

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORTS

30 SEPTEMBER 2012

KPJ HEALTHCARE BERHAD

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORTS**FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

The Directors of KPJ Healthcare Berhad are pleased to announce the financial results for the Group for the three months ended 30 September 2012.

The interim report is prepared in accordance with FRS134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia's Listing Requirements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to this report.

**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		<u>3 months ended</u>		<u>9 months ended</u>	
		<u>30.09.2012</u>	<u>30.09.2011</u>	<u>30.09.2012</u>	<u>30.09.2011</u>
		RM'000	RM'000	RM'000	RM'000
Revenue		530,578	476,025	1,585,489	1,384,671
Cost of sales		(370,806)	(332,781)	(1,110,384)	(968,293)
Gross profit		159,772	143,244	475,105	416,378
Administration expenses		(119,023)	(101,032)	(348,397)	(295,238)
Other income		4,961	4,073	14,572	10,276
Other operating expenses		(988)	(1,188)	(2,164)	(2,366)
Operating profit		44,722	45,097	139,116	129,050
Finance Income		2,706	1,591	6,825	4,068
Finance cost		(8,551)	(4,569)	(21,139)	(15,285)
Finance costs – net		(5,845)	(2,978)	(14,314)	(11,217)
Associates					
- share of results		9,031	5,784	25,735	16,848
Profit before zakat and tax	B1	47,908	47,903	150,537	134,681
Zakat		(330)	(317)	(990)	(952)
Income tax expense	B5	(10,745)	(10,833)	(35,376)	(31,600)
Profit net of tax		36,833	36,753	114,171	102,129
Other comprehensive income		(142)	(1,535)	(83)	1,210
Total comprehensive income for the period		36,691	35,218	114,088	103,339

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

	Note	<u>Individual Quarter</u> <u>3 months ended</u>		<u>Cumulative Quarter</u> <u>9 months ended</u>	
		<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000
Profit attributable to:					
Equity holders of the Company		33,369	34,494	101,504	92,164
Non-controlling interest		3,464	2,259	12,667	9,965
Net profit attributable to shareholders		<u>36,833</u>	<u>36,753</u>	<u>114,171</u>	<u>102,129</u>
Total comprehensive income attributable to:					
Equity holders of the Company		33,227	32,959	101,421	93,374
Non-controlling interest		3,464	2,259	12,667	9,965
Net profit attributable to shareholders		<u>36,691</u>	<u>35,218</u>	<u>114,088</u>	<u>103,339</u>
Dividend per share (sen)	A9	<u>2.50</u>	<u>2.50</u>	<u>9.70</u>	<u>9.90</u>
Earnings per share (sen)	B11				
- Basic					
- at par value RM0.50		5.59	5.66	17.38	16.89
- Diluted					
- at par value RM0.50		<u>4.90</u>	<u>5.03</u>	<u>15.30</u>	<u>15.02</u>

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KPJ HEALTHCARE BERHAD
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**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

	<u>Note</u>	<u>30.9.2012</u>	<u>Audited</u> <u>31.12.2011</u>
ASSETS		RM'000	RM'000
Non-current assets			
Property, plant and equipment	A11	759,576	641,729
Investment properties		26,223	26,223
Interest in associates		435,422	398,712
Available-for-sale financial assets		3,074	3,074
Intangible assets		167,830	167,830
Deferred tax assets		17,483	14,962
		<u>1,409,608</u>	<u>1,252,530</u>
Current assets			
Inventories		52,314	47,066
Receivables, deposits and prepayments		345,296	304,636
Tax refund receivable		8,458	8,661
Deposit, cash and bank balances		240,266	252,080
		<u>646,334</u>	<u>612,443</u>
Non-current assets held for sale		0	94,291
		<u>646,334</u>	<u>706,734</u>
Total assets		<u>2,055,942</u>	<u>1,959,264</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	A8	319,505	292,492
Reserves		706,333	600,485
		<u>1,025,838</u>	<u>892,977</u>
Less: Treasury Shares		(23)	(23)
Total equity attributable to shareholders of the Company		<u>1,025,815</u>	<u>892,954</u>
Minority interest		116,565	103,898
Total equity		<u>1,142,380</u>	<u>996,852</u>
LIABILITIES			
Non-current liabilities			
Borrowings	B7	310,557	302,480
Deposits		15,718	14,785
Deferred tax liabilities		44,456	47,413
		<u>370,731</u>	<u>364,678</u>

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**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

	<u>30.09.2012</u>	<u>Audited</u>
	RM'000	31.12.2011
		RM'000
Current liabilities		
Payables	298,765	335,229
Borrowings	B7	
- bank overdrafts	1,577	1,141
- others	119,391	139,850
Current tax liabilities	2,604	8,552
Deferred revenue	104,547	98,339
Dividend Payable	15,947	14,623
	<hr/>	<hr/>
	542,831	597,734
	<hr/>	<hr/>
Total liabilities	913,562	962,412
	<hr/>	<hr/>
Total equity and liabilities	2,055,942	1,959,264
	<hr/> <hr/>	<hr/> <hr/>
Net assets per share attributable to ordinary equity holders of the parent (RM)		
- at par value RM0.50	1.79	1.69

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KPJ HEALTHCARE BERHAD

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

	Attributable to shareholders of the Company												
	Issued and fully paid ordinary shares of RM0.50 each			Non-distributable						Distributable		Minority Interest	Total equity
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Treasury shares RM'000	Merger reserve RM'000	Exchange reserve RM'000	Fair Value reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000			
At 1 January 2012	584,985	292,492	73,852	(23)	(3,367)	(995)	0	45,215	485,780	892,954	103,898	996,852	
Total comprehensive income for the period	0	0	0	0	0	(112)	0	29	101,504	101,421	12,667	114,088	
Issue of shares: - exercise of share warrants	54,025	27,013	64,828	0	0	0	0	0	0	91,841	0	91,841	
Dividend in respect of the financial year ended:													
- 31 December 2011 (4th Interim)	0	0	0	0	0	0	0	0	(28,835)	(28,835)	0	(28,835)	
- 31 December 2012 (1st Interim)	0	0	0	0	0	0	0	0	(15,619)	(15,619)	0	(15,619)	
(2nd Interim)	0	0	0	0	0	0	0	0	(15,947)	(15,947)	0	(15,947)	
	0	0	0	0	0	0	0	0	(60,401)	(60,401)	0	(60,401)	
At 30 September 2012	<u>639,010</u>	<u>319,505</u>	<u>138,680</u>	<u>(23)</u>	<u>(3,367)</u>	<u>(1,107)</u>	<u>0</u>	<u>45,244</u>	<u>526,883</u>	<u>1,025,815</u>	<u>116,565</u>	<u>1,142,380</u>	

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KPJ HEALTHCARE BERHAD

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**AUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2011**

	Attributable to shareholders of the Company											
	Issued and fully paid ordinary shares of RM0.50 each						Non-distributable		Distributable		Minority Interest	Total equity
	Number of shares	Nominal value	Share premium	Treasury shares	Merger reserve	Exchange reserve	Fair value 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	
At 1 January 2011	559,908	279,954	43,759	(23)	(3,367)	(1,295)	172	56,110	393,337	768,647	94,741	863,388
Total comprehensive income for the period	0	0	0	0	0	1,210	0	0	92,164	93,374	9,965	103,339
Issue of shares:												
- exercise of share warrants	18,784	9,392	22,541	0	0	0	0	0	0	31,933	0	31,933
Dividend in respect of the financial year ended												
- 31 December 2010 (4th Interim)	0	0	0	0	0	0	0	0	(21,081)	(21,081)	0	(21,081)
- 31 December 2011 (1st Interim)	0	0	0	0	0	0	0	0	(13,071)	(13,071)	0	(13,071)
(2nd Interim)	0	0	0	0	0	0	0	0	(14,175)	(14,175)	0	(14,175)
	0	0	0	0	0	0	0	0	(48,327)	(48,327)	0	(48,327)
At 30 September 2011	578,692	289,346	66,300	(23)	(3,367)	(85)	172	56,110	437,174	845,627	104,706	950,333

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

	<u>9 months ended</u>	
	<u>30.09.2012</u>	<u>30.09.2011</u>
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit for the financial year attributable to equity holders of the Company	101,504	92,164
Adjustments for:		
Zakat	990	952
Taxation	35,376	31,600
Non-controlling interest	12,667	9,965
Associated companies	(25,735)	(16,848)
Interest income	(6,825)	(4,068)
Interest expense	21,139	15,285
Allowance for doubtful debts	5,557	2,867
Property, plant and equipment		
- depreciation	57,126	52,558
- loss on disposals	431	96
Operating profit before changes in working capital	<u>202,230</u>	<u>184,571</u>
Changes in working capital:		
Inventories	5,248	(2,733)
Receivables	(40,660)	3,457
Payables	(36,464)	(62,719)
Related companies	2,585	3,275
Cash from operations	<u>132,939</u>	<u>125,851</u>
Long term deposit	933	374
Interest paid	(21,139)	(15,285)
Income tax paid	(14,257)	(20,846)
Net cash from operating activities	<u>98,476</u>	<u>90,094</u>

KPJ HEALTHCARE BERHAD
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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012 (CONTINUED)

	<u>30.09.2012</u>	<u>9 months ended</u> <u>30.09.2011</u>
	RM'000	RM'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(133,729)	(70,820)
Proceeds from disposal of property, plant and equipment	32,942	40,040
Additional investment in subsidiary and associates company	(36,710)	(32,980)
Net cash used in investing activities	<u>(137,497)</u>	<u>(63,760)</u>
FINANCING ACTIVITIES		
Issuance of shares		
- exercise of share warrants	91,841	31,933
Interest received	6,825	5,750
Bank borrowings		
- drawdown	15,829	15,595
- repayment	(28,211)	(8,500)
Dividend paid to shareholders	(59,077)	(48,784)
Net cash from/(used in) financing activities	<u>27,207</u>	<u>(4,006)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	(11,814)	22,328
CURRENCY TRANSLATION DIFFERENCES	0	0
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	252,080	197,118
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>240,266</u>	<u>219,446</u>
DEPOSITS, CASH AND BANK BALANCES		
Deposits with licensed banks	18,016	33,581
Cash and bank balances	229,126	191,164
Bank overdraft	(1,577)	0
	<u>245,565</u>	<u>224,745</u>
less: Deposits pledged with licensed banks	(5,299)	(5,299)
CASH AND CASH EQUIVALENTS	<u>240,266</u>	<u>219,446</u>

KPJ HEALTHCARE BERHAD
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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

A1 FIRST – TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”)

The condensed consolidated interim financial statements, for the period ended 30 September 2012, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the period up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

The consolidated financial statements of the Group for the year ended 31 December 2011 which were prepared under FRS are available upon request from the Company’s registered office at Suite 12B, Level 12, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru.

The condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* (“MFRS 1”) has been applied.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position, financial performance and cash flows is set out in Note A2 below. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

A2 SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirement under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statement are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

a. Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

- (i) The classification of former business combinations under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

A2 SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF MFRS 1 (continued)

b. Property, plant and equipment

The Group has previously adopted the transitional provisions available on the first application of the MASB Approved Accounting Standard IAS 16 (Revised) Property, Plant and Equipment which was effective for periods ending on or after 1 September 1998. Freehold Land and Buildings are initially stated at cost, subsequently shown at fair value based on periodic, five year revaluations.

Under MFRS 116 Property Plant and Equipment, the Group can elect to change to the cost model. Upon transition the revalued Land and Buildings brought forward will be deemed as cost as at 1 January 2012.

c. Foreign currency translation reserve

Under FRS, the Group recognised translation difference on foreign operations in a separate component of equity. Under the MFRS 121, The Effects of Changes in Foreign Exchange Rates, the Group may elect to adjust the differences in foreign exchange rates in retained earnings.

A3 CHANGES IN ACCOUNTING POLICIES

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs, which term collectively includes the MASB's Issues Committee's interpretations) that are effective for accounting periods beginning on or after 1 January 2012.

The FRSs that was effective in the annual financial statement for the year ended 31 December 2011 may be affected by the issue of additional interpretation(s) or other changes announced by MASB subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for said period cannot be determined with certainty at the date of the issuance of this interim financial report.

A4 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements was not qualified.

A5 SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A6 UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no items, transactions or events of a material and unusual nature which would substantially affect the earnings, revenue, assets, liabilities, equity or cash flows of the Group for the current financial period under review.

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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

A7 CHANGE IN ACCOUNTING ESTIMATES

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

A8 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.

Pursuant to the Corporate Exercise announced and completed on 15 January 2010, the movement of share capital as a result of warrants being exercised during the period under review is as follows:

	<u>30.09.2012</u>	<u>30.09.2012</u>
	Number of shares ('000)	RM'000
<u>Ordinary shares of RM0.50 each</u>		
At start of the financial period	584,985	292,492
Issued during the financial period - exercise of Free Warrants (1 free warrant for every 4 shares)	54,025	27,013
At end of financial period	<u>639,010</u>	<u>319,505</u>

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

i. Share Buy-back

On 25 June 2012, 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.

There was no share buy-back by the Company during the period.

A9 DIVIDENDS PAID

For the financial year ended 31 December 2011, the Directors declared a fourth interim single tier dividend of 4.70 cents per share on 613,520,412 ordinary shares amounting to RM28,835,459. The dividend was fully paid on 12 April 2012.

There were no final dividends declared for the financial year ended 31 December 2011.

For the financial year ending 31 December 2012, the Directors declared the following:

1. First interim single tier dividend of 2.50 cents per share on 624,774,912 ordinary shares amounting to RM15,619,374. The dividend was fully paid on 12 July 2012.
2. Second interim single tier dividend of 2.50 cents per share on 637,871,224 ordinary shares amounting to RM15,946,780. The dividend was fully paid on 5 October 2012.

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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

A10 SEGMENT REPORTING

The chief operating decision-maker has been identified as the management committee. This committee reviews the Group's internal reports in order to assess the Group's performance and allocate resources. The committee considers both geographic and nature of the business.

The Group principally operates in one main business segment namely the operating of specialist hospitals. Other operations of the Group mainly comprise of the provision of hospital management services, pathology and laboratory services, marketing and distribution of pharmaceutical, medical and surgical products and operating a healthcare university.

<u>30 September 2012</u>	HOSPITALS		AGED CARE FACILITY	SUPPORT SERVICES	GROUP
	Malaysia (RM'000)	Indonesia (RM'000)	Australia (RM'000)	(RM'000)	(RM'000)
Revenue	1,436,278	16,320	20,376	393,826	1,866,800
Intersegment revenue	0	0	0	(281,311)	(281,311)
External revenue	<u>1,436,278</u>	<u>16,320</u>	<u>20,376</u>	<u>112,515</u>	<u>1,585,489</u>
Profit/(loss) for the period	119,785	(8,269)	(5,518)	8,173	114,171

<u>30 September 2011</u>	HOSPITALS		AGED CARE FACILITY	SUPPORT SERVICES	GROUP
	Malaysia (RM'000)	Indonesia (RM'000)	Australia (RM'000)	(RM'000)	(RM'000)
Revenue	1,254,007	7,591	0	347,076	1,608,674
Intersegment revenue	0	0	0	(224,003)	(224,003)
External revenue	<u>1,254,007</u>	<u>7,591</u>	<u>0</u>	<u>123,073</u>	<u>1,384,671</u>
Profit/(loss) for the period	103,202	(8,558)	0	7,485	102,129

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A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

A11 VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The freehold land, long leasehold land and buildings were re-valued by the Directors on 31 December 2010 based on open market valuations carried out by an independent firm of professional valuers, CH Williams, Talhar & Wong of 3228, Menara Tun Razak, Jalan Raja Laut, 50768 Kuala Lumpur to reflect market value for existing use. The valuations made are in compliance with the Group policy to revalue freehold land, long leasehold land and building once in every 5 years.

The valuations of property, plant and equipment have been brought forward without amendment from the last audited financial statement for the year ended 31 December 2010.

A12 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the financial period ended 30 September 2012 that has not been reflected in the interim financial reports except as stated in note B6.

A13 CHANGES IN THE COMPOSITION OF THE GROUP

- 1) On 27th February 2012, Johor Corporation (“JCorp”), a major shareholder of KPJ Healthcare Berhad (“KPJHB”), offered to sell its entire holding in PT Khidmat Perawatan Jasa Medika (“PT KPJ Medika”) of 16,000 ordinary shares of Rp1,000,000 each or equivalent to 80% equity in PT KPJ Medika (“Offer”) for a total cash consideration of RM15,840,000. Kumpulan Perubatan (Johor) Sdn Bhd (“KPJSB”) had then, via a letter dated 23rd March 2012, accepted the Offer (“Acceptance”).

On 9th July 2012, KPJSB has entered into a conditional Sale of Shares Agreement (“SSA”) with JCorp in relation to the Proposed Acquisition.

The proposed acquisition is expected to be completed in fourth (4th) quarter 2012, upon shareholders’ approval.

- 2) On 1st August 2012, Kumpulan Perubatan (Johor) Sdn Bhd (“KPJSB”), a wholly-owned subsidiary of KPJ Healthcare Bhd (“KPJHB”), proposed to acquire the balance of 49% equity interest in SMC Healthcare Sdn Bhd (“SMCH”) equivalent to 39,200,000 ordinary shares of RM1.00 each from SMCH for a total cash consideration of RM54,880,000.

The proposed acquisition was completed on 8th August 2012.

- 3) On 12th September 2012, Ipoh Specialist Hospital Sdn Bhd (“ISH”), a subsidiary of KPJ Healthcare Bhd (“KPJHB”), proposed to acquire 100% equity interest in Sri Manjung Specialist Centre Sdn Bhd (“SMSC”) equivalent to the total of 900,000 ordinary share of RM1.00 each for a total cash consideration of RM14,250,000.

The proposed acquisition is expected to be completed in first (1st) quarter 2013.

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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

A14 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 2011.

A15 CAPITAL COMMITMENT

Capital expenditures not provided for in the interim financial report as at 30 September 2012 are as follows:

	RM'000
Approved and contracted	194,278
Approved but not contracted	170,606
	<hr/>
	364,884
	<hr/> <hr/>
Analysed as follows:	
Prepaid leases (leasehold land)	10,431
Building	220,705
Medical equipment	56,062
Other property, plant and equipment	77,686
	<hr/>
	364,884
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KPJ HEALTHCARE BERHAD

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

B1 REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES

The profit before taxation for the current quarter has increased by 11.7% to RM150.5 million from RM134.7 million in the corresponding quarter 2011. The increase is in line with the increase in revenue of the hospitals.

Additional Information As Required By Appendix 9B of Bursa Malaysia Listing Requirements

a. Current financial period compared to last financial period (nine months)

The Group recorded a revenue of RM1,585.5 million for 9 months ended 2012 an increase of 14.5% from RM1,384.7 million as reported for 2011. The higher revenue for the period is mainly due to increase in revenue of the hospitals in the group.

Malaysia

The Malaysian segment revenue for the current financial period ended 30 September 2012 has increased by 14.5% to RM1,436.3 million compared to RM1,254.0 million reported in 2011. The higher revenue reported is due to increase in revenue of the hospitals in the group.

Indonesia

The Indonesian segment's revenue of RM16.3 million for the financial period ended 30 September 2012 is 114.5% higher than the revenue reported in 2011 of RM7.6 million. The increase in revenue from this segment is due to the increasing in number of patients during the period.

Aged Care Facility

The Aged Care Facility segment revenue for the financial period ended 30 September 2012 is RM20.4 million. Since this is a new segment to the Group, no comparison is available from the last financial period. However, the reported revenue is in line with increase in the activities at the facility.

Support Services

The revenue from Support Services segment of RM393.8 million for the financial period ended 30 September 2012 is 13.5% higher, compared to revenue from the same period in 2011 of RM347.1 million. The revenue reported is contributed by marketing and distribution of pharmaceutical, medical and surgical products and pathology and also from the laboratory services.

b. Current quarter compared to the corresponding quarter of the preceding year (three months)

The Group recorded a revenue of RM530.6 million for the 3 months ended 30 September 2012, an increase of 11.5% from RM476.0 million which was reported in 2011. The higher revenue for the period is due mainly to increase in revenue of the hospitals in the Group.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

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

- b. Current quarter compared to the corresponding quarter of the preceding year (three months) (continued)

Malaysia

The Malaysian segment revenue for the current quarter has increased by 15.0% to RM470.5 million compared to RM409.2 million reported for the 3 months ended 30 September 2011. The higher revenue reported is due to an increase in the revenue of the hospitals in the Group.

Indonesia

The Indonesian segment revenue of RM6.0 million for the 3 months ended 30 September 2012 is 57.9% higher than the revenue reported for the 3 months ended September 2011 of RM3.8 million. The increase in revenue from this segment is due to increasing in number of patients during the period.

Aged Care Facility

The Aged Care Facility segment revenue for the 3 months ended 30 September 2012 is RM7.2 million. Since this is a new segment to the Group, therefore there is no comparison to make against the last financial year. However, the reported revenue is in line with increase in the activities at the facility.

Support Services

The revenue from Support Services segment of RM149.8 million for the 3 months ended 30 September 2012 is 25.0% higher than the revenue reported in the same period in 2011 of RM119.8 million. The revenue reported is contributed by marketing and distribution of pharmaceutical, medical and surgical products and pathology and also from the laboratory services.

B2 MATERIAL CHANGE IN QUARTERLY RESULTS

The profit before taxation for the current quarter of RM47.9 million decreased by 10.1% as compared to the preceding quarter of RM53.3 million. This is because during the current quarter, there were two newly start up hospitals, namely Bandar Baru Klang Specialist Hospital and Rumah Sakit Bumi Serpong Damai, which is going through its gestation period.

B3 CURRENT YEAR PROSPECTS

The healthcare industry is expected to enjoy continued growth in the current year. This is mainly due to the nation's growing middle income population which trigger higher demand for healthcare services.

Buoyed by the positive economic prospect and the year to date financial achievements for the current financial year, the Board of Directors are confident that the Group will achieve its targets.

The Group will also enhance and strengthen its presence in Malaysia and Asia by continually building its capacity through the expansion of existing hospitals as well as building new hospitals; namely KPJ Sabah Specialist Hospital, Pasir Gudang Specialist Hospital and Maharani Specialist Hospital which are expected to start operations next year.

The expansion projects are anticipated to moderate the Group's overall profit growth for 2013, as hospitals have an average gestation period of between three to five years. This fact has been tabled and approved by the Board of Directors as it is a strategic decision for the long term.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

B4 PROFIT FORECAST / GUARANTEE

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

B5 TAXATION

	<u>3 months ended</u>		<u>9 months ended</u>	
	<u>30.09.2012</u>	<u>30.09.2011</u>	<u>30.09.2012</u>	<u>30.09.2011</u>
	RM'000	RM'000	RM'000	RM'000
Taxation	<u>10,745</u>	<u>10,833</u>	<u>35,376</u>	<u>31,600</u>

The effective tax rate of the Group for the period ended 30 September 2012 is lower than the statutory tax rate due to recognition of previously unrecognised tax losses of subsidiaries.

B6 STATUS OF CORPORATE PROPOSALS

a) Free Warrants

On 15 January 2010, the Company has granted 131,906,484 units listed and quoted free warrants ("Free Warrants") on the basis of one (1) Free Warrant for every four (4) shares held by the entitled shareholders of the Company at an exercise price of RM1.70 per units (converted into ordinary shares at par value of RM0.50).

Set out below are details of Free Warrants granted by the Company:

	<u>Number of shares '000</u>
Issued on 15.01.2010	131,907
Exercised in Financial Year Ended 2010	(32,281)
Balance not exercised as at 01.01.2011	<u>99,626</u>
Exercised in Financial Year Ended 2011	(25,077)
Balance not exercised as at 01.01.2012	<u>74,549</u>
Exercised in Financial Period Ended 30.09.2012	(54,025)
Balance not exercised as at 01.10.2012	<u>20,524</u>

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

B6 STATUS OF CORPORATE PROPOSALS (CONTINUED)

b) Proposed Acquisition by Pahang Specialist Hospital Sdn Bhd ("PSHSB") of leasehold land

On 22nd June 2011, Pahang Specialist Hospital Sdn Bhd ("PSHSB"), a wholly-owned subsidiary of Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), proposed to acquire a 3.12 acre leasehold land for a total consideration of RM3,756,750 to be satisfied via issuance of 3,756,750 ordinary shares of RM1.00 each in PSHSB.

The proposed acquisition is expected to be completed in the first (1st) quarter 2013.

c) Proposed Acquisition by Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") of 80% equity interest in PT Khidmat Perawatan Jasa Medika ("PT KPJ Medika")

On 23rd March 2012, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of KPJ Healthcare Berhad ("KPJHB"), accepted the offer to acquire of up to 80% equity interest in PT Khidmat Perawatan Jasa Medika ("PT KPJ Medika") for a total cash consideration of RM15,840,000.

On 9th July 2012, KPJSB has entered into a conditional Sale of Shares Agreement ("SSA") with Johor Corporation ("JCorp") in relation to the Proposed Acquisition.

The proposed acquisition is expected to be completed in the fourth (4th) quarter of 2012, upon shareholders' approval.

d) Proposed Acquisition Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") of land at Mukim Tebrau, Johor Bahru.

On 16th May 2012, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly owned subsidiary of KPJ Healthcare Berhad ("KPJHB"), proposed to acquire a parcel of vacant commercial land held under H.S (D) 501209, Lot no. PTD 163189, Mukim of Tebrau, district of Johor Bahru, Johor Darul Takzim, from Johor Land Berhad ("JLB" or "Vendor"), a subsidiary of Johor Corporation ("JCorp" or "Registered Owner"), for a total cash consideration of RM45,000,000.

The proposed acquisition is expected to be completed in the second (2nd) quarter of 2013.

e) Proposed Acquisition by Pharmaserv Alliances Sdn Bhd ("PASB") of a 3 Storey Office Building together with a Single Storey Warehouse.

On 1st June 2012, Pharmaserv Alliances Sdn Bhd ("PASB"), a wholly owned subsidiary of Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), proposed to acquire a 3 Storey Office Building together with a Single Storey Warehouse from Lewre International Sdn Bhd ("LEWRE") for a total purchase consideration of RM14,200,000.

The proposed acquisition is expected to be completed in the first (1st) quarter of 2013.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

B6 STATUS OF CORPORATE PROPOSALS (CONTINUED)

- f) Proposed Acquisition by Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") of 49% equity interest in SMC Healthcare Sdn Bhd ("SMCH")

On 1st August 2012, Kumpulan Perubatan Johor Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of KPJ Healthcare Bhd, proposed to acquire the balance of 49% equity interest in SMC Healthcare Sdn Bhd ("SMCH") equivalent to 39,200,000 ordinary shares of RM1.00 each from SMCH for a total cash consideration of RM54,880,000.

The proposed acquisition was completed on 8th August 2012.

- g) Proposed Disposal by Puteri Specialist Hospital (Johor) Sdn Bhd ("PSH") of two (2) pieces of land

On 8th August 2012, Puteri Specialist Hospital (Johor) Sdn Bhd ("PSH"), a subsidiary of KPJ Healthcare Bhd ("KPJHB"), proposed to dispose two (2) pieces of lands, both situated in the town of Johor Bahru, District of Johor Bahru, State of Johor to Al-'Aqar Healthcare REIT ("Al-'Aqar") for a total consideration of RM3,590,000 to be fully satisfied in cash.

The proposed disposal is expected to be completed in the second (2nd) quarter of 2013.

- h) Proposed Acquisition by Ipoh Specialist Hospital Sdn Bhd ("ISH") of 100% equity interest in Sri Manjung Specialist Centre ("SMSC")

On 12th September 2012, Ipoh Specialist Hospital Sdn Bhd ("ISH"), a subsidiary of KPJ Healthcare Bhd ("KPJHB"), proposed to acquire 100% equity interest in Sri Manjung Specialist Centre Sdn Bhd ("SMSC") equivalent to the total of 900,000 ordinary share of RM1.00 each for a total cash consideration of RM14,250,000.

The proposed acquisition is expected to be completed in the first (1st) quarter 2013.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

B7 BORROWINGS

Details of the Group's borrowings as at 30 September 2012 are as follows:

	<u>30.09.2012</u>	<u>Audited</u>
	RM'000	31.12.2011
		RM'000
<u>Current</u>		
Term loans:		
- Islamic (secured)	6,386	10,261
- Conventional (secured)	2,391	5,477
Revolving Credit:		
- Islamic (unsecured)	50,000	65,000
- Conventional (unsecured)	53,000	53,000
Hire Purchase and lease liabilities:		
- Islamic (secured)	1,001	845
- Conventional (secured)	6,613	5,267
Bank overdrafts		
- Conventional (unsecured)	1,577	1,141
	<u>120,968</u>	<u>140,991</u>
<u>Non current</u>		
Islamic Commercial papers (secured)	249,000	249,000
Term loans:		
- Islamic (secured)	4,902	9,614
- Conventional (secured)	36,878	35,234
Hire Purchase and lease liabilities:		
- Islamic (secured)	14,568	2,577
- Conventional (secured)	5,209	6,055
	<u>310,557</u>	<u>302,480</u>
Grand total	<u><u>431,525</u></u>	<u><u>443,471</u></u>

B8 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

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

B9 MATERIAL LITIGATIONS

Since the date of the last annual statement of financial position, there was no pending material litigation.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

B10 DIVIDENDS

In respect of the financial year ended 31 December 2011:

On 27 February 2012, the Directors declared fourth interim single tier dividend of 4.70 cents per share on 613,520,412 ordinary shares amounting to RM28,835,459. The dividend was fully paid on 12 April 2012. Total dividend paid for financial year ended 31 December 2011 was 12.10 cents per share amounting to RM71,023,463. There was no final dividend declared.

In respect of the financial year ending 31 December 2012:

On 31 May 2012, the Directors declared first interim single tier dividend of 2.50 cents per share on 624,774,912 ordinary shares amounting to RM15,619,374. The dividend was fully paid on 12 July 2012.

On 16 August 2012, the Directors declared second interim single tier dividend of 2.50 cents per share on 637,871,224 ordinary shares amounting to RM15,946,780. The dividend was fully paid on 5 October 2012.

B11 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the Group's net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	<u>9 months ended</u>	
	<u>30.09.2012</u>	<u>30.09.2011</u>
Profit for the financial year attributable to Equity Holders of the Company (RM'000)	101,504	92,164
Weighted average number of ordinary shares in issue ('000)	584,057	545,717
Basic earnings per share (sen)		
- at par value RM0.50	<u>17.38</u>	<u>16.89</u>

(b) Diluted

For diluted earnings per share calculation, the weighted 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 warrants granted to shareholders.

For the warrants granted to shareholders, a calculation is carried out 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. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to the net profit attributable to the shareholders for the free warrants calculation.

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B11 EARNINGS PER SHARE (CONTINUED)

(b) Diluted (continued)

	<u>9 months ended</u>	
	<u>30.09.2012</u>	<u>30.09.2011</u>
Profit for the financial year attributable to Equity Holders of the Company (RM'000)	101,504	92,164
Weighted average number of ordinary shares in issue ('000)	584,057	545,717
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	79,500	67,771
Basic earnings per share (sen)		
- at par value RM0.50	<u>15.30</u>	<u>15.02</u>

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

The following analysis of realized and unrealized retained profits/(accumulated losses) is prepared pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No.1 – Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	<u>As at</u> <u>30.09.2012</u> RM'000	<u>As at</u> <u>30.09.2011</u> RM'000
Total retained profits of the Company and its subsidiaries		
- Realised gains	557,284	462,999
- Unrealised gain	(26,973)	(16,781)
	<u>530,311</u>	<u>446,218</u>
Total share of retained profits from associates		
- Realised gains	29,061	21,008
- Unrealised gain	(2,922)	(2,876)
	<u>556,450</u>	<u>464,350</u>
Less: Consolidation adjustments	(29,567)	(27,176)
Total group retained profits as per consolidated financial statements	<u>526,883</u>	<u>437,174</u>

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

B13 NOTE TO THE STATEMENT OF COMPREHENSIVE INCOME

Pursuant to the amendment to paragraph 9.22 of Bursa Malaysia listing announcement which is effective from 3rd January 2012, the following amounts have been debited or credited in arriving at the Total Comprehensive Income for the period.

	<u>3 months ended</u>		<u>9 months ended</u>	
	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000	<u>30.09.2012</u> RM'000	<u>30.09.2011</u> RM'000
(a) Interest income	2,706	1,591	6,825	4,068
(b) Other operating income				
including investment income	4,961	4,073	14,572	10,276
(c) Interest expense	8,551	4,569	21,139	15,285
(d) Depreciation and amortization				
-Depreciation	20,294	17,873	57,126	52,558
-Loss on disposal	(1,049)	(300)	(431)	(96)
-Written off	-	-	-	-
-Revaluation deficit	-	-	-	-
(e) Write off of receivable	-	-	-	-
(f) Write off of inventories	-	-	-	-
(g) Foreign exchange (loss) / gain	(142)	(1,535)	(112)	1,210

Save as disclosed above, there is no other information required by Bursa Malaysia which affects the Company.