

Company No.

247079	M
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KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORTS

31 MARCH 2017

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORTS
FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017**

The Directors of KPJ Healthcare Berhad are pleased to announce the financial results for the Group for the first quarter and financial period ended 31 March 2017.

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 2016 and the accompanying explanatory notes attached to this report.

**UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended		3 months ended	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
		RM'000	RM'000	RM'000	RM'000
Revenue	B1	793,909	743,946	793,909	743,946
Cost of sales		(554,432)	(511,700)	(554,432)	(511,700)
Gross profit		239,477	232,246	239,477	232,246
Administrative expenses		(178,552)	(174,747)	(178,552)	(174,747)
Other income		5,612	3,638	5,612	3,638
Operating profit		66,537	61,137	66,537	61,137
Finance income		2,374	2,693	2,374	2,693
Finance cost		(20,871)	(20,747)	(20,871)	(20,747)
Finance costs – net		(18,497)	(18,054)	(18,497)	(18,054)
Share of results of associates		6,589	8,338	6,589	8,338
Profit before zakat and tax	B2	54,629	51,421	54,629	51,421
Zakat		(400)	(400)	(400)	(400)
Taxation	B5	(14,173)	(14,398)	(14,173)	(14,398)
Net profit for the financial period		40,056	36,623	40,056	36,623

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**UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017 (CONTINUED)**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended		3 months ended	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
		RM'000	RM'000	RM'000	RM'000
Profit for the financial period attributable to:					
Owners of the Company		38,272	34,173	38,272	34,173
Non-controlling interest		1,784	2,450	1,784	2,450
		<u>40,056</u>	<u>36,623</u>	<u>40,056</u>	<u>36,623</u>
Total comprehensive income for the financial period attributable to:					
Owners of the Company		38,272	34,173	38,272	34,173
Non-controlling interest		1,784	2,450	1,784	2,450
		<u>40,056</u>	<u>36,623</u>	<u>40,056</u>	<u>36,623</u>
Dividend per share (sen)	A7	<u>2.20</u>	<u>1.75</u>	<u>2.20</u>	<u>1.75</u>
Earnings per share (sen)	B11				
- Basic		3.51	3.25	3.51	3.25
- Diluted		<u>3.06</u>	<u>2.79</u>	<u>3.06</u>	<u>2.79</u>

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KPJ HEALTHCARE BERHAD
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UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	<u>Note</u>	<u>31.03.2017</u> RM'000	<u>Audited</u> <u>31.12.2016</u> RM'000
<u>ASSETS</u>			
<u>Non-current assets</u>			
Property, plant and equipment	A9	2,017,539	1,966,535
Investment properties		280,436	280,436
Intangible assets		245,679	245,567
Investment in associates		398,130	391,540
Available-for-sale financial assets		2,146	2,146
Deferred tax assets		17,504	18,757
Trade and other receivables		34,966	34,621
		<hr/>	<hr/>
		2,996,400	2,939,602
		<hr/>	<hr/>
<u>Current assets</u>			
Inventories		44,983	47,119
Trade and other receivables		582,254	555,518
Tax recoverable		33,184	33,861
Deposit, cash and bank balances		341,818	359,399
		<hr/>	<hr/>
		1,002,239	995,897
		<hr/>	<hr/>
Total assets		<u>3,998,639</u>	<u>3,935,499</u>
 <u>EQUITY AND LIABILITIES</u>			
<u>Current liabilities</u>			
Trade and other payables		526,004	490,922
Current tax liabilities		10,039	12,047
Borrowings	B7	275,614	333,445
Deferred revenue		77,779	76,804
Dividends payable		23,073	15,720
		<hr/>	<hr/>
		912,509	928,938
		<hr/>	<hr/>
Net current assets		<u>89,730</u>	<u>66,959</u>

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**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017 (CONTINUED)**

	<u>Note</u>	<u>31.03.2017</u> RM'000	<u>Audited</u> <u>31.12.2016</u> RM'000
<u>Non-current liabilities</u>			
Borrowings	B7	1,288,155	1,242,313
Deferred tax liabilities		63,623	63,041
Provision for retirement benefits		2,616	2,548
Deposits		13,942	13,930
		<u>1,368,336</u>	<u>1,321,832</u>
Total liabilities		<u>2,280,845</u>	<u>2,250,770</u>
Net assets		<u>1,717,794</u>	<u>1,684,729</u>
<u>Equity attributable to owners of the Company</u>			
Share capital	A6	713,007	531,784
Share premium		-	178,141
Less: Treasury shares		(54,777)	(54,777)
Reserves		968,139	939,940
		<u>1,626,329</u>	<u>1,595,088</u>
Non-controlling interest		91,425	89,641
Total equity		<u>1,717,794</u>	<u>1,684,729</u>
Total equity and liabilities		<u>3,998,639</u>	<u>3,935,499</u>
<u>Net assets per share attributable to owners of the Company (RM)</u>		<u>1.53</u>	<u>1.50</u>

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

	Non-distributable									Distributable		Non-controlling interest	Total equity
	Number of shares	Share capital	Share premium	Treasury shares	Warrant reserve	Esos reserve	Merger reserve	Exchange reserve	Revaluation reserve	Retained earnings	Total		
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	1,063,569	531,784	178,141	(54,777)	31,692	50,111	(3,367)	(2,099)	87,862	775,741	1,595,088	89,641	1,684,729
Comprehensive income:													
Profit for the financial period	-	-	-	-	-	-	-	-	-	38,272	38,272	1,784	40,056
Other comprehensive income:													
Currency translation of foreign subsidiaries	-	-	-	-	-	-	-	(10)	-	-	(10)	-	(10)
Revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	(10)	-	-	(10)	-	(10)
Transactions with owners:													
Issue of shares:													
- Warrants	1	1	-	-	(1)	-	-	-	-	-	-	-	-
- ESOS	801	2,349	732	-	-	(160)	-	-	-	-	2,921	-	2,921
	802	2,350	732	-	(1)	(160)	-	-	-	-	2,921	-	2,921
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(23,073)	(23,073)	-	(23,073)
ESOS expenses during the period	-	-	-	-	-	13,171	-	-	-	-	13,171	-	13,171
Lapsed ESOS	-	-	-	-	-	(3,594)	-	-	-	3,594	-	-	-
Total transactions with owners	802	2,350	732	-	(1)	9,417	-	-	-	(19,479)	(6,981)	-	(6,981)
Transfer pursuant to S618(2) of CA 2016*	-	178,873	(178,873)	-	-	-	-	-	-	-	-	-	-
At 31 March 2017	1,064,371	713,007	-	(54,777)	31,691	59,528	(3,367)	(2,109)	87,862	794,534	1,626,369	91,425	1,717,794

Note: *pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016"), any outstanding Share Premium accounts shall become part of Share Capital.

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Issued and fully paid ordinary shares of RM0.50 each			Non-distributable						Distributable		Non- controlling interest RM'000	Total equity RM'000
	Number of shares '000	Share capital 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		
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	-	-	-	-	-	-	-	-	-	34,173	34,173	2,450	36,623
Other comprehensive income:													
Currency translation of foreign subsidiaries	-	-	-	-	-	-	-	15	-	-	15	-	15
Total other comprehensive income	-	-	-	-	-	-	-	15	-	-	15	-	15
Transactions with owners:													
Issue of shares:													
- Warrants	1	1	1	-	(1)	-	-	-	-	-	1	-	1
- ESOS	1,784	892	7,400	-	-	(1,796)	-	-	-	-	6,496	-	6,496
	1,785	893	7,401	-	(1)	(1,796)	-	-	-	-	6,497	-	6,497
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(18,212)	(18,212)	-	(18,212)
ESOS expenses during the period	-	-	-	-	-	6,112	-	-	-	-	6,112	-	6,112
Lapsed ESOS	-	-	-	-	-	(1,375)	-	-	-	-	(1,375)	-	(1,375)
Total transactions with owners	1,785	893	7,401	-	(1)	2,941	-	-	-	(18,212)	(6,978)	-	(6,978)
At 31 March 2016	1,056,278	528,139	155,228	(54,777)	31,692	27,437	(3,367)	(2,013)	105,914	710,540	1,498,793	90,892	1,589,685

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KPJ HEALTHCARE BERHAD
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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

	<u>3 months ended</u>	
	<u>31.03.2017</u>	<u>31.03.2016</u>
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before zakat and tax	54,629	51,421
Adjustments for:		
Share of results of associates	(6,589)	(8,338)
Finance income	(2,374)	(2,693)
Finance costs	20,871	20,747
Share based payments	13,171	6,112
Property, plant and equipment		
- Depreciation	31,590	31,220
- Loss on disposal	72	-
Amortisation of software development expenditure	492	1,398
	<hr/>	<hr/>
Operating profit before changes in working capital	111,862	99,867
Changes in working capital:		
Inventories	2,136	2,400
Receivables	(27,081)	(47,177)
Payables	42,513	(17,534)
Deferred revenue	975	-
	<hr/>	<hr/>
Cash flows generated from operations	130,405	37,556
Zakat paid	(400)	-
Income tax paid (net of refund)	(13,669)	(17,244)
	<hr/>	<hr/>
Net cash generated from operating activities	116,336	20,312
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017 (CONTINUED)

	<u>31.03.2017</u>	<u>3 months ended</u> <u>31.03.2016</u>
	RM'000	RM'000
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(91,012)	(33,516)
Additions to intangible assets	(604)	-
Proceeds from disposal of property, plant and equipment	8,346	-
Interest received	2,374	2,693
	<u>(80,896)</u>	<u>(30,823)</u>
FINANCING ACTIVITIES		
Issue of shares:		
- Warrants	1	1
- ESOS	2,921	6,496
Bank borrowings		
- Drawdown	17,850	16,913
- Repayment	(32,148)	(11,606)
Interest paid	(20,871)	(20,747)
Dividend paid to shareholders	(23,073)	(18,181)
Designated account	-	7,632
	<u>(55,320)</u>	<u>(19,492)</u>
Net cash used in financing activities	(55,320)	(19,492)
Net changes in cash and cash equivalents	(19,880)	(30,003)
Currency translation differences	(10)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>335,125</u>	<u>412,437</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u><u>315,235</u></u>	<u><u>382,434</u></u>

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017**

A1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with Listing Requirements of the Bursa Malaysia Securities Berhad, Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2016.

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 2016.

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 2017:

- Amendments to MFRS 12 ‘Disclosure of Interest in Other Entities’.
- Amendments to MFRS 107 ‘Statement of Cash Flows – Disclosure Initiative’.
- Amendments to MFRS 112 ‘Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses’.

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 period.

Standards that have been issued but not yet effective

The Group did not early adopt these new standards.

- MFRS 1 ‘Amendments to MFRS 1’ (Annual improvements to MFRS standards 2014-2016 cycle) (effective from 1 January 2018).
- MFRS 2 ‘Classification and Measurement of Share-based Payment Transactions’ (Amendments to MFRS 2) (effective from 1 January 2018).
- MFRS 9 ‘Financial Instruments’ (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.
- MFRS 15 ‘Revenue from contracts with customers’ and ‘Clarifications to MFRS 15’ (effective from 1 January 2018).
- Amendments to MFRS 128 ‘Investment in Associates and Joint Ventures’ (effective from 1 January 2018).
- MFRS 16 ‘Leases’ (effective from 1 January 2019).

The effects of the above new standards and amendments to standards and interpretation are currently being assessed by the Directors.

KPJ HEALTHCARE BERHAD
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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017
(CONTINUED)**

A2 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the annual financial statements for the financial year ended 31 December 2016 was unqualified.

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

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

On 20 April 2017, 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 2016, 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.

KPJ HEALTHCARE BERHAD
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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017
(CONTINUED)**

A6 DEBT AND EQUITY SECURITIES (CONTINUED)

EQUITY SECURITIES (CONTINUED)

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 87,274,452 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 year, 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.

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>31.03.2017</u>	<u>31.03.2017</u>
	Number of shares ('000)	RM'000
At start of the financial period	1,063,569	531,784
Issued during the financial period		
- exercise of Free warrants (1 free warrant for every 15 shares) (Refer A6 (ii))	1	1
- exercise of ESOS	801	2,349
Transfer of share premium pursuant to S618(2) of CA 2016	-	178,873
At end of financial period	<u>1,064,371</u>	<u>713,007</u>

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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017
(CONTINUED)**

A6 DEBT AND EQUITY SECURITIES (CONTINUED)

EQUITY SECURITIES (CONTINUED)

iv. Proposed Share Split

On 20 April 2017, the Company proposed to undertake a proposed share split involving the subdivision of every 1 ordinary share in KPJ into 4 ordinary shares in KPJ held on an entitlement date to be determined and announced later.

A7 DIVIDENDS

In respect of the financial year ending 31 December 2017, the Directors declared:

First interim single tier dividend of 2.20 sen per share on 1,048,780,787 ordinary shares amounting to RM23,073,175. The dividend was declared on 22 February 2017 and was fully paid on 28 April 2017.

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. |

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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017
(CONTINUED)**

A8 SEGMENT REPORTING (CONTINUED)

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

<u>Period ended 31 March 2017</u>	<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>Revenue</u>					
Revenue from external customers	750,436	13,113	14,671	15,689	793,909
<u>Results</u>					
EBITDA*	104,959	2,879	(2,440)	2,184	107,582
Profit/(loss) before zakat and tax	55,920	959	(3,143)	893	54,629
Total assets	3,381,087	156,884	195,858	264,810	3,998,639
Total liabilities	1,714,751	96,107	216,779	253,208	2,280,845
Additions to property, plant and equipment	89,516	101	-	1,395	91,012
<u>Period ended 31 March 2016</u>					
<u>Revenue</u>					
Revenue from external customers	707,613	13,585	10,855	11,893	743,946
<u>Results</u>					
EBITDA*	105,662	1,391	(2,949)	682	104,786
Profit/(loss) before zakat and tax	58,025	593	(3,388)	(3,809)	51,421
Total assets	3,470,077	155,857	192,427	109,167	3,927,528
Total liabilities	1,936,430	165,141	150,745	85,527	2,337,843
Additions to property, plant and equipment	33,121	44	-	351	33,516

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

KPJ HEALTHCARE BERHAD
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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017
(CONTINUED)**

A9 VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

In accordance with the Group Accounting policy, certain land and buildings of the Group were updated on 31 December 2016 to reflect the fair value of the properties that has changed significantly based on a valuation carried out by an independent firm of professional valuers. 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 31 March 2017 that has not been reflected in the interim financial reports.

A11 CHANGES IN THE COMPOSITION OF THE GROUP

There are no material 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 2016 except as stated in note B9.

A13 CAPITAL COMMITMENTS

Capital expenditures not provided for in the interim financial report as at 31 March 2017 are as follows:

	RM'000
Approved by the Directors and contracted	149,625
Approved by the Directors but not contracted	192,366
	<u>341,991</u>

Analysed as follows:

Building	222,404
Medical equipment	99,620
Other property, plant and equipment	19,967
	<u>341,991</u>

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017

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 31 March 2017 was RM793.9 million, an increase of 7% as compared to RM743.9 million in the corresponding quarter of the preceding year. The profit before zakat and tax for the 3 months ended 31 March 2017 was recorded at RM54.6 million, an increase of 6% from RM51.4 million in 2016 in line with the increased in revenue.

Malaysia

The Malaysia segment reported revenue of RM750.0 million increase by 6% from RM707.6 million in the same quarter in 2016. 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 hospital, KPJ Pahang and existing hospitals that had turnaround during the last financial year. Besides, support companies also contributed to the revenue growth.

Indonesia

The Indonesia segment reported a slight decrease in revenue of RM13.1 million as compared to the revenue of RM13.6 million in the preceding year, however, the EBITDA improved due to economies of scale of Rumah Sakit Medika Bumi Serpong Damai with improved numbers of inpatient and outpatient. EBITDA for this segment is reported at RM2.9 million, a twofold increased as compared to EBITDA of RM1.4 million reported in the corresponding quarter of the preceding year. Profit for the current quarter was reported at RM1.0 million, an increase of 62% as compared to RM0.6 million recorded in the corresponding quarter of the preceding year.

Australia

Revenue from Australia segment was reported at RM14.7 million, increased by 35% as compared to revenue in the corresponding quarter of the preceding year which was reported at RM10.9 million. The increase was mainly attributable to the higher capacity of the retirement village due to additional beds that were opened in staggered between end of 2015 until middle of 2016. The currency exchange fluctuation also contributed to favorable impact on the increment of the revenue of the Group.

This segment reported a negative EBITDA of RM2.4 million, an improvement of 17% as compared to the negative EBITDA of RM2.9 million reported in the corresponding quarter of the preceding year. Losses for the current quarter was reported at RM3.1 million, an improvement of 7% as compared to RM3.4 million loss in the corresponding quarter of the preceding year.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017 (CONTINUED)

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

Additional information as required by Appendix 9B of Bursa Malaysia Listing Requirements: (cont'd)

a. Current quarter compare with the corresponding quarter of the preceding year (3 months) (cont'd)

Others

Revenue from this segment was reported at RM15.7 million, increased by 32% from RM11.9 million in 2016, mainly contributed by additional hospital services available in KPJ Dhaka which resulted in increase in revenue by RM1.2 million during the period. In addition, increase in number of students with more courses offered in KPJ University College and the acquisition of KFC College middle of 2016 had also contributed to higher revenue recorded in this segment.

b. Current financial period compared to prior financial period (3 months)

The Group's revenue for the current quarter ended 31 March 2017 was RM793.9 million, an increase of 7% as compared to RM743.9 million in the corresponding quarter of the preceding year. The profit before zakat and tax for the 3 months ended 31 March 2017 was recorded at RM54.6 million, an increase of 6% from RM51.4 million in 2016 in line with the increased in revenue.

Malaysia

The Malaysia segment reported revenue of RM750.0 million increase by 6% from RM707.6 million in the same quarter in 2016. 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 hospital, KPJ Pahang and existing hospitals that had turnaround during the last financial year. Besides, support companies also contributed to the revenue growth.

Indonesia

The Indonesia segment reported a slight decrease in revenue of RM13.1 million as compared to the revenue of RM13.6 million in the preceding year, however, the EBITDA improved due to economies of scale of Rumah Sakit Medika Bumi Serpong Damai with improved numbers of inpatient and outpatient. EBITDA for this segment is reported at RM2.9 million, a twofold increased as compared to EBITDA of RM1.4 million reported in the corresponding quarter of the preceding year. Profit for the current quarter was reported at RM1.0 million, an increase of 62% as compared to RM0.6 million recorded in the corresponding quarter of the preceding year.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017 (CONTINUED)

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

Additional information as required by Appendix 9B of Bursa Malaysia Listing Requirements: (cont'd)

b. Current financial period compared to prior financial period (3 months) (cont'd)

Australia

Revenue from Australia segment was reported at RM14.7 million, increased by 35% as compared to revenue in the corresponding quarter of the preceding year which was reported at RM10.9 million. The increase was mainly attributable to the higher capacity of the retirement village due to additional beds that were opened in staggered between end of 2015 until middle of 2016. The currency exchange fluctuation also contributed to favorable impact on the increment of the revenue of the Group.

This segment reported a negative EBITDA of RM2.4 million, an improvement of 17% as compared to the negative EBITDA of RM2.9 million reported in the corresponding quarter of the preceding year. Losses for the current quarter was reported at RM3.1 million, an improvement of 7% as compared to RM3.4 million loss in the corresponding quarter of the preceding year.

Others

Revenue from this segment was reported at RM15.7 million, increased by 32% from RM11.9 million in 2016, mainly contributed by additional hospital services available in KPJ Dhaka which resulted in increase in revenue by RM1.2 million during the period. In addition, the increase in number of students with more courses offered in KPJ University College and the acquisition of KFC College middle of 2016 had also contributed to higher revenue recorded in this segment.

B2 MATERIAL CHANGES IN QUARTERLY RESULTS

Revenue during the current quarter was recorded at RM793.9 million, an increase by 7% as compared to the revenue in preceding quarter of RM745.0 million. This is in line with the increase in number of hospital activities.

Profit before zakat and tax for the current quarter of RM54.6 million, however, had decreased by RM9.0 million (14%) as compared to the profit in preceding quarter of RM63.6 million. This is mainly contributed by the one-off transaction relating to net gain from the disposal of associates in December 2016, amounted to RM13.9 million. Had this gain be taken out from the preceding quarter results, the profit in the current quarter will show an improvement by 10% as compared to the adjusted profit of the preceding quarter.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017 (CONTINUED)

B3 CURRENT YEAR PROSPECTS

In the year 2016, it was evidenced that the demand for healthcare services continued to increase in line with the population growth, better life expectancy, rapid ageing and the rising of middle income group. The Group is focused in maintaining its market position with strong growth potential through enhancing capacity via hospital network expansion and continuously improve service delivery to patients with new innovative and improved products and services.

For the financial year ending 31 December 2017, the Group is confident that the revenue from the matured and new hospitals will continue to improve and foresee that our results will be improving in tandem with more new hospitals completing their gestation period. Having recognised the socio-economic and geopolitical issues, the Group is committed to work harder to sustain its positive business performance and add value to its shareholders.

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		Cumulative Quarter	
	3 months ended		3 months ended	
	<u>31.03.2017</u>	<u>31.03.2016</u>	<u>31.03.2017</u>	<u>31.03.2016</u>
	RM'000	RM'000	RM'000	RM'000
Income tax expense	14,173	14,398	14,173	14,398

The effective tax rate of the Group for the period ended 31 March 2017 is slightly lower as compared to the same quarter in prior year, mainly due to certain companies within the Group had managed to utilise the benefits from tax losses and capital allowances resulted from improvement in business performance of the new hospitals.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017 (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>01.01.2017</u> '000	<u>Exercised</u> '000	<u>31.03.2017</u> '000
29 January 2014	23 January 2019	4.01	86,575	(1)	86,574

(b) 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 was completed on 30 March 2017.

(c) Proposed leasing of a hospital building by Puteri Specialist Hospital (Johor) Sdn Bhd ("PSH")

On 17 October 2016, a wholly-owned subsidiary of the Company, PSH, had entered into an Agreement To Lease ("ATL") with Johor Land Berhad ("JLand") and Johor Corporation ("JCorp") for the development and leasing of a hospital building and the land to be known as "KPJ Batu Pahat Specialist Hospital".

The proposal is expected to be completed in the third (3rd) quarter of 2017.

(d) Proposed collaboration with Sebarun Hospital by Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB")

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 will prepare and sign the Supplementary Agreement with Barun Development Co.

The proposal is expected to be completed in the second (2nd) quarter of 2017.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017 (CONTINUED)

B6 STATUS OF CORPORATE PROPOSALS (CONTINUED)

(e) 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 thirty percent (30%) equity shareholding of Hospital Penawar 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 10% deposit of total cash consideration.

As at period end, the balance purchase price amounting to RM1,988,874 is still outstanding.

(f) Proposed share split.

On 20 April 2017, the Company proposed to undertake a proposed share split involving the subdivision of every 1 ordinary share in KPJ into 4 ordinary shares in KPJ held on an entitlement date to be determined and announced later.

The proposal is expected to be completed in the third (3rd) quarter of 2017.

B7 BORROWINGS

Details of the Group’s borrowings are as follows:

	<u>31.03.2017</u>	<u>Audited</u> <u>31.12.2016</u>
	RM’000	RM’000
<u>Current</u>		
Islamic financing		
- Term loans (secured)	28,962	26,082
- Revolving credits (unsecured)	212,500	212,500
- Finance lease liabilities (secured)	8,529	28,475
- Bank overdrafts (unsecured)	3,538	5,369
	<u>253,529</u>	<u>272,426</u>
Conventional financing		
- Term loans (secured)	1,152	41,398
- Revolving credits (unsecured)	6,007	5,905
- Finance lease liabilities (secured)	3,542	6,472
- Bank overdrafts (unsecured)	11,384	7,244
	<u>22,085</u>	<u>61,019</u>
	<u>275,614</u>	<u>333,445</u>

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017 (CONTINUED)

B7 BORROWINGS (CONTINUED)

	<u>31.03.2017</u>	<u>Audited</u> <u>31.12.2016</u>
	RM'000	RM'000
<u>Non-current</u>		
Islamic financing		
- Islamic Medium Term Notes (unsecured)	900,000	900,000
- Term loans (secured)	335,276	330,333
- Finance lease liabilities (secured)	11,689	9,086
	<u>1,246,965</u>	<u>1,239,419</u>
Conventional financing		
- Term loans (secured)	40,160	2,375
- Finance lease liabilities (secured)	1,030	519
	<u>41,190</u>	<u>2,894</u>
	<u>1,288,155</u>	<u>1,242,313</u>
	<u>1,563,769</u>	<u>1,575,758</u>
The Group's borrowings are denominated as follows:		
Ringgit Malaysia	1,473,913	1,479,915
Australian Dollar	42,771	46,976
US Dollar	47,085	48,867
Total	<u>1,563,769</u>	<u>1,575,758</u>

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.

Company No.

247079	M
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KPJ HEALTHCARE BERHAD
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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017 (CONTINUED)

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 13 to 15 September 2016.

On 9 September 2016, the Defendant's solicitor served the Notice of Change of Solicitor to the Plaintiff and the Notice of Application for leave to amend the Statement of Defence with Affidavit in Support and Exhibit. During the Trial on 14 September 2016, the High Court dismissed the application by the Defendant to amend the Statement of Defence and awarded RM1,000 cost to the Plaintiff. The High Court had fixed for the Trial to continue on 18 and 31 October 2016.

On 31 October 2016, the High Court then proceeded to fix for a continuation of the trial on 13 to 16 December 2016. The Court later fixed for the next trial date to be held on 7 February 2017 for hearing of the Defendant's remaining witnesses.

The High Court completed the trial with the Defendant's first witness on 7 February 2017. On 8 February 2017, the Judge disallowed the calling of the Defendant's second witness thus the trial was concluded. The High Court Judge then fixed 31 March 2017 for submission by both solicitors.

On 19 May 2017, the Defendant's Counsel requested for time to file and serve the Written Submission in Reply (to Plaintiff's Written Submission). The Plaintiff's Counsel objected to the Defendant's late Written Submission in Reply. The High Court Judge required Written Submissions to be filed in court as this involved Submissions after Trial, The High Court Judge gave final extension of time as follows:

- (1) Defendant to file Written Submission in Reply (to Plaintiff's Written Submission) by 2 June 2017;
- (2) Plaintiff to file Written Submission in Reply (to Defendant's Written Submission in Reply) by 16 June 2017; and,
- (3) Decision on 6 July 2017.

B10 DIVIDEND PAYABLE

In respect of the financial year ending 31 December 2017, the Directors declared:

First interim single tier dividend of 2.20 sen per share on 1,048,780,787 ordinary shares amounting to RM23,073,175. The dividend was declared on 22 February 2017 and was fully paid on 28 April 2017.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017 (CONTINUED)

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>31.03.2017</u>	<u>As at</u> <u>31.03.2016</u>
Profit for the financial period attributable to equity holders of the Company (RM'000)	38,272	34,173
Weighted average number of ordinary shares in issue ('000)	1,090,190	1,052,845
Basic earnings per share (sen)	<u>3.51</u>	<u>3.25</u>

(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 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 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>31.03.2017</u>	<u>As at</u> <u>31.03.2016</u>
Profit for the financial year attributable to equity holders of the Company (RM'000)	<u>38,272</u>	<u>34,173</u>
Weighted average number of ordinary shares in issue ('000)	1,090,190	1,052,845
Assumed shares issued from the		
- exercise of warrants ('000)	86,574	85,089
- exercise of ESOS ('000)	<u>75,643</u>	<u>85,924</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,252,407</u>	<u>1,223,858</u>
Diluted earnings per share (sen)	<u>3.06</u>	<u>2.79</u>

Company No.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2017 (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.

	As at <u>31.03.2017</u> RM'000	As at <u>31.03.2016</u> RM'000
Total retained profits of the Company and its subsidiaries		
- Realised gains	751,179	661,790
- Unrealised loss	(46,119)	(40,697)
	<u>705,060</u>	<u>621,093</u>
Total share of retained profits from associates		
- Realised gains	48,174	54,865
- Unrealised gains	47,886	42,075
	<u>801,120</u>	<u>718,033</u>
Less: Consolidation adjustments	(6,586)	(7,493)
Total group retained profits as per consolidated financial statements	<u><u>794,534</u></u>	<u><u>710,540</u></u>