Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORTS

31 MARCH 2018

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORTS
FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018

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 2018.

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 period ended 31 December 2017 and the accompanying explanatory notes attached to this report.

UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

	Note	Individual Quarter			Cumulative Quarter		
		3 months ended			3 months ended		
		31.03.2018	31.03.2017	Var	31.03.2018	31.03.2017	Var
		RM'000	RM'000 (Restated)	%	RM'000	RM'000 (Restated)	%
Continuing operations							
Revenue		822,883	779,238	6	822,883	779,238	6
Cost of sales		(572,110)	(543,959)	5	(572,110)	(543,959)	5
Gross profit		250,773	235,279	7	250,773	235,279	7
Administrative expenses		(184,973)	(170,563)	8	(184,973)	(170,563)	8
Other income		5,002	4,964	1	5,002	4,964	1
Operating profit		70,802	69,680	2	70,802	69,680	2
Finance income		1,020	2,374	-57	1,020	2,374	-57
Finance costs		(20,267)	(20,871)	-3	(20,267)	(20,871)	-3
Finance costs - net		(19,247)	(18,497)	4	(19,247)	(18,497)	4
Share of results of associates		9,331	6,589	42	9,331	6,589	42
Profit before zakat and tax	B2	60,886	57,772	5	60,886	57,772	5
Zakat		(1,075)	(400)	169	(1,075)	(400)	169
Taxation	B5	(14,805)	(14,173)	4	(14,805)	(14,173)	4
Profit for the financial period from continuing operations		45,006	43,199	4	45,006	43,199	4

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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

	Individual Quarter 3 months ended			Cumulative Quarter 3 months ended		
	31.03.2018	31.03.2017	Var	31.03.2018	31.03.2017	Var
	RM'000	RM'000 (Restated)	%	RM'000	RM'000 (Restated)	%
Discontinued operation						
Profit/(loss) for the financial period from discontinued operation	480	(3,143)	-115	480	(3,143)	-115
Net profit for the financial period	45,486	40,056	14	45,486	40,056	14
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the financial period	45,486	40,056	14	45,486	40,056	14
Profit for the financial period attributable to:						
Owners of the Company from						
- continuing operations	42,209	40,064	5	42,209	40,064	5
- discontinued operation	273	(1,792)	-115	273	(1,792)	-115
Non-controlling interest from						
- continuing operations	2,797	3,135	-11	2,797	3,135	-11
- discontinued operation	207	(1,351)	-115	207	(1,351)	-115
	45,486	40,056	14	45,486	40,056	14
Total comprehensive income attributable to:						
Owners of the Company from						
- continuing operations	42,209	40,064	5	42,209	40,064	5
- discontinued operation	273	(1,792)	-115	273	(1,792)	-115
Non-controlling interest from						
- continuing operations	2,797	3,135	-11	2,797	3,135	-11
- discontinued operation	207	(1,351)	-115	207	(1,351)	-115
	45,486	40,056	14	45,486	40,056	14

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CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

	Individual Quarter			Cumulative Quarter		
	3 months ended			3 months ended		
	31.03.2018	31.03.2017	Var	31.03.2018	31.03.2017	Var
	RM'000	RM'000 (Restated)	%	RM'000	RM'000 (Restated)	%
Dividend per share (sen)	0.50	0.55	-9	0.50	0.55	-9
Earnings per share attributable to Owners of the Company:						
Basic (sen) from						
- continuing operations	0.96	0.94		0.96	0.94	
- discontinued operation	0.01	(0.04)		0.01	(0.04)	
Diluted (sen) from						
- continuing operations	0.85	0.82		0.85	0.82	
- discontinued operation	0.01	(0.04)		0.01	(0.04)	

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UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	31.03.2018 RM'000	31.12.2017 RM'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	A9	2,244,888	2,206,013
Investment properties		274,205	274,205
Intangible assets		232,969	239,437
Investment in associates		413,380	405,984
Available-for-sale financial assets		4,678	4,678
Deferred tax assets		39,161	24,682
		3,209,281	3,154,999
Current assets			
Inventories		50,055	51,084
Trade and other receivables		625,455	624,896
Contract assets		21,166	-
Tax recoverable		31,099	28,560
Deposit, cash and bank balances		389,683	200,542
		1,117,458	905,082
Assets held for sale		168,182	173,827
		1,285,640	1,078,909
Total assets		4,494,921	4,233,908
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables		512,983	452,847
Contract liabilities		79,891	68,464
Current tax liabilities		4,661	6,896
Borrowings	B7	298,406	350,369
Dividends payable		21,068	-
		917,009	878,576
Liabilities associated with assets held for sale		184,343	190,564
		1,101,352	1,069,140
Net current assets		184,288	9,769

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UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018 (CONTINUED)

	Note	31.03.2018 RM'000	31.12.2017 RM'000 (Audited)
Non-current liabilities			
Trade and other payables		19,163	30,299
Borrowings	B7	1,333,292	1,242,340
Deferred tax liabilities		65,690	60,206
Provision for retirement benefits		2,683	2,616
Deposits		14,368	14,096
		1,435,196	1,349,557
Total liabilities		2,536,548	2,418,697
Net assets		1,958,373	1,815,211
Equity attributable to Owners of the Company			
Share capital	A6	736,474	736,069
Less: Treasury shares		(60,198)	(55,411)
Reserves		1,019,637	1,046,137
		1,695,913	1,726,795
Non-controlling interest		262,460	88,416
Total equity		1,958,373	1,815,211
Total equity and liabilities		4,494,921	4,233,908
Net assets per share attributable to Owners of the Company (RM)		0.40	0.40

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

	Non-distributable								Distributable			
	Number of shares '000	Share capital 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 2018	4,281,413	736,069	(55,411)	31,631	61,189	(3,367)	(5,134)	98,070	863,748	1,726,795	88,416	1,815,211
Sales of interests in a subsidiary to non-controlling interest	-	-	-	-	-	-	-	-	(51,455)	(51,455)	171,040	119,585
Comprehensive income:												
Net profit for the financial period	-	-	-	-	-	-	-	-	42,482	42,482	3,004	45,486
Other comprehensive income:												
Currency translation of foreign subsidiaries	-	-	-	-	-	-	434	-	-	434	-	434
Total other comprehensive income	-	-	-	-	-	-	434	-	-	434	-	434
Transactions with Owners:												
Issue of shares:												
- ESOS	422	405	-	-	(21)	-	-	-	-	384	-	384
- Share buy-back	-	-	(4,787)	-	-	-	-	-	-	(4,787)	-	(4,787)
	422	405	(4,787)	-	(21)	-	-	-	-	(4,403)	-	(4,403)
Dividends on ordinary shares	-	-	-	-	-	-	-	-	(21,068)	(21,068)	-	(21,068)
ESOS expenses during the period	-	-	-	-	3,128	-	-	-	-	3,128	-	3,128
Lapsed ESOS	-	-	-	-	(195)	-	-	-	195	-	-	-
Total transactions with Owners	422	405	(4,787)	-	2,912	-	-	-	(20,873)	(22,343)	-	(22,343)
At 31 March 2018	4,281,835	736,474	(60,198)	31,631	64,101	(3,367)	(4,700)	98,070	833,902	1,695,913	262,460	1,958,373

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

									Non-distributable	Distributable			
	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	Non-controlling interest RM'000	Total equity 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:													
Net profit for the financial period	-	-	-	-	-	-	-	-	-	38,272	38,272	1,784	40,056
Other comprehensive income:													
Currency translation of foreign subsidiaries	-	-	-	-	-	-	-	(10)	-	-	(10)	-	(10)
Total other comprehensive income	-	-	-	-	-	-	-	(10)	-	-	(10)	-	(10)
Transactions with Owners:													
Issue of shares:													
- Warrants	1	1	1	-	(1)	-	-	-	-	-	1	-	1
- ESOS	801	1,742	1,338	-	-	(160)	-	-	-	-	2,920	-	2,920
	802	1,743	1,339	-	(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	1,743	1,339	-	(1)	9,417	-	-	-	(19,479)	(6,981)	-	(6,981)
Transfer pursuant to S618 of CA 2016*	-	179,480	(179,480)	-	-	-	-	-	-	-	-	-	-
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 of the Companies Act 2016, any outstanding Share Premium accounts shall become part of ordinary share capital.

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

	31.03.2018 RM'000	31.03.2017 RM'000
OPERATING ACTIVITIES		
Profit before zakat and tax		
- continuing operations	60,886	57,772
- discontinued operation	480	(3,143)
Profit before zakat and tax	61,366	54,629
Adjustments for:		
Share of results of associates	(9,331)	(6,589)
Finance income	(1,020)	(2,374)
Finance costs	20,267	20,871
Share based payments	3,128	13,171
Property, plant and equipment		
- Depreciation	36,471	31,590
- (Gain)/loss on disposal	(521)	72
Inventories written off	38	-
Amortisation of software development expenditure	611	492
Operating profit before changes in working capital	111,009	111,862
Changes in working capital:		
Inventories	991	2,136
Receivables	(30,189)	(27,081)
Payables	64,453	42,513
Deferred revenue	-	975
Cash flows generated from operations	146,264	130,405
Zakat paid	(1,075)	(400)
Income tax paid (net of refund)	(19,579)	(13,669)
Net cash generated from operating activities	125,610	116,336

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AUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

	31.03.2018 RM'000	31.03.2017 RM'000
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(73,748)	(91,012)
Additions to intangible assets	(142)	(604)
Proceeds from disposal of property, plant and equipment	676	8,346
Proceeds from partial disposal of interest in subsidiaries (net)	119,920	-
Interest received	1,020	2,374
Decrease in deposits with licensed banks with maturity of more than 3 months	4,724	-
Dividends received from associates	10,559	-
Net cash generated/(used in) investing activities	63,009	(80,896)
FINANCING ACTIVITIES		
Issue of shares:		
- Warrants	-	1
- ESOS	384	2,920
- Shares buy back	(4,787)	-
Bank borrowings		
- Drawdown	104,938	17,850
- Repayment	(71,816)	(32,147)
Interest paid	(20,267)	(20,871)
Dividend paid to shareholders	-	(23,073)
Net cash generated/(used in) financing activities	8,452	(55,320)
Net changes in cash and cash equivalents	197,071	(19,880)
Currency translation differences	(9,265)	(10)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	184,847	335,125
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	372,653	315,235

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018

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 2017.

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 2017.

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 2018:

- MFRS 9 'Financial Instruments'.
- MFRS 15 'Revenue from Contracts with Customers' and 'Clarifications to MFRS 15'.
- Amendments to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards' (Annual Improvements to MFRS Standards 2014–2016 Cycle)
- Amendments to MFRS 2 'Classification and Measurement of Share-based Payment'.
- Amendments to MFRS 3 'Business Combinations' (Annual Improvements to MFRS Standards 2015–2017 Cycle)
- Amendments to MFRS 128 'Investments in Associates and Joint Ventures' (Annual Improvements to MFRS Standards 2014–2016 Cycle)
- Amendments to MFRS 140 'Transfers of Investment Property'

Standards that have been issued but not yet effective

The Group did not early adopt these new standards.

- MFRS 16 'Leases' (effective from 1 January 2019).
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation' (effective 1 January 2019).
- Amendments to MFRS 11 'Joint Arrangements' (Annual Improvements to MFRS Standards 2015–2017 Cycle) (effective 1 January 2019).
- Amendments to MFRS 112 'Income Taxes' (Annual Improvements to MFRS Standards 2015–2017 Cycle) (effective 1 January 2019).
- Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement' (effective 1 January 2019).
- Amendments to MFRS 123 'Borrowing Costs' (Annual Improvements to MFRS Standards 2015–2017 Cycle) (effective 1 January 2019).
- Amendments to MFRS 2 'Share-based Payment' (effective 1 January 2020).
- Amendment to MFRS 3 'Business Combinations' (effective 1 January 2020).

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

A1 BASIS OF PREPARATION (CONTINUED)

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

The Group did not early adopt these new standards. (continued)

- Amendments to MFRS 101 Presentation of Financial Statements (effective 1 January 2020).
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (effective 1 January 2020).
- Amendments to MFRS 134 Interim Financial Reporting (effective 1 January 2020).
- Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (effective 1 January 2020).
- Amendment to MFRS 138 Intangible Assets (effective 1 January 2020).
- Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 January 2020).
- Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2020).
- Amendment to IC Interpretation 132 Intangible Assets–Web Site Costs (effective 1 January 2020).

A2 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the annual financial statements for the financial year ended 31 December 2017 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 AND POLICIES

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.

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

The Group has adopted MFRS 15 'Revenue from Contracts with Customers' and MFRS 9 'Financial Instruments' from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amount recognised in the financial statements. In accordance with the transition provision, the Group has adopted new rules retrospectively and its comparative may be restated for the 2017 financial year. A number of new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

i. <u>MFRS 15 'Revenue from Contracts with Customers'</u>

The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Group has opted to use practical expedients for completed contracts whereby the Group need not restate contracts that:
(i) begin and end within the same annual reporting period; and
(ii) are completed contracts at the beginning of the earliest period presented.

Under MFRS 15 Appendix C2(b), a completed contracts is a contract for which the entity has transferred all of the goods or services identified in accordance with MFRS 111 Construction Contracts, MFRS 118, Revenue and related IC interpretations.

By applying the practical expedients for completed contracts, the new accounting policy is not applicable and revenue is recognised for cash paying individual patients who did not deposit the required amounts.

Under MFRS 15 Paragraph 9(e), an entity shall account for a contract with a customer when it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

In evaluating whether collectability of an amount of consideration is probable for cash paying individual patients, the Group's new accounting policies now requires individual patients to pay more than 40% deposit with the hospitals as deposits in advance. Revenue would not be recognised for cash paying individual patients who do not make payment of the required deposits.

Had the policy of requiring patients to make predetermined payments as deposits is applied to completed contracts not met, those completed contracts would have been excluded from revenue recognition. As the Group has applied the practical expedient as allowed by the standard, the completed contracts were not restated.

Recognition of contract assets and contract liabilities was made due to the adoption of MFRS 15. Contract assets relates to revenue recognised for the services performed as at period ended that has yet to be billed that were previously presented as part of the trade and other receivables. Whereas contract liabilities are those deposit received from patients and deferred revenue in relation to wellness revenue and tuition fees recognised that were previously presented in trade and other payables and deferred revenue accordingly.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

i. MFRS 15 'Revenue from Contracts with Customers' (continued)

The following tables illustrates the Group's revenue disaggregated by the Group's major services and provide reconciliations of the disaggregated revenue with the major market segments. The table also includes the timing of revenue recognition.

	Continuing operations				
	Hospital and healthcare charges		Others		Total
	Malaysia RM'000	Others RM'000	Malaysia RM'000	Others RM'000	RM'000
2018					
Segment revenue	903,964	14,079	38,963	12,968	969,974
Intersegment revenue	(121,020)	-	(24,560)	(1,511)	(147,091)
Revenue from external customers	782,944	14,079	14,403	11,457	822,883
Timing of revenue recognition					
Point in time	782,944	14,079	12,723	49	809,795
Over time	-	-	1,680	11,408	13,088
	782,944	14,079	14,403	11,457	822,883
2017					
Segment revenue	845,934	15,492	27,566	13,790	902,782
Intersegment revenue	(110,269)	-	(12,795)	(480)	(123,544)
Revenue from external customers	735,665	15,492	14,771	13,310	779,238
Timing of revenue recognition					
Point in time	735,665	15,492	12,737	90	763,984
Over time	-	-	2,034	13,220	15,254
	735,665	15,492	14,771	13,310	779,238

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

ii. MFRS 9 'Financial Instruments'

The standard replaces the provisions of MFRS 139 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of the new standard has not had a significant effect on the Group's accounting policies related to financial liabilities. The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed based on its contractual cash flow characteristics.

Classification and measurement of financial assets

The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's financial assets:

Financial assets	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 RM'000	New carrying amount under MFRS 9 RM'000
31.12.2017				
Available-for-sale financial assets	Available-for-sale	FVOCI – equity instruments	4,678	4,678
Trade and other receivables	Loans and receivables	Amortised costs	624,896	624,896
Deposits, cash and bank balances	Loans and receivables	Amortised costs	200,542	200,542

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

ii. MFRS 9 'Financial Instruments' (continued)

Impairment of financial assets

The Group applies MFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The identified additional impairment loss in prior years is RM1.6 million. Due to its immateriality, no restatement will be made.

From the assessments above, the Group deem that no retrospective adjustments is required. As a consequence, it is not necessary to provide an additional balance sheet (statement of financial position) as at the beginning of the earliest comparative period presented where an entity has made a retrospective change in accounting policies and/or a retrospective reclassification.

A6 DEBT AND EQUITY SECURITIES

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

EQUITY SECURITIES

i. Treasury shares

On 23 April 2018, 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 2017, 63,047,000 units of KPJ Healthcare Berhad shares were bought by the Company from the open market, listed on the Bursa Malaysia for a total consideration of RM55,411,213.

During the financial year, the Company repurchased 5,157,700 ordinary shares of its issued share capital from the open market at an average price of RM0.93 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares and accounted for in accordance with the requirement of Section 127 of the Companies Act 2016.

As at 31 March 2018, the Company held a total of 68,204,700 of its 4,281,834,992 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM60,197,952.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

A6 DEBT AND EQUITY SECURITIES (CONTINUED)

There has been no issuance of shares and repayments of debt and equity securities by the Company in the current financial period under review, except the followings: (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 87,274,652 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. During the year, each warrant has been adjusted to RM1.01 each pursuant to the Share Split exercise on 26 September 2017.

On 27 September 2017, the Company announced that the subdivision of shares has been completed, resulting to 259,226,010 of additional warrants were issued during the period.

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 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 2017, 27 February 2018, 27 February 2018, 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 fair value of ESOS is RM1.01 and the exercise price is RM3.64 (2017: RM3.64).

Following the Share Split exercise which was completed on 27 September 2017, the exercise price of the share options granted under the ESOS has been adjusted to RM0.91 (2017: RM0.91), while fair value is now RM0.25.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

A6 DEBT AND EQUITY SECURITIES (CONTINUED)

There has been no issuance of shares and repayments of debt and equity securities by the Company in the current financial period under review, except the followings: (continued)

EQUITY SECURITIES (CONTINUED)

iii. Employees Share Option Scheme (ESOS) (continued)

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

	31.03.2018 Number of shares ('000)	31.03.2018 RM'000
At start of the financial period	4,281,413	736,069
Issued during the financial period		
- exercise of ESOS	422	405
At end of financial period	4,281,835	736,474

A7 DIVIDENDS

In respect of the financial year ending 31 December 2018, the Directors declared:

i. First interim single tier dividend of 0.50 sen per share on 4,213,630,292 ordinary shares amounting to RM21,068,151. The dividend was declared on 22 February 2018 and was fully paid on 20 April 2018.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (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 Board of Directors ("BOD"). The BOD considers the business by geographical location. The reportable segments have been identified as follows:

Continuing operations

i. Malaysia - All healthcare activities including the private hospitals, pathology and laboratory services and distribution of pharmaceutical, medical and consumer healthcare products.

ii. Others – Operating segments involved in provision of hospital services in Indonesia, 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.

Discontinued operation

i. Australia - Providing retirement village and aged care facilities

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

Individual quarter 3 months ended / Cumulative 3 months ended

	Continuing operations			Discontinued operation	
	Malaysia	Others	Sub-total	Australia	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2018					
Revenue					
Revenue from external customers	797,347	25,536	822,883	14,919	837,802
Results					
EBITDA*	116,331	273	116,604	1,545	118,149
Profit/(loss) before zakat and tax	63,852	(2,966)	60,886	480	61,366
Total assets	4,001,195	325,544	4,326,739	168,182	4,494,921
Total liabilities	2,269,930	82,275	2,352,205	184,343	2,536,548
Additions to property, plant and equipment	72,163	1,585	73,748	-	73,748

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

Individual quarter 3 months ended / Cumulative 3 months ended (continued)

	Continuing operations			Discontinued operation	
	Malaysia	Others	Sub-total	Australia	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2017					
Revenue					
Revenue from external customers	750,436	28,802	779,238	14,671	793,909
Results					
EBITDA*	103,039	4,608	107,647	(2,440)	105,207
Profit/(loss) before zakat and tax	56,272	1,500	57,772	(3,143)	54,629
Total assets	3,466,314	336,467	3,802,781	195,858	3,998,639
Total liabilities	1,961,691	102,375	2,064,066	216,779	2,280,845
Additions to property, plant and equipment	89,516	1,496	91,012	-	91,012

The functional currency for Indonesia and Australia operation is as follows:

	Indonesia	Indonesia	Australia	Australia
	IDR'000	RM'000	AUD'000	RM'000
31 March 2018				
Revenue				
Revenue from external customers	36,823,100	10,675	4,865	14,919
Results				
EBITDA*	3,877,199	1,124	504	1,545
(Loss)/profit before zakat and tax	(2,390,127)	(693)	157	480
Total assets	502,082,821	140,834	56,686	168,182
Total liabilities	151,201,426	42,412	62,133	184,343
Additions to property, plant and equipment	4,071,301	1,142	-	-

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

Individual quarter 3 months ended / Cumulative 3 months ended (continued)

The functional currency for Indonesia and Australia operation is as follows: (continued)

31 March 2017	Indonesia IDR'000	Indonesia RM'000	Australia AUD'000	Australia RM'000
Revenue				
Revenue from external customers	40,915,473	13,113	4,607	14,671
Results				
EBITDA*	8,982,839	2,879	(766)	(2,440)
Profit/(loss) before zakat and tax	2,993,606	959	(987)	(3,143)
Total assets	460,181,731	151,860	60,469	195,858
Total liabilities	167,218,182	55,182	66,928	216,779
Additions to property, plant and equipment	306,061	101	-	-

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

The key exchange rate used, provided by the ultimate holding corporation, is as follows;

	31.03.2018	31.03.2017
1 Australian Dollar		
Closing	2.9669	3.2390
Average	3.0668	3.1842
1,000 Indonesian Rupiah		
Closing	0.2805	0.3300
Average	0.2899	0.3205

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

A9 VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

In accordance with the Group Accounting policy, certain land and buildings of the Group were revalued on 31 December 2017 to reflect the fair value of the properties that has changed significantly based on a valuation carried out by 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 FINANCIAL PERIOD

Except as stated in note B6, there were no material events subsequent to the financial period ended 31 March 2018 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 period.

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 2017 except as stated in note B9.

A13 RELATED PARTY TRANSACTIONS

All related party transactions within the Group had been entered into in the normal course of business and were carried out on normal commercial terms.

A14 CAPITAL COMMITMENTS

Capital expenditures not provided for in the interim financial report as at 31 March 2018 are as follows:

	RM'000
Approved and contracted	239,338
Approved but not contracted	87,419
	326,757

Analysed as follows:

Buildings	260,971
Medical equipment	44,528
Other property, plant and equipment	21,258
	326,757

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018

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. Review on statements of comprehensive income for current quarter compare with the corresponding quarter of the preceding year (3 months)

Group

The Group's revenue for the current quarter ended 31 March 2018 was RM822.9 million, an increase of 6% as compared to RM779.2 million in the corresponding quarter of the preceding year. The profit before zakat and tax for the 3 months ended 31 March 2018 was recorded at RM60.9 million, increased by 5% from RM57.8 million in 2017.

Segment : Continuing operations

Malaysia

The Malaysia segment continues to excel, reported a revenue of RM797.3 million, an increase of 6% from RM750.4 million in the corresponding quarter of the preceding year. The revenue for the current quarter was higher mainly contributed by the increase in number of patient episodes and complex cases per inpatient particularly for KPJ Rawang with 128 beds increased by 45% as compared to number of beds in the same quarter in 2017. Other hospitals that recorded a double-digit growth in number of inpatients includes KPJ Tawakkal, KPJ Klang, KPJ Pasir Gudang and KPJ Bandar Maharani, that also translated to significant increment in revenue for this quarter.

Profit before zakat and tax has increased to RM63.9 million during this quarter, an increase of 13% from RM56.3 million in the same quarter in 2017, mainly contributed by the increase in revenue and higher share of results of associates during the period.

Others

Revenue for this quarter from this segment was reported at RM25.5 million, decreased by 11% from RM28.8 million in corresponding quarter of the prior year. The Indonesian operations reported a decrease of 18% in revenue in current quarter that stands at RM10.7 million as compared to the revenue of RM13.1 million in the preceding year. The decrease was mainly contributed by lower number of patients, particularly for Rumah Sakit Medica Bumi Serpong Damai, and also due to appreciation of Malaysian Ringgit resulted to increase in foreign exchange translation loss. EBITDA for this Indonesian operation is reported at RM1.1 million, 62% decreased as compared to EBITDA of RM2.9 million reported in the corresponding quarter of the preceding year.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (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: (continued)

a. Review on statements of comprehensive income for current quarter compare with the corresponding quarter of the preceding year (3 months) (continued)

Segment : Discontinued operation

Australia

Revenue from Australia segment was reported at RM14.9 million, increased by 1% as compared to revenue in the corresponding quarter of the preceding year which was reported at RM14.7 million. This segment reported an increase of more than 100% in EBITDA during this quarter, which currently stands at RM1.5 million, as compared to negative EBITDA of RM2.4 million in the corresponding quarter of the preceding year. This is due to increase in number of residents reported in aged care operation.

b. Review on statements of comprehensive income for current financial period compared to prior financial period (3 months)

Group

The Group's revenue for the current quarter ended 31 March 2018 was RM822.9 million, an increase of 6% as compared to RM779.2 million in the corresponding quarter of the preceding year. The profit before zakat and tax for the 3 months ended 31 March 2018 was recorded at RM60.9 million, increased by 5% from RM57.8 million in 2017.

Segment : Continuing operations

Malaysia

The Malaysia segment continues to excel, reported a revenue of RM797.3 million, an increase of 6% from RM750.4 million in the corresponding quarter of the preceding year. The revenue for the current quarter was higher mainly contributed by the increase in number of patient episodes and complex cases per inpatient particularly for KPJ Rawang with 128 beds increased by 45% as compared to number of beds in the same quarter in 2017. Other hospitals that recorded a double-digit growth in number of inpatients includes KPJ Tawakkal, KPJ Klang, KPJ Pasir Gudang and KPJ Bandar Maharani, that also translated to significant increment in revenue for this quarter.

Profit before zakat and tax has increased to RM63.9 million during this quarter, an increase of 13% from RM56.3 million in the same quarter in 2017, mainly contributed by the increase in revenue and higher share of results of associates during the period.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (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: (continued)

b. Review on statements of comprehensive income for current financial period compared to prior financial period (3 months) (continued)

Segment : Continuing operations (continued)

Others

Revenue for this quarter from this segment was reported at RM25.5 million, decreased by 11% from RM28.8 million in corresponding quarter of the prior year. The Indonesian operations reported a decrease of 18% in revenue in current quarter that stands at RM10.7 million as compared to the revenue of RM13.1 million in the preceding year. The decrease was mainly contributed by lower number of patients, particularly for Rumah Sakit Medica Bumi Serpong Damai, and also due to appreciation of Malaysian Ringgit resulted to increase in foreign exchange translation loss. EBITDA for this Indonesian operation is reported at RM1.1 million, 62% decreased as compared to EBITDA of RM2.9 million reported in the corresponding quarter of the preceding year.

Segment : Discontinued operation

Australia

Revenue from Australia segment was reported at RM14.9 million, increased by 1% as compared to revenue in the corresponding quarter of the preceding year which was reported at RM14.7 million. This segment reported an increase of more than 100% in EBITDA during this quarter, which currently stands at RM1.5 million, as compared to negative EBITDA of RM2.4 million in the corresponding quarter of the preceding year. This is due to increase in number of residents reported in aged care operation.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (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: (continued)

c. Review on statements of financial position for current financial period compared to prior financial period

Group

The Group's total assets as at 31 March 2018 was RM4,494.9 million, an increase of 12% as compared to RM3,998.6 million as at 31 March 2017. The Group's total liabilities as at 31 March 2018 was RM2,536.5 million, increased by 11% as compared to RM2,280.8 million as at 31 March 2017.

Segment : Continuing operations

Malaysia

Total assets from Malaysia segment was reported at RM4,001.2 million, an increase of 15% in comparison to RM3,466.3 million as at 31 March 2017. The increment was mainly attributable to the increase in property, plant and equipment for the soon-to-be opened hospitals such as BDC Specialist Hospital, KPJ Bandar Dato Onn and Miri Specialist Hospital which are currently under construction. Apart from the increase in property, plant and equipment, the increment was also contributed by the cash received arising from the partial disposal of a subsidiary, Lablink (M) Sdn Bhd to KL Kappa Sdn Bhd which lead to the increase of the Group's cash and bank balances.

Total liabilities from this segment was reported at RM2,269.9 million increased by 16% in comparison to RM1,961.7 million as at 31 March 2017. The increase in liabilities was due to construction costs incurred during the period for the ongoing projects of new hospitals.

Others

Total assets for this segment mainly contributed by the assets belonged to Indonesian operations, which was reported at RM140.8 million decreased by 7% in comparison to RM151.9 million as at 31 March 2017. The decrease was due to depreciation charged and appreciation of Malaysian Ringgit during the quarter.

Total liabilities from Indonesia operations was reported at RM42.4 million decreased by 23% in comparison to RM55.2 million as at 31 March 2017, due to decrease in borrowings arising from repayment of the loan during the period.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (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: (continued)

c. Review on statements of financial position for current financial period compared to prior financial period (continued)

Segment : Discontinued operation

Australia

The Australia segment reported total assets of RM168.2 million, a decrease of 14% as compared to RM195.9 million recorded as at 31 March 2017, as well as total liabilities which also reported a decrease by RM32.4 million or by 15% compared to RM216.8 million recorded as at 31 March 2017 due to appreciation of Malaysian Ringgit during the quarter.

d. Review on statements of cash flows for current financial period compared to prior financial period (3 months)

Group

For the first quarter ended 31 March 2018, the Group's cash flows position is healthy with strong operating cash flow. The Group generated positive cash inflows from investing activities, mainly contributed by the purchase consideration received from partial disposal of interest in subsidiary, Lablink (M) Sdn Bhd towards the end of the current quarter. The proceed received was off-setted against the development of new hospitals, including KPJ Bandar Dato' Onn, KPJ BDC and KPJ Miri, which are expected to be completed towards end of this year and next year. Cash flows from financing activities has improved mainly due to issuance of Islamic Medium Term Notes ("IMTN") for a nominal value of RM100 million during this quarter. With this issuance, total nominal value of IMTN issued as at 31 March 2018 is amounted to RM1 billion.

With all the above, net cash and cash equivalent has increased by more than 100% as compared to the same period of the preceding year.

Company No.

247079	M

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 2018 (CONTINUED)

B2 MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter ended 31.03.2018			Quarter ended 31.12.2017			
	Continuing	Discontinued	Total	Continuing	Discontinued	Total	Var
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	%
Revenue	822,883	14,919	837,802	833,728	10,949	844,677	-1
Operating profit	70,802	906	71,708	79,657	738	80,395	-11
Profit / (loss) before zakat and tax	60,886	480	61,366	77,103	(2,356)	74,747	-18
Net profit / (loss) for the financial period	45,006	480	45,486	63,005	(692)	62,313	-27
Total comprehensive income for the financial period	45,006	480	45,486	69,282	(692)	68,590	-34
EBITDA	116,604	1,545	118,149	120,146	584	120,730	-2
Profit attributable to Owners of the Company	42,209	273	42,482	61,317	(394)	60,923	-30
No. of inpatient (episode)	79,477	-	79,477	75,575	-	75,575	5
No. of outpatient (episode)	704,920	-	704,920	670,990	-	670,990	5

Revenue during the current quarter for continuing operations was recorded at RM822.9 million, slightly decreased as compared to the revenue in preceding quarter of RM833.7 million. Profit before zakat and tax for current quarter decreased by 21%, which had been closed at RM60.9 million as compared to RM77.1 million in the preceding quarter. EBITDA for this quarter stands at RM116.6 million, a decrease of 3% as compared to the preceding quarter of RM120.1 million. The good performance for the preceding quarter was contributed by the increase in fair value of investment properties and higher profit sharing from associates.

As for discontinued operation, the revenue shows a 37% increased from RM10.9 million in preceding quarter to RM14.9 million in current quarter and the profit before zakat and tax has also improved by more than 100% to RM0.5 million as compared to loss before zakat and tax of RM2.4 million in preceding quarter. EBITDA for discontinued operation have significantly improved from RM0.5 million in quarter 4, 2017 to RM1.5 million in current quarter. This improvement is due to higher occupancy in current quarter.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

B3 CURRENT YEAR PROSPECTS

Group

For the financial year ending 31 December 2018, the Group will continue to improve its performance and enhancing its business strategies to ensure long-term growth and profitability. The number of outpatient and inpatient continues to grow within 3.6% to 5.3%, and hence this support the Group growth strategies that were already in place. The Group recognises that rising in cost will continue to be the challenges in 2018, hence in ensuring consistent improvement of EBITDA and PBZT margin, the Group will focus on discipline cost management through innovation approaches in operational excellence from financial and other related aspects.

As for other segments, the Group will continue to remain focused and putting in robust strategy in delivering an improved results.

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 3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Income tax expense	14,805	14,173	14,805	14,173

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period. The effective tax rate of the Group for the period ended 31 March 2018 remained the same as prior period, however, were slightly above the statutory tax rate due to certain expenses being not deductible for tax purposes.
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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

B6 STATUS OF CORPORATE PROPOSALS

(a) 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 ("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").

On 27 September 2017, the Company announced that the subdivision of shares has been completed, resulting to 259,226,010 of additional warrants were issued during the period.

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. During the year, each warrant has been adjusted to RM1.01 each pursuant to the Share Split exercise on 26 September 2018.

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

		Exercise	Number of Warrants 2014/2019		
Issuance date	Expiry date	price	1.1.2018	Exercised	31.3.2018
		RM/share	'000	'000	'000
29 January 2014	23 January 2019	1.0025	345,635	-	345,635

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

B6 STATUS OF CORPORATE PROPOSALS (CONTINUED)

(b) On 1 March 2017, a wholly-owned subsidiary of the Group, KPJSB, 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 March 2017, the Purchasers have made payment of RM220,986 being 10% deposit of the total cash consideration.

Thereafter, the Purchasers have defaulted in payment of the balance purchase price within the extended time frame provided under the SPA and a further two months extension granted by KPJSB. The said SPA is therefore deemed terminated with effect from 25 July 2017.

Notwithstanding the termination of the SPA, KPJSB is still desirous of completing the disposal of the 30% equity stake and has offered the Purchasers the option of settling the balance purchase price through staggered payments. The Purchasers have in principle agreed to this proposed option and have proposed for two lump sum payments to be paid as settlement. KPJSB has proceeded to prepare a Settlement Agreement along these terms and forwarded the Agreement to the Purchasers in October 2017 for concurrence and execution. The completion is expected to be completed in fourth (4th) quarter of 2018.

(c) Proposed acquisition of an office premise in Kota Bharu by Perdana Specialist Hospital Sdn Bhd (“PSHSB”)

On 11 June 2017, a subsidiary of the Group, PSHSB, has signed a Sale and Purchase Agreement (SPA) with KTC Convention and Apartment Sdn Bhd (“KTC”) for a total cash consideration of RM6,800,000 for the proposed acquisition of an office premise in Kota Bharu, Kelantan (Level 1).

The completion of the SPA is pending as there are conditions precedent (“CP”) under the SPA which must be fulfilled by PSHSB and KTC.

KTC has submitted an application for the State Authority consent to transfer the office premise Level 1 to PSHSB ("SACT Application"). The issuance of official written approval of the SACT Application is still pending and subject to payment of consent fee of RM197,000 ("Consent Fee") by Perbadanan Kemajuan Iktisad Negeri Kelantan (“PKINK”). PKINK has through KTC requested PSHSB to pay the Consent Fee. The consent is valid until May 2018. Given that the purchase consideration for Level 1 will be partly financed by BIMB, there will be CP to be met by PSHSB, barring any unforeseen circumstances.

The proposal is expected to be completed in the third (3rd) quarter of 2018.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

B6 STATUS OF CORPORATE PROPOSALS (CONTINUED)

(d) Planned disposal of aged care operation in Australia

During the financial year ended 2017, the Directors have approved the divestment of aged care operations in Australia, by disposing its shares in Jeta Gardens (Qld) Pty Ltd ("Jeta Gardens") and its subsidiaries.

As of 31 March 2018, Jeta Gardens is in a net total liability position of RM16.2 million.

The investment in Jeta Gardens has been presented as an asset held for sale since 31 December 2017 in the Statements of Financial Position, while the comparative figures in the Statements of Comprehensive Income have been restated to reflect the 'Discontinued Operation' in accordance with the criteria set out in MFRS 5 "Non-current Assets Held For Sale and Discontinued Operations".

The disposal is expected to be completed towards end of 2018.

(e) Proposed Subscription and Share Purchase Agreement between Lablink (M) Sdn Bhd, KL Kappa Sdn Bhd and Kumpulan Perubatan (Johor) Sdn Bhd

On 23 January 2018, the Board of Directors of the Group had announced that the Group's wholly-owned subsidiary, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") and KPJSB's wholly-owned subsidiary Lablink (M) Sdn Bhd ("Lablink"), had entered into a Subsciption and Share Purchase Agreement ("SSPA") with KL Kappa Sdn Bhd ("KL Kappa" or "Investor") for the subscription of new shares in Lablink by KL Kappa and for the purchase of certain existing shares in Lablink by KL Kappa from KPJSB.

The proposed SSPA marks the beginning of the partnership between KPJ Group and KL Kappa to grow Lablink's pathology and diagnostics businesses in Malaysia and explore new growth markets in Southeast Asia to become the region's leader in pathology and diagnostics services. The SSPA involves the proposed issuance of new shares in Lablink to KL Kappa and the selling of existing Lablink shares by KPJSB to KL Kappa that will collectively result in KL Kappa having a 49% stake in Lablink's enlarged share capital, with the remaining 51% held by KPJSB.

The completion of the SSPA has taken place on the 22 March 2018 where KL Kappa has paid the total sum of RM119,920,226 for the purchase of 49% stake in Lablink.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

B7 BORROWINGS

Details of the Group's borrowings are as follows:

	Current		Non-current		Total borrowings	
	Foreign deno	RM deno	Foreign deno	RM deno	Foreign deno	RM deno
	'000	RM'000	'000	RM'000	'000	RM'000
As at 31 March 2018						
Secured:						
Term loans						
- Conventional						
RM	-	838	-	740	-	1,578
AUD	8,038	23,849	96	284	8,134	24,133
- Syariah						
RM	-	25,827	-	283,918	-	309,745
USD	1,442	5,565	7,399	28,564	8,841	34,129
Finance lease liabilities						
- Conventional						
RM	-	605	-	1,834	-	2,439
AUD	9	26	4	12	13	38
- Syariah						
RM	-	7,643	-	18,236	-	25,879
Unsecured:						
Revolving credits						
- Conventional						
AUD	1,854	5,502	-	-	1,854	5,502
- Syariah						
RM	-	254,500	-	-	-	254,500
Bank overdrafts						
- Syariah						
RM	-	3,428	-	-	-	3,428
Islamic Medium Term Notes	-	-	-	1,000,000	-	1,000,000
		327,783		1,333,588		1,661,371
Transfer to liabilities associated with assets held for sale AUD	(9,901)	(29,377)	(100)	(296)	(10,001)	(29,673)
Total		298,406		1,333,292		1,631,698

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

B7 BORROWINGS (CONTINUED)

Details of the Group's borrowings are as follows (continued):

	Current		Non-current		Total borrowings	
	Foreign deno	RM deno	Foreign deno	RM deno	Foreign deno	RM deno
	'000	RM'000	'000	RM'000	'000	RM'000
As at 31 March 2017						
Secured:						
Term loans						
- Conventional						
RM	-	792	-	3,847	-	4,639
AUD	111	360	11,211	36,313	11,322	36,673
- Syariah						
RM	-	22,395	-	294,758	-	317,153
USD	1,465	6,567	9,039	40,518	10,504	47,085
Finance lease liabilities						
- Conventional						
RM	-	3,493	-	988	-	4,481
AUD	15	49	13	42	28	91
- Syariah						
RM	-	8,529	-	11,689	-	20,218
Unsecured:						
Revolving credits						
- Conventional						
AUD	1,855	6,007	-	-	1,855	6,007
- Syariah						
RM	-	212,500	-	-	-	212,500
Bank overdrafts						
- Conventional						
RM	-	11,384	-	-	-	11,384
- Syariah						
RM	-	3,538	-	-	-	3,538
Islamic Medium Term Notes	-	-	-	900,000	-	900,000
Total		275,614		1,288,155		1,563,769

* "deno" refers to denomination

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

B7 BORROWINGS (CONTINUED)

Details of the Group's borrowings are as follows (continued):

The key exchange rate used is as follows;

	31.03.2018	31.03.2017
1 Australian Dollar	2.9669	3.2390
1 US Dollar	3.8602	4.4824

Material changes in borrowings

Increase in borrowings as at 31 March 2018 were mainly due to issuance of Islamic Medium Term Notes ("IMTN") for a nominal value of RM100 million. With this issuance, total nominal value of IMTN issued as at 31 March 2018 is RM1 billion. The proceed was used to pay for the development costs of the ongoing projects of new hospitals. There is no such material changes in borrowings during the same quarter last year.

Weighted average interest rate of borrowings are as follows:
- Term loan: 5.16% p.a. (2017: 5.18% p.a.)
- Hire purchase: 3.73% p.a. (2017: 3.74% p.a.)
- Islamic Medium Term Notes: 5.82% p.a. (2017: 5.83% p.a.)
- Overdraft: 6.85% p.a. (2017: 6.86% p.a.)
- Revolving credit: 4.75% p.a. (2017: 4.76% p.a.)

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) ("SMCH"), a wholly-owned subsidiary of the Group, had filed a writ of summons 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).

On 6 July 2017, the High Court Judge delivered its decision in favour of the Plaintiff as follows:
1) The Claim of the Plaintiff for the sum of RM4,160,000 was allowed;
2) Interest on the Judgement sum at 5% calculated from 18 February 2015, the effective termination date of the transaction.
3) The Counter Claim of the Defendant was dismissed.
4) Costs of RM50,000 to be paid by the Defendant.

The Defendant had on 4 August 2017 filed his notice of appeal at the Court of Appeal and the appeal has now been fixed for hearing on 18 July 2018.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

B9 MATERIAL LITIGATIONS (CONTINUED)

Since the Defendant did not file any application for stay of execution of the High Court Judgment, SMCH has proceeded to obtain a Prohibitory Order (PO) and registered the same at the Land Office on 18 August 2017.

The sealed copy of the PO was served personally on the Defendant on 6 November 2017, but the Defendant has not taken any action to make payment of the judgement sum.

Since the validity of the PO is only for six months from registration on the Land title, SMCH has filed an application to Court to extend the said PO and on 12 February 2018, the Court has allowed the extension for a further six months from 21 February 2018 to 20 August 2018. The Court order has been extracted, registered at the Land Office and served on the Defendant.

The Company has commissioned an alternative valuation for the subject land from Messrs Taylor Hobbs and on 27 March 2018 the said valuers have provided a forced sale value of RM9.8 million.

As the next step, the Company is in the process of seeking an order for sale to auction the subject property with the initial reference price of RM9.8 million.

B10 DIVIDENDS

In respect of the financial year ending 31 December 2018, the Directors declared:

i. First interim single tier dividend of 0.50 sen per share on 4,213,630,292 ordinary shares amounting to RM21,068,151. The dividend was declared on 22 February 2018 and was fully paid on 20 April 2018.

B11 AUTHORISED FOR ISSUE

The Condensed Report was authorised for issue by the Board of Directors in accordance with a resolution on 28 May 2018.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

B12 EARNINGS PER SHARE

Following the subdivision of shares as mentioned in note A6, the earnings per share has to be accounted for retrospectively. The comparative amount has then be restated and being showed accordingly.

(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.

	As at 31.03.2018	As at 31.03.2017 (Restated)
Continuing operations		
Profit attributable to Owners of the Company (RM'000)	42,209	40,064
Weighted average number of ordinary shares in issue ('000)	4,388,141	4,250,066
Basic earnings per share (sen)	0.96	0.94
Discontinued operation		
Loss attributable to Owners of the Company (RM'000)	273	(1,792)
Weighted average number of ordinary shares in issue ('000)	4,388,141	4,250,066
Basic earnings per share (sen)	0.01	(0.04)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018 (CONTINUED)

B12 EARNINGS PER SHARE (CONTINUED)

(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 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.

	As at 31.03.2018	As at 31.03.2017 (Restated)
Continuing operations		
Profit attributable to Owners of the Company (RM'000)	42,209	40,064
Weighted average number of ordinary shares in issue ('000)	4,388,141	4,250,066
Assumed shares issued from the		
- exercise of warrants ('000)	345,635	346,302
- exercise of ESOS ('000)	256,799	302,574
Weighted average number of ordinary shares in issue ('000)	4,990,575	4,898,942
Diluted earnings per share (sen)	0.85	0.82
Discontinued operation		
Loss attributable to Owners of the Company (RM'000)	273	(1,792)
Weighted average number of ordinary shares in issue ('000)	4,388,141	4,250,066
Assumed shares issued from the		
- exercise of warrants ('000)	345,635	346,302
- exercise of ESOS ('000)	256,799	302,574
Weighted average number of ordinary shares in issue ('000)	4,990,575	4,898,942
Diluted earnings per share (sen)	0.01	(0.04)