and KPJ Rawang under Rawang Specialist Hospital Sdn Bhd. Among the benefits derived from this exercise was cross-sharing of talent, expertise and resources between the hospitals, more effective capital expenditure and financial efficiency. The patients also benefit from such exercise by having easy cross-referrals between the two hospitals. Subsequent to the completion of the consolidation of KPJ Damansara and KPJ Rawang in April 2016, we had proceeded to undertake the consolidation of KPJ Puteri with KPJ Pasir Gudang, KPJ Seremban with KPJ Bandar Maharani and KPJ Penang with Taiping Medical Centre which exercise was completed in December 2016.

We also took major strides in our sustainability framework which looks into the management of



risks and explores all opportunities in the Group. For more information on sustainability initiatives please refer to Sustainability Statement on pages 82 to 104.

Realising the importance of continuous improvement of our services, we have put in place regulations, surveillance audit and preventive measures so as to mitigate risks associated with the stakeholders. Risk mitigation and best practices on disaster response is available on Business Continuity Management pages 178 to 179.

Our Global IT Strategic Transformation Project had contributed to the reduction in operational costs by trimming outsourced expenses. The Project aims to shift progressively the Group system into a private cloud support enterprise-wide network. This will allow KPJ to consolidate its resources and optimise costs resulting in more affordable healthcare cost to patients.

CREATING VALUE IN A CHALLENGING ENVIRONMENT

Improving Capacity and Capabilities

KPJ has seven (7) greenfield projects in the pipeline which have been scheduled to be fully developed between years 2017 to 2020. Acknowledging the importance of selecting the correct consultants and contractors for our projects, we have now a system to ensure the smoothness of such selection. Project consultants and contractors are now required to be registered with KPJ and tenders are awarded based

on the past projects, cost and desired results. The contractors' capabilities and competencies are to be evaluated by independent QS consultants.

In 2016, an additional 158 licensed beds have been added across the Group of which 102 beds were at KPJ Pahang which commenced its operations in May 2016. The said Hospital is the first private facility in Pahang to have its own cardiac catheterisation lab services. Even within barely a year since commencing operations at its new location in Tanjung Lumpur, the Hospital has successfully recorded a revenue of RM44.6 million.

We are also pleased to share that KPJ Selangor has successfully completed their new outpatient block in October 2016. The 8-floor building is targeted to be operational by the 1st quarter of 2017. There will be 54 new clinics at the new building which will provide better comfort to the patients.

KPJ Perlis, which was originally scheduled to open its doors to the public in 2015, will be completed and opened in 2017 with 60 beds in Phase 1.

In the year under review, our Rumah Sakit Medika Bumi Serpong Damai (RSMBS) had also launched their new Kidney-Hypertension and Diabetic Clinic with an additional 8 dialysis machines. Together with the other 10 existing machines, RSMBS saw a spike of its cases to an average of 688 per month. The Hospital was named the winner of the Trauma Centre Award 2016 – BPJS Ketenagakerjaan for the Province of Banten for their service excellence in 2016.

Meanwhile, our Sheikh Fazilatunnesa Mujib Memorial KPJ Specialized Hospital in Bangladesh had commendably recorded a revenue increase to RM7.5 million in 2016 compared to RM2.1 million the year before. The hospital increased the number of consultants from 11 to 17 in 2016 that saw a healthy growth in total patient arrivals from 15,910 to 54,232 in 2016.

All these positive achievements in 2016 were the results of KPJ strategies for sustainable long term growth. Backed by the Group's solid fundamentals, KPJ performance remains strong despite of the global challenges.

Ancillary Services Complementing the Hospitals

KPJ Group has, over the years, cultivated its own diverse range of healthcare-related business entities. These business support and complement our specialist hospitals.

In 2016, Pharmaserv Alliances Sdn Bhd (PASB) and Lablink (M) Sdn Bhd (Lablink) recorded RM386.9 million and RM73.5 million in revenue, respectively. PASB is the supplier of pharmaceutical, medical disposables and hospital related products while Lablink specialises in laboratory and pathology services. The improved results was mainly due to the increase in the sales of pharmaceuticals, medical and surgical products, and as laboratory services. These were significant improvement for each company compared to their achievements in 2015, where PASB had recorded RM365.9 million and Lablink with RM66.3 million.

KPJ Healthcare University College (KPJUC), our education arm, also registered an increase of 7.3% in revenue against its performance in 2015. The revenue of KPJUC for the financial year 2016 was RM43.2 million as compared to RM40.3 million in 2015. The improved performance was due to the increase in the number of students and programmes offered during the year in review.

Health Tourism Realising International Opportunities

The overall performance of KPJ's Health Tourism business in 2016 recorded an 8% increase in revenue, with 155,052 visits by foreign patients in the year under review. Revenue from this segment

“ **Accreditation continues to be our aim in meeting the demand by our patients for quality healthcare. As at March 2017, KPJ has 18 MSQH-accredited hospitals and 4 JCI-accredited hospitals.** ”

also grew a healthy 8% to RM124.2 million despite the challenging operating environment.

We are well-placed to gain from the Government initiatives to market the country internationally as an attractive hub for healthcare excellence. In this instance the temporary weakening of the Ringgit works in our favour to drive tourism dollars into the country. The KPJ Health Tourism team has been proactively expanding its portfolio of countries and services, especially to the Middle Eastern, Asian and East African regions.

Governance

The Board strives to provide effective leadership, strategic direction and a productive environment to sustain value creation for its stakeholders. KPJ's corporate governance structure assists the Board in achieving those objectives by ensuring compliance with regulations such as Bursa Malaysia Securities Berhad Listing Requirements and the Companies Act, 1965. Our full governance report is on pages 150 to 164.

As a healthcare services provider, KPJ has a comprehensive Clinical Governance framework, Medical Professionals By-Laws, based on integrated approach to clinical risk management and continuous quality improvement. The framework measures four major areas of organisational performance including Clinical Risk Management, Clinical Effectiveness, Effective Workforce and Customer Participation.

Performance across this area by all KPJ Hospitals is closely monitored by our Clinical and Quality Services, which reports to the Medical Advisory Committee (MAC) and the Board. More information on the stated MAC report is on pages 172 to 177.

Accreditation continues to be our aim in meeting the demand by our patients for quality healthcare. Realising this, KPJ as a responsible healthcare group, puts a lot of emphasis on quality throughout the hospital processes. As at March 2017, KPJ has 18 MSQH-accredited hospitals and 4 JCI-accredited hospitals.

Managing Talent for Our Future

Employees continue to be our valued assets. Today, our growing business has more than 12,000 staff. Staff cost for the year 2016 amounted to RM666.2 million. The Group spent RM10.3 million for training purposes, an increase of up to 25% from the RM8.3 million spent in 2015.

Employees are recruited and regularly appraised against a formal job specification. Comprehensive policies covering all material aspects of employment have been established and we are committed to effective communication with employees by formal and informal approach.

KPJ's Employee Share Options Scheme (ESOS) was offered to staff to express our appreciation for their contributions, by making them our shareholders. Implemented since 2015 for a period of five (5) years, the scheme has benefitted more than 5,000 staff. ESOS expenses registered in 2016 was RM27.8 million compared to RM26.5 million in 2015.

Driving Innovation

KPJ, in 2016 and in during the 1st quarter of 2017, has already undertaken proactive measures to implement innovation that boost the Group's capabilities in delivering on our brand promise.

The Group's initiatives are driven by the Group's New Products and Services (NPS) unit, which is responsible for planned service enhancement process via technology-based systems. Among its current ventures include KPJ's retail pharmacy which provides online services to consumers.

A Digital Marketing Committee has been established to oversee KPJ's digital marketing strategy and campaign plans across all product portfolios.

KPJ is exploring collaborations with several renowned technology companies to introduce clinically advanced systems. We are in talks with IBM to acquire its Watson technology, which is a cognitive technology that can process information, analyse and interpret data much like the human thought process. This investment will be applied for oncology purposes. We hope to have this system operating by the end of 2017.

Strategic Partnerships

In August 2016, KPJ had entered into a tri-partite collaboration (MOU) with Sojitz Corporation and Capital Medica Co. Ltd. of Japan, for a proposed USD12 million oncology centre at Rumah Sakit Medika Bumi Serpong Damai (RSMBSD).

The signing took place at the 12th World Islamic Economic Forum (WIEF) in Jakarta, Indonesia, witnessed by YAB Dato' Sri Mohd. Najib Tun Razak, the Prime Minister of Malaysia, and YABhg Tun Musa Hitam, Chairman of the World Islamic Economic Forum Foundation.

On 23 September 2016, KPJ also signed and agreement to collaborate with Sebarun Hospital from Korea to set up a Minimal Invasive Surgery (MIS) Spine

Centre at KPJ Tawakkal Health Centre (THC). KPJ also signed a memorandum of understanding (MOU) with DK Medical Centre (DKMC) for a Cosmetics & Reconstructive Surgery at the THC, and the Daejeon Wellness Hospital (DWH) for a Specialised Wellness Centre in Johor Bahru. Both DKMC and DWH are also Korean companies. The ceremony was witnessed by Johor Menteri Besar Datuk Mohamed Khalid Nordin.

Customer Satisfaction

The Annual Customer Satisfaction Survey, carried out by KPJ's Service Quality Management indicated a favourable score of 86.1%, in terms of patient satisfaction. This was achieved from the improved service quality and new customer-centred initiatives rolled out in 2016.

Among the new customer-centred initiatives was the Patient Communication Management System (PCMS) in all hospitals to effectively compile and address in real-time patients' requests, feedback, and suggestions. We had also introduced Service Quality Coaches in all KPJ hospitals who had conducted service quality training for more than 6,000 staff. The Group also conducted special customer service workshops which were attended by more than 900 hospital staff, including case studies that are essential in equipping frontline personnel to deliver high-level service. Recently, we had introduced the KPJ Care Loyalty Programme Card to reward and provide value added benefits to patients.

Investing for Communities

KPJ's main Community Service thrust is the Klinik Waqaf An-Nur (KWAN) initiative which caters to the underprivileged. There are today 18 KWAN clinics and 1 Hospital Waqaf An-Nur (HWAN). During the year, the total number of patients seen at both KWAN and HWAN was 100,292 patients compared to 72,581 in 2015 which is an increase of 38%.

To date, KPJ has contributed more than RM5 million per year in operating expenses of KWAN and HWAN, which mainly comprised of the cost of medical suppliers and staff costs. We also had donated cash to KWAN amounting to RM3.5 million in 2016, compared to RM3.1 million in 2015.



Besides KWAN and HWAN, KPJ had participated in various other community services. We have also contributed more than RM1 million in terms of cash donations to other parties, including to the 'asnaf' category and public community programmes for underprivileged children.

Looking Ahead

I foresee a very challenging fiscal year in 2017. The global uncertainty, both from the political and economy aspect, should not be lightly brushed aside.

Be that as it may, we should instead identify our strengths than to dwell too much into the uncertainty of things. Innovation and technology still remain the key to improvement and betterment of KPJ performance. Improving the customer service and also strengthening the KPJ branding will also be the focus in 2017. All these will sum up to efficient quality care to the patients.

Being more than 30 years in the industry and as a leader, we shall use our expertise and constantly review our current standing against our competitors

and the market. Strategies will be regularly enhanced and updated to ensure their relevance in maintaining our competitive position. Plans are already afoot to add to the Group capacity and capabilities for the next five years.

While there is more work to be done, I believe we are on the right path. Let me assure you that KPJ is still an attractive investment that will yield meaningful long term returns for all.

May 2017 be another sterling year for KPJ!

DATO' AMIRUDDIN ABDUL SATAR
President & Managing Director
KPJ Healthcare Berhad



HOSPITAL OPERATIONS

“

In today's era, it is all about convenience, time and the experience, where expectations are high and feedback can be made available online. As we practice Care for Life, where creating a positive overall experience for our patients' come first, our Hospital Operations team plays an integral role in ensuring the smooth running of the Group's operations in supporting this.

”





KPJ is constantly reviewing and streamlining our processes, enhancing systems, and expanding capacity to ensure we continue to be the preferred healthcare service provider. Here are some of the key enhancement initiatives achieved in 2016:

Operational and Service Enhancements

Operational and system efficiencies

1

- Enhanced patient safety and clinical outcomes
- Quicker information and communication exchange between patients and the KPJ medical team, and within the Group
- Digitising clinical breakthroughs
- Value added/ friendly services

Hospital infrastructure upgrades and expansion

2

- 25 hospitals in Malaysia, and growing
- Ongoing hospital infrastructure upgrades and capacity expansion
- Regional presence that is yielding encouraging results

Medical team's growth

3

- Medical and professional team upskilling across specialised areas and services to support expansion

Latest medical equipment, technology and services

4

- Installation of latest medical technology
- Expanded line of medical services, special treatment packages

HOSPITAL UPGRADES AND EXPANSION

Malaysia's operations continue to expand

KPJ recorded a revenue of RM3.0 billion, a 6.1% growth compared to 2015. Profit before zakat and tax came to RM210.2 million. This was driven predominantly by organic growth from newly opened hospitals, maturing greenfield projects and existing hospitals.

KPJ Group's bed capacity increased from 2,912 in 2015 to 2,929 in 2016. The increase was partly due to the relocation of Kuantan Specialist Hospital (KSH) to the new hospital building at KPJ Pahang Specialist Hospital. The average bed occupancy rate was 66.2%, compared to 68% in 2015, partly due to economic uncertainty and market sentiments.

Nonetheless, KPJ is cognisant of the fact that Malaysia's needs for healthcare services will continue to grow fueled by factors like the expanding middle class, income growth, the ageing population and rising incidences of chronic diseases.

Despite ongoing competition and challenging economic environment, KPJ continued with its growth and capacity expansion plans.

In 2016, KPJ Ipoh Specialist Hospital launched a new intensive care unit (ICU) complex in February. Its ICU capacity can now accommodate up to 14 individual private rooms including two (2) for isolation cases, and another two (2) specially allocated for neonatal ICU cases, thereby enhancing the patient's level of comfort, privacy, and reducing risk of infection transmission.

KPJ Rawang and KPJ Tawakkal Specialist Hospitals, both in Kuala Lumpur, are currently undergoing infrastructure upgrades and capacity expansion. They are anticipated to add a further 230 beds.

The Group has also invested RM1.29 billion to add a further seven (7) hospitals to its network over the next three to four years.



OUR PRESENCE IN THE REGION

While the Malaysian operations is our dominant focus and main revenue generator, KPJ is growing our hospitals abroad. We now have four (4) hospitals – two (2) are in Indonesia; one (1) in Thailand and the fourth in Bangladesh.

Indonesia:

Rumah Sakit Medika Permata Hijau (RSMPH) and Rumah Sakit Medika Bumi Serpong Damai (RSMBSD)

The Indonesian operations is the biggest contributor to our regional books. Together, both hospitals in 2016 registered a total number of outpatient admissions at 118,951, while inpatient admissions were 9,091.

• Rumah Sakit Medika Bumi Serpong Damai (RSMBSD) recorded the following highlights in 2016:

- **Winner of the Trauma Centre Award 2016** from BPJS Ketenagakerjaan¹ for its excellence service in 2016. RSMBSD, which represented the province of Banten, was among the 11 hospital recipients throughout Indonesia that received this award.
- **Launch of the Kidney-Hypertension & Diabetic Clinic** on 15 March. The clinic was officiated by the Wakil Walikota Tangerang Selatan. With the addition of eight (8) dialysis machines creating a total capacity of 18 machines, the hospital has been able to cater to an increased number of dialysis cases, with an average of 688 cases per month.



- Tripartite collaboration between KPJ and two Japanese partners to set up an oncology centre in RSMBSD

KPJ signed an Memorandum of Understanding (MoU) with Japanese-based Sojitz Corp and Capital Medica Co Ltd, to set up a USD12million oncology centre in RSMBSD. The collaboration will facilitate the sharing and transfer of medical technology and know-how between Japan, Malaysia, and Indonesia, while benefiting KPJ doctors and medical professionals serving the Indonesian public.

Sojitz is an investment company with a worldwide network comprising over 500 group of companies with operations in more than 50 countries. Capital Medica is Japan's leading hospital and nursing home operator actively providing management and operation know-how of hospitals and elderly care facilities overseas, especially in Asian countries.

• Rumah Sakit Medika Permata Hijau (RSMPH)

RSMPH is committed towards delivering continued quality healthcare services to its customers. RSMPH is in the process of obtained a certification of accreditation from the Komite Akreditasi Rumah Sakit Indonesia (KARS)². Towards this, an initial survey has been done with the final results expected in early 2017.

Thailand:

Vejthani Hospital, Bangkok

In December 2012, KPJ acquired a 23.4% stake in the Bangkok-based Vejthani Hospital. This foreign venture is renowned in the region for its Orthopaedic treatment facilities. During the year, with a drop in medical tourism mainly from the Arab market following the decline in oil prices, the 193-bed hospital served a smaller number of patients. In 2016, the hospital registered 273,118 outpatients and 8,422 inpatients compared to more than 300,349 outpatients and 8,914 inpatients in 2015.

Bangladesh:

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

The hospital operations continue to grow year-on-year since its commencement in 2014. In 2016, the hospital bed capacity increased from 50 to 80 beds, while the professional team grew to 260 staff from 220 in 2015, supported by 17 residents and 5 visiting consultants.

A notable highlight is the tremendous growth in both inpatient and outpatient numbers. Inpatient recorded a 120% increase with 1,954 admissions in 2016, while outpatient clocked in a 236% growth with 46,252 registrations in 2016. This has been in part supported by the introduction of new services like the CT Scan, MRI, Haemodialysis, and special facilities like the guest house, special nursery, blood bank and cafeteria.

As part of its service enhancement, five (5) specialists from KPJ's Malaysia hospitals visited SFMM to share their expertise and render specialist services on a visiting basis. Among the specialties brought to SFMM were Orthopaedic, Spine, Oncology, Orthology & Neuro Orthology and Urology.

SFMM also introduced new quality initiatives with the implementation of Integrated Management System (IMS) and activation of the Hospital Information system (HITS) and Laboratory Information System to further enhance the efficiency of its operations.

Total number of inpatients and outpatients of KPJ Group

Inpatients

279,794 admissions in 2016

Outpatients

2,464,704 registration in 2016

¹ National Manpower Security Agency, under the Indonesian government Indonesia.

² The Commission on Accreditation of Hospitals is an accreditation body for hospitals looking to improve their quality of care and patient safety.



“ In 2016, 92% of the KPJ network (23 hospitals) have been certified with Integrated Management System (comprising ISO 9001, ISO 14001 & OHSAS 18001). ”

Similarly, 23 hospitals are certified with ISO 14001 Environment Management System standards for environmental-friendly practices in the hospital including recycling, energy saving, paperless systems. The Group has adopted the 5S philosophy (that promotes a safe and friendly work environment, a commitment to improve Quality and Productivity, building teamwork and overall continuous improvement) and within the network, 24 hospitals have received the 5S certification by MPC. KPJ's disaster preparedness module is in place with an established trained emergency rescue team, and the hospitals regularly conduct fire and disaster drills.

EXPANDING THE MEDICAL AND PROFESSIONAL TEAM

Towards enhancing and assuring the quality and provision of our patient-first business model, Care for Life, KPJ grew its medical and healthcare team, across different specialties and clinical services. The Group has 704 resident consultants, with 418 sessional and visiting consultants, increasing the total medical team to 1,122 in 2016, over 1,088 in

2015. The top five (5) major medical disciplines were internal medicine (141 consultants), anaesthesiology (82), obstetrics & gynaecology (84), paediatrics (69) and orthopaedic surgery (76). There were 44 new specialists who joined the team in 2016.

OPERATIONAL EFFECTIVENESS AND EFFICIENCIES SUPPORT THE PATIENTS' WELL-BEING

KPJ continuously reviews and upgrades its internal quality standards. We view these improvements integral to supporting the Group in maintaining its pole position in the market, against ongoing challenges in the marketplace including rising competition in the private hospital sector, rising cost of living and costs of medical treatment and supplies.

Enhancements in service delivery – value-added/friendlier services

In 2016, KPJ rolled out its fully integrated online appointment system, providing patients the convenience to set their own appointments through their laptop or handheld device. Similarly, customers now have the option to set their health checks and consultation during their free time/non-working hours. The Group initiated a pilot roll-out of extended consultation hours with selected clinics now staying open later in the evenings at selected hospitals. Similarly, selected technical testing functions like Diagnostic Imaging, Lab and Physiotherapy service provide extended service hours, thereby providing patients with greater access to KPJ services.

Leveraging social media platforms, there is greater facilitation for knowledge sharing and medical discourse between doctors, patients, and employees, through organising of various education seminar and workshops, group meetings, public health talks/forums, access to medical journals and articles.

Enhanced patient safety and clinical outcomes

In upholding safety and service quality, KPJ continuously runs quality assurance programmes, monitoring of clinical indicators, incident reporting, root cause analysis and risk management, as well as reviewing technology systems and promoting information technology (IT) utilisation to enhance patient safety and clinical outcomes.

Operational and system efficiency improvements

All the hospitals are fully supported with the Hospital Information System (HITS) and 17 hospitals have fully implemented KPJ's Clinical Information System (KCIS). In 2016, the upgrading exercise for both HITS and KCIS was initiated. New features have been incorporated to further enhance the efficiency of both systems. The upgraded KCIS version 2.0 has been completed and was rolled out at KPJ Kajang whereby the upgrading of HITS is still on-going. The upgraded systems will be rolled out at all the KPJ hospitals in stages in the near future.

The integration of KCIS and the Electronic Medical Record (EMR) system has been completed and rolled out to eight (8) hospitals. This system digitises and centralises patient records for easier retrieval access, and more efficient medical record maintenance.

From a back-end perspective, medical equipment, assets and computer systems are now better managed through the *Asset Management System* solutions which allows better tracking with preventive and corrective maintenance of these equipment, in enhancing patients' safety. Likewise, materials and medications inventory process have been made more efficient with better stock optimisation and movement between warehouse and wards, to reduce wastage and over-stocking.

In helping the Group manage its risks, the *E-incident Reporting & Risk Management System (Q-Radar)* that connects the entire KPJ hospital network allows the Group to aggregate trends around adverse events, develop best practices using high-reliability principles and rapidly disseminate information and education across the Group.

Other operational process improvements seen in 2016 include the revamp and reorganisation of Admission, Discharge, Billing and Credit Control, for better patient experience while the hospital enhances their management over debt; Central Coding of Trade Debtors; the completion of User Access Matrix (UAM); and the implementation of a Standard Privilege Card for KPJ Group.

On the clinical front, the integration of KCIS with Lablink Antibigram now allows sharing the profile of bacteria's susceptibility/resistance pattern to a panel of antibiotics with the clinicians. This digitisation helps to improve patient's outcome during their diagnosis and treatment.

DEPLOYING THE LATEST MEDICAL TECHNOLOGIES, SERVICES AND SPECIALTIES

Just as it reviews and enhances its medical and information systems, KPJ also continuously strives to provides its patients with the latest cutting-edge technology in medical facilities and specialties in providing the best care possible. Special services and packages are also offered, taking cues from the needs, health trends and customer feedback. During the year, KPJ introduced and expanded its services at these hospitals:

- KPJ Ampang Puteri Specialist Hospital – skin laser treatment
- KPJ Damansara Specialist Hospital – Weight Management Centre; laparoscopic mini bypass, sleeve & balloon specialty
- KPJ Johor Specialist Hospital – PET CT scanning, and oncology services
- KPJ Ipoh Specialist Hospital – NICU and neonatology
- KPJ Klang Specialist Hospital – Microdissection; Intradiscal Electrothermal Annuloplasty (IDET) and nucleoplasty
- KPJ Pahang Specialist Hospital – Occupational Medical Screening
- KPJ Selangor Specialist Hospital – Femilift treatment
- KPJ Sentosa KL Specialist Hospital – Mother and baby care centre; maternity retreat programme services at home
- KPJ Tawakkal Specialist Hospital, KPJ Tawakkal Health Centre – Rehabilitation Recovery Packages; dental implants and full mouth rehabilitation treatment
- KPJ Tawakkal Health Centre - ambulatory care services

MOVING FORWARD

KPJ will maintain on course with our long term strategy in providing the smooth running of our hospital network's operations. We will continue reviewing and revise processes and systems, to be cost-effective and operationally-efficient, leveraging on technology and listening to our patients and customers. Cognisant of ongoing dynamic changes, we will monitor and analyse the surrounding environment, community, market and disease trends to guide our strategic plans, and adapt decisions where necessary.



KPJ will maintain on course with our long term strategy in providing the smooth running of our hospital network's operations.



NEW HOSPITAL DEVELOPMENT

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KPJ maintains its commitment to strengthen and expand its hospital network and services, in that every state across Malaysia will have access to high quality private healthcare services.

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KPJ continued its expansion momentum in 2016, with a series of hospital openings and groundbreaking ceremonies. KPJ also upgraded, renovated and expanded existing hospitals.

New hospital opened:

KPJ Pahang Specialist Hospital;

Expansion projects:

KPJ Bandar Maharani Specialist Hospital (Phase 2);
KPJ Tawakkal Specialist Hospital, Kuala Lumpur;
KPJ Rawang Specialist Hospital, Rawang;
KPJ Selangor Specialist Hospital, Shah Alam;
KPJ Seremban Specialist Hospital, Seremban;
KPJ Ampang Puteri Specialist Hospital, Ampang;
KPJ Puteri Specialist Hospital, Johor Bahru

Upcoming projects:

KPJ Bandar Dato' Onn, Johor Bahru;
KPJ BDC Specialist Hospital, Kuching;
KPJ Miri Specialist Hospital, Miri;
KPJ Damansara 2 Specialist Hospital, Selangor;
KPJ Batu Pahat Specialist Hospital, Batu Pahat;
KPJ Kluang Specialist Hospital, Kluang;
Medical Tower, Ibrahim International Business District, Johor Bahru

3rd Party Collaborations with Foreign Partners:

RSMBSD and Japanese providers, i.e. Sojitz Corporation and Capital Medica;
KPJ Tawakkal Health Centre with Sebarun Hospital and DK Medical
Centre of Korea;
KPJ & Daejeon Wellness Hospital of Korea

OPENING OF NEW HOSPITAL AND HEALTHCARE CENTRE

KPJ Pahang Specialist Hospital opened its doors in May 2016, and marks as the 26th hospital to join the KPJ network. The RM110 million hospital is the first in Pahang to offer a full-service cardiology facility. The 11-storey hospital that started construction in 2012, commenced operations in May 2016, and was officiated in October 2016 by Pemangku Raja Pahang, KDYTM Tengku Abdullah Sultan Haji Ahmad Shah, witnessed by the Chief Minister, YAB Dato' Sri Haji Adnan bin Haji Yaakob.

The hospital houses 200 beds, and offers end-to-end suite of treatment care. This includes angiogram and angioplasty surgery, a Cathererisation Lab with 1.5 Tesla Magnetic Resonance Imaging (MRI) and Computer Tomography (CT) scan. The hospital is manned by a 360-strong team including 30 medical specialists across a range of clinical and medical specialties including orthopaedic, traumatology, neurosurgery, ear, throat and nose (ENT), radiology, ophthalmology, obstetrics and gynaecology, and paediatric.

EXPANSION PROJECTS

The year under review saw a completion of 3 expansion projects, with another 4 projects underway.

Phase 2 of KPJ Bandar Maharani Specialist Hospital, located in Muar, Johor, was completed and officiated in October 2016 by DYMM Raja Zarith Sofiah binti Almarhum Sultan Idris Shah, Permaisuri Johor. The 25th hospital in the network, and the 5th in Johor state, had its capacity grow from 30 beds when it initially commenced operations in 2014. Under the recent expansion, RM7 million was invested in Royal and Premier Wards, bringing the total to 71 beds at the hospital. KPJ Bandar Maharani

is in the midst of adding its 3rd Operation Theatre, to be completed in 2017. The hospital has 17 medical consultants, of which 12 are resident consultants and 5 are visiting consultants.

One of KPJ's pioneer hospitals in Kuala Lumpur, **KPJ Tawakkal Specialist Hospital** is currently undergoing expansion works to further develop a land area of 43,541 sq ft adjacent to the hospital and add a further 150 beds to its current 200-bed operating capacity. The built-up area for the hospital expansion is 278,752 sq ft while the built-up area for carpark expansion is 160,824 sq ft, at an approved

budget of RM125.2 million. The expansion works are targeted to be completed by December 2020.

KPJ Rawang Specialist Hospital (KPJ Rawang) servicing the growing Rawang township and its surrounding areas has completed its renovation of its Level 4, Level 5, Haemodialysis Centre and the Kitchen Area, at a general cost of RM13.1 million. The total area for renovation is 40,675.7 sq ft. This will add on bed capacity by 80 beds, with 40 beds to be housed on level 4 and the remaining 40 in level 5.

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KPJ has grown to a household healthcare name of repute among the rakyat (of Malaysia). A testament to its success, its stature is one now where no city can be considered developed until and unless it has a KPJ hospital available within the city's infrastructure.

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DYMM Raja Zarith Sofiah
binti Almarhum Sultan Idris Shah,
Permaisuri Johor

During the launch of KPJ Bandar Maharani Specialist Hospital, 30 October 2016



Upcoming New Hospital

KPJ Bandar Dato' Onn Specialist Hospital, Johor Bahru

The total land development stands at 8.35 acres, with Phase 1 of the hospital building having 150 beds.

KPJ Batu Pahat Specialist Hospital, Batu Pahat

The proposed project will have a 7-storey building to house 90 beds.

The healthcare sector is generally a resilient sector given the nature of its offering that is required even during weak market conditions. The long-term industry potential to sustain despite an external climate of global volatility, allows KPJ to plan well ahead to meet ongoing and increasing consumer demand for private healthcare services. KPJ continued its expansion momentum into 2016 to cater to Malaysians seeking premier healthcare and medical treatment. Demand is also amplified from healthcare tourism with overseas consumers opting to travel in search for better value for high quality and the latest service offerings in healthcare, in which Malaysia is a prime choice. KPJ is in a solid position to cater to these needs and continue building new hospitals which we equip and staff through an ongoing and sustainable talent pool of qualified and accredited doctors and nurses, many of which are readily available through our very own KPJUC stream.

NEW AND UPCOMING HOSPITAL PROJECTS

During the year under review, KPJ undertook several hospital development initiatives, including via collaborations with 3rd parties.

Southern region

KPJ has finalised construction of its upcoming **KPJ Bandar Dato' Onn Specialist Hospital** in Johor Bahru. The RM184.3 million facility, targeted for completion with Certificate of Completion and Compliance by the fourth quarter of 2017, is progressing well with construction works ahead by 6%, at 47% of the completion stage, at the end of December 2016. The total land development stands at 8.35 acres. Phase 1 of the hospital building having 150 beds of which 90 will be fitted on a built-up area of 278,759 sq ft, with the remaining 60 beds are vacant, standing on 65,190 sq ft. The car park built-up area will take up 156,691 sq ft.

KPJ is also looking to set up another new hospital, **KPJ Batu Pahat Specialist Hospital** in Johor. The proposed project cost is estimated at RM69.7 million. There will be a 7-storey building to house 90 beds. Plans are being drawn up for further deliberation and approvals by the relevant parties.

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**KPJ Miri Specialist Hospital
caters to a total of 180 beds upon
completion will stand on total land
area of 4.0 acres.**
”

East Malaysia

As previously reported in last year's annual report, two new hospitals are under construction in Sarawak, **KPJ Miri Specialist Hospital, Miri**, and **KPJ BDC Specialist Hospital, Kuching**.

KPJ Miri Specialist Hospital is expected to have a total of 180 beds upon completion. It will stand on a total land area of 4.0 acres, Phase 1 which is estimated to cost RM91 million with 96 beds (61 fitted, with 35 vacant) is progressing well. KPJ Miri Specialist Hospital will be the second KPJ hospital project in Sarawak, targeted to be completed by March 2018. The hospital project is located in Bandar Baru Permyjaya, Miri, Sarawak. The built-up area for hospital was originally 157,500 sq ftm, which was revised to 126,069 sq ft (109,896 sq ft fitted and 17,000 sq ft vacant). The carpark will be on an open surface parking. The Approved Budget for this project is RM39 million.

KPJ BDC Specialist Kuching, built at an approved budget of RM118.3 million, is being developed on 4.74 acres. The hospital build-up comes to 255,000 sq ft where 239,000 sq ft will be allocated to 114 fitted beds with the remaining 16,000 sq ft to 36 vacant beds. The car park built-up area covers 107,000 sq ft. Project is expected to be completed by the 2nd Quarter of 2017.

KPJ Perlis Specialist Hospital, has rescheduled its target completion and opening until 3rd Quarter of 2017.

KPJ is also exploring a **new approach** that will help minimise initial capital on the design, build and lease of new hospital projects. KPJ Melaka Specialist Hospital and KPJ Kota Bayuemas Specialist Hospital will follow suit.





Regional expansion

As outlined under Business Review: Hospital Operations – Regional Markets ; ⑨ the engagement of KPJ with the two (2) companies from Japan¹ to set up an oncology centre in KPJ Indonesia's Rumah Sakit Medika Bumi Serpong Damai (RSMBSD), is a creative international collaboration to further seeding our presence in the overseas market.

We have similarly signed a Memorandum of Agreement (MoA) and several Memorandum of Understanding (MoU) with Korean companies in Seoul, Korea, on 23 September 2016 for future collaborations which will allow us to leverage South Korea's technical know-how and expertise.

The MOA was with Barun Development Co. (Sebarun Hospital) for the establishment of a Spine Centre, while the MoU were with DK Medical Center (DKMC) for Plastic & Reconstructive Surgery and Daejeon Wellness Hospital (DWH) for a Specialised Wellness Centre. Both the Spine Centre and Plastic & Reconstructive Surgery will be established in KPJ

Tawakkal Health Centre (THC), while the wellness centre in Johor Bahru and Kuala Lumpur.

LOOKING FORWARD

In view of laying the pipeline for long term future growth, KPJ does not intend to halt or slow down, and will continue to actively pursue its domestic development and expansion plans. On the international front, while that is currently a secondary generator, KPJ is steadily exploring opportunities to offer consultancy and hospital management services while sourcing for suitable partners that will provide solid leverage and credibility for collaboration in establishing our footprint in selected countries.

¹ Sojitz Corp and Capital Medica Co Ltd, to set up a USD12million oncology centre in RSMBSD.



AMBULATORY CARE

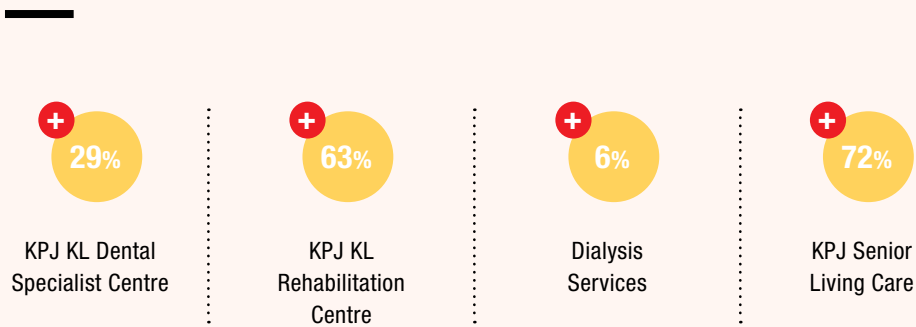
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KPJ's ambulatory or outpatient medical care services continues to record strong positive growth across all its specialty operations - KPJ KL Dental Specialist Centre, KPJ KL Rehabilitation Centre, KPJ Senior Living Care, haemodialysis service, and consultant clinical specialties. ”





Revenue Growth



Overall, THC continues to record positive growth, with a significant year-on-year gross operating revenue growth of RM3.0 million, or 32% over 2015, due to the increase in new and repeat patient numbers.

KPJ KL Dental Specialist Centre increased its revenue by 29% in 2016 compared to 2015, while KPJ KL Rehabilitation Centre registered an increase of 63% revenue growth, and 6% revenue increase from the Dialysis Services. KPJ Senior Living Care recorded a significant 72% increase in its revenue.

 [cross-reference to Business Review: Senior Living Care].

In our commitment to continuously improve our patients' experience, the company has refurbished the KPJ KL Dental Specialist Centre's waiting area, providing a cosy and warm ambience that will help quell the usual anxiety and flutter of nervousness that comes before meeting the dentist. The dental centre has also begun to extend free Digital Dental Screening for KPJ corporate clients, a value-added service to create heightened awareness on the importance of dental & oral health.

As for KPJ's KL Rehabilitation Centre, the focus in 2016 has been on Back Care Education. A common condition with about 80% of Malaysia's population facing back pain due to hectic and stressful lifestyles, the Centre has introduced a new package 'Back Pain Management' to help patients with remedial understanding of good back care, improvement of posture, diet and lifestyle, and various treatments available.

Over at the Dialysis Centre, the area has been fitted out with new cabinets for patients' additional ease and security of personal belongings storage during their visiting sessions.

Testament to THC's medical care with a heart, many of THC patients are long term and repeat visitors. The Centre hosts ongoing activities and seasonal celebrations with patients, during World Health Day, World Oral Health Day, Hari Warga Emas Kebangsaan (Senior Citizens Day) and World Kidney Day. Over at the KL nursing home, personalised celebrations like birthdays and anniversaries are held for KPJ SLC residents.

As part of its ongoing efforts to create further awareness of its ambulatory services, THC will continue to host educational talks, seminars and workshops, as well as ongoing promotional screenings for the public. It will also continue to engage patients with the local communities through its corporate social responsibility (CSR) efforts. With its ongoing focus on Patient Safety, THC will continue to run training, education and awareness workshops for its consultants, clinical staff, support service, Allied Health, as well as patients, their relatives, and the general public. Disaster preparedness exercises like fire drills, code blue drill with realistic simulations are run regularly to facilitate improvement of teamwork and communication during any untoward crisis.



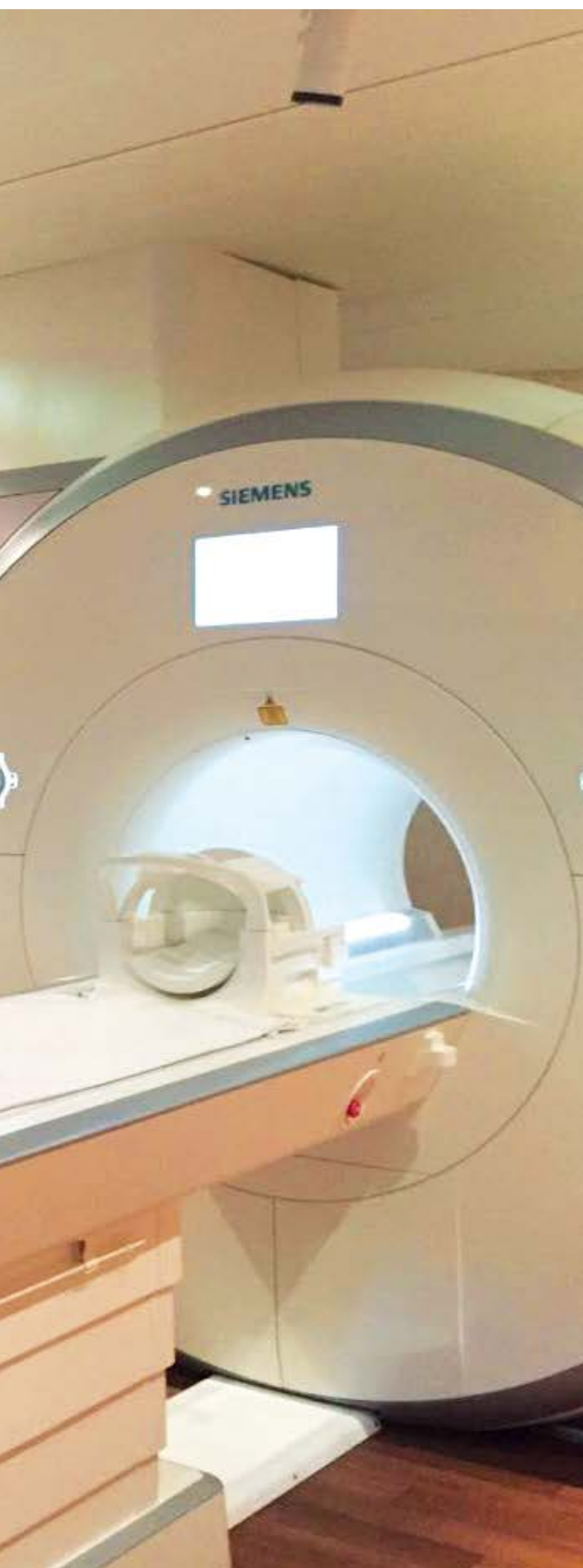
BIOMEDICAL SERVICES

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The advancement of healthcare continues to be at the forefront of many new discoveries. Today, its ongoing evolution and transformative acceleration is largely driven by the current era of technology and digital explosion. These changes spearhead the spirit of innovation at KPJ and being one of the leading innovator in healthcare in Malaysia, we continue to push new boundaries in medical technology, and continuous improvement in our healthcare delivery system and quality of services.

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OUR MEDICAL EQUIPMENT TECHNOLOGY UPGRADE IN 2016

Magnetic Resonance Imaging (MRI)

KPJ continues to upgrade its MRI systems to bring about faster imaging examination to improve the comfort level for patients, allowing better flexibility for examination, is more cost effective, and able to accommodate a higher number of patient screening. Following on from 2015, KPJ expanded the usage of its latest MRI system to more hospitals within its network. In 2016, KPJ Sentosa Specialist, Kuala Lumpur, was fitted with the Magnetom Aera, 24 Channel. The new system is light and easy to manoeuvre, and is designed to minimise movement of, thereby reducing discomfort for the patient. This system conveys patients to the MRI suite without the need for repositioning, where the it docks over the MRI system's couch, so patients stay on the table during the entire imaging process.

The speed of obtaining the image is quicker, while the quality of the imaging is enhanced, made possible by the advanced magnetic system that creates a highly homogenous static magnetic field, while the advanced shield gradient coil generates uniformed gradient parameters.

The upgrade of this MRI system has reduced the overall time required for examinations, improving the clarity of imaging, while being more cost-efficient for the hospital and environmental-friendly with an overall reduction of 68% in use of energy consumption.

Over in Sarawak KPJ has installed another state-of-the-art MRI system, the Hitachi Airis Vento 0.3T model, thus rendering the KPJ Sibu Specialist Hospital the only private hospital with MRI services for the Sibu community.

This award-winning system is the most advanced mid-field MRI system available yet cost-efficient in terms of providing whole-body MRI scanning. With powerful gradients, this MRI system performs an unlimited variety of advanced imaging techniques, including those previously associated exclusively with high-field MRI (e.g. fat-saturation/CHES). A user-friendly system, it enables smooth and efficient patient examinations, thereby maximising patient friendliness and comfort.

The upgrade to this MRI system has reduced 68% in use of energy consumption.

Fully Digitised Angiography System

Following the installation in KPJ Rawang Specialist Hospital, KPJ Ampang Puteri Specialist Hospital has been equipped with a Fully Digitised Angiography System, with the Artiz Q Pure model. The model is deemed to be a visionary breakthrough in X-ray generation and detection for interventional imaging in enhancing performance and precision. This latest technology in cardiac and interventional specialisation procedure supports clear Fluoroscopy and Radiography, enabling patient examination and treatment to proceed smoothly with a high level of safety. This increases the safety, and comfort level for catheterisation examinations and treatment.

LOOKING FORWARD

Apart from installing and upgrading its systems and equipment with the cutting-edge technology, KPJ also continues to explore new products and services leveraging technological and digital breakthroughs. In progress is its ongoing research and testing in the area of 3D printing where doctors can operate on a maxillofacial patient and restore the face structure by fixing a past repaired mandible bone based on 3D printing technology. It is also exploring the adoption of a cancer-related decision support system that could help doctors to quickly diagnose and treat the cancer cases at par with latest progressive treatment solutions available at top cancer institutes around the world. KPJ looks forward in coming years to share conclusive results of these innovative breakthroughs at the end of the research and development stage.



SENIOR LIVING CARE

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As Malaysia's moves towards becoming an ageing population by 2021¹, professional senior living and nursing care will increasingly be a default lifestyle requirement. Offering these services since 2007, KPJ is well attuned to the needs of this customer segment with customised packages at its senior living facilities in Malaysia (2), and the third in Australia.

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KUALA LUMPUR, MALAYSIA – KPJ SENIOR LIVING CARE (SLC)

One of the value-added services offered in KPJ Tawakkal Health Centre, SLC is currently operating at close to maximum capacity. Many of THC's patients, are long term and short term patients. The year 2016 recorded gross operating revenue of RM1.9 million an increase of 72% compared to 2015.

Our SLC team comprises a doctor-in-charge, unit managers, registered nurses and carers providing 24-7 onsite care. Nursing care includes assistance with daily living activities such as bathing, grooming, hygiene care and dressing. Given that SLC also cares for post-operation and recovering stroke patients, the team also provides higher level of care such as regular positioning to prevent pressure sores, wound management, ryles tube feeding and administration of drugs and insulin.

SLC patients are occupied with daily activities including exercise and morning walks, physical games and board games, arts and craft that keep residents physically fit and mentally alert. Synonymous with KPJ's DNA where patients are treated as part of KPJ's family unit, patients' birthday and anniversary occasions are a vibrant affair celebrated together with their family member and KPJ staff.

In 2016, there was an upgrade of the rooftop garden to further enhance the green scenery and cosy outdoor environment for SLC and other patients. Ongoing efforts will include raising awareness for quality aged care and wellbeing through education material (collaterals and articles) and public talks.

SIBU, SARAWAK - LOVE CARE CENTRE, A GERIATRIC HEALTH AND NURSING CENTRE

Since becoming part of the KPJ network in 2011, the Love Care Centre located adjacent to the KPJ Sibu Specialist Hospital, continues to provide professional geriatric or specialised healthcare for the elderly, to some 317 patients in 2016. The Centre which is KPJ's first full-geriatric care centre is managed by a team of 18 personnel comprising specialist consultants and healthcare professionals fully trained in the care of elderly persons.

BRISBANE, AUSTRALIA – JETA GARDENS

Well reviewed as a premier aged care and retirement resort, KPJ's Jeta Gardens since its establishment in 2007, continues to offer residents quality accommodation, dining, recreational facilities on an extensive 34 acres of landscaped grounds with wheel chair and walker friendly walkways. The retirement village currently consists of 65 independent living units of which 33 units are villa-styled with the other 32 being apartment units, and residential aged care with a current capacity of 178 beds. There are future plans to increase the accommodation capacity with a further 12 villas in 2017.

Inclusive of an ensuite, each 25 sq m residential aged care room is tastefully furnished to provide security, comfort with electrical-operated and controlled beds to ensure residents enjoy restful sleep.

The village is manned by a team of 230 employees, offering personalised support for those in need including dementia, palliative and respite care. Assigned multicultural staff are available on every shift to cater to each resident's linguistic needs.

In 2016, Jeta Garden successfully obtained a Certificate of Accreditation as an Aged Care Facility up to 2019. The Jade extension, the new residential aged care building which was launched in 2015, is fully operational and recently won the Brisbane Housing & Construction Awards in 2016. Jeta Gardens also provides personalised home care services to 20 clients in the comfort of their homes, and will be looking to further expand its Home Care service with new packages come 2017.

The Australian facility has been doing well, growing by some 35 % over the last 3 years. Revenue recorded in 2016 increased to a total of AUD17.3 million.

¹ According to the Singapore-based Asia Pacific Risk Centre (APRC), reference in 'A barometer on Malaysia's healthcare system – are we doomed to fail?', Malaysiakini, 23 September 2016



MEDICAL TOURISM

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Brimming with potential, healthcare tourism is no longer a term limited to just the healthcare sector. Given its multiplier effects to the economy, sectors across the marketplace apart from healthcare including transport, retail, commercial care and hospitality also stand to benefit from increased healthcare tourism. ”





*Healthcare tourism is estimated to generate **RM9.6 billion** in revenue and **RM4.3 billion** in gross national income and will create **5,300 jobs** for 300 medical professionals by 2020¹.*

Under Malaysia's 12 National Key Economic Areas (NKEAs), healthcare tourism is estimated to generate RM9.6 billion in revenue and RM4.3 billion in gross national income and will create 5,300 jobs for 300 medical professionals by 2020¹. Some 1.9 million foreign patients are expected to visit annually by 2020. In 2016 alone, 882,000 medical tourism travellers visited Malaysia. With a network of 25, specialist hospitals across the country, KPJ's footprint is able to leverage the Government's own healthcare tourism efforts.

LEVERAGING ON THE POTENTIAL OF HEALTHCARE TOURISM – 2016 HIGHLIGHTS

As one of Malaysia's largest healthcare service providers, KPJ has initiated long term strategies and machinery to fully leverage the potential of medical tourism in the coming future years. Currently, this business segment accounts for a small but steadily growing contribution to the Group's overall revenue. KPJ is targeting for this business segment to reach more than 10% revenue line by 2020 as it continues to intensively promote and expands its network of hospitals and facilities across the country. At present, it recorded over RM124.2 million an increment of 8% in revenue with 155,052 visits by foreign patients compared to 140,231 visits during the previous year.

New target markets

The growth has been due to various on-the-ground marketing and social activities conducted internationally and domestically throughout 2016 including KPJ's overseas exhibitions; health awareness talks with expatriate communities, embassies and international schools; receiving referrals from foreign doctors and health coordinators; as well as leveraging social media (Facebook and Instagram) to promote KPJ with 12 Centres of Excellence covering key niche services – Advanced Laproscopy / Bariatric; Cardiac; Dental Centre; Eye Care Centre; IVF Centre; Oncology; Orthopaedic; Paediatrics; Reconstructive and Plastic Surgery; Rehabilitation & Physiotherapy; and Senior Living Care amongst others.

¹ Economic Transformation Programme: The Roadmap for Malaysia; Chapter 16 – Healthcare



The markets with tremendous increase this year came from Bangladesh (23%), Kazakhstan and Uzbekistan (35%). This was supported by inbound media familiarisation trips. KPJ hosted representatives from the Kazakhstan Ministry of Health, together with three (3) Kazakhstan media, at KPJ Ampang Puteri Specialist Hospital in March 2016, to explore collaboration opportunities.

In addition to the markets of Africa and South East Asia, KPJ in 2016 managed to capture a new target market, Tuvalu region, an island in the South Pacific Ocean. This was the result of KPJ's public sector-private partnership with the Tuvalu's Ministry of Health. Under the Tuvalu Medical Treatment Scheme (TMTS), Tuvaluan patients are now increasingly referred to KPJ in Malaysia. This is a win-win collaboration as the rising cost of treatments and non-medical related items are a deterrent for Tuvalu to send their patients to the usual countries - Taiwan, Fiji, New Zealand and Australia.

Enhanced value-added services

KPJ has opened another two (2) International Patient Centres (IPC), in KPJ Ampang Puteri Specialist Hospital and KPJ Damansara Specialist Hospital, bringing the total number of IPC to five (5) hospitals (KPJ Tawakkal Specialist Hospital, KPJ Penang Specialist Hospital and KPJ Johor Specialist Hospital.)

Hospital development – new openings and upgraded infrastructure in State-focused healthcare hubs

- Sabah – KPJ Sabah Specialist Hospital which opened in May 2016, is the only private hospital in the state to provide focused specialties in Cardiac; Eye care; Gynae-oncology; Hematology; Neuro-surgery; Oncology; Plastic surgery; Vitreo-retinal surgery; Non-invasive surgery, etc. The local state government acknowledges that KPJ Sabah Specialist Hospital quality and state-

of-the-art healthcare treatments can help the State's aspirations to attract health tourists from neighbouring locations of Brunei, Indonesia, Philippines.

- Pahang – KPJ Pahang Specialist Hospital in Tanjung Lumpur, Kuantan bodes well with the state being known as a retirement haven and a potential attraction for overseas patients looking to retire in Malaysia. The state has lauded the opening of the resort-like 11-storey hospital with sea-fronting views, comprehensive facilities, world-class equipment with focus in Cardiac treatments, Hematology, Orthopaedic, etc. It is also the first and only private hospital to offer full cardio check up plus angiogram and angioplasty support.

 [read more about its facilities under Business Review: New Hospital Development]

- Johor – is looking to develop the state as the next leading medical tourism destination in Asean, based on the South Korean model, to generate new revenue sources rather than solely depending on touristdollars from the shopping and entertainment segments. KPJ's MOU with leading Korean private medical centre, DK Medical Centre, to provide plastic and reconstructive surgery services in the future to KPJ Johor Specialist Hospital will help boost the state's efforts.

Credibility and reputation

Accreditation is key, as aside from medical expertise, overseas patients selecting a hospital will factor in the hospital's quality of care and track record and credibility. This is paramount to KPJ, which has a full suite of some 84 accreditations across its hospitals, an increase from 78 in 2015. This includes four (4) hospitals accredited by the Joint Commission International (JCI), the gold standard in healthcare management, while 18 hospitals have received certification from the Malaysian Society for Quality in Health (MSQH), and many more.

In 2016, KPJ also won the following awards:

- *2016 Frost & Sullivan Asia Pacific Healthcare and Tourism Awards* : KPJ won for Hospital of the Year.
- *2016 GHT Consumer Choice Awards* : KPJ won for the Orthopaedics Service Provider.
- *Human Resource HR Vendors of the Year Award 2016 Gold Award*: KPJ won for Best Corporate Healthcare Provider.



ONGOING STRATEGY AND INITIATIVES

KPJ will continue to deploy its ongoing long term strategy in building and expanding its healthcare tourism segment, leveraging six points of outreach – professional referral marketing; internet marketing; external and internal marketing; branding and public relations.



PROFESSIONAL REFERRAL MARKETING

- Reliable and continuing stream of inbound patient referrals from other medical, dental or other professional sources.
- Our hospitals have a GP Program between our Specialists and the GPs. This has been on-going for many years at the hospital level.



EXTERNAL MARKETING

- To reach prospective patients through advertising in in-flight magazines, such as Selamta for Ethiopia Airlines, Wings of Oman, Fireflyz, Tiger Tales to reach neighbouring countries like Indonesia, Vietnam, Myanmar and India Sub Continents.



BRANDING

- Strategic partnerships with companies such as Pfizer, National Kidney Foundation, International Schools/Universities, Chambers of Commerce namely EUMCCI, Australia, British, Arab; Embassies and High Commissioners; together with co-brand promotions and sponsorships help to build KPJ brand recall.



INTERNET MARKETING

- We have identified revamping KPJ Website with different language options to reach out to the target market segments.



INTERNAL MARKETING

- Distribution scale of 50,000 copies of KPJ's Care for Life monthly newsletter.



PUBLIC RELATIONS

- Generating positive and ongoing media coverage in mainstream and digital media outlets.

It is also critical that KPJ maintains its accredited status and track record, which is a key decision factor for overseas patients deciding on a hospital. KPJ currently enjoys 'gold status in healthcare management, having been accredited by the Joint Commission International (JCI). Facilities once thought innovative have now become commonplace, such as concierge services to transport patients from the airport to the hospital. Thus KPJ will continue to innovate and introduce new services as part of its packages.

Other future initiatives being explored include chartering Air Ambulance (private chartered airplane), for neighbouring and Asia Pacific countries, especially Indo-China, Indonesia, and the Australian market. We can also look at new smart partnerships with retail outlets that interface with high volume of foreign visitors such as airlines, shopping malls, airports and train stations; while targeting non-traditional new market segments not typically on the radar of other Malaysian hospitals such as those from non-English speaking countries like Tuvalu, Vietnam and Myanmar.



ANCILLARY SERVICES

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As an integrated healthcare service provider, KPJ's ancillary business units help ensure that KPJ operations run smoothly, with little to minimal disruptions in its supply-distribution value chain, by reducing the dependency on outsourced third party vendors and supplies.

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To-date, 23 subsidiaries are currently supporting the overall KPJ network on various facets including laboratory testing, sterilisation services, pharmaceutical as well as stationery bulk purchasing, supply and distribution, and healthcare IT solution services. Other ancillary services for ophthalmology, and a wellness lifestyle programme round off the Group's holistic suite of services to its customers.

LABORATORY SERVICES: LABLINK (M) SDN BHD

ABOUT LABLINK

- Established 1989; 28 years track record.
- Equipped with state-of-the-art world class equipment and technology
 - TB Diagnostic Laboratory offering microscopy, culture, sensitivity and molecular testing of Mycobacterium.
 - Haematology, biochemistry, microbiology, histopathology, cytopathology, allergies and immunoassay testing.
- Malaysia's first private laboratory certified with Bio-Safety Level 3 (BSL3) facilities which allows testing of highly-infectious diseases according to WHO standard.
- Manages 23 hospital laboratories, including KPJ's entire 23-hospital network suite; 3 external non-KPJ hospitals; general practitioners' clinics across Malaysia.

KEY HIGHLIGHTS 2016:

• Scale: Largest chain of private hospital laboratories in Malaysia.	• Valued-added services: Mobile Laboratory provides door-to-door health screening for corporate clients and patients with physical disability or limited mobility.
• Accreditation: In progress to achieve the Medical Laboratory Accreditation (MS ISO 15189) for international recognition of laboratory excellence in lab tests and professional practice through quality standards.	• Revenue increase 2016: 12% to RM73.5 million
• Increased staff strength and expertise: Total manpower 391 staff in 2016 (6% increase from 2015) comprising 300 allied health professionals + 9 experienced consultant pathologists.	• New business development via specimen collection centres: 36% growth @RM2.3 million
• Innovation: Lablink On The Go (LOTG) mobile application allows doctors to access patients' report via mobile device (iOS/ Android).	

The centralisation of laboratory services under a one-stop solution like Lablink, benefits the KPJ Group in standardising systems and methods used, enabling cost-efficient bulk purchasing, and comparison of results among the laboratories. The Lablink Laboratory Information System (LIS) facilitates online transfer of all results for quicker ease of reference and retrieval by doctors for technical and professional consultation.

Moving forward, Lablink will continue to enhance its facilities and services to ensure quality services are delivered to its customers including other medical laboratories, healthcare providers and communities, in line with KPJ's aspiration to be the preferred healthcare provider in the country.

Sterilisation Services: Centralised Sterilisation Service Centre (CSSC)

KEY HIGHLIGHTS 2016:

- **Revenue 2016:**
15% increase to RM2.6 million over 2015
- **Performance growth** in number of sets sterilised
 - ** Surgical sets – 28,543
(22% improvement from 2015)
 - ** Supplementary items – 34,068
(17% improvement from 2015)

A critical component in ensuring conformation to international healthcare standards, the sterilisation of surgical instruments for the entire KPJ Group is undertaken by a centralised body, Centralised Sterilisation Service Centre (CSSC), based in Rawang. The centre ensures and maintains a uniform standard level of quality within all hospitals. The centralisation also creates operational cost-efficiencies relating to the management, supply, collection and delivery of sterile goods to hospitals within the KPJ network.

With a track record of five (5) years in the sector, CSSC continues to gain prominence as a leader in independent sterilisation and decontamination services sub-sector. Operations at CSSC are benchmarked against international quality standards – ISO 9001:2008; ISO 13485:2012, and ISO 17665-1:2006.

In 2016, CSSC collaborated with Radicare to service government hospitals in the Klang Valley and the East Coast region, during an autoclave breakdown at their hospitals. Surgical-based companies like Zuellig-Pharma, BBraun, Johnson & Johnson, have also begun to send their sets for sterilisation at CSSC.

CSSC will continue to serve KPJ with quality centralised sterilisation services. Growing its market reach, it will also target ongoing collaboration ventures with hospital support service providers like Radicare, Medivest, and UEM Adgenta (Faber) to service government hospitals in the Klang Valley, East; Southern; and Northern region, respectively during autoclave breakdowns. The centre is also new business development opportunities to provide their services to other private hospitals in the Klang Valley.

Centralised Purchasing and Distribution: Pharmaserv Alliances Sdn Bhd (PASB)

KEY HIGHLIGHTS 2016:

- **Revenue 2016:**
5.75% increase to RM386 million over 2015

As the central procurement arm of pharmaceuticals and medical disposable items for the KPJ Group and its subsidiary companies, PASB is committed to ensure competitive and efficient cost pricing is delivered to the entire network, despite any challenging market conditions be it currency fluctuations or disruption of supplies that may affect the pricing cost structure.

Being one of the largest buyers in the country by virtue of KPJ Group's volume, PASB is able to pass on cost savings from the bulk purchasing to the network.

As part of its ongoing efforts in maintaining excellence in quality of its system and processes, PASB continues to maintain Integrated Management System (IMS) certification, of ISO 9001:2015, ISO 14001:2015-Environmental Management Systems, and OHSAS

18001:2007-Occupational Health and Safety Management focusing on risk management, quality, health and safety of people and environment.

In 2016, PASB has also worked towards implementing a bar code scanning system at its warehouse in efforts to increase the level of efficiency in its stocks inventory management and facilitation of internal processes. As part of its commitment to the Group, it will continue to look at improving its supply chain efficiency by providing differentiation in customer service, ensuring optimal inventory levels and increasing distribution operations efficiency. PASB stays abreast on rapid changes in technologies and applications to deliver the best service and pass on cost savings to the Group which will ultimately benefit KPJ patients.



KPJ Eye Care:



KEY HIGHLIGHTS 2016:

- **Revenue:** Grew 15% to RM13.1 million in 2016 (from RM11.4 million in 2015)
- **Number of patients:**
 - Daypatient – grew 6% with 2,267 cases in 2016
 - Outpatient – increased by 1% to 18,828 cases in 2016
- **Number of cataract cases:** Grew 12% to 1,101 cases in 2016

KPJ Pusat Pakar Mata Centre for Sight (CFS) serves as a centre of excellence in eye care, providing quality clinical care at reasonable prices. Its range of specialty services extends from correcting vision defects using minimal invasive laser technique (Lasik Reflex Smile) to cornea and vitreo-retinal surgery, glaucoma treatment, cataract removal with premium lens implants, oculoplastic surgery and paediatric ophthalmology.

CFS currently has three (3) centres – Rawang, Petaling Jaya and Kuala Lumpur, with its latest centre housed in THC equipped with the latest femtosecond laser vision correction technology using Beyond Lasik ReLEx SMILE. Providing both inpatient and outpatient day-care facilities, CFS in 2016 treated over 18,000 patients and performed over 2,200 procedures. A nominal but growing segment of its cases came from health tourism, which doubled in 2016 to 421 cases from 16 countries primarily from Asia and the Middle East.

The Centre continues to actively promote its services, via online marketing, TV billboards at strategic locations, awareness talks with eye screenings to the general public and corporates, co-branded bank promotional packages tie-ups, and roadshows.



INTRAPRENEUR COMPANIES

In cultivating a spirit of innovation and helping our staff grow along with the Group, KPJ's 'intrapreneurship' approach has resulted in several entrepreneurial ventures over the last few years in the areas of stationery and printing supplies (Skop Yakin), pharmaceuticals (Teraju Farma), healthcare engineering services (POSB) and healthcare IT solutions (HITSSB).

HEALTHCARE ENGINEERING SERVICES: PRIDE OUTLET SDN BHD (POSB)

One of the latest intrapreneur companies to be set up is Pride Outlet Sdn Bhd (POSB). The company was established in 2014 and provides planned preventive maintenance services for non-imaging medical devices in hospitals within the KPJ network. POSB staff strength has increased by 40% since inception, and in 2016, ran with a team of 7, including 5 qualified biomedical engineers.

POSB currently covers all KPJ hospitals in Central region, and in 2016 conducted over 3,200 planned preventive maintenance services, resulting in savings of up to 25% to the hospitals.

Only into its second year of operations, POSB is still ironing teething issues and securing its financial footing to break even its investment and costs, amidst the onslaught of the recent economic market conditions. It nonetheless recorded a net loss of RM 172,348 in 2016, a 47% improvement over 2015.

Towards solidifying its operations and financial performance in 2017 and beyond, POSB has outlined an aggressive strategy to tap new market growth and expand its current product range. PRIDE plans to introduce standardised pricing structure for biomed equipment planned preventive maintenance (PPM) rate and expand its services to KPJ hospital network in Northern and Southern regions. This would provide a deeper evaluation of each hospital maintenance cost under POSB, thereby highlighting gaps for address.

POSB and the KPJ Group remain positive on the future and viability of the business in contributing towards reducing the Group's operating costs.

*Healthcare IT Solutions:
Healthcare IT Solution Sdn Bhd (HITSSB)*

KEY HIGHLIGHTS 2016:

- Currently managing 31 hospitals and subsidiaries within the KPJ Group network
- Implemented upgraded version of Hospital Information System 'HITS2.0' at newest hospital – KPJ Pahang Specialist Hospital
- Debuted new business venture – advertisements via external LED billboard at THC



An intrapreneur creation of KPJ, Healthcare IT Solutions Sdn Bhd (HITSSB) manages the entire IT network and system of the KPJ Group and its subsidiaries. This is a critical component to maintaining operational and communication efficiency for the entire network. HITSSB actively reviews its systems and upgrades to strengthen the Group's centralised IT infrastructure and hardware framework, and to optimise KPJ's investment in technology.

The business has grown from strength to strength since it was first established in 29 March 2009, and as of October 2016, has become responsible for managing 31 KPJ hospitals and its subsidiaries, including the newly opened KPJ Pahang Specialist Hospital.

In 2016, HITSSB achieved several milestones:

- Pilot implementation of the Hospital Information System, 'HIT2.0', in KPJ Pahang Specialist Hospital. This web-based system was developed using Microsoft's technology, the Silverlight platform that is hosted on the Cloud environment, with direct accessibility to users without the need of third party intervention.

- Rolled out new business venture – digital advertising billboard. The first LED 16'(W) x 22'(H) billboard is located on the top of the THC building, and is available for advertising placements by KPJ, its subsidiaries, as well as from external parties.

On the back of these new initiatives, HITSSB recorded profit before tax of RM RM2.1 million a 1% decrease over 2015. Total revenue came in at RM 5.9 million, a decrease of 18% compared to year 2015, which was mainly due to a revision of its annual maintenance and support cost charges to the hospitals, moving from number of license beds to charging based on number of operational beds, as well as a slight reduction in external revenue.

Into 2017, HITSSB will gather feedback and review the new system upgrade, HITS2.0, with a further roll-out to four (4) more hospitals in the network. The company will also drive extensive marketing for its LED billboard and add more billboards as it drives this segment of the business.



STATIONERY AND PRINTING MATERIALS: SKOP YAKIN (M) SDN BHD

Skop Yakin is into its eighth year of operations, and has steadily recorded year on year revenue growth. In 2016, total revenue spiked by 100% as compared to 2015.

Skop Yakin started out as a small venture initially to service KPJ Perdana Specialist Hospital, Kelantan; and quickly expanded to cover the entire KPJ network across the different states. The business provides the Group with cost-effective supply of stationery and printing materials primarily for promotional collaterals (hospital brochures, leaflets, banners and buntings), hospital and office administrative documents (forms, letterheads, etc.)

Starting mid-2016, Skop Yakin has widened the scope of their core business into event planning and management. It will further expand its coverage beyond the KPJ Group to other third party clients, as well as extending its product range to include premium and collateral items.

PHARMACEUTICALS: TERAJU FARMA SDN BHD (TFSB)

Another fledgling venture, TFSB is involved in wholesale supply of pharmaceuticals and healthcare – related products to the public and private medical sector. It aims to eventually become a preferred partner and distributor of healthcare products. TFSB's capability to source health-related products competitively will help towards supporting its growth venture.

In 2016, the business registered revenue of RM58 million, a 4.4% decrease from 2015 due to budget and capex tightening in the public sector hospitals.

TFSB has recently obtained the Establishment License from the Medical Device Authority to act as a distributor for medical devices, further to the certification and implementation of Good Distribution Practice for Medical Devices (GDPMD) requirements. This is in tandem with its strategy to work closely with business partners to introduce new product features and offer value-added service, while exploring new business developments towards ensuring the sustainability of the business.

HOSPITAL CATERING: TOTAL MEAL SOLUTION SDN BHD (TMSSB)

For the year under review, TMSSB registered total revenue of RM2.0 million. It also registered an accumulated profit of RM108,000, a significant turn-around from 2015's net loss of RM16,000.

TMSSB started as a small venture in 2013, then under the name Central Kitchen, to supply in-patient meals to KPJ Klang Specialist Hospital. It quickly expanded its coverage to KPJ Rawang Specialist Hospital a year later. Since then, the venture has undergone a rebranding with a name change to operate as Total Meal Solution Sdn Bhd in 2016.

Wellness and Lifestyle Programme

KEY HIGHLIGHTS 2016:

- 8-year record success
- 20,000 subscribers nationwide
- 16 participating KPJ hospitals
- 2016: 12% growth year-on-year
- Launched new package 'Ruby' with extensive health screening items

KPJ's Wellness & Lifestyle Programme aptly supports discerning Malaysians who embrace a healthier lifestyle regime. The power of the programme shows in the membership volume that has grown to more than 19,000 subscribers nationwide across the 16 participating KPJ hospitals, since it was first launched in March 2008. Another telling feature to the success of the programme is that subscribers have upgraded their membership for a long term period, and word of mouth recommendations they have shared with their family and friends, that have also led to referral sign-ups.

Since July 2016, the programme recorded a significant rise by 12% compared to the same period in 2015. We attribute the spike to the addition of health awareness roadshow held in schools across Sabah.

In keeping the programme fresh and relevant, KPJ has introduced a new package named 'Ruby' that offers extensive health screening items. This is in response to rising costs of medical care, and growing awareness among the younger generation to the importance of doing regular health screening checks in maintaining good health.

We believe the programme will continue to grow in tandem with a growing healthier and fit lifestyle trend among Malaysians.



EDUCATION

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Healthcare services and healthcare education are intertwined and rely heavily on each other.

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The foresight that a steady stream of qualified and well-trained medical personnel would be integral to supporting KPJ's vision to be the preferred healthcare service provider, led to the establishment of KPJ Healthcare University College (KPJUC) on 1 April 1991. With 25 years of good of unsurpassed academic track record, KPJUC has to-date produced approximately 8,713 graduates, contributing to the nation's human capital requirement of nurses, allied healthcare professionals and specialist doctors.

The education arm continues to register dynamic growth with a strong reputation as a premier medical university college with total revenue of RM45 million per annum. Today, KPJ's education arm has three (3) campuses (KL, Johor, Penang) where it offers 38 healthcare programmes ranging from Certificate to Foundation to PhD. In 2016, it has 2,536 students, a 10% year-on-year growth over 2015.

KPJUC graduates enjoy almost 100% employability where upon graduation, they are placed out within the KPJ hospital network. A significant benefit students receive is the holistic learning experience where 50% of their education programme is allocated to hands-on learning and training onsite within the hospital network. It is in part why KPJUC graduates are also equally sought after at public and private hospitals, reinforcing the demand for the quality of KPJUC talents.

Another foresight was the need to train and produce world-class nursing staff. KPJ recognised the correlation nursing has on hospital services, and in 1991, was the first in Malaysia to set up a nursing college, Puteri Nursing College (PNC), offering a 3-year Diploma in Nursing programme. Today, it has produced more than 5,000 skilled nurses, and has contributed to elevating and transforming the nursing profession in Malaysia.

In 2011, KPJUC became the first private education institution to be approved by the Malaysian Ministry of Higher Education (MOHE) to conduct medical specialists training programmes.

2016 HIGHLIGHTS

The year 2016 saw KPJUC achieving many significant milestones.

KPJUC's first medical specialist programme, Master of Otorhinolaryngology (Head & Neck Surgery), which commenced in 2012, has recently graduated its first cohort in December 2016.

On 1 May 2016, it also successfully acquired¹ KFCH International College (KFCHIC), a private institution based in Johor, well known for producing quality talents in the hospitality industry. This strategic acquisition is part of KPJUC's long term plan to expand its education offerings in further strengthening itself and positioning itself competitively within the private education institution sector.

The Dean for its School of Nursing, Associate Professor Dr Hamidah Hassan, has also appointed to the Malaysian Nursing Board in 2016. Her appointment underscores the credibility of KPJUC in producing quality nursing graduates/skilled resources for the country, and the Board's trust and confidence in KPJUC.

KPJUC places high priority on research and development (R&D). Its radius of collaboration in R&D, publications and supervision, extend from KPJ Group of hospitals and companies, as well as to strong alliances with national and international counterparts. It also continues to actively organise key academic conferences and workshops. Currently there are 50 ongoing research programmes, 46 new studies, and 23 completed research.

In 2016, it signed up with:

- Golden Age Solution Private Limited, Australia, to develop several curriculums focusing on aged-care programmes (in support of KPJ's Senior Living Care services); and
- Universiti Teknikal Malaysia Melaka (UTeM) to collaborate on R&D on medical imaging advancements.

¹ Under its trading company, PNC

Significant milestones: KPJUC

- Pioneer medical university college in Malaysia
- 25 years track record
- 38 programmes – from Certificate to PhD
- 1st private nursing college in Malaysia, and 1st to be accredited by the Malaysian Qualification Agency (MQA) – for its Diploma in Nursing Programme
- 100% success rate in passing the Nursing Board Terminal Examination
- 1st private education institution to be approved by MOHE to offer Postgraduates Medical Specialist
- 2016 – graduation of the 1st cohort in Master of Otorhinolaryngology – Head and Neck Surgery
- Appointment of Dean of School of Nursing to the Malaysian Nursing Board

KPJUC's role in nation building

- Contributing to the nation's human capital requirement of nurses, allied healthcare professionals and specialist doctors
- Enhancing the quality of Malaysia's healthcare education industry by introducing new accredited healthcare programmes to meet needs of evolving industry
- Contributing to Malaysia's niche positioning as a preferred hub for Healthcare Services and Healthcare Education Excellence
- Job creation and job placement, with new opportunities for local talents, including medical specialists

ACADEMIC PROGRAMME OFFERINGS

KPJUC currently offers 38 healthcare programmes, ranging from Certificate to Foundation to PhD, across its three (3) campuses in KL, Johor and Penang.

KPJUC ACROSS 3 CAMPUSES		
NO.	PROGRAMME	INTAKE
SCHOOL OF MEDICINE		
1	Master of Otorhinolaryngology - Head and Neck Surgery	2 – Jun / Dec
2	Master of Paediatrics	2 – Jun / Dec
3	Master of Radiology	2 – Jun / Dec
4	Master of General Surgery	2 – Jun / Dec
5	Master of Orthopaedic	2 – Jun / Dec
SCHOOL OF PHARMACY		
6	Master of Sciences in Pharmaceutical Technology (Research)	3 – Feb / Jun / Sep
7	Bachelor of Pharmacy (Hons)	1 – Sep
8	Bachelor of Pharmaceutical with Health Sciences (Hons)	2 – Feb / Sep
9	Diploma in Pharmacy (Nilai) Diploma in Pharmacy (Penang)	3 – Feb / May / Sep 2 – Jun / Sept
SCHOOL OF NURSING		
10	Doctor of Philosophy in Nursing	3 – Feb / Jun / Sep
11	Master of Nursing Science (Research)	3 – Feb / Jun / Sep
12	Bachelor of Science in Nursing (Hons)	1 – Sep
13	Certificate in Renal Nursing (Nilai) Certificate in Renal Nursing (JB)	2 – Apr / Sep 2 – Apr / Sep
14	Certificate in Paediatric Nursing	2 – Apr / Sep
15	Professional Certificate in Critical Care Nursing	1 – Jan
16	Professional Certificate in Education & Teaching for Nursing Professionals	1 – Apr
17	Professional Certificate in Gerontology Nursing	1 – Jun
18	Post Basic Certificate in Orthopaedic Nursing (JB)	1 – Dec
19	Advanced Diploma in Midwifery Nursing	1 – Oct
20	Diploma in Nursing (Nilai) Diploma in Nursing (JB)	3 – Feb / May / Sep 2 – Jun / Sep
21	Certificate in Aged Health Care	2 – Feb / Jun
22	Certificate in Basic Patient Care Course for Healthcare Assistant (JB)	2 – Feb / Jul
23	Certificate in Dialysis Technician	1 – Sep
24	Certificate in Obstetric Care Assistant	1 – Sep

**ACADEMIC PROGRAMME OFFERINGS (CONTINUED)**

KPJUC currently offers 38 healthcare programmes, ranging from Certificate to Foundation to PhD, across its three (3) campuses in KL, Johor and Penang.

KPJUC ACROSS 3 CAMPUSES		
NO.	PROGRAMME	INTAKE
	SCHOOL OF HEALTH SCIENCES	
25	Master of Physiotherapy (Research)	3 – Feb / Jun / Sep
26	Bachelor of Medical Imaging (Hons)	2 – May / Sep
27	Bachelor of Physiotherapy (Hons)	2 – May / Sep
28	Diploma in Medical Imaging	3 – Feb / May / Sep
29	Diploma in Physiotherapy	3 – Feb / May / Sep
30	Diploma of Higher Education in Operating Department Practise (in collaboration with Liverpool John Moores University, UK) (Penang)	1 – Sep
	SCHOOL OF BUSINESS AND MANAGEMENT	
31	Diploma in Health Information Management	1 – May
32	Certificate in Health Information Management	1 – May
	SCHOOL OF BEHAVIOURAL SCIENCE AND HUMANITIES	
33	Bachelor in Strategic and Corporate Communication (Hons)	2 – Jun / Sep
34	Foundation in Science	2 – May / Sep

KPJUC ACROSS 3 CAMPUSES		
NO.	PROGRAMMES (APPROVED IN 2016, TO BE OFFERED IN 2017)	INTAKE
	SCHOOL OF PHARMACY	
1	Advanced Diploma in Aseptic Services	1 – Sep
	SCHOOL OF HEALTH SCIENCES	
2	Bachelor of Occupational Health Therapy (Hons)	1 – Sep
	SCHOOL OF BUSINESS AND MANAGEMENT	
3	Bachelor in Business Management (Hons)	1 – Sep
	SCHOOL OF BEHAVIOURAL SCIENCE AND HUMANITIES	
4	Bachelor of Psychology (Hons)	2 – Feb / Sep

With the recent acquisition of KFCHIC, KPJUC has branched out into hospitality and business management education, offering nine (9) programmes through KFCHIC in Johor.

KFCHIC		
NO.	PROGRAMME	INTAKE
1	Diploma in Tourism Management	3 – Mar/ Jul/ Sep
2	Diploma in Event Management	3 – Mar/ Jul/ Sep
3	Diploma in Business Administration	3 – Mar/ Jul/ Sep
4	Diploma in Halal Management and Food Safety	3 – Mar/ Jul/ Sep
5	Diploma in Food Science and Technology	3 – Mar/ Jul/ Sep
6	Diploma in Early Childhood Education	3 – Mar/ Jul/ Sep
7	Diploma in Culinary Arts	3 – Mar/ Jul/ Sep
8	Diploma in Hotel Management	3 – Mar/ Jul/ Sep
9	Diploma in Restaurant Management	3 – Mar/ Jul/ Sep



KPJUC STUDENTS: 2016

KPJUC continues to contribute significantly to the industry's growing need for highly qualified trained and skilled medical and healthcare professionals. To-date, it has produced 8,713 graduates since 1991.

In 2016, its student population grew 10% to total 2,536 students.

NO.	SCHOOL OF MEDICINE	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
1	Master of Otorhinolaryngology – Head and Neck Surgery	7	7
2	Master of Radiology	6	5
3	Master of Paediatric	0	0
4	Master of General Surgery	3	2
5	Master of Orthopaedic	4	3
	Total	20	17

NO.	SCHOOL OF NURSING	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
1	Doctor of Philosophy In Nursing	4	4
2	Master of Nursing Science	9	10
3	B.Sc. (Hons) International Nursing (University of Hertfordshire)	0	6
4	Bachelor of Science In Nursing (Hons)	21	12
5	Diploma in Nursing	555	490
6	Certificate in Aged Health Carer	0	0
7	Certificate in Renal Nursing	20	0
8	Certificate in Paediatric Nursing	20	20
9	Prof. Certificate In Education & Teaching For Nursing Professionals	0	0
10	Advanced Diploma in Midwifery	7	15



NO.	SCHOOL OF NURSING	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
11	Advanced Diploma in Peri-Operative Nursing	0	0
12	Professional Certificate in Critical Care Nursing	0	0
13	Professional Certificate in Gerontology Nursing	0	0
14	Diploma in Nursing (JB)	308	308
15	Post-Basic Certificate in Orthopedic Nursing (JB)	10	0
16	Post-Basic Certificate in Renal Nursing (JB)	0	10
17	Certificate in Teaching Methodology for Nurses (JB)	0	0
18	Basic Care Course for Healthcare Assistant/ Care Givers (JB)	39	0
19	Basic Care Course for Healthcare Assistant/ Care Givers (Penang)	36	0
Total		1,030	875

NO.	SCHOOL OF PHARMACY	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
1	Master of Pharmacy (<i>Programme phased out in 2016</i>)	0	0
2	Master of Science In Pharmaceutical Technology	3	3
3	Bachelor of Pharmaceutical Science with Health Sciences (Hons)	164	132
4	Bachelor of Pharmacy (Hons)	115	84
5	Diploma in Pharmacy	323	357
6	Diploma in Pharmacy (Penang)	157	180
Total		762	756

NO.	SCHOOL OF HEALTH SCIENCES	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
1	Master of Physiotherapy	5	2
2	Master of Medical Imaging (<i>Programme phased out in 2016</i>)	0	0
3	Bachelor of Physiotherapy	83	54
4	Bachelor of Medical Imaging	35	36
5	Diploma in Physiotherapy	288	242
6	Diploma in Medical Imaging	164	136
7	Diploma in Higher Education in Operating Dept. Practice (Penang)	57	90
Total		632	560

NO.	SCHOOL OF BUSINESS & MANAGEMENT	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
1	Diploma In Health Information Management	61	60
Total		61	60

NO.	SCHOOL OF BEHAVIOURAL SCIENCE & HUMANITIES	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
1	Bachelor of Arts (Hons) Strategic & Corporate Communication	10	10
2	Foundation In Science	22	20
Total		32	30
Grand Total		2,536	2,298

KPJUC ALUMNI

Towards the end of 2016, KPJUC has produced 8,586 number of alumni.

NO.	SCHOOL	NILAI	JOHOR BAHRU	PENANG	TOTAL
1	Medicine	2	0	0	2
2	Nursing	5,787	681	38	6,506
3	Pharmacy	674	0	0	674
4	Health Sciences				
	• Medical Imaging	379	0	0	379
	• Physiotherapy	467	0	0	467
	• Operation Department Practice	202	0	65	267
5	Business & Management	233	0	0	233
6	Behavioural Science & Humanities	58	0	0	58
	Total	7,802	681	103	8,586

RESEARCH AND DEVELOPMENT (R&D)

R&D is a critical component for any education institution, and hospital service provider. KPJUC currently has 50 on-going research programmes, 46 new studies, and 23 completed research.

NO.	SCHOOL	ONGOING RESEARCH	NEW RESEARCH	RESEARCH COMPLETED	PAPER PUBLICATION	CONFERENCE/ WORKSHOP PRESENTATION
1	Medicine	5	0	3	13	11
2	Pharmacy	10	39	3	9	14
3	Nursing	1	3	13	5	3
4	Health Sciences – Medical Imaging	16	0	1	4	8
5	Health Sciences – Physiotherapy	13	2	3	5	12
6	Business and Management	1	1	0	0	6
7	Behavioural Science and Humanities	4	1	0	2	5
	Total	50	46	23	38	59



KPJUC STRATEGIC COLLABORATIONS THROUGH THE YEARS

Since 1994, KPJUC has actively explored strategic collaborations with reputable local and foreign universities and companies.

1994	University of South Australia (UniSA)	Produced 239 Critical Care Nurses, 96 graduates in Teaching and Education and 256 graduates in Healthcare Management and Leadership.
1997	Liverpool John Moores University, United Kingdom (LJMU)	Developed the Operating Theatre Practice programmes. Produced 153 trained theatre practitioners.
2007	University of Hertfordshire, United Kingdom	Developed a BSc. (Hons) International Nursing programme.
2011	Universiti Kebangsaan Malaysia (UKM)	Developed five (5) specialist medical programmes: Master of Otorhinolaryngology – Head and Neck Surgery, Master of Paediatric, Master of Radiology, Master of General Surgery and Master of Orthopaedics.
2016	Golden Age Solution Private Limited, Australia	Developing several curriculums focusing on aged-care programmes
	Universiti Teknikal Malaysia Melaka (UTeM)	R&D on medical imaging programmes

COMMUNITY OUTREACH

KPJUC students are instilled with an attitude of caring, perseverance, adaptability, versatility and selflessness. In 2016, KPJUC, together with students and staff, ran the following community outreach initiatives as part of their ongoing community work that the less fortunate and those-in-need are supported with proper healthcare advice, services and assistance.

- Community service and disaster relief effort to victims affected by flood
- Charity concert to raise funds for cataract patients in Bangladesh
- Charity “Khatan Perdana” to underprivileged children and Rohingya refugees (a collaboration with several NGOs nationwide)
- Nationwide free health screening & public talks (through its KPJUC Kembara Jalanan)
- Free health screening visits to special community groups, including old folks home, women shelters around KL and Selangor; selected Felda settlements around Malaysia
- Free health screening visits with community service at selected Perkampungan Orang Asli
- Charity events during Ramadhan around Malaysia
- Activities and events with homeless centres around KL and Selangor

Key Initiatives

“WE LIKEN OUR SQM TO AN ECG MACHINE, WHERE IT MONITORS AND TRACKS THE SATISFACTION PULSE OF OUR PATIENTS, AGAINST THE DELIVERY STANDARDS OF THE COMPANY.”



CUSTOMER SERVICE

Service Quality Management

In line with our value proposition Care for Life where patients are our key priority, our entire operations revolve around ensuring we deliver top-notch service in both quality healthcare and excellent customer service to patients and their families. From the onset of KPJ's early years, we started putting in place strategic measures to embed and cultivate this service mindset through our culture and innovation. Over the years, we continually enhance, refine and improve it via our Service Quality Management (SQM) division.

Through achieving service level agreements (SLAs) targets, and introducing new measures, our service quality continues to differentiate us in the market. Results speak volumes. KPJ's Customer Satisfaction Survey score improved to 86.1% in 2016, from 85.1% in 2015. KPJ was also named 2016 Frost & Sullivan Malaysia Hospital of the Year. These are just a few highlights from our 2016 results, the details of which are fully outlined under the 'Economic' initiative¹ in the Sustainability section on pages 89 to 90.

¹ KPJ's sustainability and value creation are classified under 'Economic', 'Environmental', 'Social' impact as per the GRI framework.

Corporate Client Management

Our Group Corporate Client Management (CCM) initiative was established in 2004 when we started capitalising on new market segments to support our revenue stream. Industry regulation had employers providing healthcare coverage as part of their benefit to employees, while many consumers themselves also decided to purchase personal insurance coverage to mitigate against the increasing rate of healthcare inflation. The CCM function is centralised at the Group-level and manages end-to-end from strategic partnerships to client servicing to improving operational integration with insurance providers and third party administrators. The majority of KPJ corporate clients are situated in the Klang Valley.

In 2016, total corporate client accounts comprising companies, financial institutions, government agencies, insurance, manage care organisations (MCOs), listed companies and others, drew in RM1.9 billion, against total Group revenue of RM3.0 billion. This was an increase of 6.29% over 2015, an indication to the growth potential from our corporate client segment. Overall, corporate accounts contribute some 65% towards total revenue, with 'cash payers' ie individual patients who pay on their own and in cash comes up to 30%, with miscellaneous accounts picking up the remaining 5%.

Within this, the insurance and MCOs segment tend to be the most lucrative, contributing a revenue increase of 9.14% and 5.29% respectively.

These results can be attributed to our robust CCM initiatives that continue to build strategic partnerships and good relationships with the corporate clients. In 2016, the CCM team conducted a total of 1,800 visits, an effective tool to engage directly with the clients and to develop further business opportunities. As a value-add, the team also runs health screening activities with key clients such as physical tests by physiotherapists, vision care tests, occupational, safety and health screenings, breast cancer awareness with mammogram screening, for their employees. This year, more than 1,600 CCM guests attended KPJ's annual corporate 'Hari Raya' open house.

TALENT MANAGEMENT

KPJ stands where it is today on the passion, dedication and strength of our people. Just as we prioritise our patients at the heart of our business, similarly, we appreciate and value our employees as the heartbeat of KPJ. As the main driver of our growth, we continue to invest in our employees' welfare and programmes as a preferred employer of choice:

- Fair and equitable benefits and welfare provisions
- Development growth through training and career programmes
- Engaging employees, encouraging a 'speak up' culture
- Cultivating a positive workplace culture and environment, facilitating work-life balance
- Creating a safe workplace
- Promoting diversity and inclusivity values in the workplace

Specific to this section will cover operational initiatives KPJ has undertaken to develop our employees, their benefits and welfare provisions, and how we continue to engage with them. To complement these initiatives, KPJ also outlines specific social impact value we drive for our employees through facilitating work-life balance, providing for a safe workplace, and promoting diversity and inclusivity culture, which are covered under the Sustainability section on pages 103 to 104.

2016: Talent Management highlights at a glance

- **Total workforce** grew **3%** to **12,635** employees – support the Group's expansion plans

- New hires for the year – **1,988**
- Professional manpower* increased by 4% to **5,619** employees, to maintain optimal 4:1 manpower-to-bed ratio

- Attrition level fell to **13%**

- **Talent Management Open Day** at all KPJ hospitals

- **80** Gen Y employees – opportunity to engage with senior management (Head of departments)

- **625** employees signed up to KPJ's new Living Well programme (introduced in 2016)

* professional manpower consists of Medical Officers, Nurses and Allied Health employees

Integrity Awareness Survey

An Integrity Awareness Survey was rolled out to all KPJ hospitals and companies on 20 July 2016 and ended on 8 August 2016. The exercise received a high response rate of 81% (from a total of 1,685 respondents). The objective of the survey was to measure employees' awareness, understanding and knowledge on corporate integrity.

The survey result summary showed:

- 70% or 1,251 respondents indicated that they understand the policies and procedures in their employee E-Handbook.
- There was a 95.5% favourable response to attend training and awareness talks related to integrity practices and procedures at KPJ.
- A favourable response of 97.4% show that employees are familiar with KPJ values and they understand the expected behaviors in relation to integrity at the workplace.

Employee's development growth: Training and Career Management

We take pride in providing training and development opportunities that enable our people to advance professionally in their medical fields or to venture into new career areas such as management. In 2016, KPJ invested a total of RM 10.3 million, a 24% increase compared to RM8.29 million in 2015, on various employee training and development programmes, to maximise their potential.

A prime example is KPJ's Operations Manager programme, a comprehensive, hands-on management and leadership training to groom future hospital CEOs. The programme is open to employees from various backgrounds, such as Medical Officers, Nurses, Allied Health as well as Accountants, HR, etc. As KPJ is a firm subscriber of internal development, this programme provides an avenue by which employees can climb up the corporate ladder.

Key Initiatives

The Group has made it mandatory for each staff to undergo at least 30 hours of training per year, and is measured as part of their Key Performance Indicator performance. Training on work related areas such as customer services, fire safety and corporate culture are done either internally or through external moderators. In 2016, employees received an average of 47 hours of training, exceeding the mandatory 30 hours of training per year. The Group's total Human Resource Development Fund (HRDF) utilisation stood at 88% for the Group compared to 89% the previous year with the addition of a new hospital subscribing to the scheme.

We ensure that all employees, regardless of level, has the opportunity to take up training and development. A noteworthy significance was 4,693 employees at the non-executives level received training, a 90% increase compared to 2015.

EMPLOYEE BENEFITS AND WELFARE

Employees are rewarded based on their contributions and level of productivity towards the Group's objectives. In addition to competitive salaries and benefits we offer our full-time employees the following benefits:

- Annual medical screening for employees aged 45 and above.
- Increase in employer EPF contribution: In 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.
- Employee Share Option Scheme (ESOS): Employees that have been employed for at least three years in Executive category and beyond are eligible for the scheme. A total of 95 million shares have been allocated for the scheme. Employees in Executive Assistant category will be given cash consideration every year over a 5-year period (2015-2019).
- Study support for employees' children – hospitals sponsors the tuition fees and provide allowances for employee's children that wish to pursue an education in healthcare-related programmes at KPJ Healthcare University College. The student is then provided a placement in the hospital upon graduation.

An interesting observation is that the overall take-up rate for parental leave is still low even though it has increased slightly over 2015. In 2016, only 64 male employees (entitled to 2 days) out of 1,027 employees utilised the provision, while 864 female employees (entitled to 60 days) out of a pool of 4,527, applied for the parental leave.

As an extension from the KPJ Wellness@work campaign (for customers), KPJ in 2016 introduced a version of the programme for its employees. The 'Living Well' programme will help assist employees who are diagnosed with lifestyle critical illness (diabetes, hypertension, etc) or has high BMI (Pre-Obese to Obese I – III). Through such an intervention, employees can gain knowledge about their health status and are empowered to make better lifestyle decisions. The programme has met with favourable response, and has 625 employees signed up thus far.

CORPORATE INTEGRITY

In accordance with KPJ's Corporate Integrity pledge, we have taken strides forward in ensuring that integrity, ethical practices, compliance and adherence to good corporate governance practises are inculcated in all our dealings with both internal and external parties.

Every employee at KPJ is committed to ethical behaviour set out in the Group's Code of Ethics and Business Conduct. New employees take an oath of the "Service Pledge" declaration at our annual staff assembly or "Pedoman" (Perhimpunan, Dialog dan Anugerah Tahunan Anggota Pekerja) held in the hospitals. Subsequently, all employees are to acknowledge e-integrity pledge in the Employee Self Service (ESS) portal. All hospitals and companies within the Group are requested to sign an integrity pledge with their suppliers, contractors and other related third parties.

Employees are encouraged to report any misconduct or unethical behaviour committed by any staff directly to the Managing Director of the Group through the Borang Peradaban declaration, which is an employee grievance form that is escalated directly to the Managing Director. We have a comprehensive Whistleblowing Policy that ensures that concerns can be aired without fear of retaliation.

We have been a signatory to the Malaysian Corporate Integrity Pledge since 2011. Our No Gifts and Entertainment Policy is applicable to all staff and the Asset Declaration policy applies to employees on Manager grade and above.

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.

To support this, Group TM recently carried out an HR Audit at all KPJ hospitals and companies in Malaysia to review the implementation of TM policies & procedures, ensure compliance with legal requirements, and to implement best practices.

Group Financial Review

GROUP FINANCIAL HIGHLIGHTS

We are pleased to report that the Group turned in a healthy 6.1% growth in revenue to RM3.0 billion in 2016 as compared to revenue of RM2.8 billion in 2015. This is KPJ's highest revenue to date, comes on the back of organic growth as well as increase in income from capacity expansion of existing hospitals.

The Group's profit before zakat and tax for 2016 was recorded at RM210.2 million, a slight increase in comparison to RM209.6 million in 2015.

The Group also registered a 7.4% increase in net profit to RM155.9 million as compared to net profit of RM145.1 million in the preceeding year.

SEGMENTAL FINANCIAL HIGHLIGHTS

The bulk of the Group's 2016 revenue was derived from the Malaysian operations which contributed 94.5% of the total revenue. Revenue from local operations reported at RM2.9 billion, 5% increased from RM2.7 billion in 2015. Higher revenue recorded for the current year was mainly attributed by the newly opened hospitals and existing hospitals that had turnaround during the year.

The Group's hospitals in Indonesia continued to make good progress in 2016, turning in a 14.5% hike in revenue to RM 59.6 million from RM52.0 million recorded in 2015. The increase in revenue for this segment is mainly due to the increase in number of patients in both Indonesian hospitals.

The Aged care facility segment recorded revenue at RM51.5 million, about 27.8% increased as compared to revenue reported in 2015 at RM40.3 million. The increase is mainly attributable to higher capacity of the retirement village, with additional beds which has been opened in staggered between middle of 2015 up to the month of May 2016.

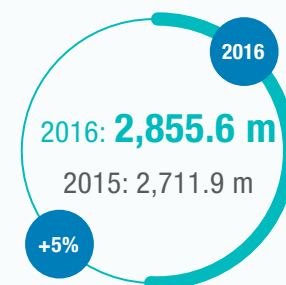
Revenue from Others segment was reported at RM54.5 million, increased by 25.6% from RM43.4 million in 2015. Others category comprised of hospitals in Thailand and Bangladesh, KPJUC and support companies involving the sales of merchandise and other similar activities. The increase of revenue in this segment was mainly contributed by additional hospital services available in KPJ Dhaka (Pte) Ltd which resulted in increase in revenue by RM5.4 million in 2016 as compared to preceding year.

DIVIDEND

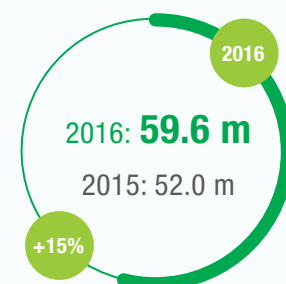
In respect of the financial year ended 31 December 2016, the Group declared and paid the following dividend payments:

- First interim single tier dividend of 1.80 sen per share on 1,043,764,179 ordinary shares, declared on 19 May 2016 and paid on 21 July 2016.
- Second interim single tier dividend of 1.50 sen per share on 1,046,704,826 ordinary shares, declared on 29 August 2016 and paid on 18 October 2016.
- Third interim single tier dividend of 1.50 sen per share on 1,047,978,551 ordinary shares, declared on 21 December 2016 and paid on 11 January 2017.
- The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2016.

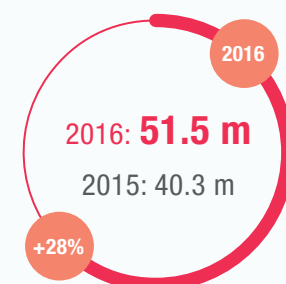
INTERIM	DATE DECLARED	DATE PAID	SEN PER SHARE	NO. OF SHARE	RM'MILLION
1st	19-May-16	21-Jul-16	1.80	1,043,764,179	18.8
2nd	29-Aug-16	18-Oct-16	1.50	1,046,704,826	15.7
3rd	21-Dec-16	11-Jan-17	1.50	1,047,978,551	15.7



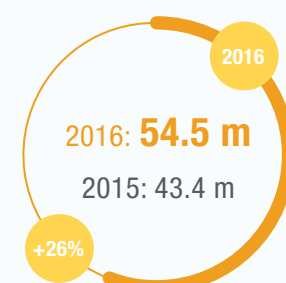
Malaysia



Indonesia



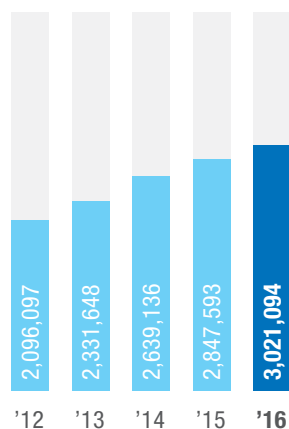
Australia



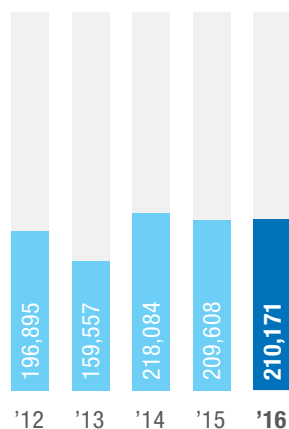
Others

Group Financial Highlights

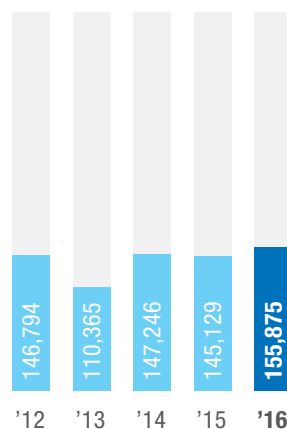
Revenue
(RM'000)



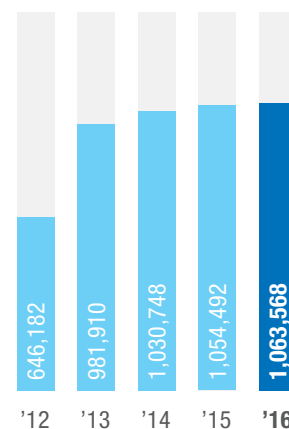
Profit before
zakat and tax
(RM'000)



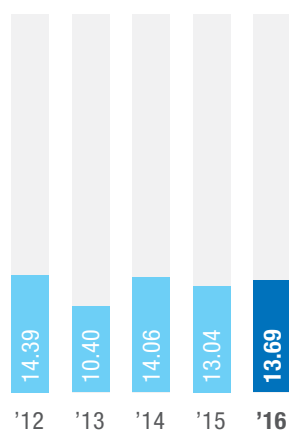
Net profit for the
financial year
(RM'000)



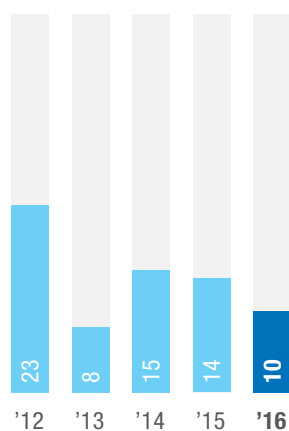
Share capital
(UNITS)



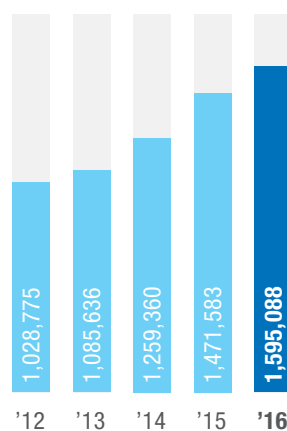
Basic earnings
per share
(SEN)



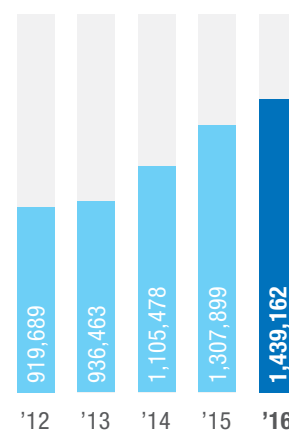
Dividend rate
(%)



Shareholders' funds
(RM'000)



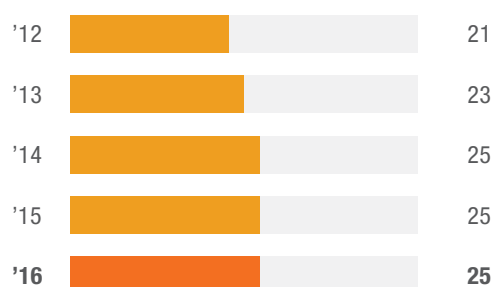
Net tangible assets
(RM'000)



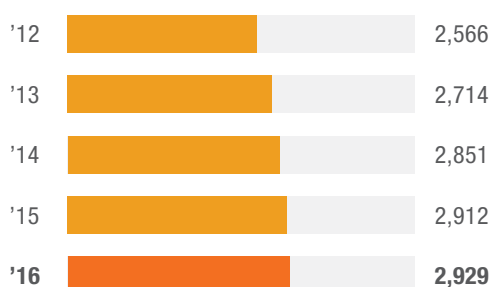
Group Operational Highlights



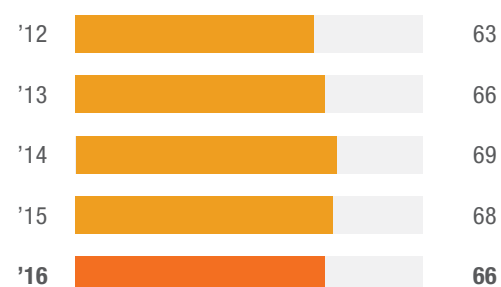
*No of KPJ hospitals
in Malaysia*



No of beds



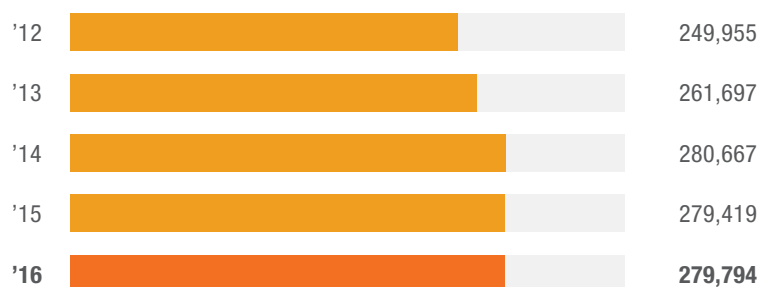
Occupancy rate



Outpatients



Inpatients



Statements of Comprehensive Income

GROUP (RM'000)	2016	2015	2014	2013	2012
Revenue	3,021,094	2,847,593	2,639,136	2,331,648	2,096,097
Gross profit	898,032	826,371	773,698	642,821	656,434
Operating profit	243,363	220,836	207,544	140,894	170,566
Finance income	16,298	13,731	12,982	10,570	12,535
Finance costs	(83,137)	(64,157)	(42,857)	(38,765)	(23,603)
Share of results of associates	33,647	39,198	40,415	46,858	37,397
Profit before zakat and tax	210,171	209,608	218,084	159,557	196,895
Zakat	(3,807)	(2,280)	(2,272)	(1,825)	(1,320)
Profit before tax	206,364	207,328	215,812	157,732	195,575
Taxation	(50,489)	(62,199)	(68,566)	(47,367)	(48,781)
Net profit for the financial year	155,875	145,129	147,246	110,365	146,794
Profit for the financial year attributable to:					
Owners of the Company	149,195	135,330	143,030	103,114	140,046
Non-controlling interests	6,680	9,799	4,216	7,251	6,748
	155,875	145,129	147,246	110,365	146,794

Statements of Financial Position

GROUP (RM'000)	2016	2015	2014	2013	2012
Non-current assets	2,939,602	2,891,302	2,475,733	2,017,453	1,646,880
Current assets	995,897	1,024,280	802,385	811,401	595,080
Non-current assets held for sale	-	-	57,886	2,013	2,013
Current liabilities	(595,493)	(732,138)	(632,562)	(525,069)	(447,508)
Non-current liabilities	(79,519)	(85,389)	(118,641)	(115,829)	(109,112)
Borrowings	(1,575,758)	(1,538,030)	(1,235,661)	(1,019,352)	(591,050)
NET ASSETS	1,684,729	1,560,025	1,349,140	1,170,617	1,096,303
Share capital	709,925	675,073	515,374	490,955	323,091
Less: Treasury shares	(54,777)	(54,777)	(54,777)	(364)	(23)
Reserves	939,940	851,287	798,763	595,045	705,707
Shareholders' funds	1,595,088	1,471,583	1,259,360	1,085,636	1,028,775
Non-controlling interests	89,641	88,442	89,780	84,981	67,528
TOTAL EQUITY	1,684,729	1,560,025	1,349,140	1,170,617	1,096,303

Investor Information



SHARE QUOTE

Market	Main
Sector	Healthcare
Stock Code	5878

FY2016

High	4.40
Low	4.06
Close	4.18
Trading Range	0.34
Average Volume	648,241
Market Capitalisation (billion)	4,381



KPJ Healthcare Berhad
is a constituent of the
FTSE4Good Bursa Malaysia
Index since 20 June 2016.

INVESTOR RELATIONS ACTIVITIES

KPJ maintain equal access transparent and effective communication channel to keep its investors informed and apprised of its financial performance and the business environment that the Group operates under. The senior management personnel involved in the Investor Relations activities are:-

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

TYPES OF MEETING	2016	2015
Analyst/Investors meetings	49	46
Teleconference Calls	5	14
Conferences & Road Shows	10	8
No of Analysts and Fund Managers Met	384	377

CONFERENCES AND ROADSHOW

NO	EVENT	ROADSHOW	DATE	ORGANISER
1	Bangkok	CLSA Asea Forum 2016	9 -11 March 2016	CLSA
2	Singapore	JP Morgan Global Healthcare 1x1 Forum	16 -17 March 2016	JP Morgan
3	Kuala Lumpur	Invest Malaysia Kuala Lumpur 2016	12 - 13 April 2016	Maybank
4	New York	Daiwa Pan-Asia Investment Conference 2016	31 May - 1 June 2016	Daiwa Capital Markets
5	Kuala Lumpur	Corporate Digest Lunch with KPJ President	23 May 2016	RHB
6	Kuala Lumpur	CIMB Malaysia Healthcre & Fitness Corporate Day	5 September 2016	CIMB
7	Singapore	Affin Hwang & Daiwa Malaysia Corporate Day	28 September 2016	Affin Hwang & Daiwa Capital Markets
8	Singapore	UBS ASEAN Healthcare Day 2016	6 - 7 October 2016	UBS
9	Singapore	Asia Rising Dragons 1x1 Forum	22 - 23 November 2016	JP Morgan
10	Hong Kong	Asia Rising Dragons 1x1 Forum	24 - 25 November 2016	JP Morgan

GENERAL MEETING

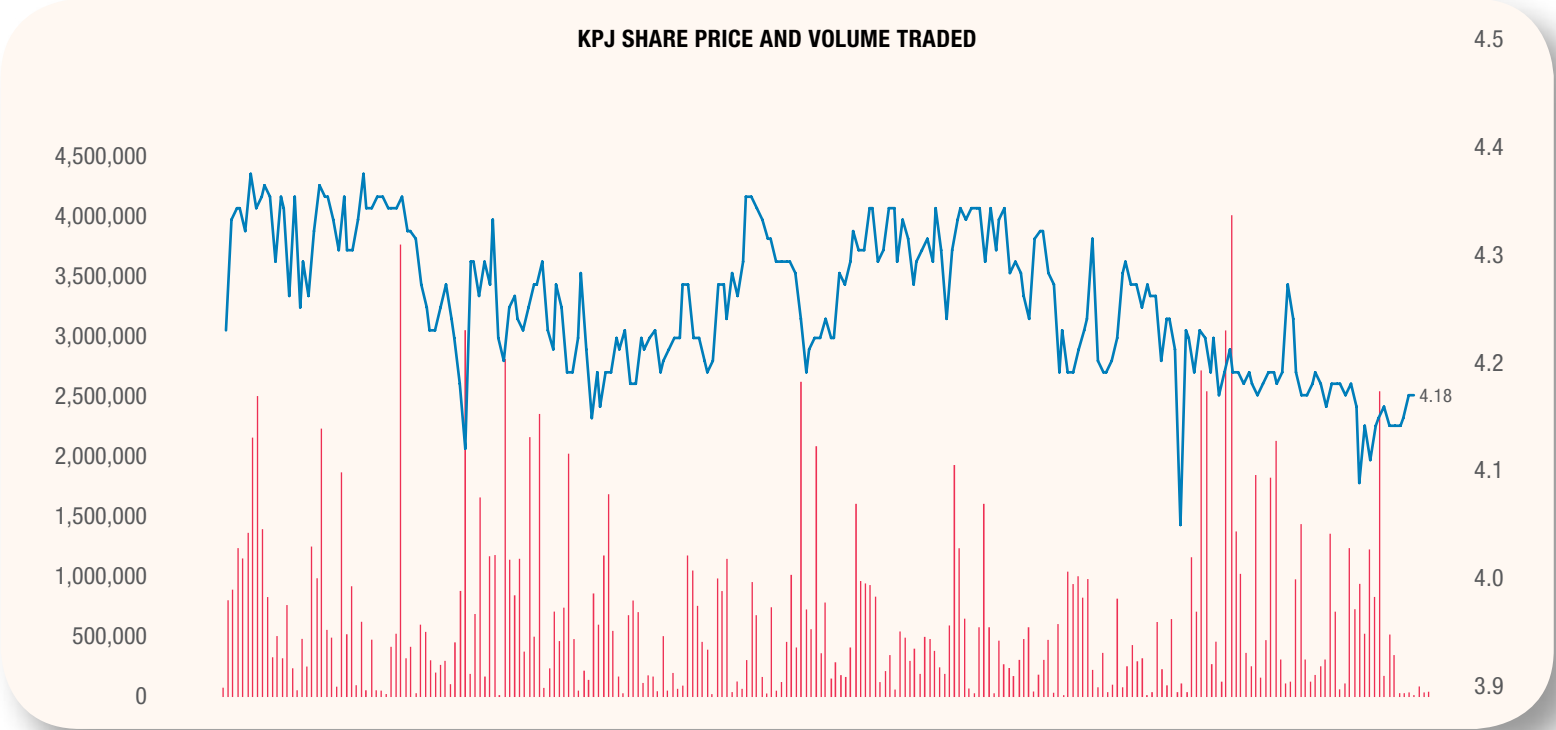
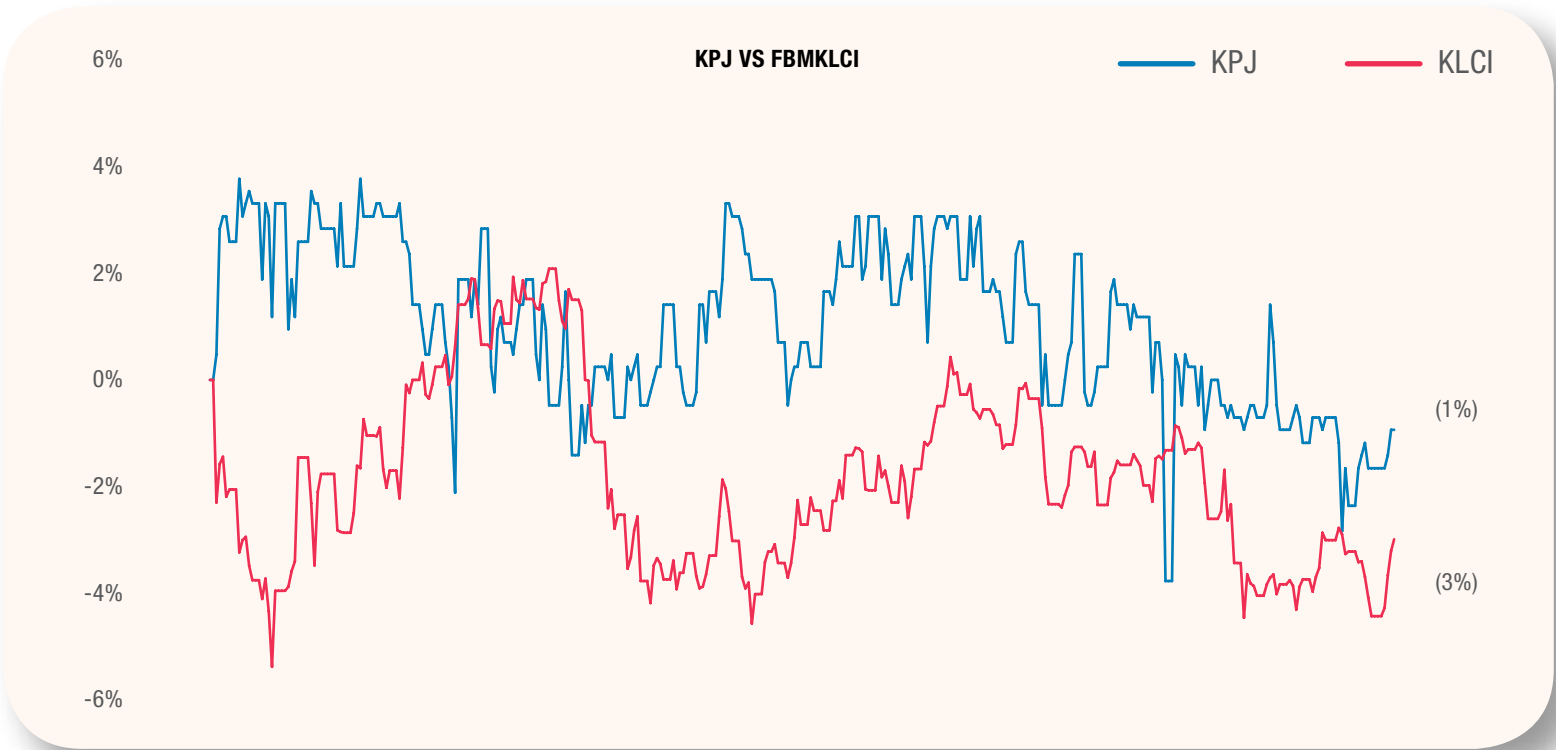
DATE	MEETINGS	VENUE	AGENDA
19 May 2016	23rd Annual General Meeting	Puteri Pacific Hotel, Johor Bahru	Re-election of Directors and Presentation of Company's Performance.

WEBSITE

The Group has established a website at www.kpjhealth.com.my which shareholders can access. The Investor Relations team endeavours to ensure that the Investor Relations section of the Corporate website remained up-to-date with the latest Group disclosure.

KPJ SHARE PRICE PERFORMANCE

2016 was a challenging and turbulent year which saw significant investment funds shifting away from most global emerging markets including Malaysia. Against this backdrop, KPJ share price performance throughout the year was closed at RM4.18 compared to RM4.22 in 2015. This represented a 1% drop in KPJ share price performance, compared to the drop in FBMKLCI performance of 3%.

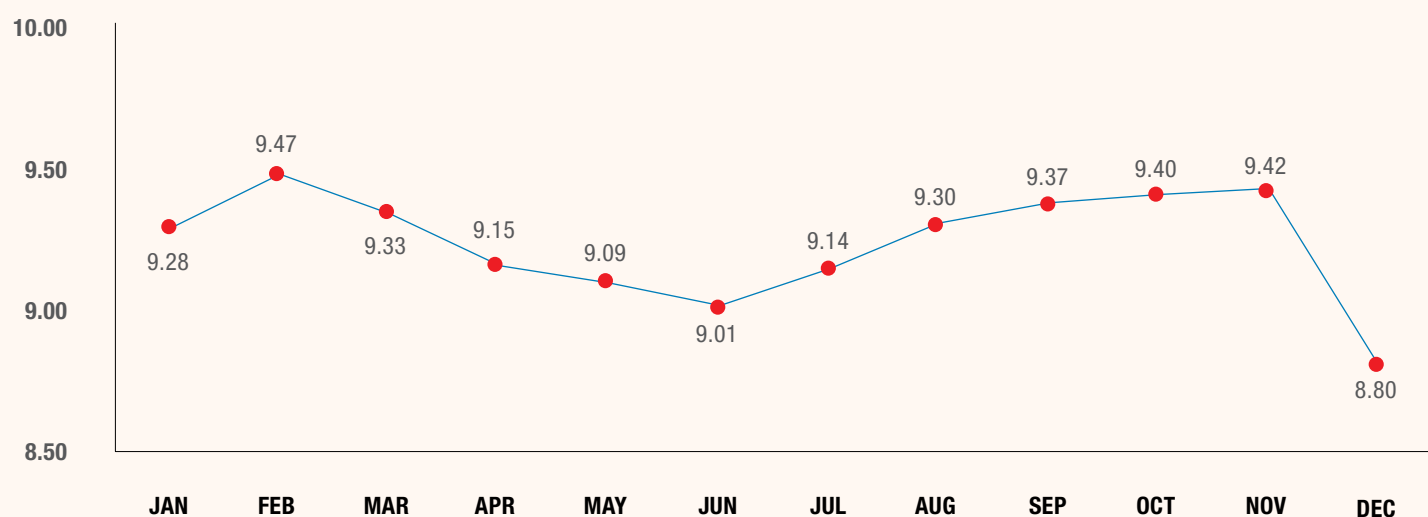




SHARE PRICE (RM)	1Q	2Q	3Q	4Q	FY2016
High	4.40	4.36	4.37	4.30	4.40
Low	4.12	4.16	4.19	4.06	4.06
Close	4.27	4.23	4.23	4.18	4.18
Trading Range	0.28	0.20	0.18	0.24	0.34
Average Volume	796,400	629,076	472,928	696,823	648,241
Market Capitalisation (billion)	4,444	4,415	4,428	4,381	4,381

FOREIGN SHAREHOLDING (%)

% FOREIGN SHAREHOLDING AS AT 31 DECEMBER 2016



Statement of Value Added

VALUE DISTRIBUTION

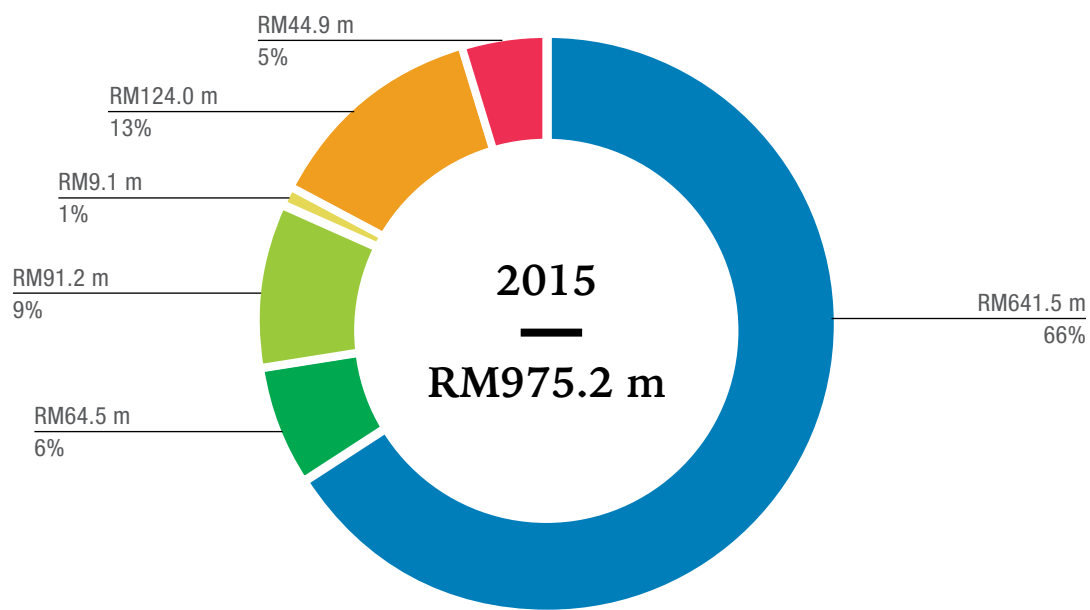
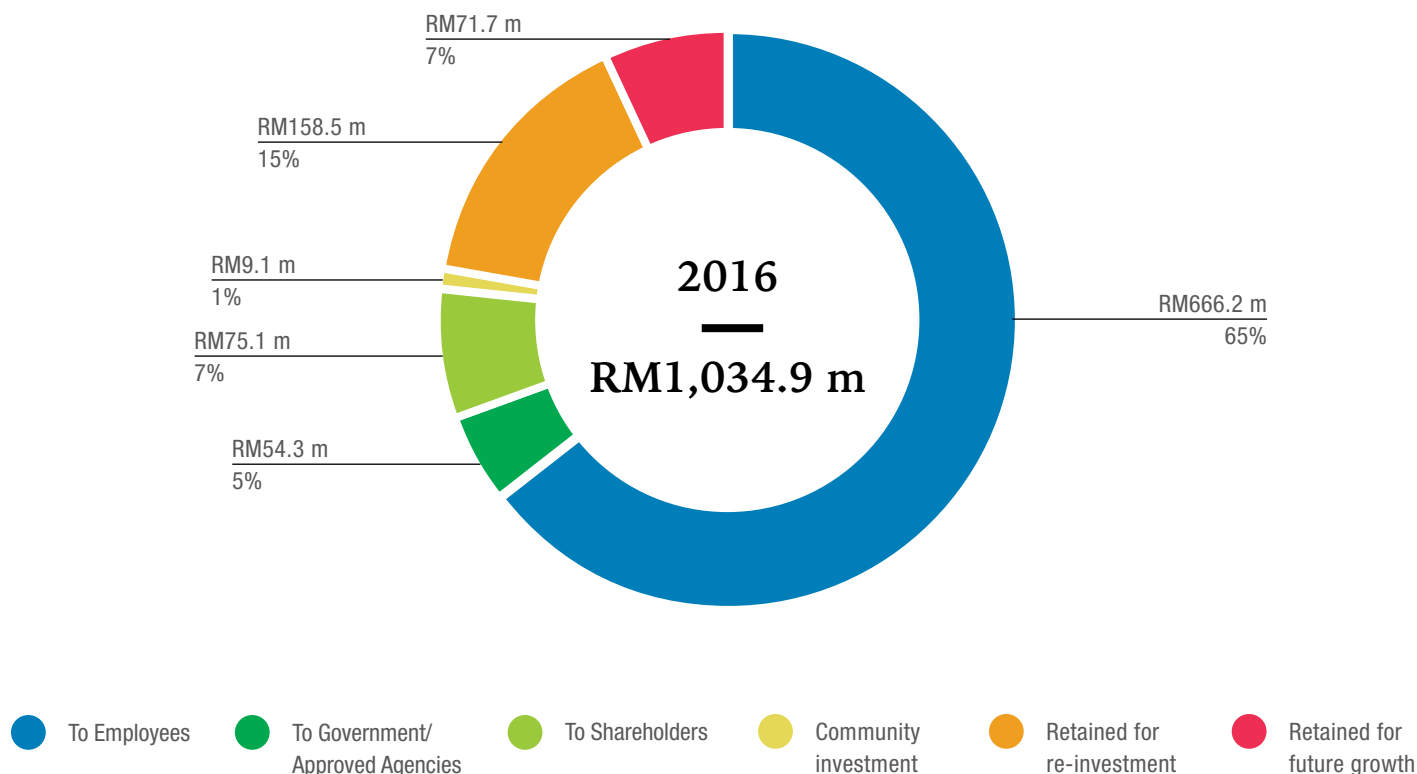
The value that KPJ Healthcare Berhad creates for its stakeholders can either be in the form of financial return or in non financial or intangible forms.

The Statement of Value Added illustrates how KPJ Healthcare Berhad's performance supports the Group's ability to deliver financial value to its stakeholders.

The financial value in the statement is based on the profit before finance costs, community investment expenses, zakat and tax, depreciation, impairment and amortisation and staff costs.

VALUE DISTRIBUTED	2016 RM'000	2015 RM'000
Revenue	3,021,094	2,847,593
Purchase of goods and services	(1,986,140)	(1,900,293)
Value added by the Group	1,034,954	947,300
Other income	33,175	39,082
Finance income	16,298	13,731
Finance costs	(83,137)	(64,157)
Share of results of associates	33,647	39,198
VALUE ADDED AVAILABLE FOR DISTRIBUTION	1,034,937	975,154
DISTRIBUTION		
To Employees:	666,235	641,510
To Government/Approved agencies:	54,296	64,479
To Shareholders:		
Dividends	68,421	81,405
Non-controlling interests	6,680	9,799
Community investment	9,122	9,108
Retained for re-investment	158,531	124,036
Retained for future growth	71,652	44,817
TOTAL DISTRIBUTION	1,034,937	975,154
No of employees at the year end	12,635	12,329
Value added per employee (RM'000)	82	77
Wealth created per employee (RM'000)	82	79
No of shares at year end ('000 units)	1,063,568	1,054,492
Value added per share (RM)	0.97	0.90
Wealth created per share (RM)	0.97	0.92

Distribution of Value Added



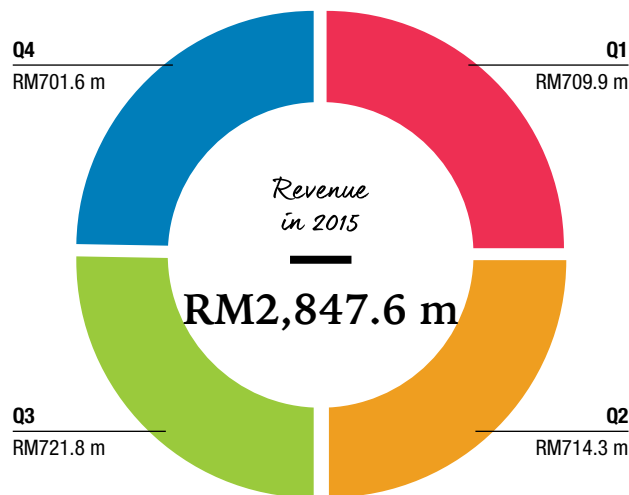
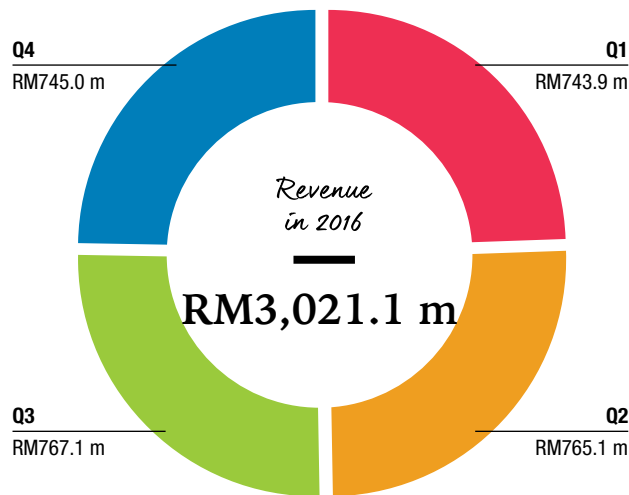
Group Quarterly Performance

2016 (RM'000)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	YEAR END 2016
Revenue	743,946	765,124	767,039	744,985	3,021,094
Gross profit	232,246	222,151	230,532	213,103	898,032
Operating profit	61,137	51,139	52,075	79,012	243,363
Finance income	2,693	2,434	5,241	5,930	16,298
Finance costs	(20,747)	(16,392)	(18,137)	(27,861)	(83,137)
Share of results of associates	8,338	8,905	9,904	6,500	33,647
Profit before zakat and tax	51,421	46,086	49,083	63,581	210,171
Zakat	(400)	(740)	(570)	(2,097)	(3,807)
Profit before tax	51,021	45,346	48,513	61,484	206,364
Taxation	(14,398)	(13,879)	(14,234)	(7,978)	(50,489)
Net profit for the financial year	36,623	31,467	34,279	53,506	155,875
Profit for the financial year attributable to:					
Owners of the Company	34,173	30,334	32,497	52,191	149,195
Non-controlling interests	2,450	1,133	1,782	1,315	6,680
	36,623	31,467	34,279	53,506	155,875
Basic earnings per share (EPS) (sen)	3.25	2.81	3.03	4.60	13.69

2015 (RM'000)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	YEAR END 2015
Revenue	709,887	714,272	721,839	701,595	2,847,593
Gross profit	218,571	224,026	227,374	156,400	826,371
Operating profit	53,732	59,272	60,573	47,259	220,836
Finance income	2,558	3,057	3,090	5,026	13,731
Finance costs	(14,609)	(15,903)	(17,810)	(15,835)	(64,157)
Share of results of associates	8,935	9,008	9,609	11,646	39,198
Profit before zakat and tax	50,616	55,434	55,462	48,096	209,608
Zakat	(570)	(570)	(570)	(570)	(2,280)
Profit before tax	50,046	54,864	54,892	47,526	207,328
Taxation	(13,666)	(16,165)	(14,431)	(17,937)	(62,199)
Net profit for the financial year	36,380	38,699	40,461	29,589	145,129
Profit for the financial year attributable to:					
Owners of the Company	33,894	35,994	38,157	27,285	135,330
Non-controlling interests	2,486	2,705	2,304	2,304	9,799
	36,380	38,699	40,461	29,589	145,129
Basic earnings per share (EPS) (sen)	3.18	3.59	3.68	2.59	13.04

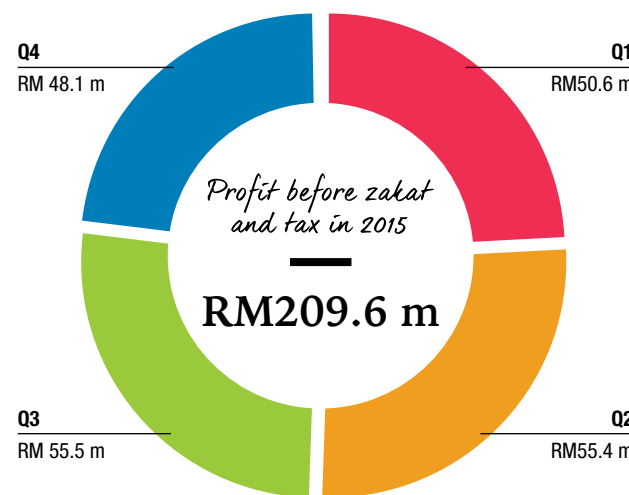
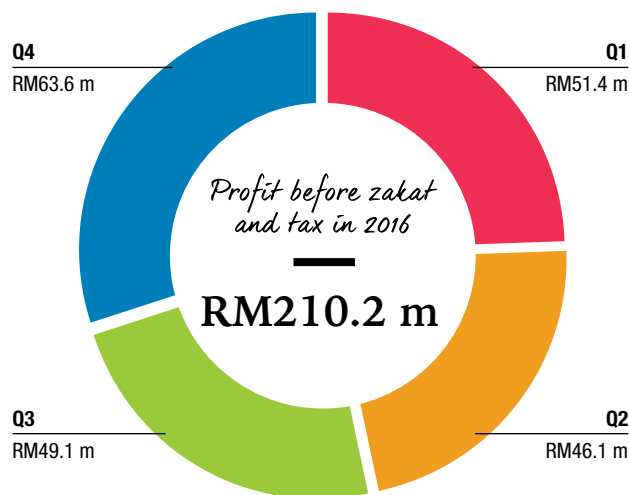


REVENUE



Q1, First Quarter Q2, Second Quarter Q3, Third Quarter Q4, Fourth Quarter

PROFIT BEFORE ZAKAT AND TAX



Q1, First Quarter Q2, Second Quarter Q3, Third Quarter Q4, Fourth Quarter

Sustainability Statement



*Sustainability is
Satisfaction Delivered*

ABOUT THIS REPORT

Our sustainability focus is based on our aspirations as well as stakeholder expectations. We are committed to strengthening our resource and environmental management, occupational health and safety, as well as making an impact through community engagement. This focus grounds us as we navigate the rapidly evolving healthcare ecosystem.

CORPORATE VISION

Preferred Healthcare Provider

CORPORATE MISSION

Deliver Quality Healthcare Services

CORE VALUES

Ensuring Safety, Delivering Service with Courtesy, Performing Duties with Integrity, Exercising Professionalism at All Times, and Striving for Continuous Improvement

KPJ aspires to build healthier communities. Our tagline 'Care for Life' underlines our ultimate objective to place patients' needs at the centre of what we do and to deliver quality care in a manner that offers the greatest convenience, comfort and confidence in positive outcomes.



REPORT SCOPE AND BOUNDARIES

This Sustainability Statement covers the reporting period between January 2016 and December 2016. It covers the operations of KPJ in Malaysia only. The report illustrates in detail our efforts in creating value in areas that are most relevant to the Company.

The Sustainability Statement is prepared according to Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statements in Annual Reports. This statement includes information on issues material to us, as well as our impact on society and the environment.

SUSTAINABILITY MANAGEMENT - HOW WE CREATE VALUE

Sustainability is embedded in our mission statement of 'Care for Life'. As a healthcare group, we pioneered many services and solutions that have now become the norm in the industry. Social impact has also been a priority through community development programmes.

To continue as a trusted healthcare provider where patients are at the centre of all that we do, we need to always ensure better services and benefit to society. Our commitment can only be realised by nurturing a shared culture of continuous improvement among our employees to inspire effective ways of managing our operations and unlocking innovative opportunities.

To see sustainability as a compliance exercise or as a means for achieving efficiency, would mean missing opportunities to unlock strategic advantages and to dominate the competitive landscape of healthcare services. As a business, we face many challenges: changing regulatory requirements, finite natural resources,

evolving demands for healthcare and safety, and increased expectations for corporate accountability. How we manage such challenges will determine our future success.

Our sustainability direction and efforts are spearheaded by the Sustainability & Risk Committee, which oversees the management and implementation of all sustainability issues, with oversight from the Board. The Committee comprises of key management personnel and meets at least four times annually. It reviews sustainability updates and reporting, and recommends any changes in sustainability policies, standards and procedures, as well as their implementation to the Board.



For more information please refer to Statement on Corporate Governance at pages 150 to 164.

OUR SUSTAINABILITY GOALS

Adherence to regulatory requirements

We will continue to comply with all healthcare related quality and regulatory standards.

Anti-corruption

We strive to promote transparency and fight corruption in various forms.

Responsible products and services

We work each day to ensure that our products and services have a positive impact on the well-being of society including in the areas of privacy, health and safety.

Anti-competitive behaviour

We will uphold ethical business practices across the Group.

Energy and resources management

We will strive to reduce our energy consumption and improve our resource management.

Community investment

We will continuously contribute to the enhancement of socio-economic benefits and to create a positive social impact.

Occupational safety and health

We aim to enhance our ability to anticipate, recognise, evaluate and control hazards arising at the workplace that could impair the health and well-being of our workers.

Workforce inclusivity and diversity

We strive to build a diverse and inclusive workforce, including at the Board and management level.

Talent Management

We will build on our talent management strategies to strengthen our workforce and ensure continuous succession planning, with a strong focus on our consultants.



MATERIALITY

Understanding the economic, environmental and social components of sustainability will make us more responsive in transforming the organisation. A materiality analysis was conducted internally with key representatives of the company to identify material issues in our business value chain. Issues were identified and ranked based on importance to the organisation and stakeholders. The issues were then classified under Bursa Malaysia’s triple bottom line: economic, environmental and social (EES).

**ECONOMIC
IMPACT**

- Patient satisfaction
- Information technology (IT) and innovation
- Nurturing future medical professionals
- Access to quality healthcare
- Certification, accreditation and standards

- Waste management
- Water management
- Electricity consumption

**ENVIRONMENTAL
IMPACT**

**SOCIAL
IMPACT**

- Community outreach
 - Our workforce*
 - Safety at the workplace
 - Diversity
- Employee welfare & benefits*
 - Training & career development*
 - Employee engagement*

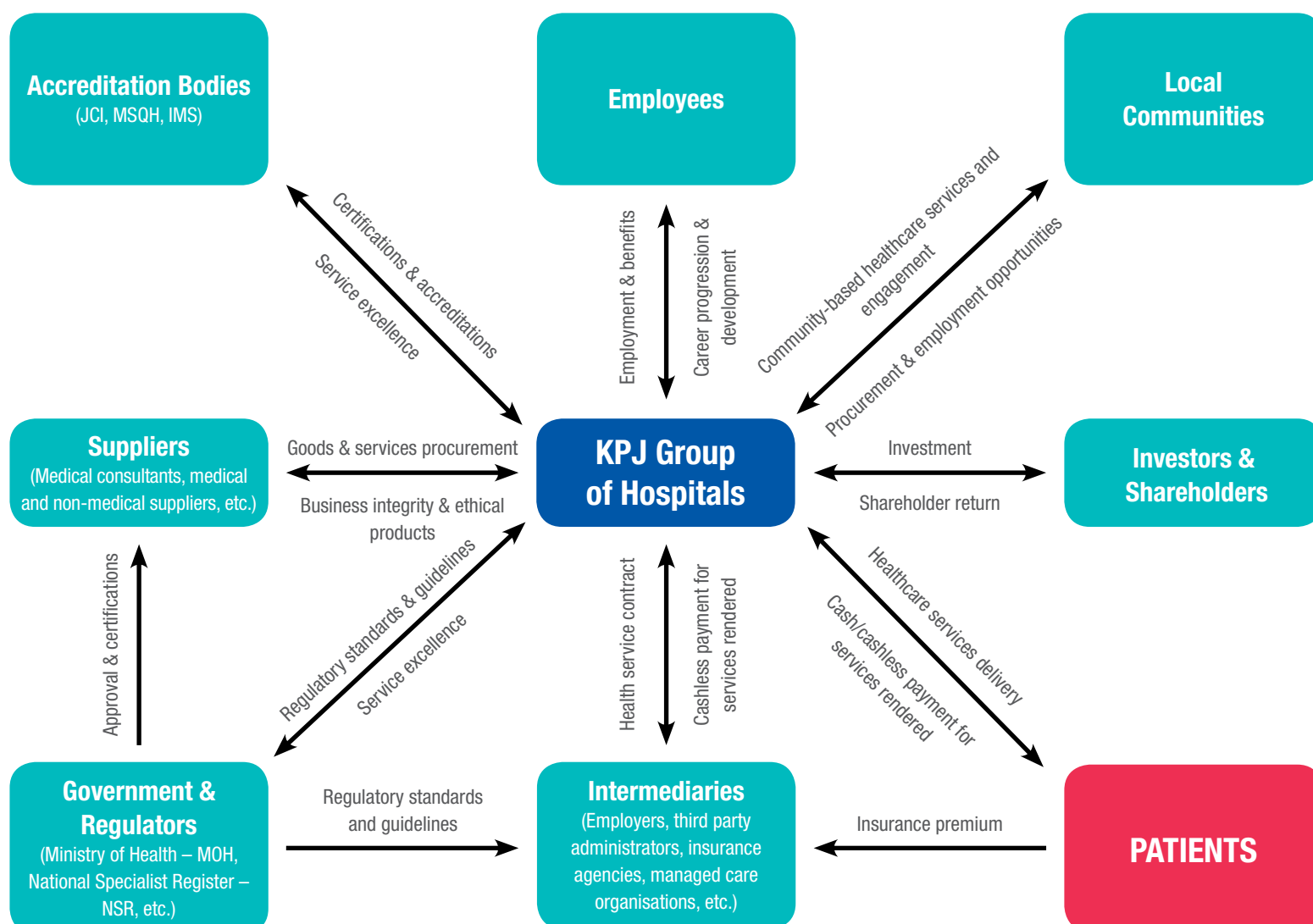
* Further information on our workforce, employee welfare & benefits, training & career development, and employee engagement is disclosed in the Talent Management section on pages 69 and 70. Employee welfare and benefits in the Sustainability Statement cover work-life balance.

RESPONDING TO STAKEHOLDERS

One of the main challenges in our business is the provision of healthcare that is accessible to all communities and income groups. Population growth and the increasing proportion of ageing population, rising per capita incomes, changing disease patterns, and the rising cost of providing healthcare are issues that healthcare providers and governments must tackle.

We engage with industry, government, community groups, patients, academic organisations and our employees to share information on our policies, practices and services. Our intention is also to understand their expectations and to enhance mutual trust and understanding. We regularly engage with our stakeholders through, for example, one-on-one meetings, town hall meetings, surveys, roadshows or formal partnerships.

Our stakeholder ecosystem demonstrates the interconnection of our stakeholders.



RESPONDING TO STAKEHOLDERS

Highlights of stakeholder engagement in 2016:

STAKEHOLDER	KEY HIGHLIGHTS 2016		
 Employees	Spent a total of RM10.3 million on employee training and development programmes, an increase of 24% from 2015		46% of our management level staff are women 
 Customers/Patients	Achieved 86.1% on Customer Service Index score 	Introduced new loyalty programme KPJ Care Card	
	2016 Frost & Sullivan Malaysia Hospital of the Year		
	2016 Global Health and Travel Consumer Choice – Orthopaedics Service Provider of The Year		
	2016 Reader's Digest Trusted Brand Awards – Gold for Private Hospital Category		
 Suppliers	Contracted vendors and suppliers are required to adhere to: (i) Corporate Integrity (CI) Agreement (ii) KPJ Safety, Health and Environmental Regulations		
 Investors/Shareholders	49 Analyst or Investors Meetings	5 Teleconference Calls	10 Conferences & Road Shows
 Accreditation bodies	2 new KPJ hospitals obtained Malaysian Society for Quality in Health (MSQH) accreditation – KPJ Damai Specialist Hospital and KPJ Pasir Gudang Specialist Hospital		
	1 hospital obtained Joint Commissioning International (JCI) 2nd cycle recertification – KPJ Penang Specialist Hospital		
	1 new hospital received Integrated Management System (IMS) certification - KPJ Bandar Maharani Specialist Hospital	2 Klinik Waqaf An-Nur (KWAN) received MSQH accreditation	
 Local communities	2 new KWAN facilities	Total of 19 KWAN facilities in Malaysia, treated 100,292 underprivileged community members in 2016	
 Intermediaries	Co-ordination between hospital, corporate clients and insurance providers on activities pertaining to health service contracts		
 Government and Regulators	Regular engagement with Ministry of Health (MOH) and other relevant government agencies.		



SUSTAINABILITY STATEMENT ECONOMIC



CUSTOMER SATISFACTION

Customer Service Index score improved from 85.1% in 2015 to **86.1% in 2016**.



TRAINING

Up to **75,000 hours** spent on customer service training in 2016.



ONLINE APPOINTMENT BOOKING SYSTEM

Introduced an online appointment booking system in 2016 to help reduce waiting times for patients.



75%

EMPLOYMENT

75% of graduates from KPJ Healthcare University College (KPJUC) joined our hospitals.



NEW HOSPITALS

Two new hospitals achieved MSQH accreditation.

We aim to be a world-class provider of quality healthcare. Our approach to quality combines the concepts of personal care and patient centredness with excellence in clinical care and service delivery at all levels.



PATIENT SATISFACTION

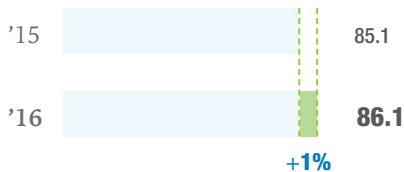
As the number of private healthcare providers in Malaysia increases, achieving patient loyalty through exceptional service becomes a critical component of our value proposition. Our C.A.R.E. approach, which stands for Connect, Acquire, Regulate and Engage, begins by connecting with customers.

KPJ's Service Quality Management (SQM) division was established in 2013 to ensure that our employees are skilled in providing high quality care and excellent service to our patients and their families. It is also responsible for making sure that the facilities and the environment in our hospitals are appropriately maintained and contribute to a pleasant customer experience.

In line with our C.A.R.E. strategy, we have made the quality of customer engagements an integral element in the performance assessments of our front line employees. Since 2014, a significant portion of the annual performance appraisal of hospital employees has been tied to department customer surveys.

DESCRIPTION	2015	2016	2017 target
Total number of staff trained in customer service	4,952	6,235	7,500
Total number of hours of customer service training	60,000	75,000	90,000

TOOLS FOR IMPROVING SERVICE QUALITY AT KPJ

 CUSTOMER FEEDBACK	We systematically collect customer feedback at the service unit level. Feedback collection is usually obtained from patients after they are discharged. In 2016, we developed and introduced a new process for our quarterly customer surveys. They can now be conducted online and the results are available immediately, making it easy to identify areas that we need to improve. We conduct Quality Assurance Audits on these surveys to ensure that they are done according to best practices and accurately reflect customers' perception of the services delivered by us. We also conduct periodic Service Environment Audits to ensure that the physical facilities of our hospitals meet rigorous service level standards. These audits serve as crucial performance indicators for all KPJ hospitals. Customer Satisfaction Survey (CSS)  <table border="1"> <thead> <tr> <th>Year</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>'15</td> <td>85.1</td> </tr> <tr> <td>'16</td> <td>86.1</td> </tr> </tbody> </table> +1%	Year	Score	'15	85.1	'16	86.1
Year	Score						
'15	85.1						
'16	86.1						
 KPJ SERVICE QUALITY COACH PROGRAMME	The KPJ Service Quality Coach programme was started in 2014 and has been implemented at all hospitals in 2016. Employees from each hospital are selected to participate in intensive training on customer service conducted by external consultants. Service Quality Coaches will then train their peers at their respective hospitals. Each year, these coaches train about 6,000 employees throughout the Group.						
 TRAINING	The SQM division conducts additional training on customer service. In 2016, 26 workshops with external speakers were attended by more than 900 employees.						
 STANDARD PEOPLE PRACTICE	KPJ's Standard People Practice (SPP) is a manual outlining best practices in customer service. It also serves as a reference point for KPJ Service Quality Coaches.						

PATIENT SATISFACTION

TOOLS FOR IMPROVING SERVICE QUALITY AT KPJ

	PATIENT COMMUNICATION MANAGEMENT SYSTEM	Our Patient Communication Management System (PCMS) is an online management system to effectively channel patient complaints, requests and suggestions to the appropriate service units. It improves efficiency and managerial monitoring of service level agreements. While the PCMS is currently only used for internal management purposes, we are now planning to link it to our KPJ website and make it accessible to our customers to further improve our workflow management and to enhance customer service satisfaction.								
	KPJ CARE	KPJ Care, our new loyalty programme card was introduced in 2016. It is designed to consolidate the various loyalty programmes used previously in different KPJ hospitals. While initially offering simple benefits, KPJ Care rewards frequent use of services, thus adding value to loyal customers.								
	PLANETREE	To improve our services and employee engagement, we have partnered with Planetree, a non-profit organisation that helps healthcare providers around the world to transform how care is delivered. The Planetree project was initiated at KPJ Damansara Specialist Hospital and KPJ Ampang Specialist Hospital, and we are currently in the process of certifying these two hospitals.								
	PLANNED PREVENTATIVE MAINTENANCE	Planned Preventive Maintenance (PPM) is an important part of managing hospitals. By carefully managing PPM, we can ensure that our medical devices and equipment are well maintained and functioning. In 2015, KPJ engaged Pride Outlet Sdn Bhd, an intrapreneur company, to conduct PPM activities for eight hospitals in the central region. The scheduled PPM activities increased from 1,754 in 2015 to 2,496 in 2016 - a 42% increase. In 2017, we aim to expand our PPM activities to our hospitals in the southern and northern region of Malaysia. PPM Activities <table><tr><td>'15</td><td> </td><td></td><td>1,754</td></tr><tr><td>'16</td><td> </td><td>+42%</td><td>2,496</td></tr></table>	'15			1,754	'16		+42%	2,496
'15			1,754							
'16		+42%	2,496							

PATIENT SAFETY

To ensure patient safety, KPJ has set out six Patient Safety Goals in line with the International Patient Safety Goals of the World Health Organisation (WHO). KPJ's infection prevention and risk management system involves all relevant departments within the business in the identification and prevention of clinical incidents and hospital acquired infections (HAIs).

Clinical Incidents

Clinical incidents refer to any unplanned healthcare events (such as falls, medication-related incident, etc.) that cause or has the potential to cause harm to a patient. At KPJ, every patient incident will be reported and proper investigations will be carried out to determine the root cause of the incident, so that corrective and preventive actions can be taken. Every incident serves as a lesson learnt and will be communicated at management meetings at the hospital and Group levels.

Hospital Acquired Infections (HAIs)

Hospital acquired infections (HAIs), also known as nosocomial infections, refer to infections that are acquired in a hospital. At KPJ, it is vital for us to ensure that all our patients and visitors will not acquire another infection during their stay or visit to our hospitals. Thus, monitoring and surveillance of HAIs along with preventive measures and risk management systems are in place at all our hospitals. We also follow the guidelines and recommendations provided by the US Centers for Disease Control and Prevention (CDC) for the prevention of diseases, injuries, and disabilities. This year, we have achieved positive results in reducing HAIs at our hospitals and have also met the targets set by MOH.

In 2016, we have managed to reduce our overall clinical incident rate from 1.26 in 2015 to **1.02 in 2016**.

* Clinical incident rates are measured as the number of incidents per 1,000 inpatient days.



PATIENT SATISFACTION

DESCRIPTION	2015	2016	MOH TARGET	TARGET ACHIEVED
Hand Hygiene compliance	79.5%	81.7%	≥75%	√
Rate of Catheter Related Bloodstream Infection (CRBSI)	0.20	0.03	<5 per 1000 catheter days	√
Surgical Site Infection (SSI)	0.43	0.37	<2 per 1000 surgeries	√

* Note: The indicators in this table are only applicable to KPJ hospitals in Malaysia.

√ Statistically within or above target

One of our key initiatives to prevent HAIs is to improve hand hygiene as clean hands are the best protection against infection. Our focus on hand hygiene is evidenced by the compliance audit held at all hospitals to ensure that we achieve the target set by MOH. Hand hygiene posters are also present in all washrooms and wards, along with hand sanitisers throughout our hospitals. Our commitment towards hand hygiene can also be seen through our participation in the Asia Pacific Hand Hygiene Excellence Award.

2017 INITIATIVES TO ACHIEVE PATIENT SAFETY GOAL

1. To adopt **Patient Safety Culture** by carrying out Clinical Audit and Surveys, which covers safety and quality improvement activities, at all KPJ hospitals.
2. **Patient Challenge** to encourage patients to ask our consultants and nurses if they cleaned their hands before attending to them.



(For more information on KPJ Patient Safety Goals and initiatives, please refer to Medical Advisory Committee (MAC) Report on pages 172 to 174.)

QUALITY NURSING

KPJ has seen recent movements towards continuous improvement in all areas of our work. Our nurses endeavour to achieve excellence by taking into account patient perception in developing strategies to improve quality of care. Based on our customer feedback, the quality of our nursing care has been identified as one of the main determinants of the overall patient satisfaction rating across all our hospital services.

All our nurses are equipped with competent knowledge on nursing care especially in the areas of paediatrics, orthopaedics and midwifery. Furthermore, critical care nurses and nurses who are waiting for their post-basic certification are required to be equipped with emergency life support skills such as Advanced Cardiovascular Life Support (ACLS), Paediatric Advanced Life Support (PALS), Neonatal Resuscitation Programme (NRP), Advanced Trauma Life Support (ATLS), Advanced Life Support Obstetrics (ALSO), Malaysian Trauma Life Support (MLTS) for Accident & Emergency (A&E) nurse, and Emergency Obstetric Drills.

Nursing care at KPJ hospitals includes the provision of diabetic counselling, pain management, parentcraft classes for new parents, and aged care for elderlies at KPJ Senior Living Care. In addition, we have developed value added nursing care services, through our Home Nursing Service, where our nurses make home visits to provide professional care services, wound care, care for the aged, postnatal care and breastfeeding counselling.

To further improve our nursing care, we have introduced a structured improvement programme which includes:

1. Providing holistic care for patients through a structured nursing rounding programme, also known as Explain, Pain, Elimination, Environment & Plan (EPEEP), where nurses attend to patients every 2 hours instead of attending to a patient when the patient called. The EPEEP is part of an initiative known as Transforming Care at Bedsides (TCAB), which was adopted by KPJ to increase nurse-patient direct contact time.
2. Conducting workshops, training sessions or literature reviews to improve and standardise preventive healthcare measures at KPJ.
3. Clinical Surveys, which covers policies and procedures, to ensure that all nurses comply with our Patient Safety Goals.

INFORMATION TECHNOLOGY (IT) AND INNOVATION

We use information technology (IT) extensively to modernise the operating systems within the Group and to improve customer satisfaction.

KPJ's Clinical Information System (KCIS) ensures that each customer has a seamless experience from registration to diagnosis to treatment and to follow-up care, as well as electronic orders. Introduced in 2011, 17 hospitals are now using the system. By using the latest technology in information management, we can increase efficiency and improve patient safety by reducing medication errors and minimise risks. As part of the KCIS, KPJ has adopted new solutions utilising cloud based services, such as the Electronic Medical Record (EMR). Our hospitals that are not yet using KCIS are in the midst of adopting an upgraded KCIS system, also known as KCIS2. In 2017, we will be looking to implement this system at three other KPJ hospitals and upgrade three of our hospitals that are currently using KCIS to KCIS2.

KPJ Healthcare's Digital Transformation and Innovation programme is leading the adoption of new technologies. An online appointment booking system introduced in May 2016 is already operational in five hospitals. It has reduced waiting times and saved hospital resources for other duties. We are in the process of integrating a mobile application to the system.

TRANSFORMING SERVICES THROUGH INNOVATION

Our recently formulated New Products and Services unit is tasked with exploring new ways of thinking and practising medicine.

Being the premier healthcare service provider in the country means that our medical professionals are contributing to not only the care in our hospitals, but also to the nation's wider medical industry. The unit is involved in developing the medical profession and innovating new methods through their positions in industry-related groups and associations.

EMBRACING INNOVATION



3D PRINTING:

Medical applications for 3D printing are expanding rapidly and are expected to revolutionise health care. We have identified key areas to explore the possibilities of 3D printing, and the consultants at KPJ KL Dental Specialist Centre have already successfully used the technology with promising results. This project is the first of its kind in Malaysia.



IBM WATSON:

We are exploring the use of IBM Watson for Oncology patients in six of our Malaysian hospitals. IBM Watson is a cognitive computing system which has been specifically designed to support the oncology community. It processes information more like a human than a computer, by understanding natural language, generating hypotheses based on evidence and learning from experience.



INNOVATION AND INITIATIVES:

Service innovations and initiatives have been a performance requirement for all hospitals since 2014. In 2016, we introduced a service initiative database to record all initiatives on a single platform to make it easy to share them with other hospitals. In 2016, we recorded more than 900 service innovations and initiatives across the group.



EMPLOYEE INNOVATION DAY TALKS:

This series of talks was introduced in 2016 and are now held every month.

NURTURING FUTURE MEDICAL PROFESSIONALS

The Group not only supports the development and employment of healthcare professionals for KPJ and other hospitals in Malaysia, but contributes significantly to building a strong academic foundation for the industry in Malaysia. KPJ Healthcare University College (KPJUC) offers 38 programmes from foundation to postgraduate studies such as a masters in medicine and PhD in nursing and other allied health courses. Through KPJUC, we will continue to focus on grooming and developing new talent, with a strong focus on our nursing programmes. KPJUC enables long term academic development, especially for nurses, to broaden their career horizons.

EDUCATION SPONSORSHIP

While KPJUC's objective is to produce quality graduate for the Group's hospitals, we also want to make sure that talented young people with an ambition for a career in healthcare are able to pursue their dreams, regardless of their financial background. That is why KPJUC offers full and partial scholarships for students from low income families with good academic results. In 2016, we sponsored 250 students in various programmes. More than RM2 million a year has been spent on these sponsorship programmes, on an annual basis.

SECURED EMPLOYMENT

We are proud to have secured employment for 75% of our KPJUC graduates in our hospitals and other subsidiaries. With the expansion of our operations and new hospitals opening every year, KPJUC's role in producing new talent is crucial for the success of the Group.

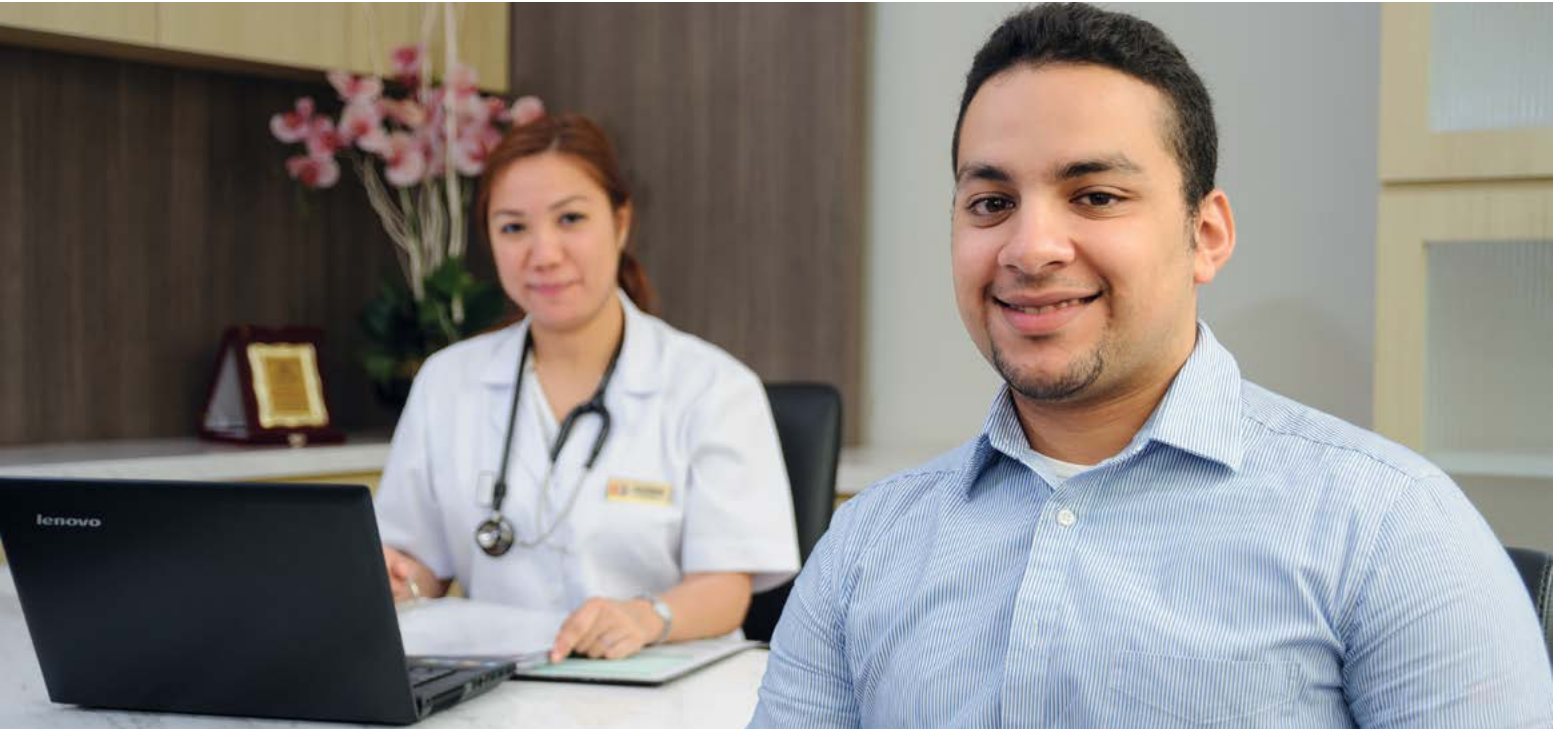
DISCIPLINE	NO. OF KPJUC GRADUATES EMPLOYED
Nursing	5,855
Pharmacy	202
Allied Health	334
Other fields	87
Total	6,478



(For more information, please refer to our Education chapter on pages 60 to 67.)



ACCESS TO QUALITY HEALTHCARE



Achieving universal access to quality healthcare is one of the focus areas of the 11th Malaysia Plan for 2016-2020. Private healthcare providers have an important role in expanding capacity and hence increasing accessibility. Our strategic approach is to expand and upgrade more hospitals. As part of our efforts to provide healthcare access to the public, we also work closely with our intermediary entities, which include employers, insurance agencies and third party administrators, to explore opportunities for greater utilisation of KPJ hospital services.

CARING FOR THE AGEING POPULATION

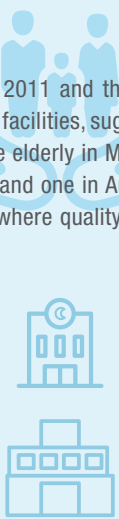
KPJ embarked on the Senior Living Care initiative in 2011 and there has been a steady increase in occupancy levels at the three facilities, suggesting that there is a growing need for affordable care for the elderly in Malaysia. KPJ has two facilities for ageing patients in Malaysia and one in Australia. They are designed to offer a home-like environment, where quality care is provided to all residents.

Malaysia

- KPJ Tawakkal Health Centre, Kuala Lumpur
- Sibu Geriatric Health and Nursing Centre, Sibu

Australia

- Jeta Gardens Retirement Resort, Brisbane



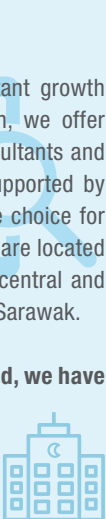
 (For more information, please refer to our Senior Living Care chapter on pages 48 and 49.)

HEALTH TOURISM

Medical tourism is on the rise in Malaysia, and is an important growth segment for KPJ. Compared to many countries in the region, we offer identical medical services at a more affordable price. The consultants and physicians in KPJ have international qualifications and are supported by trained and experienced medical staff, making us an attractive choice for patients seeking treatment abroad. KPJ's medical tourism hubs are located at 5 locations covering 11 KPJ hospitals across the northern, central and southern regions of Peninsular Malaysia, as well as Sabah and Sarawak.

In order to better communicate with our patients from abroad, we have multi-lingual staff at the following hospitals:

- KPJ Ampang Puteri Specialist Hospital - Arabic and Korean
- KPJ Tawakkal Specialist Hospital - Arabic
- KPJ Damansara Specialist Hospital - Japanese
- KPJ Penang Specialist Hospital - Thai



Most of our hospitals also have staff who are fluent in Mandarin, Tamil, Hindi and Indonesian languages to assist foreign patients.

 (For more information, please refer to our Medical Tourism chapter on pages 50 to 53.)



CERTIFICATION, ACCREDITATION AND STANDARDS



The emphasis on certification and standards is crucial to ensure that all necessary processes and systems are in place during service delivery. Our hospitals are recognised by accreditation bodies such as the Joint Commission International (JCI) and Malaysian Society for Quality in Health (MSQH). As of March 2017, 18 KPJ hospitals have been MSQH-accredited and 4 KPJ hospitals have been JCI-accredited. We have an Integrated Management System (IMS) that integrates the ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System) and OHSAS 18001:2007 (Occupational Safety and Health Management System). Our aim is to have all new hospitals achieve MSQH accreditation after two years of operation.

As part of quality assurance, headed by our Clinical Quality Services department, we have also conducted gap analysis, along with internal audits and surveys on our hospital operations. External audits are conducted by accreditation bodies.



(For more information on our Clinical Governance and the list of KPJ Hospitals with IMS certification, please refer to our Medical Advisory Committee (MAC) Report on pages 172 to 177.)

PERSONAL DATA PROTECTION

Part of good governance and systems includes protecting the privacy of our clients' data. With effect from 15 November 2013, we are in full compliance with the personal data protection principles under the Personal Data Protection Act 2010 (PDPA), which regulates the processing of personal data in commercial transactions. We will continue to uphold the confidentiality of our patient's health information.



SUSTAINABILITY STATEMENT ENVIRONMENTAL



ENERGY USAGE

Total electricity consumption:
104,610,410 kWh



WATER USAGE

Water consumption:
1,021,647 m³



WASTE

We collected and disposed of **1,170,870 kg** of hazardous waste.



MONITORING OUR ENVIRONMENTAL IMPACT

Healthcare is one of the largest service sectors, affecting a large proportion of the world's population. Hospitals are large consumers of resources and produce significant amount of non hazardous waste, general and domestic waste, as well as hazardous waste that may be infectious, toxic and radioactive. KPJ is fully aware of the need to use resources responsibly and we are committed to minimising our environmental impact by complying with all relevant regulations and best practices.

Our hospitals are committed to creating and maintaining a safe and healthy environment for all patients, employees and visitors. We comply with, and whenever possible, exceed all applicable national safety and health standards, as well as fire and environmental regulations.

All hospitals within our network have adopted a robust Safety, Health and Environment (SHE) policy and comply with the IMS quality certification, which covers the OHSAS 18001 standard for employee health and safety, the EMS 14001 environmental standard and the ISO 9001 standard for quality management. The IMS requires the Group to undergo an annual internal and external audit.

Each of our MSQH-accredited hospitals has its own committee, which oversees the SHE policy and all related procedures. Our SHE policy statement covers issues such as energy and water consumption, as well as conventional and hazardous waste disposal. The quantitative environmental data in this statement for 2016 refers to the 17 MSQH accredited hospitals. Despite having 18 MSQH hospitals, only data from 17 MSQH accredited hospitals were included as the newly accredited hospital was only added to the list in December 2016.

WASTE MANAGEMENT

With waste management programmes and changes in consumption patterns, a healthcare facility can reduce the amount of waste generated and in doing so, saves cost and minimises its environmental impact.

The majority of waste produced by hospitals is general waste, but some of it is hazardous and requires proper handling. The irresponsible disposal of such waste can have a health impact on local communities in the form of mercury pollution from medical waste incinerators or in the form of drinking water that has been tainted by pharmaceuticals. Biohazardous waste, such as blood, body fluids, discarded surgical tools, inoculated culture media, tissues, and slides are capable of infecting humans with diseases.

The Group is acutely aware that the waste produced in our operations must be disposed of in an appropriate manner to avoid harming the environment and to protect the safety of our patients, staffs and the community at large. To this end, the Group adheres to strict guidelines in the disposal of clinical waste such as needles, samples and fluids. We have an appointed clinical waste disposal contractor whose operations adhere to the regulatory standards set by MOH. Our nursing professionals and other hospital staff are trained on proper disposal methods. Non-clinical waste, such as paper and other recyclable items are sent for recycling.

Waste disposal is carried out in accordance with environmental regulations. The handling, labelling, storage, packaging and collection are done according to requirements of the Environmental Quality Act 1974 (Act 127) and subsequent amendments, as well as subsidiary legislation referring to scheduled waste. Waste is removed daily via dedicated vehicles and the designated collection areas are kept clean.

The amount of hazardous waste produced per patient from our hospitals increased by 18.6% from 0.43 kg in 2015 to 0.51 kg in 2016 due to an increase in patients' activities. By improving our awareness on handling waste according to regulations, we aim to minimise the amount of hazardous waste produced to not more than 0.5 kg per patient in 2017.

Waste is an inevitable by-product of our hospital activities and is influenced by regulatory and safety guidelines as well as new opening of hospitals and services.

Description	Year-on-year data		Variance
	2015	2016	
Hazardous waste (Clinical Waste) (kg)	976,136	1,170,870	194,738
No. of patients served	2,294,318	2,289,990	4,328
Total waste (kg/patient)	0.43	0.51	0.08

AIR QUALITY MANAGEMENT

Indoor air quality (IAQ) encompasses a variety of parameters such as temperature, humidity, and chemical and biological contaminants that can affect a person's health and well-being. It is vital to manage IAQ for patients, hospital staff and visitors. However, due to their conditions, patients can harbour air contaminants which in turn bring about a range of health concerns such as potential infections, viruses, allergic reactions, respiratory problems and other diseases. To ensure good IAQ, KPJ has taken several measures such as restricting air movement in and between various departments, ensuring property humidity and temperature levels for various hospital areas, and complying with specific requirements for ventilation and filtration to dilute and remove contaminants from the air.

KPJ also continuously implements IAQ programmes with proactive, investigative, and corrective measures. Some of these include regular upkeep of the Air Handling Units (AHU) by replacing filters in a timely manner; decontamination of ventilation ducts and ensuring that all related mechanical aspects are maintained in accordance with the hospital's requirement and standards.

RADIATION MANAGEMENT

Management and utilisation of radiation emitting equipment in Diagnostic Imaging, Radiotherapy and Oncology Services at KPJ hospitals are done with utmost care. Some of the dangers or risks of radiation include radiation burn, acute radiation syndrome and cancer. KPJ complies with the Atomic Energy Licensing Act 1984 (Act 304) and annually applies for a Class C licence under the Radiation Protection (Licensing) Regulations 1986 from MOH to operate radiation-emitting equipment. We have also implemented a Quality Assurance Programme (QAP), which ensures that our performance and safety standards continue to meet the specific requirements to provide a safe environment for both our patients and staffs. Towards this end, we are guided by the Atomic Energy Licensing (Basic Safety Radiation Protection) Regulations 2010.

WATER MANAGEMENT

Hospitals rely on adequate supplies of quality water. They are water intensive facilities: water is needed in cooling equipment, plumbing, cleaning, and medical process rinses. Reducing consumption means less cost but also provides environmental benefits by reducing the strain on municipal water supplies and reducing the energy needed to treat and deliver water.

At KPJ, we encourage all our hospitals to conduct water-saving initiatives in order to meet our water-saving goals. Some of our water saving initiatives include monitoring and tracking of water leakages, as well as installation of water-flow limiters. In 2016, we managed to reduce our water consumption by 1.8% per employee. The reduction was due to the effectiveness of water saving initiatives and an increase in staff awareness. Moving forward, we aim to limit our water consumption to not more than 111 m³ per employee.

Total water consumption:

Description	Year-on-year data		Variance
	2015	2016	
Total water consumption (cubic meter, m ³)	1,025,804	1,021,647	4,157
No. of employees	9,062	9,189	127
Total water consumption (m ³ /employee)	113	111	(2)

ELECTRICITY CONSUMPTION

Modern healthcare facilities are highly energy intensive – they are open 24 hours a day, occupied by thousands of patients, employees and visitors daily. They also use energy-intensive medical equipment, ventilation and air-conditioning systems, and house facilities such as laundries, laboratories, refrigeration units and food preparation areas. In order to manage our electricity consumption, we regularly run campaigns to increase staff awareness on energy efficiency and saving. We also invite our staffs to come up with new ideas or initiatives to conserve energy through our e-Idea platform.

In 2016, our electricity consumption increased by 7% due to an increase in the number of new hospital service areas and technical inefficiency in our chillers. The increase is equivalent to an 8.3% increase in average electricity consumption per square feet (sq ft) of our hospitals from 24.64 kWh in 2015 to 26.37 kWh in 2016.

Electricity consumption within the organisation:

Description	Year-on-year data		Variance
	2015	2016	
Total electricity consumption (kilowatt per hour, kWh)	97,756,675	104,610,410	6,853,735
Total area of KPJ hospitals (sq ft)	3,966,948	3,966,948	-
Total electricity consumption (kWh/sq ft)	24.64	26.37	1.73

With the projected completion of our energy saving initiatives, which include the pilot system KPJ HQ and KPJ Ampang Puteri Specialist Hospital, we aim to limit our electricity consumption to not more than 27.69 kWh per sq ft or 5% increase in 2017.

**DATO' AMIRUDDIN
ABDUL SATAR**

President & Managing Director,
KPJ Healthcare Berhad



KPJ's new energy saving initiatives include installing a system that saves energy by controlling chillers. This project will be piloted at KPJ HQ (Menara 238) and KPJ Ampang Puteri Specialist Hospital. If the pilot project proves to be successful, it will be expanded throughout the entire group. We are also working to install energy-efficient LED lights at our new hospitals. We will be reviewing the impact of these systems and any other initiatives that would enable us to manage energy in a more efficient manner.



Water and Electricity Contingency Plan

Our contingency plan provides guidelines to ensure that supply disruption events will have minimal or no impact to our hospital operations. One of these measures includes having back-up water supplies and electricity generators.



SUSTAINABILITY STATEMENT PEOPLE



NEW KWAN OPENED

Opened **two new** Klinik Waqaf An-Nur (KWAN) clinics and treated over **100,000** patients from underprivileged communities.



TRAINING AND DEVELOPMENT

RM10.3 million spent on employee training and development programmes.



MANPOWER

46% of our management positions are held by women



TRAINING HOURS

Employees spent an average of **47 hours** on training

COMMUNITY OUTREACH

We are a part of the communities we operate in. In line with our 'Care for Life' philosophy, we want to focus on community care and the well being of individuals. Our community and CR initiatives focus on what we do best, provision of healthcare services.

Our community outreach programmes are in line with the Governments efforts to implement programmes based on community development, solidarity, social welfare, health and safety. Over the years, we have conducted complimentary basic health screenings, organised public health talks and campaigns that advocate healthy lifestyles and good hygiene, assisted orphanages, homes for senior citizens and the underprivileged, as well as made zakat contributions and donations. Our community investment in 2016 was RM9.1million.

Our Talent Management services has the overall responsibility for Klinik Waqaf An-Nur (KWAN) clinics. KPJ's other community programmes are planned by individual business units and departments. The community programmes are funded from business operation profits and local religious authorities (e.g. The Zakat or Islamic Tithes Department), partnerships with other institutions, as well as funds raised from the general public and employees.

KLINIK WAQAF AN-NUR (KWAN)

The Malaysian private sector is encouraged to set up more healthcare facilities that cater to the needs of low- and middle-income households, as well as specialist healthcare facilities such as dialysis, rehabilitation and medical testing lab centres in urban areas.

We have responded to this call through our flagship initiative, the network of Klinik Waqaf An-Nur (KWAN), which provides charity outpatient clinics and dialysis centres for the underprivileged communities. At KWAN facilities, patients are charged a fee of only RM5 for a regular outpatient visit and around RM90 for dialysis services. Treatment is rendered by qualified medical consultants and includes the cost of the medicines prescribed. The Group spent around RM3.5 million to provide clinical resources and medication to KWAN in 2016.

KWAN NETWORK



Launched in Johor in **1988**



Waqaf An-Nur Hospital in Johor and **18** clinics across Malaysia
(including 5 site clinics and 6 dialysis centres)



4
mobile clinics in Johor and Selangor



8
KWAN clinics are MSQH-certified.

OUR TARGET

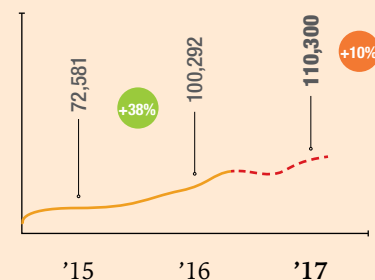
- To open **2 new clinics** every year
- To increase the number of patients by **10%** in 2017



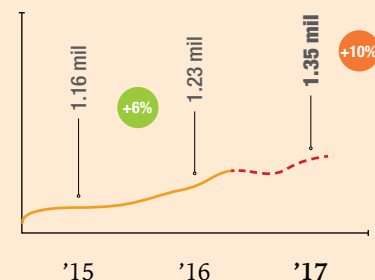
IN 2016

- Opened KWAN Masjid An-Nur Rembau, **Negeri Sembilan**
- New mobile clinic** at Masjid Bulat Seksyen 14, Petaling Jaya
- Treated over **100,000** patients and exceeded our target by **38%**

Total number of patients treated



Overall number of patients treated since inception



COMMUNITY OUTREACH

BABY HATCHES

It is difficult to estimate how many babies are abandoned in Malaysia every year. Prompt discovery and access to medical attention are crucial in ensuring the survival and well-being of abandoned babies. To respond to these needs, we opened our first baby hatch in 2010 and now provide hatches in nine KPJ hospitals. The baby hatches are a collaboration with the Social Welfare Department (JKM) and OrphanCare, a child protection NGO. Since its inception in 2010, we have received 17 babies through our baby hatches.

Mother or guardians considering abandonment are offered opportunities for discussion, information and counseling with nurses or social care staff. Babies found in the baby hatch are placed for adoption through a regulated process overseen by OrphanCare and JKM in Peninsular Malaysia, whereas in East Malaysia, this process is overseen by JKM only.

Baby Hatches are available at 9 KPJ Hospitals:

- KPJ Ipoh Specialist Hospital
- KPJ Johor Specialist Hospital
- KPJ Damansara Specialist Hospital
- KPJ Tawakkal Specialist Hospital
- KPJ Seremban Specialist Hospital
- KPJ Penang Specialist Hospital
- KPJ Perdana Specialist Hospital
- KPJ Kuching Specialist Hospital
- Damai Specialist Hospital



EDUCATING THE PUBLIC

As healthcare professionals, we recognise our role in contributing to the prevention of diseases and educating the public. We reach out to the community through public health screening sessions, health talks and other events. During talks and seminars held outside the hospitals, booths are usually set up to provide basic health screening services such as blood glucose and cholesterol tests, as well as blood pressure and body mass index (BMI) monitoring. Not only does this encourage people to take a greater interest in their health, it also ensures that any latent problems are diagnosed and treated.

In 2016 we conducted a number of public health awareness campaigns, including:

- Free mammogram screening in collaboration with The Ministry of Women, Family and Community Development for women aged 40 and above at KPJ Klang Specialist Hospital and KPJ Damansara Specialist Hospital.
- Free eye screening in conjunction with World Sight Day 2016 campaign to create awareness on the importance of eye screening to prevent vision-related diseases.

- Health awareness talks on topics such as breast cancer, kidney health (in conjunction with World Kidney Day), heart and lung health, infectious diseases, hand hygiene and vaccinations.
- Regular blood donation drives to help sustain supplies at the National Blood Bank.



OUR WORKFORCE

Healthcare professionals play a crucial role in community well-being and are well-respected members of society. As the main drivers of our growth, our employee services and programmes are continuously refined to help us succeed at every stage of employment and to make KPJ Healthcare Berhad a better place to work.

 KPJ WORKFORCE IN 2016	• 11,025 employees serving in 25 hospitals in Malaysia. 
	• Provided health care services to almost 2.7 million patients. 
	• Spent a total of RM10.3 million on employee training and development programmes, an increase of 24% from 2015.
	• Employees received an average of 47 hours of training, exceeding the mandatory 30 hours of training per year. 

* Note: Total employees and respective calculations do not include specialist medical consultants at KPJ Hospitals. Only resident medical officers are included in the total employee count.

 (For more information on our workforce, please refer to our Talent Management section on pages 69 and 70.)

We encourage open communication at the workplace and have clear procedures for solving grievances set out in our governance system. In 2016, we resolved all 61 reported employee complaints. We also provide all employees with an opportunity to regularly discuss their performance and career development.

SAFETY AT THE WORKPLACE

As JCI and MSQH accredited hospitals, we have an Integrated Management System that covers OHSAS 18001:2007. All of our hospitals have a robust SHE policy and apply stringent policies on planned preventive maintenance, safe and proper disposal of sharp and hazardous materials, and monitor exposure levels of employees who work in close proximity with radiation and diagnostic imaging services. Our Safety and Health Officers are also registered with the Department of Occupational Safety and Health (DOSH) Malaysia and have undergone DOSH-recognised safety training programmes as provided by the National Institute of Occupational Health and Safety (NIOOSH) Malaysia. KPJ adopts the Hazard Identification, Risk Assessment and Risk Control (HIRARC) system to identify potential hazards, and to assess and control risks of injury or harm due to the exposure of these hazards. We regularly train our employees on the latest

OSH practices and procedures, and share this information between hospitals as a preventive measure. For example, sharing cases of incidents of fire and other emergencies, as well as disaster action plans is useful for other hospitals. Contracted vendors and suppliers are also required to adhere to our health and safety measures.

Employee health and safety incidents are tracked.

Description	2015	2016
OSH-related incident rate (per 1,000 manpower)	5.2	4.8

* Types of incidents recorded include slips and falls, fall from height, sharp injury, chemical spills, burns, electrical incidents and other office-related incidents.

This year, we have recorded a 7.7% reduction in OSH-related incident rate and are now moving towards zero incident.

Currently all hospitals in the Group are reporting their OSH related incidents on a yearly basis to DOSH.

Initiatives to reduce health and safety incidents at hospitals in 2016

Promoting suitable footwear
Awareness trainings on workplace safety
Follow good housekeeping practices i.e. clear access ways, effective disposal system for needles, signage for wet slippery areas
Limiting access to high risk areas
Measures to ensure workloads remain reasonable, by eg. rescheduling duty rosters

Fire at KPJ Sabah



Services at the KPJ Sabah Specialist Hospital were temporarily disrupted in July 2016 after its main switchboard caught fire, believed to have been caused by a short circuit. During the emergency, patient safety was our topmost priority. The first action was to transfer in-patients, visitors and staff to our sister hospital KPJ Damai Specialist Hospital to make sure patients continued receiving quality treatment without further interruptions in view of the effects of the fire. We also transferred 6 oncology patients to KPJ Damansara to continue their oncology treatment at our own cost. As a preventive measure, we have worked on various initiatives to ensure that a similar incident does not occur at other KPJ Hospitals.

(For more information on our efforts to ensure patient safety and ways to deal with clinical incidents, please refer to our Patient Safety section in Sustainability Statement and Business Continuity Management (BCM) chapter on pages 90 and 91, as well as 178 and 179, respectively).

DIVERSITY

KPJ is committed to maintaining a diverse workforce. 79% of our employees are women. We have been actively promoting women to senior management positions, whereby currently 46% of management level staff in the Group are women. We have also been able to improve retention rates of women by emphasising work life balance: the current retention rate of women with at least five years of service is 42%, a satisfactory result in a field that is challenging for employees with families. Our commitment towards a diverse workforce is further reflected by our involvement in programmes that celebrate diversity such as the flexWorkLife.my initiative by TalentCorp and the Ministry of Women, Family and Community Development.

We are currently guided by the KPJ Employee Handbook, which states that recruitment and promotion is done based on merit and achievements without any kind of discrimination. Disciplinary action will be taken against any employee that commits unwanted action or behavior of a sexual nature, whether verbal or physical against another person, outside or inside of the Company's premises.

We are also paying close attention to succession and exit planning. Our target is to hire 30 new consultants every year to ensure that the Group has sufficient pool of consultants to replace those who are retiring and for sustainable operations of our hospitals (e.g. new hospitals and new specialisation or sub-specialisation unit). We are also evaluating our hiring practices to make sure that our consultants are diverse in terms of age and ethnicity.

RETENTION RATE OF WOMEN

32%

2015

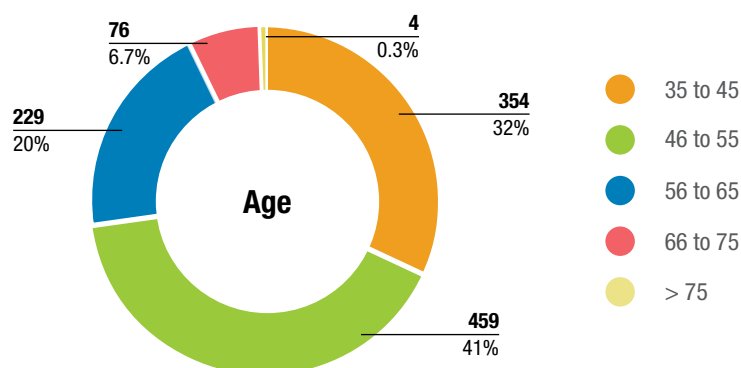
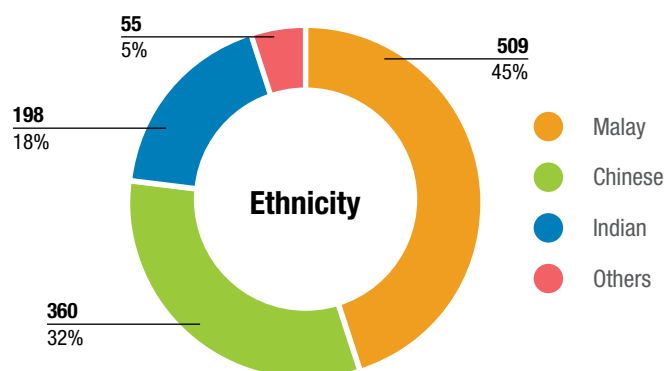


42%

2016

with more than five years of service

BREAKDOWN OF CONSULTANTS BY ETHNICITY AND AGE:



ADVOCATING WORK-LIFE BALANCE

We believe in a healthy work-life balance and offer our employees flexible working hours and crèches for childcare. Our crèches are operated internally and are open 24 hours to accommodate our nurses on shift work. To date, six of our hospitals have creches and we aim to provide this facility to all our remaining hospitals. As healthcare professionals we walk the talk, and promote healthy living amongst our employees. We run voluntary wellness and health initiatives such as our BMI programme, which encourages employees to make lifestyle changes. In 2016, this programme has contributed to a 4% decline in the number of our employees categorised as pre-obese and obese.

We introduced the option to work staggered hours in 2013, giving employees in certain functions the option to start the day later and since its implementation, almost 42% of our employees have used this option.

We have also piloted a work from home programme for employees in the Information Technology (IT) Services. Employees may work from home for up to two days in a week. Employees find that they can focus better without the distractions they face at work and we are considering expanding the initiative to other departments.

We will continue to make improvements to our work-life balance practices by obtaining feedback from employees through surveys.



2 August 2016



KPJ entered into a Memorandum of Understanding with Sojitz Corporation and Capital Medica Co. Ltd of Japan for the proposed opening of an Oncology Centre at RS Medika Bumi Serpong Damai with estimated cost approximately USD12 million.

23 September 2016



KPJ engaged with two major specialist centres from South Korea and entered into a Memorandum of Understanding with Plastic and Reconstructive Surgery experts DK Medical Centre and entered a Memorandum of Agreement with Barun Development Co., the holding company of Sebarun Hospital which specialises in Spine and Joint treatment. Both of the technical collaborations will be focused at KPJ Tawakkal Health Centre and are expected to attract more health tourism activities in Kuala Lumpur.

17 October 2016



To cater for the needs and demand for quality private healthcare of patients residing within the vicinity of Batu Pahat and the surrounding areas, KPJ, through its wholly-owned subsidiary Puteri Specialist Hospital (Johor) Sdn Bhd entered an Agreement To Lease with JLand and Johor Corporation, for the lease of a hospital building to reconstructed to be known as KPJ Batu Pahat Specialist Hospital comprising a seven (7) storey 90-bed specialist facility.

1 December 2016



KPJ entered into a Sale and Purchase Agreement with Dr Mohd Adnan bin Sulaiman and Azizan bin Sulaiman, on the disposal of its 30% equity shareholding in Hospital Penawar Sdn Bhd for a total cash consideration of RM2,209,860.00.



Awards and Achievements 2016

KPJ HEALTHCARE BERHAD

1. **14 April 2016 -**
Malaysia Hospital of the Year, awarded by Frost & Sullivan, Kuala Lumpur Malaysia
2. **18 May 2016 -**
Malaysia Hospital of the Year, awarded by Frost & Sullivan and Global Health & Travel, Bangkok Thailand
3. **18 May 2016 -**
GHT – Consumer Choice – Orthopaedics Service Provider of the Year, awarded by Asia Pacific Healthcare & Medical Tourism Bangkok, Thailand
4. **24 May 2016 -**
Reader's Digest 18th Trusted Brand Award - Gold winner for Private Healthcare, awarded by Reader's Digest Asia Kuala Lumpur
5. **27 October 2016 -**
Anugerah Ketua Pengarah MPC, awarded by Malaysia Productivity Corporation

KPJ SELANGOR SPECIALIST HOSPITAL

6. **25 August 2016 -**
Gold Class II Award for Services Sector Category, awarded by Malaysia Society of Occupational Safety and Health (MSOSH)
7. **1 September 2016 -**
Bronze, Recognition of Lean Management Practice, awarded by MPC
8. **27 October 2016 -**
CLEAR, Winner for National Team Excellence on Innovative and Creative Circle (ICC & QE/5S) Convention, awarded by MPC

KPJ SEREMBAN SPECIALIST HOSPITAL

9. **25 August 2016 -**
Gold Award Class I for Services Sector Category, awarded by Malaysia Society of Occupational Safety and Health (MSOSH)

KPJ IPOH SPECIALIST HOSPITAL

10. **8 December 2016 -**
OSH Award, awarded by Majlis Keselamatan Negara

KPJ JOHOR SPECIALIST HOSPITAL

11. **23 - 26 August 2016 -**
Gold Award at International Convention on Quality Control Circle, awarded by International Convention ICC 2016, Bangkok
12. **27 October 2016 -**
INETSOFT TEAM, Winner for National Team Excellence on Innovative and Creative Circle (ICC & QE/5S) Convention, awarded by MPC

KPJ AMPANG PUTERI SPECIALIST HOSPITAL

13. **27 October 2016 -**
DIAMOND, Winner for National Team Excellence on Innovative and Creative Circle (ICC & QE/5S) Convention, awarded by MPC

KPJ DAMANSARA SPECIALIST HOSPITAL

14. **25 August 2016 -**
Gold Class II Award for Services Sector Category, awarded by Malaysia Society of Occupational Safety and Health (MSOSH)

15. 27 October 2016 -

TEAM APOTHECARIST, Winner for National Team Excellence on Innovative and Creative Circle (ICC & QE/5S) Convention, awarded by MPC

KEDAH MEDICAL CENTRE

16. **23 - 26 August 2016 -**
Gold Award at International Convention on Quality Control Circle, awarded by International Convention ICC 2016, Bangkok

17. 27 October 2016 -

RISK, Winner for National Team Excellence on Innovative and Creative Circle (ICC & QE/5S) Convention, awarded by MPC

KPJ TAWAKKAL SPECIALIST HOSPITAL

18. **21 June 2016 -**
Gold Award at ROSPA Occupational Health and Safety Awards 2016, awarded by The Royal Society for the Prevention of Accidents, London United Kingdom

KPJ PENANG SPECIALIST HOSPITAL

19. **25 August 2016 -**
Gold Class II Award for Services Sector Category, awarded by Malaysia Society of Occupational Safety and Health (MSOSH)

KPJ KLANG SPECIALIST HOSPITAL

20. **27 October 2016 -**
GALAXY, Winner for National Team Excellence on Innovative and Creative Circle (ICC & QE/5S) Convention, awarded by MPC

Awards and Achievements 2016



KPJ Healthcare University College offers better choice for healthcare education

KUALA LUMPUR: The demand for skilled workforce in the healthcare sector is growing and quality education is required. KPJ Healthcare University College (KPJUC) offers a wholesome experience in education. At KPJUC, there are 16 different programmes from diploma to Doctor of Philosophy degree to allow practitioners to further their studies.

Dr. Lohar, Tan Sri Sadiq Shuib Bakir said KPJUC was not only the first private nursing college to offer the Diploma in Nursing Programme in 1991, but it had also produced many skilled graduates nationwide. With over 50 per cent of students' time spent in clinical postings, timetable are carefully planned to put

learning centre stage and at the same time allow future practitioners to enjoy a holistic learning experience. "It is important for students who desire to further their studies in health science to choose a college or university that exposes them to the field."

"The benefit of studying at KPJUC is that students are given the opportunity to be placed at our own hospitals. This is crucial because health science involves learning of theories but the major part is practical training that gives them the edge in technical and interpersonal aspects."

With 26 hospitals all over Malaysia, the KPJ network is the largest in the nation. "At KPJUC, we help students secure a career in their respective field of study. Graduates are well prepared to face any challenges they may face in their career."

"In order to further strengthen our reputation, we collaborate at international level with universities from other countries," she added. KPJUC offers scholarships for students who wish to further their studies in health science in KPJUC for Diploma to SPM and STPM students.

Besides KPJUC campus in Nilai, Negeri Sembilan, KPJUC also has branches in Johor Bahru and Perak to cater for growing demand from local and foreign patients in the two cities. "Except for Kuala Lumpur and Johor Bahru, other state capitals are still lacking of private



(From left) KPJUC Healthcare University College president, Dr. Lohar, and its executive director Alanus Nooruddin, Bakir are seen in a photo call.

KPJ allocates RM500mil for capex

By ZAZALI MUSA
zaazali@thestar.com.my

JOHOR BAHRU: KPJ Healthcare Bhd, which is still bullish on the prospects of the domestic private healthcare sector, is allocating about RM500mil as capital expenditure (capex) over the next two years to expand its operations.

Its president and managing director Datuk Amiruddin Abdul Satar said the capex would be used to build three new hospitals and upgrade existing hospitals in the country.

"We are allocating about RM500mil as capex over the next two years to capitalise on the promising growth of the segment," Amiruddin told reporters after the company's AGM.

He said the capex was for the construction of three new hospitals in Johor Bahru, Kuching and Perlis, and for upgrading of existing hospitals. The new facility in Perlis will be the first private specialist hospital in that state.

The Perlis hospital is expected to be completed in the first quarter of 2017 to cater for locals there as well as patients from the southern parts of Thailand such as Samut and Nakhon Si Thammarat, he added.

Meanwhile, the hospitals in Bandar Darul Ulu Johor Bahru and in Kuching are slated for completion towards the end of next year to cater for growing demand from local and foreign patients in the two cities.

"Except for Kuala Lumpur and Johor Bahru, other state capitals are still lacking of private



Top management: Amiruddin (left) and Kamaruzzaman at the briefing.

As for plans to venture into other Asian countries, he said the focus for now would remain on Malaysia and Indonesia.

Meanwhile, KPJ Healthcare chairman Datuk Kamaruzzaman Abu Kasim said

stability of acquiring it. "We hope to conclude the acquisition before the end of the year," Kamaruzzaman said, but declined to give details on the Indonesian city the hospital is located and the pricing.

KP Healthcare currently has 25 hospitals in Malaysia, which contributed 90% of its revenue. Overseas, it has two hospitals in Bangladesh and one each in Bangladesh and

22 Klinik Waqaf An-Nur rawat 1.1 juta pesakit

KUALA LUMPUR: The 22 Waqaf An-Nur clinics, which are part of the KPJ Healthcare network, have treated over 1.1 million patients in the past year, according to a report by the Waqaf An-Nur Foundation.

The report, which was released at a press conference in Kuala Lumpur, said that the clinics have been successful in providing affordable and quality healthcare services to the community.

The Waqaf An-Nur Foundation, which is a non-profit organisation, has been instrumental in the establishment and operation of the clinics. It has provided financial support and technical assistance to the clinics.

The clinics have been successful in providing a wide range of medical services, including general medicine, surgery, and specialist services. They have also been successful in providing community health services, such as health screening and health education.

The report also highlighted the success of the clinics in providing affordable healthcare services to the community. The clinics have managed to keep their fees low, making them accessible to a large number of patients.

The Waqaf An-Nur Foundation is committed to continuing its efforts to provide affordable and quality healthcare services to the community. It is planning to establish more clinics in the future.



The Waqaf An-Nur Foundation, which is a non-profit organisation, has been instrumental in the establishment and operation of the clinics.

KPJUC anjur Persidangan Antarabangsa mengenai Penjagaan Kesihatan Pelbagai Disiplin

Oleh ADRIANA MROON
AMBROSE

KUALA LUMPUR: Penganturan Persidangan Antarabangsa mengenai Penjagaan Kesihatan Pelbagai Disiplin yang diadakan pada 25-26 Mei lalu di Hotel Grand Millennium dilihat dapat menjadi platform bagi pengalaman penjagaan kesihatan.

La membolehkan mereka meneroka peranan hospital bukan sahaja sebagai pusat rawatan konvensional malah mengiktiraf potensinya sebagai institusi pendidikan berintegrasi dan pusat kecemerlangan penyelidikan.

Memasuki penganturan tahun ketiga, persidangan yang dianjurkan oleh Kolej Universiti KPJ Healthcare

baik. Bertemakan 'Transformasi Hospital: Merapat dan Menyepadukan Penjagaan Pesakit, Pendidikan dan Kecemerlangan Penyelidikan', persidangan itu turut membincangkan cabaran dalam transformasi hospital kepada hospital berintegrasi akademik.

Persidangan berkenaan dirasmikan oleh Pengarah Bahagian Perkembangan Perubatan, Kementerian Kesihatan Datuk Dr Azman Abu Bakar dan disertai lebih 100 peserta daripada pelbagai organisasi penjagaan kesihatan, organisasi kerajaan, ahli akademik dan pelajar.

Seramai 15 terkenaltermas dan Pro Cansel Tan Sri Siti Saif Bakir dan Prof

Kuching Specialist Hospital on track to provide baby hatch

November 25, 2016, Friday • Saiful Bahari, reporters@theborneopost.com



Kuching Specialist Hospital (KPSH) receives a baby hatch proposal from Hafiz at the meeting.

Kuching Specialist Hospital (KPSH) is the first hospital in the state to provide a baby hatch, which will be launched on Jan 20 next year.

Baby hatch, a part of KPJ corporate social responsibilities, will provide a safe place for parents to place their babies, with assured privacy and their identity known even to the hospital staff.

KPJ Ipoh anjur bengkel laparoscopic 3D

By ZAZALI MUSA
zaazali@thestar.com.my

IPAH: Hospital Ipoh, a KPJ Healthcare facility, has organised a 3D laparoscopic workshop for its surgeons and medical staff.

The workshop, which was held at the hospital's auditorium, was attended by over 50 participants from various hospitals in the region.

The workshop was organised by the hospital's medical director, Dr. Lohar, and its executive director, Alanus Nooruddin, Bakir.

The workshop was a success, with participants gaining valuable knowledge and skills in laparoscopic surgery.

The hospital is committed to providing high-quality medical services to its patients and is constantly upgrading its facilities and staff.



The workshop was a success, with participants gaining valuable knowledge and skills in laparoscopic surgery.

Ujian kesihatan mudah alih ke lokasi pilihan anda

Lablink Medical Laboratory tawar empat pakej

Lablink Medical Laboratory tawar empat pakej

2016 Events Highlights

KPJ JOHOR SPECIALIST HOSPITAL

- 16 FEBRUARY 2016**
'Media Nite' was held successfully to strengthen ties with the Southern region media.
- 1 AUGUST 2016**
Launch of the Medical Emergency Team (MET), which provides rapid medical assistance for patients, with the aim of saving lives.

KPJ IPOH SPECIALIST HOSPITAL

- 25-26 MARCH 2016**
World Kidney Day, a global awareness campaign, which centered on children's kidney disease at raising the awareness of importance of kidney and also preventative behaviours, risk factors and awareness about how to live with a kidney disease.
- 7,8,17,23 & 24 NOVEMBER 2016**
Free Eye Screening and Provision of Spectacles for primary school students in order correct vision impairment.

KPJ AMPANG PUTERI SPECIALIST HOSPITAL

- 9 OCTOBER 2016**
Talk on breast cancer, to increase public awareness more about the leading killer among women delivered by Breast Surgeon and Endocrinologist, KPJ Ampang Puteri Specialist Hospital.
- 26 JUNE 2016**
'Funding Nemo' initiative, about Nimo Andi Duale's journey from Somalia who underwent a surgery successfully conducted by Dr Jismi Ali Yaakub and fully funded by the hospital.

KPJ DAMANSARA SPECIALIST HOSPITAL

- 7 MARCH 2016**
Sakura Festival Celebration, celebrated with the Japanese community in Malaysia, in honour of our patients and customers.
- 17 DECEMBER 2016**
KPJ Damansara Fun Run 2016 promoted healthy lifestyle alongside the KPJ brand.

KPJ SELANGOR SPECIALIST HOSPITAL

- 28 FEBRUARY 2016**
Program Mammogram Selangor 2016, a collaboration with Pejabat ADUN Taman Medan, Jawatankuasa Tetap Hal Ehwal Wanita & Keluarga Selangor, MBPJ, to encourage the uptake of mammogram screening among women for breast cancer.
- 30 NOVEMBER 2016**
Official visit to the new outpatient block by YB Dato' Kamaruzzaman Abu Kassim, Chairman of KPJ Healthcare Berhad.



2016 Events Highlights

KPJ PERDANA SPECIALIST HOSPITAL

11. **16 SEPTEMBER 2016**
'Kayuhan Hari Malaysia' to encourage and promote healthy lifestyle campaign by cutting down calories and reduce risk of health problems.
12. **29TH & 30TH SEPTEMBER 2016**
A platform for raising awareness on cardiovascular disease through heart healthy activities.

KPJ SEREMBAN SPECIALIST HOSPITAL

13. **29 FEBRUARY 2016**
World Cancer Month 2016.
14. **19 SEPTEMBER 2016**
Launch of Klinik Wakaf An- Nur, Rembau, which is a CR initiative focusing primarily on affordable healthcare services.

KPJ PENANG SPECIALIST HOSPITAL

15. **16 SEPTEMBER 2016**
Malaysia Day Convey, CR initiatives participated by several bikers club who rode to 'Perkampungan Orang Asli' conducted 'gotong-royong', donation to the needy, awareness of Malaysia Day Celebration and to instil patriotism among the public.
16. **5 NOVEMBER 2016**
Install water pumping system for the 'Perkampungan Orang Asli', Ulu Legong Baling, Kedah as part of CR programme.

KPJ KAJANG SPECIALIST HOSPITAL

17. **21 MAY 2016**
A collaboration with PERKESO to design ablution water bottles aiming to help Muslim inpatients.
18. **16 APRIL 2016**
Anti-Dengue campaign 2016 to rally the community to take action against dengue.

KEDAH MEDICAL CENTRE

19. **17 AUGUST 2016**
Hospital exhibition and free health check-up in conjunction of Indonesia's 71st Independence Day.
20. **25 SEPTEMBER 2016**
Launch of Yayasan Kebajikan Atlet Kebangsaan (YAKEB) medical card, specially for former athletes from Kedah and Perlis to get medical treatment at Kedah Medical Centre.



2016 Events Highlights

KPJ TAWAKKAL SPECIALIST HOSPITAL

21. **23 APRIL 2016**
World Health Day – Launch of Stay Super, Beat Diabetes to increase awareness about the rise in diabetes and its staggering burden and consequences on patients and their families.
22. **28-29 JULY 2016**
Hosted the launching of the 1st Regional World Breastfeeding Week Conferences with the theme “Breastfeeding: A Key to Sustainable Development”. The Conference aimed to educate train and upgrade the skills of health professionals working in fields of breastfeeding and lactation, to support more mothers to exclusively breastfeed their babies for sustained periods of time.

KPJ PUTERI SPECIALIST HOSPITAL

23. **1 JANUARY 2016**
Celebrate New Year Babies & Back to School Program with patients.
24. **7 DECEMBER 2016**
Anak Permata Health Day 2016, which care underprivileged children. The hospital offers the children free medical care to uplift their lives.

KPJ PAHANG SPECIALIST HOSPITAL

25. **19 JUNE 2016**
CR Shopping Raya programme with 30 orphans from Kampung Peramu at Kuantan Parade to help ease the burden for the needy during the festive holidays.
26. **17 DECEMBER 2016**
Circumcision & Community Outreach Programme with orphans from Kampung Peramu.

KPJ SENTOSA KL SPECIALIST HOSPITAL

27. **12 AUGUST 2016**
Exclusive appointment as panel healthcare provider for BENITA (BERNAMA).
28. **29 OCTOBER 2016**
‘PinkSaves’ annual cancer campaign reached out to promote on importance of early screening toward prevention of women’s cancer.

KPJ KLANG SPECIALIST HOSPITAL

29. **16 JUNE 2016**
Ifar treat for kids, the disables, single mothers and underprivileged families of Mukim Sg. Pinang. The event marked the continuation of a well-established tradition of charity giving by the hospital and paved the way for a dedicated corporate responsibility.
30. **27 & 28 JULY 2016**
KPJ Quality Convention hosted by KPJ Klang aiming to showcase quality improvement initiatives to improve work process to delivering excellent services to patients.



2016 Events Highlights

KPJ DAMAI SPECIALIST HOSPITAL

31. **25 JANUARY 2016**
Toys donation to Rumah Anak Yatim Tambunan.
32. **4, 11 & 18 SEPTEMBER 2016**
Smart partnership with Kinabalu Pink Ribbon to create awareness about breast cancer.

KPJ KUCHING SPECIALIST HOSPITAL

33. **14 MAY 2016**
Corporate responsibility with Kampung Rayu with the aim of contributing to the well-being of community.
34. **26 NOVEMBER 2016**
KPJ Miri Specialist Hospital groundbreaking ceremony by YB Datuk Seri Dr. S. Subramaniam, Minister of Health Malaysia.

KLUANG UTAMA SPECIALIST HOSPITAL

35. **8 APRIL 2016**
Walk for Health 2016 to heighten public awareness about the importance of active lifestyles to cut down risks of lifestyle-triggered illnesses.
36. **19 DECEMBER 2016**
Groundbreaking ceremony of newly KPJ Kluang Specialist Hospital, officiated by YB Datuk Halimah Sadique, Deputy Minister of Urban Wellbeing, Housing and Local Government.

KPJ SABAH SPECIALIST HOSPITAL

37. **8 – 10 JANUARY 2016**
Dengue Management Workshop, an ongoing effort to tackle dengue in the region.
38. **23 JULY 2016**
Varicose Vein Awareness campaign to encourage public to seek treatment for deep venous thrombosis (DVT).

SIBU SPECIALIST MEDICAL CENTRE

39. **26 MARCH 2016**
To mark International Women's Day Celebration by creating an awareness of important of women diseases.
40. **9 APRIL 2016**
CR programme – 'Seminar Kesihatan Ketua Masyarakat & Ketua Kaum Daerah Seratok'.



2016 Events Highlights

KPJ PASIR GUDANG SPECIALIST HOSPITAL

41. 27 JUNE 2016
CR programme 'Secupak Beras, Segantang Kasih', donating funds, food items and other necessities to the needy.
42. 26 SEPTEMBER 2016
'Jelajah Media Johor 2016', is providing free medical check-up and medicine to teachers and parents with an objective to heighten the awareness of health and creating a healthy, nurturing and loving families.

KPJ RAWANG SPECIALIST HOSPITAL

43. 24 SEPTEMBER 2016
World Pharmacy Day 2016 to highlight importance of vaccination and medication among the public.
44. 28 JULY 2016
CR Programme 'Jom Shopping Raya' with underprivileged children from Pusat Jagaan Raudhah, Sg Buaya & Pusat Jagaan Anak Yatim Keramat.

KPJ BANDAR MAHARANI SPECIALIST HOSPITAL

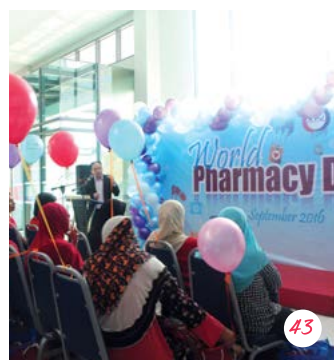
45. 21 AUGUST 2016
Jalur Gemilang Giveaway to Muar Taxis to promote services and packages in conjunction with Merdeka Day.
46. 30 OCTOBER 2016
Official Launch of KPJ Bandar Maharani Specialist Hospital graced by Permaisuri Johor.

TAWAKKAL HEALTH CENTRE

47. 26 MARCH 2016
World Oral Health Day Campaign.
48. 10 NOVEMBER 2016
Corporate Sales visit with Perodua HQ, Rawang.

LABLINK

49. 13 MAY 2016
Thalassemia Awareness Day creating awareness about this disease, prevention measures and measures to avoid its transmission.
50. 1 OCTOBER 2016
Health Screening Campaign promoting healthy lifestyle and new branch of Lablink at Wangsa Maju.



2016 Events Highlights

KPJ HEALTHCARE UNIVERSITY COLLEGE

51. **25 MAY 2016**
KPJ Healthcare University College (KPJUC) had organised its 3rd International Conference on Multidisciplinary Healthcare with a theme "Hospital Transformation: Bridging and Integrating Patient Care, Education and Research Excellence".
52. **20 NOVEMBER 2016**
'Komuniti Sihat Sehati Sejiwa', a programme for awareness on preventing drug abuse.

KFCH INTERNATIONAL COLLEGE

53. **5 NOVEMBER 2016**
Chill Fun Ride 2016, a cycling event with the aims of fostering the relationship between the college with the community and promoting active healthy lifestyle.
54. **24 NOVEMBER 2016**
Junior cooking class conducted to promote culinary and healthy diet among kids.

KPJ PUSAT PAKAR MATA CENTRE FOR SIGHT

55. **6 AUGUST 2016**
Public Talk-Five Common Eye Blinding Diseases by Dr Helen Tan.
56. **8,10 & 11 SEPTEMBER 2016**
Oh! MyKids Health Fair, 1Utama.



Our Operating Environment

GOVERNING REGULATIONS

In view of the highly-regulated industry of healthcare services, KPJ is cognisant to the importance of adhering and complying to all relevant local and international standards and industry regulations, in managing and sustaining the business. The key regulations that impact KPJ as follows:

CORPORATE / FINANCIAL
Companies Act, 1965
Bursa Malaysia Securities Berhad Listing Requirements
Malaysian Financial Reporting Standards,
International Financial Reporting Standards
Goods & Services Tax Act 2014
Income Tax Act 1967
Industrial Relation Act 1967
Employment Act 1955 (Act 265)
Employees' Social Security Act (SSA) 1969
Employees' Provident Fund Act 1991
Holiday Act 1951

MEDICAL / HEALTHCARE
Private Healthcare Facility and Services Act 1998 (Act 586)
Medical Act 1971 (Act 50)
Nurses Act 1950 (Act 14)
Nurses Registration Regulations 1985
Registration of Pharmacist Act 1951
Poisons Act 1952 (Act 366) (Revised - 1989)
Poison Regulations 1952
Sale of Drug Act 1952 (Act 368)
Medical Device Act 2012 (Act 737)
Registration Of Engineers Act 1967 (Incorporating amendments up to 2007)
Atomic Energy Licensing Act 1984 (Act 304)
Factories and Machinery Act 1967 (Revised - 1974) Act 139 (Incorporating latest amendment - Act A1268 of the year 2006)
Factories and Machinery (Noise Exposure) Regulations 1989
Factories and Machinery (Building Operations and Works of Engineering Construction (Safety) Regulations 1986
Factories and Machinery (Electric Passenger and Goods Lift) Regulations 1970
Factories and Machinery (Safety, Health and Welfare) Regulation 1970
Factories and Machinery (Steam Boiler and Unfired Pressure Vessel) Regulations 1970
Environmental Quality Act 1974 (Act 127)
Environmental Quality (Scheduled Wastes) Regulations 2005
Fire Services Act 1988 (Act 341)
Food Act 1983 (Act 281) (Akta Makanan 1983)

MEDICAL / HEALTHCARE (CONTINUED)
Food Regulations 1985
Food Hygiene Regulations 2009 (Peraturan-Peraturan Kebersihan Makanan 2009)
Malaysian Qualifications Agency Act 2007 (Act 679)
Uniform Building By Laws 1984 (Act 133)
Electricity Supply Act 1990 (Act 447)
Water Services Industry Act 2006 (Act 655)
Halal Certification 2014 (Sijil Halal)
Personal Data Protection Act 2010 (Act 709)
Occupational Safety and Health 1994 (Act 514)
Occupational Safety and Health (Safety and Health Committee) Regulations 1996
Occupational Safety and Health (Safety and Health Officer) Regulations 1997
Occupational Safety and Health (Use and Standard of Exposure of Chemical Hazardous to Health) Regulations 2000
Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004
Occupational Safety and Health (Classification, Labelling and Safety Data Sheets of Hazardous Chemicals) Regulations 2013
Atomic Energy Licensing Act 1984 (Act 304)
Atomic Energy Licensing (Basic Safety Radiation Protection) Regulations 2010
Radiation Protection (Basic Safety Standard) Regulations 1988
Radiation Protection (Licensing) Regulations 1986

COMMITTEES

We have put in place relevant committees to oversee the various governance, compliance and risk management areas.

 [Please refer to Statement on Corporate Governance on pages 150 to 164 in this Annual Report for details of role, scope and coverage of these various committees.]

ACCREDITATIONS

KPJ prioritises obtaining industry and medical accreditations as part of building our brand equity and industry credibility. The list of current accreditations is stated in the Medical Advisory Committee (MAC) Report on page 175.

Psychosocial well-being of staff

By virtue of the nature of the healthcare business, the medical staff team can be exposed to extremely-stressful environments. KPJ takes into high priority the well-being and welfare of our medical team and staff, and makes available the following measures to support them.

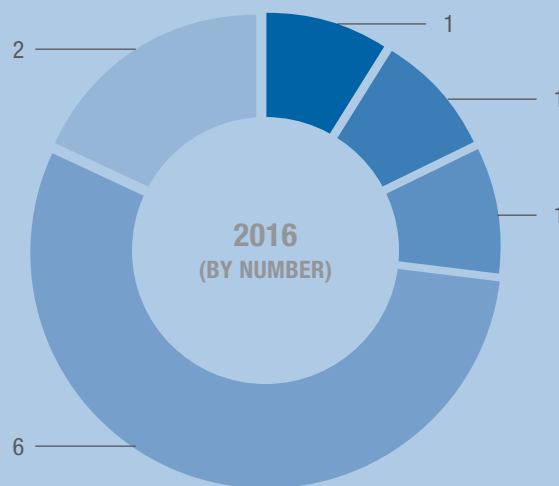
- Counselling on work related or personal issues
- Support staff exposed to traumatic incidents
- Stress management and motivational sessions
- Rejuvenate working environment
- Activities by Sport's Club etc

—    —

ELEVEN

BOARD OF DIRECTORS

BALANCED SIZE AND COMPOSITION



-  Chairman
-  President & Managing Director
-  Executive Director
-  Independent Non-Executive Directors
-  Non-Independent Non-Executive Directors



Board of Directors

▶ From left to right

1 AMINUDIN DAWAM
(Executive Director)

2 TAN SRI DATIN PADUKA SITI SADIAH SHEIKH BAKIR
(Independent Non-Executive Director)

3 DATUK AZZAT KAMALUDIN
(Independent Non-Executive Director)

4 DATO' KAMARUZZAMAN ABU KASSIM
(Chairman)

5 AHAMAD MOHAMAD
(Non-Independent Non-Executive Director)

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





Board of Directors



◀ From right to left

7 DR. KOK CHIN LEONG
(Independent Non-Executive Director)

8 ZAINAH MUSTAFA
(Independent Non-Executive Director)

9 DATO' AMIRUDDIN ABDUL SATAR
(President & Managing Director)

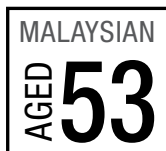
10 ZULKIFLI IBRAHIM
(Non-Independent Non-Executive Director)

11 DR. YOONG FOOK NGIAN
(Independent Non-Executive Director)

Directors' Profiles

DATO' KAMARUZZAMAN ABU KASSIM

Chairman



BOARD APPOINTMENT

12 January 2011

LENGTH OF SERVICE

9 years

GENDER

Male



WORKING EXPERIENCE

Dato' Kamaruzzaman Abu Kassim, was first appointed as a Non-Independent Non-Executive Director on 1 August 2006 but resigned on 1 January 2009 following internal restructuring within Johor Corporation (JCorp). He was later reappointed as a Non-Independent Non-Executive Director on 3 January 2011 and subsequently as Chairman of KPJ on 12 January 2011.

Dato' Kamaruzzaman's tenure with JCorp spans across 24 years in various capacities. Prior to his present role, Dato' Kamaruzzaman also held the role as the Chief Operating Officer of JCorp (1 August 2006), and thereafter as the Senior Vice President, Corporate Services & Finance of JCorp on 1 January 2009. He later went on

to become the President and Chief Executive of JCorp, effective 1 December 2010. He joined JCorp in December 1992 when it was then known as Perbadanan Kemajuan Ekonomi Negeri Johor, as a Deputy Manager in the Corporate Finance Department, and thereon as General Manager in 1999.

His career started as an Audit Assistant with Messrs K.E Chen & Associates in May 1988 and later joined Coopers & Lybrand (currently known as PricewaterhouseCoopers) in 1989.

DIRECTORSHIPS

Dato' Kamaruzzaman is also the Chairman of several companies within the JCorp Group,

namely Kulim (Malaysia) Berhad, Johor Land Berhad, QSR Brands (M) Holdings Sdn Bhd as well as Waqaf An-Nur Corporation Berhad, an Islamic endowment institution which spearheads Johor Corporation's Corporate Responsibility programmes.

He sits as the Chairman of Damansara REIT Managers Sdn Berhad, the Manager for Al-'Aqar Healthcare REIT and Al-Salam Real Estate Investment Trust.

QUALIFICATION

Dato' Kamaruzzaman holds a Bachelor of Commerce (Accountancy) from the University of Wollongong, New South Wales, Australia in 1987.



DATO' AMIRUDDIN ABDUL SATAR

President & Managing Director



BOARD APPOINTMENT

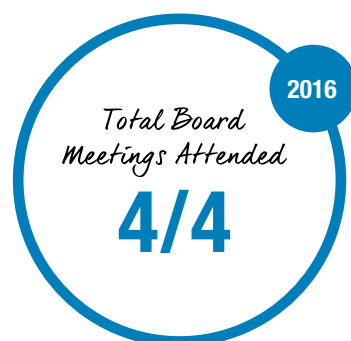
1 July 2011

LENGTH OF SERVICE

6 years

GENDER

Male



WORKING EXPERIENCE

Dato' Amiruddin Abdul Satar has been the President & Managing Director of KPJ Healthcare Berhad since 1 January 2013.

Dato' Amiruddin contributes actively in the development of the Malaysian healthcare sector through his involvement with the Association of Private Hospitals of Malaysia (APHM), where he currently holds the role as Vice President.

Dato' Amiruddin gained significant experience in finance and management through his capacity as an Accountant and Finance Manager of several large and reputable organisations in the country.

DIRECTORSHIPS

He also holds directorships in several KPJ hospitals as the Chairman and also a Director in Damansara REIT Managers Sdn Berhad, the manager for Al-'Aqar Healthcare REIT and Al-Salam Real Estate Investment Trust.

QUALIFICATION

Dato' Amiruddin is an alumnus of the Henley Business School, University of Reading, United Kingdom where he obtained his Masters in Business Administration (MBA) in 2010. He is also a member of the Association of Chartered Certified Accountants (ACCA).

Directors' Profiles

AMINUDIN DAWAM

Executive Director

MALAYSIAN
AGED **53**

BOARD APPOINTMENT

1 January 2014

LENGTH OF SERVICE

3 years

GENDER

Male

Total Board
Meetings Attended
4/4
2016



WORKING EXPERIENCE

Aminudin Dawam was appointed to the Board as Non-Independent Non-Executive Director on 1 January 2014. With effect from 1 May 2015, he was re-designated as an Executive Director of the Company.

He is also a member of the KPJ Board Tender Committee and Building Committee.

He joined Johor Corporation (JCorp) after graduation in 1988 before joining KPJ in 1992 as Operations Manager of Pharmicare Sdn Bhd for two years. He has managed various hospitals within the KPJ Group as the General Manager. He was previously the Commissioning Director for United Hospital, Dhaka, Bangladesh; before

being appointed as the Group General Manager of KPJ from 2008 till 2011. Between 2011 till 2013, he joined Pantai Holding Berhad as the Chief Operating Officer, Malaysia Operations overseeing the operations of both Pantai and Gleneagles hospitals in Malaysia.

He rejoined JCorp in September 2013 as the Senior Vice President, Business Development Division until 31 December 2016 and came fully on board as KPJ's Executive Director on 1 January 2017.

DIRECTORSHIPS

Aminudin holds a number of directorship/ chairmanship/committees of various companies

within the JCorp and the KPJ Group. Among others, he is a member of JCorp's Internal Audit Committee and Chairman of the Audit and Risk Committee of Industrial Development Division, as well as Chairman of the Tender Board Committee for Johor Land Berhad.

QUALIFICATION

He graduated with a Bachelor of Business Administration (in Finance) from Sam Houston State University, Huntsville, Texas, USA in 1986 and completed his Masters' degree at the same university in 1988. He obtained Post-Graduate Diploma in Health Sciences & Hospital Management at South Bank University, London, United Kingdom in 1997.

TAN SRI DATIN PADUKA SITI SADIAH SHEIKH BAKIR

Independent Non-Executive Director

MALAYSIAN
AGED **64**

BOARD APPOINTMENT

1 March 1993

LENGTH OF SERVICE

24 years

GENDER

Female

Total Board
Meetings Attended
4/4
2016



WORKING EXPERIENCE

Tan Sri Datin Paduka Siti Sadiah Sheikh Bakir is an Independent Non-Executive Director of KPJ, redesignated on 1 May 2015 from Non-Independent, Non-Executive Director. Tan Sri served as the Managing Director of KPJ from 1 March 1993 until her retirement on 31 December 2012.

From 1 January 2013 until 31 December 2014, she served as KPJ's Corporate Advisor. She was the Chairman and Pro-Chancellor of KPJ Healthcare University College (KPJUC) between 1 August 2011 to 31 December 2016.

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

Committed to promoting excellence in healthcare, Tan Sri is the President of Malaysian Society for Quality in Health (MSQH), the national accreditation body for healthcare services, elected since its inception in 1997 to date. She sits on many other councils and committees at the national level, including as a member of the Academic Committee of the Razak School of Government (RSOG). She also sits on several University Committees, including Universiti Malaya and University of Reading Malaysia. In June 2016, she was appointed as the Chairman of Universiti Utara Malaysia, an eminent management university in Malaysia.

In 2010, Tan Sri was named the 'CEO of The Year 2009' by the New Straits Times Press and the American Express. She has also received many more awards and accolades from 2011 to 2015, due to her contributions to the healthcare industry in Malaysia. She launched her biography entitled "Siti Sa'diah: Driven by Vision, Mission and Passion", penned by Professor Rokiah Talib, Penerbitan Universiti Kebangsaan Malaysia in 2013.

DIRECTORSHIPS

Tan Sri sits on the Boards of Chemical Company of Malaysia Berhad (CCM), CCM Duopharma Biotech Berhad, OSK Holdings Berhad, and she is the Chairman of Nationwide Express Holdings Berhad. She served on the Board of Damansara REIT Managers Sdn Berhad – the Manager for Al-'Aqar Healthcare REIT and Al-Salam REIT, from 2006 until March 2016. Tan Sri was also a Director of KFC Holdings (Malaysia) Bhd and QSR Brands Bhd from 2010 until their privatisation in 2013 as well as Kulim (Malaysia) Berhad from 2005 to its privatisation in October 2016.

She was an Independent Non- Executive Director of Bursa Malaysia from 2004 to 2012 and a Board member of MATRADE from 1999 to 2010.

QUALIFICATION

She holds a Bachelor of Economics from University of Malaya and an MBA from Henley Business School, University of Reading, London, United Kingdom.

Directors' Profiles

ZAINAH MUSTAFA

Independent Non-Executive Director

MALAYSIAN
AGED **62**

BOARD APPOINTMENT

21 February 1994

LENGTH OF SERVICE

22 years

GENDER

Female

Total Board
Meetings Attended

4/4

2016



WORKING EXPERIENCE

Zainah Mustafa, has served as a Director in KPJ since 21 February 1994 and is also the Chairman of the KPJ Audit Committee. She has been an Independent Non-Executive Director since 1 December 2004.

She is currently a Fellow Member of the Association of Certified Chartered Accountants (FCCA). She joined JCorp in October 1978 and has held various roles including as its Group Chief Financial Officer before retiring on 31 October

2002. She started her career as an Assistant Senior Auditor in Perbadanan Nasional Berhad in 1977 after graduating from Institut Teknologi MARA (presently Universiti Teknologi MARA).

DIRECTORSHIPS

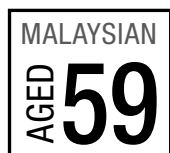
She also sits on the board of other companies in the Johor Corporation (JCorp) Group of Companies namely Damansara REIT Managers Sdn Berhad and Al-'Aqar Capital Sdn Bhd and also Damansara Realty Berhad.

QUALIFICATION

Zainah obtained her Association of Chartered Certified Accountants (ACCA) United Kingdom in 1976.

ZULKIFLI IBRAHIM

Non-Independent Non-Executive Director



BOARD APPOINTMENT

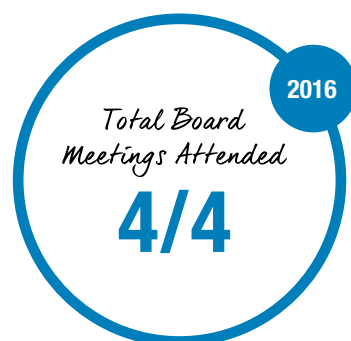
1 January 2014

LENGTH OF SERVICE

3 years

GENDER

Male



WORKING EXPERIENCE

Zulkifli Ibrahim, was appointed to the Board of KPJ on 1 January 2014. He is also the Chairman of the KPJ Board Tender Committee. He is currently the Senior Vice President/Chief Executive, Industrial Development Division of Johor Corporation (JCorp).

After serving various companies in the private sector since his graduation in 1983, he joined JCorp Group in 1990 as the Financial Controller of Sindora Berhad.

In 1996, he was appointed the Managing Director of Antara Steel Mills Sdn Bhd until 2000 before joining PJB Pacific Capital Group in 2001 as the Chief Operating Officer. He was the Chief Operating Officer of JCorp after serving Kulim (Malaysia) Berhad as the Chief Operating Officer in 2003.

DIRECTORSHIPS

He is also the Chairman and Director of several other companies within the JCorp Group.

QUALIFICATION

He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of the Malaysian Institute of Accountants since 1992.

Directors' Profiles

DATUK AZZAT KAMALUDIN

Independent Non-Executive Director

MALAYSIAN
AGED **71**

BOARD APPOINTMENT

1 September 1994

LENGTH OF SERVICE

22 years

GENDER

Male

Total Board
Meetings Attended
4/4
2016



WORKING EXPERIENCE

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

Datuk Azzat served as an administrative and diplomatic officer with the Ministry of Foreign

Affairs from 1970 to 1979. A lawyer by training, he was admitted as an advocate and solicitor of the High Court in 1979 and has been in practice as partner of Azzat and Izzat, a law firm.

DIRECTORSHIPS

He currently serves as Director of several public-listed companies, namely, Boustead Holdings Berhad, BHIC Berhad and Axiata Group Berhad.

QUALIFICATION

Datuk Azzat graduated with a Degrees in Law and in International Law from Cambridge University, United Kingdom in 1968 and 1969 respectively. Thereafter, admitted as a Barrister-at-Law of the Middle Temple, London in 1970.



DR. YOONG FOOK NGIAN

Independent Non-Executive Director



BOARD APPOINTMENT

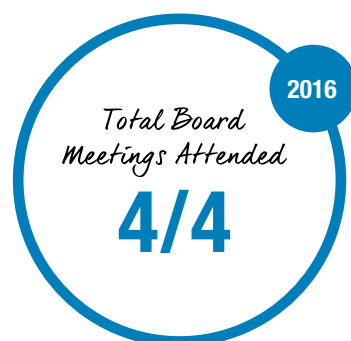
7 July 2005

LENGTH OF SERVICE

12 years

GENDER

Male



WORKING EXPERIENCE

Dr. Yoong Fook Ngian, was appointed to the Board of KPJ on 7 July 2005. He is an Independent Non-Executive Director of KPJ and the Chairman of the Medical Advisory Committee (MAC). He is also a member of the KPJ Board Tender Committee and the Building Committee.

He was the Medical Director of Ipoh Specialist Hospital from 1994 to December 2006. He is a Life Member of the Malaysian Medical Association and a past-Chairman of the Perak

branch. He is also a past-President of the Perak Medical Practitioners' Society.

Dr. Yoong was employed by the Ministry of Health from 1966 to 1975. His last posting with the Ministry of Health was as Head of Ear, Nose & Throat (ENT) Surgery at the Kuala Lumpur General Hospital before venturing into private practice in 1975. He has been Resident ENT Consultant in Ipoh Specialist Hospital since 1983 and is also one of its founding doctors.

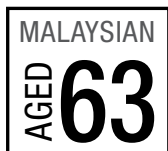
QUALIFICATION

He received his Bachelors of Medicine and Bachelors of Surgery (MBBS) from the University of Sydney in 1966. He obtained his post-graduate qualification in Otolaryngology in 1972 and was conferred a Fellow of the Royal College of Surgeons of Edinburgh. He is also a Fellow of the College of Surgeons of Malaysia and a member of the Academy of Medicine of Malaysia.

Directors' Profiles

AHAMAD MOHAMAD

Non-Independent Non-Executive Director



BOARD APPOINTMENT

1 January 2005

LENGTH OF SERVICE

12 years

GENDER

Male



WORKING EXPERIENCE

Ahamad Mohamad, was appointed to the Board on 1 January 2005. He joined Johor Corporation (JCorp) in 1976 as a Company Secretary for various companies within the JCorp Group.

He has been involved in many of JCorp's projects including the early development of the Johor Specialist Hospital prefabricated housing project and the Kotaraya Complex in Johor Bahru.

DIRECTORSHIPS

He has served as the Managing Director of Kulim (Malaysia) Berhad from 30 June 1994 until his retirement on 31 December 2016. He was appointed as a Non-Executive Director and Corporate Advisor for Kulim on 1 January 2017.

He is also the Chairman of E.A. Technique Berhad and director of several other companies within the JCorp Group, and a Director of Waqaf An-

Nur Corporation Berhad, an Islamic endowment institution that spearheads JCorp Group's corporate programmes, namely the Corporate Waqaf concept initiated by JCorp.

QUALIFICATION

He graduated with a Bachelor of Economics (Honours) degree in 1976 from the University of Malaya.

DR. KOK CHIN LEONG

Independent Non-Executive Director



BOARD APPOINTMENT

7 July 2005

LENGTH OF SERVICE

12 years

GENDER

Male



WORKING EXPERIENCE

Dr. Kok Chin Leong, was appointed to the Board of KPJ on 7 July 2005. He is an Independent Non- Executive Director of KPJ and also a member of the Audit Committee. He has been a member of the KPJ Clinical Governance Policy Committee since 2001 and been the Chairman for the Committee since 2005 and the Advisor for KPJ's Clinical Information System since January 2003.

He has sat on the Executive Committee of the Malaysian Paediatric Association (MPA) since 2009, and was the President of MPA from 2013 to 2015. He is also the President for ASEAN Paediatric Federation from 2014 to 2017.

He also sat on the Board for the Association of Private Hospital of Malaysia (APHM) from 2008 to 2010 and the Malaysian Society for Quality in Health (MSQH) from 2011 to 2013. He has been the Resident Consultant Paediatrician at the KPJ Puteri Specialist Hospital, Johor Bahru, since 1994 and was appointed as the Medical Director in February 2000 until June 2006. His main interests are in Health Informatics, Patient Safety in Healthcare Delivery, Clinical Governance, and Clinician Performance & Appraisal Assessment.

His medical career commenced in 1986 at the Kuala Lumpur General Hospital in Clinical Paediatrics, and from there, he went on to work as Senior House Officer/Registrar at Derby Children's Hospital, United Kingdom in 1990. He served as the Clinical Specialist in Paediatrics

at Hospital Sultanah Aminah, Johor Bahru from 1991 to 1992; the Head of Department of Paediatrics at Batu Pahat Hospital from 1991 to 1993 and Senior Consultant Paediatrician at Hospital Sultanah Aminah, Johor Bahru from 1993 until 1994.

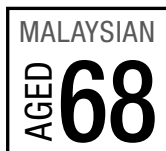
QUALIFICATION

Dr Kok received his Bachelor of Medicine and Bachelor of Surgery (MBBS) in 1982 from University of Malaya and completed his postgraduate studies in Paediatrics (Master of Medicine Paediatrics) in 1990 from Universiti Kebangsaan Malaysia. He was conferred a Fellow of the Royal College of Physician of United Kingdom in 1990 and registered as full medical practitioner with the Malaysian Medical Council in 1983.

Directors' Profiles

PROF. DATO' DR. AZIZI OMAR

Independent Non-Executive Director



BOARD APPOINTMENT

1 February 2016

LENGTH OF SERVICE

1 year

GENDER

Male



WORKING EXPERIENCE

Prof. Dato' Dr. Azizi Omar was appointed to the Board of KPJ Healthcare Bhd on 1 February 2016. He is an Independent Non-Executive Director of KPJ. He is also a member of KPJ's Medical Advisory Committee.

Prof. Dato' Dr. Azizi is a Consultant Paediatrician and Paediatric Respiratory Physician at KPJ Damansara Specialist Hospital where he was also the Medical Director from 15 May 1997 to 3 May 2016. He is also a Professor and member of the Senate and Board of Directors of the KPJ Healthcare University College. He heads KPJ's Research & Development Committee and edits the KPJ Medical Journal.

He was formerly a Professor of Paediatrics (Respiratory Paediatrics and Clinical Epidemiology) at the Universiti Kebangsaan Malaysia where he also served as the Head of the Department of Paediatrics and a Deputy Dean until his optional retirement in 1997 to join KPJ Damansara Specialist Hospital. He has also served as Adjunct Professor of Paediatrics at the Faculties of Medicine of Universiti Teknologi MARA and Universiti Tunku Abdul Rahman.

He was also a past President of the Malaysian Paediatric Association. He served in the Malaysian Medical Council as an appointed member. He was a member of the Board of Association of Private Hospitals of Malaysia. He chaired the Clinical Practice Guidelines Committees for Childhood Pneumonia and Respiratory Infections and the Management of Childhood Asthma. He has served as chairman of the subcommittee for Credentialing of Paediatric Respiratory Physicians for the National Specialists Register (NSR). His current interests are in implementing and enhancing quality and safety issues in healthcare through active involvement in clinical governance, teaching and research.

He established the Respiratory Paediatrics as a Paediatric subspecialty in Malaysia and pioneered research in paediatric asthma and respiratory illnesses in Malaysian children. He has published substantially in international and local journals. He has been deeply involved in paediatric undergraduate and postgraduate training and in teaching research methodology and Clinical Epidemiology.

QUALIFICATION

Prof. Dato' Dr. Azizi obtained his Bachelors of Medicine and Bachelors of Surgery (MBBS) at the University of Tasmania in 1977. He pursued postgraduate training in Paediatrics and Paediatric Respiratory Medicine in Kuala Lumpur General Hospital; University Kebangsaan Malaysia; the Hospital for Sick Children, Great Ormond Street, London; the Birmingham Children Hospital and Dudley Road Hospital, Birmingham. He trained in paediatric flexible bronchoscopy at the University of North Carolina, Chapel Hill, USA, and in Clinical Epidemiology and Research Methodology at the University of Newcastle, Australia.

He obtained his Membership of the Royal College of Physicians, UK (MRCP) in 1982 and Master of Medical Science (MMedSc) in Clinical Epidemiology from Newcastle University, NSW, in 1990. He became a Fellow of Royal College of Physicians (FRCP) of Edinburgh (1994) and Glasgow (1995), Fellow of Academy of Medicine Malaysia (FAMM) (1997) and Fellow of College of Chest Physicians (USA)(FCCP) (1998).

Notes:

None of the Directors have:

- Any family relationship with any Director and/ or major shareholder of KPJ.
- Any conflict of interest with KPJ.
- Any conviction for offences within the past five years (other than traffic offences).
- Any sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2016.



FIFTEEN

EXECUTIVE COMMITTEE

TOTAL WORKING YEAR EXPERIENCE
IN THE GROUP

250+

PROFESSIONAL SKILLS OF
EXECUTIVE COMMITTEE
MEMBERS ARE WELL-
BALANCED.



Executive Committee

▶ From left to right

AMINUDIN DAWAM

Executive Director

DATO' AMIRUDDIN ABDUL SATAR

President & Managing Director, Exco Chairman

JASIMAH HASSAN

Vice President (I), Business Operations & Clinical Services



▶ From left to right

MOHD JOHAR ISMAIL

Vice President (II), Project Management, Bio Medical & International Operation Services

MOHD SAHIR RAHMAT

Vice President (I), Corporate & Financial Services

DATO' ABDOL WAHAB BABA

Vice President (I), Business Development Services

DATIN SABARIAH FAUZIAH JAMALUDDIN

Vice President (II), Group Talent Management Services





Executive Committee



◀ From right to left

MOHD NASIR MOHAMED

Senior General Manager, Group Operations Services

RAFEAH ARIFFIN

Senior General Manager, Group Marketing & Strategic Communications Services

AHMAD NASIRRUDDIN HARUN

Senior General Manager, Strategic Support Services

NORHAIZAM MOHAMMAD

Senior General Manager, Group Finance Services



◀ From right to left

ROSLAN AHMAD

Senior General Manager, Group Operations Services

MAH LAI HENG

Senior General Manager, Group Operations Services

DR. MUBBASHIR IFTIKHAR

General Manager, New Products & Services Development

ERIC SIM KAM SENG

Chief Information Officer, Information Technology Services



Executive Committee

Members' Profiles



1

DATO' AMIRUDDIN ABDUL SATAR
President & Managing Director

Dato' Amiruddin Abdul Satar, a Malaysian, male, aged 53, has been the President & Managing Director of KPJ Healthcare Berhad since 1 January 2013.

He also holds directorships in several KPJ hospitals as the Chairman.

Dato' Amiruddin contributes actively in the development of the Malaysian healthcare sector through his involvement with the Association of Private Hospitals of Malaysia (APHM), where he currently holds the role as Vice President.

Dato' Amiruddin gained significant experience in finance and management through his capacity as an Accountant and Finance Manager of several large and reputable organisations in the country.

Dato' Amiruddin is an alumnus of the Henley Business School, University of Reading, United Kingdom where he obtained his Masters in Business Administration (MBA) in 2010. He is also a member of the Association of Chartered Certified Accountants (ACCA).



2

AMINUDIN DAWAM Executive Director

Aminudin Dawam, a Malaysian, male, aged 53, was appointed to the Board as Non-Independent Non-Executive Director on 1 January 2014. With effect from 1 May 2015, he was re-designated as Executive Director of the Company.

He is also a member of the KPJ Board Tender Committee and Building Committee.

He joined Johor Corporation (JCorp) after graduation in 1988 before joining KPJ in 1992 as Operations Manager of Pharmicare Sdn Bhd for two years. He has managed various hospitals within the KPJ Group as the General Manager. He was the Commissioning Director for United Hospital, Dhaka, Bangladesh; before being appointed as the Group General Manager of KPJ from 2008 until 2011. Between 2011 and 2013, he joined Pantai Holdings Berhad as the Chief Operating Officer, Malaysia Operations overseeing the operations of both Pantai and Gleneagles hospitals in Malaysia.

He rejoined JCorp in September 2013 as the Senior Vice President, Business Development Division until 31 December 2016 and came fully on board as KPJ's Executive Director on 1 January 2017.

Aminudin holds a number of directorship/chairmanship/committees membership of various companies within the JCorp and the KPJ Group. Among others, he is a member of JCorp's Internal Audit Committee and Chairman of the Audit and Risk Committee of Industrial Development Division, as well as Chairman of the Tender Board Committee for Johor Land Berhad.

He graduated with a Bachelor of Business Administration (in Finance) from Sam Houston State University, Huntsville, Texas, USA in 1986 and completed his Masters' degree at the same university in 1988. He obtained Post-Graduate Diploma in Health Sciences & Hospital Management from South Bank University, London, United Kingdom in 1997.



3

JASIMAH HASSAN Vice President (I) Business Operations & Clinical Services

Jasimah Hassan, a Malaysian, female, aged 56, joined KPJ Healthcare in 1993 as the General Manager of Tawakkal Specialist Hospital. Since then, she has managed various hospitals and companies within the KPJ Group in various capacities as General Manager, Executive Director, Chairman of Hospital, and as Chairman of the Board of Puteri Nursing College Sdn Bhd from 2000 to 2011. Currently, she is the Deputy Chairman for the KPJ Healthcare University College.

Jasimah sits as a Board member for the Association of Private Hospital Malaysia (APHM); and has been the Honorary Treasurer for the Asian Society for Quality in Health (ASQUA) since 2007. She was previously the Treasurer of the Malaysian Society for Quality in Health (MSQH) from 1998 to 2010.

She graduated with a Bachelor of Science in Mathematics from Indiana University Bloomington, Indiana, USA and holds an MBA (Finance) from North Texas University, Texas, USA.



Executive Committee Members' Profiles



4

MOHD SAHIR RAHMAT

Vice President (I)

Corporate & Financial Services

Mohd Sahir Rahmat, a Malaysian, male, aged 53, joined the KPJ Group in 1991, where he has managed several companies within KPJ locally and abroad. He was the Group Chief Financial Officer since July 2011 and has also served as the Group's Senior Finance Manager. He went to become the Executive Director at KPJ Klang Valley hospitals, KPJ Johor Specialist Hospital, Kuching Specialist Hospital (Sarawak) and Damai Specialist Hospital (Sabah).

He is currently the Director and also Chairman of several hospitals and companies within the Group.

Mohd Sahir graduated with Bachelor in Accountancy from University Kebangsaan Malaysia and obtained his Postgraduate Diploma in Health Services and Hospital Management from South Bank University, London. He received his MBA from Henley Management College, London, UK in 2006.



5

DATO' ABDOL WAHAB BABA

Vice President (I)

Business Development Services

Dato Abdol Wahab Baba, a Malaysian, male, aged 60, has been in charge of Business Development, Strategic Planning and Intrapreneur Business for KPJ Healthcare since 2013.

Dato Wahab's career with the KPJ Group spans 27 years, holding several senior positions at several KPJ Hospitals in Malaysia and Jakarta. Prior to his current position, he served as the Chief Risk Officer from 2003 to 2013.

He currently sits as the Group Chairman on the Board of several other hospitals and companies within the KPJ Group. He is also the Deputy Chairman for SMC Healthcare Sdn Bhd, the operator of KPJ Sabah Specialist Hospital.

A Harvard University alumni, he holds an MBA from East London University (UEL); a Bachelor's Degree in Accounting from MARA University of Technology, UiTM; and a post-graduate Diploma in Healthcare from South Bank University.



6

DATIN SABARIAH FAUZIAH JAMALUDDIN

Vice President (II)

Group Talent Management Services

Datin Sabariah Fauziah, a Malaysian, female, aged 55, commenced her career in the banking industry prior to joining KPJ. She has since been with the KPJ Group for 23 years in various capacities including serving as General Manager of KPJ Hospitals. She currently oversees and manages the development of the Group's strategic human capital. The portfolio encompasses talent management, engagement of talents and managing the diversity of the talent pool. In collaboration with the Hospital Operations unit, she also manages the synergy of compensation and benefits, policies and procedures within the Group.

She is also the Integrity and Corporate Responsibility champion for the Group, spearheading the integrity framework, and overseeing Klinik Wakaf activities and other special projects.

Datin Sabariah Fauziah holds a Bachelor in Business Administration from Ohio University, United States; a Post-Graduate Diploma in Health Services and Hospital Management from South Bank University, United Kingdom; and a Masters in Business Administration from the University of Sunshine Coast, Australia.



7

MOHD JOHAR ISMAIL

Vice President (II)

Project Management, Bio Medical & International Operation Services

Mohd Johar Ismail, a Malaysian, male, aged 53, joined the KPJ Group in 1993 and currently oversees Project Management, Bio Medical and International Operation Services for KPJ. He also holds multiple portfolios within the Group, and sits as Chairman of KPJ Seremban Specialist Hospital, KPJ Kajang Specialist Hospital, Teraju Farma Sdn Bhd, Total Meal Solution Sdn Bhd, and Pride Outlet Sdn Bhd. He is also the Deputy Chairman of KPJ Ampang Puteri Specialist Hospital.

With his experience and track record for turning around hospitals and improving operational efficiencies, he also sits as a Director for KPJ Selangor Specialist Hospital, KPJ Klang Specialist Hospital, KPJ Miri Specialist Hospital, KPJ BDC Specialist Hospital, SMC Pusrawi Hospital, Sterile Services Sdn Bhd, and Healthcare Technical Services Sdn Bhd. He is an Executive Director of KPJ Dhaka (Ptd) Ltd and Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College in Bangladesh. Apart from that, he is the President Director of two hospitals in Indonesia namely PT Khidmat Rawatan Jasa Medika RS Permata Hijau and PT Khidmat Rawatan Jasa Medika RS Bumi Serpong Damai.

Mohd Johar started his career as an Internal Auditor with Perbadanan Kemajuan Ekonomi Negeri Johor (PKENJ) in 1988, and was seconded to JSEDC Group of Companies between year 1988 to year 1993.

Mohd Johar graduated with a Bachelor of Accountancy (Hons) from Universiti Kebangsaan Malaysia; and holds a Post Graduate Diploma in Health Management from South Bank University, England.



Executive Committee Members' Profiles



8

AHMAD NASIRRUDDIN HARUN

Senior General Manager
Strategic Support Services

Ahmad Nasirruddin Harun, a Malaysian, male, aged 54, holds several portfolios within the KPJ Group. He is the Chairman for KPJ Penang Specialist Hospital; deputy Chairman for KPJ Ipoh Specialist Hospital; Executive Director for KPJ University College (KPJUC); Executive Director for Pharmaserv Alliances Sdn Bhd; Lablink (M) Sdn Bhd and the Director-in-Charge for Jeta Gardens Aged Care, Australia. He is also the Chairman for Taiping Medical Centre, and Sri Manjung Specialist Centre, Perak.

Prior to joining KPJ Ipoh Specialist Hospital as an accountant in 1995, he started out as an auditor in Coopers & Lybrand in 1986.

He was awarded the Ahli Mahkota Perak (A.M.P) by his Royal Highness Sultan Dr Nazrin Muizzuddin Shah, Sultan of Perak in November 2016, for his contributions to the state's healthcare sector and sporting arena.

Ahmad Nasirruddin holds a Degree in Accountancy from MARA University of Technology, Shah Alam; a post-graduate Diploma in Health Services and Hospital Management from South Bank University, London, and a Master in Business Administration from Henley Business School, University of Reading, United Kingdom.



9

NORHAIZAM MOHAMMAD

Senior General Manager
Group Finance Services

Norhaizam Mohammad, a Malaysian, female, aged 44, joined KPJ in 2008 as the Head of Group Finance and Account Services. Within this portfolio, she oversees Group Financial Reporting and Budget, Treasury/Finance and Tax for the organisation. She is also a member of the Hospital Operations Committee, which oversees the financial operations of hospitals within the Group.

She is a certified representative and a member of UK Investors Relation Society and Malaysian Investor Relations Association (MIRA). She is also a member of the Malaysian Society for Quality in Health (MSQH), an accredited body for accreditation of public and private hospitals in Malaysia. She is currently the Honorary Treasurer of MSQH, a position she has held since December 2010.

Prior to joining KPJ, she was with Audit and Business Assurance Services, PricewaterhouseCoopers (PwC) Kuala Lumpur for 11 years.

Norhaizam graduated with a Bachelor in Accountancy and Finance (Hons) from Manchester Metropolitan University, United Kingdom, and also holds a Master Degree in Business Administration from the University East London, United Kingdom.



10

RAFEAH ARIFFIN

Senior General Manager

Group Marketing & Strategic Communications Services

Rafeah Ariffin, a Malaysian, female, aged 53, has more than 20 years of experience in Finance, Marketing and Corporate Communications, out of which more than 15 years has been in the healthcare sector.

Since joining KPJ in 2007, Rafeah has been instrumental in propelling the growth of KPJ's Health Tourism services to international tourists, which has seen the opening up of key markets including South East Asia and the Middle East. As head of Strategic Communications, she led the successful rebranding of KPJ which placed KPJ in the list of Malaysia's Top 100 Brands of Malaysia and garnered a 82% consumer brand recall as proven via an independent market survey. She is also CEO of KPJ Wellness and Lifestyle Programme, which currently has more than 20,000 members since its inception in 2008.

In 2013, Rafeah became an Alumni of INSEAD University and in the following year, received an award as being among the 100 Most Talented Global Marketing Leader by the World Marketing Congress.

She graduated from the University of North Texas with a Bachelor of Business Administration in Finance and a Master of Business Administration (Management).



11

MAH LAI HENG

Senior General Manager

Group Operations Services

Mah Lai Heng, a Malaysian, female, aged 58, was appointed Senior General Manager of the KPJ Group Clinical & Quality Services in 2012. In January 2015, she relinquished that role to focus on Business Operations as Executive Director for the East Malaysia Group of Hospitals, as well as Kuantan Specialist Hospital, Pahang, and KPJ Pahang Specialist Hospital. She is also the Company Director for several companies within the KPJ Group including Pharmicare Sdn Bhd, Medical Supplies (Sarawak) Sdn Bhd, SMC Healthcare Sdn Bhd and Amity Development Sdn Bhd.

Mah has held several positions across the KPJ network over her 20-year tenure with the Group. She was General Manager for KPJ Kuching Specialist Hospital and Chief Executive Officer of KPJ Penang Specialist Hospital. Mah first joined KPJ as a Nursing Tutor at KPJ's Putri Nursing College (now known as KPJ Healthcare University) in 1996.

She is also a facilitator and trained surveyor for the Malaysian Society Quality in Health since 2001.

Mah holds a degree in Nursing Sciences from University Malaya and completed her Advanced Critical Care Nursing from University South Australia. She obtained her Master in Business from the Henley Business School, University of Reading, United Kingdom, in 2009.



Executive Committee Members' Profiles



12

MOHD NASIR MOHAMED

Senior General Manager
Group Operations Services

Mohd Nasir Mohamed, a Malaysian, male, aged 56, joined KPJ in 1993 and has held various positions in companies and hospitals within the KPJ Group. At present, he is the Executive Director of six (6) hospitals in KPJ namely KPJ Ipoh Specialist Hospital, KPJ Penang Specialist Hospital, Kedah Medical Centre, Taiping Medical Centre, Sri Manjung Specialist Centre and KPJ Perlis Specialist Hospital. He also sits on the Board of several support companies within the Group namely Pharmaserv Alliances Sdn Bhd, Malaysian Institute of Healthcare Management, Healthcare IT Solutions Sdn Bhd, and Pride Outlet Sdn Bhd.

Prior to joining KPJ, he was in the corporate and commercial banking industry for seven (7) years.

Mohd Nasir graduated with Bachelor of Accounting Degree in 1985 from University of Abertay, Dundee, Scotland. He also holds a Post Graduate Diploma in Healthcare Services and Hospital Management from South Bank University, London, United Kingdom.



13

ROSLAN AHMAD

Senior General Manager
Group Operations Services

Roslan Ahmad, a Malaysian, male, aged 53, is the Executive Director of five (5) hospitals in the KPJ Group, - KPJ Ampang Puteri Specialist Hospital, KPJ Selangor Specialist Hospital, KPJ Kajang Specialist Hospital, KPJ Seremban Specialist Hospital and KPJ Perdana Specialist Hospital, Kota Bharu.

Roslan joined KPJ in 1996 as a Corporate Planner, before moving on to manage a number of KPJ hospitals namely KPJ Ampang Puteri Specialist Hospital; KPJ Johor Specialist Hospital; KPJ Ipoh Specialist Hospital; KPJ Selangor Specialist Hospital; and United Hospital in Dhaka, Bangladesh. Prior to joining KPJ, he was attached to the Malaysian Pineapple Industry Board in 1988 and served its London office for five (5) years until 1995.

He holds a Bachelor's degree in Accounting from University of Minnesota Duluth and a Master in Business Administration from Miami University in 1987. He also holds a Post Graduate Diploma in Hospital Management from South Bank University London.



14

DR. MUBBASHIR IFTIKHAR

General Manager

New Products & Services Development

Dr. Mubbashir Iftikhar, a Pakistani, male, aged 46, is in charge of developing KPJ's new products and services. Prior to taking on this portfolio, he served as KPJ's Chief Information Officer (CIO) from 2011 to 2015. Key projects he worked on included Cloud Enablement, KPJ Clinical Information Systems (KCIS), Picture Archiving and Communication Systems (PACS) and the web portals.

A medical doctor from University of Punjab, Lahore, Pakistan, he is overseeing a key area of business thrust, i.e. Innovation and Digitalisation, where a new appointment system has started to take shape and implemented in 4 hospitals in 2016. He is also leading important aspects of business from innovation standpoint.



15

ERIC SIM KAM SENG

Chief Information Officer

Information Technology Services

As Chief Information Officer (CIO), Eric Sim Kam Seng, a Malaysian, male, aged 48, heads KPJ's entire information technology (IT) portfolio, including managing five (5) IT divisions and overseeing the governance and integrity of IT services at all KPJ hospitals.

Eric was instrumental in KPJ's ongoing shift onto online digitisation, including the consolidation and digitisation of KPJ's entire clinical system online through the Clinical Information System (KCIS); and shifting KPJ's entire network onto cloud. Eric continues to focus on adopting a healthcare information management system framework by transforming earlier healthcare information system to a cloud computing version that would strengthen web based application, integration, data warehousing and big data analytic as the platform to create the opportunities for more product and services. Moving into cloud and cloud computing platform also enables KPJ to deliver shared services that can improve cost of investment to produce better outcome in productivity and financial savings.

He holds a Master in Business Management, major in Project Management from Asia e-University, Malaysia. He also holds several other qualifications, including in Business Management from University Bolton, UK, Computer Science from NCC & University Portsmouth United Kingdom, Financial Management from Institute Financial Accountants, United Kingdom and Electrical Engineering from City & Guilds, United Kingdom.

Notes:

None of the Executive Committee Members have:

- Any family relationship with any Director and / or major shareholder of KPJ.
- Any conflict of interest with KPJ.
- Any conviction for offences within the past five years (other than traffic offences).
- Any sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2016.

Hospital

Medical Directors



**DATO' AMIRUDDIN
ABDUL SATAR**
President & Managing Director



**DATUK DR
HUSSEIN AWANG**
KPJ Tawakkal Health Centre



**DR. CHAN
KHENG KHIM**
KPJ Tawakkal Specialist Hospital



**PROF. (C) DR. WAN
HAZMY CHE HON**
KPJ Seremban Specialist Hospital



**DR. R.
PADMANATHAN**
KPJ Penang Specialist Hospital



**DR. MAHAYIDIN
MOHAMMAD**
KPJ Perdana Specialist Hospital



**DR. KHALED
MAT HASSAN**
KPJ Kuantan Specialist Hospital



**DR. MOHD
HARRIS LU**
KPJ Sentosa KL Specialist Hospital



**DATO' DR.
N. SIVAMOHAN**
KPJ Klang Specialist Hospital



**DR. DAVID
LING SHENG TEE**
KPJ Kuching Specialist Hospital



**PROF. DATUK DR. AJAZ
AHMAD NAPIJAN**
KPJ Sabah Specialist Hospital



**DR. AB
RAZAK SAMUDIN**
KPJ Pasir Gudang Specialist Hospital



**DR. NOOR
HISHAM MANSOR**
KPJ Rawang Specialist Hospital



**DR. LEE
MIN CHUANG**
Sri Manjung Specialist Centre

Hospital Medical Directors



**DR RUSLI
ARSHAD**

KPJ Johor Specialist Hospital



**DATO' DR
FADZLI CHEAH**

KPJ Ipoh Specialist Hospital



**DATO' DR ABDUL
WAHAB ABDUL GHANI**

KPJ Ampang Puteri Specialist Hospital



**DR ROSLAN
MAHAMUD**

KPJ Damansara Specialist Hospital



**DR. BALAKRISHNAN
SUBRAMANIAM**

KPJ Kajang Specialist Hospital



**DATO' DR.
KAMARUZAMAN ALI**

Kedah Medical Centre



**PROF. (C) DATO' DR.
SHAHRUDIN MOHD DUN**

KPJ Selangor Specialist Hospital



**DR. SAHARUDIN
ABDUL JALAL**

KPJ Puteri Specialist Hospital



**DR. LIM
KEOK TANG**

Damai Specialist Hospital



**DR. AHMAD
FARID DAUD**

Kluang Utama Specialist Hospital



**DR. ONG
BOON TEIK**

Taiping Medical Centre



**DR. WONG
CHYA WEI**

Sibu Specialist Medical Centre



**DATO' DR. MAHMOOD
AWANG KECHIK**

KPJ Bandar Maharani Specialist Hospital



**DATO' DR.
NGUN KOK WENG**

KPJ Pahang Specialist Hospital



**DR NORAZLINA
BINTI BACHIK NG**

KPJ Pusat Pakar Mata Centre For Sight



Hospital Management Committee





4



8



12



16

1. DATO' AMIRUDDIN ABDUL SATAR

- President & Managing Director
- EXCO Chairman

2. AMINUDIN DAWAM

- Executive Director

3. JASIMAH HASSAN

- Vice President (I)
- Business Operation & Clinical Services

4. MOHD SAHIR RAHMAT

- Vice President (I)
- Corporate & Financial Services

5. DATO' ABDOL WAHAB BABA

- Vice President (I)
- Business Development Services

6. DATIN SABARIAH FAUZIAH JAMALUDDIN

- Vice President (II)
- Group Talent Management Services

7. MOHD JOHAR ISMAIL

- Vice President (II)
- Project Management, Bio Medical & International Operation Services
- Executive Director – International

8. AHMAD NASIRRUDDIN HARUN

- Senior General Manager
- Strategic Support Services

9. NORHAIZAM MOHAMMAD

- Senior General Manager
- Group Finance Services

10. RAFEAH ARIFFIN

- Senior General Manager
- Group Marketing & Strategic Communications Services

11. MAH LAI HENG

- Senior General Manager
- Group Operation Services
- Executive Director – Eastern Region

12. MOHD NASIR MOHAMED

- Senior General Manager
- Group Operation Services
- Executive Director – Northern Region

13. ROSLAN AHMAD

- Executive Director – Central Region (Southern)

14. DR. MUBBASHIR IFTIKHAR

- General Manager
- New Products & Services Development

15. ERIC SIM KAM SENG

- Chief Information Officer
- Information Technology Services

16. NORITA AHMAD

- Executive Director & Chief Executive Officer, KPJ Johor Specialist Hospital

Hospital Management Committee



17



18



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34

17. MOHD TAUFIK ISMAIL

- Executive Director - Central Region (Northern)

18. KHAIRUN AHMAD

- Executive Director & Chief Executive Officer, KPJ Puteri Specialist Hospital

19. DR. MUNIRAH KHUDRI

- Chief Executive Officer, KPJ Ampang Puteri Specialist Hospital

20. PROF. DR ABD AZIZ ABD RAHMAN

- Chief Executive Officer, KPJ Penang Specialist Hospital

21. MAISARAH OMAR

- Chief Executive Officer, KPJ Seremban Specialist Hospital

22. ASMADI MOHD BAKRI

- Chief Executive Officer, KPJ Ipoh Specialist Hospital

23. FAWZIAH MUHAMMAD

- Chief Executive Officer, KPJ Damansara Specialist Hospital

24. NORHALIDA ABDULLAH

- General Manager, KPJ Selangor Specialist Hospital

25. MOHD FARID SALIM

- Chief Executive Officer, KPJ Tawakkal Specialist Hospital

26. ALICE LIU GHEE VOON

- Chief Executive Officer, KPJ Kajang Specialist Hospital

27. ZABIDI ABDUL RAZAK

- Chief Executive Officer, Kedah Medical Centre

28. YASSER ARAFAT ISHAK

- Chief Executive Officer, KPJ Perdana Specialist Hospital

29. MIRANDA HARUMAL

- Chief Executive Officer, KPJ Sentosa KL Specialist Hospital

30. ROSNANI ISMAIL

- Chief Executive Officer, KPJ Klang Specialist Hospital

31. MOHD AZHAR ABDULLAH

- Chief Executive Officer, KPJ Pasir Gudang Specialist Hospital

32. ZAHARAH OSMAN

- Chief Executive Officer, KPJ Rawang Specialist Hospital

33. NOR AZLINA JEMAIN

- Chief Executive Officer, KPJ Sabah Specialist Hospital

34. MUHAMMAD BADRI HUSSIN

- Chief Executive Officer, KPJ Pahang Specialist Hospital

Hospital Management Committee



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35. WENDY VOO

- General Manager
- KPJ Damai Specialist Hospital

36. MOHAMAD SOFIAN ISMAIL

- General Manager
- KPJ Bandar Maharani Specialist Hospital

37. MOHAMAD HAFIZ ZAINI

- General Manager
- KPJ Kuching Specialist Hospital

38. HALIZA KHALID

- General Manager
- Kluang Utama Specialist Hospital

39. HAZARUL AZLY HAMZAH

- General Manager
- Taiping Medical Centre

40. DENIS SAVING BONIFACE

- General Manager
- Sibul Specialist Medical Centre

41. CHEOW JEN HURN

- General Manager
- Sri Manjung Specialist Centre

42. SHARIAN HUSSAIN

- General Manager
- KPJ Perlis Specialist Hospital

43. FEIRULSHA MOHD KHALID

- General Manager
- RS Medika Permata Hijau, Jakarta, Indonesia

44. YUSMAH SALLEH

- General Manager
- RS Medika Bumi Serpong Damai, Jakarta, Indonesia

45. MUHAMMAD GUNASINGAM

- General Manager
- Jeta Gardens, Brisbane, Australia

46. ZAITON SULAIMAN

- Chief Executive Officer
- Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College, Dhaka, Bangladesh

47. ZAINAL ABIDIN LAJAT

- General Manager
- Pharmaserv Alliances Sdn Bhd

48. NORA BUHARI

- General Manager
- Lablink (M) Sdn Bhd

49. ZAWARI ABDULLAH

- General Manager
- Sterile Services Sdn Bhd

50. FARAHYAH BADRI

- General Manager
- KPJ Tawakkal Health Centre

51. SITI ZAILA IDRUS

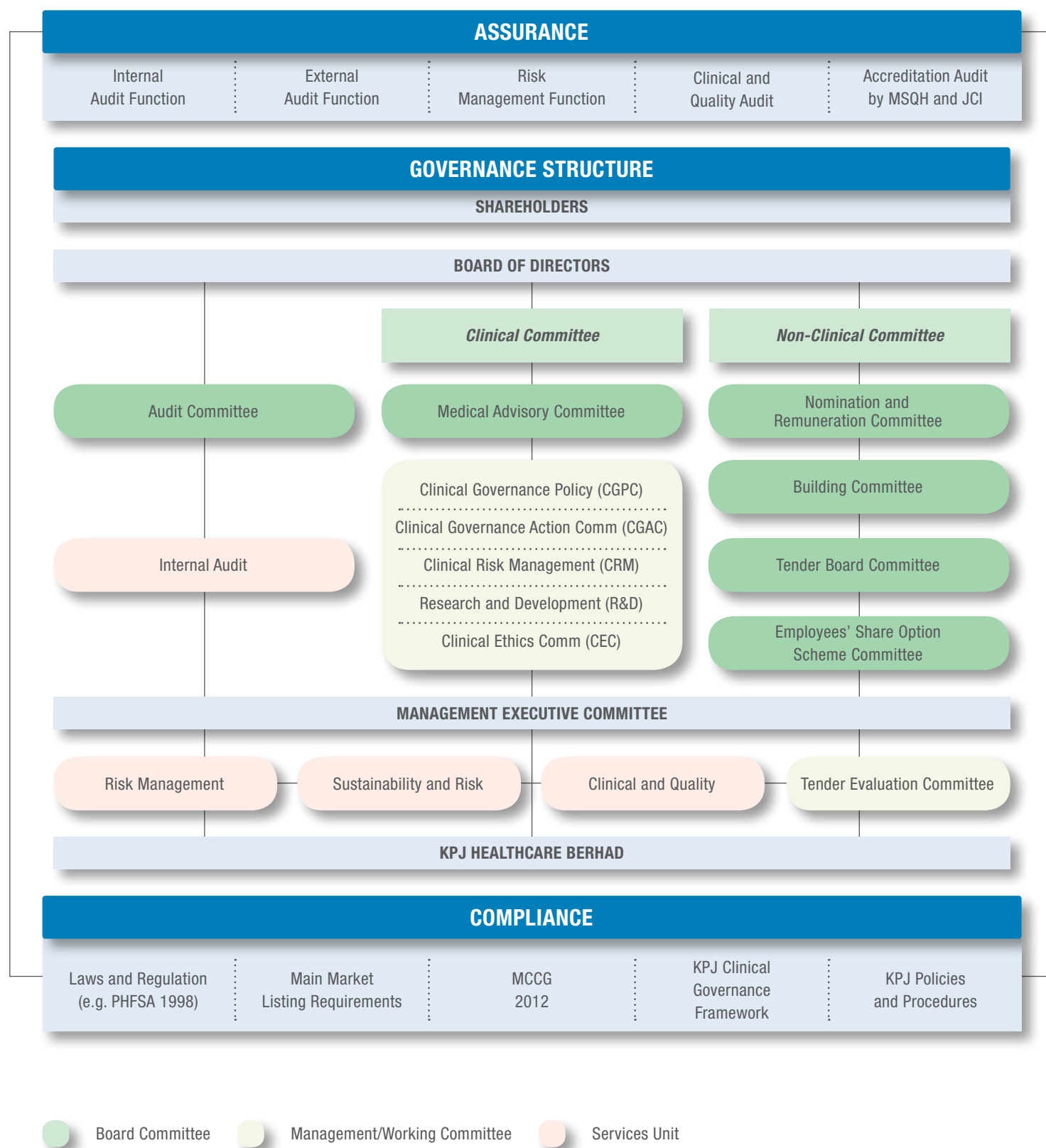
- General Manager
- KPJ Healthcare University College

52. CHRISTINE CHEW WAI FONG

- General Manager
- KPJ Pusat Pakar Mata Centre for Sight

Statement on Corporate Governance

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





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.

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 2016 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 & 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 & 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 & 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 & Managing Director of the Company.

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

The Board has also developed and approved the Corporate Objectives for 2016, for which the President & 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 & 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 120 to 130 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.

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.

Statement on Corporate Governance

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 MCGG 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 2017 – 2021 was tabled, discussed and approved by the Board at its meeting on November 2016. 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 165 to 168 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 69 to 70 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 75 to 77 and 164 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 165 to 171 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.



The Group also has in place a comprehensive Policy of Whistle-Blowing that outlines the Group's commitment to promote highest standards of the governance, ethics and integrity in all aspects of business dealings. The Policy of Whistle-Blowing is available at www.kpjhealth.com.my

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 balancing of Economic, Environment and Social (EES) aspects in operating a competitive and ethical business through good processes and policies which are applied to all stakeholders.

The Group's commitment to the evolving EES is disclosed in the Sustainability Statement on pages 82 to 104.

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.

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 & 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 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 are available to the public on the Group website at www.kpjhealth.com.my.

Statement on Corporate Governance

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 November 2016, the Board approved to extend the term of Aminudin Dawam as Executive Director for 2 years with effect from 1 January 2017 to 31 December 2018. The NRC meeting was held as follows:

MEMBER OF THE COMMITTEE	30 NOVEMBER 2016
Dato' Kamaruzzaman Abu Kassim – Chairman, Non-Independent Non-Executive Director	√
Tan Sri Datin Paduka Siti Sadiyah Sheikh Bakir – Independent Non-Executive Director	√
Datuk Azzat Kamaludin – Independent Non-Executive Director	√
Zainah Mustafa – Independent Non-Executive Director	√

The Chairman of the NRC shall be available to answer questions about the NRC matters at the Annual General Meeting (AGM) of the Company.

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 & 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 & 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)	TOTAL (RM)
President & Managing Director					
Dato' Amiruddin Abdul Satar	1,363,000	113,000	50,000	32,000	1,558,000
Executive Director					
Aminudin Dawam	-	89,000	-	-	89,000
Non-Independent Non-Executive Director					
Dato' Kamaruzzaman Abu Kassim ^(a)	-	166,000	-	-	166,000
Ahamad Mohamad ^(a)	-	85,000	-	-	85,000
Zulkifli Ibrahim ^(a)	-	88,000	-	-	88,000
Independent Non-Executive Director					
Zainah Mustafa	-	103,000	-	-	103,000
Datuk Azzat Kamaludin ^(c)	-	100,000	2,000	-	102,000
Dr. Kok Chin Leong ^(d)	-	185,000	-	-	185,000
Dr. Yoong Fook Ngian ^(b)	-	306,000	-	-	306,000
Tan Sri Datin Paduka Siti Sadiyah Sheikh Bakir	-	391,000	31,000	21,000	443,000
Prof. Dato' Dr. Azizi Omar	-	80,000	24,000	-	104,000

(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)



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 2016 which was conducted in February 2017, 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 1 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 & Managing Director

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

Statement on Corporate Governance

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 2016 the schedule of meetings were fixed in December 2014.

During the year ended 31 December 2016, the Board convened four (4) meetings on the following dates and venues:

DATE	VENUE
29 February 2016	Level 16, Menara 238, Kuala Lumpur
19 May 2016	Puteri Pacific Hotel, Johor Bahru
29 August 2016	KPJ Pahang Specialist Hospital, Kuantan
30 November 2016	KPJ Selangor Specialist Hospital, Shah Alam

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:

BOARD MEMBERS	29 FEBRUARY 2016	19 MAY 2016	29 AUGUST 2016	30 NOVEMBER 2016
Dato' Kamaruzzaman Abu Kassim	√	√	√	√
Dato' Amiruddin Abdul Satar	√	√	√	√
Tan Sri Datin Paduka Siti Sa'diah Sheikh Bakir	√	√	√	√
Prof. Dato' Dr. Azizi Omar	√	√	√	√
Datuk Azzat Kamaludin	√	√	√	√
Zainah Mustafa	√	√	√	√
Aminudin Dawam	√	√	√	√
Dr. Yoong Fook Ngian	√	√	√	√
Dr. Kok Chin Leong	√	√	√	√
Zulkifli Ibrahim	√	√	√	√
Ahamad Mohamad	√	√	√	√

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:

Corporate Governance (including audit, risk management & internal control)

NAME	COURSES/WORKSHOP	DATE	ORGANISER
1. Dato' Kamaruzzaman Abu Kassim (Keynote Address)	Governance Symposium 2016: Driving Public-Private Governance Forward	18 August	Malaysian Institute of Corporate Governance & Institut Akauntan Malaysia
2. Dato' Amiruddin Abdul Satar	Comparative Analysis of PERS, MPERS and MFRS Frameworks	16-17 May	The Malaysian Institute of Certified Public Accountants
3. Aminudin Dawam	Corporate Governance Summit 2016	21-22 March	Asian World Summit
	Corporate Governance Breakfast Series With Directors: The Cybersecurity Threat And How Board Should Mitigate The Risks	18 November	Bursa Malaysia
4. Tan Sri Datin Paduka Siti Sa'diah Sheikh Bakir As a speaker	Bursa Malaysia Independent Directors Programme: The Essence of Independence	21 March	Chemical Company Malaysia Berhad
	The Institute of Internal Auditors Malaysia 2016 Audit Committee Conderence: Setting the Right Tone	29 March	The Institute of Internal Auditors Malaysia
	International Forum on Quality and Safety in Healthcare	12-15 April	Institute for Healthcare Improvement (IHI) & BMJ
	Fraud Risk Management: Whose Responsibility Is It?	8 September	MICG
	ISQua's 33rd International Conference Tokyo 2016-12-07 Change and Sustainability in Healthcare Quality: the Future Challenges	16-19 October	International Society for Quality in Healthcare (ISQua)
	Corporate Governance Breakfast Series With Directors: The Cybersecurity Threat And How Board Should Mitigate The Risks	18 November	Bursa Malaysia
	Women's Institute Management (WIM) Conference 2016: On Integrity and Governance for Company Directors (Public & Private Sectors)	21-22 November	Women's Institute Management (WIM)
5. Datuk Azzat Kamaludin	Bursa Sustainability Engagement Series For Directors / CEOs	2 June	Bursa Malaysia
	Corporate Governance Breakfast Series With Directors: The Cybersecurity Threat And How Board Should Mitigate The Risks	18 November	Bursa Malaysia
6. Zainah Mustafa	Fraud Risk Management: Whose Responsibility Is It?	8 September	MICG
	Corporate Training to Board of Directors of Damansara Realty Berhad – Business Sustainability	26 August	Bursatra
7. Dr. Yoong Fook Ngian	Independent Directors Program: The Essence of Independence	29 September	Bursa Malaysia
8. Dr. Kok Chin Leong	Independent Directors Program: The Essence of Independence	29 September	Bursa Malaysia
9. Prof. Dato' Dr. Azizi Omar	Mandatory Accreditation Program	2-3 March	Bursatra
	Directors Duties, Business Ethics & Governance Seminar 2016	28 April	Bursatra
	Independent Directors Program: The Essence of Independence	29 September	Bursatra

Statement on Corporate Governance

Leadership, Legal & Business Management

NAME	COURSES/WORKSHOP	DATE	ORGANISER
1. Dato' Kamaruzzaman Abu Kassim	Meetings and Dinner with YUM in Plano, Dallas, USA	17-20 January	YUM
	KEEP Top Management Session 1	21 February	Johor Corporation
	KEEP for Johor Corporation Leadership and Top Management	25 April	Johor Corporation
	JLP Engagement Session with The President & Chief Executive of Johor Corporation	4 September	Johor Corporation
	Mini Misi Kesenambungan Bisnes Johor Corporation	4 October	Johor Corporation
	Balance Scorecard Workshop For Top Management	16-17 October	Johor Corporation
	Bengkel Nilai Teras Johor Corporation 2.0 Untuk Pengurusan Atasan – Good To Great	13 November	Johor Corporation
	International Franchise Convention	30 May - 5 June	KFC/Pizza
	Pizza Hut Brand Conference	26-29 November	KFC/Pizza
2. Dato' Amiruddin Abdul Satar	Penyertaan Anggota Pekerja Johor Corporation Di Dalam Jcorp Premier Brown Bag Session	4 October	Johor Corporation
3. Aminudin Dawam	Knowledge Empowerment Program for JCorp Leadership & Top Management	24 - 25 April	Johor Corporation
4. Tan Sri Datin Paduka Siti Sa'diah Sheikh Bakir	CCMB Group Directors & Senior Management Training (#34/2016): TTPA Corporate Liability Law & Anti-Corruption Compliance: Big Opportunities Great Challenges- What's your next move?	21 July	Chemical Company Berhad Malaysia
5. Zulkifli Ibrahim	Achieving Business Continuity Through Innovation and Corporate Responsibility	4 October	Johor Corporation
6. Datuk Azzat Kamaludin	LTAT- Power Talk "What Will Distinguish The Great Boards Of Tomorrow"	25 July	MINDA – Malaysian Directors Academy
7. Ahamad Mohamad	Knowledge Empowerment Programme (KEEP) for JCorp Leadership & Top Management	21 February	Johor Corporation
	Penyertaan Anggota Pekerja Johor Corporation Di Dalam Jcorp Premier Brown Bag Session	4 October	Johor Corporation
	Engagement Session with President & Chief Executive JCorp – Johor Corporation Leadership Programme (JLP)	4 September	Johor Corporation
	Session with YB Dato' Kamaruzzaman Abu Kassim – Johor Corporation Leadership Programme (JLP)	8 May	Johor Corporation

Financial and Capital Markets

NAME	COURSES/WORKSHOP	DATE	ORGANISER
1. Dato' Kamaruzzaman Abu Kassim	Johor International Bioeconomy Conference 2016	24 October	Johor Biotechnology & Biodiversity Corporation (J-Biotech)
	12th WIEF Jakarta, Indonesia	1-2 August	World Islamic Academic Forum
	Economic Walk Through Session	12 October	Johor Corporation
2. Aminudin Dawam	Invest Malaysia KL	12-13 April	Bursa Malaysia & Maybank
3. Datuk Azzat Kamaludin	Khazanah Megatrends Forum 2016	26-27 September	Khazanah Nasional



Industry

NAME	COURSES/WORKSHOP	DATE	ORGANISER
1. Dato' Amiruddin Abdul Satar	APHM Healthcare Conference 2016: Safe & EFFICIENT Hospitals – Healthy Outcomes for both patients and shareholders?	1-3 June	Association Of Private Hospitals, Malaysia (APHM)
2. Aminudin Dawam	KPJ Medical Workshop & Exhibition	12-13 November	KPJ Healthcare Berhad
3. Tan Sri Datin Paduka Siti Sa'diah Shekh Bakir (as a panellist)	KPJUC 3rd International Conference on Multidisciplinary Healthcare	25 May	KPJ University College
(As a moderator)	3rd Retirement Living & Senior Care SEA Conference – Advisory Board for Retirement Living & Senior Care World Southeast Asia 2016	28 September	Retirement Living & Senior Care World Southeast Asia 2016
	MSQH Healthcare Summit 2016: Enhancing Ethical, Safe and Quality Care through Patient & Family Engagement – Do Malaysian Healthcare Service Providers Have the Values to Deliver Ethical, Safe and Quality Care?	1 December	Malaysian Society for Quality in Health (MSQH)
4. Dr. Yoong Fook Ngian	KPJ Medical Workshop & Exhibition	12-13 November	KPJ Healthcare Berhad
	APHM Healthcare Conference 2016: Safe & EFFICIENT Hospitals – Healthy Outcomes for both patients and shareholders?	1-3 June	Association Of Private Hospitals, Malaysia (APHM)
5. Prof. Dato' Dr. Azizi Omar	KPJ Medical Workshop & Exhibition	12-13 November	KPJ Healthcare Berhad
	APHM Healthcare Conference 2016: Safe & EFFICIENT Hospitals – Healthy Outcomes for both patients and shareholders?	1-3 June	Association Of Private Hospitals, Malaysia (APHM)
	Consensus Guideline on use of Omalizumab in difficult asthma	5 March	Ministry of Health
	MTS Annual Congress 2016	28-31 July	Malaysian Thoracic Society (MTS)

Technology

NAME	COURSES/WORKSHOP	DATE	ORGANISER
1. Dato' Amiruddin Abdul Satar	The Evolution of Retail Asia Pacific: Innovation and Disruption	12-13 October	i2i Events Ltd
2. Datuk Azzat Kamaludin	GSMA Mobile World Congress Shanghai	29 June - 1 July	GSM Association
3. Dr. Kok Chin Leong	Corporate Directors Advanced Programme (CDAP): Cybersecurity Risk Management for the Boardroom and C-Suite	24 March	Malaysia Directors Academy
	KPJ Cyber Security Workshop 2016	14 June	KPJ Healthcare Berhad

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 2016 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 190 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 2016, the External Auditors attended all four (4) Audit Committee Meetings which were held on 18 February 2016, 9 May 2016, 5 August 2016 and 14 November 2016. They also attended the Company's 23rd AGM held on 19 May 2016.

The Audit Committee met with the External Auditors without the presence of the Executive Board Member and Senior Management twice (2) during the year, on 18 February 2016 and 5 August 2016. The Board is of the view that the External Auditors are independent and they are reappointed 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 (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 120 to 130 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 161 to 171 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.

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.

MEMBER OF THE COMMITTEE	14 FEBRUARY 2016	29 APRIL 2016	11 AUGUST 2016	1 NOVEMBER 2016
Tan Sri Datin Paduka Siti Sadiyah Sheikh Bakir (Chairman) – Independent Non-Executive Director	√	√	√	√
Dato' Amiruddin Abdul Satar – President & Managing Director	√	x	√	x
Dr. Yoong Fook Ngian – Independent Non-Executive Director	√	x	√	√
Aminudin Dawam – Executive Director	√	√	√	√

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 which were held on 18 February, 5 May, 4 August and 3 November. This Committee chaired by Dr. Yoong Fook Ngian, Independent Non-Executive Director.

The functions and activities carried out by the Committee are set out under the Medical Advisory Committee Report on pages 172 to 177 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.

In 2016, the TBC held three (3) meetings to evaluate major purchases, awards of contracts and made its recommendations to the Board accordingly.

MEMBER OF THE COMMITTEE	10 MAY 2016	7 OCTOBER 2016	29 NOVEMBER 2016
Zulkifli Ibrahim (Chairman) – Non-Independent Non-Executive Director	√	√	x
Datuk Azzat Kamaludin – Independent Non-Executive Director	√	√	√
Aminudin Dawam – Executive Director	√	√	√
Dr. Yoong Fook Ngian – Independent Non-Executive Director	√	x	√
Dato' Amiruddin Abdul Satar – President & Managing Director	√	√	√

Statement on Corporate Governance

Employees' Share Option Scheme (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 regards to amongst others, eligibility, options offer and allocation, basis of allotment, termination and appeals, if any.

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 2016, the ESOS Committee met once (1) in 2016 to deliberate and approve the ESOS options granted to employees.

MEMBER OF THE COMMITTEE	29 AUGUST 2016
Dato' Kamaruzzaman Abu Kassim (Chairman) – Chairman	√
Zainah Mustafa – Independent Non-Executive Director	√
Datuk Azzat Kamaludin – Independent Non-Executive Director	√

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:

- President & Managing Director
- Executive Director
- Vice President I – Business Operations & Clinical Services
- Vice President I – Corporate and Financial Services
- Vice President I – Business Development & Intreprenuer Services
- Vice President II – Project Management, Commissioning, Bio Medical and International Operation Services
- Vice President II – Group Talent Management Services
- Senior General Manager – Group Operations
- Senior General Manager – Group Strategic Support Services & Education
- Senior General Manager – Group Finance Services
- Senior General Manager – Group Marketing, Corporate Communication & Public Relation Services
- Senior General Manager – Group Operations / Credit Management
- Senior General Manager – Group Operations / Informatics Management
- Chief Information Officer – Information Technology Services
- 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 2016, the TEC met four (4) times on 28 January 2016, 11 April 2016, 19 July 2016 and 21 November 2016 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 165 to 167 and 171 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 15 experienced Internal Auditors of various disciplines. In 2016, the Group spent around RM2.2 million on the Internal Audit function in terms of employee remuneration and benefits.

Sustainability and Risk Committee (SRC)

The KPJ's Sustainability and Risk Committee has been established to assist KPJ Board of Directors fulfilling its oversight responsibilities in relation to KPJ Group's objective, policies and practices pertaining to Economic, Environment and Social (ESS) risks and achieve compliance with sustainable development, responsibilities and commitments and strive for an industry leadership position on sustainability.

The Committee is organised from the management staff of KPJ as follows:-

- a) Dato' Amiruddin Abdul Satar – President & Managing Director (Chairman)
- b) Mohd Sahir Rahmat – Vice President (I) Corporate & Financial Services
- c) Dato' Abdul Wahab Baba – Vice President (I) Business Development & Entrepreneur Services
- d) Datin Sabariah Fauziah Jamaluddin – Vice President (II) Group Talent Management Services
- e) Rafeah Ariffin – Senior General Manager - Group Marketing, Corporate Communication & Public Relation Services
- f) Mohd Taufik Ismail – Executive Director Central Region (Northern)
- g) Khairul Annuar Azizi – General Manager - Risk, Compliance & Investor Relations Services

In 2016, the SRC met two (2) times on 9 September and 9 November 2016 and conducted an internal materiality workshop which involved key persons of every services on 13 December 2016.

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.

Statement on Corporate Governance

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 & 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 & 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.

Poll Voting

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

Before the AGM, the Chairman will inform the shareholders prior to the discussion of the resolutions on the casting of votes by poll. An Independent scrutineer will be appointed to validate the votes cast at the AGM.

At the 23rd Annual General Meeting held on 19 May 2016, 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 180 to 181. 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 & 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 20 February 2017.

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 Policy of Whistle-Blowing 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.

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.

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, Biomedical & International Operation 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.

Statement on Risk Management and Internal Control

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 150 to 164 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 spent RM10.3million in 2016 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 2016, 1 executive obtained her Master degree from Universiti Teknologi Malaysia (UTM). Since this program was started in 2005, 87 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, 18 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 organizational 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.

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 2017.

KCIS and HITS likely will come to an end of implementation in 2017, making its way for 2nd generation products, like migration to web-based and cloud computing solution and shared services. KCIS2 and HITS2 will enable greater integration between hospitals enterprise wide with Mobility and Internet of Things capability to enhance management, care providers and customers (patient) experience and expectation. The Group is looking at improving our data warehousing with the 2nd generation products and also introduce Big Data Analytics to tap into Group's vast data and provide greater insight for informed decision-making.

KPJ Data Centre and Private Cloud implemented since 2014 is a good learning curve into cloud technology and cloud computing knowledge and experience. KPJ will continue its migration from its present 13 sites to achieve 30 sites by end of 2018.

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.

Statement on Risk Management and Internal Control

Insurance Coverage

The Group has in place an adequate insurance coverage to protect its major assets against any mishaps. The coverage is reviewed yearly taking into account the changes in risk profiles and business activities.

All specialists, medical officers and other healthcare professionals of KPJ Group are covered by the Medical Malpractice Insurance to mitigate against medico-legal risks in the course of performing their duties.

The fire incident at KPJ Sabah which is explained in the Business Continuity Management section on pages 178 to 179 of this Annual Report triggered claims against the Fire, Fire Consequential Loss and Electronic Equipment insurance policies. All the losses suffered have all been compensated by the insurers.

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 2016, 25 clinical audits and 9 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 interest 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 2016, MSQH conducted 5 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 31st December 2016. 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 Member



DR KOK CHIN LEONG
Member
Independent Non-Executive Director



ZAINAH MUSTAFA
Chairman
Independent Non-Executive Director



DATUK AZZAT KAMALUDIN
Member
Independent Non-Executive Director

1. COMPOSITION AND ATTENDANCE

1.1 COMPOSITION

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

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 <i>Chairman</i>	Independent Non-Executive Director	5/5
Datuk Azzat Kamaludin <i>Member</i>	Independent Non-Executive Director	5/5
Dr Kok Chin Leong <i>Member</i>	Independent Non-Executive Director	5/5

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 Main Market Listing Requirements which stipulates at least one of the Committee members fulfilling the financial expertise requisite.

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

1.2 ATTENDANCE

AC meetings for 2016 were pre-arranged in December 2015 and communicated to the members early to ensure their time commitment. A minimum of four (4) meetings a year shall be planned, although additional meetings may be called at any time at the Chairman's discretion.

The quorum for all five (5) meetings held during financial year 2016 was fulfilled. The meetings were held on 18 February 2016, 15 March 2016, 9 May 2016, 5 August 2016 and 14 November 2016 respectively.

The Company Secretaries act as the AC Secretary in 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 year 2016, the External Auditors attended three (3) out of five (5) meetings which was held on 18 February 2016, 15 March 2016 and 5 August 2016 respectively. Separate private sessions were also conducted without Management's presence on 18 February 2016 and 5 August 2016.

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

2. SUMMARY OF WORK

During the year 2016, the Committee carried out the following work:

a) Financial results

- i) Reviewed the quarterly unaudited financial result announcements before recommending the same to the Board for approval; and
- ii) Reviewed the Company's compliance, in particular the quarterly and year-end financial statements, with Listing Requirements of Bursa Malaysia, 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 to promote and improve risk management awareness and processes; and
- ii) Reviewed the risk profile of the Group and major initiatives having significant impact on the business.

c) Internal Audit

- i) Reviewed and approved the revised Audit Charter;
- ii) Reviewed and approved the annual audit plan for the year 2015/2016 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 the appropriate actions were taken to correct the weaknesses; and
- v) Assessed the status of audit activities as compared to the approved annual audit plan.

d) External Audit

- i) Reviewed the audit plan, audit strategy and scope of work for the year;
- ii) Reviewed the results of the interim and annual audit, audit reports, Management Letter together with Management's response to their findings and "Key Audit Matters";
- iii) Assessed the independence and objectivity of the external auditors during the year and prior to appointment of the external auditors for adhoc non-audit services. The Committee also received from the external auditors their policies and written confirmation regarding their independence and the measures used to control the quality of their work;
- iv) Deliberated on the updated development in Financial Reporting and Regulatory Environment;
- v) Assessed the performance of the External Auditors and recommended their appointment and remuneration to the Board of Directors; and
- vi) Met with the External Auditors without the presence of Management on 18 February 2016 and 5 August 2016 respectively.

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 on IT strategies issues.
- 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 157 to 159.



3. 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.

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

Internal Audit Services reports functionally to the Audit Committee and administratively to President, and 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 Audit Committee and aligned with the International Professional Practice Framework on Internal Auditing 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.

The total costs incurred for maintaining the internal audit function for the financial year ended 31 December 2016 is approximately RM2.2 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 had the following work undertaken for the financial year 2016:-

- i) Reviewed and appraised the adequacy and integrity of the internal financial controls so as to ensure that it provides a reasonable but not absolute assurance that assets are properly safeguarded;
- ii) Ascertained the effectiveness of Management in identifying principal risks and managed such risks through the Risk Management Framework set-up by the Group;
- iii) Ascertained the level of compliance with Group's plans, policies, procedures and adherence to laws and regulations;
- iv) Appraised the effectiveness of administrative and financial controls applied and the reliability and integrity of data that is produced within the Group;
- v) Performed follow-up reviews of previous audit reports to ensure appropriate actions are implemented to address control weaknesses highlighted;
- vi) Carried out investigations and special reviews requested by the Committee and/or Management;
- vii) Witnessed the tender opening process for procurement of services or assets. The witnessing process is to ensure the activities in the tendering process are conducted in a fair, transparent and consistent manner; and
- viii) Prepared the Audit Committee Report for the Company's Annual Report for financial year ended 31 December 2016.

During the financial year ended 31 December 2016, Internal Audit Services accomplished a total of 83 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 are also performed.

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

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

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.”

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.

At the Group level, the Group Medical Advisory Committee (MAC) develops and monitors clinical governance activities and guidelines for the Group (Figure 1).

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.

Safety is a priority at KPJ. 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.

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

KPJ PATIENT SAFETY GOALS

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

These goals were first initiated in 2009 and have been reviewed several times since then. In 2016, the patient safety goals were reviewed again and with additional changes in several practices as illustrated in Figure 2: KPJ Patient Safety Goal 2016.

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.

Antimicrobial resistance has been identified as a major threat by the World Health Organisation due to the lack of new antibiotics in the development pipeline and infections caused by multi-drug resistant pathogens becoming untreatable.

Hence, KPJ has developed our own guideline providing practical recommendations on reporting antibiotic resistance and antibiotic consumption focusing on surveillance and feedback mechanisms.

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 providers to follow hand hygiene guidelines.

KPJ Group of hospitals have also embarked into Patient for Patient Safety (PFPS) drive by encouraging patients to ask whether the healthcare provider has washed his or her hands before reaching out to them.

The commitment towards hand hygiene program is obvious as seen in the involvement of the hospitals in participating in the Asia Pacific Hand Hygiene Excellence Award.

The Hand Hygiene Excellence Award (HHEA) was introduced in 2010 in Asia Pacific after World Health Organisation (WHO) introduced their global campaign “Saves Lives: Clean Your Hands. This award is conceived as a platform to recognise and honour those hospitals and healthcare-providers that have used their creativity and knowledge to improve patient safety through successful implementation of the WHO multimodal strategy in their healthcare facility.

KPJ Tawakkal Specialist Hospital wanted to demonstrate their distinction in successfully reducing Hospital Acquired Infection (HAI) rates by implementing a Hand Hygiene Program that focused on changes in the system, training and education, evaluation and feedback and checklists as reminders to ensure hand hygiene is consistently practised at the workplace. By showing their enthusiasm and creativity in their hand hygiene program, they have successfully been shortlisted for the Asia Pacific Hand Hygiene Excellence Award (APHHEA).



QUALITY

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 that all KPJ Hospitals are to be certified are Hospital Accreditation by Malaysia Society of Quality Healthcare (MSQH) and Integrated Management Systems (IMS). These quality initiatives ensure that the hospitals adhere to all safety requirements enforced by national bodies i.e. Ministry of Health (MOH), Fire Department (BOMBA), Department of Environment (DOE) & Department of Safety & Health (DOSH). (Tables 1, 2 & 3)

Another part of the hospitals' Quality activities is by encouraging innovation via Innovative Creative Circle (ICC) projects and Suggestion Scheme activities and competitions within the Group and at National and International levels. (Table 4)

Figure 1: Clinical Governance Structure

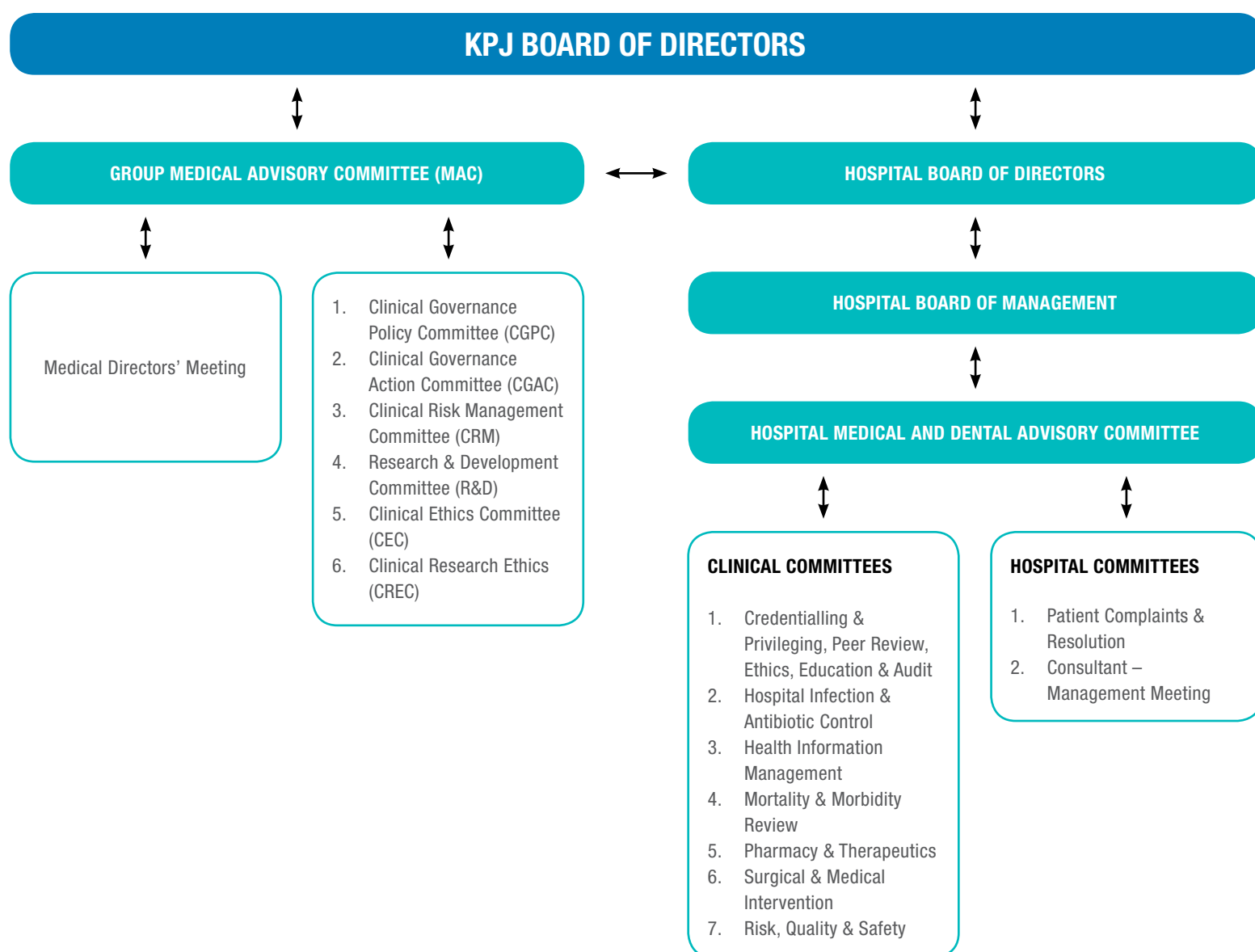


Figure 2: KPJ Patient Safety Goals (additional requirements)

	PSG 1: IDENTIFY PATIENT CORRECTLY Identification (ID) tag / card required for both inpatient and outpatient; To ask patient for two identifier that the patient is familiar with.
	PSG 2: IMPROVE THE EFFECTIVENESS OF COMMUNICATION AMONG CAREGIVERS Critical values (laboratory and diagnostic imaging), need to be reported directly to the ordering physician within 30 minutes; Use of SBAR (Situation Background Assessment Recommendation).
	PSG 3: IMPROVING THE SAFETY OF USING MEDICATIONS Review HAM list to include concentrate electrolyte; Establish tracking process of drug Propofol and other psychotropic drugs; Review LASA (Look Alike Sound Alike) drug list; Review appropriateness of the drugs before administration.
	PSG 4: ENSURE CORRECT SITE, CORRECT PROCEDURE, CORRECT PATIENT SURGERY One single way to do site marking – to only use “arrow” symbol (↗); Time out process to be done prior to all procedures; To inform & educate patient and family the importance of site marking.
	PSG 5: HAND HYGIENE TO REDUCE HOSPITAL ACQUIRED INFECTION All staff and doctors are required to practice hand hygiene at all times; Patient engagement in hand hygiene (HH) is encouraged; Hand Hygiene with soap and water for patient with Clostridium difficile infection; Process of Hand Hygiene audit using WHO format.
	PSG 6: REDUCE THE RISK OF PATIENT HARM RESULTING FROM FALL To assess risk level to fall for all inpatients and outpatients; Physical restraint prescribed by Consultant after getting consent from family members; Restraint site to be checked periodically; Frequency of reassessment is daily; Patients in Labour room, ICU and paediatric wards are automatically categorised as ‘high risk’ for fall.



Table 1: List of Accredited Hospitals

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

Table 2: Hospitals with IMS Certification

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

Medical Advisory Committee (MAC) Report

Table 3: Hospitals with BFHI and Certification

HOSPITALS	BFHI CERTIFIED	BFH INITIATIVE
1. KPJ Ampang Puteri Specialist Hospital	√	
2. KPJ Seremban Specialist Hospital	√	
3. KPJ Penang Specialist Hospital	√	
4. KPJ Johor Specialist Hospital	√	
5. KPJ Damansara Specialist Hospital	√	
6. KPJ Ipoh Specialist Hospital	√	
7. KPJ Selangor Specialist Hospital	√	
8. KPJ Perdana Specialist Hospital	√	
9. KPJ Kajang Specialist Hospital	√	
10. KPJ Tawakkal Specialist Hospital	√	
11. KPJ Puteri Specialist Hospital	√	
12. KPJ Sentosa KL Specialist Hospital	√	
13. Kedah Medical Centre	√	
1. KPJ Klang Specialist Hospital		√
2. KPJ Pasir Gudang Specialist Hospital		√
3. KPJ Rawang Specialist Hospital		√

Table 4: Winners in Quality Competitions at National and International Levels

NATIONAL LEVEL – Team Excellence Competition by MPC	
HOSPITALS	PLACING / AWARD
1. KPJ Damansara Specialist Hospital	1st runner up for QE / 5S
2. KPJ Ampang Puteri Specialist Hospital	2nd runner up for QE / 5S

INTERNATIONAL LEVEL - International Convention ICC 2016, Bangkok	
HOSPITALS	PLACING / AWARD
1. KPJ Johor Specialist Hospital	Gold Award
2. Kedah Medical Centre	Gold Award

Medical Advisory Committee (MAC)



DR. YOONG FOOK NGIAN

- KPJHB Board Member
- Chairman of MAC



**DATO' AMIRUDDIN
ABDUL SATAR**

- President & Managing Director, KPJHB



DR. KOK CHIN LEONG

- KPJHB Board Member
- Chairman, Group Clinical Governance Policy Committee (CGPC)



PROF. DATO' DR. AZIZI OMAR

- KPJHB Board Member
- Chairman, Group Research & Development Committee (R&D)



DATUK DR. HUSSEIN AWANG

- Chairman, Medical Directors' Committee



**PROF. (C) DATO'
DR. SHAHRUDIN MOHD DUN**

- Chairman, Group Clinical Governance Action Committee (CGAC)



**DATO' DR. ZAKI
MORAD MOHD ZAHER**

- Chairman, Group Clinical Ethics Committee (CEC)



DATO' DR. NGUN KOK WENG

- Chairman, Group Clinical Risk Management (CRM)



DR. MOHD HAFETZ AHMAD

- Chairman, Group Research Ethics Review Committee (RERC)



DATO' DR. S. JENAGARATNAM

- Consultant Anaesthetist, KPJ Ipoh Specialist Hospital



JASIMAH HASSAN

- Vice President (I) Business Operations and Clinical Services



MAH LAI HENG

- Senior General Manager, Group Business Operations



GUNAVATHY KALEE

- Deputy General Manager, Clinical & Quality Services (CQS)



DR. ALIZA JAMALUDDIN

- Senior Corporate Manager, CQS

Business Continuity Management

KPJ has a Business Continuity Management (BCM) plan in place to ensure that critical business processes can be maintained or restored in the event of a major internal or external incident. KPJ adopted the requirements of the Private Healthcare Facilities and Services Act 1998 (Act 586), Occupational Safety and Health 1994 (Act 514), JCI and MSQH standards in formulating the BCM.

OBJECTIVES OF BCM

- i. To provide policy framework for response and management of both internal and external disaster situations that may affect the running of the hospital operations and the safety of patients, staff, visitors and hospital facilities.
- ii. To be able to manage disaster efficiently, from identifying and declaring of disaster, alerting the relevant authorities and managing the disaster' site and the victims involved.
- iii. Identify responsibilities of individuals and services in the event of a disaster situation at any time of the day.

DESIGN OF BCM

- i. Provide logical and flexible chain of command to allow the maximum use of resources during an emergency or disaster.
- ii. Attend promptly and efficiently to all individuals requiring medical attention.
- iii. Minimise injury or illness to people, damage or loss of organisation's property and records.
- iv. Provide maximum safety and protection for patients, visitors and staff.
- v. Respond appropriately and quickly, and when necessary, integrate KPJ Disaster & Emergency Management Plan with the emergency / mass casualty disaster plan of the relevant support organisations.
- vi. Maintain and restore all operational services as quickly as possible following the emergency / disaster.
- vii. Coordinate with other KPJ Hospitals and relevant government / statutory agencies where necessary for resources and support.
- viii. Provide supportive action in the event of an external emergency or disaster.

The continuity of business is ensured through a continuous cycle of activities that includes the followings:-

- Developing and reviewing of contingency plans with all steps and actions to be taken in case of a disruption event
- Various scenarios to be prepared against different adverse situations
- Continuous control and monitoring of events that can impact the business
- Testing, from simulation exercises to full testing, to ensure the validity of the plan and involve and provide training to the staff

KPJ Hospitals fulfil a central role in disaster response; possess robust emergency management plans that address the mitigation preparedness and response phases of the disaster management cycle.

BCM FOR INFORMATION TECHNOLOGY

Business Continuity Management in Information Technology (IT) is a holistic approach to manage technology system in the event of a major disruption.

KPJ IT Services has adopted ISO27001 (Information Security Management System) to develop KPJ IT Security Management System (ISMS) framework to identify the scope and implement policies to manage and overcome security threats to its systems and the mitigation plan to minimise the risks to its clients.

Managing the information security and cyber security risks is an ongoing process to continuously identify new security threats to the systems and assess the effectiveness of the controls implemented. Assessing information security risk provides clarity on what assets needs to be protected and determines why it is at risk.

RISK ASSESSMENT SHALL BE CARRIED OUT TO:-

- Ensure Security policies are in place to govern access control and asset management to avoid leakage of information per the requirements of PDPA
- Consider new threats and vulnerabilities
- Confirm that controls remain effective and appropriate
- Confirm the risk that remains after the control for the treatment of risk have been implemented



FIRE INCIDENT IN KPJ SABAH SPECIALIST HOSPITAL (KPJ SABAH)

On Monday, 11 July 2016 at approximately 5.17am, an early-morning electrical fire at the Main Switch Board (MSB) Room resulted in total power shutdown and smoke contamination at the hospital. The fire was successfully contained by Bomba Kota Kinabalu, Sabah and did not cause any injury to patients or staff.

IMMEDIATE ACTION TAKEN	
CLINICAL ACTIONS	NON-CLINICAL ACTIONS
All patients involving 3 ICU patients and 20 inpatients were safely evacuated to the nearby KPJ Damai Specialist Hospital (KPJ Damai) for safety and continued medical treatment.	Lodged report to relevant authorities (Bomba and Police Department) and Insurance Companies for further investigation.
Mobilisation of nurses and other support services to KPJ Damai to ensure continuous patient care patients and facilitate services.	Temporary cabling work to restore power to the hospital to enable it to resume operation as soon as possible.
Our KPJ Sabah consultants continuously extend their services to patients by having temporary clinic sessions at KPJ Damai.	Energising of lighting system, chillers, calibrating and testing of major clinical and support facilities and biomedical equipment were commenced within 7 days.
Support services like imaging and laboratory services was also extended by KPJ Damai and other private hospitals around Kota Kinabalu.	This was to ensure all clinical and critical areas can function without interruptions. At the same time, arrangements were made to restore / replace the damaged MSBs and equipment.
Due to the interruption, all emergency admissions and surgeries were redirected to KPJ Damai. Arrangements were also made for 6 Oncology patients to continue their radiotherapy treatment at KPJ Damansara in Petaling Jaya. All expenses incurred for the arrangement for patients and their accompanying family members were borne by KPJ Sabah.	

The BCM in KPJ Group has been proven to be effective. The hospital managed to transfer patients safely without any untoward incident within 1 hour of evacuation ordered by Bomba. Nevertheless, arising from this incident, the Group took this opportunity to refine further the BCM framework based on the valuable experience gained.

The KPJ Sabah fire incident experience were shared with the other hospitals in the Group to create awareness and take proactive action to review their own facilities and access their readiness and competency to handle a similar disaster.



Compliance Information

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

1. UTILISATION OF SUKUK PROGRAMME

In year 2015, Point Zone (M) Sdn Bhd has raised RM1,500 million to be utilised for refinancing outstanding amount of previous Islamic Commercial Papers/Islamic Medium Term Notes Programme of up to RM500 million and to finance the expansion and working capital requirements of the KPJ Groups' healthcare related businesses.

	AMOUNT UP TO (RM MILLION)
At 1 January 2016	700.0
Issued during the financial year	(100.0)
At 31 December 2016	600.0

2. TREASURY SHARES

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

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 and payable RM253,480 in relation 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 19 May 2016, 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 19 MAY 2016 TO DATE OF NEXT AGM RM'000	FREQUENCY OF TRANSACTIONS
Johor Corporation	Secretarial fees payable	385	Monthly
Pro Corporate Management Services Sdn Bhd	Registrar fees payable	250	Monthly
HC Duraclean Sdn Bhd	Housekeeping contract fees payable	14,271	Monthly
Healthcare Technical Services Sdn Bhd	Project management and maintenance fees of non-medical equipment	9,913	Contract basis
Teraju Fokus Sdn Bhd	Security services fees payable	5,372	Monthly
TMR Urusharta (M) Sdn Bhd	Project management and maintenance fees of lab premises payable	139	Contract basis
MIT Insurance Brokers Sdn Bhd	Insurance coverage payable	5,000	Contract basis
Damansara Asset Sdn Bhd	Building management service fees payable	1,331	Monthly
Metro Parking (M) Sdn Bhd	Rental Income for renting of land for car park	3,000	Monthly
Al-'Aqar Healthcare REIT	Rental payable for renting of retirement village building and aged care facility in Australia	11,500	Monthly
		51,161	

Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 to prepare the financial statements for each financial year which have been made out in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, and the Bursa Malaysia Securities Berhad Listing Requirements.

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

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

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Companies Act, 1965.

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

Financial Statements

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Directors' Report

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 2016.

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
Net profit for the financial year	155,875	108,632
Profit attributable to:		
Owners of the Company	149,195	108,632
Non-controlling interest	6,680	-
	155,875	108,632

DIVIDENDS

The dividends paid or declared by the Company since 31 December 2015 are as follows:

	RM'000
In respect of the financial year ended 31 December 2015:	
Fourth interim single tier dividend of 1.75 sen per share on 1,040,687,247 ordinary shares, declared on 29 February 2016 and paid on 15 April 2016.	18,212
In respect of the financial year ended 31 December 2016:	
First interim single tier dividend of 1.80 sen per share on 1,043,764,179 ordinary shares, declared on 19 May 2016 and paid on 21 July 2016.	18,788
Second interim single tier dividend of 1.50 sen per share on 1,046,704,826 ordinary shares, declared on 29 August 2016 and paid on 18 October 2016.	15,701
Third interim single tier dividend of 1.50 sen per share on 1,047,978,551 ordinary shares, declared on 21 December 2016 and paid on 11 January 2017.	15,720
	68,421

The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2016.

Directors' Report (continued)

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 RM527,246,303 to RM531,784,276 as follows:

- (a) RM66 through the issuance of 132 ordinary shares of RM0.50 each by way of the conversion of Warrants 2014/2019 at an exercise price of RM4.01 per warrant.
- (b) RM4,537,907 through the issuance of 9,075,814 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

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

Directors' Report (continued)

EMPLOYEES' SHARE OPTION SCHEME

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

The Company was granted an exemption by the Companies Commission of Malaysia via a letter dated 20 February 2017 from having to disclose in this report the names of the persons to whom less than 195,000 options have been granted and details of their holdings pursuant to Section 169(11) of the Companies Act, 1965. Other than the Directors, the persons to whom 195,000 and more options have been granted comprise the following:

	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH				GRANTED OPTIONS
	AT 1.1.2016	GRANTED	(EXERCISED)	AT 31.12.2016	AT 31.12.2016
Mohd Sahir bin Rahmat	250,000	-	-	250,000	250,000
Jasimah bt Hassan	225,000	-	(35,000)	190,000	250,000
Dato' Abdol Wahab bin Baba	225,000	-	(90,000)	135,000	225,000
Sabariah Fauziah bte Jamaluddin	200,000	20,000	(14,000)	206,000	220,000
Ahmad Nasirruddin bin Harun	200,000	-	-	200,000	200,000
Mohd Nasir bin Mohamed	200,000	-	(50,000)	150,000	200,000
Mah Lai Heng	200,000	-	(10,000)	190,000	200,000
Roslan bin Ahmad	175,000	20,000	-	195,000	195,000
Norita binti Ahmad	175,000	20,000	-	195,000	195,000
Tan Sri Dato' Dr. Yahya Awang	50,000	-	-	50,000	200,000

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

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	
Aminudin bin Dawam	(Executive Director)
Datuk Azzat bin Kamaludin	
Zainah binti Mustafa	
Ahamad bin Mohamad	
Dr Kok Chin Leong	
Dr Yoong Fook Ngian	
Zulkifli bin Ibrahim	
Prof Dato' Dr Azizi bin Haji Omar	

In accordance with Article 96 of the Company's Articles of Association, Dato' Amiruddin bin Abdul Satar, Aminudin bin Dawam, Zulkifli bin Ibrahim and Dr Kok Chin Leong, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' Report (continued)

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 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, warrants and options over ordinary shares in the Company and its related corporation during the financial year are as follows:

	NUMBER OF ORDINARY SHARES OF RM0.50 EACH			
	AT 1.1.2016	ACQUIRED	(SOLD)	AT 31.12.2016
KPJ Healthcare Berhad				
Dato' Amiruddin bin Abdul Satar	6,266	-	-	6,266
Aminudin bin Dawam	11,197	-	-	11,197
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir				
- Direct	1,147,124	200,000	(147,124)	1,200,000
- Indirect (Amy Nadzlina binti Mohamed)	19,583	-	(17,500)	2,083
Datuk Azzat bin Kamaludin	94,000	-	-	94,000
Zainah binti Mustafa	-	200,000	-	200,000
Ahamad bin Mohamad	1,125	-	-	1,125
Dr Kok Chin Leong	249,100	51,000	(20,000)	280,100
Dr Yoong Fook Ngian				
- Maybank Noms (T) Sdn Bhd	370,666	-	(77,000)	293,666

	NUMBER OF ORDINARY SHARES OF RM0.50 EACH			
	AT 1.1.2016	ACQUIRED	(SOLD)	AT 31.12.2016
Kulim (Malaysia) Berhad				
Dato' Kamaruzzaman bin Abu Kassim				
- Maybank Noms (T) Sdn Bhd	200,000	800,000	(1,000,000)	-
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir	378,000	84,750	(462,750)	-
Datuk Azzat bin Kamaludin	-	10,000	(10,000)	-
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 1.1.2016	GRANTED	(EXERCISED)/ (LAPSED)	AT 31.12.2016
KPJ Healthcare Berhad				
Dato' Kamaruzzaman bin Abu Kassim	-	24,000	-	24,000
Dato' Amiruddin bin Abdul Satar	532	-	-	532
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir				
- Direct	109,498	-	-	109,498
- Indirect (Amy Nadzlina binti Mohamed)	1,666	-	-	1,666
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

	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH			
	AT 1.1.2016	GRANTED	(EXERCISED)	AT 31.12.2016
KPJ Healthcare Berhad				
Dato' Amiruddin bin Abdul Satar	500,000	-	-	500,000
Aminudin bin Dawam	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	-	(51,000)	149,000
Zainah binti Mustafa	200,000	-	(200,000)	-
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir	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, warrants and options over ordinary shares in the Company or shares, options over ordinary 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:

- 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
- 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.

Directors' Report (continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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 of 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 of 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 of 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 of 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 of 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 of 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 of the Company for the financial year in which this report is made, other than as disclosed in the financial statements.

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 20 February 2017.



DATO' KAMARUZZAMAN BIN ABU KASSIM
DIRECTOR



DATO' AMIRUDDIN BIN ABDUL SATAR
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 196 to 279 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016 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 requirements of the Companies Act, 1965.

The supplementary information set out in Note 42 on page 280 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 20 February 2017.



DATO' KAMARUZZAMAN BIN ABU KASSIM
DIRECTOR



DATO' AMIRUDDIN BIN ABDUL SATAR
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 196 to 280 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: 20 February 2017

Before me:



COMMISSIONER FOR OATHS

Independent Auditors' Report

To the Members of KPJ Healthcare Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of KPJ Healthcare Berhad (“the Company”) and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 196 to 279.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

Independent Auditors' Report

To the Members of KPJ Healthcare Berhad (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matter

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of property, plant and equipment and investment properties Refer to Notes 2.8, 2.9, 2.35, 5, 16 and 17 to the financial statements. The Group carries its land and buildings at values approximating its fair value and investment properties at fair value at year end. As at 31 December 2016, the carrying amounts of property, plant and equipment amounted to RM1,966.5 million, of which RM1,038.6 million is carried at valuation approximating its fair value. Investment properties carried at fair value as at 31 December 2016 amounted to RM280.4 million. The valuation of the Group's land and buildings and investment properties is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future income for that particular property. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuation assumptions, when aggregated, could result in material misstatement, is why we have given specific audit focus and attention to this area. The valuations were carried out by independent professional valuers which were engaged by the Group.	External valuations We read the valuation reports for selected land and buildings and investment properties and discussed the reports with each of the valuers. We found that the valuation approach for each property was performed in accordance with MFRS 13 "Fair value measurement" and suitable for use in determining the fair values of land and buildings and investment properties as at 31 December 2016. From our discussions with management and the valuers, and our understanding of the valuation reports, we noted that the valuers have considered factors related to each property's individual characteristics and its overall quality, geographic location and desirability as a whole in arriving at the fair value. There was no evidence of management bias or influence on the valuers in relation to these factors. We evaluated the valuers' competence, capabilities, and objectivity by checking the valuers' qualifications and their registration to the Board of Valuers, Appraisers and Estate Agents Malaysia website. We read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered other engagements which might exist between the Group and the valuers. We found no evidence to suggest that the objectivity of any valuers in their performance of the valuations was compromised. Assumptions Land and buildings For the land and buildings revalued this year, the fair values were determined based on the Cost Method which entails separate valuations of the land and buildings to arrive at the fair value. The land was valued by reference to transactions of similar lands in the surrounding area with adjustments made for difference in location, terrain, size and shape of the land, tenure, title restrictions, if any, and other relevant characteristics. The buildings were valued by reference to their depreciated replacement costs, i.e. the replacement cost less an appropriate adjustments for depreciation or obsolescence to reflect the existing condition of the buildings at the date of valuation. We tested a sample of land valued for reasonableness of comparisons made by the valuers by comparing the fair values with the average values of several similar land in and around the area. We found the comparisons to be within a reasonable range.

Independent Auditors' Report

To the Members of KPJ Healthcare Berhad (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matter (continued)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of property, plant and equipment and investment properties (continued)	Assumptions (continued) <i>Land and buildings (continued)</i> For a sample of buildings valued, we obtained an understanding of the basis of adjustments with the valuers and checked the reasonableness of the adjustments made to the current replacement cost. We found the adjustments to be reasonable. <i>Investment properties</i> The valuations of the Group's investment properties were primarily based on the Investment Method. We carried out procedures to test the data inputs underpinning the valuations by agreeing them back to tenancy agreements to confirm the lettable area and average rental; and agreeing outgoings to actual expenses incurred during the financial year. We also checked the term yield used by the valuer to comparable peers. We have also checked the adequacy of disclosures in the financial statements. Based on the procedures performed, we did not identify any material exceptions.

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

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and contents in the 2016 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Independent Auditors' Report

To the Members of KPJ Healthcare Berhad (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

Independent Auditors' Report

To the Members of KPJ Healthcare Berhad (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

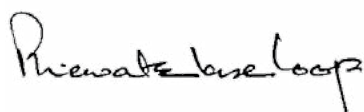
- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the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

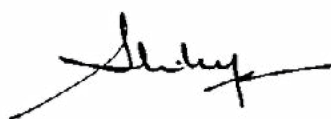
This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants



SHIRLEY GOH

01778/08/2018 J

Chartered Accountant

Kuala Lumpur
20 February 2017

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2016

	NOTE	GROUP		COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	7	3,021,094	2,847,593	188,121	158,715
Cost of sales		(2,123,062)	(2,021,222)	-	-
Gross profit		898,032	826,371	188,121	158,715
Administrative expenses		(687,844)	(644,617)	(64,652)	(42,893)
Other income		33,175	39,082	-	-
Operating profit		243,363	220,836	123,469	115,822
Finance income	8	16,298	13,731	-	-
Finance costs	8	(83,137)	(64,157)	(15,011)	(22,625)
Finance costs - net		(66,839)	(50,426)	(15,011)	(22,625)
Share of results of associates		33,647	39,198	-	-
Profit before zakat and tax	9	210,171	209,608	108,458	93,197
Zakat	12	(3,807)	(2,280)	(280)	(277)
Taxation	13	(50,489)	(62,199)	454	(454)
Net profit for the financial year		155,875	145,129	108,632	92,466
Other comprehensive income:					
Item that may be subsequently reclassified to profit or loss:					
Currency translation differences		(71)	(3,923)	-	-
Item that will not be reclassified to profit or loss:					
Gains on revaluation of land and building	16	19,692	58,114	-	-
Deferred tax on revaluation surplus	13	(4,172)	(10,629)	-	-
Other comprehensive income for the financial year, net of tax		15,449	43,562	-	-
Total comprehensive income for the financial year		171,324	188,691	108,632	92,466
Profit for the financial year attributable to:					
Owners of the Company		149,195	135,330	108,632	92,466
Non-controlling interests		6,680	9,799	-	-
		155,875	145,129	108,632	92,466
Total comprehensive income for the financial year attributable to:					
Owners of the Company		164,644	178,892	108,632	92,466
Non-controlling interests		6,680	9,799	-	-
		171,324	188,691	108,632	92,466
Earnings per share attributable to Owners of the Company:					
- Basic (sen)	15(a)	13.69	13.04		
- Diluted (sen)	15(b)	11.93	11.16		

Statements of Financial Position

As at 31 December 2016

		GROUP		COMPANY	
		2016	2015	2016	2015
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	16	1,966,535	1,831,949	-	-
Investment properties	17	280,436	279,833	-	-
Intangible assets	18	245,567	252,126	-	-
Investments in subsidiaries	20	-	-	1,016,201	981,496
Investments in associates	21	391,540	475,495	-	-
Available-for-sale financial assets	22	2,146	282	1,864	-
Deferred tax assets	23	18,757	18,956	-	-
Trade and other receivables	24	34,621	32,661	-	-
		2,939,602	2,891,302	1,018,065	981,496
Current assets					
Inventories	25	47,119	48,053	-	-
Trade and other receivables	24	555,518	517,375	35,384	427
Amounts due from subsidiaries	24	-	-	390,355	370,193
Tax recoverable		33,861	25,646	7,724	6,924
Deposits, bank and cash balances	26	359,399	433,206	4,112	1,866
		995,897	1,024,280	437,575	379,410
Total assets		3,935,499	3,915,582	1,455,640	1,360,906
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	28	490,922	616,883	16,233	9,188
Amounts due to subsidiaries	28	-	-	174,280	197,905
Current tax liabilities		12,047	18,225	-	-
Borrowings	29	333,445	359,149	160,000	130,000
Deferred revenue	30	76,804	78,849	-	-
Dividend payable		15,720	18,181	15,720	18,181
		928,938	1,091,287	366,233	355,274
Net current assets/(liabilities)		66,959	(67,007)	71,342	24,136

Statements of Financial Position

As at 31 December 2016 (continued)

	NOTE	GROUP		COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current liabilities					
Trade and other payables	28	-	-	241,269	258,559
Borrowings	29	1,242,313	1,178,881	-	-
Deferred tax liabilities	23	63,041	69,177	-	-
Provision for retirement benefits	31	2,548	2,298	-	-
Deposits	32	13,930	13,914	-	-
		1,321,832	1,264,270	241,269	258,559
Total liabilities		2,250,770	2,355,557	607,502	613,833
Net assets		1,684,729	1,560,025	848,138	747,073
Equity attributable to Owners of the Company					
Share capital	33	531,784	527,246	531,784	527,246
Share premium		178,141	147,827	178,141	147,827
Less: Treasury shares		(54,777)	(54,777)	(54,777)	(54,777)
Reserves		939,940	851,287	192,990	126,777
		1,595,088	1,471,583	848,138	747,073
Non-controlling interests		89,641	88,442	-	-
Total equity		1,684,729	1,560,025	848,138	747,073
Total equity and liabilities		3,935,499	3,915,582	1,455,640	1,360,906

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2016

	ORDINARY 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 2016	527,246	147,827	(54,777)	156,708	694,579	1,471,583	88,442	1,560,025
Comprehensive income:								
Net profit for the financial year	-	-	-	-	149,195	149,195	6,680	155,875
Other comprehensive income:								
Currency translation differences of foreign subsidiaries	-	-	-	(71)	-	(71)	-	(71)
Revaluation surplus	-	-	-	15,520	-	15,520	-	15,520
Reclassification of unrealised gain in relation to an associate (Note 21)	-	-	-	(33,572)	-	(33,572)	-	(33,572)
Total other comprehensive income	-	-	-	(18,123)	-	(18,123)	-	(18,123)
	527,246	147,827	(54,777)	138,585	843,774	1,602,655	95,122	1,697,777
Transactions with Owners:								
Issue of share capital:								
- Warrants	1	1	-	(1)	-	1	-	1
- ESOS	4,537	30,313	-	(1,815)	-	33,035	-	33,035
	4,538	30,314	-	(1,816)	-	33,036	-	33,036
Dividends on ordinary shares (Note 14)	-	-	-	-	(68,421)	(68,421)	-	(68,421)
ESOS expenses during the financial year	-	-	-	27,818	-	27,818	-	27,818
Lapsed ESOS	-	-	-	(388)	388	-	-	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	(5,481)	(5,481)
Total transactions with Owners	4,538	30,314	-	25,614	(68,033)	(7,567)	(5,481)	(13,048)
At 31 December 2016	531,784	178,141	(54,777)	164,199	775,741	1,595,088	89,641	1,684,729

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2016 (continued)

	ORDINARY 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:								
Net profit for the financial year	-	-	-	-	135,330	135,330	9,799	145,129
Other comprehensive income:								
Currency translation differences 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
Transactions with Owners:								
Issue of share capital:								
- 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
Dividends on ordinary shares (Note 14)	-	-	-	-	(81,405)	(81,405)	-	(81,405)
ESOS expenses during the financial year	-	-	-	26,477	-	26,477	-	26,477
Lapsed ESOS	-	-	-	(1,307)	1,307	-	-	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	(5,767)	(5,767)
Change in ownership interest in subsidiaries	-	-	-	-	-	-	(5,370)	(5,370)
Total transactions with Owners	11,872	77,320	-	24,237	(80,098)	33,331	(11,137)	22,194
At 31 December 2015	527,246	147,827	(54,777)	156,708	694,579	1,471,583	88,442	1,560,025

Company Statement of Changes in Equity

For the Financial Year Ended 31 December 2016

	ORDINARY SHARE CAPITAL (NOTE 33) RM'000	SHARE PREMIUM RM'000	TREASURY SHARES RM'000	WARRANT RESERVES RM'000	SHARE OPTION RESERVES RM'000	RETAINED EARNINGS RM'000	TOTAL EQUITY RM'000
Company							
At 1 January 2016	527,246	147,827	(54,777)	31,693	24,496	70,588	747,073
Net profit for the financial year	-	-	-	-	-	108,632	108,632
Transactions with Owners:							
Issue of share capital:							
- Warrants	1	1	-	(1)	-	-	1
- ESOS	4,537	30,313	-	-	(1,815)	-	33,035
	4,538	30,314	-	(1)	(1,815)	-	33,036
Dividends on ordinary shares (Note 14)	-	-	-	-	-	(68,421)	(68,421)
ESOS - expense during the financial year	-	-	-	-	27,818	-	27,818
Lapsed ESOS	-	-	-	-	(388)	388	-
Total transactions with Owners	4,538	30,314	-	(1)	25,615	(68,033)	(7,567)
At 31 December 2016	531,784	178,141	(54,777)	31,692	50,111	111,187	848,138
At 1 January 2015	515,374	70,507	(54,777)	31,952	-	58,220	621,276
Net profit for the financial year	-	-	-	-	-	92,466	92,466
Transactions with Owners:							
Issue of share capital:							
- 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
Dividends on ordinary shares (Note 14)	-	-	-	-	-	(81,405)	(81,405)
ESOS - expense during the financial year	-	-	-	-	26,477	-	26,477
Lapsed ESOS	-	-	-	-	(1,307)	1,307	-
Total transactions with Owners	11,872	77,320	-	(259)	24,496	(80,098)	33,331
At 31 December 2015	527,246	147,827	(54,777)	31,693	24,496	70,588	747,073

Statements of Cash Flows

For the Financial Year Ended 31 December 2016

	NOTE	GROUP		COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating activities					
Profit before zakat and tax		210,171	209,608	108,458	93,197
Adjustments for:					
Share of results of associates		(33,647)	(39,198)	-	-
Finance income	8	(16,298)	(13,731)	-	-
Finance costs	8	83,137	64,157	15,011	22,625
Dividend income from subsidiaries		-	-	(141,546)	(111,482)
Trade receivables:					
- Impairment	24	11,113	5,814	-	-
- Reversal of impairment loss	24	(957)	(947)	-	-
Impairment of goodwill	18	16,356	-	-	-
Share based payments		27,818	26,477	4,300	3,037
Loss/(gain) on fair value on investment properties	17	92	(11,421)	-	-
Gain on disposal of shares in associates (net)		(13,960)	(1,577)	-	-
Gain on disposal of non-current assets held for sale		-	(5,986)	-	-
Property, plant and equipment:					
- Depreciation	16	129,874	118,713	-	-
- Written-off		10,398	6,374	-	-
- (Gain)/loss on disposal		(9,886)	154	-	-
Inventories written-off		186	120	-	-
Available-for-sale financial assets written-off		-	6	-	-
Amortisation of software development expenditure		2,145	456	-	-
Operating profit/(loss) before working capital changes		416,542	359,019	(13,777)	7,377
Changes in working capital:					
Inventories		748	(3,606)	-	-
Receivables		(46,459)	(109,085)	(7)	(398)
Payables		(146,766)	(73,440)	(2,402)	(2,038)
Deferred revenue		(2,045)	65,837	-	-
Related companies		-	-	(102,124)	(27,593)
Cash flows generated from/(used in) operations		222,020	238,725	(118,310)	(22,652)

Statements of Cash Flows

For the Financial Year Ended 31 December 2016 (continued)

	NOTE	GROUP		COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Zakat paid		(3,807)	(2,280)	(280)	(277)
Income tax refund		8,907	24,452	108	-
Income tax paid		(83,898)	(71,837)	(454)	(416)
Net cash generated from/(used in) operating activities		143,222	189,060	(118,936)	(23,345)
Investing activities					
Additions to property, plant and equipment		(258,035)	(344,562)	-	-
Additions to intangible assets	18	(11,942)	(8,920)	-	-
Additions to investment properties		-	(130)	-	-
Purchase of available-for-sale financial assets	22	(1,864)	-	(1,864)	-
Proceeds from disposal of property, plant and equipment	16	23,195	9,788	-	-
Proceeds from disposal of non-current assets held for sale		-	38,900	-	-
Acquisition of subsidiaries, net of cash acquired	20	69	(1,988)	-*	-
Subscription of share capital of subsidiaries	20	-	-	(15,805)	-
Proceeds from sale of interest in subsidiaries		254	-	-	-
Proceeds from disposal of shares in associates		75,101	9,286	-	-
Interest received		16,298	13,731	-	-
Decrease in deposits with licensed banks	26	2,519	4,135	528	-
Advances to subsidiaries		-	-	20,162	(140,500)
Dividends received from associates/subsidiaries		22,889	27,675	141,546	111,482
Net cash (used in)/generated from investing activities		(131,516)	(252,085)	144,567	(29,018)

* Represents RM1

Statements of Cash Flows

For the Financial Year Ended 31 December 2016 (continued)

		GROUP		COMPANY	
		2016	2015	2016	2015
	NOTE	RM'000	RM'000	RM'000	RM'000
Financing activities					
Grant income received	16	5,467	1,245	-	-
Advances from subsidiaries		-	-	-	133,112
Acquisition of non-controlling interests		-	(7,839)	-	-
Dividends paid to non-controlling interests		(5,481)	(5,767)	-	-
Issue of shares:					
- Warrants		1	5,249	1	5,249
- Restricted issue		-	63,733	-	63,733
- ESOS		33,035	12,274	33,035	12,274
Borrowings:					
- Drawdown		164,386	1,201,945	30,000	130,000
- Repayments		(132,208)	(915,303)	-	(250,000)
Interest paid		(83,137)	(64,157)	(15,011)	(22,625)
Dividends paid to shareholders		(70,882)	(83,527)	(70,882)	(83,527)
Designated account	26	(474)	(7,632)	-	-
Net cash (used in)/generated from financing activities		(89,293)	200,221	(22,857)	(11,784)
 NET CHANGES IN CASH AND CASH EQUIVALENTS		(77,587)	137,196	2,774	(64,147)
CURRENCY TRANSLATION DIFFERENCES		275	(4,099)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		412,437	279,340	1,338	65,485
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	26	335,125	412,437	4,112	1,338

NON-CASH TRANSACTION

The principal non-cash transaction during the financial year is the acquisition of property, plant and equipment of which RM2,890,000 (2015: RM16,412,000) is by means of finance lease arrangements.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution on 20 February 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 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 judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

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

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 2016:

- Amendments to MFRS 11 'Joint Arrangements' - Accounting for Acquisition of Interests in Joint Operations
- Amendments to MFRS 101 'Presentation of Financial Statements' - Disclosure initiative
- Amendments to MFRS 127 "Equity Method in Separate Financial Statements"
- Amendments to MFRS 10, 12 & 128 "Investment Entities - Applying the Consolidation Exception"
- Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of these amendments has required additional disclosures. Other than that, the adoption of these amendments did not have any material impact on the financial statements for the current financial year.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2017.

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences. The amendments shall be applied retrospectively.

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

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

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

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

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

- (a) Identify contracts with customers;
- (b) Identify the separate performance obligations;
- (c) Determine the transaction price of the contract;
- (d) Allocate the transaction price to each of the separate performance obligations; and
- (e) Recognise the revenue as each performance obligation is satisfied.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Key provisions of the new standard are as follows:

- (a) Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
 - (b) If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
 - (c) The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice.
 - (d) There are new specific rules on licenses, warranties, non-refundable fees, and consignment arrangements, to name a few.
 - (e) As with any new standard, there are also increased disclosures.
- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

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

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

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

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

The effects of the above new standards and amendments to standards and interpretation are currently being assessed by the Directors.

2.4 Basis of consolidation

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

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

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

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

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

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

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

2.5 Business combinations

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

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

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

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

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

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

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

2.6 Subsidiaries

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

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investments in associates

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

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

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

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

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

The income statement reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in 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 income statement outside operating profit and represents the income statement after tax and non-controlling interests in the subsidiaries of the associate.

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

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

2.8 Property, plant and equipment

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.

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

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (continued)

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

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

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

	2016	2015
Buildings	2%	2%
Renovation	8% - 20%	8% - 20%
Medical and other equipment	7.5% - 33.33%	7.5% - 33.33%
Furniture and fittings	10% - 20%	10% - 20%
Motor vehicles	10% - 20%	10% - 20%
Computers and hardware	10% - 20%	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 of each financial reporting period, and adjusted prospectively, if appropriate.

During the financial year ended 31 December 2016, the useful life of certain IT equipment such as computers and hardware were revised from a range of 10% to 33% to the range of 10% to 20%. The effect of this change in useful life is a decrease in depreciation charged for the year of RM1,360,356.

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

2.9 Investment properties

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

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties (continued)

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the income statement in the period of retirement or disposal.

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

2.10 Intangible assets

(a) Goodwill

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

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

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

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

(b) Other intangible assets

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

Software development expenditure

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

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

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

2.12 Financial assets

(a) Classification

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

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

(1) Loans and receivables

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

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

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(a) Classification (continued)

(2) Available-for-sale financial assets

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

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

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

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

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

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

(b) Recognition and initial measurement

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

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

(c) Subsequent measurement – gains and losses

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

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

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2.11) and foreign exchange gains and losses on monetary assets (Note 2.33).

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(d) Subsequent measurement - Impairment

Assets carried at amortised cost

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

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

When an asset is uncollectible, it is written-off against the related allowance account. Such assets are written-off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement. The amount of cumulative loss reclassified to the income statement is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

(e) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(e) De-recognition (continued)

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

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.14 Financial guarantee contracts

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

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

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

2.15 Leases

(a) As lessee

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

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

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

(b) As lessor

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Trade and other receivables

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

Trade 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 amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

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

2.18 Inventories

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

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

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

2.19 Cash and cash equivalents

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

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Trade payables

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

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

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

2.21 Financial liabilities

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

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

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

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

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

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

(b) Other financial liabilities

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

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

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

2.22 Borrowings and borrowing costs

(a) Borrowings

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

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Borrowings and borrowing costs (continued)

(a) Borrowings (continued)

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Borrowing costs

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

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

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

2.23 Income taxes

(a) Current tax

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

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

(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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Income taxes (continued)

(b) Deferred tax (continued)

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 profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be utilised.

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

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

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

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 2016 (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 the income statement, with a corresponding adjustment to share option reserve in equity.

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

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

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

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Contingent liabilities

The Group does not recognise contingent liabilities but discloses their existence in the notes to the financial statements. A contingent liability is a possible obligation that arises from past events whose crystallisation will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that is not recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

2.29 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

2.30 Share capital and share issuance expenses

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

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

2.31 Treasury shares

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 Revenue recognition

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

(a) Sale of goods and rendering of services

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

(b) Wellness subscription fees

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

(c) Tuition fees

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

(d) Aged care revenue

- (i) Management fees represent amounts charged to residents at the retirement village under the long-term management agreements. Deferred management fees are recognised upon performance of services, calculated in accordance with terms stipulated in resident contracts.
- (ii) Resident fees received from services rendered are recognised in the income statement only when it is probable that the economic benefits associated with the transactions will flow to the Group.
- (iii) Subsidies that compensate the subsidiary for expenses incurred are recognised in the income statement as the services are rendered.

(e) Dividend income

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

(f) Management fees

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

(g) Interest income

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

(h) Rental income

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

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

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

(c) Foreign operations

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

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

2.34 Segment reporting

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

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 values where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

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

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

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

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

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

Exposure to credit risk

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

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 24.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 24. Apart from those disclosed above, none of other financial assets is either past due or impaired.

(b) Liquidity risk

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

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

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

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

	ON DEMAND OR WITHIN 1 YEAR	1 - 5 YEARS	OVER 5 YEARS	TOTAL
	RM'000	RM'000	RM'000	RM'000
2016				
Group				
Trade and other payables	490,922	-	-	490,922
Borrowings	335,280	539,828	806,724	1,681,832
Deposits	-	-	13,930	13,930
Provision for retirement benefits	-	-	2,548	2,548
Total undiscounted financial liabilities	826,202	539,828	823,202	2,189,232
Company				
Trade and other payables	190,513	241,269	-	431,782
Borrowings	166,464	-	-	166,464
Financial guarantee contracts*	979,825	-	-	979,825
Total undiscounted financial liabilities	1,336,802	241,269	-	1,578,071
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
Provision for the retirement benefits	-	-	2,298	2,298
Total undiscounted financial liabilities	976,032	334,702	904,283	2,215,017
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)

The Group has total undrawn borrowing facilities amounting to RM0.93 billion (2015: RM1.0 billion) as at 31 December 2016.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit for the financial year would have been RM407,229 (2015: RM51,901) higher/lower, arising mainly as a result of lower/higher interest expenses on floating rate loans and borrowings. The assumed movement in interest rate for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency exchange risk

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

(e) Offsetting financial assets and financial liabilities

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

4 CAPITAL MANAGEMENT

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

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

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

The Group's gross gearing ratios as at 31 December 2016 and 2015 were as follows:

	GROUP	
	2016 RM'000	2015 RM'000
Current borrowings	333,445	359,149
Non-current borrowings	1,242,313	1,178,881
Total borrowings (Note 29)	1,575,758	1,538,030
Shareholders' funds	1,595,088	1,471,583
Gross gearing ratio (%)	0.99	1.05

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 2016 (continued)

5 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

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

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

<u>Current asset/liability</u>	<u>Note</u>
Trade and other receivables and amounts due from subsidiaries	24
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 1		LEVEL 3	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Group				
Available-for-sale financial assets	1,864	-	282	282
Property, plant and equipment (Note 16):				
- Freehold land	-	-	228,981	174,694
- Long leasehold land	-	-	139,523	124,226
- Buildings	-	-	670,054	499,563
Investment properties (Note 17)	-	-	280,436	279,833
	1,864	-	1,319,276	1,078,598
Company				
Available-for-sale financial assets	1,864	-	-	-

The Group and the Company do not have any financial liabilities carried at fair value nor any financial instruments classified as Level 2 as at 31 December 2016 and 31 December 2015.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Hospital and healthcare charges	2,873,200	2,731,782	-	-
Tuition fees	48,983	38,759	-	-
Aged care revenue	48,486	35,502	-	-
Rental income	36,080	27,191	-	-
Wellness revenue	9,521	9,034	-	-
Dividend income	-	-	141,546	111,482
Management fees	-	-	43,240	43,211
Interest income	-	-	2,348	2,038
Other revenue	4,824	5,325	987	1,984
	3,021,094	2,847,593	188,121	158,715

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

8 FINANCE INCOME AND COSTS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Finance costs				
Profit sharing on Islamic financing:				
- Islamic Medium Term Notes	49,698	33,749	-	-
- Term loans	30,619	26,297	-	-
- Revolving credits	8,742	8,775	5,268	8,394
- Finance lease liabilities	2,488	-	-	-
- Bank overdrafts	26	-	-	-
Interest expense on conventional financing:				
- Term loans	2,656	-	-	-
- Revolving credits	236	-	-	-
- Finance lease liabilities	2,402	3,192	-	-
- Bank overdrafts	-	84	-	-
- Interest on advances from subsidiaries	-	-	9,740	13,827
- Others	2,580	2,125	3	404
	99,447	74,222	15,011	22,625
Less: Interest expense capitalised in:				
- Property, plant and equipment (Note 16)	(16,310)	(10,065)	-	-
	83,137	64,157	15,011	22,625
Finance income				
Profit sharing from deposits with licensed banks	(14,338)	(13,731)	-	-
Accretion of receivables	(1,960)	-	-	-
	(16,298)	(13,731)	-	-
Net finance costs	66,839	50,426	15,011	22,625

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 5%. (2015: 5%)

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

9 PROFIT BEFORE ZAKAT AND TAX

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

	NOTE	GROUP		COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Auditors' remuneration:					
- Statutory audits		2,480	2,431	275	260
- Other services		2,495	986	-	-
Trade receivables:					
- Impairment charge for the year	24	11,113	5,814	-	-
- Reversal of impairment loss	24	(957)	(947)	-	-
Contribution to Klinik Waqaf An-Nur	36	3,498	3,120	-	-
Directors' remuneration	11	3,229	5,041	3,040	4,855
Consultants fees		779,005	701,864	-	-
Cost of medical supplies		707,484	712,328	-	-
External lab services		7,978	6,807	-	-
Inventories written-off		186	120	-	-
Professional fees		3,962	2,712	887	1,234
Repair and maintenance		65,927	37,700	327	152
Investment properties					
- Rental income		(15,458)	(11,379)	-	-
- Direct operating expenses		9,500	8,900	-	-
Property, plant and equipment:					
- Depreciation	16	129,874	118,713	-	-
- Write-off		10,398	6,374	-	-
- Loss on disposal		(9,886)	154	-	-
Rental expense of land and buildings		117,786	115,398	2,559	3
Rental of equipment and vehicles		4,838	5,600	393	92
Employee benefits costs	10	666,235	641,510	42,413	24,352
Available-for-sale financial assets written-off	22	-	6	-	-
Share-based payment – restricted issue		-	7,004	-	-
Share-based payments – ESOS		-	1,911	-	1,911
Amortisation of software expenditure	18	2,145	456	-	-
Impairment of goodwill	18	16,356	-	-	-
Loss/(gain) on fair value of investment properties	17	92	(11,421)	-	-
Gain on disposal of shares in associates (net)		(13,960)	(1,577)	-	-
Gain on disposal of non-current assets		-	(5,986)	-	-

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

10 EMPLOYEE BENEFITS COSTS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Staff costs (excluding Directors' remuneration):				
- Salaries, allowances and bonuses	579,044	564,516	35,704	20,625
- Contributions to defined contribution plan	59,123	52,182	2,409	2,601
- Share-based payments - ESOS	27,818	24,566	4,300	1,126
- Provision for retirement benefits (Note 31)	250	246	-	-
	666,235	641,510	42,413	24,352

11 DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Managing Director:				
- Fees	150	150	100	100
- Salaries, allowances and bonuses	1,214	1,112	1,214	1,112
- Contributions to defined contribution plan	162	148	162	148
- Share-based payments - ESOS	-	503	-	503
- Benefits-in-kind	32	22	32	22
	1,558	1,935	1,508	1,885
Non-Executive Directors:				
- Fees	375	375	375	375
- Allowances	53	74	53	74
- Share-based payments - ESOS	-	201	-	201
	428	650	428	650
Independent Non-Executive Directors:				
- Fees	705	684	660	641
- Allowances	517	544	423	451
- Share-based payments - ESOS	-	1,207	-	1,207
- Benefits-in-kind	21	21	21	21
	1,243	2,456	1,104	2,320
	3,229	5,041	3,040	4,855

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

11 DIRECTORS' REMUNERATION (CONTINUED)

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

	NUMBER OF DIRECTORS	
	2016	2015
Managing Director:		
RM1,500,001 – RM2,000,000	1	1
Non-Executive Directors:		
RM1 – RM100,000	3	2
RM100,001 – RM200,000	1	1
RM200,001 – RM300,000	-	1
Independent Non - Executive Directors		
RM100,001 – RM200,000	4	-
RM200,001 – RM300,000	-	-
RM300,001 – RM400,000	1	4
RM400,001 – RM500,000	1	-
RM500,001 – RM600,000	-	1
RM600,001 – RM700,000	-	1
	11	11

12 ZAKAT

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

13 TAXATION

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysian income tax:				
- In respect of current financial year	62,455	42,782	-	454
- In respect of prior financial years	(2,227)	(5,369)	(454)	-
Foreign income tax:				
- In respect of current financial year	370	26	-	-
	60,598	37,439	(454)	454
Deferred tax (Note 23)	(10,109)	24,760	-	-
Income tax expense/(credit) recognised in income statement	50,489	62,199	(454)	454
Deferred tax related to other comprehensive income (Note 23):				
- Net surplus on revaluation of land and buildings	4,172	10,629	-	-

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

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax after zakat	206,364	207,328	108,178	92,920
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	49,527	51,832	25,962	23,230
Tax effects of:				
- Different tax rates	224	(80)	-	-
- Income not subject to tax	(13,434)	(2,588)	(34,620)	(29,231)
- Expenses non-deductible for tax purposes	10,217	21,951	7,918	6,455
- Share of results of associates	(569)	(9,161)	-	-
- Over provision of prior years income tax	(2,227)	(5,369)	(454)	-
- Temporary differences and tax losses not recognised	6,751	5,614	740	-
Income tax expense/(credit)	50,489	62,199	(454)	454

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

14 DIVIDENDS

	GROUP AND COMPANY	
	2016 RM'000	2015 RM'000
Declared in 2016 in respect of:		
(i) Financial year ended 31 December 2015		
Fourth interim single tier dividend of 3.5% (1.75 sen) per ordinary share paid on 15 April 2016	18,212	-
(ii) Financial year ended 31 December 2016		
First interim single tier dividend of 3.6% (1.80 sen) per ordinary share paid on 21 July 2016	18,788	-
Second interim single tier dividend of 3.0% (1.50 sen) per ordinary share paid on 18 October 2016	15,701	-
Third interim single tier dividend of 3.0% (1.50 sen) per ordinary share paid on 11 January 2017	15,720	-
	68,421	-
Declared in 2015 in respect of:		
(i) Financial year ended 31 December 2014		
Fourth interim single tier dividend of 5.2% (2.60 sen) per ordinary share paid on 10 April 2015	-	26,906
(ii) Financial year ended 31 December 2015		
First interim single tier dividend of 3.5% (1.75 sen) per ordinary share paid on 14 July 2015	-	18,147
Second interim single tier dividend of 2.9% (1.75 sen) per ordinary share paid on 19 October 2015	-	18,171
Third interim single tier dividend of 4% (1.75 sen) per ordinary share paid on 15 January 2016	-	18,181
	-	81,405

The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2016.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (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	
	2016	2015
Profit attributable to ordinary equity holders of the Company (RM'000)	149,195	135,330
Weighted average number of ordinary shares in issue ('000)	1,089,522	1,037,588
Basic earnings per share (sen)	13.69	13.04

(b) Diluted earnings per share

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

For the warrants issued and ESOS granted to employees issued, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscriptions rights attached to outstanding warrants and ESOS. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants and ESOS. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the "bonus" element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to the net profit for the financial year for the warrants and ESOS calculation.

	GROUP	
	2016	2015
Profit attributable to equity holders of the Company (RM'000)	149,195	135,330
Weighted average number of ordinary shares in issue ('000)	1,089,522	1,037,588
Assumed shares issued from the exercise of warrants ('000)	86,575	86,576
Assumed shares issued from the exercise of ESOS ('000)	74,926	88,009
Weighted average number of ordinary shares in issue ('000)	1,251,023	1,212,173
Diluted earnings per share (sen)	11.93	11.16

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

16 PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND	LONG LEASEHOLD LAND	BUILDINGS	RENOVATION	MEDICAL AND OTHER EQUIPMENT	FURNITURE, FITTINGS, MOTOR VEHICLES AND COMPUTERS	CAPITAL WORK-IN- PROGRESS	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
2016								
At 1 January								
- Cost	46,700	-	33,300	223,757	770,653	377,261	293,288	1,744,959
- Valuation	174,694	124,226	499,563	-	-	-	-	798,483
	221,394	124,226	532,863	223,757	770,653	377,261	293,288	2,543,442
Exchange differences	4,727	1,120	3,926	1,087	2,748	-	-	13,608
Additions	5,900	1,056	12,162	33,276	49,418	15,198	143,915	260,925
Acquisition of a subsidiary	-	-	-	-	37	-	-	37
Revaluation surplus	2,860	15,555	1,277	-	-	-	-	19,692
Elimination of accumulated depreciation on revaluation	-	(1,708)	(1,628)	-	-	-	-	(3,336)
Disposals	-	-	-	(11,184)	(14,440)	(6,751)	-	(32,375)
Written-off	-	-	(3,124)	-	(65,837)	(36,800)	-	(105,761)
Reclassification – cost	-	-	138,529	1,673	10,181	10,103	(160,486)	-
	234,881	140,249	684,005	248,609	752,760	359,011	276,717	2,696,232

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	FREEHOLD LAND	LONG LEASEHOLD LAND	BUILDINGS	RENOVATION	MEDICAL AND OTHER EQUIPMENT	FURNITURE, FITTINGS, MOTOR VEHICLES AND COMPUTERS	CAPITAL WORK-IN- PROGRESS	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
2016								
At 31 December								
- Cost	5,900	-	-	248,609	752,760	359,011	276,717	1,642,997
- Valuation	228,981	140,249	684,005	-	-	-	-	1,053,235
	234,881	140,249	684,005	248,609	752,760	359,011	276,717	2,696,232
Less: Government grant received	-	-	(5,467)	-	-	-	-	(5,467)
	234,881	140,249	678,538	248,609	752,760	359,011	276,717	2,690,765
Accumulated depreciation								
At 1 January	-	(12)	(837)	(58,040)	(431,975)	(220,629)	-	(711,493)
Elimination of accumulated depreciation on revaluation	-	1,708	1,628	-	-	-	-	3,336
Exchange differences	-	1,494	-	533	(2,150)	(505)	-	(628)
Charge for the financial year (Note 9)	-	(3,916)	(12,399)	(33,071)	(51,760)	(28,728)	-	(129,874)
Disposals	-	-	-	3,829	10,974	4,263	-	19,066
Written-off	-	-	3,124	-	57,622	34,617	-	95,363
At 31 December	-	(726)	(8,484)	(86,749)	(417,289)	(210,982)	-	(724,230)
Net carrying amounts								
- Cost	5,900	-	-	161,860	335,471	148,029	276,717	927,977
- Valuation	228,981	139,523	670,054	-	-	-	-	1,038,558
At 31 December	234,881	139,523	670,054	161,860	335,471	148,029	276,717	1,966,535

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	FREEHOLD LAND	LONG LEASEHOLD LAND	BUILDINGS	RENOVATION	MEDICAL AND OTHER EQUIPMENT	FURNITURE, FITTINGS, MOTOR VEHICLES AND COMPUTERS	CAPITAL WORK-IN- PROGRESS	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	25,160	50,908	70,523	35,497	175,861	362,219
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	534,108	223,757	770,653	377,261	293,288	2,544,687

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	FREEHOLD LAND	LONG LEASEHOLD LAND	BUILDINGS	RENOVATION	MEDICAL AND OTHER EQUIPMENT	FURNITURE, FITTINGS, MOTOR VEHICLES AND COMPUTERS	CAPITAL WORK-IN- PROGRESS	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	500,808	-	-	-	-	799,728
	221,394	124,226	534,108	223,757	770,653	377,261	293,288	2,544,687
Less: Government grant received	-	-	(1,245)	-	-	-	-	(1,245)
	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 (Note 9)	-	(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								
- Cost	46,700	-	32,463	165,717	338,678	156,632	293,288	1,033,478
- Valuation	174,694	124,214	499,563	-	-	-	-	798,471
At 31 December 2015	221,394	124,214	532,026	165,717	338,678	156,632	293,288	1,831,949

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation of land and buildings

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

Land and buildings comprise mainly those that are used by the Group as purpose-built private specialist hospitals. Land and buildings that were revalued on 31 December 2016 were based on the Cost Method, which entails separate valuations of the land and buildings to arrive at the market value of the subject property. The lands were valued by reference to transactions of similar lands in the surrounding with adjustments made for difference in location, terrain, size and shape of the land, tenure, title restrictions if any and other relevant characteristics. The buildings were valued by reference to their depreciated replacement costs, i.e. the replacement cost new less an appropriate adjustments for depreciation or obsolescence to reflect the existing condition of the buildings at the date of valuation. The book values of the land and buildings were adjusted to reflect the revaluation and the resultant surpluses were credited to revaluation reserve. These were all Level 3 in the fair value hierarchy.

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

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

	GROUP	
	2016 RM'000	2015 RM'000
Cost		
Freehold land	135,949	80,923
Leasehold land	41,480	35,580
Buildings	279,394	205,752
	456,823	322,255
Accumulated depreciation		
Leasehold land	(248)	(232)
Buildings	(9,302)	(4,115)
Net carrying amounts	447,273	317,908
The additions and net book value of assets under finance leases are as follows:		
Assets under finance leases:		
- Additions during the financial year	2,890	16,412
- Net book value at the end of financial year	71,296	60,239

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of property, plant and equipment pledged for borrowing facilities as at 31 December 2016 is RM338,784,000 (2015: RM372,332,000) as disclosed in Note 29.

During the financial year, a subsidiary received a government grant in relation to the construction of a hospital building amounting to RM5,467,000 (2015: RM1,245,000). The amount has been set-off against the cost of building.

Capitalisation of borrowing costs

The capital work-in-progress includes borrowing costs arising from general and specific borrowings. During the financial year, borrowing costs capitalised as part of capital work-in-progress amounted to RM16,310,000 (2015: RM10,065,000).

17 INVESTMENT PROPERTIES

	GROUP	
	2016 RM'000	2015 RM'000
At fair value:		
At 1 January	279,833	267,750
Additions	-	130
Exchange differences	695	532
(Loss)/Gain on fair value recognised in during the year (Note 9)	(92)	11,421
At 31 December	280,436	279,833

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

The fair value of the properties was estimated at RM280,436,000 (2015: RM279,833,000) 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	
	2016 RM'000	2015 RM'000
At 31 December	280,436	216,829
Reclassification from Level 2	-	63,004
	280,436	279,833

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

17 INVESTMENT PROPERTIES (CONTINUED)

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

			RANGE (WEIGHTED AVERAGE)	
			2016	2015
Land and buildings	Comparison method	Location, visibility, size and tenure	-	-
(Carrying value as at 31 December 2016 of RM 69,782,000 (2015 : RM 69,179,000))				
Office properties	Investment method	Estimated rental value per sqft per month	RM3.80 – RM5.00	RM3.00 – RM4.00
		Outgoings per sqft per month	RM1.50 – RM1.52	RM1.45 – RM1.52
		Void rate	5% – 7.5%	5% – 7.5%
		Term yield	6% – 6.25%	6% – 6.25%
(Carrying value as at 31 December 2016 of RM 210,654,000 (2015 : RM 210,654,000))				

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 change by RM4 million, while a void rate of 10% will result in a lower fair value change by RM3 million.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

18 INTANGIBLE ASSETS

	GOODWILL RM'000	SOFTWARE EXPENDITURE RM'000	SOFTWARE EXPENDITURE UNDER DEVELOPMENT RM'000	TOTAL RM'000
2016				
Cost				
At 1 January 2016	195,891	28,386	31,144	255,421
Additions	-	-	11,942	11,942
At 31 December 2016	195,891	28,386	43,086	267,363
Accumulated amortisation				
At 1 January 2016	-	(3,295)	-	(3,295)
Amortisation charge for the year (Note 9)	-	(2,145)	-	(2,145)
At 31 December 2016	-	(5,440)	-	(5,440)
Accumulated impairment				
At 1 January 2016	-	-	-	-
Impairment charge during the year (Note 9)	(16,356)	-	-	(16,356)
At 31 December 2016	(16,356)	-	-	(16,356)
Net carrying amount				
At 31 December 2016	179,535	22,946	43,086	245,567
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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

19 IMPAIRMENT OF INTANGIBLE ASSETS

Impairment tests for goodwill and software expenditure under development

	GROUP	
	2016 RM'000	2015 RM'000
Malaysia*:		
- goodwill	177,913	177,913
- software expenditure under development	43,086	31,144
Indonesia	1,622	1,622
Aged care facility (Note a)	-	16,356
	222,621	227,035

* 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

Malaysia and Indonesia

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.

Aged care facility

- (a) The Group's investment in its Aged care facility has been written down to its net recoverable value resulting in a full impairment of the goodwill of RM16,356,000 that has been charged to administrative expenses in the income statement.

The aged care facilities continued to incur losses and the operating cash flows of this CGU is expected to be negative in the foreseeable future, deeming the use of value-in-use to derive the recoverable amount inappropriate. The recoverable amount of the CGU has been instead determined based on the fair value of its net assets.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

19 IMPAIRMENT OF INTANGIBLE ASSETS (CONTINUED)

The key assumptions used are as follows:

	2016 %	2015 %
Malaysia		
Revenue ¹	16.7	11
EBITDA margin ²	12.5 - 13.7	15.9 - 17.8
Discount rate ³	12	12
Terminal growth rate ⁴	5	5
Indonesia		
Revenue ¹	18.7	24
EBITDA margin ²	16 - 20	16 - 20
Discount rate ³	15	15
Terminal growth rate ⁴	4	4
Aged care facility		
Revenue ¹	-	6
EBITDA margin ²	-	2 - 8
Discount rate ³	-	10
Terminal growth rate ⁴	-	3

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

20 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries is made up as follows:

	COMPANY	
	2016 RM'000	2015 RM'000
Cost	948,618	948,618
Addition and subscription during the financial year	15,805	-
Preference shares	300	300
Capital contribution reserve on share based payments	51,478	32,578
Unquoted shares	1,016,201	981,496

The following are subsidiaries of the Company:

NAME OF COMPANY	COUNTRY OF INCORPORATION	GROUP'S EFFECTIVE INTEREST		PRINCIPAL ACTIVITIES
		2016 %	2015 %	
Kumpulan Perubatan (Johor) Sdn Bhd	Malaysia	100	100	Managing and investment holding company for medical sector
Point Zone (M) Sdn Bhd	Malaysia	100	100	Providing treasury management services to the companies within the group
Tawakal Holdings Sdn Bhd *	Malaysia	100	100	Investment holding company
Johor Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Puteri Specialist Hospital (Johor) Sdn Bhd #	Malaysia	100	100	Operating as a specialist hospital
Ipoh Specialist Hospital Sdn Bhd	Malaysia	98	98	Operating as a specialist hospital
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd				
Ampang Puteri Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Bandar Baru Klang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Damansara 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
Kuantan Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Maharani Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Pasir Gudang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Penang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Pusat Pakar Kluang Utama Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Rawang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Sentosa Medical Centre Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Seremban Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Sibu Medical Centre Corporation Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
SMC Healthcare Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Taiping Medical Centre Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company (continued):

NAME OF COMPANY	COUNTRY OF INCORPORATION	GROUP'S EFFECTIVE INTEREST		PRINCIPAL ACTIVITIES
		2016 %	2015 %	
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Kota Kinabalu Specialist Hospital Sdn Bhd	Malaysia	97	97	Operating as a specialist hospital
PT Khidmat Perawatan Jasa Medika *	Indonesia	80	80	Operating as a specialist hospital
PT Khasanah Putera Jakarta Medica *	Indonesia	75	75	Operating as a specialist hospital
Kuching Specialist Hospital Sdn Bhd	Malaysia	70	70	Operating as a specialist hospital
Pahang Specialist Hospital Sdn Bhd	Malaysia	70	70	Operating as a specialist hospital
Perdana Specialist Hospital Sdn Bhd	Malaysia	61	61	Operating as a specialist hospital
Selangor Specialist Hospital Sdn Bhd *	Malaysia	60	60	Operating as a specialist hospital
Advanced Healthcare Solution Sdn Bhd *	Malaysia	100	100	Providing healthcare information system services
Crossborder Aim (M) Sdn Bhd	Malaysia	100	100	Investment holding company
Crossborder Hall (M) Sdn Bhd	Malaysia	100	100	Investment holding company
KPJ Dhaka (Pte) Ltd *	Bangladesh	100	100	Providing management services to a specialist hospital
KPJ Eyecare Specialist Sdn Bhd *	Malaysia	100	100	Providing medical and consultancy services
Lablink (M) Sdn Bhd	Malaysia	100	100	Providing pathology and laboratory services
PharmaCARE Sdn Bhd *	Malaysia	100	100	Providing human resource, training services and rental of human resource information system
Pharmaserv Alliances Sdn Bhd	Malaysia	100	100	Marketing and distributing medical and pharmaceutical products
PT Al-Aqar Bumi Serpong Damai *	Indonesia	100	100	Operating as building management company
PT Al-Aqar Permata Hijau *	Indonesia	100	100	Operating as building management company
Puteri Nursing College Sdn Bhd	Malaysia	100	100	Operating as a private university college of nursing and allied health
Sibu Geriatric Health & Nursing Centre Sdn Bhd	Malaysia	100	100	Operating and managing an aged care facilities
Sterile Services Sdn Bhd	Malaysia	100	100	Providing sterile services
Fabricare Laundry Sdn Bhd *	Malaysia	95	95	Providing laundry services
Diaper Technology Industries Sdn Bhd	Malaysia	94	94	Providing information technology related services and rental of software
Pride Outlet Sdn Bhd	Malaysia	90	75	Providing maintenance services for medical equipment
Healthcare IT Solutions Sdn Bhd *	Malaysia	70	70	Providing healthcare information technology services
Skop Yakin (M) Sdn Bhd *	Malaysia	70	89	Marketing and distributing general merchandise
Total Meal Solution Sdn Bhd * (formerly known as Renal-Link Sentosa Sdn Bhd)	Malaysia	70	100	Providing central kitchen services

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company (continued):

NAME OF COMPANY	COUNTRY OF INCORPORATION	GROUP'S EFFECTIVE INTEREST		PRINCIPAL ACTIVITIES
		2016 %	2015 %	
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Teraju Farma Sdn Bhd	Malaysia	65	75	Marketing and distributing medical and pharmaceutical products
Jeta Gardens (Qld) Pty Ltd *	Australia	57	57	Providing retirement village and aged care facilities
BDC Specialist Hospital Sdn Bhd *	Malaysia	100	100	To be operating as a specialist hospital
KPJ HealthShoppe Sdn Bhd * (formerly known as Bukit Mertajam Specialist Hospital Sdn Bhd)	Malaysia	100	100	To be operating as pharmacy retail outlet
Massive Hybrid Sdn Bhd *	Malaysia	100	100	To be operating as a specialist hospital
UTM KPJ Specialist Hospital Sdn Bhd *	Malaysia	100	100	To be operating as a specialist hospital
Miri Specialist Hospital Sdn Bhd *	Malaysia	70	70	To be operating as a specialist hospital
Perlis Specialist Hospital *	Malaysia	60	60	To be operating as a specialist hospital
Energy Excellent Sdn Bhd *	Malaysia	100	100	Dormant
KPJ Education Services Sdn Bhd *	Malaysia	100	100	Dormant
KPJ Medik TV Sdn Bhd *	Malaysia	100	100	Dormant
Pharmacare Surgical Technologies (M) Sdn Bhd *	Malaysia	100	100	Dormant
Freewell Sdn Bhd *	Malaysia	80	80	Dormant
Bayan Baru Specialist Hospital Sdn Bhd *	Malaysia	55	55	Dormant
Subsidiary of Tawakal Holdings Sdn Bhd				
Pusat Pakar Tawakal Sdn Bhd +	Malaysia	100	100	Operating as a specialist hospital
Subsidiary of Johor Specialist Hospital Sdn Bhd				
Bandar Dato Onn Specialist Hospital Sdn Bhd	Malaysia	100	100	To be operating as specialist hospital
Subsidiary of Ipoh Specialist Hospital Sdn Bhd				
Sri Manjung Specialist Centre Sdn Bhd *	Malaysia	100	100	Operating as a specialist hospital

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company (continued):

NAME OF COMPANY	COUNTRY OF INCORPORATION	GROUP'S EFFECTIVE INTEREST		PRINCIPAL ACTIVITIES
		2016 %	2015 %	
Subsidiary of Selangor Specialist Hospital Sdn Bhd				
Hospital Pusrawi SMC Sdn Bhd *	Malaysia	51	51	Dormant
Subsidiary of SMC Healthcare Sdn Bhd				
Amity Development Sdn Bhd	Malaysia	100	100	Dormant
Subsidiary of PharmaCARE Sdn Bhd				
Open Access Sdn Bhd *	Malaysia	100	100	Dormant
Subsidiaries of Pharmaserv Alliances Sdn Bhd				
Medical Supplies (Sarawak) Sdn Bhd	Malaysia	75	75	Marketing and distributing medical pharmaceutical products
Malaysian Institute of Healthcare Management Sdn Bhd *	Malaysia	75	75	Dormant
FP Marketing (S) Pte Ltd *	Singapore	100	100	Dormant
Subsidiary of Puteri Nursing College Sdn Bhd				
KFCH Education (M) Sdn Bhd *	Malaysia	100	-	Operating as a college and training centre
Subsidiaries of Jeta Gardens (Qld) Pty Ltd				
Jeta Gardens Aged Care (Qld) Pty Ltd *	Australia	100	100	Operating and managing an aged care facility
Jeta Gardens Management (Qld) Pty Ltd *	Australia	100	100	Providing management to an aged care facility

Direct equity holding by the Company is 84%(2015: 84%)

+ Direct equity holding by the Company is 14% (2015: 14%)

* Audited by firms other than PricewaterhouseCoopers, Malaysia

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

- (a) On 1 May 2016, Puteri Nursing College Sdn Bhd ("PNC"), a wholly-owned subsidiary of the Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), acquired a 100% equity interest in KFCH Education (M) Sdn Bhd ("KFCH") for a total cash consideration of RM1.
- (b) On 31 March 2015, 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, 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 KFCH acquisition on the financial results of the Group for the financial year was a loss before tax and zakat RM1,945,762.

Had the acquisition took effect at the beginning of the financial year, the revenue and loss of the Group would have increased by RM1,825,000 and RM597,000 respectively. These amounts have been calculated using Group's accounting policies.

The net assets recognised in the 31 December 2016 financial statements were based on provisional assessments of fair value.

A summary of the details of the net assets acquired and cash flows arising from the acquisitions during the financial year are as follows:

KFCH Education (M) Sdn Bhd

	RM'000	
Purchase consideration settled in cash	-	*
Fair value of net assets acquired	(1,300)	
Negative goodwill recognised in other income in the income statement	(1,300)	
* Represent RM1		
	ACQUIREE'S CARRYING AMOUNTS RM'000	PROVISIONAL FAIR VALUE RM'000
Property, plant and equipment (Note 16)	37	37
Trade and other receivables	2,760	2,760
Deposits, bank and cash balances	69	69
Trade and other payables	(1,566)	(1,566)
Net assets acquired	1,300	1,300
Net cash and cash equivalents of subsidiary acquired		69
Cash inflow on acquisition		69

Transaction costs of RM1,000 has been recognised as an expense during the financial year.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(d) 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	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current assets	146,116	150,456	55,247	38,593	101,600	88,138	302,963	277,187
Current assets	50,334	18,405	22,971	26,265	100,478	91,204	173,783	135,874
Total assets	196,450	168,861	78,218	64,858	202,078	179,342	476,746	413,061
Current liabilities	205,689	165,015	32,045	24,749	42,141	40,545	279,875	230,309
Non-current liabilities	3,441	6,671	2,326	1,775	28,524	25,665	34,291	34,111
Total liabilities	209,130	171,686	34,371	26,524	70,665	66,210	314,166	264,420
Net assets	(12,680)	(2,825)	43,847	38,334	131,413	113,132	162,580	148,641
Net equity attributable	(12,680)	(2,825)	43,847	38,334	131,413	113,132	162,580	148,641
Equity attributable to Owners of the Company	(7,198)	(1,604)	26,555	23,216	78,848	67,879	98,205	89,491
Non-controlling interests	(5,482)	(1,221)	17,292	15,118	52,565	45,253	64,375	59,150

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(ii) Summarised statements of comprehensive income

	JETA GARDENS (QLD) PTY LTD		PERDANA SPECIALIST HOSPITAL SDN BHD		SELANGOR SPECIALIST HOSPITAL SDN BHD		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	51,491	37,967	89,178	89,347	156,528	154,259	297,197	281,573
(Loss)/profit for the year	(10,527)	(11,607)	6,718	6,840	17,192	19,986	13,383	15,219
(Loss)/profit attributable to the Owners of the Company	(5,976)	(6,589)	4,069	4,143	10,315	11,992	8,408	9,546
(Loss)/profit attributable to the non-controlling interest	(4,551)	(5,018)	2,649	2,697	6,877	7,994	4,975	5,673
Total comprehensive (loss)/ income	(10,527)	(11,607)	6,718	6,840	17,192	19,986	13,383	15,219
Total comprehensive (loss)/ income attributable to Owners of the Company	(5,976)	(6,589)	4,069	4,143	10,315	11,992	8,408	9,546
Total comprehensive (loss)/ income attributable to the non- controlling interest	(4,551)	(5,018)	2,649	2,697	6,877	7,994	4,975	5,673
	(10,527)	(11,607)	6,718	6,840	17,192	19,986	13,383	15,219
Dividends paid to non-controlling interests	-	-	623	623	4,800	4,800	5,423	5,423

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(iii) Summarised statements of cash flows

	JETA GARDENS (QLD) PTY LTD		PERDANA SPECIALIST HOSPITAL SDN BHD		SELANGOR SPECIALIST HOSPITAL SDN BHD		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash (used in)/generated from operating activities	(12,109)	(13,123)	10,737	11,419	9,486	(4,577)	8,114	(6,281)
Net cash (used in)/generated from investing activities	7,649	(12,786)	(16,703)	(2,169)	(3,280)	(9,663)	(12,334)	(24,618)
Net cash (used in)/generated from financing activities	19,706	24,488	5,995	(10,212)	(3,179)	13,388	22,522	27,664
Net changes in cash and cash equivalents	15,246	(1,421)	29	(962)	3,027	(852)	18,302	(3,235)
Cash and cash equivalents at the beginning of the year	11,521	12,942	3,141	4,103	7,673	8,525	22,335	25,570
Cash and cash equivalents at the end of the year	26,767	11,521	3,170	3,141	10,700	7,673	40,637	22,335

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

21 INVESTMENTS IN ASSOCIATES

	GROUP	
	2016 RM'000	2015 RM'000
Quoted ordinary shares in Al-'Aqar Healthcare REIT, at cost	315,564	323,273
Disposals	(47,010)	(7,709)
Unrealised gains** (Note 35)	(33,572)	-
	234,982	315,564
Unquoted ordinary shares, at cost	65,229	65,799
Group's share of post-acquisition reserves	91,329	94,132
	391,540	475,495
Market value of quoted ordinary shares in Al-'Aqar Healthcare REIT	430,144	458,940

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

The associates of the Group are as follows:

ASSOCIATES OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITIES
		2016 %	2015 %	
Damansara REIT Managers Sdn Bhd **	Malaysia	-	-	Manager of Al-'Aqar Healthcare REIT
Al-'Aqar Healthcare REIT * ^	Malaysia	38	45	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	Operating as a specialist hospital
Healthcare Technical Services Sdn Bhd *	Malaysia	30	30	Providing management and engineering maintenance services for specialist hospital
Vejthani Public Company Limited *	Thailand	23	23	Operating as an international specialist hospital

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

* Audited by a firm other than PricewaterhouseCoopers.

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

21 INVESTMENTS IN ASSOCIATES (CONTINUED)

On 1 December 2016, the Company has entered into a Sale and Purchase Agreement with Dr Mohd Adnan bin Sulaiman and Azizan bin Sulaiman ("Purchasers") to dispose of its entire thirty percent (30%) equity shareholding of Hospital Penawar Sdn Bhd amounting to 720,000 ordinary shares to the Purchasers for a total cash consideration of RM2,209,860.

On 14 December 2016, the Purchasers has made payment of RM220,986 being a 10% deposit of the total cash consideration. As at year end, the balance purchase price amounting to RM1,988,874 is still outstanding.

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	
	2016 RM'000	2015 RM'000
Non-current assets	1,424,360	1,521,523
Current assets	186,853	72,859
Total assets	1,611,213	1,594,382
Current liabilities	50,128	49,739
Non-current liabilities	665,017	664,817
Total liabilities	715,145	714,556
Net asset	896,068	879,826

(ii) Summarised statement of comprehensive income

Revenue	103,839	110,945
Profit before tax	63,986	67,912
Profit for the year	63,440	67,446
Other comprehensive (loss)/income	(373)	3,503
Dividends received from associates during the year	13,789	27,675

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (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	
	2016 RM'000	2015 RM'000
Net assets at 1 January	879,826	831,543
Profit for the year	63,440	67,446
Other comprehensive (loss)/income	(373)	3,503
Issuances of new units during the year	-	39,716
Dividend paid during the year	(46,825)	(62,382)
Net assets at 31 December	896,068	879,826
Interest in associates	38%	45%
Carrying value of Group's interest	340,506	395,922

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

	2016 RM'000	2015 RM'000
The Group's share of profit before tax	8,691	11,127
The Group's share of profit after tax	6,313	8,583
The Group's share of total comprehensive income	6,313	8,583

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	282	288	-	-
Additional	1,864	-	1,864	-
Written-off (Note 9)	-	(6)	-	-
At 31 December	2,146	282	1,864	-
Analysed as follows:				
- Listed equity securities in Malaysia	1,864	-	1,864	-
- Unlisted equity securities in Malaysia	282	282	-	-
	2,146	282	1,864	-

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

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	
	2016 RM'000	2015 RM'000
Deferred tax assets	18,757	18,956
Deferred tax liabilities	(63,041)	(69,177)
At 31 December	(44,284)	(50,221)

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	
	2016 RM'000	2015 RM'000
At 1 January	(50,221)	(14,832)
(Charged)/credit to income statement (Note 13)		
- Property, plant and equipment	22,041	(11,350)
- Investment property	30	(1,441)
- Trade and other receivables	(11,158)	285
- Tax losses	3,939	(10,487)
- Deferred revenue	(891)	3,800
- Trade and other payables	(3,852)	(5,567)
	10,109	(24,760)
Charged to other comprehensive income	(4,172)	(10,629)
At 31 December	(44,284)	(50,221)

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

23 DEFERRED TAX (CONTINUED)

	GROUP	
	2016 RM'000	2015 RM'000
Subject to income tax:		
Deferred tax assets (before offsetting):		
- Tax losses	11,935	7,996
- Deferred revenue	18,033	18,924
- Trade and other payables	5,483	9,335
	35,451	36,255
Offsetting	(16,694)	(17,299)
Deferred tax assets (after offsetting)	18,757	18,956
Deferred tax liabilities (before offsetting):		
- Property, plant and equipment	(45,630)	(63,499)
- Investment property	(15,881)	(15,911)
- Trade and other receivables	(18,224)	(7,066)
	(79,735)	(86,476)
Offsetting	16,694	17,299
Deferred tax liabilities (after offsetting)	(63,041)	(69,177)

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unabsorbed capital allowance	77,629	55,950	-	-
Unutilised tax losses	89,611	83,161	5,200	7,133

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

24 TRADE AND OTHER RECEIVABLES AND AMOUNT DUE FROM SUBSIDIARIES

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current:				
Amount due from an associate	34,621	32,661	-	-
Current:				
Trade receivables	412,129	377,587	-	-
Less: Impairment of trade receivables	(34,621)	(25,745)	-	-
Trade receivables – net	377,508	351,842	-	-
Amount due from ultimate holding corporation	1,936	1,040	5	2
Amounts due from related companies	1,634	3,886	5	-
Amounts due from associates	66,415	65,493	57	77
Other receivables	54,510	27,039	35,276	314
Deposits	33,341	39,455	41	34
Prepayments	20,174	28,620	-	-
	555,518	517,375	35,384	427
Amounts due from subsidiaries	-	-	390,355	370,193
Total	590,139	550,036	425,739	370,620

Credit terms of trade receivables range from 30 to 60 days (2015: 30 to 60 days).

As at 31 December 2016, trade receivables of RM116,183,000 (2015: RM102,063,000) was neither past due nor impaired and RM261,325,000 (2015: RM249,779,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default or secured by collateral from customers.

The non-current amount due from an associate relates to the deferred consideration arising from the disposal of certain assets as disclosed in Note 27.

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

Included in amount due from subsidiaries are advances receivable from subsidiaries amounting to RM93,193,349 (2015: RM93,790,000) which are unsecured, bearing effective weighted average interest rate of 5.85% (2015: 5.85%) per annum and with no repayment terms.

Included in amounts due from associates is an amount of RM63,911,660 (2015: RM60,530,000) 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

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

Ageing analysis of trade receivables

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

	GROUP	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	116,183	102,063
1 to 30 days past due not impaired	92,634	107,362
31 to 60 days past due not impaired	55,827	49,688
61 to 91 days past due not impaired	22,199	25,448
91 to 120 days past due not impaired	19,688	16,030
More than 121 days past due not impaired	70,977	51,251
	261,325	249,779
Impaired	34,621	25,745
	412,129	377,587

As at 31 December 2016, trade receivables of RM34,621,000 (2015: RM25,745,000) were impaired and provided for. Movement in allowance accounts:

	GROUP	
	2016 RM'000	2015 RM'000
At 1 January	25,745	30,168
Charge for the financial year (Note 9)	11,113	5,814
Written-off	(1,280)	(9,290)
Reversal of impairment loss (Note 9)	(957)	(947)
At 31 December	34,621	25,745

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

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	543,799	494,070	425,739	370,620
Singapore Dollar	13	767	-	-
Indonesian Rupiah	16,940	21,578	-	-
Australian Dollar	8,953	4,930	-	-
Bangladesh Taka	260	71	-	-
	569,965	521,416	425,739	370,620

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

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

The other classes do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

25 INVENTORIES

	GROUP	
	2016 RM'000	2015 RM'000
At cost:		
Pharmaceutical products	29,397	32,868
Medical supplies	14,388	11,563
Consumables and disposable items	874	2,196
Laboratory chemicals	1,675	725
Other supplies	785	701
	47,119	48,053

26 DEPOSITS, BANK AND CASH BALANCES

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks	47,970	43,112	-	528
Cash and bank balances	311,429	390,094	4,112	1,338
Total cash and bank balances	359,399	433,206	4,112	1,866
Less: Bank overdrafts (Note 29)	(12,613)	(7,063)	-	-
Deposits with licensed banks with maturity of more than 3 months	(3,555)	(6,074)	-	(528)
Designated account (FSRA & DSRA)	(8,106)	(7,632)	-	-
Cash and cash equivalents	335,125	412,437	4,112	1,338

Included in the deposits with licensed banks of the Group is an amount of RM8,106,000 (2015: RM 7,632,000) being minimum balance required in the Financial Service Reserve Account ("FSRA") and Deposit Service Reserve Account ("DSRA") for the loans purposes (Note 29).

The weighted average interest rate of deposits with licensed banks of the Group during the financial year is 3.00% (2015: 3.25%) per annum. Bank balances are deposits held at call with banks and earn no interest.

The weighted average interest rate of deposits with licensed banks of the Company in previous financial year was 3.25% per annum. Bank balances are deposits held at call with banks and earn no interest.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

26 DEPOSITS, BANK AND CASH BALANCES (CONTINUED)

The currency exposure profile of deposits, cash and bank balances as at end of the reporting period is as follows:

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	304,210	415,934	4,112	1,866
Singapore Dollar	405	1,258	-	-
Indonesia Rupiah	24,605	5,862	-	-
Australian Dollar	30,009	9,978	-	-
Bangladesh Taka	170	174	-	-
	359,399	433,206	4,112	1,866

Deposits of the Group and of the Company have maturity periods that ranges from 1 to 180 days (2015: 1 to 365 days).

27 NON-CURRENT ASSETS HELD FOR SALE

	GROUP	
	2016 RM'000	2015 RM'000
At 1 January	-	57,886
Disposals	-	(57,886)
At 31 December	-	-

On 3 October 2014, Puteri Nursing College Sdn Bhd, 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

28 TRADE AND OTHER PAYABLES AND AMOUNT DUE TO SUBSIDIARIES

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current:				
Advances from subsidiaries	-	-	241,269	258,559
Current:				
Trade payables	196,794	269,575	-	-
Other payables	75,122	151,707	3,583	5,985
Resident upfront contribution	80,338	46,655	-	-
Accruals	129,841	141,123	12,012	2,322
Amount due to ultimate holding corporation	2,219	344	219	438
Amounts due to related companies	5,940	2,026	419	443
Amounts due to associates	668	5,453	-	-
	490,922	616,883	16,233	9,188
Amounts due to subsidiaries	-	-	174,280	197,905
Total	490,922	616,883	431,782	465,652

Advances from subsidiaries are unsecured and bear an effective weighted average interest rate of 5.85% (2015: 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 (2015: 30 to 60 days). The currency exposure profile of payables is as follows:

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	325,814	506,946	431,782	465,652
Singapore Dollar	71	49	-	-
Indonesian Rupiah	59,321	3,081	-	-
Australian Dollar	95,072	60,100	-	-
Bangladesh Taka	10,644	46,707	-	-
	490,922	616,883	431,782	465,652

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

29 BORROWINGS

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Islamic financing				
- Term loans (secured)	26,082	88,333	-	-
- Revolving credits (unsecured)	212,500	182,500	160,000	130,000
- Finance lease liabilities (secured)	28,475	19,516	-	-
- Bank overdrafts (unsecured)	5,369	-	-	-
	272,426	290,349	160,000	130,000
Conventional financing				
- Term loans (secured)	41,398	61,597	-	-
- Revolving credits (unsecured)	5,905	-	-	-
- Finance lease liabilities (secured)	6,472	140	-	-
- Bank overdrafts (unsecured)	7,244	7,063	-	-
	61,019	68,800	-	-
	333,445	359,149	160,000	130,000
Non-current				
Islamic financing				
- Islamic Medium Term Notes (unsecured)	900,000	795,219	-	-
- Term loans (secured)	330,333	302,701	-	-
- Finance lease liabilities (secured)	9,086	31,381	-	-
	1,239,419	1,129,301	-	-
Conventional financing				
- Term loans (secured)	2,375	49,545	-	-
- Finance lease liabilities (secured)	519	35	-	-
	2,894	49,580	-	-
	1,242,313	1,178,881	-	-
	1,575,758	1,538,030	160,000	130,000

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

29 BORROWINGS (CONTINUED)

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total borrowing				
Islamic financing				
- Islamic Medium Term Notes	900,000	795,219	-	-
- Term loans	356,414	391,034	-	-
- Revolving credits	212,500	182,500	160,000	130,000
- Finance lease liabilities	37,561	50,897	-	-
- Bank overdrafts	5,369	-	-	-
Conventional financing				
- Term loans	43,774	111,142	-	-
- Revolving credits	5,905	-	-	-
- Finance lease liabilities	6,991	175	-	-
- Bank overdrafts	7,244	7,063	-	-
	1,575,758	1,538,030	160,000	130,000
Less: Repayable after 1 year	(1,242,313)	(1,178,881)	-	-
	333,445	359,149	160,000	130,000
The maturity profile of borrowings is as follows:				
Less than 1 year	333,445	359,149	160,000	130,000
Between 1 and 5 years	475,306	204,208	-	-
More than 5 years	767,007	974,673	-	-
	1,575,758	1,538,030	160,000	130,000
The borrowings are denominated as follows:				
Ringgit Malaysia	1,479,915	1,430,741	160,000	130,000
Australian Dollar	46,976	53,242	-	-
US Dollar	48,867	54,047	-	-
	1,575,758	1,538,030	160,000	130,000

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

29 BORROWINGS (CONTINUED)

	FINANCE RATE	EFFECTIVE FINANCE RATE AT DATE OF STATEMENT OF FINANCIAL POSITION (% p.a)
2016		
Term loans	Fixed / Floating	4.38 - 5.97
Finance lease liabilities	Fixed	2.34 - 5.78
Islamic Medium Term Notes	Fixed	5.60 - 5.71
Bank overdrafts	Floating	6.85
Revolving credits	Fixed / Floating	4.34 - 4.70
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
Revolving credits	Fixed / Floating	4.34 - 4.70

Stated below are the fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	GROUP			
	CARRYING VALUE		FAIR VALUE	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Term loans	330,333	302,701	274,234	203,628
Finance lease liabilities	9,605	31,416	9,035	29,815
Islamic Medium Term Notes	900,000	795,219	663,783	532,489
	1,239,938	1,129,336	947,052	765,932

The significant borrowings are secured by:

Term loan - Syariah compliant

A third party, first legal charge over certain investment property including the building with a carrying amount of RM210,654,000 (2015: RM210,654,000) (Note 17).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

29 BORROWINGS (CONTINUED)

Other borrowings are secured by:

- (a) a Letter of Undertaking cum Awareness;
- (b) negative pledge;
- (c) an assignment of the proceeds to be received from the disposal of the building and lease/rentals;
- (d) fixed and floating charge over certain present and future assets;
- (e) third party's loan agreement cum assignment over certain the leasehold land;
- (f) jointly and severally guaranteed by certain directors of a subsidiary;
- (g) Corporate Guarantee;
- (h) assignment of all Rights & Benefits or its equivalent over the relevant Takaful cover;
- (i) a charge on the specific FSRA & DSRA and all monies standing to the credit of certain subsidiaries.

Finance lease liabilities are secured by the related equipment and motor vehicles.

In connection with certain borrowings, the Group 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.
- (v) Group bank borrowings to Tangible Net worth not more than 1.25 times.
- (vi) Interest Coverage Ratio not more than 4 times.
- (vii) A subsidiary's gearing ratio to be maintained at a minimum of 3.5 times.

30 DEFERRED REVENUE

	GROUP	
	2016	2015
	RM'000	RM'000
At 1 January	78,849	68,724
Additions	52,196	63,584
Earned during the financial year	(54,241)	(53,459)
At 31 December	76,804	78,849
Represented by:		
Tuition fees	11,751	10,132
Wellness	65,053	68,717
	76,804	78,849

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 2016 (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	
	2016 RM'000	2015 RM'000
At 1 January	2,298	2,260
Charged to income statement (Note 10)	250	246
Effect of re-measurement gain recognised in other comprehensive income	-	(208)
	2,548	2,298
The amount recognised in income statement is as follows:		
Current service cost	126	127
Interest cost on benefit obligation	124	122
Past service cost	-	(3)
	250	246

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

	GROUP	
	2016 %	2015 %
Discount rate ¹	5.4	5.4
Expected rate of salary increase		
- Non-management staff ²	5.0	5.0
- Management staff ²	5.0	5.0
Turnover ³	Age related scale of 25% per annum prior age 25, gradually reducing to 0% per annum by age 50.	Age related scale of 25% per annum prior age 25, gradually reducing to 0% per annum by age 50.

¹ Discount rate is reflective of 10-15 year yield for AAA rated bond

² Expected rate of salary increase is as per industry average

³ Turnover rate is relatively influenced by average employee age

The above assumptions derived from the latest actuarial valuation of the plan.

The valuation was carried out by third party actuaries, Towers Watson (Malaysia) Sdn Bhd.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

31 PROVISION FOR RETIREMENT BENEFITS (CONTINUED)

	2016 RM'000	2015 RM'000
1. A 1% increase in salary increment rate		
(a) Increase on defined benefit obligation	2,800	2,550
(b) Increase in net defined liability	252	252
2. A 1% decrease in salary increment rate		
(a) Decrease on defined benefit obligation	2,802	2,552
(b) Decrease in net defined liability	254	254

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.

33 SHARE CAPITAL

	GROUP/COMPANY	
	2016 RM'000	2015 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	527,246	515,374
Issued during the financial year:		
- Exercise of warrants (2010/2015)	-	1,082
- Exercise of warrants (2014/2019)	1	350
- Restricted Issue	-	8,754
- ESOS	4,537	1,686
At 31 December	531,784	527,246

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

33 SHARE CAPITAL (CONTINUED)

(a) 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:

ISSUANCE DATE	EXPIRY DATE	EXERCISE PRICE RM/SHARE	NUMBER OF WARRANTS 2014/2019		
			1.1.2016 '000	EXERCISED '000	31.12.2016 '000
29 January 2014	23 January 2019	4.01	86,576	(1)	86,575

Details relating to warrants exercised during the financial year are as follows:

	GROUP/COMPANY	
	2016 RM'000	2015 RM'000
Ordinary share capital – at par	1	1,432
Share premium	(1)	1,364
Warrants (2014/2019)	1	2,453
Proceeds from exercise of warrants	1	5,249
Fair value at exercise date of shares issued	1	17,660

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

An Employees Share Option Scheme ("ESOS") was implemented on 27 February 2015 for the benefit of senior executives and certain employees of the Company. The ESOS shall be in-force for a period of 5 years. The fair value of each share option on the grant date is RM1.01. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The exercise price of the share options granted under the ESOS is RM3.64 each. The options granted are divided into 5 equal tranches which vest on 14 April 2015, 27 February 2016, 27 February 2017, 27 February 2018 and 27 February 2019. The vesting condition is that the offeree must be an employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates. The options expire on 27 February 2020.

During the year, the company offered additional ESOS to eligible employees. The fair value of additional ESOS issued during the year is RM1.01.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

34 SHARE-BASED PAYMENTS (CONTINUED)

(i) Employee Share Option Scheme (continued)

Movement of share options during the financial year

The following table illustrates the number of, and movements in, share options of the Company during the financial year.

	NUMBER OF SHARE OPTIONS AT EXERCISE PRICE OF RM 3.64 EACH	
	2016 UNIT'000	2015 UNIT'000
Outstanding at beginning of financial year	88,009	-
- Granted	1,048	95,054
- Exercised	(9,075)	(3,372)
- Lapsed	(5,056)	(3,673)
Outstanding at end of financial year	74,926	88,009
Exercisable at end of financial year	23,416	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 Notes 10 and 11 to the financial statements arising from the ESOS granted to Directors and employees of the Group and Company.

(ii) Restricted Issue

The key features of the restricted issue as stated in circular to shareholders dated 4 November 2014 are as follows:

- 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.
- 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 previous financial year.

There is no further issuance of restricted issue during the financial year.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

35 OTHER RESERVES

	WARRANT RESERVE (NOTE A) RM'000	MERGER RESERVE (NOTE B) RM'000	EXCHANGE RESERVES (NOTE C) RM'000	REVALUATION RESERVE (NOTE D) RM'000	SHARE OPTION RESERVE (NOTE E) RM'000	TOTAL RM'000
Group						
At 1 January 2016	31,693	(3,367)	(2,028)	105,914	24,496	156,708
Other comprehensive income						
Translation of foreign subsidiaries	-	-	(71)	-	-	(71)
Revaluation surplus	-	-	-	15,520	-	15,520
Reclassification of unrealised gain in relation to an associate (Note 21)	-	-	-	(33,572)	-	(33,572)
Total other comprehensive loss	-	-	(71)	(18,052)	-	(18,123)
	31,693	(3,367)	(2,099)	87,862	24,496	138,585
Transactions with owners:						
Issue of share capital:						
- warrants	(1)	-	-	-	-	(1)
- ESOS	-	-	-	-	(1,815)	(1,815)
	(1)	-	-	-	(1,815)	(1,816)
ESOS expenses during the financial year	-	-	-	-	27,818	27,818
Lapsed ESOS	-	-	-	-	(388)	(388)
At 31 December 2016	31,692	(3,367)	(2,099)	87,862	50,111	164,199

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

35 OTHER RESERVES (CONTINUED)

	WARRANT RESERVE (NOTE A) RM'000	MERGER RESERVE (NOTE B) RM'000	EXCHANGE RESERVES (NOTE C) RM'000	REVALUATION RESERVE (NOTE D) RM'000	SHARE OPTION RESERVE (NOTE E) RM'000	TOTAL RM'000
Group						
At 1 January 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 income/(loss)	31,952	(3,367)	(2,028)	105,914	-	132,471
Transactions with owners:						
Issue of share capital:						
- warrants	(259)	-	-	-	-	(259)
- ESOS	-	-	-	-	(674)	(674)
	(259)	-	-	-	(674)	(933)
ESOS expenses during the financial 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

- (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 lapsed, the related warrant reserve is transferred to retained earnings.
- (b) The difference between the issue price and the nominal value of shares issued that arose from a merger was classified as merger reserve.
- (c) Exchange reserve is used to record exchange differences arising from the translation of financial statements of subsidiaries/associate whose functional currency differs from the Group's presentation currency.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

35 OTHER RESERVES (CONTINUED)

- (d) Revaluation reserve (non-distributable).

	GROUP	
	2016 RM'000	2015 RM'000
At 1 January	105,914	58,429
Revaluation surplus, net of tax	15,520	47,485
Reclassification of unrealised gain in relation to an associate * (Note 21)	(33,572)	-
At 31 December	87,862	105,914

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

* This relates to portion of unrealised gain from disposal of land and building to an associate in prior year.

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

36 SIGNIFICANT RELATED PARTY DISCLOSURES

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

In addition to the related party disclosures elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on negotiated terms.

- (a) Significant related party transactions

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Type of transactions				
Group and Company				
Project management fee to associate	5,481	14,385	-	-
Proceeds from disposal of land and buildings to an associate *	-	43,150	-	-
Rental expense to an associate *	102,143	111,234	-	-
Payments under Development Agreement (Note 24) on behalf of an associate *	6,466	18,555	-	-
Management fee from subsidiaries	-	-	(43,240)	(43,211)
Dividend received (net) from subsidiaries	-	-	(141,546)	(111,482)
Interest expense to subsidiaries	-	-	9,740	13,827

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (Continued)

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Type of transactions (Continued)				
Group and Company (Continued)				
Interest income from subsidiaries	-	-	(1,712)	(1,896)
Dividend received from associates	22,889	27,675	-	-
* Al-'Aqar Healthcare REIT				
Johor Corporation group of companies				
Secretarial fee	1,245	316	151	-
Insurance premiums	5,147	3,736	-	-
Dividend paid	-	-	23,900	27,893
Contribution to Klinik Waqaf An-Nur	3,498	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 24 and 28.

(b) Key management personnel compensation

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

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors' remuneration (Note 11)	3,229	5,041	3,040	4,855
Salaries, allowances and bonuses	3,356	3,348	3,356	3,348
Contributions to defined contribution plan	369	362	369	362
Share based payments	187	1,006	187	1,006
	7,141	9,757	6,952	9,571

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

37 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows:

	GROUP	
	2016 RM'000	2015 RM'000
Represented by:		
Not later than 1 year	100,909	104,161
Later than 1 year and not later than 2 years	204,957	104,654
Later than 2 years and not later than 5 years	308,992	314,949
Later than 5 years	2,453,835	2,428,395
	3,068,693	2,952,159

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 RM750,000 (2015: 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.

38 CONTINGENT LIABILITIES

The Group is subject to litigations in the ordinary course of business, mainly arising from its subsidiaries hospital operations. The Directors are of the opinion, based on legal advice and malpractice insurance, that no significant exposure will arise that requires recognition.

39 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 17 October 2016, the Company's wholly-owned subsidiary, Puteri Specialist Hospital (Johor) Sdn Bhd entered into an Agreement To Lease ("ATL") with Johor Land Berhad and Johor Corporation for the proposed development and leasing of a hospital building and the land to be known as the "KPJ Batu Pahat Specialist Hospital" subject to the terms and conditions as contained in the ATL.
- (b) On 2 August 2016, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, has signed an MOU with Sojitz Corporation ("Sojitz") and Capital Medica Co. Ltd. ("CM") at the 12th World Islamic Economic Forum in Jakarta, Indonesia.

The MOU sets out the tri-partite collaboration between the KPJSB, Sojitz and CM to explore the possible development and operation of an Oncology Centre at Rumah Sakit Medika Bumi Serpong Damai ("RSMBSD") that is estimated to cost approximately USD12 million.

- (c) On 23 September 2016, a wholly-owned subsidiary of the Company, KPJSB, has signed a Memorandum of Agreement (MOA) in Seoul, Korea for the development of Spine Centre in KPJ Tawakkal Health Centre. Based on the MOA, KPJ is deemed to prepare and sign the Supplementary Agreement with Barun Development Co.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

40 CAPITAL COMMITMENTS

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

	GROUP	
	2016 RM'000	2015 RM'000
Approved by the Directors and contracted	235,874	502,890
Approved by the Directors but not contracted	159,297	189,528
	395,171	692,418
Analysed as follows:		
- Buildings	310,962	572,733
- Medical equipments	57,092	56,775
- Other property, plant and equipment	27,117	62,910
	395,171	692,418

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 per quantitative thresholds required by MFRS 8.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The EXCO assesses the performance of the operating segments based on EBITDA and profit before zakat and tax.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016 (continued)

41 SEGMENTAL REPORTING (CONTINUED)

	MALAYSIA	INDONESIA	AGED CARE FACILITY AUSTRALIA	OTHERS	GROUP
	RM'000	RM'000	RM'000	RM'000	RM'000
Year ended 31 December 2016					
Revenue					
Revenue from external customers	2,855,588	59,561	51,491	54,454	3,021,094
Year ended 31 December 2016					
Results					
EBITDA *	411,729	15,097	(4,833)	3,334	425,327
Profit/(loss) before zakat and tax	214,243	7,692	(10,527)	(1,237)	210,171
Total assets	3,322,014	70,761	196,450	346,274	3,935,499
Total liabilities	1,683,370	86,057	209,130	272,213	2,250,770
Additions to property, plant and equipment	247,776	3,650	4,376	5,123	260,925
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 *	381,958	4,299	(12,550)	19,227	392,934
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	281,939	47,189	27,949	5,142	362,219

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

The reconciliation of EBITDA to profit for the financial year is as follows:

	2016	2015
	RM'000	RM'000
EBITDA	425,327	392,934
Depreciation and amortisation	(132,019)	(119,169)
Finance cost	(83,137)	(64,157)
Profit before zakat and tax	210,171	209,608
Zakat and tax	(54,296)	(64,479)
Profit for the year	155,875	145,129

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of KPJ Healthcare Berhad and its subsidiaries:				
- Realised	714,638	648,529	111,187	70,588
- Unrealised	(34,740)	(45,603)	-	-
	679,898	602,926	111,187	70,588
Total shares of retained earnings from associates:				
- Realised	43,443	36,240	-	-
- Unrealised	47,886	57,892	-	-
	771,227	697,058	111,187	70,588
Add/(less): Consolidated adjustments	4,514	(2,479)	-	-
Total Group retained earnings	775,741	694,579	111,187	70,588

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 09 March 2017

Authorised Share Capital : RM750,000,000
Issued & Fully Paid-Up Capital : RM531,984,598.50 less RM7,795,000.00 Treasury Shares = RM524,189,598.50
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	337	7.47	13,243	-
100 – 1000	696	15.42	436,972	0.04
1,001 – 10,000	2,398	53.13	10,379,883	0.99
10,001 – 100,000	869	19.26	29,249,332	2.79
100,001 to less than 5% of Issued Capital	208	4.61	421,500,839	40.21
5% and above of Issued Capital	5	0.11	586,798,928	55.97
TOTAL	4,513	100.00	1,048,379,197	100.00

Shareholdings Statistics

as at 09 March 2017

TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same depositor)

NO.	NAME	NO. OF SHARES	%
1	Johor Corporation	202,484,159	19.31
2	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	135,906,195	12.96
3	Johor Corporation	94,374,945	9.00
4	RHB Noms (T) Sdn Bhd - A/C Johor Corporation	77,889,720	7.43
5	Waqaf An-Nur Corporation Berhad	76,143,909	7.26
6	Lembaga Tabung Haji	34,751,200	3.31
7	AmanahRaya Trustees Berhad - A/C Amanah Saham Malaysia	24,534,600	2.34
8	Kumpulan Wang Persaraan (Diperbadankan)	21,633,100	2.06
9	AmanahRaya Trustees Berhad - A/C Amanah Saham Didik	18,139,700	1.73
10	Maybank Noms (T) Sdn Bhd - A/C Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	18,000,000	1.72
11	AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	16,820,593	1.60
12	AmanahRaya Trustees Berhad - A/C Public Ittikal Sequel Fund	14,421,466	1.38
13	AmanahRaya Trustees Berhad - A/C Public Islamic Dividend Fund	14,374,310	1.37
14	Citigroup Noms (A) Sdn Bhd - A/C Exempt AN for Citibank New York (Norges Bank 12)	13,382,200	1.28
15	AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera 2	12,500,000	1.19
16	AmanahRaya Trustees Berhad - A/C AS 1MALAYSIA	11,000,000	1.05
17	AmanahRaya Trustees Berhad - A/C Public Islamic Select Enterprises Fund	9,836,846	0.94
18	AmanahRaya Trustees Berhad - A/C Public Islamic Sector Select Fund	9,623,686	0.92
19	Cartaban Noms (T) Sdn Bhd - A/C PAMB for Prulink Equity Fund	9,541,000	0.91
20	Maybank Noms (T) Sdn Bhd - A/C Etiqa Takaful Berhad (Family PRF EQ)	8,849,316	0.84
21	Johor Corporation	8,641,312	0.82
22	HSBC Noms (A) Sdn Bhd - A/C BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	8,101,200	0.77
23	HSBC Noms (A) Sdn Bhd - A/C Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	7,273,196	0.69
24	AmanahRaya Trustees Berhad - A/C Public Islamic Equity Fund	6,696,636	0.64
25	Citigroup Noms (A) Sdn Bhd - A/C CBNY for DFA Emerging Markets Small Cap Series	6,219,025	0.59
26	Cartaban Noms (A) Sdn Bhd - A/C Exempt An for State Street Bank & Trust Company (WEST CLT OD67)	5,988,875	0.57
27	HSBC Noms (A) Sdn Bhd - A/C TNTC for Mondrian Emerging Markets Small Cap Equity Fund, L.P.	5,887,486	0.56
28	AmanahRaya Trustees Berhad - A/C Amanah Saham Nasional 3 Imbang	4,998,600	0.48
29	AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	4,741,025	0.45
30	HSBC Noms (A) Sdn Bhd - A/C Exempt An for J.P. Morgan Bank Luxembourg S.A. (2)	4,484,200	0.43

Shareholdings Statistics

as at 09 March 2017

SUBSTANTIAL SHAREHOLDERS

NO.	NAME	DIRECT		INDIRECT	
		NO. OF SHARES	%	NO. OF SHARES	%
1	Johor Corporation - 4 a/cs	305,575,416	29.15	158,245,414	15.09
2	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board - 2 a/cs	136,951,495	13.06	-	-
3	Waqaf An-Nur Corporation Berhad	76,143,909	7.26	-	-

ANALYSIS OF SHAREHOLDERS

		NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
Malaysian	- Bumiputra	1,138	25.22	749,717,600	71.51
	- Others	3,194	70.77	205,610,694	19.61
Foreigners		181	4.01	93,050,903	8.88
TOTAL		4,513	100.00	1,048,379,197	100.00

DIRECTORS' SHAREHOLDING AS AT 09 MARCH 2017

NO.	NAME OF DIRECTORS'	NO. OF SHARES	%
1	Dato' Kamaruzzaman Abu Kassim	-	-
2	Dato' Amiruddin Abdul Satar	6,266	-
3	Tan Sri Datin Paduka Siti Sa'diah Sheikh Bakir - 2 a/cs	1,200,000	0.11
	- Indirect (Amy Nadzlina binti Mohamed)	-	-
4	Dr. Yoong Fook Ngian		
	- Maybank Noms (T) Sdn Bhd - A/C Yoong Fook Ngian	293,666	0.03
5	Dr. Kok Chin Leong	280,100	0.03
6	Zainah Mustafa	200,000	0.02
7	Datuk Azzat Kamaludin	94,000	0.01
8	Aminudin Dawam	11,197	-
9	Ahamad Mohamad	1,125	-
10	Zulkifli Ibrahim	-	-
11	Prof. Dato' Azizi Omar	-	-

Warrantholdings Statistics

as at 09 March 2017

BREAK DOWN OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
Less than 100	119	6.53	5,089	0.01
100 – 1000	975	53.48	472,171	0.54
1,001 – 10,000	497	27.26	2,008,296	2.32
10,001 – 100,000	183	10.04	5,243,764	6.06
100,001 to less than 5% of Issued Capital	47	2.58	22,694,580	26.21
5% and above of Issued Capital	2	0.11	56,151,394	64.86
TOTAL	1,823	100.00	86,575,294	100.00

TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same depositor)

NO.	NAME	NO. OF WARRANTS	%
1	RHB Noms (T) Sdn Bhd - A/C Johor Corporation	36,419,494	42.07
2	Kulim (Malaysia) Berhad	19,731,900	22.79
3	CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank for Liew Jun Kuan (MY0750)	3,413,300	3.94
4	Waqaf An-Nur Corporation Berhad	2,002,344	2.31
5	Suraya Elland Yusoff	1,479,400	1.71
6	Lembaga Tabung Haji	1,253,000	1.45
7	Amanahraya Trustees Berhad - A/C Public Islamic Dividend Fund	946,920	1.09
8	CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank For Liew Jun Kuan (MH6869)	933,400	1.08
9	Dai Shek Hung	760,100	0.88
10	Affin Hwang Investment Bank Berhad – A/C CLR (300) for Lembaga Tabung Haji	750,000	0.87
11	TA Securities Holdings Berhad - A/C CLR (DIL) for Lembaga Tabung Haji	750,000	0.87
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	Saw Huat Seong	500,000	0.58
17	Maybank Secs Noms (A) Sdn Bhd - A/C Maybank Kim Eng Securities Pte Ltd for Poh Eng Choo	460,000	0.53
18	Lim Yong Hiang	442,200	0.51
19	Yeoh Siew Leng	405,700	0.47
20	Cheah Chong Yein	373,000	0.43
21	CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank for Mohammed Amin bin Mahmud (MM1004)	361,186	0.42
22	Ng Sow Teng	355,000	0.41
23	Johor Corporation	342,700	0.40
24	Public Noms (T) Sdn Bhd - A/C Tan Chiam Hua (E-BPT)	319,600	0.37
25	HSBC Noms (A) Sdn Bhd - A/C Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	319,480	0.37
26	Maybank Noms (T) Sdn Bhd - A/C Kek Lian Lye	315,000	0.36

Warrantholdings Statistics

as at 09 March 2017

NO.	NAME	NO. OF WARRANTS	%
27	HSBC Noms (A) Sdn Bhd - A/C Exempt AN for The Bank Of New York Mellon (Mellon Acct)	313,000	0.36
28	Public Noms (T) Sdn Bhd - A/C Fong Kwee Min (E-KPG)	300,000	0.35
29	Ng Seng Nam	240,000	0.28
30	Citigroup Noms (A) Sdn Bhd - A/C CBNY for Old Westbury Small & Mid Cap Fund	201,026	0.23

SUBSTANTIAL WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	RHB Noms (T) Sdn Bhd - A/C Johor Corporation	36,419,494	42.07
2	Kulim (Malaysia) Berhad	19,731,900	22.79

ANALYSIS OF WARRANTHOLDERS

		NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
Malaysian	- Bumiputra	400	21.94	69,682,628	80.49
	- Others	1,372	75.26	11,465,537	13.24
Foreigners		51	2.80	5,427,129	6.27
TOTAL		1,823	100.00	86,575,294	100.00

DIRECTORS' WARRANTHOLDING AS AT 09 MARCH 2017

NO.	NAME	NO. OF WARRANTS	%
1	Dato' Kamaruzzaman Abu Kassim		
	Maybank Noms (T) Sdn Bhd - A/C For Kamaruzzaman bin Abu Kassim	24,000	0.03
2	Dato' Amiruddin Abdul Satar	532	-
3	Tan Sri Datin Paduka Siti Sa'diah Sheikh Bakir - 2 a/cs	109,498	0.13
	- Indirect (Amy Nadzlina binti Mohamed)	166	-
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' Azizi Omar	-	-

Classification of Shareholders

as at 09 March 2017

ROD	TOTAL		BUMIPUTRA		NON-BUMIPUTRA		FOREIGN	
	HOLDER	SHARES	HOLDER	SHARES	HOLDER	SHARES	HOLDER	SHARES
Government Bodies	15	464,622,163	15	464,622,163	-	-	-	-
Finance	35	223,626,608	32	220,196,942	3	3,429,666	-	-
Investment Trust	5	308,578	5	308,578	-	-	-	-
Nominees	997	301,233,970	499	46,895,728	370	162,625,276	128	91,712,966
Companies	63	5,737,224	28	4,084,601	31	1,276,823	4	375,800
Clubs / Association	1	442,500	1	442,500	-	-	-	-
Co - Operatives	2	7,500	2	7,500	-	-	-	-
Others	1	10	-	-	1	10	-	-
Individuals	3,394	52,400,644	556	13,159,588	2,789	38,278,919	49	962,137
TOTAL	4,513	1,048,379,197	1,138	749,717,600	3,194	205,610,694	181	93,050,903
%	100.00	100.00	25.22	71.51	70.77	19.61	4.01	8.88

List of Top 10 Properties

NO	LOCATION	DESCRIPTION	LATEST DATE OF VALUATION	MARKET VALUE 2016 RM MILLION	NBV AS AT 31.12.2016 RM MILLION	TENURE & EXPIRY DATE	AREA (IN SQ METRE)	AGE OF BUILDING
1	Kumpulan Perubatan (Johor) Sdn Bhd Menara 238, Jalan Tun Razak, 50400 Kuala Lumpur	Office building	31-Dec-15	231.5	231.1	Freehold land	8,330	10 years
2	SMC Healthcare Sdn Bhd No.2, Off Jalan Damai, Luyang 88300 Kota Kinabalu, Sabah	Hospital building	31-Dec-16	190.0	176.6	NA	42,211	3 years
3	Jeta Gardens (Qld) Pty Ltd Lot 1 & 5, 86 Albert Street, Waterford Bethania 4205 Queensland, Australia	Land and aged care building	31-Dec-15	75.1	75.1	Freehold land	109,361	10 years
4	Pahang Specialist Hospital Sdn Bhd Lot 105703 (HSM 65652) Tanjung Lumpur, Mukim Kuala Kuantan, Daerah Kuantan, Pahang Darul Makmur	Land and hospital building	31-Dec-15	83.0	82.0	Leasehold land (99 years expiring on 17 April 2106)	12,940	1 year
5	Rawang Specialist Hospital Sdn Bhd PT 4156, Section 16, Jalan Rawang, Bandar Baru Rawang, 48000 Rawang, Selangor	Land and hospital building	31-Dec-16	80.0	80.0	Leasehold land (99 years expiring on 7 September 2103)	33,771	4 years
6	Pasir Gudang Specialist Hospital Sdn Bhd Lot PTD 204781, Mukim Plentong, Johor Bahru, Johor	Land and hospital building	31-Dec-15	70.0	69.7	Leasehold land (99 years expiring on 28 December 2108)	13,144	4 years
7	Maharani Specialist Hospital Sdn Bhd Lot 2024, Bandar Maharani, Muar, Johor	Land and hospital building	31-Dec-15	65.0	65.0	Freehold land	6,944	3 years
8	PT Al-Aqar Bumi Serpong Damai Jalan Letkol Sutopo III-IA/07, Serpong District, Tangerang, Banten Province, Indonesia	Land and hospital building	31-Dec-16	62.3	62.3	Leasehold land (20 years expiring on 15 July 2027)	34,168	12 years
9	Amity Development Sdn Bhd TL 017553221, Jalan Damai, Kota Kinabalu, Sabah	Land	31-Dec-16	57.0	57.0	Leasehold land (999 years expiring on 5 February 2910)	16,850	NA
10	Bandar Dato Onn Specialist Hospital Sdn Bhd HSD 501209 PTD 163189, Bandar Dato' Onn, Mukim Tebrau, Daerah Johor Bahru	Land	31-Dec-15	47.0	47.0	Freehold land	54,034	NA

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.kpjdamsara.com
Email: info@kpjdamsara.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.kpjkaang.com
Email: kpjkaang@kpjkaang.kpjhealth.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.kpjtaakkal.com
Email: tawakkal@kpjtaakkal.com

KEDAH MEDICAL CENTRE

Pumpung, 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 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 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 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

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 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 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

MSQH & JCI ACCREDITED HOSPITALS

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.kpj Johor.com
Email: jsh@jsh.kpjhealth.com.my

KPJ AMPANG PUTERI SPECIALIST HOSPITAL

No. 1, Jalan Mamanda 9, Taman Dato' Ahmad Razali,
68000 Ampang, Selangor.
Tel: 603-4289 5000 Fax: 603-4270 2443
Emergency: 603-4270 7060
Website: www.kpjampang.com
Email: apsh@kpjampang.com

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
Toll free: 1800 22 2692

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

MOVING TOWARDS ACCREDITATION

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.kpj kuching.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

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.kpjtaiping.com
Email: tmc@tmc.kpjhealth.com.my

Network of KPJ Hospitals and Companies

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

SRI MANJUNG SPECIALIST CENTRE

Lot 14777, Jalan Lumut, 32000 Sitiawan, Perak.
Tel: 05-691 8153 Fax: 05-691 5368
Email: kpjsmscpm@gmail.com

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

KPJ PAHANG SPECIALIST HOSPITAL

Lot 105703, Jalan Tanjung Lumpur,
26060 Kuantan, Pahang.
Tel: 609-511 2692 Fax: 609-511 2600
Emergency: 609-511 2407
Website: www.kjpahang.com
Email: kpjphg@kpjpahang.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 Bangkok,
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.sfmmpkjsh.com
Email: info@sfmmpkjsh.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.kpjcfcs.com
Email: info@kpjcfcs.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.kpjcfcs.com
Email: infokl@kpjcfcs.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.kpjcfcs.com
Email: inforw@kpjcfcs.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 Fourth (24th) 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, 20 April 2017 at 11.00 a.m for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 December 2016 and the Reports of the Directors and Auditors thereon. Please refer to Note f
2. To re-elect the following Directors of the Company who will retire in accordance with the Articles of Association of the Company:-
 - (i) Dato' Amiruddin Bin Abdul Satar – Article 96 (Resolution 1)
 - (ii) Aminudin Bin Dawam – Article 96 (Resolution 2)
 - (iii) Zulkifli Bin Ibrahim – Article 96 (Resolution 3)
 - (iv) Dr. Kok Chin Leong – Article 96 (Resolution 4)
3. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2016.
 - (i) Fees of RM918,750 paid in the financial year ended 31 December 2016 and proposed fees of RM925,000 for the financial year ending 31 December 2017. (Resolution 5(a))
 - (ii) Remuneration (excluding Directors' fees) of RM838,250 for the financial year ended 31 December 2016 and up to an amount of RM965,000 from January 2017 until the conclusion of the next AGM of the Company (“Relevant Period”). (See Note k) (Resolution 5(b))
4. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:

5. 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 24th AGM on the appointment of INEDs.

“**THAT** Zainah Binti 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 g) (Resolution 7)

“**THAT** Datuk Azzat Kamaludin who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be hereby re-appointed as an Independent Non-Executive Director of the Company until the conclusion of the next AGM. (See Note g) (Resolution 8)

“**THAT** 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 g) (Resolution 9)

“**THAT** subject to the passing of Resolution 4, approval be and is hereby given to 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 g) (Resolution 10)

Notice of Annual General Meeting

6. ORDINARY RESOLUTION 2

AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016

“**THAT** pursuant to Section 75 of the Companies Act, 2016 (“Act”), and approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, from time to time, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10 percent (10%) of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities and that such authority shall continue in force until the conclusion of the next AGM of the Company. (See Note h) (Resolution 11)

7. ORDINARY RESOLUTION 3

PROPOSED RENEWAL OF THE SHARE BUY-BACK AUTHORITY (“PROPOSED SHARE BUY BACK”)

“**THAT**, subject to Section 127 of the Act, the provisions of the Listing Requirements of the Bursa Securities and all other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised, to make purchase(s) of ordinary shares in the Company on Bursa Securities subject to the following:- (Resolution 12)

- (a) The maximum number of shares which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the total number of issued shares of the Company for the time being subject to the restriction that the issued capital of the Company does not fall below the applicable minimum share capital requirement of the Listing Requirements;
- (b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits of the Company; and
- (c) Upon completion of the purchase by the Company of its own shares, the Directors of the Company are authorised to deal with the shares so bought-back in their absolute discretion in any of the following manner:-
 - (i) cancel the shares so purchased; or
 - (ii) retain the shares so purchased as treasury shares and held by the Company; or
 - (iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or,
 - (iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or
 - (v) transfer all or part of the treasury shares for purposes of an employees’ share scheme, and/or as purchase consideration; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act 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 Listing Requirements and the guidelines issued by Bursa Securities and any other relevant authorities.” (See Note i)

Notice of Annual General Meeting

8. **ORDINARY RESOLUTION 4**
PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE
("PROPOSED SHAREHOLDERS' MANDATE")

"**THAT** subject always to the provisions of the Act, the Listing Requirements or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries, to enter into and give effect to the Recurrent Related Party Transactions of a Revenue or Trading nature; all with the particulars of which are set out in Part B of the Circular to Shareholders dated 28 March 2017 ("Circular") with the Related Parties as described in the Circular, provided that such transactions are:- (Resolution 13)

- (a) recurrent transactions of a revenue or trading nature;
- (b) necessary for the day-to-day operations of the Company and/or its subsidiaries;
- (c) carried out in the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms not more favourable to the Related Parties than those generally available to the public; and
- (d) not detrimental to the minority shareholders of the Company;

AND THAT such authority shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following this AGM, at which time the authority will lapse unless by a resolution passed at the AGM, such authority is renewed; or
- (b) the expiration of the period within which the next AGM after the date that is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting;

whichever is earlier;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or give effect to the Proposed Shareholders' Mandate." (See Note j)

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 24th 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 April 2017. Depositors whose names appear on the ROD as at 12 April 2017 are entitled to attend, speak and vote at the said meeting.

By Order of the Board,
KPJ HEALTHCARE BERHAD

SALMAH BINTI HJ ABD WAHAB (LS 0002140)
HANA BINTI AB RAHIM @ ALI, ACIS (MAICSA 7064336)
Secretaries

Johor Bahru
Dated: 28 March 2017

Notice of Annual General Meeting

NOTES:

Proxy

- a. A member entitled to attend and vote at this meeting is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at this AGM.
- b. If a corporation is a member of the Company, the corporation may by resolution of its Board or other governing body authorize a person or persons to act as its representative or representatives at this AGM.
- c. A certificate of authorization by the corporation shall be prima facie evidence of the appointment or the revocation of the appointment, as the case may be, of a representative under Section 333(5) of the Act.
- d. 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.
- e. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, shall be deposited at the registered office of the Company at: KPJ HEALTHCARE BERHAD, Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

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 5 concerning remuneration to the NED at the 24th AGM.
2. Any Director referred to in Resolutions 1, 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 as Director of the Company at the 24th AGM.

EXPLANATORY NOTES ON SPECIAL BUSINESS :

- f. Item 1 of the Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require the Company to obtain shareholders' approval for its Audited Financial Statements. Henceforth, this Agenda is not put forward for voting.
- g. The Ordinary Resolutions 7, 8, 9 and 10 if passed, will enable Zainah Binti Mustafa, Datuk Azzat Bin Kamaludin, Dr Yoong Fook Ngian and Dr Kok Chin Leong, 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 judgment, 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 judgment. Following an assessment, the Board concluded that the INEDs' length of service do not interfere with the exercise of independent judgment 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.
- h. The proposed Resolution 11 if passed is primarily to give flexibility to the Directors of the Company to issue up to a maximum amount not exceeding in total 10% of the total number of issued shares in the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM or the expiration of the period within the next AGM required by law to be held, whichever is earlier.
 - (i) The mandate sought under Resolution 12 is a renewal of an existing mandate particularly on the conversion of KPJ ESOS and KPJ warrants into ordinary shares at the price of RM3.64 and RM4.01 per ordinary share respectively
 - (ii) The proceeds raised from the previous mandate were RM27,998,772.00
 - (iii) The proceeds were utilized for working capital purposes
 - (iv) The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.
- i. The proposed Resolution 12 if passed will enable the Company to utilise any of its surplus financial resources to purchase its own shares from the market.
- j. The proposed Resolution 13 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 28 March 2017 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.
- k. Pursuant to Section 230(1) of the Companies Act 2016 which came into force on 31 January 2017, the fees and benefits ("Remuneration") payable to the Directors of the Company will have to be approved by the shareholders at a general meeting.

Notice of Annual General Meeting

In determining the estimated total amount of remuneration (excluding Directors' fees) for the NED, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of NED involved in these meetings.

The actual Directors' fees for NED during the financial year 2016 was RM918,750. The Directors' fees proposed for the financial year ending 31 December 2017 are the same as 2016 and assuming that all the NED will hold office until the end of the financial year. The proposed Resolution 5(a), if passed, is to facilitate payment of Directors' fees on current financial year basis.

The proposed Resolution 5(b), if passed, will allow the payment of the Directors' Remuneration (excluding Directors' fees) to the NED of the Company on a monthly basis and/or as and when incurred within the Relevant Period.

The Board is of the view that it is just and equitable for the NED to be paid the Directors' Remuneration on a monthly/quarterly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

In the event that the Directors' Remuneration (excluding Directors' fees) proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for the additional remuneration to meet the shortfall. The estimated amount of RM965,000 for the Relevant Period is derived from a total of RM840,000 for FY2017 and a total of RM125,000 for the period from 1 January 2018 until the next AGM in 2018.

Details of the estimated Directors' Remuneration for NED for the Relevant Period are as below :-

i) Directors' Fees

	2016	2017
Non-Executive Chairman	RM150,000 per annum	RM150,000 per annum
NED	RM75,000 per annum	RM75,000 per annum

ii) Directors' Remuneration (excluding Directors' fees)

Description	Chairman	NED
Other Benefits	Medical benefits	Medical benefits and company car for 1 NED

Meeting Allowance (per meeting)	Chairman	NED
Board of KPJ	RM3,500	RM2,500
Audit Committee	RM3,500	RM2,500
Medical Advisory Committee	RM500	RM400
Nomination & Remuneration Committee	RM1,000	RM500
Building Committee	RM1,000	RM500
Tender Board Committee	RM1,000	RM500

Allowance for Professional Advisory Services	2017
Monthly Allowance as Chairman of Medical Advisory Committee	RM18,000
Monthly allowance on implementation of KPJ Clinical Information System	RM7,000

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' Amiruddin Bin Abdul Satar – Article 96
 - (ii) Aminudin Bin Dawam – Article 96
 - (iii) Zulkifli Bin Ibrahim – Article 96
 - (iv) Dr Kok Chin Leong – Article 96
2. A total of four (4) Board Meetings were held during the financial year ended 31 December 2016.
3. Details of attendance of Directors at Board Meetings held during the financial year ended 31 December 2016 are as follows:-

	29 February 2016	19 May 2016	29 August 2016	30 November 2016
Dato' Kamaruzzaman Abu Kassim	√	√	√	√
Dato' Amiruddin Abdul Satar	√	√	√	√
Tan Sri Datin Paduka Siti Sa'diah Sheikh Bakir	√	√	√	√
Prof. Dato' Dr. Azizi Omar	√	√	√	√
Datuk Azzat Kamaludin	√	√	√	√
Zainah Mustafa	√	√	√	√
Aminudin Dawam	√	√	√	√
Dr. Yoong Fook Ngian	√	√	√	√
Dr. Kok Chin Leong	√	√	√	√
Zulkifli Ibrahim	√	√	√	√
Ahamad Mohamad	√	√	√	√

Date	Venue
29 February 2016	Level 16, Menara 238, Kuala Lumpur
19 May 2016	Puteri Pacific Hotel, Johor Bahru
29 August 2016	KPJ Pahang Specialist Hospital, Kuantan
30 November 2016	KPJ Selangor Specialist Hospital, Shah Alam

4. Particulars of Directors seeking re-election at the Annual General Meeting are set out in the Directors' Profile appearing in pages 120 to 130 of the Annual Report.

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Proxy Form



KPJ HEALTHCARE BERHAD

Company No. 247079-M
Incorporated in Malaysia under the Companies Act, 1965

No. of ordinary shares held	CDS account no.

I/We* _____
(Full name and NRIC No. /Company No. in block letters)

of _____
(Full address in block letters)

being a member(s) of KPJ HEALTHCARE BERHAD hereby appoint 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 Fourth (24th) 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 20 April 2017 at 11.00 a.m. and at any adjournment in respect of my/our holdings of shares in the manner indicated below:

RESOLUTION	DESCRIPTION	FOR	AGAINST
1	To Re-Elect Directors:		
2	Dato' Amiruddin Abdul Satar		
3	Aminudin Dawam		
4	Zulkifli Ibrahim		
5(a)	Dr. Kok Chin Leong		
5(b)	To Approve Directors' Fee		
6	To Approve Directors' Remuneration		
7	To Re-Appoint Auditors		
8	Special Business		
9	Proposed Director To Continue As Independent Non-Executive Director:		
10	Zainah Mustafa		
11	Datuk Azzat Kamaludin		
12	Dr. Yoong Fook Ngian		
13	Dr. Kok Chin Leong		
14	Authority To Issue Shares		
15	Proposed Share Buy Back		
16	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.)

For appointment of two (2) proxies, number of shares and percentages of shareholding to be represented by each proxy:		
	NO. OF SHARES	% OF SHAREHOLDING
Proxy 1		
Proxy 2		
Total		

Signature(s)/Common Seal of Shareholder(s)

Dated this _____ day of _____ 2017

[*Delete if not applicable]

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.
- 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 not less than twenty four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy should not be treated as valid.

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

www.kpjhealth.com.my

Level 12, Menara 238, 238 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.
Tel : (603) 2681 6222 Fax : (603) 2681 6888