

Company No.

247079	M
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**KPJ HEALTHCARE BERHAD**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORTS**

**30 JUNE 2016**

## KPJ HEALTHCARE BERHAD

(Incorporated in Malaysia)

### INTERIM FINANCIAL REPORTS

FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016

The Directors of KPJ Healthcare Berhad are pleased to announce the financial results for the Group for the three months ended 30 June 2016.

The interim report is prepared in accordance with MFRS134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Listing Requirements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to this report.

### UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		<u>3 months ended</u>		<u>6 months ended</u>	
		<u>30.06.2016</u>	<u>30.06.2015</u>	<u>30.06.2016</u>	<u>30.06.2015</u>
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	B1	765,124	714,272	1,509,070	1,424,159
Cost of sales		(542,973)	(490,246)	(1,054,673)	(981,562)
Gross profit		222,151	224,026	454,397	442,597
Administration and Other operating expenses		(178,056)	(173,132)	(352,803)	(344,079)
Other income		7,044	8,378	10,682	14,486
Operating profit		51,139	59,272	112,276	113,004
Finance income		2,434	3,057	5,127	5,615
Finance cost		(16,392)	(15,903)	(37,139)	(30,512)
Finance costs – net		(13,958)	(12,846)	(32,012)	(24,897)
Associates - share of results		8,905	9,008	17,243	17,943
<b>Profit before zakat and tax</b>	B2	46,086	55,434	97,507	106,050
Zakat		(740)	(570)	(1,140)	(1,140)
Income tax expense	B5	(13,879)	(16,165)	(28,277)	(29,831)
Profit net of tax		31,467	38,699	68,090	75,079
Other comprehensive income		105	(745)	105	(727)
Total comprehensive income for the period		31,572	37,954	68,195	74,352

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**KPJ HEALTHCARE BERHAD**

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**UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016 (CONTINUED)**

	Note	<u>Individual Quarter</u> <u>3 months ended</u>		<u>Cumulative Quarter</u> <u>6 months ended</u>	
		<u>30.06.2016</u> <u>RM'000</u>	<u>30.06.2015</u> <u>RM'000</u>	<u>30.06.2016</u> <u>RM'000</u>	<u>30.06.2015</u> <u>RM'000</u>
<b>Profit attributable to:</b>					
Equity holders of the Company		30,334	35,994	64,507	69,888
Non-controlling interest		1,133	2,705	3,583	5,191
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net profit attributable to shareholders</b>		<u>31,467</u>	<u>38,699</u>	<u>68,090</u>	<u>75,079</u>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		30,439	35,249	64,612	69,161
Non-controlling interest		1,133	2,705	3,583	5,191
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net profit attributable to shareholders</b>		<u>31,572</u>	<u>37,954</u>	<u>68,195</u>	<u>74,352</u>
<b>Dividend per share (sen)</b>	A7	<u>1.80</u>	<u>1.75</u>	<u>3.55</u>	<u>4.35</u>
<b>Earnings per share (sen)</b>	B11				
- Basic					
- at par value of RM0.50		2.81	3.59	6.06	6.77
- Diluted					
- at par value of RM0.50		<u>2.81</u>	<u>3.58</u>	<u>6.05</u>	<u>6.76</u>

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

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

	<u>Note</u>	<u>30.06.2016</u>	<u>Audited</u> <u>31.12.2015</u>
		RM'000	RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	A9	1,886,498	1,831,949
Investment properties		279,833	279,833
Interest in associates		489,924	475,495
Available-for-sale financial assets		282	282
Intangible assets		249,845	252,126
Deferred tax assets		11,141	18,956
Trade and other receivables		35,058	32,661
		<u>2,952,581</u>	<u>2,891,302</u>
<b>Current assets</b>			
Inventories		57,663	48,053
Receivables, deposits and prepayments		540,538	517,375
Tax recoverable		24,886	25,646
Deposit, cash and bank balances		376,219	433,206
		<u>999,306</u>	<u>1,024,280</u>
<b>Total assets</b>		<u><u>3,951,887</u></u>	<u><u>3,915,582</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	A6	529,678	527,246
Reserves		1,054,231	999,114
		<u>1,583,909</u>	<u>1,526,360</u>
Less: Treasury shares		<u>(54,777)</u>	<u>(54,777)</u>
<b>Total equity attributable to shareholders of the Company</b>		<u>1,529,132</u>	<u>1,471,583</u>
<b>Non-controlling interest</b>		<u>92,025</u>	<u>88,442</u>
<b>Total equity</b>		<u><u>1,621,157</u></u>	<u><u>1,560,025</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	B7	1,294,086	1,178,881
Deposits		14,157	13,914
Deferred tax liabilities		52,346	69,177
Provision for retirement benefits		2,423	2,298
		<u>1,363,012</u>	<u>1,264,270</u>

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**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016 (CONTINUED)**

	<u>30.06.2016</u> RM'000	<u>Audited</u> <u>31.12.2015</u> RM'000
<b>Current liabilities</b>		
Payables	557,569	616,883
Borrowings	B7	
- bank overdrafts	9,953	7,063
- others	348,159	352,086
Current tax liabilities	11,297	18,225
Deferred revenue	21,952	78,849
Dividends payable	18,788	18,181
	<u>967,718</u>	<u>1,091,287</u>
<b>Total liabilities</b>	<u>2,330,730</u>	<u>2,355,557</u>
<b>Total equity and liabilities</b>	<u>3,951,887</u>	<u>3,915,582</u>
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>		
- at par value of RM0.50	<u>1.44</u>	<u>1.40</u>

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## KPJ HEALTHCARE BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

Note	Attributable to owners of the Company														
	Issued and fully paid ordinary shares of RM0.50 each				Non-distributable						Distributable			Non-controlling interest	Total equity
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserve RM'000	Esos reserve RM'000	Merger reserve RM'000	Exchange reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	RM'000	RM'000		
At 1 January 2016	1,054,493	527,246	147,827	(54,777)	31,693	24,496	(3,367)	(2,028)	105,914	694,579	1,471,583	88,442	1,560,025		
Comprehensive income:															
Profit for the financial period	-	-	-	-	-	-	-	-	-	64,507	64,507	3,583	68,090		
Other comprehensive income:															
Translation of foreign subsidiaries	-	-	-	-	-	-	-	106	-	-	106	-	106		
Issue of shares:															
- Warrants	1	1	1	-	(1)	-	-	-	-	-	1	-	1		
- ESOS	4,861	2,431	20,157	-	-	(4,892)	-	-	-	-	17,696	-	17,696		
	4,862	2,432	20,158	-	(1)	(4,892)	-	-	-	-	17,697	-	17,697		
ESOS – granted during the period	-	-	-	-	-	13,750	-	-	-	-	13,750	-	13,750		
Lapsed ESOS	-	-	-	-	-	(1,511)	-	-	-	-	(1,511)	-	(1,511)		
Dividends on ordinary shares															
31 December 2015															
- 4th Interim	-	-	-	-	-	-	-	-	-	(18,212)	(18,212)	-	(18,212)		
31 December 2016															
- 1st Interim	-	-	-	-	-	-	-	-	-	(18,788)	(18,788)	-	(18,788)		
	-	-	-	-	-	-	-	-	-	(37,000)	(37,000)	-	(37,000)		
At 30 June 2016	1,059,355	529,678	167,985	(54,777)	31,692	31,843	(3,367)	(1,922)	105,914	722,086	1,529,132	92,025	1,621,157		

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## KPJ HEALTHCARE BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

Note	Attributable to owners of the Company												
	Issued and fully paid ordinary shares of RM0.50 each				Non-distributable						Distributable		
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserve RM'000	Esos reserve RM'000	Merger reserve RM'000	Exchange reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2015	1,030,748	515,374	70,507	(54,777)	31,952	-	(3,367)	1,895	58,429	639,347	1,259,360	89,780	1,349,140
Comprehensive income:													
Profit for the financial period	-	-	-	-	-	-	-	-	-	69,888	69,888	5,191	75,079
Other comprehensive income:													
Translation of foreign subsidiaries	-	-	-	-	-	-	-	(727)	-	-	(727)	-	(727)
Issue of shares:													
- Warrants	2,830	1,415	2,895	-	(1,531)	-	-	-	-	-	2,779	-	2,779
- Private Placement	17,509	8,754	55,679	-	-	-	-	-	-	-	64,433	-	64,433
- ESOS	1,465	732	5,503	-	-	-	-	-	-	-	6,235	-	6,235
	21,804	10,901	64,077	-	(1,531)	-	-	-	-	-	73,447	-	73,447
ESOS – granted during the period	-	-	-	-	-	4,952	-	-	-	-	4,952	-	4,952
Dividends on ordinary shares													
31 December 2014													
- 4th Interim	-	-	-	-	-	-	-	-	-	(26,906)	(26,906)	-	(26,906)
31 December 2015													
- 1st Interim	-	-	-	-	-	-	-	-	-	(18,147)	(18,147)	-	(18,147)
	-	-	-	-	-	-	-	-	-	(45,053)	(45,053)	-	(45,053)
At 30 June 2015	1,052,552	526,275	134,584	(54,777)	30,421	4,952	(3,367)	1,168	58,429	664,182	1,361,867	94,971	1,456,838

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KPJ HEALTHCARE BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	<u>6 months ended</u>	
	<u>30.06.2016</u>	<u>30.06.2015</u>
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
Profit for the financial period attributable to equity holders of the Company	64,507	69,888
Adjustments for:		
Zakat	1,140	1,140
Taxation	28,277	29,831
Non-controlling interest	3,583	5,191
Associated companies	(17,243)	(17,943)
Finance income	(5,127)	(5,615)
Finance costs	37,139	30,512
Grant of equity – settled share options to employee	13,750	-
Provision for impairment of receivables	-	(2,397)
Property, plant and equipment		
- depreciation	62,473	57,880
- written-off	27	-
Amortisation of software development expenditure	2,281	-
Operating profit before changes in working capital	<u>190,807</u>	<u>168,487</u>
Changes in working capital:		
Inventories	(9,610)	11,754
Receivables	(19,486)	(34,191)
Payables	(133,755)	(57,936)
Cash from operations	<u>27,956</u>	<u>88,114</u>
Income tax paid (net of refund)	<u>(43,461)</u>	<u>(29,241)</u>
Net cash (used in) / from operating activities	<u>(15,505)</u>	<u>58,873</u>



## KPJ HEALTHCARE BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016 (CONTINUED)

	<u>6 months ended</u>	
	<u>30.06.2016</u>	<u>30.06.2015</u>
	RM'000	RM'000
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(117,049)	(146,912)
Interest received	5,127	5,615
	<u>(111,922)</u>	<u>(141,297)</u>
<b>FINANCING ACTIVITIES</b>		
Issue of shares:		
- Warrants	1	2,779
- Private placement	-	64,433
- ESOS	17,696	6,235
Bank borrowings		
- drawdown	139,745	847,620
- repayment	(28,467)	(684,873)
Dividend paid to shareholders	(18,212)	(26,906)
Interest paid	(37,139)	(30,512)
	<u>73,624</u>	<u>178,776</u>
Net cash from financing activities	73,624	178,776
Net changes in cash and cash equivalents	(53,803)	96,352
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>420,069</u>	<u>289,549</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u><u>366,266</u></u>	<u><u>385,901</u></u>
<b>DEPOSITS, CASH AND BANK BALANCES</b>		
Deposits with licensed banks	32,467	17,477
Cash and bank balances	343,752	389,969
	<u>376,219</u>	<u>407,446</u>
Less: Bank overdraft	(9,953)	(11,336)
Deposits pledged with licensed banks	-	(10,209)
	<u><u>366,266</u></u>	<u><u>385,901</u></u>
CASH AND CASH EQUIVALENTS	<u><u>366,266</u></u>	<u><u>385,901</u></u>

**KPJ HEALTHCARE BERHAD**

(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016****A1 BASIS OF PREPARATION**

The interim financial report is unaudited and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, including compliance with Malaysian Financial Reporting Standard ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2015.

Standards, amendments to published standards and interpretations that are effective

The Group has applied the following amendments for the financial year beginning on 1 January 2016:

- Amendments to MFRS 11 'Joint Arrangements'
- Amendments to MFRS 116 'Property, Plant and Equipment'
- Amendments to MFRS 138 'Intangible Assets'
- Amendments to MFRS 127 'Equity Method in Separate Financial Statements'
- Amendments to MFRS 10, MFRS 12 and MFRS 128 'Investment Entities: Applying the Consolidation Exception'
- Amendments to MFRS 101 'Disclosure Initiatives'

The adoption of these amendments did not have material impact on the current or prior years financial performance or position of the Group.

Standards that have been issued but not yet effective

The Group did not early adopt these new standards.

MFRS 9	Financial Instruments (effective from 1 January 2018)
MFRS 15	Revenue from Contracts with Customers (effective from 1 January 2018)
MFRS 16	Leases (effective from 1 January 2019)

Adoption of these standards will not have any material impact on the financial report in the period of initial application.

**A2 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS**

The audit report of the preceding annual financial statements was unqualified.

**KPJ HEALTHCARE BERHAD**

(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016  
(CONTINUED)**

**A3 SEASONALITY OR CYCLICALITY OF OPERATIONS**

The business operations have not been significantly affected by any seasonal or cyclical trend.

**A4 UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH  
FLOWS**

There were no material unusual items affecting assets, liabilities, equity, net income or cash flow during the financial period under review.

**A5 CHANGE IN ACCOUNTING ESTIMATES**

There is no change in the estimates of amounts reported in prior financial years that has a material effect in the current financial period under review.

**A6 DEBT AND EQUITY SECURITIES**

There has been no issuance of shares, share buy-backs, and repayments of debt and equity securities by the Company in the current financial period under review, except for the followings:

**EQUITY SECURITIES**

i. Treasury shares

On 19 May 2016, at the Annual General Meeting, the shareholders of the Company renewed their approval for the Company to buy-back its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company.

Up to 31 December 2015, 15,520,000 units of KPJ Healthcare Berhad shares were bought by the Company from the open market, listed on the Bursa Malaysia, at an average buy-back price of RM3.46 per share for a total consideration of RM54,413,249 including transaction cost and was financed by internally generated fund. The shares were retained as treasury shares.

ii. Free 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 ("Warrant(s) 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.

Balance of free warrants which have yet to be exercised at the end of the financial period is disclosed in Note B6.

## KPJ HEALTHCARE BERHAD

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A NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016  
(CONTINUED)

A6 DEBT AND EQUITY SECURITIES (CONTINUED)

## EQUITY SECURITIES (CONTINUED)

iii. Employees Share Option Scheme (ESOS)

An Employees Share Option Scheme ("ESOS") was implemented on 27 February 2015 for the benefit of senior executives and certain employees of the Company. The ESOS shall be in-force for a period of 5 years. The fair value of each share option on the grant date was RM1.01. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The exercise price of the share options granted under the ESOS is RM3.64 each. The options granted are divided into 5 equal tranches which vest on 14 April 2015, 27 February 2016, 27 February 2017, 27 February 2018 and 27 February 2019. The vesting condition is that the offeree must be an employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates. The options expire on 27 February 2020.

The number of issued and paid up ordinary share capital as a result of the above mentioned exercise is as follows:

	<u>30.06.2016</u>	<u>30.06.2016</u>
	Number of shares ('000)	RM'000
<u>Ordinary shares of RM0.50 each</u>		
At start of the financial period	1,054,493	527,246
Issued during the financial period		
- exercise of Free warrants (1 free warrant for every 15 shares) (Refer A6 (ii))	1	1
- exercise of ESOS	4,861	2,431
At end of financial period	<u>1,059,355</u>	<u>529,678</u>

A7 DIVIDENDS PAID

In respect of the financial year ended 31 December 2015, the Directors declared:

- (i) 4<sup>th</sup> interim single tier dividend of 1.75 cents per share on 1,040,687,247 ordinary shares amounting to RM18,212,023. The dividend was declared on 29 February 2016 and was fully paid on 15 April 2016.

The total interim dividend declared for the financial year ended 31 December 2015 is 7.00 cents per RM0.50 ordinary shares, bringing total of RM72,710,624, and was fully paid.

The directors do not propose any final dividend for the financial year ended 31 December 2015.

In respect of the financial year ending 31 December 2016, the Directors declared:

- (i) 1<sup>st</sup> interim single tier dividend of 1.80 cents per share on 1,043,764,179 ordinary shares amounting to RM18,787,755. The dividend was declared on 19 May 2016 and was fully paid on 21 July 2016.

## KPJ HEALTHCARE BERHAD

(Incorporated in Malaysia)

A NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016  
(CONTINUED)

## A8 SEGMENT 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 have been identified as follows:

- (i) Malaysia - All healthcare activities including the private hospitals, pathology and laboratory services and distribution of pharmaceutical, medical and consumer healthcare products.
- (ii) Indonesia - Private hospitals
- (iii) Australia - Providing retirement village and aged care facilities
- (iv) Others – Operating segments involved in provision of hospital services in Thailand and Bangladesh, private university college of nursing and allied health and sale of hospital merchandise and other similar activities, none of which are individually significant to warrant separate disclosure.

The reportable segments have changed from the previous financial year due to the changes in the internal management reporting structure of the CODM. Comparatives have been restated to conform to the revised reportable segments.

The EXCO assesses the performance of the operating segments based on EBITDA and profit before zakat and tax.

	<u>Malaysia</u> (RM'000)	<u>Indonesia</u> (RM'000)	<u>Australia</u> (RM'000)	<u>Others</u> (RM'000)	<u>Group</u> (RM'000)
<u>Period ended 30 June 2016</u>					
<u>Revenue</u>					
Revenue from external customers	1,431,986	28,262	23,874	24,948	1,509,070
<u>Results</u>					
EBITDA*	199,181	2,497	(4,764)	205	197,119
Profit/(loss) before zakat and tax	104,197	837	(5,687)	(1,840)	97,507
Total assets	3,490,896	157,115	187,304	116,572	3,951,887
Total liabilities	1,958,357	140,084	150,143	82,146	2,330,730
Additions to property, plant and equipment	111,558	438	3,414	1,639	117,049

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

## KPJ HEALTHCARE BERHAD

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A NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016  
(CONTINUED)

## A8 SEGMENT REPORTING (CONTINUED)

	<u>Malaysia</u> (RM'000)	<u>Indonesia</u> (RM'000)	<u>Australia</u> (RM'000)	<u>Others</u> (RM'000)	<u>Group</u> (RM'000)
<u>Period ended 30 June 2015</u>					
<u>Revenue</u>					
Revenue from external customers	1,358,334	23,735	21,886	20,204	1,424,159
<u>Results</u>					
EBITDA*	193,323	2,659	(3,036)	1,496	194,442
Profit/(loss) before zakat and tax	108,494	833	(3,203)	(74)	106,050
Total assets	<u>3,603,361</u>	<u>46,684</u>	<u>142,836</u>	<u>122,701</u>	<u>3,915,582</u>
Total liabilities	<u>2,070,498</u>	<u>46,072</u>	<u>145,104</u>	<u>93,883</u>	<u>2,355,557</u>
Additions to property, plant and equipment	<u>146,189</u>	<u>67</u>	<u>64</u>	<u>592</u>	<u>146,912</u>

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

## A9 VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

In accordance with the Group Accounting policy, land and buildings of the Group were revalued on 31 December 2015 based on comparison method carried out by an independent firm of professional valuers in determining its fair value. The book values of the land and buildings were adjusted to reflect the revaluation and the resultant surpluses were credited to revaluation reserve.

## A10 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

Except as stated in note B6, there were no material events subsequent to the financial period ended 30 June 2016 that has not been reflected in the interim financial reports.

**KPJ HEALTHCARE BERHAD**

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**A NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016  
(CONTINUED)**

**A11 CHANGES IN THE COMPOSITION OF THE GROUP**

There are no changes in the composition of the Group during the current quarter.

**A12 CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date as at 31 December 2015 except as stated in note B9.

**A13 CAPITAL COMMITMENT**

Capital expenditures not provided for in the interim financial report as at 30 June 2016 are as follows:

	RM'000
Approved and contracted	448,066
Approved but not contracted	189,528
	<u>637,594</u>
Analysed as follows:	
Building	517,909
Medical equipment	60,426
Other property, plant and equipment	59,259
	<u>637,594</u>

**KPJ HEALTHCARE BERHAD**

(Incorporated in Malaysia)

**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016****B1 REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES**

Additional information as required by Appendix 9B of Bursa Malaysia Listing Requirements:

**a. Current quarter compare with the corresponding quarter of the preceding year (3 months)**

The Group's revenue for the current quarter ended 30 June 2016 was RM765.1 million, an increase of 7% as compared to RM714.3 million in the corresponding quarter of the preceding year. The profit before zakat and tax for the 3 months ended 30 June 2016 was recorded at RM46.1 million, a decrease of 17% from RM55.4 million in 2015.

**Malaysia**

The Malaysia segment reported revenue of RM724.4 million increase of 6% from RM682.4 million in the same quarter in 2015. The revenue for the current quarter was higher as compared to the corresponding quarter of the preceding year mainly attributed by the increase in revenue generated by the newly opened hospitals and existing hospitals. However, the increase in revenue has been set-off with the increase in material costs, depreciation expenses, finance costs and provision made for ESOS for the period. This has resulted to lower profit for the current quarter, which was recorded at RM46.2 million as compared to RM53.0 million in the corresponding quarter of the preceding year.

**Indonesia**

The Indonesia segment reported revenue of RM14.7 million, 20% increased as compared to RM12.2 million recorded in preceding year. The increase in revenue for this segment is mainly due to the increase of number of patients and other hospital activities in RS Medika Bumi Serpong Damai. Despite of the increase in the revenue, the increase in depreciation for this segment has resulted to lower profit for the quarter.

**Australia**

Revenue from Australia segment was reported at RM13.0 million, 31% increased as compared to revenue in the corresponding quarter of the preceding year which was reported at RM9.9 million. The increase is mainly attributable to the higher capacity of the retirement village, with additional beds which has been opened in staggered between middle of 2015 up to this quarter.

EBITDA for this segment is reported at (RM1.8 million), significantly improved with 40% reduction as compared to EBITDA of (RM2.9 million) reported in the corresponding quarter of the preceding year. However, losses for the current quarter was reported at RM2.3 million, an increase of 15% as compared to RM2.0 million in the corresponding quarter of the preceding year, as a result of increasing depreciation during the period.



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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016 (CONTINUED)****B1 REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES (CONTINUED)**

- a. Current quarter compare with the corresponding quarter of the preceding year (3 months) (continued)

## Others

Revenue from this segment was reported at RM13.0 million, increased by 33% from RM9.8 million in 2015, mainly contributed by KPJ University College. However, the increase in material cost incurred by our hospital in Bangladesh and lease rental for the assets which has been sold by KPJ University College to the Al-Aqar Healthcare REIT at the end of year 2015, had resulted to lower EBITDA and profit for this segment as compared to same quarter in 2015.

- b. Current financial period compared to prior financial period (6 months)

The Group's revenue for the current period ended 30 June 2016 was RM1,509.1 million, an increase of 6% as compared to RM1,424.2 million in the corresponding period in 2015. The profit before zakat and tax for the 6 months ended 30 June 2016 was recorded at RM97.5 million, a decrease of 8% from RM106.1 million in 2015.

## Malaysia

The Malaysia segment reported revenue of RM1,432.0 million increased by 5% from RM1,358.3 million in the same period in 2015. Higher revenue recorded for the current period was mainly attributed by the newly opened hospitals and existing hospitals. EBITDA for this segment shows improvement from RM193.3 million in 2015 to RM199.2 million in this period.

However, the growth in revenue from operations does not translate into an improved profit, mainly due to new hospitals not generating sufficient revenue in comparisons to the expenses incurred. This has resulted a lower profit for the current period of RM104.2 million as compared to RM108.5 million profit in the corresponding period, mainly contributed by the increase in material costs, depreciation expenses, finance costs and provision made for ESOS for the period.

## Indonesia

The Indonesia segment reported revenue of RM28.3 million, an increase of 19% as compared to RM23.7 million recorded in the same period of 2015. The increase in revenue for this segment is mainly due to the increase in number of patients and other hospital activities in RS Medika Bumi Serpong Damai. However, the revenue improvement has been offset with the increased operating expenses and staff costs, resulted to lower EBITDA during this period.

**KPJ HEALTHCARE BERHAD**

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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016 (CONTINUED)**

**B1 REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES (CONTINUED)**

b. Current financial period compared to prior financial period (6 months) (continued)

Australia

Revenue from Australia segment was reported at RM23.9 million, about 9% increased as compared to revenue reported in the corresponding quarter of the preceding year which was reported at RM21.9 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 this period.

Higher loss was reported for this financial period at RM5.7 million, which is at 78% increased against the loss in 2015 of RM3.2 million, mainly due to the revenue from newly added facilities that is still trailing behind the additional cost incurred, hence, growth from expansion is yet to be translated into profit.

Others

Revenue from this segment was reported at RM24.9 million, increased by 23% from RM20.2 million in 2015 and the loss was recorded at RM1.8 million as compared to RM0.1 million losses in 2015. The increase of revenue in this segment was mainly contributed by the increase of revenue recorded by KPJ University College.

**B2 MATERIAL CHANGES IN QUARTERLY RESULTS**

Revenue during the current quarter was recorded at RM765.1 million, 3% higher as compared to the revenue in preceding quarter of RM743.9 million. The revenue hike was contributed by all segments in the Group with Malaysia segment contributed the most, at RM16.8 million increased as compared to the preceding quarter.

EBITDA for this quarter had shown a decreasing pattern as compared to the preceding quarter, mainly due to the increase in material cost and other administrative expenses. Profit for the current quarter had also decreased by 10%, which has been closed at RM46.1 million as compared to the preceding quarter of RM51.4 million.

**KPJ HEALTHCARE BERHAD**

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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016 (CONTINUED)**

**B3 CURRENT YEAR PROSPECTS**

For the financial year ending 31 December 2016, the Group envisage that the revenue growth from the new start up and existing hospitals will continue to improve however the result will be moderated as most new greenfield hospitals will go through an average gestation period between three to five years. In light of these challenging economic environment and entry of the new players to the industry, the Group expects to deliver a moderate performance growth.

**B4 PROFIT FORECAST / GUARANTEE**

The Company is not subject to any variance of actual profit from forecast profit/profit guarantee for the current financial period under review.

**B5 TAXATION**

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	<u>30.06.2016</u>	<u>30.06.2015</u>	<u>30.06.2016</u>	<u>30.06.2015</u>
	RM'000	RM'000	RM'000	RM'000
Income tax expense	13,879	16,165	28,277	29,831

The effective tax rate of the Group for the period ended 30 June 2016 is higher than the statutory tax rate due to the Group is unable to utilise the benefits of current year accumulated losses from the new subsidiaries to net off the total tax expenses for the Group.

## KPJ HEALTHCARE BERHAD

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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016 (CONTINUED)**

**B6 STATUS OF CORPORATE PROPOSALS**

a) Free warrants (2014/2019)

On 29 January 2014, the Warrants 2014/2019 are 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 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 ("Warrant(s) 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").

Set out below are details of the Warrants (2014/2019) issued by the Company during the financial year:

<u>Issuance date</u>	<u>Expiry date</u>	<u>Exercise price</u> RM/share	<u>Number of warrants 2014/2019</u>		
			<u>1.1.2016</u> '000	<u>Exercised</u> '000	<u>30.06.2016</u> '000
29 January 2014	23 January 2019	4.01	86,576	(1)	86,575

b) Proposed acquisition of commercial parcel(s) from Coronade Properties Sdn Bhd by Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB")

On 19 November 2015, a wholly-owned subsidiary of the company, KPJSB had signed a Sale and Purchase Agreement ("SPA") with Coronade Properties Sdn Bhd (formerly known as Arab Asia Properties Sdn Bhd) for the proposed acquisition of commercial parcel(s) representing approximately 125,000 square feet in gross floor area in a building to be erected, for a total purchase consideration of RM90,000,000.

The acquisition was completed on 6 June 2016.

c) Proposed development and renting of a hospital building by Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB")

On 9 December 2015, a wholly-owned subsidiary of the company, KPJSB, had entered into several agreements with Dinamik Serimas Sdn Bhd and Pelaburan Hartanah Berhad for the proposed development and renting of a hospital building to be known as the "KPJ Damansara Specialist Hospital II" ("Proposed Hospital").

The proposal is expected to be completed in the fourth (4<sup>th</sup>) quarter of 2016.

KPJ HEALTHCARE BERHAD  
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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING  
REQUIREMENTS  
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016  
(CONTINUED)

B7 BORROWINGS

Details of the Group's borrowings are as follows:

	<u>30.06.2016</u>	<u>Audited</u> <u>31.12.2015</u>
	RM'000	RM'000
<u>Current</u>		
Secured:		
Term loans		
- Syariah compliant	87,779	88,333
- Conventional	50,220	61,597
Finance lease liabilities	24,357	19,656
Unsecured:		
- Revolving credits (Syariah compliant)	185,803	182,500
Bank overdrafts	9,953	7,063
	<u>358,112</u>	<u>359,149</u>
<u>Non-current</u>		
Secured:		
Term loans		
- Syariah compliant	340,342	302,701
- Conventional	37,377	49,545
Finance lease liabilities	27,048	31,416
Unsecured:		
Islamic Medium Term Notes	889,319	795,219
	<u>1,294,086</u>	<u>1,178,881</u>
Total	<u><u>1,652,198</u></u>	<u><u>1,538,030</u></u>

The Group's borrowings are denominated as follows:

	<u>30.06.2016</u>	<u>Audited</u> <u>31.12.2015</u>
	RM'000	RM'000
Ringgit Malaysia	1,525,983	1,430,741
Australian Dollar	78,596	53,242
US Dollar	47,619	54,047
Total	<u><u>1,652,198</u></u>	<u><u>1,538,030</u></u>

## KPJ HEALTHCARE BERHAD

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### B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016 (CONTINUED)

#### B8 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

As at the date of this report, there were no financial instruments with off balance sheet risk.

#### B9 MATERIAL LITIGATIONS

On 16 April 2015, SMC Healthcare Sdn Bhd (Plaintiff), a wholly-owned subsidiary of the Company, had filed a writ of summon at Kota Kinabalu High Court claiming the balance of the Deposit for purchase of land measuring 4.0 acres in the sum of RM4,160,000 from Chen Sheau Yang (Defendant). The said sealed copy of writ of summons had been served to the Defendant on 13 May 2015. The High Court had fixed for a Trial to be held on 7 to 9 March 2016. The Mention which was originally fixed on 29 February 2016 had been brought forward by the High Court to 24 February 2016. During the Mention, the High Court had fixed a new Trial dates, which are on 13 September 2016 to 15 September 2016. On 8 August 2016 during Review of the status of the Case, the Court confirmed trial dates are maintained and the Defendant is appointing a new lawyer whereby the latter will attend the future hearing and will amend the Defence and Counterclaim accordingly.

#### B10 DIVIDENDS

In respect of the financial year ending 31 December 2016, the Directors declared:

- (i) 1<sup>st</sup> interim single tier dividend of 1.80 cents per share on 1,043,764,179 ordinary shares amounting to RM18,787,755. The dividend was declared on 19 May 2016 and was fully paid on 21 July 2016.

#### B11 EARNINGS PER SHARE

##### (a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the Group's net profit attributable to ordinary equity holders by the average number of ordinary shares in issue during the financial period.

	<u>As at</u> <u>30.06.2016</u>	<u>As at</u> <u>30.06.2015</u>
Profit for the financial period attributable to equity holders of the Company (RM'000)	64,507	69,888
Weighted average number of ordinary shares in issue ('000)	1,064,107	1,032,658
Basic earnings per share (sen) - at par value of RM0.50	<u>6.06</u>	<u>6.77</u>

## KPJ HEALTHCARE BERHAD

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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016 (CONTINUED)**

**B11 EARNINGS PER SHARE (CONTINUED)**

(b) Diluted

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

For the warrants and ESOS granted to employees issued, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding warrants and ESOS. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants and ESOS. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to profit for the financial period for the warrants and ESOS calculation.

	<u>As at</u> <u>30.06.2016</u>	<u>As at</u> <u>30.06.2015</u>
Profit for the financial period attributable to equity holders of the Company (RM'000)	64,507	69,888
Weighted average number of ordinary shares in issue ('000)	1,064,107	1,032,658
Assumed shares issued from the		
- exercise of warrants ('000)	868	1,775
- exercise of ESOS ('000)	1,467	-
Weighted average number of ordinary shares in issue ('000)	1,066,442	1,034,433
Diluted earnings per share (sen)		
- at par value of RM0.50	6.05	6.76

## KPJ HEALTHCARE BERHAD

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2016 (CONTINUED)

B12 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained profits/(accumulated losses) 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 Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	<u>As at</u> <u>30.06.2016</u>	<u>As at</u> <u>30.06.2015</u>
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- Realised gains	675,069	624,264
- Unrealised loss	(36,712)	(25,082)
	<u>638,357</u>	<u>599,182</u>
Total share of retained profits from associates		
- Realised gains	63,569	18,585
- Unrealised gains	42,075	61,945
	<u>744,001</u>	<u>679,712</u>
Less: Consolidation adjustments	(21,915)	(15,530)
Total group retained profits as per consolidated financial statements	<u><u>722,086</u></u>	<u><u>664,182</u></u>