

INFORMATION ON OUR COMPANY (Cont'd)

	Proforma II After Proforma I and the Bonus Issue				Proforma III ⁽²⁾ After Proforma II and the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors*								
Amiruddin Abdul Satar	6,000	^	-	-	6,266	^	-	-
Datin Paduka Siti Sa'diah Sheikh Bakir	1,092,375	0.11	(3)18,750	^	1,140,925	0.11	(3)19,583	^
Datuk Azzat Kamaluddin	90,000	0.01	-	-	94,000	0.01	-	-
Ahamad Mohamad	1,255	^	-	-	1,310	^	-	-
Rozan Mohd Sa'at	937	^	-	-	978	^	-	-
Dr. Kok Chin Leong	238,500	0.02	-	-	249,100	0.02	-	-
Dr. Yoong Fook Ngian	420,000	0.04	-	-	438,666	0.04	-	-

	Proforma IV ⁽²⁾ After Proforma III and assuming full exercise of the New Warrants			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Directors*				
Amiruddin Abdul Satar	6,798	^	-	-
Datin Paduka Siti Sa'diah Sheikh Bakir	1,238,025	0.11	(3)21,249	^
Datuk Azzat Kamaluddin	102,000	0.01	-	-
Ahamad Mohamad	1,420	^	-	-
Rozan Mohd Sa'at	1,060	^	-	-
Dr. Kok Chin Leong	270,300	0.02	-	-
Dr. Yoong Fook Ngian	475,998	0.04	-	-

Notes:-

- * Directors with shareholdings in our Company only.
(1) Excluding 70,000 Treasury Shares held by our Company as at the LPD.
(2) Assuming all Entitled Shareholders fully subscribe for their entitlements under the Rights Issue.
(3) Deemed interested by virtue of her daughter's shareholdings in KPJ.

INFORMATION ON OUR COMPANY (Cont'd)

6. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, our subsidiary and associate companies are set out below:-

Subsidiary companies	Date and place of incorporation	Principal activities	Issued and paid-up share capital (RM)	Effective equity interest %
Johor Specialist Hospital Sdn Bhd	20.12.1979 Malaysia	Operating as a specialist hospital	6,862,162	100.0
Ipoh Specialist Hospital Sdn Bhd	25.05.1978 Malaysia	Operating as a specialist hospital	9,000,000	98.0
KPJSB	08.06.1998 Malaysia	Investment holding, provision of management services, rental of equipment and health screening services through wellness program	90,000,000	100.0
Puteri Specialist Hospital (Johor) Sdn Bhd	31.05.1982 Malaysia	Operating as a specialist hospital	9,290,000	100.0
Tawakal Holdings Sdn Bhd	03.11.1983 Malaysia	Investment holding	5,675,000	100.0
Point Zone (M) Sdn Bhd	20.11.2009 Malaysia	Providing treasury management	2	100.0
Subsidiary of Johor Specialist Hospital Sdn Bhd				
Bandar Dato Onn Specialist Hospital Sdn Bhd (formerly known as Renalcare Perubatan (M) Sdn Bhd)	12.06.1985 Malaysia	To operate as an international specialist hospital	50,000	100.0
Subsidiary of Tawakal Holdings Sdn Bhd				
Pusat Pakar Tawakal Sdn Bhd	07.03.1984 Malaysia	Operating as a specialist hospital	9,195,003	100.0
Subsidiaries of KPJSB				
Bukit Mertajam Specialist Hospital Sdn Bhd	29.11.1985 Malaysia	Dormant	13,500,000	100.0
Kota Kinabalu Specialist Hospital Sdn Bhd	19.12.1989 Malaysia	Operating as a specialist hospital	10,000,000	97.0
Damansara Specialist Hospital Sdn Bhd	13.03.1992 Malaysia	Operating as a specialist hospital	30,000,000	100.0
Kuantan Specialist Hospital Sdn Bhd	20.10.1981 Malaysia	Operating as a specialist hospital	3,791,762	77.0
Perdana Specialist Hospital Sdn Bhd	21.10.1996 Malaysia	Operating as a specialist hospital	21,292,250	61.0
Ampang Puteri Specialist Hospital Sdn Bhd	25.02.1984 Malaysia	Operating as a specialist hospital	30,000,000	100.0
Kuching Specialist Hospital Sdn Bhd	24.02.1993 Malaysia	Operating as a specialist hospital	5,000,000	70.0

INFORMATION ON OUR COMPANY (Cont'd)

Subsidiary companies	Date and place of incorporation	Principal activities	Issued and paid-up share capital (RM)	Effective equity interest %
Selangor Specialist Hospital Sdn Bhd	04.04.1991 Malaysia	Operating as a specialist hospital	40,000,000	60.0
Sentosa Medical Centre Sdn Bhd	13.09.1979 Malaysia	Operating as a specialist hospital	8,692,076	100.0
Seremban Specialist Hospital Sdn Bhd	01.06.1967 Malaysia	Operating as a specialist hospital	25,000,000	100.0
Kajang Specialist Hospital Sdn Bhd	26.01.1991 Malaysia	Operating as a specialist hospital	12,000,000	100.0
Taiping Medical Centre Sdn Bhd	18.01.1983 Malaysia	Operating as a specialist hospital	23,619	100.0
Pusat Pakar Kluang Utama Sdn Bhd	25.10.1999 Malaysia	Operating as a specialist hospital	2,000,000	100.0
Penang Specialist Hospital Sdn Bhd	29.07.2005 Malaysia	Operating as a specialist hospital	10,000,000	100.0
Bandar Baru Klang Specialist Hospital Sdn Bhd	16.12.1987 Malaysia	Operating as a specialist hospital	20,000,000	100.0
Sterile Services Sdn Bhd	08.08.2008 Malaysia	Providing sterile services	5,500,000	65.0
Puteri Nursing College Sdn Bhd	09.12.1992 Malaysia	Operating a private medical university college	15,000,000	100.0
Pharmaserv Alliances Sdn Bhd	25.02.1965 Malaysia	Marketing and distribution of medical and pharmaceutical products	8,000,000	100.0
PT Khasanah Putera Jakarta Medica	13.11.1996 Indonesia	Operating as a specialist hospital in Indonesia	IDR 20,822,258,300	75.0
PharmaCARE Sdn Bhd	25.10.1989 Malaysia	Providing human resource, training services and rental of human resource information system	3,571,428	100.0
SMC Healthcare Sdn Bhd	15.12.2009 Malaysia	Operating as a specialist hospital	80,000,000	100.0
Sibu Medical Centre Corporation Sdn Bhd	19.05.1997 Malaysia	Operating as a specialist hospital	6,624,944	100.0
Sibu Geriatric Health & Nursing Centre Sdn Bhd	20.01.1996 Malaysia	Providing aged care services	1,080,000	100.0
Jeta Gardens (Qld) Pty Ltd	27.11.2002 Australia	Providing retirement village and aged care services	AUD 6,430,873	57.0
Diaper Technology Industries Sdn Bhd	05.04.1994 Malaysia	Providing information technology related services and rental of software	2,000,000	94.0
Fabricare Laundry Sdn Bhd	16.03.2006 Malaysia	Providing business of laundry services	600,000	100.0

INFORMATION ON OUR COMPANY (Cont'd)

Subsidiary companies	Date and place of incorporation	Principal activities	Issued and paid-up share capital (RM)	Effective equity interest %
Teraju Fama Sdn Bhd	17.09.1991 Malaysia	Distribution of medical and pharmaceutical products	500,000	75.0
Maharani Specialist Hospital Sdn Bhd	18.11.1995 Malaysia	To operate as a specialist hospital	2,500,000	100.0
Perlis Specialist Hospital Sdn Bhd	19.07.2010 Malaysia	To operate as a specialist hospital	16,250,000	100.0
KPJ Education Services Sdn Bhd	09.07.2010 Malaysia	Dormant	2	100.0
Freewell Sdn Bhd	06.07.1995 Malaysia	Dormant	300,000	80.0
Bayan Baru Specialist Hospital Sdn Bhd	17.08.1992 Malaysia	Dormant	7,000,000	55.0
Pharmacare Surgical Technologies (M) Sdn Bhd	11.07.1996 Malaysia	Dormant	2,000,002	100.0
Lablink (M) Sdn Bhd	08.03.1989 Malaysia	Providing pathology and laboratory services	625,000	100.0
KPJ Medik TV Sdn Bhd	08.02.2007 Malaysia	Dormant	2	100.0
Pasir Gudang Specialist Hospital Sdn Bhd	28.10.2009 Malaysia	Operating as a specialist hospital	7,000,000	100.0
Pahang Specialist Hospital Sdn Bhd	04.11.2009 Malaysia	To operate as a specialist hospital	12,522,500	100.0
Skop Yakin (M) Sdn Bhd	20.11.2009 Malaysia	General merchandise	100,000	89.0
Healthcare IT Solutions Sdn Bhd	26.03.2009 Malaysia	Providing healthcare information technology services	100,000	87.0
Renal-Link Sentosa Sdn Bhd	31.05.1990 Malaysia	Dormant	50,000	100.0
Sri Kota Refractive And Eye Centre Sdn Bhd	12.08.2000 Malaysia	Providing medical profession and consultancy services	100,000	100.0
Advanced Health Care Solution Sdn Bhd	19.02.2003 Malaysia	Providing healthcare information technology services	1,000	100.0
Bima Galeksi Sdn Bhd	29.09.2010 Malaysia	Dormant	10	70.0
Energy Excellent Sdn Bhd	09.07.2010 Malaysia	Dormant	2	100.0
PT Khidmat Perawatan Jasa Medika	01.12.1995 Indonesia	Operating as a specialist hospital in Indonesia	IDR 20,000,000,000	80.0

INFORMATION ON OUR COMPANY (Cont'd)

Subsidiary companies	Date and place of incorporation	Principal activities	Issued and paid-up share capital (RM)	Effective equity interest %
Rawang Specialist Hospital Sdn Bhd	20.02.1995 Malaysia	To operate as a specialist hospital	30,000,000	100.0
Massive Hybrid Sdn Bhd	28.06.2013 Malaysia	Dormant	2	100.0
Subsidiary of Ipoh Specialist Hospital Sdn Bhd				
Sri Manjung Specialist Centre Sdn Bhd	31.07.2001 Malaysia	Operating as a specialist hospital	900,000	100.0
Subsidiary of Selangor Specialist Hospital Sdn Bhd				
Hospital Pusrawi SMC Sdn Bhd	04.05.1989 Malaysia	Operating as a specialist hospital	8,765,440	51.0
Subsidiary of PharmaCARE Sdn Bhd				
Open Access Sdn Bhd	03.11.1980 Malaysia	Dormant	630,000	100.0
Subsidiaries of Pharmaserv Alliances Sdn Bhd				
Medical Supplies (Sarawak Sdn Bhd)	12.09.1989 Malaysia	Distributor of pharmaceutical products	400,000	75.0
Malaysian Institute of Healthcare Management Sdn Bhd	27.06.1975 Malaysia	Dormant	600,000	75.0
FP Marketing (S) Pte Ltd	10.08.1976 Singapore	Import, export and distribution of pharmaceutical, medical and consumer healthcare products	SGD180,000	100.0
Subsidiary of SMC Healthcare Sdn Bhd				
Amity Development Sdn Bhd	29.06.1992 Malaysia	Dormant	200,000	100.0
Associate companies				
Al-'Aqar Healthcare REIT	10.08.2006	Real Estate Investment Trust	696,226,468	49.0
Associate companies of Kumpulan Perubatan (Johor) Sdn Bhd				
Kedah Medical Centre Sdn Bhd	07.06.1979 Malaysia	Operating as a specialist hospital	19,000,000	46.0
Hospital Penawar Sdn Bhd	16.08.1993 Malaysia	Operating as a specialist hospital	2,400,000	30.0
Healthcare Technical Services Sdn Bhd	29.04.1993 Malaysia	Project management and engineering maintenance services for specialist hospital	250,000	30.0
Vejthani Public Company Limited	13.10.1993 Thailand	Specialist hospital in Thailand	THB 342,378,410	23.0

INFORMATION ON OUR COMPANY (Cont'd)

Notes:-

IDR : Indonesian Rupiah
 AUD : Australian Dollar
 SGD : Singapore Dollar
 THB : Thailand Baht

7. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements from the FYE 31 December 2010 to 31 December 2012 and the unaudited consolidated financial statements for the nine (9) months FPE 30 September 2013 are as follows:-

	Audited			Unaudited nine (9)-month FPE 30 September 2013 (RM'000)
	FYE 31 December			
	2010 (RM'000)	2011 (RM'000)	2012 (RM'000)	
Revenue	1,654,611	1,908,993	2,096,097	1,697,932
Cost of sales	(1,150,716)	(1,307,136)	(1,439,663)	(1,110,779)
Gross profit	503,895	601,857	656,434	517,153
Administrative expenses	(365,500)	(451,351)	(512,894)	(441,950)
Other income	12,484	11,957	32,062	18,433
Other operating expenses	(6,860)	(3,298)	(5,036)	(1,651)
Operating profit	144,019	159,165	170,566	91,985
Finance income	7,157	10,295	12,535	8,691
Finance costs	(13,597)	(19,688)	(23,603)	(23,956)
Associates				
- share of results	23,919	54,825	37,397	25,021
- reversal of impairment of interest	6,460	-	-	-
PBT	167,958	204,597	196,895	101,741
Zakat	(1,269)	(1,300)	(1,320)	(990)
Income tax	(40,468)	(49,038)	(48,781)	(24,418)
PAT	126,221	154,259	146,794	76,333
Non-controlling interest	(7,327)	(10,589)	(6,748)	(6,531)
Profit attributable to equity holders of our Company	118,894	143,670	140,046	69,802
EBITDA	240,593	293,588	297,304	194,421
Profit margin				
Gross profit margin (%)	30.45	31.53	31.32	30.46
PBT margin (%)	10.15	10.72	9.39	5.99
PAT margin (%)	7.19	7.53	6.68	4.50

INFORMATION ON OUR COMPANY (Cont'd)

	Audited			Unaudited nine (9)-month FPE 30 September 2013 (RM'000)
	FYE 31 December			
	2010 (RM'000)	2011 (RM'000)	2012 (RM'000)	
Weighted average number of Shares in issue ('000)	526,706	546,128	584,893	590,934
Adjusted weighted average number of Shares in issue and issuable ('000)	58,832	69,503	81,144	85,307
Weighted average number of Shares for diluted EPS ('000)	585,538	615,631	666,037	676,241
Basic EPS (sen)	22.57	26.31	23.94	11.81
Diluted EPS (sen)	20.31	23.34	21.03	10.32
Total dividend paid (RM)	41,124	63,406	76,555	26,145
Gross dividend per Share (sen) ⁽¹⁾	7.81	11.61	13.09	4.42

Note:-

(1) Calculated based on total dividend paid over the weighted average number of Shares in issue.

Commentary on financial performance**Unaudited nine (9) months FPE 30 September 2013**

For the FPE 30 September 2013, our Group recorded revenue of approximately RM1.70 billion, representing an increase of approximately 7.09% as compared to the revenue recorded in FPE 30 September 2012 of approximately RM1.59 billion. The increase in revenue was mainly attributed to the increase in revenue of our existing hospitals and also from our Group's newer hospitals, being Pasir Gudang Specialist Hospital, Rumah Sakit Medika Permata Hijau and Sri Manjung Specialist Centre.

Consequently, our Group recorded higher gross profit of approximately RM517.15 million in FPE 30 September 2013 as compared to RM475.11 million in FPE 30 September 2012.

However, our Group recorded PBT and PAT of approximately RM101.74 million and RM76.33 million respectively for the FPE 30 September 2013 as compared to PBT and PAT of approximately RM150.54 million and RM114.17 million recorded in FPE 30 September 2012. This was mainly due to an increase in staff cost and depreciation together with repair and maintenance expenses arising from the increase in property, plant and equipment.

INFORMATION ON OUR COMPANY (Cont'd)

FYE 31 December 2012

For the FYE 31 December 2012, our Group recorded higher revenue of approximately RM2.10 billion, representing an increase of approximately 9.8% as compared to the revenue recorded in the previous financial year of approximately RM1.91 billion. The increase in revenue was mainly attributed to the increase in revenue of our existing hospitals in particular the Sibü Specialist Medical Centre and also from the new KPJ Klang Specialist Hospital which commenced operations in May 2012.

Consequently, our Group recorded higher gross profit of approximately RM656.43 million in FYE 31 December 2012 as compared to RM601.86 million in the FYE 31 December 2011.

However, our Group recorded PBT and PAT of approximately RM196.90 million and RM140.05 million respectively for the FYE 31 December 2012 as compared to PBT and PAT of approximately RM204.60 million and RM143.67 million recorded in the previous financial year. This was mainly due to the recognition of accumulated fair value adjustments in relation to investment properties of our associate, Al-'Aqar Healthcare REIT.

FYE 31 December 2011

For the FYE 31 December 2011, our Group recorded higher revenue of approximately RM1.91 billion, representing an increase of approximately 15% as compared to the revenue recorded in the previous FYE 31 December 2010 of approximately RM1.66 billion. The increase in revenue was mainly attributable to the increase in revenue of our existing hospitals as well as the Sibü Specialist Medical Centre which was acquired in early 2011. Our Group had also acquired a 21% investment in Jeta Garden Waterford Trust during the FYE 31 December 2011 totalling a 51% equity interest in the trust.

As a result, PBT margin of our Group increased from approximately 10.15% to 10.72% in the FYE 31 December 2011 in line with the improvements in the revenue of our Group.

In line with the increase in revenue, our Group recorded PAT of approximately RM154.26 million, an increase of approximately 22% from approximately RM126.22 million recorded in the previous financial year.

FYE 31 December 2010

For the FYE 31 December 2010, our Group recorded higher revenue of approximately RM1.66 billion, representing an increase of approximately 13.6% as compared to revenue recorded in the previous FYE 31 December 2009 of approximately RM1.46 billion. The increase in revenue was mainly attributable to the acquisition of 51% interest in KPJ Sabah Specialist Hospital as well as KPJ Tawakkal Specialist Hospital and Rumah Sakit Bumi Serpong Damai, which commenced operations during the FYE 31 December 2010.

Our Group recorded higher PBT of approximately RM167.96 million as compared to RM145.29 million recorded in the previous financial year. In line with the increase in revenue, our Group recorded higher PAT of RM126.22 million as compared to RM114.74 million achieved in the FYE 31 December 2009.

The increase in PBT and PAT in the FYE 31 December 2010 is in line with the increase in revenue of our hospitals.

INFORMATION ON OUR COMPANY (Cont'd)

8. HISTORICAL PRICES

The monthly highest and lowest closing market prices of KPJ Shares as traded on Bursa Securities for the past twelve (12) months from December 2012 to November 2013 are set out below:-

	High RM	Low RM
2012		
December	5.94	5.56
2013		
January	5.75	5.64
February	5.98	5.70
March	6.07	5.80
April	6.07	5.93
May	6.55	6.10
June	6.85	6.32
July	7.36	6.50
August	6.84	6.30
September	6.51	6.15
October	6.41	6.10
November	6.28	6.10

The market price of the last deal transacted:-

	RM
(i) On 26 July 2013, being the date immediately before the date of announcement of the Rights Issue;	7.25
(ii) On 20 December 2013, being the day prior to the ex-date; and	6.05
(iii) On 23 December 2013, being the latest practicable date before the issuance of the Abridged Prospectus.	4.05

(Source: Bloomberg)

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON



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Reporting Accountants' Letter on the Pro Forma Consolidated Statements of Financial Position

(Prepared for inclusion in the Abridged Prospectus to be dated 26 December 2013)

16 December 2013

The Board of Directors
KPJ Healthcare Berhad
Suite 12B, Level 12
Menara Ansar
65 Jalan Trus
80000 Johor Bahru,
Johor

Dear Sirs,

KPJ Healthcare Berhad ("KPJ" or the "Company")

Pro Forma Consolidated Statements of Financial Position as at 31 December 2012

- (i) **Bonus issue of up to 329,766,497 new ordinary shares of RM0.50 each in KPJ ("KPJ Share(s)" or "Share(s)") ("Bonus Share(s)") on the basis of one (1) Bonus Share for every two (2) existing KPJ Shares held as at 5.00 p.m. on 26 December 2013 ("Entitlement Date") ("Bonus Issue"); and**
- (ii) **Renounceable rights issue of up to 43,968,866 new KPJ Shares ("Rights Share(s)") on the basis of one (1) Rights Share for every fifteen (15) existing KPJ Shares held on the Entitlement Date, together with up to 87,937,732 free detachable new warrants ("New Warrant(s)") on the basis of two (2) New Warrants for every one (1) Rights Share subscribed ("Rights Issue").**

(Collectively, (i) and (ii) above are referred to as the "Corporate Exercises").

We report on the Pro Forma Consolidated Statements of Financial Position of KPJ and its subsidiaries ("KPJ Group") as at 31 December 2012 (which we have stamped for the purpose of identification), which have been prepared on the basis described in the Notes to the Pro Forma Consolidated Statements of Financial Position, for illustrative purposes only as set out in Appendix III of the Abridged Prospectus. The Pro Forma Consolidated Statements of Financial Position have been prepared to provide information about how the consolidated statement of financial position of KPJ Group as at 31 December 2012 might have been affected had the abovementioned Corporate Exercises been completed on that date.

The Pro Forma Consolidated Statements of Financial Position, because of its nature, may not be reflective of KPJ Group's actual financial position. Furthermore, such information does not purport to predict the future financial position of KPJ Group.

This letter is required by and is given for the purpose of inclusion in the Abridged Prospectus in accordance with the Prospectus Guidelines - Abridged Prospectus ("Abridged Prospectus Guidelines") issued by the Securities Commission Malaysia and for no other purpose.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Responsibilities

It is the sole responsibility of the Board of Directors of KPJ ("Directors") to prepare the Pro Forma Statements of Financial Position as at 31 December 2012 on the basis described in the Notes to the Pro Forma Consolidated Statements of Financial Position, for illustrative purposes only, as required by the Abridged Prospectus Guidelines.

It is our responsibility to form an opinion, as required by the Abridged Prospectus Guidelines, on the proper compilation of the Pro Forma Consolidated Statements of Financial Position as at 31 December 2012 and to report that opinion to you.

In providing this opinion, we are not responsible in updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Consolidated Statements of Financial Position, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420: "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus". The work that we performed for the purpose of making this letter, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information to the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Consolidated Statements of Financial Position as at 31 December 2012 with the Directors and responsible officers of KPJ.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Consolidated Statements of Financial Position as at 31 December 2012 have been properly compiled on the basis stated, using financial statements prepared in accordance with Malaysian Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of KPJ. Our work also involves assessing whether the adjustments made to the information used in the preparation of the Pro Forma Consolidated Statements of Financial Position as at 31 December 2012 are appropriate for the purposes of preparing the Pro Forma Consolidated Statements of Financial Position.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Opinion

In our opinion:

- (a) the Pro Forma Consolidated Statements of Financial Position of KPJ Group as at 31 December 2012, which have been prepared by the Directors of KPJ, have been properly prepared on the basis stated in the accompanying Notes to the Pro Forma Consolidated Statements of Financial Position using the audited financial statements of KPJ Group as at 31 December 2012, which were prepared in accordance with Malaysian Financial Reporting Standards, and in a manner consistent with both the format of the consolidated statement of financial position and the accounting policies of KPJ; and
- (b) the adjustments made to the information used in the preparation of the Pro Forma Consolidated Statements of Financial Position are appropriate for the purposes of preparing the Pro forma Consolidated Statements of Financial Position.

Other matters

This report has been prepared for the purposes as stated above and should not be relied for other purpose. Our work has been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it has been carried out in accordance with standards and practices in other jurisdiction. Therefore, this letter is not appropriate in other jurisdiction and should not be used or relied upon for any purposes other than the abovementioned Corporate Exercises. We accept no duty or responsibility and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Ernst & Young', written over a stylized signature line.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**KPJ HEALTHCARE BERHAD ("KPJ" OR "THE COMPANY")
NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

1. Basis of Preparation

The Pro Forma Statements of Financial Position of KPJ and its subsidiaries ("KPJ Group" or "the Group") have been prepared for illustrative purposes only to show the effects on the audited statements of financial position of KPJ as at 31 December 2012 of the following Corporate Exercises (defined below), had the Corporate Exercises been implemented and completed on that date and by application of the accounting policies as disclosed in the audited financial statements of KPJ as at 31 December 2012.

The Company undertakes the following:

- (i) Bonus issue of up to 329,766,497 new ordinary shares of RM0.50 each in KPJ ("KPJ Share(s)" or "Share(s)") ("Bonus Share(s)") on the basis of one (1) Bonus Share for every two (2) existing KPJ Shares held on an entitlement date to be determined later ("Entitlement Date") ("Bonus Issue"); and
- (ii) Renounceable rights issue of up to 43,968,866 KPJ Shares ("Rights Share(s)") on the basis of one (1) Rights Share for every fifteen (15) existing KPJ Shares held on the Entitlement Date together with up to 87,937,732 free detachable new warrants 2013/2018 ("New Warrant(s)") on the basis of two (2) New Warrants for every one (1) Rights Share subscribed ("Rights Issue").

(Collectively, (i) to (ii) above are referred to as the "Corporate Exercises").

The Pro Forma Statements of Financial Position of KPJ have been properly compiled using the audited financial statements of KPJ as at 31 December 2012, which were prepared in accordance with Malaysian Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the financial statements and the accounting policies adopted by KPJ.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**KPJ HEALTHCARE BERHAD ("KPJ" OR "THE COMPANY")
NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

1. Basis of Preparation (Cont'd.)

For illustrative purposes, the Pro Forma Statements of Financial Position of KPJ have been prepared assuming the completion of the Corporate Exercises based on the following scenarios:

(a) Minimum Scenario

The minimum scenario assumes the effects of the following:

- (i) The adjustments for the exercise of 8,206,825 Warrants 2010/2015 from 1 January 2013 up to 4 December 2013, the additional 60,000 treasury shares buy-back by the Company on 11 January 2013 at an average price of RM5.66 per Share, 4th Interim Dividend 2012 of approximately RM26.01 million, 1st Interim Dividend 2013 of approximately RM13.06 million, 2nd Interim Dividend 2013 of approximately RM13.08 million and indicative 3rd Interim Dividend 2013 of approximately RM13.09 million;
- (ii) None of the outstanding 5,144,583 Warrants 2010/2015 as at 4 December 2013 are exercised and that all the existing 70,000 treasury shares purchased by the Company are retained within the Company prior to the Entitlement Date;
- (iii) Issuance of 327,159,206 Bonus Shares, credited as fully paid-up, on the basis of one (1) Bonus Share for every two (2) existing KPJ Shares held on 26 December 2013. The Bonus Issue shall be capitalised from the share premium and retained earnings of the Company;
- (iv) Issuance of 43,621,227 Rights Shares on the basis of one (1) Rights Share for every fifteen (15) existing KPJ Shares held on the Entitlement Date, together with 87,242,454 New Warrants on the basis of two (2) New Warrants for every one (1) Rights Share subscribed. The issue price of the Rights Shares is RM2.80 each. This represents a discount of approximately 30.17% to the theoretical ex-all price ("TEAP") of RM4.01 per KPJ Share (after taking into account the Bonus Issue), based on the five (5)-day volume weighted average market price ("VWAP") of KPJ Shares up to 10 December 2013 of RM6.10. The theoretical fair value per New Warrant is RM0.71, which was arrived at using the Black-Scholes option pricing model;

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**KPJ HEALTHCARE BERHAD ("KPJ" OR "THE COMPANY")
NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

1. Basis of Preparation (Cont'd.)

(a) Minimum Scenario (Cont'd.)

- (v) Full exercise of 87,242,454 free New Warrants at the exercise price of RM4.01 per New Warrant, being the TEAP calculated based on the five (5)-day VWAP of KPJ Shares up to 4 December 2013 of RM6.10.

(b) Maximum Scenario

The maximum scenario assumes the effects of the following:

- (i) The adjustment for the exercise of 8,206,825 Warrants 2010/2015 from 1 January 2013 up to 4 December 2013, the additional 60,000 treasury shares buy-back by the Company on 11 January 2013 at an average price of RM5.66 per Share, 4th Interim Dividend 2012 of approximately RM26.01 million, 1st Interim Dividend 2013 of approximately RM13.06 million 2nd Interim Dividend 2013 of approximately RM13.08 million and indicative 3rd Interim Dividend 2013 of approximately RM13.09 million;
- (ii) All of the outstanding 5,144,583 Warrants 2010/2015 as at 4 December 2013 are exercised and all the existing 70,000 treasury shares have been resold on the open market prior to the Entitlement Date;
- (iii) Issuance of 329,766,497 Bonus Shares, credited as fully paid-up, on the basis of one (1) Bonus Share for every two (2) existing KPJ Shares held on 26 December 2013. The Bonus Issue shall be capitalised from the share premium and retained earnings of the Company;
- (iv) Issuance of 43,968,866 Rights Shares on the basis of one (1) Rights Share for every fifteen (15) existing KPJ Shares held on the Entitlement Date, together with 87,937,732 New Warrants on the basis of two (2) New Warrants for every one (1) Rights Share subscribed. The issue price of the Rights Shares is RM2.80 each. This represents a discount of approximately 30.17% to the theoretical ex-all price ("TEAP") of RM4.01 per KPJ Share (after taking into account the Bonus Issue), based on the five (5)-day volume VWAP of KPJ Shares up to 10 December 2013 of RM6.10. The theoretical fair value per New Warrant is RM0.71, which was arrived at using the Black-Scholes option pricing model;
- (vi) Full exercise of 87,937,732 free New Warrants at the exercise price of RM4.01 per New Warrant, being the TEAP calculated based on the five (5)-day VWAP of KPJ Shares up to 4 December 2013 of RM6.10.

EY ERNST & YOUNG (AF: 0339)

Chartered Accountants, Kuala Lumpur
For identification purposes only

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**KPJ HEALTHCARE BERHAD ("KPJ" OR "THE COMPANY")
NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

1. Basis of Preparation (Cont'd.)

(c) Pro Forma Statements of Financial Position

Minimum Scenario

(i) Pro forma I

Pro forma I incorporates the audited statements of financial position of KPJ as at 31 December 2012, adjustments for the further shares buy-back of 60,000 treasury shares amounting to approximately RM339,600 and conversion of 8,206,825 Warrants 2010/2015 from 1 January 2013 up to 4 December 2013 amounting to approximately RM13.95 million. It further incorporates the dividends declared to shareholders.

The final dividend declared for the financial year ended 31 December 2012 as well as the 1st, 2nd and indicative 3rd interim dividend declared for the financial year ending 31 December 2013 is credited from the deposits, cash and bank account. This subsequently reduces the retained earnings of the Company by approximately RM65.24 million.

(ii) Pro forma II

Pro forma II incorporates Pro forma I and the effects of issuance of 327,159,206 Bonus Shares pursuant to the Bonus Issue.

The Bonus Shares will be capitalised from the share premium and retained earnings of the Company. The issuance of the Bonus Shares will give rise to an increase in the issued and paid-up share capital of the Company amounting to approximately RM163.58 million and debit to share premium and retained earnings of approximately RM152.11 million and RM11.47 million respectively.

(iii) Pro forma III

Pro forma III incorporates Pro forma II and the recognition of 43,621,227 Rights Shares together with 87,242,454 New Warrants to be issued pursuant to the Rights Issue and necessary estimated transaction costs are to be accounted as deduction from equity. Pro forma III also recognises the utilisation of the proceeds from the Rights Issue for repayment of KPJ's bank borrowings.

The Rights Issue is not conditional on the Bonus Issue and as such, the number of Rights Shares to be issued will not be dependent on the number of Bonus Shares to be issued.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**KPJ HEALTHCARE BERHAD ("KPJ" OR "THE COMPANY")
NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

1. Basis of Preparation (Cont'd.)

(c) Pro Forma Statements of Financial Position (Cont'd.)

Minimum Scenario (Cont'd.)

(iii) Pro forma III (Cont'd.)

The subscription and issuance of 43,621,227 Rights Shares together with 87,242,454 New Warrants would give rise to an increase in the issued and paid-up share capital, share premium and the warrant reserve of KPJ of approximately RM21.81 million, RM38.39 million and RM61.94 million respectively. The full subscription of 43,620,145 Rights Shares will generate total gross cash proceeds of approximately RM122.14 million.

The theoretical fair value of the New Warrants is RM0.71 each, which was arrived at based on the Black-Scholes option pricing model and the TEAP of RM4.01 based on the five (5)-day VWAP of KPJ Shares up to 10 December 2013 of RM6.10. The warrant reserve represents the value assigned to the New Warrants.

Payment of transaction costs to be incurred in relation to the Corporate Exercises is to be accounted for as deduction from equity. This will reduce the retained earnings and bank balances by approximately RM3.0 million.

The repayment of the bank borrowings will decrease the bank balances and the total borrowings by RM35.0 million.

(iv) Pro forma IV

Pro forma IV incorporates Pro forma III and the effects of the full exercise of 87,242,454 New Warrants at the exercise price of RM4.01 per New Warrant.

The full exercise of 87,242,454 New Warrants will generate total gross cash proceeds of approximately RM349.84 million. Pursuant to the full exercise of the 87,242,454 New Warrants, 87,242,454 new KPJ Shares will be issued and this will increase the issued and paid-up share capital and share premium of KPJ by approximately RM43.62 million and RM306.22 million respectively. The warrants reserve of approximately RM61.94 million is accordingly reversed and credited to the share premium of the Company.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**KPJ HEALTHCARE BERHAD ("KPJ" OR "THE COMPANY")
NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

1. Basis of Preparation (Cont'd.)

(c) Pro Forma Statements of Financial Position (Cont'd.)

Maximum Scenario

(i) Pro forma I

Pro forma I incorporates the audited statements of financial position of KPJ as at 31 December 2012, adjustments for the further shares buy-back of 60,000 treasury shares amounting to approximately RM339,600 and conversion of 8,206,825 Warrants 2010/2015 from 1 January 2013 up to 4 December 2013 amounting to approximately RM13.95 million. It further incorporates the dividends declared to shareholders.

The final dividend declared for the financial year ended 31 December 2012 as well as the 1st, 2nd and indicative 3rd interim dividend declared for the financial year ending 31 December 2013 is credited from the deposits, cash and bank account. This subsequently reduces the retained earnings of the Company by approximately RM65.24 million.

(ii) Pro forma II

Pro forma II incorporates Pro forma I and the full exercise of 5,144,583 outstanding Warrant 2010/2015 at the exercise price of RM1.70 per Warrant 2010/2015 and the resale of 70,000 treasury shares to the open market prior to the Entitlement Date.

The full exercise of 5,144,583 Warrants and the resale of the 70,000 treasury shares will generate total gross cash proceeds of approximately RM9.11 million. Pursuant to the full exercise of the 5,144,583 Warrants, 5,144,583 new KPJ Shares will be issued and this will increase the issued and paid-up share capital and share premium account of KPJ by approximately RM2.58 million and RM6.17 million respectively.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**KPJ HEALTHCARE BERHAD ("KPJ" OR "THE COMPANY")
NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

1. Basis of Preparation (Cont'd.)

(c) Pro Forma Statements of Financial Position (Cont'd.)

Maximum Scenario (Cont'd.)

(iii) Pro forma III

Pro forma III incorporates Pro forma II and the effects of issuance of 329,766,497 Bonus Shares pursuant to the Bonus Issue.

The Bonus Shares will be capitalised from the share premium and retained earnings of the Company. The issuance of the Bonus Shares will give rise to an increase in the issued and paid-up share capital of the Company amounting to approximately RM164.88 million and debit to share premium and retained earnings of approximately RM158.29 million and RM6.59 million respectively.

(iv) Pro forma IV

Pro forma IV incorporates Pro forma III and the effects of the recognition of 43,968,866 Rights Shares together with 87,937,732 New Warrants to be issued pursuant to the Rights Issue and necessary estimated transaction costs are to be accounted as deduction from equity. Pro forma III also recognises the utilisation of the proceeds from the Rights Issue for repayment of KPJ's bank borrowings.

The Rights Issue is not conditional on the Bonus Issue and as such, the number of Rights Shares to be issued will not be dependent on the number of Bonus Shares to be issued.

The subscription and issuance of 43,968,866 Rights Shares together with 87,937,732 New Warrants would give rise to an increase in the issued and paid-up share capital, share premium and the warrant reserve of KPJ of approximately RM21.98 million, RM38.69 and RM62.44 million respectively. The full subscription of 43,968,866 Rights Shares will generate total gross cash proceeds of approximately RM123.11 million.

The theoretical fair value of the New Warrants is RM0.71 each, which was arrived at based on the Black-Scholes option pricing model and the TEAP of RM4.01 based on the five (5)-day VWAP of KPJ Shares up to 10 December 2013 of RM6.10. The warrant reserve represents the value assigned to the New Warrants.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**KPJ HEALTHCARE BERHAD ("KPJ" OR "THE COMPANY")
NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

1. Basis of Preparation (Cont'd.)

(c) Pro Forma Statements of Financial Position (Cont'd.)

Maximum Scenario (Cont'd.)

(iv) Pro forma IV (Cont'd.)

Payment of transaction costs to be incurred in relation to the Corporate Exercises is to be accounted for as deduction from equity. This will reduce the retained earnings and bank balances by approximately RM3.0 million.

The repayment of the bank borrowings will decrease the bank balances and the total borrowings by RM35 million.

(v) Pro forma V

Pro forma V incorporates Pro forma IV and the effects of the full exercise of 87,937,732 New Warrants at the exercise price of RM4.01 per New Warrant.

The full exercise of 87,937,732 New Warrants will generate total gross cash proceeds of approximately RM352.63 million. Pursuant to the full exercise of the 87,937,732 New Warrants, 87,937,732 new KPJ Shares will be issued and this will increase the issued and paid-up share capital and share premium account of KPJ by approximately RM43.97 million and RM308.66 million respectively. The warrants reserve of approximately RM62.44 million is accordingly reversed and credited to share premium.

2. Accounting Policy for Warrants

The proceeds from the issuance of New Warrants, are credited to the warrants reserve which is non-distributable. The warrants reserve is reversed accordingly and credited to share premium upon exercise of the New Warrants. The remaining balance in the warrants reserve pursuant to the unexercised New Warrants at the expiry of the exercise period will be transferred to the share premium.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**KPJ HEALTHCARE BERHAD ("KPJ" OR "THE COMPANY")
NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

3. Cash, Bank Balances and Deposits

Cash, bank balances and deposits comprise cash on hand and at banks, placements and deposits with licensed banks and financial institutions.

	Minimum Scenario RM'000
The movements in the cash, bank balances and deposits of KPJ are as follows:	
As at 31 December 2012	201,460
Adjustment on further shares buy-back and conversion of Warrant 2010/2015	13,612
Dividend declared	(65,244)
As per Pro forma I and II	149,828
Arising from Rights Issue	122,139
Payment of estimated transaction costs	(3,000)
Repayment of borrowings	(35,000)
As per Pro forma III	233,967
Arising upon full exercise of the New Warrants	349,842
As per Pro forma IV	583,809

	Maximum Scenario RM'000
The movements in the cash, bank balances and deposits of KPJ are as follows:	
As at 31 December 2012	201,460
Adjustment on further shares buy-back and conversion of Warrant 2010/2015	13,612
Dividend declared	(65,244)
As per Pro forma I	149,828
Arising from full exercise of the outstanding Warrant 2010/2015	8,746
Arising from resale of treasury shares	363
As per Pro forma II and III	158,937
Arising from Rights Issue	123,113
Payment of estimated transaction costs	(3,000)
Repayment of borrowings	(35,000)
As per Pro forma IV	244,050
Arising upon full exercise of the New Warrants	352,630
As per Pro forma V	596,680

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**KPJ HEALTHCARE BERHAD ("KPJ" OR "THE COMPANY")
NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

4. Share Capital

	Minimum Scenario RM'000
The movements in the share capital of KPJ are as follows:	
As at 31 December 2012	323,091
Adjustment on further shares buy-back and conversion of Warrant 2010/2015	<u>4,103</u>
As per Pro forma I	327,194
Arising from Bonus Issue	<u>163,580</u>
As per Pro forma II	490,774
Arising from Rights Issue	<u>21,810</u>
As per Pro forma III	512,584
Arising upon full exercise of New Warrants	<u>43,621</u>
As per Pro forma IV	<u>556,205</u>

	Maximum Scenario RM'000
The movements in the share capital of KPJ are as follows:	
As at 31 December 2012	323,091
Adjustment on further shares buy-back and conversion of Warrant 2010/2015	<u>4,103</u>
As per Pro forma I	327,194
Arising from full exercise of the outstanding Warrant 2010/2015	<u>2,572</u>
As per Pro forma II	329,766
Arising from Bonus Issue	<u>164,883</u>
As per Pro forma III	494,649
Arising from Rights Issue	<u>21,985</u>
As per Pro forma IV	516,634
Arising upon full exercise of the New Warrants	<u>43,969</u>
As per Pro forma V	<u>560,603</u>

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**KPJ HEALTHCARE BERHAD ("KPJ" OR "THE COMPANY")
NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

5. Warrant Reserves

	Minimum Scenario RM'000
The movements in the warrant reserves of KPJ are as follows:	
As at 31 December 2012/As per Pro forma I and II	-
Arising from Rights Issue	61,942
As per Pro forma III	<u>61,942</u>
Reversed upon full exercise of the New Warrants	<u>(61,942)</u>
As per Pro forma IV	<u>-</u>

	Maximum Scenario RM'000
The movements in the warrant reserves of KPJ are as follows:	
As at 31 December 2012/As per Pro forma I, II and III	-
Arising from Rights Issue	62,436
As per Pro forma IV	<u>62,436</u>
Reversed upon full exercise of the New Warrants	<u>(62,436)</u>
As per Pro forma V	<u>-</u>

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**KPJ HEALTHCARE BERHAD ("KPJ" OR "THE COMPANY")
NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

6. Share Premium

	Minimum Scenario RM'000
The movements in the share premium of KPJ are as follows:	
As at 31 December 2012	147,288
Adjustment on conversion of Warrant 2010/2015	9,848
As per Pro forma I	<u>157,136</u>
Capitalised for Bonus Issue	<u>(152,114)</u>
As per Pro forma II	5,022
Arising upon full Rights Issue	<u>38,387</u>
As per Pro forma III	43,409
Arising upon full exercise of the New Warrants	<u>368,163</u>
As per Pro forma IV	<u><u>411,572</u></u>

	Maximum Scenario RM'000
The movements in the share premium of KPJ are as follows:	
As at 31 December 2012	147,288
Adjustment on conversion of Warrant 2010/2015	9,848
As per Pro forma I	<u>157,136</u>
Arising from full exercise of the outstanding Warrant 2010/2015	<u>6,174</u>
As per Pro forma II	163,310
Capitalised for Bonus Issue	<u>(158,288)</u>
As per Pro forma III	5,022
Arising upon full Rights Issue	<u>38,692</u>
As per Pro forma IV	43,714
Arising upon full exercise of the New Warrants	<u>371,097</u>
As per Pro forma V	<u><u>414,811</u></u>

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**KPJ HEALTHCARE BERHAD ("KPJ" OR "THE COMPANY")
NOTES TO THE PROFORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

7. Retained Earnings

	Minimum Scenario RM'000
The movements in the retained earnings of KPJ are as follows:	
As at 31 December 2012	518,546
Dividends declared	<u>(65,244)</u>
As per Pro forma I	453,302
Capitalised for Bonus Issue	<u>(11,466)</u>
As per Pro forma II	441,836
Payment of estimated transaction costs	<u>(3,000)</u>
As per Pro forma III and IV	<u>438,836</u>

	Maximum Scenario RM'000
The movements in the retained earnings of KPJ are as follows:	
As at 31 December 2012	518,546
Dividends declared	<u>(65,244)</u>
As per Pro forma I and II	453,302
Capitalised for Bonus Issue	<u>(6,595)</u>
As per Pro forma III	446,707
Payment of estimated transaction costs	<u>(3,000)</u>
As per Pro forma IV and V	<u>443,707</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON



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**Independent auditors' report to the members of
 KPJ Healthcare Berhad
 (Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of KPJ Healthcare Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 113.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)



**Independent auditors' report to the members of
KPJ Healthcare Berhad (continued)
(Incorporated in Malaysia)**

Report on the financial statements (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 ("the Act") in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)



**Independent auditors' report to the members of
KPJ Healthcare Berhad (continued)
(Incorporated in Malaysia)**

Other reporting responsibilities

The supplementary information set out in Note 43 on page 114 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

1. As stated in Note 2 to the financial statements, KPJ Healthcare Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Abraham Verghese A/L T.V. Abraham
1664/10/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
27 March 2013

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)**

**Statements of comprehensive income
For the financial year ended 31 December 2012**

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	4	2,096,097	1,908,993	141,195	136,599
Cost of sales		(1,439,663)	(1,307,136)	-	-
Gross profit		656,434	601,857	141,195	136,599
Administrative expenses		(512,894)	(451,351)	(38,054)	(29,228)
Other income		32,062	11,957	-	-
Other operating expenses		(5,036)	(3,298)	-	-
Operating profit		170,566	159,165	103,141	107,371
		12,535			
Finance income	5	12,535	10,295	-	-
Finance costs	5	(23,603)	(19,688)	(13,970)	(19,643)
Finance costs - net		(11,068)	(9,393)	(13,970)	(19,643)
Associates					
- share of results		37,397	54,825	-	-
Profit before zakat and tax	6	196,895	204,597	89,171	87,728
Zakat	9	(1,320)	(1,300)	(15)	(15)
Income tax (expense)/credit	10	(48,781)	(49,038)	202	(6,044)
Profit net of tax		146,794	154,259	89,358	81,669
Other comprehensive income:					
Translation of foreign subsidiaries		1,930	571	-	-
Revaluation surplus/(deficit)		8,916	(2,124)	-	-
Other comprehensive income for the year, net of tax		10,846	(1,553)	-	-
Total comprehensive income for the year		157,640	152,706	89,358	81,669

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)**

**Statements of comprehensive income
For the financial year ended 31 December 2012 (continued)**

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit attributable to:					
Owners of the Company		140,046	143,670	89,358	81,669
Non-controlling interests		6,748	10,589	-	-
		<u>146,794</u>	<u>154,259</u>	<u>89,358</u>	<u>81,669</u>
Total comprehensive income attributable to:					
Owners of the Company		146,216	145,082	89,358	81,669
Non-controlling interests		11,424	7,624	-	-
		<u>157,640</u>	<u>152,706</u>	<u>89,358</u>	<u>81,669</u>
Earnings per share attributable to ordinary equity holders of the Company:					
- basic (sen)	12(a)	23.94	26.31		
- diluted (sen)	12(b)	<u>21.03</u>	<u>23.34</u>		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

KPJ Healthcare Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Group				
Assets				
Non-current assets				
Property, plant and equipment	13	909,355	633,143	532,777
Other assets	14	15,680	8,586	3,996
Investment properties	15	53,118	26,223	24,810
Interest in associates	17	479,243	398,712	307,352
Available-for-sale financial assets	18	3,074	3,074	3,447
Intangible assets	19	176,614	167,830	136,317
Deferred tax assets	21	15,601	14,962	15,864
		<u>1,652,685</u>	<u>1,252,530</u>	<u>1,024,563</u>
Current assets				
Inventories	22	57,552	47,066	41,615
Receivables	23	325,027	304,636	298,427
Tax refund receivable		11,041	8,661	12,342
Deposits, cash and bank balances	24	201,460	252,080	197,118
		<u>595,080</u>	<u>612,443</u>	<u>549,502</u>
Non-current assets held for sale	25	2,013	94,291	105,974
		<u>597,093</u>	<u>706,734</u>	<u>655,476</u>
Total assets		<u>2,249,778</u>	<u>1,959,264</u>	<u>1,680,039</u>
Equity and liabilities				
Current liabilities				
Payables	26	404,139	379,977	303,370
Current tax liabilities		13,422	8,552	3,318
Borrowings	27			
- Bank overdrafts		1,046	1,141	18
- others		205,581	139,850	362,658
Deferred revenue	28	61,133	53,591	40,881
Dividend payable		16,154	14,623	14,673
		<u>701,475</u>	<u>597,734</u>	<u>724,918</u>
Net current (liabilities)/assets		<u>(104,382)</u>	<u>109,000</u>	<u>(69,442)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)**

Statements of financial position as at 31 December 2012 (continued)

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Group (continued)				
Non-current liabilities				
Deferred tax liabilities	21	43,857	47,413	41,204
Borrowings	27	385,469	302,480	36,747
Deposits	29	15,524	14,785	13,782
		<u>444,850</u>	<u>364,678</u>	<u>91,733</u>
Total liabilities		<u>1,146,325</u>	<u>962,412</u>	<u>816,651</u>
Net assets		<u>1,103,453</u>	<u>996,852</u>	<u>863,388</u>
Equity attributable to equity holders of the Company				
Share capital	30	323,091	292,492	279,954
Reserves	31	712,857	600,485	488,716
		<u>1,035,948</u>	<u>892,977</u>	<u>768,670</u>
Less: Treasury shares	30(a)	(23)	(23)	(23)
Non-controlling interests		67,528	103,898	94,741
Total equity		<u>1,103,453</u>	<u>996,852</u>	<u>863,388</u>
Total equity and liabilities		<u>2,249,778</u>	<u>1,959,264</u>	<u>1,680,039</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

KPJ Healthcare Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2012 (continued)

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Company				
Assets				
Non-current assets				
Interest in subsidiaries	16	877,529	870,014	762,622
Receivables	23	-	56,302	94,386
		<u>877,529</u>	<u>926,316</u>	<u>857,008</u>
Current assets				
Receivables	23	111,622	57,393	32,727
Tax refund receivable		3,249	-	1,288
Deposits, cash and bank balances	24	1,931	2,559	13,593
		<u>116,802</u>	<u>59,952</u>	<u>47,608</u>
Total assets		<u>994,331</u>	<u>986,268</u>	<u>904,616</u>
Equity and liabilities				
Current liabilities				
Payables	26	187,036	91,570	29,062
Current tax liabilities		-	410	-
Borrowings	27			
- others		120,000	65,000	299,000
Dividend payable		16,154	14,623	14,673
		<u>323,190</u>	<u>171,603</u>	<u>342,735</u>
Net current liabilities		<u>(206,388)</u>	<u>(111,651)</u>	<u>(295,127)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)**

Statements of financial position as at 31 December 2012 (continued)

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Company (continued)				
Non-current liabilities				
Payables	26	174,282	434,644	242,754
Total liabilities		497,472	606,247	585,489
Net assets		496,859	380,021	319,127
Equity attributable to equity holders of the Company				
Share capital	30	323,091	292,492	279,954
Reserves	31	173,791	87,552	39,196
		496,882	380,044	319,150
Less: Treasury shares	30(a)	(23)	(23)	(23)
Total equity		496,859	380,021	319,127
Total equity and liabilities		994,331	986,268	904,616

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
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**Consolidated statement of changes in equity
For the financial year ended 31 December 2012**

	Ordinary share capital RM'000 (Note 30) (Note 31(a))	Share premium RM'000 (Note 31(a))	Treasury shares RM'000 (Note 31(a))	Merger reserve RM'000 (Note 31(b))	Exchange reserve RM'000 (Note 31(c))	Revaluation reserve RM'000 (Note 31(d))	Retained earnings RM'000 (Note 31(e))	Equity attributable to owners of the parent, total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January 2012	292,492	73,852	(23)	(3,367)	(995)	45,215	485,780	892,954	103,898	996,852
Comprehensive income										
Profit for the year	-	-	-	-	-	-	140,046	140,046	6,748	146,794
Other comprehensive income										
Translation of foreign subsidiaries	-	-	-	-	970	-	-	970	960	1,930
Revaluation surplus	-	-	-	-	-	5,200	-	5,200	3,716	8,916
Total other comprehensive income	-	-	-	-	970	5,200	-	6,170	4,676	10,846

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

KPJ Healthcare Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the financial year ended 31 December 2012 (continued)

	Ordinary share capital RM'000	Share premium RM'000	Treasury shares RM'000	Merger reserve RM'000	Exchange reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Equity attributable to owners of the parent, total RM'000	Non- controlling interests RM'000	Total equity RM'000
	(Note 30)	(Note 31(a))	(Note 31(b))	(Note 31(c))	(Note 31(d))	(Note 31(e))				
Total comprehensive income	-	-	-	970	5,200	140,046	146,216	11,424	157,640	
Acquisition of non- controlling interests	-	-	-	-	-	(30,725)	(30,725)	(47,794)	(78,519)	
Issue of shares: - exercise of share warrants	30,599	73,436	-	-	-	-	104,035	-	104,035	
Dividends on ordinary shares	-	-	-	-	-	(76,555)	(76,555)	-	(76,555)	
At 31 December 2012	323,091	147,288	(23)	(3,367)	50,415	518,546	1,035,925	67,528	1,103,453	

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)**

**Consolidated statement of changes in equity
For the financial year ended 31 December 2012 (continued)**

	Ordinary share capital RM'000 (Note 30) (Note 31(a))	Share premium RM'000 (Note 31(a))	Treasury shares RM'000 (23)	Merger reserve RM'000 (Note 31(b))	Exchange reserve RM'000 (Note 31(c))	Fair value reserve RM'000	Revaluation reserve RM'000 (Note 31(d))	Retained earnings RM'000 (Note 31(e))	Equity attributable to owners of the parent, controlling total interests RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January 2011	279,954	43,759	(23)	(3,367)	(1,295)	172	56,110	393,337	768,647	94,741	863,388
Comprehensive income											
Profit for the year	-	-	-	-	-	-	-	143,670	143,670	10,589	154,259
Other comprehensive income											
Translation of foreign subsidiaries	-	-	-	-	300	-	-	-	300	271	571
Revaluation surplus	-	-	-	-	-	-	1,112	-	1,112	(3,236)	(2,124)
Realisation of revaluation reserve	-	-	-	-	-	-	(12,007)	12,007	-	-	-
Realisation of fair value reserve	-	-	-	-	-	(172)	-	172	-	-	-
Total other comprehensive income	-	-	-	-	300	(172)	(10,895)	12,179	1,412	(2,965)	(1,553)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

KPJ Healthcare Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the financial year ended 31 December 2012 (continued)

	Ordinary share capital 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	Equity attributable to owners of the parent, total RM'000	Non- controlling interests RM'000	Total equity RM'000
	-	-	-	-	300	(172)	(10,895)	155,849	145,082	7,624	152,706
Total comprehensive income											
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	1,533	1,533
Issue of shares: - exercise of share warrants	12,538	30,093	-	-	-	-	-	-	42,631	-	42,631
Dividends on ordinary shares	-	-	-	-	-	-	(63,406)	(63,406)	(63,406)	-	(63,406)
At 31 December 2011	292,492	73,852	(23)	(3,367)	(995)	-	45,215	485,780	892,954	103,898	996,852

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)**

**Company statement of changes in equity
For the financial year ended 31 December 2012**

	<-----Non-distributable----->			Distributable		
	Ordinary share capital RM'000 (Note 30)	Share premium RM'000 (Note 31(a))	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000	
At 1 January 2012	292,492	68,830	(23)	18,722	380,021	
Profit for the year, representing total comprehensive income for the year	-	-	-	89,358	89,358	
Dividends on ordinary shares	-	-	-	(76,555)	(76,555)	
Issue of shares:						
- exercise of share warrants	30,599	73,436	-	-	104,035	
At 31 December 2012	323,091	142,266	(23)	31,525	496,859	
At 1 January 2011	279,954	38,737	(23)	459	319,127	
Profit for the year, representing total comprehensive income for the year	-	-	-	81,669	81,669	
Dividends on ordinary shares	-	-	-	(63,406)	(63,406)	
Issue of shares:						
- exercise of share warrants	12,538	30,093	-	-	42,631	
At 31 December 2011	292,492	68,830	(23)	18,722	380,021	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**KPJ Healthcare Berhad
(Incorporated in Malaysia)**

**Statements of cash flows
For the financial year ended 31 December 2012**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating activities				
Profit before zakat and tax	196,895	204,597	89,171	87,728
Adjustments for:				
Associates:				
- share of results	(37,397)	(54,825)	-	-
Finance income	(12,535)	(10,295)	(2,370)	(3,168)
Finance costs				
- interest expenses	21,863	19,379	13,970	19,643
- accretion of interest	301	309	-	-
Dividend income			(106,039)	(100,582)
Bad debts recovered	(99)	(393)	-	-
Provision for impairment of trade receivables	5,536	2,285	-	-
Bad debts written off	408	871	-	-
Gain on disposal of non-current assets held for sale	(149)	(1,321)	-	-
Gain on fair value on investment properties	(1,198)	(1,413)	-	-
Gain on disposal of shares in an associate	(11,380)	-	-	-
Loss on disposal of property, plant and equipment	808	320	-	-
Property, plant and equipment				
- depreciation	77,896	69,612	-	-
- written off	1,372	655	-	-
- revaluation surplus	-	(1,877)	-	-
Inventories written off	33	644	-	-
Amortisation of intangible assets	650	-	-	-
Amortisation of deferred consultancy expenses	(250)	(305)	-	-
Operating profit/(loss) before working capital changes	242,754	228,243	(5,268)	3,621
Changes in working capital:				
Inventories	(10,258)	(6,095)	-	-
Receivables	(29,445)	(8,972)	212	2,477
Payables	41,249	44,569	263	(884)
Deferred revenue	-	-	-	-
Related companies	-	-	(169,283)	(90,225)
Cash flows generated from/(used in) operations	244,300	257,745	(174,076)	(85,011)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
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**Statements of cash flows
For the financial year ended 31 December 2012 (continued)**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating activities (continued)				
Long term deposits	688	999	-	-
Interest received	12,535	-	-	-
Interest paid	-	(19,379)	(13,970)	(19,643)
Zakat paid	(1,300)	(1,269)	(15)	(10)
Income tax refund	869	4,838	-	1,596
Income tax paid	(56,083)	(37,850)	(1,662)	(5,941)
Net cash generated from/(used in) operating activities	201,009	205,084	(189,723)	(109,009)
Investing activities				
Purchase of property, plant and equipment	(370,835)	(138,792)	-	-
Purchase of investment properties	(25,697)	-	-	-
Purchase of non-current assets held for sale	-	(37,149)	-	-
Proceeds from disposal of property, plant and equipment	2,693	2,256	-	-
Proceeds from disposal of non-current assets held for sale	40,808	50,270	-	-
Acquisition of subsidiaries, net of cash acquired	(78,519)	(36,068)	-	-
Additional investment in subsidiaries	-	(26,000)	-	-
Acquisition of shares in associates	(55,487)	-	-	-
Proceeds from disposal of shares in an associate	60,169	-	-	-
Dividends received	19,072	26,465	104,245	100,582
Interest received	-	10,295	2,370	3,168
Net cash (used in)/generated from investing activities	(407,796)	(148,723)	106,615	103,750

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)**

**Statements of cash flows
For the financial year ended 31 December 2012 (continued)**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Financing activities				
Issue of shares:				
- exercise of share warrants	104,035	42,631	104,035	42,631
Bank borrowings:				
- drawdown	183,653	32,498	55,000	15,000
- repayment	(56,575)	(15,415)	-	-
Dividends paid to shareholders	(75,024)	(63,456)	(76,555)	(63,406)
Net cash generated from/ (used in) financing activities	156,089	(3,742)	82,480	(5,775)
Net changes in cash and cash equivalents	(50,698)	52,619	(628)	(11,034)
Currency translation differences	173	1,220	-	-
Cash and cash equivalents at beginning of the financial year	250,939	197,100	2,559	13,593
Cash and cash equivalents at end of the financial year *	200,414	250,939	1,931	2,559

*** Cash and cash equivalents comprise the followings:**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits, cash and bank balances (Note 24)	201,460	252,080	1,931	2,559
Bank overdrafts (Note 27)	(1,046)	(1,141)	-	-
	200,414	250,939	1,931	2,559

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**KPJ Healthcare Berhad
(Incorporated in Malaysia)****Notes to the financial statements - 31 December 2012****1. Corporate information**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 12B, Level 12, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor. The principal place of business of the Company is located at Level 12, Menara 238, Jalan Tun Razak, 50400 Kuala Lumpur.

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are mainly the operation of specialist hospitals. The details of the principal activities of the subsidiaries are set out in Note 16. There were no significant changes in the nature of these activities during the financial year ended 31 December 2012.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 March 2013.

2. Summary of significant accounting policies**2.1 Basis of preparation**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 First time adoption of MFRS

These financial statements are the Group's and the Company's first MFRS financial statements for the year ended 31 December 2012 and MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. Except for certain differences, the requirements under FRSs and MFRSs are similar.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.2 First time adoption of MFRS (continued)**

Accordingly, the Group and the Company have prepared its financial statements which comply with MFRSs applicable for period ended 31 December 2012, together with the comparative period data as at and for the year ended 31 December 2011, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's and the Company's opening statements of financial position were prepared as at 1 January 2011, the Group's and the Company's date of transition to MFRSs.

The significant accounting policies adopted in preparing these financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011. The transition from FRSs to MFRSs did not have any material impact on the financial statements of the Group and of the Company, except for those discussed below. Accordingly, no notes related to the statement of financial position as at the date of transition to MFRSs are presented.

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 FRSs 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 FRSs is not adjusted.

b) Determining whether an arrangement contains a Lease

The Group has applied the transitional provision in IC Interpretation 4 Determining whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
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2. Summary of significant accounting policies (continued)

2.2 First time adoption of MFRS (continued)

c) Estimates

The estimates at 1 January 2011 and at 31 December 2011 are consistent with those made for the same dates in accordance with FRSs (after adjustments to reflect any differences in accounting policies). The estimates used by the Group and the Company to present these amounts in accordance with MFRSs reflect conditions as at 1 January 2011, the date of transition to MFRSs and as of 31 December 2011.

Adoption of MFRSs framework did not have any material impact on the financial position as at 1 January 2011 and 31 December 2011, financial performance and cash flows of the Group and of the Company for the year ended 31 December 2011.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.3 Standards issued but not yet effective (continued)**

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

a) MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances. The Group is currently assessing the impact of adoption of MFRS 10.

b) MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

c) MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted. The Group is currently assessing the impact of adoption of MFRS 13.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.3 Standards issued but not yet effective (continued)****d) Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)**

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

e) MFRS 9 Financial Instruments: Classification and Measurement

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2012.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.4 Basis of consolidation (continued)**

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.5 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 39, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.5 Business combinations (continued)**

Business combinations involving entities under common control are accounted for by applying the merger method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the 'acquired' entity is reflected within equity as merger reserve/deficit. The profit or loss reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented if the entities had always been combined since the date the entities had come under common control.

2.6 Foreign currency**(a) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.6 Foreign currency (continued)****(b) Foreign currency transactions (continued)**

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised as other comprehensive income. Exchange differences arising from such non-monetary items are also recognised as other comprehensive income.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land, long leasehold land and buildings are measured at fair value less accumulated depreciation on long leasehold land and buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land, long leasehold land and buildings at the reporting date.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**KPJ Healthcare Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	2%
Renovation	10%
Medical and other equipment	7.5% - 25%
Furniture and fittings	10% - 20%
Motor vehicles	20%
Computers	20% - 33%

Capital work-in-progress included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.8 Investment properties**

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2.9 Intangible assets**(a) Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.9 Intangible assets (continued)****(a) Goodwill (continued)**

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

(b) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Software development expenditure

Software development is stated at cost less accumulated amortisation and impairment losses. The expenditure represents development work carried out in developing specialised software packages and is capitalised if the product is technically and commercially feasible and the Group has sufficient resources to complete the development. It is amortised over the straight-line basis over a period of five years. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.10. The expenditure capitalised includes cost to purchase the software and direct cost such as salaries and hardware costs specifically attributable to each project. Cost incurred in software development which have ceased to be technically and commercially viable, are written off immediately.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.10 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.11 Non-current assets (or disposal groups) classified as assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use and a sale is considered highly probable.

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**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.12 Subsidiaries**

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the acquisition method of accounting except for Johor Specialist Hospital Sdn Bhd and Ipoh Specialist Hospital Sdn Bhd which were consolidated using the merger method of accounting as disclosed in Note 2.5.

2.13 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

Under the equity method, unrealised profit and losses resulting from upstream (associate to investor) and downstream (investor to associate) associate should be eliminated to the extent of the investor's interest in the associate. However, unrealised losses should not be eliminated to the extent that the transaction provides evidence of an impairment of the assets transferred.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

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**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.13 Associates (continued)**

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.14 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for-sale financial assets.

(a) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

KPJ Healthcare Berhad
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2. Summary of significant accounting policies (continued)**2.14 Financial assets (continued)****(b) Available-for-sale financial assets**

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, the date that the Group and the Company commit to purchase or sell the asset.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.15 Impairment of financial assets**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.15 Impairment of financial assets (continued)****(b) Available-for-sale financial assets (continued)**

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.17 Inventories

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.18 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.18 Financial liabilities (continued)****(a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.19 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.20 Leases**(a) As lessee**

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

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**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.21 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.22 Employee benefits**(a) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.23 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods and rendering of services

Revenue from hospital operations comprises inpatient and outpatient hospital charges, consultation fees, and sales of pharmaceutical products and medical supplies. These are recognised when services are rendered and goods are delivered, net of discounts, rebates and returns.

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**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.23 Revenue recognition (continued)****(a) Sale of goods and rendering of services (continued)**

Other hospital revenue mainly consists of clinic rental for consultants. These are recognised on an accrual basis in accordance with the substance of the relevant agreements.

(b) Wellness subscription fees

Wellness subscription fees are recognised over the membership period.

Annual renewal fees are recognised on the accrual basis based on fees chargeable to members upon execution and renewal of the membership.

(c) Tuition fees

Revenue from tuition fees are recognised over the period of instruction whereas non-refundable registration and enrolment fees are recognised on a receipt basis.

(d) Deferred Management Fees Revenue

Deferred management fees represent amounts owed to the Trust in connection with Resident occupancy at the retirement village subject to long-term management agreements. Deferred management fees are calculated in accordance with Resident contracts.

(e) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(f) Management fees

Management fees represent fees charged to subsidiaries for assisting in the management of the subsidiaries and these are recognised upon performance of services.

(g) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

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**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.24 Income taxes****(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.24 Income taxes (continued)****(b) Deferred tax (continued)**

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 42, including the factors used to identify the reportable segments and the measurement basis of segment information.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (continued)****2.26 Ordinary share capital and share issuance expenses**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.27 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.28 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.29 Resident loans

Resident loans are measured at the principal amount less any accumulated deferred management fees. Resident loans are non-interest bearing and are payable at the end of the resident contract. Average tenure periods for residents are for an extended period of time greater than one year, however, they are classified as current liabilities because the trust does not have an unconditional right to defer settlement greater than 12 months.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)****3. Significant accounting judgements and estimates**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

a) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

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**KPJ Healthcare Berhad
(Incorporated in Malaysia)****3. Significant accounting judgements and estimates (continued)****3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied in the industry.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. Management will review the estimated useful lives and residual values of property, plant and equipment at each financial year-end and adjustments to useful lives are made when considered necessary. Therefore, the future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the reporting dates are disclosed in Note 13.

b) Estimated impairment of goodwill

The Group tests goodwill for impairment annually whether goodwill has suffered any impairment, in accordance with its accounting policy stated in Note 2.10. More regular reviews are performed if events indicate that this is necessary.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The calculations require the use of estimates as set out in Note 20.

c) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amount that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 10.

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**KPJ Healthcare Berhad
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3. Significant accounting judgements and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of unrecognised tax losses of the Group are disclosed in Note 21.

e) Capitalisation and amortisation of software development expenditure

The Group capitalised costs relating to the software development and enhancement of its new and existing facilities respectively, upon meeting all the criteria for capitalisation as described in Note 2.9(b). Amortisation, which commences upon commercialisation, is recognised in profit or loss based on a straight-line basis over the products' estimated economic lives of five years. The Group reviews the amortisation period and amortisation method at least once a year.

However, if there are indications that the products are unable to meet expected future cash flow, immediate impairment loss will be recognised. Details of software development expenditure is disclosed in Note 19.

4. Revenue

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Hospital charges	804,304	660,154	-	-
Consultation fees	590,492	535,962	-	-
Sale of pharmaceutical, medical and surgical products	646,812	660,478	-	-
Other hospital revenue				
- clinics rental	12,308	10,955	-	-
- others	11,172	11,933	-	-
Dividend income from subsidiaries	-	-	106,039	100,582
Interest income	-	-	2,370	3,168
Management fees	-	-	32,786	32,849
Other revenue	31,009	29,511		
	2,096,097	1,908,993	141,195	136,599

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5. Finance income and costs

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<u>Finance costs</u>				
Finance cost on Islamic facilities	756	561	-	-
Accretion of interest	326	309	-	-
<u>Interest expense</u>				
- commercial papers	10,850	8,850	-	8,850
- overdrafts	121	144	-	-
- term loans	1,850	1,720	-	-
- Hiwalah term loan	-	123	-	-
- revolving credits	4,975	3,719	3,085	1,763
- Al-Amin	162	51	-	-
- lease and hire purchase	707	838	-	-
- others	3,856	3,373	10,885	9,030
	<u>23,603</u>	<u>19,688</u>	<u>13,970</u>	<u>19,643</u>
<u>Finance income</u>				
Interest income on short term deposits	12,535	10,295	-	-
Net finance costs	<u>11,068</u>	<u>9,393</u>	<u>13,970</u>	<u>19,643</u>

6. Profit before zakat and tax

The following amounts have been included in arriving at the profit before zakat and tax:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<u>Auditors' remuneration:</u>				
- statutory audits	1,369	913	73	73
Bad debts recovered	(99)	(393)	-	-
<u>Provision for impairment of trade receivables</u>				
Bad debts written off	5,536	2,285	-	-
Contribution to Klinik Waqaf An-Nur	408	871	-	-
An-Nur	3,120	2,110	-	-
Directors' remuneration (Note 8)	3,299	3,059	3,031	2,870
Inventories written off	33	644	-	-
Professional fees	3,159	5,317	1,323	1,267
Repair and maintenance	27,074	34,744	374	424

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6. Profit before zakat and tax (continued)

The following amounts have been included in arriving at the profit before zakat and tax (continued):

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Property, plant and equipment:				
- depreciation	77,896	69,612	-	-
- written off	1,372	655	-	-
- revaluation surplus	-	(1,877)	-	-
Loss on disposal of property, plant and equipment	808	320	-	-
Gain on disposal of non-current assets held for sale	(149)	(1,321)	-	-
Gain on fair value of investment properties (Note 15)	(1,198)	(1,413)	-	-
Rental expense of land and buildings	91,336	85,724	446	663
Rental of equipment and vehicles	1,481	1,534	338	24
Employee benefits costs (Note 7)	382,847	338,188	10,072	12,691
Amortisation of deferred consultancy expenses	(250)	(305)	-	-
Amortisation of intangible assets	650	-	-	-
Gain on disposal of shares in associate	(11,380)	-	-	-

7. Employee benefits costs

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Staff costs (excluding directors' remuneration):				
- salaries, allowances and bonus	346,454	301,953	8,992	11,331
- contribution to defined contribution plan	36,393	36,235	1,080	1,360
	<u>382,847</u>	<u>338,188</u>	<u>10,072</u>	<u>12,691</u>

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**KPJ Healthcare Berhad
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8. Directors' remuneration

The aggregate amount of emoluments received/receivable by directors of the Company during the financial year is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors' remuneration				
- fees	1,267	1,203	999	1,014
- salaries, allowances and bonus	1,732	1,583	1,732	1,583
- contribution to defined contribution plan	208	190	208	190
- benefits-in-kind	92	83	92	83
	<u>3,299</u>	<u>3,059</u>	<u>3,031</u>	<u>2,870</u>

9. Zakat

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January	1,300	1,269	15	10
Zakat expense for the financial year	1,320	1,300	15	15
Zakat paid during the financial year	(1,300)	(1,269)	(15)	(10)
At 31 December	<u>1,320</u>	<u>1,300</u>	<u>15</u>	<u>15</u>

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10. Income tax (expense)/credit

Major components of income tax expenses

The major components of income tax expenses for the years ended 31 December 2012 and 2011 are:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Statements of comprehensive income:				
Current income tax -				
- Malaysian income tax	54,255	43,832	893	6,577
- Under/(over) provision in respect of previous years	(1,279)	764	(1,095)	(533)
	52,976	44,596	(202)	6,044
Deferred income tax -				
- Origination and reversal of temporary differences	(1,293)	6,344	-	-
- Overprovision in respect of previous years	(2,902)	(1,902)	-	-
	(4,195)	4,442	-	-
Income tax expense recognised in profit or loss	48,781	49,038	(202)	6,044

The current income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

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10. Income tax (expense)/credit (continued)

Reconciliation between tax expense and accounting profit

The reconciliation of income tax expense and the product of accounting profit multiplied by the applicable corporate rate for the years ended 31 December 2012 and 2011 is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before tax after zakat	195,575	203,297	89,156	87,713
Tax at statutory tax rate of 25%	48,894	50,824	22,289	21,928
Income not subject to taxation	(3,202)	(713)	(24,715)	(20,866)
Non-deductible expenses	10,524	7,893	3,319	5,515
Share of results of associates	(2,570)	(7,067)	-	-
Benefits from previously unrecognised tax losses	(571)	(595)	-	-
Benefits from previously unrecognised temporary differences	(113)	(166)	-	-
Under/(over) provision in respect of previous years				
- current tax	(1,279)	764	(1,095)	(533)
- deferred tax	(2,902)	(1,902)	-	-
Tax expense for the year	48,781	49,038	(202)	6,044

11. Dividends

	Company	
	2012 RM'000	2011 RM'000

Recognised during the financial year:

Interim dividends to ordinary equity holders of the Company:

- Interim gross dividends of 5.4 sen per share less 25% tax	-	22,923
- Interim single tier dividends of 7.0 sen per share	-	40,483
- Interim single tier dividends of 12.2 sen per share	76,555	-
	<u>76,555</u>	<u>63,406</u>

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12. Earnings per share

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to ordinary equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2012	2011
Profit attributable to ordinary equity holders of the Company (RM'000)	140,046	143,670
Weighted average number of ordinary shares of RM0.50 each ('000)	584,893	546,128
Basic earnings per share (sen)	<u>23.94</u>	<u>26.31</u>

(b) Diluted earnings per share

For the 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 the warrants issued.

For the share warrants issued, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscriptions rights attached to outstanding warrants. 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. 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 year for the warrants calculation.

	Group	
	2012	2011
Profit attributable to equity holders of the Company (RM'000)	<u>140,046</u>	<u>143,670</u>
Weighted average number of ordinary shares in issue ('000)	584,893	546,128
Adjusted weighted average number of ordinary shares of RM0.50 each in issue and issuable ('000)	<u>81,144</u>	<u>69,503</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>666,037</u>	<u>615,631</u>
Diluted earnings per share (sen)	<u>21.03</u>	<u>23.34</u>

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13. Property, plant and equipment

Group	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January	37,120	46,620	18,464	49,320	483,750	276,576	95,153	1,007,003
- cost	8,737	9,183	6,136	-	-	-	-	24,056
- valuation	45,857	55,803	24,600	49,320	483,750	276,576	95,153	1,031,059
Revaluation surplus	8,916	-	-	-	-	-	-	8,916
Currency translation differences	214	-	392	5	(1,624)	(192)	-	(1,205)
Additions	12,275	-	6,359	17,161	70,375	36,983	218,595	361,748
Reclassification to non-current assets held for sale	-	(2,100)	-	-	-	117	-	(1,983)
Disposals	-	-	-	(327)	(3,440)	(2,579)	(1,016)	(7,362)
Write offs	-	-	-	(31)	(5,048)	(2,002)	(639)	(7,720)
Reclassification	-	2,457	(11,514)	36,628	3,411	(18,923)	(28,393)	(16,334)
	67,262	56,160	19,837	102,756	547,424	289,980	283,700	1,367,119

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13. Property, plant and equipment (continued)

Group (continued) 2012 (continued)	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in-progress RM'000	Total RM'000
At 31 December								
- cost	58,525	44,378	13,701	102,756	547,424	289,980	283,700	1,340,464
- valuation	8,737	11,782	6,136	-	-	-	-	26,655
	67,262	56,160	19,837	102,756	547,424	289,980	283,700	1,367,119
Accumulated depreciation 2012								
At 1 January	-	(284)	(1,684)	(10,291)	(243,675)	(141,982)	-	(397,916)
Currency translation differences	-	-	(120)	(3)	246	383	-	506
Charge for the financial year	-	(304)	(373)	(9,306)	(46,515)	(21,398)	-	(77,896)
Disposals	-	-	-	232	1,988	1,641	-	3,861
Write offs	-	-	-	1	4,955	1,392	-	6,348
Reclassification to non-current assets held for sale	-	87	-	-	-	-	-	87
Reclassification	-	-	8,450	(9,636)	1,710	6,722	-	7,246
At 31 December	-	(501)	6,273	(29,003)	(281,291)	(153,242)	-	(457,764)
Net carrying amounts								
At 31 December 2012	67,262	55,659	26,110	73,753	266,133	136,738	283,700	909,355

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13. Property, plant and equipment (continued)

Group 2011	Freehold land RM'000	Long leasehold		Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in- progress RM'000	Total RM'000
		land RM'000	Buildings RM'000					
At 1 January	19,098	44,800	15,990	26,356	447,140	244,912	41,259	839,555
- cost	7,907	9,183	6,136	-	-	-	-	23,226
- valuation	27,005	53,983	22,126	26,356	447,140	244,912	41,259	862,781
Revaluation surplus	-	147	1,730	-	-	-	-	1,877
Currency translation differences	-	-	231	2	330	(32)	-	531
Additions	1,008	-	191	9,190	36,148	29,454	62,187	138,178
Acquisition of subsidiaries	17,014	1,673	322	6,413	8,792	4,827	-	39,041
- cost	830	-	-	-	-	-	-	830
- valuation	-	-	-	-	-	-	-	-
Reclassification to non- current assets held for sale	-	-	-	-	-	-	(117)	(117)
Disposals	-	-	-	-	(7,641)	(369)	-	(8,010)
Write offs	-	-	-	(109)	(1,727)	(2,216)	-	(4,052)
Reclassification	-	-	-	7,468	708	-	(8,176)	-
	45,857	55,803	24,600	49,320	483,750	276,576	95,153	1,031,059

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13. Property, plant and equipment (continued)

Group (continued) 2011 (continued) At 31 December	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in- progress RM'000	Total RM'000
- cost	37,120	46,620	18,464	49,320	483,750	276,576	95,153	1,007,003
- valuation	8,737	9,183	6,136	-	-	-	-	24,056
	45,857	55,803	24,600	49,320	483,750	276,576	95,153	1,031,059
Accumulated depreciation 2011								
At 1 January	-	-	-	(3,145)	(206,048)	(120,811)	-	(330,004)
Currency translation differences	-	-	(65)	(1)	9	1	-	(56)
Charge for the financial year	-	(130)	(1,619)	(5,881)	(40,348)	(21,634)	-	(69,612)
Acquisition of subsidiaries	-	(154)	-	(1,373)	(4,060)	(1,488)	-	(7,075)
Disposals	-	-	-	-	5,155	279	-	5,434
Write offs	-	-	-	109	1,617	1,671	-	3,397
At 31 December	-	(284)	(1,684)	(10,291)	(243,675)	(141,982)	-	(397,916)
Net carrying amounts								
At 31 December 2011	45,857	55,519	22,916	39,029	240,075	134,594	95,153	633,143

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13. Property, plant and equipment (continued)

Certain freehold land and buildings stated at valuation were revalued by the directors on 31 December 2012 based on open market valuations carried out by an independent firm of professional valuers to reflect fair value. The book values of the freehold lands were adjusted to reflect the revaluation and the resultant surpluses were credited to revaluation reserve.

If the total amounts of the freehold land and buildings had been determined in accordance with the historical cost convention, they would have been included at:

	Group	
	2012	2011
	RM'000	RM'000
<u>Costs</u>		
Freehold land	23,153	21,623
Buildings	15,990	15,990
	39,143	37,613
<u>Accumulated depreciation</u>		
Buildings	(2,228)	(1,908)
Net carrying amounts	36,915	35,705

The additions and net book value of assets under hire purchase and finance leases are as follows:

	Group	
	2012	2011
	RM'000	RM'000
Assets under hire purchase and finance leases:		
- addition during the financial year (Note 32(i))	6,891	3,976
- net book value at the end of financial year	15,976	31,263
	15,976	31,263

The net book value of property, plant and equipment pledged for borrowing facility (Note 27) as at 31 December 2012 is RM4,366,000 (2011: RM10,293,000).

Borrowing costs of RMNil (2011: RM2,963,000), arising on financing specifically entered into for the construction of the hospital building, were capitalised during the financial year and included in additions of property, plant and equipment of the Group during the financial year.

14. Other assets

This represents expansion, refurbishment and renovation cost incurred in respect of the hospital building owned by Al-'Aqar Healthcare REIT. The said cost shall be reimbursed by Al-'Aqar Healthcare REIT upon completion of work.

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15. Investment properties

	Group	
	2012 RM'000	2011 RM'000
At fair value:		
At 1 January	26,223	24,810
Additions	25,697	-
Gain on fair value	1,198	1,413
At 31 December	53,118	26,223

The fair value of the properties was estimated at RM53,118,000 (2011: RM26,223,000) based on valuations by an independent professionally qualified valuers, using the comparison method of actual sales transactions in the particular area surrounding the property. Valuations were based on current prices in an active market for the respective properties.

16. Interest in subsidiaries

Interest in subsidiaries is made up as follows:

	Company	
	2012 RM'000	2011 RM'000
Unquoted shares, at cost	222,631	222,631
Loans to subsidiaries	654,898	647,383
	877,529	870,014

During the financial year, the Company has reclassified amounts due from subsidiaries amounting to RM7.5 million (2011: RM107.4 million) to interest in subsidiaries. This reclassification is in compliance with MFRS 139, "Financial Instruments: Recognition and Measurement" to reclassify balances when the intercompany advances are not of commercial nature, and are interest free with no fixed terms of repayment.

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16. Interest in subsidiaries (continued)

The following are subsidiaries of the Company:

Name of company	Country of incorporation	Effective equity interest		Principal activities
		2012 %	2011 %	
Johor Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Ipoh Specialist Hospital Sdn Bhd	Malaysia	98	98	Operating as a specialist hospital
Kumpulan Perubatan (Johor) Sdn Bhd	Malaysia	100	100	Investment holding, provision of management services, rental of equipment and health screening services through wellness program
Puteri Specialist Hospital (Johor) Sdn Bhd *	Malaysia	100	100	Operating as a specialist hospital
Tawakal Holdings Sdn Bhd	Malaysia	100	100	Investment holding
Point Zone (M) Sdn Bhd ~	Malaysia	100	100	Providing treasury management
Subsidiary of Johor Specialist Hospital Sdn Bhd				
Bandar Dato Onn Specialist Hospital Sdn Bhd (Formerly known as Renalcare Perubatan (M) Sdn Bhd)	Malaysia	100	100	To be operating as an international specialist hospital
Subsidiary of Tawakal Holdings Sdn Bhd				
Pusat Pakar Tawakal Sdn Bhd +	Malaysia	100	100	Operating as a specialist hospital

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16. Interest in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest		Principal activities
		2012 %	2011 %	
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd				
Bukit Mertajam Specialist Hospital Sdn Bhd	Malaysia	100	100	Dormant
Kota Kinabalu Specialist Hospital Sdn Bhd	Malaysia	97	97	Operating as a specialist hospital
Damansara Specialist Hospital Sdn Bhd ^	Malaysia	100	100	Operating as a specialist hospital
Kuantan Specialist Hospital Sdn Bhd	Malaysia	77	77	Operating as a specialist hospital
Perdana Specialist Hospital Sdn Bhd	Malaysia	61	61	Operating as a specialist hospital
Ampang Puteri Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Kuching Specialist Hospital Sdn Bhd	Malaysia	70	70	Operating as a specialist hospital
Selangor Specialist Hospital Sdn Bhd ~	Malaysia	60	60	Operating as a specialist hospital
Sentosa Medical Centre Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Seremban Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Kajang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital

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**KPJ Healthcare Berhad
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16. Interest in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest		Principal activities
		2012 %	2011 %	
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Taiping Medical Centre Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Pusat Pakar Kluang Utama Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Penang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Bandar Baru Klang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Sterile Services Sdn Bhd	Malaysia	65	65	Providing sterile services
Puteri Nursing College Sdn Bhd	Malaysia	100	100	Operating a private nursing college
Pharmaserv Alliances Sdn Bhd	Malaysia	100	100	Marketing and distribution of medical and pharmaceutical products
PT Khasanah Putera Jakarta Medika ~	Indonesia	75	75	Operating as a specialist hospital
PharmaCARE Sdn Bhd ~	Malaysia	100	100	Providing human resource, training services and rental of human resource information system
SMC Healthcare Sdn Bhd	Malaysia	100	51	Operating as a specialist hospital

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
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16. Interest in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest		Principal activities
		2012 %	2011 %	
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Sibu Medical Centre Corporation Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Sibu Geriatric Health & Nursing Centre Sdn Bhd	Malaysia	100	100	Providing aged care services
Jeta Gardens Waterford Trust ~	Australia	57	51	Providing retirement village and age care services
Diaper Technology Industries Sdn Bhd	Malaysia	94	94	Providing information technology related services and rental of software
Fabricare Laundry Sdn Bhd ~	Malaysia	100	100	Providing business of laundry services
Teraju Farma Sdn Bhd	Malaysia	75	75	Distribution of medical and pharmaceutical products
Maharani Specialist Hospital Sdn Bhd	Malaysia	100	100	To be operating as a specialist hospital
Perlis Specialist Hospital Sdn Bhd ~	Malaysia	100	100	Dormant
KPJ Education Services Sdn Bhd ~	Malaysia	100	100	Dormant
Freewell Sdn Bhd	Malaysia	80	80	Dormant
Bayan Baru Specialist Hospital Sdn Bhd	Malaysia	55	55	Dormant

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**KPJ Healthcare Berhad
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16. Interest in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest		Principal activities
		2012 %	2011 %	
Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)				
Pharmacare Surgical Technologies (M) Sdn Bhd	Malaysia	100	100	Dormant
Lablink (M) Sdn Bhd	Malaysia	100	100	Pathology and laboratory services
KPJ Medik TV Sdn Bhd ~	Malaysia	100	100	Dormant
Pasir Gudang Specialist Hospital Sdn Bhd	Malaysia	100	100	To be operating as a specialist hospital
Pahang Specialist Hospital Sdn Bhd ~	Malaysia	100	100	To be operating as a specialist hospital
Skop Yakin (M) Sdn Bhd ~	Malaysia	89	89	General merchandise
Healthcare IT Solutions Sdn Bhd ~	Malaysia	87	87	Providing healthcare information
Renal-Link Sentosa Sdn Bhd	Malaysia	100	100	Dormant
Sri Kota Refractive And Eye Centre Sdn Bhd ~	Malaysia	100	80	Providing medical profession and consultancy services
Advanced Health Care Solution Sdn Bhd ~	Malaysia	100	75	Providing healthcare information
Bima Galeksi Sdn Bhd ~	Malaysia	70	-	Dormant
Energy Excellent Sdn Bhd ~	Malaysia	100	-	Dormant

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16. Interest in subsidiaries (continued)

The following are subsidiaries of the Company (continued):

Name of company	Country of incorporation	Effective equity interest		Principal activities
		2012 %	2011 %	
Subsidiary of Selangor Specialist Hospital Sdn Bhd				
Hospital Pusrawi SMC Sdn Bhd ~	Malaysia	51	51	Operating as a specialist hospital
Subsidiary of PharmaCARE Sdn Bhd				
Open Access Sdn Bhd	Malaysia	100	100	Dormant
Subsidiaries of Pharmaserv Alliances Sdn Bhd				
Medical Supplies (Sarawak) Sdn Bhd	Malaysia	75	75	Distributor of pharmaceutical products
Malaysian Institute of Healthcare Management Sdn Bhd	Malaysia	75	75	Dormant
FP Marketing (S) Pte Ltd ~	Singapore	100	100	Import, export and distribution of pharmaceutical, medical and consumer healthcare products
Subsidiary of SMC Healthcare Sdn Bhd				
Amity Development Sdn Bhd	Malaysia	100	100	Dormant

* Direct equity holding by the Company is 84 % (2011: 84%).

+ Direct equity holding by the Company is 14 % (2011: 14%).

^ Direct equity holding by the Company is 10% (2011: 10%).

~ Audited by a firm other than Ernst & Young

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16. Interest in subsidiaries (continued)

(a) Acquisition of companies in 2012:

- (i) On 17th September 2012, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a wholly-owned subsidiary of the Company, acquired an additional 49% equity interest in SMC Healthcare Sdn Bhd ("SMCH") comprising 39,200,000 ordinary shares of RM1.00 each for an aggregate cash consideration of RM54,880,000. This has effectively increased the Group's interest in SMCH from 51% to 100%.
- (ii) On 17th August 2012, KPJSB subscribed for 250 ordinary shares of RM1.00 each in Advanced Health Care Solutions Sdn Bhd ("AHCS") for a cash consideration of RM1,000. This has effectively increased the Group's interest in AHCS from 75% to 100%.
- (iii) On 17th August 2012 and 30th November 2012, KPJSB, subscribed for 2 and 5 ordinary shares of RM1.00 each in Bima Galeksi Sdn Bhd and Energy Excellent Sdn Bhd respectively for a cash consideration of RM10.

The effects of the above acquisitions on the financial results have not been disclosed as it was not material to the Group.

(b) Acquisition of companies in 2011:

In the previous financial year, the Group completed its acquisition in new interests and increased its stake in several subsidiaries as follows:

	2011 RM'000
Subscription of right issue in subsidiaries (Note (b)(ii) and (b)(iii))	26,000
Acquisition of interests in newly acquired subsidiaries (Note (b)(i) and (b)(iv))	47,146
	<u>73,146</u>
Less: Cash and cash equivalents of subsidiaries acquired	(11,078)
Cash outflow of the Group on acquisition of subsidiaries	<u>62,068</u>

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**KPJ Healthcare Berhad
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(b) Acquisition of companies in 2011 (continued):

- (i) On 18 January 2011, KPJSB entered into a Share Sale Agreement for the acquisition of:
 - (i) 100% equity interest in Sibü Medical Centre Corporation Sdn Bhd ("SMCC") comprising 6,624,944 ordinary share of RM1.00 each for an aggregate purchase consideration of RM26,904,000.
 - (ii) 100% equity interest in Sibü Geriatric Health & Nursing Centre Sdn Bhd ("SGHNC") comprising 1,080,000 share for an aggregate purchase consideration of RM1,242,000.

The total purchase consideration paid for the above acquisition was RM28,146,000 and the acquisition was completed on 6 April 2011.

- (ii) On 14 March 2011, KPJSB subscribed for a further 6,999,998 in Pasir Gudang Specialist Hospital Sdn Bhd by capitalising RM6,999,998 advances made to the company.
- (iii) On 15 August 2011, KPJSB subscribed for a further 19,000,000 in Bandar Baru Klang Specialist Hospital Sdn Bhd by capitalising RM19,000,000 advances made to the company.
- (iv) On 9 February 2011, KPJSB acquired a 21% equity investment in Jeta Gardens Waterford Trust ("JGWT") at a purchase consideration of RM4,750,000 for cash. The balance of the equity investment in JGWT granted to KPJSB via a put and call option which is exercisable between 1 July 2011 until 30 November 2011 at an issue price of Australian Dollar (AUD)1.

On 29 November 2011, KPJSB exercised the Call Option to acquire 275,704 ordinary shares and 2,481,311 New A Class Convertible Notes of JGWT at AUD equivalent to RM14,250,000 at the exchange rate prevalent on the date of payment.

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16. Interest in subsidiaries (continued)

(c) Acquisition of companies in 2011 (continued):

The effect of the acquisitions on the financial results of the Group in the current financial year is as follows:

	2011 RM
Revenue	20,124
Operating costs	<u>(17,836)</u>
Profit before tax	2,081
Tax expense	<u>(172)</u>
Profit for the financial year	<u>1,909</u>

Had the acquisitions took effect at the beginning of the previous financial year, the revenue and profit of these companies attributable to the Group would have been RM53,226,000 and RM13,541,000 respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2011, together with the consequential tax effect.

A summary of the details of net assets acquired and cash flows arising from the acquisitions are as follows:

	Acquiree's carrying amounts RM'000	Fair value RM'000
Property, plant and equipment	20,713	20,713
Other investment	146	146
Interest in associates	23,902	23,902
Receivables, deposits and prepayments	5,034	5,034
Deposits, bank and cash balances	11,078	11,078
Payables	(34,953)	(34,953)
Tax recoverable	111	111
Bank borrowings	(9,660)	(9,660)
Deferred taxation	(738)	(738)
Fair value of net assets acquired	<u>15,633</u>	<u>15,633</u>
Goodwill on acquisition (Note 19)		31,513
Purchase consideration settled in cash		<u>47,146</u>
Less: Cash and cash equivalents of subsidiaries acquired		<u>(11,078)</u>
Cash outflow of the Group on acquisition		<u>36,068</u>

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17. Interest in associates

	Group	
	2012 RM'000	2011 RM'000
Quoted ordinary shares in Al-'Aqar Healthcare REIT, at cost	336,248	279,310
Additions	55,508	56,938
Disposal	(48,789)	-
	342,967	336,248
Group's share of post acquisition retained profits and reserves less losses	70,477	52,152
Unquoted ordinary shares, at cost	10,312	10,312
Additional	55,487	-
	479,243	398,712
Share of capital commitments for property, plant and equipment	5,254	47,799
Share of non-cancellable operating lease commitments	618,119	527,693
Market value of quoted ordinary shares in Al-'Aqar Healthcare REIT	455,754	396,370

The associates of the Group are as follows:

Name of company	Country of incorporation	Effective equity interest		Principal activities
		2012 %	2011 %	
Unit trusts				
Al-'Aqar Healthcare REIT ^	Malaysia	49	49	Real estate investment trust
Associates of KPJSB				
Kedah Medical Centre Sdn Bhd	Malaysia	46	46	Operating as a specialist hospital
Hospital Penawar Sdn Bhd	Malaysia	30	30	Operating as a specialist hospital

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17. Interest in associates (continued)

The associates of the Group are as follows (continued):

Name of company	Country of incorporation	Effective equity interest		Principal activities
		2012 %	2010 %	
Associates of KPJSB (continued)				
Healthcare Technical Services Sdn Bhd	Malaysia	30	30	Project management and engineering maintenance services for specialist hospital
Vejthani Public Company Limited *	Thailand	23	-	International specialist hospital

^ Listed on the Main Market of Bursa Malaysia Securities Berhad

* Audited by a firm other than Ernst & Young

The aggregate amount of revenue, profits, assets (excluding goodwill) and liabilities of the associates of the Group are as follows:

	Group	
	2012 RM'000	2011 RM'000
Revenue	389,122	200,955
Profit after tax	86,682	92,707
Non-current assets	1,655,354	1,409,445
Current assets	154,625	97,650
Current liabilities	(721,499)	(48,728)
Non-current liabilities	(142,513)	(687,671)
Net assets	945,967	770,696

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18. Available-for-sale financial assets

	Group	
	2012	2011
	RM'000	RM'000
At 1 January	3,074	3,447
Disposals	-	(373)
At 31 December	3,074	3,074
Analysed as follows:		
- listed equity securities in Malaysia	8	8
- unlisted equity securities in Malaysia	3,066	3,066

Available-for-sale financial assets are denominated in Ringgit Malaysia. None of these financial assets is impaired.

19. Intangible assets

2012

	Goodwill	Software development expenditure	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January 2012	167,830	-	167,830
Transfer from property, plant and equipment	-	12,033	12,033
Transfer (to)/from property, plant and equipment (i)	(2,599)	-	(2,599)
At 31 December 2012	165,231	12,033	177,264
Accumulated amortisation			
At 1 January 2012	-	-	-
Amortisation charge for the year	-	650	650
At 31 December 2012	-	650	650
Net carrying amount			
At 31 December 2012	165,231	11,383	176,614

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19. Intangible assets (continued)

2011

	Goodwill RM'000
Cost	
At 1 January 2011	136,317
Acquisitions of subsidiaries (Note 16)	31,513
At 31 December 2011	<u>167,830</u>
Net carrying amount	
At 31 December 2011	<u>167,830</u>

- (i) MFRS 3 Business Combinations requires that all identifiable assets and liabilities and contingent liabilities assumed in a business combination to be measured at their fair value at the acquisition date ("Purchase price allocation"). The purchase price allocation should be performed by the acquirer based on the fair value of the net assets acquired. MFRS 3 allows for such purchase price allocation to be performed by management and corresponding subsequent adjustments to be made within 12 months from the date of the acquisition. A summary of the acquisitions falling under the ambit of MFRS 3 is as follows:

	Acquisition date	Cost of acquisition RM' mil	Book value of net asset acquisition RM' mil	Fair value of net asset acquisition RM' mil	Impact to goodwill RM' mil
Sibu Geriatric Health & Nursing Sdn Bhd	4/6/2011	1.2	0.8	0.8	-
Sibu Medical Centre Sdn Bhd	4/6/2011	26.9	8.3	11.2 [^]	2.9
Jeta Gardens Waterford Trust	11/30/2011	19.0	11.3	11.3	-

[^] Arising from fair value of land and building

20. Impairment of assets

Impairment tests for goodwill

	Group	
	2012 RM'000	2011 RM'000
Hospitals		
- Malaysia	143,460	146,059
- Indonesia	1,060	1,060
Aged care facility	16,145	16,145
Support services	4,566	4,566
	<u>165,231</u>	<u>167,830</u>

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**KPJ Healthcare Berhad
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20. Impairment of assets (continued)

Recoverable amount based on value-in use

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the relevant CGUs.

The key assumptions used in value-in-use calculations are as follows:

	2012	2011
	%	%
Gross margin ¹	30	30
Growth rate ²	7	7
Discount rate ³	12	12
Terminal growth rate	5	5

Assumptions:

- 1 Budgeted gross margin
- 2 Weighted average growth rate used to extrapolate cash flows beyond the budget period
- 3 Pre-tax discount rate applied to the cash flow projections

The directors have determined budgeted gross margin based on past performance and expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

21. Deferred taxation

Deferred tax assets and liabilities were offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown on the statement of financial position:

	Group	
	2012	2011
	RM'000	RM'000
Deferred tax assets	15,601	14,962
Deferred tax liabilities		
- subject to income tax	(43,857)	(47,413)
At 31 December	<u>(28,256)</u>	<u>(32,451)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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21. Deferred taxation (continued)

The movement in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follows:

	Group	
	2012	2011
	RM'000	RM'000
At 1 January	(32,451)	(25,340)
(Charged)/credited to profit or loss (Note 10):		
- property, plant and equipment	4,747	(2,941)
- tax losses	(3,271)	(4,683)
- provisions	2,719	3,182
	4,195	(4,442)
Deferred tax arising from acquisition	-	(2,669)
At 31 December	<u>(28,256)</u>	<u>(32,451)</u>

Subject to income tax

Deferred tax assets (before offsetting)		
- tax losses	6,996	7,352
- property, plant and equipment	8,331	8,301
- provisions	10,196	10,159
	<u>25,523</u>	<u>25,812</u>
Offsetting	(9,922)	(10,850)
Deferred tax assets (after offsetting)	<u>15,601</u>	<u>14,962</u>
Deferred tax liabilities (before offsetting)		
- property, plant and equipment	(53,779)	(58,263)
Offsetting	9,922	10,850
Deferred tax liabilities (after offsetting)	<u>(43,857)</u>	<u>(47,413)</u>

The amounts of deductible temporary differences and unutilised tax losses (both of which have no expiry date) for which no deferred tax asset is recognised on the statement of financial position are as follows:

	Group	
	2012	2011
	RM'000	RM'000
Unutilised tax losses	<u>7,411</u>	<u>7,476</u>

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22. Inventories

	Group	
	2012	2011
	RM'000	RM'000
At cost:		
Pharmaceutical products	42,796	33,283
Medical supplies	11,608	9,637
Consumables and disposable items	2,501	3,302
Laboratory chemicals	495	446
Other supplies	152	398
	57,552	47,066

23. Receivables

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Non-current				
Advances to subsidiaries	-	-	-	56,302
Current				
Trade receivables	261,461	238,596	-	-
Less: Provision for impairment of trade receivables	(23,208)	(18,560)	-	-
Trade receivables - net	238,253	220,036	-	-
Amount due from former ultimate holding corporation	541	217	-	-
Amounts due from subsidiaries	-	-	111,053	56,613
Amounts due from associates	36	36	36	36
Other receivables	49,472	59,393	251	247
Deposits	23,900	19,794	38	21
Prepayments	12,825	5,160	244	476
Total current receivables	325,027	304,636	111,622	57,393
Total receivables	325,027	304,636	111,622	113,695
Add: Deposits, cash and bank balances (Note 24)	201,460	252,080	1,931	2,559
Less: Prepayments	(12,825)	(5,160)	(244)	(476)
Total loans and receivables	513,662	551,556	113,309	115,778

Advances given to subsidiaries amounting to RMNil million (2011: RM56.3 million) are unsecured, bearing effective weighted average interest rate of 3.70% (2011: 3.68%) per annum and shall be repaid within 7 years.

Credit terms of trade receivables range from 0 to 60 days (2011: 0 to 60 days).

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23. Receivables (continued)

As at 31 December 2012, trade receivables of RM152,089,000 (2011: 157,990,000) is neither past due nor impaired and RM86,164,000 (2011: 62,046,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2012	2011
	RM	RM
Neither past due nor impaired	152,089	157,990
1 to 30 days past due not impaired	28,587	17,395
31 to 60 days past due not impaired	16,893	12,783
61 to 90 days past due not impaired	9,691	13,339
91 to 120 days past due not impaired	7,576	5,103
More than 121 days past due not impaired	23,417	13,426
	86,164	62,046
Impaired	23,208	18,560
	<u>261,461</u>	<u>238,596</u>

As at 31 December 2012, trade receivables of RM23,208,000 (2011: 18,560,000) were impaired and provided for.

Movement in allowance accounts:

	Group	
	2012	2011
	RM'000	RM'000
At 1 January	18,560	17,503
Charge for the year	5,552	2,364
Appropriation to consultant	362	653
Written off	(1,142)	(1,643)
Reversal of impairment loss	(124)	(317)
At 31 December	<u>23,208</u>	<u>18,560</u>

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23. Receivables (continued)

The currency exposure profile of the receivables and deposits (excluding prepayments) are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Ringgit Malaysia	314,320	274,962	111,378	113,219
Singapore Dollar	2,815	3,847	-	-
Indonesian Rupiah	4,182	2,860	-	-
Australian Dollar	16,535	17,807	-	-
	<u>337,852</u>	<u>299,476</u>	<u>111,378</u>	<u>113,219</u>

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

24. Deposits, cash and bank balances

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits with licensed banks	71,588	83,988	-	-
Cash and bank balances	129,872	168,092	1,931	2,559
	<u>201,460</u>	<u>252,080</u>	<u>1,931</u>	<u>2,559</u>

Bank balances are deposits held at call with licensed banks and do not earn interest.

The fixed deposits of certain subsidiaries have been pledged to licensed banks for the following facilities:

	Group	
	2012 RM'000	2011 RM'000
Performance bonds to Tenaga Nasional Berhad	4,059	4,059
As a security for:		
- borrowing facilities	1,128	1,128
- performance guarantee of RM112,000 (2011: RM112,000)	112	112
	<u>5,299</u>	<u>5,299</u>

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24. Deposits, cash and bank balances (continued)

The weighted average interest rates of deposits with licensed banks of the Group during the financial year were 3.1% (2011: 2.76%) per annum.

The currency exposure profile of deposits, cash and bank balances as at end of the reporting period is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Ringgit Malaysia	186,066	225,925	1,931	2,559
Singapore Dollar	6,882	5,304	-	-
Indonesian Rupiah	497	259	-	-
Australian Dollar	8,015	20,592	-	-
	<u>201,460</u>	<u>252,080</u>	<u>1,931</u>	<u>2,559</u>

Deposits of the Group have an average maturity of 365 days (2011: 365 days).

25. Non-current assets held for sale

	Group	
	2012 RM'000	2011 RM'000
Hospitals land and buildings		
At 1 January	94,291	105,974
Additions	117	37,149
Reclassification from property, plant and equipment (Note 13)	1,896	117
Disposals	(94,291)	(48,949)
At 31 December	<u>2,013</u>	<u>94,291</u>

- (a) On 30 April 2010, the Group proposed to dispose its entire interest in Kluang Utama Specialist Hospital Building and Bandar Baru Klang Specialist Hospital Building to Al-'Aqar Healthcare REIT ("Al-'Aqar") for a proposed total sale consideration of RM96.50 million to be satisfied partly by cash consideration of RM40.99 million and RM55.51 by the issuance of 56.64 million new units in Al-'Aqar at an issue price of RM0.98 per unit to be credited as fully paid-up. The proposed disposal was approved by shareholders on 17 December 2010.

The proposed disposal of Kluang Utama Specialist Hospital Building was completed on 6 January 2012.

The proposed disposal of Bandar Baru Klang Specialist Hospital Building was completed on 26 June 2012.

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**KPJ Healthcare Berhad
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25. Non-current assets held for sale (continued)

- (b) On 8th August 2012, Puteri Specialist Hospital (Johor) Sdn Bhd ("PSH"), a subsidiary of the Company proposed to dispose two pieces of lands, both situated in the town of Johor Bahru, to 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 quarter of 2013.

26. Payables

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-current				
Advances from subsidiaries	-	-	174,282	434,644
	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current				
Trade payables	239,607	244,724	-	-
Other payables	41,910	38,840	26	17
Resident loans	42,480	44,748	-	-
Accruals	79,936	51,597	2,269	3,547
Amount due to former ultimate holding corporation	206	68	199	61
Amounts due to subsidiaries	-	-	184,492	87,895
Amounts due to former related companies	-	-	50	50
Total current payables	404,139	379,977	187,036	91,570
Total payables	404,139	379,977	361,318	526,214
Add: Borrowings (Note 27)	592,096	443,471	120,000	65,000
Add: Deposits (Note 29)	15,524	14,785	-	-
Total financial liabilities carried at amortised cost	1,011,759	838,233	481,318	591,214

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26. Payables (continued)

Advances given by subsidiaries amounting to RM174.3 million (2011: RM434.6 million) are unsecured, bearing effective weighted average interest rate of 3.70% (2011: 3.35%) per annum and shall be repaid within 7 years.

Amounts due to former ultimate holding corporation, subsidiaries and other related companies are unsecured, interest free and repayable on demand.

Credit terms of trade payables range from 30 to 60 days (2011: 30 to 60 days).

The currency exposure profile of payables is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Ringgit Malaysia	300,014	266,510	361,318	526,214
Singapore Dollar	12,523	5,095	-	-
Indonesian Rupiah	2,333	14,132	-	-
Australian Dollar	89,269	94,240	-	-
	404,139	379,977	361,318	526,214

27. Borrowings

	Group	
	2012 RM'000	2011 RM'000
Current		
Term loans (secured)	13,718	5,477
Revolving credits (unsecured)		
- Conventional	70,000	103,000
- Al-Amin	105,900	15,000
	175,900	118,000
Islamic facilities:		
- Hiwalah term loan (secured)	6,145	8,676
- Al-Ijarah	4,344	1,585
	10,489	10,261
Hire purchase and finance lease liabilities		
- Conventional	4,591	5,267
- Bai Al-Inah	883	845
	5,474	6,112
	205,581	139,850
Bank overdrafts (unsecured)	1,046	1,141
	206,627	140,991

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**KPJ Healthcare Berhad
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The borrowings are secured by:

- (a) fixed charge on certain landed properties of the Group (Note 13);
- (b) first fixed charge on certain assets of the Group by way of debenture;
- (c) letter of awareness, letter of comfort and letter of subordinates from Johor Corporation;
- (d) a negative pledge over some of the fixed and floating assets of the Group;
- (e) fixed first and floating charge over some movable and immovable assets of the Group; and
- (f) finance leases are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Islamic Commercial Papers/Islamic Medium Term Notes ("ICP/IMTN")

The ICP/IMTN is parked at Point Zone Sdn Bhd ("PZSB"), a special purpose vehicle incorporated to raise funds for the Group.

On 3 May 2011, the Company refinanced its existing Commercial Papers/Medium Term Notes ("CP/MTN") with the first issuance of ICP/IMTN up to RM500 million from RM250 million.

Salient features of the ICP/IMTN are as follows:

- (1) Total outstanding nominal value of ICPs and IMTNs (collectively known as "Notes") shall not exceed RM500 million.
- (2) The tenure of the Facility is up to 7 years from date of the first issuance of any Notes (3 May 2011) under the Facility.
- (3) ICP has a maturity of between 1,2,3,6 and 7 months and are mandatorily redeemed at nominal value upon maturity date. The ICP is issued at a discount to its value.
- (4) IMTN has a maturity of 1 year but not more than 7 years and on condition that the IMTN matures prior to the expiry of the tenure of the Facility. The IMTN shall be mandatorily redeemed at nominal value upon maturity date. The interest for the IMTN shall be payable semi-annually upon maturity of IMTN.
- (5) The ICP/IMTN Facility is issued on a clean basis and shall be fully repaid at the end of the tenure of the Facility.

As at 31 December 2012, the unutilised amount of ICP/IMTN amounted to RM151.0 million (2011: RM251.0 million).

The ICP/IMTN is pledged against the Group's investment in its associate, Al-'Aqar Healthcare REIT amounting to RM234,963,962 as security.

The ICP/IMTN Facility was secured by Memorandum of charge over designated account identified as Finance Service Reserve Account ("FSRA") and Corporate Guarantee Agreement was issued by the Company in favour of the appointed trustee.

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27. Borrowings (continued)**

	Functional currency/ currency/ exposure	Interest rate	Effective interest rate at the end of the period % per annum	Total amount carrying RM'000	Maturity profile					
					<1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	> 5 years RM'000
2012 Group										
Term loans (secured)	RM/RM	Floating	3.28	18,473	13,718	1,562	640	678	720	1,155
Islamic commercial papers (secured)	RM/RM	Floating	3.70	349,000	-	-	-	-	-	349,000
Revolving credits (unsecured)										
- Conventional	RM/RM	Floating	3.73	70,000	70,000	-	-	-	-	-
- Al-Amin	RM/RM	Floating	4.00	105,900	105,900	-	-	-	-	-
Islamic facilities:										
- Hiwalah term loan (secured)	RM/RM	Floating	6.32	17,450	6,145	885	625	653	682	8,460
- Al-Ijarah	RM/RM	Floating	2.95	16,932	4,344	4,591	3,286	3,152	1,559	-
Hire purchase and finance lease liabilities										
- Conventional	RM/RM	Floating	3.55	10,417	4,590	2,575	2,293	959	-	-
- Bai Al-Inah	RM/RM	Floating	2.72	2,878	883	936	935	124	-	-
Bank overdrafts (unsecured)	RM/RM	Floating	7.56	1,046	1,046	-	-	-	-	-
Company				592,096	206,626	10,549	7,779	5,566	2,961	358,615
Revolving credits (unsecured)										
- Conventional	RM/RM	Floating	3.75	70,000	70,000	-	-	-	-	-
- Al-Amin	RM/RM	Floating	4.30	50,000	50,000	-	-	-	-	-
				120,000	120,000	-	-	-	-	-

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27. Borrowings (continued)**

	Functional currency/exposure	Interest rate	Effective interest rate at the end of the period % per annum	Total carrying amount RM'000	Maturity profile						
					<1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	> 5 years RM'000	
2011											
Group											
Term loans (secured)	RM/RM	Floating	3.28	40,711	5,477	6,186	3,601	1,643	682	23,122	
Islamic commercial papers (secured)	RM/RM	Floating	3.70	249,000	-	-	-	-	-	249,000	
Revolving credits (unsecured)											
- Conventional	RM/RM	Floating	3.73	103,000	103,000	-	-	-	-	-	
- Al-Amin	RM/RM	Floating	4.00	15,000	15,000	-	-	-	-	-	
Islamic facilities:											
- Hiwalah term loan (secured)	RM/RM	Floating	6.32	14,538	8,676	5,608	254	-	-	-	
- Al-Ijarah	RM/RM	Floating	2.95	5,337	1,585	1,677	1,770	305	-	-	
Hire purchase and finance lease liabilities											
- Conventional	RM/RM	Floating	3.55	11,322	5,267	2,690	2,213	770	382	-	
- Bai Al-Inah	RM/RM	Floating	2.72	3,422	845	773	635	604	565	-	
Bank overdrafts (unsecured)	RM/RM	Floating	7.56	1,141	1,141	-	-	-	-	-	
Company				443,471	140,991	16,934	8,473	3,322	1,629	272,122	
Revolving credits (unsecured)											
- Conventional	RM/RM	Floating	3.75	50,000	50,000	-	-	-	-	-	
- Al-Amin	RM/RM	Floating	4.30	15,000	15,000	-	-	-	-	-	
				65,000	65,000	-	-	-	-	-	

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27. Borrowings (continued)

	Not later than 1 year RM'000	Later than 1 year and not later than 2 years RM'000	Later than 2 years and not later than 3 years RM'000	Later than 3 years and not later than 4 years RM'000	Later than 4 years and not later than 5 years RM'000	Total RM'000
Hire purchase and finance lease liabilities						
- Conventional	4,892	2,737	2,512	774	510	11,425
- Bai Al-Inah	1,025	1,029	958	126	-	3,138
	<u>5,917</u>	<u>3,766</u>	<u>3,470</u>	<u>900</u>	<u>510</u>	<u>14,563</u>

Less: Future finance charges

- Conventional	(1,008)
- Bai Al-Inah	(260)
	<u>(1,268)</u>
	<u>13,295</u>

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**KPJ Healthcare Berhad
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27. Borrowings (continued)

Group	Not later than 1 year RM'000	Later than 1 year and not later than 2 years RM'000	Later than 2 years and not later than 3 years RM'000	Later than 3 years and not later than 4 years RM'000	Later than 4 years and not later than 5 years RM'000	Total RM'000
Hire purchase and finance lease liabilities						
lease liabilities						
- Conventional	5,606	2,776	2,792	810	412	12,396
- Bai Al-Inah	1,057	980	658	623	582	3,900
	<u>6,663</u>	<u>3,756</u>	<u>3,450</u>	<u>1,433</u>	<u>994</u>	<u>16,296</u>

Less: Future finance charges

- Conventional	(1,074)
- Bai Al-Inah	(478)
	<u>(1,552)</u>
	<u>14,744</u>

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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28. Deferred revenue

	Group	
	2012	2011
	RM'000	RM'000
At 1 January	53,591	40,881
Additions	48,278	54,728
Earned during the financial year	(40,736)	(42,018)
At 31 December	<u>61,133</u>	<u>53,591</u>
Represented by:		
Fees received in advance		
- Students' fees	2,414	2,307
- Accommodation fees	658	693
KPJ Wellness Subscription Fees	<u>58,061</u>	<u>50,591</u>
	<u>61,133</u>	<u>53,591</u>

The Wellness Programme provides healthcare service packages ("packages") to the public under the allocated specialist hospital. The packages range from 5 years, 10 years and 18 years to individuals and couples. Subscription fees are recognised as revenue over the subscription period, however, they are classified as current liabilities as the subscription period is for a period of 12 months only. In order to carry on the packages, subscribers are required to pay renewal fees on a yearly basis up to the end of the subscription period.

29. Deposits

Long term deposits represent amounts received from consultants, which are repayable on death, retirement (at age 65) or disability of the consultants. Deposits are forfeited on termination of a consultant's practice either by the Group due to events of breach or on early termination by the consultant. However, the deposits may be refunded to the consultants if approval from the Board of Directors is obtained.

Long term deposits previously measured at cost, are now measured at fair value initially and subsequently at amortised costs using effective interest method. The differences between the fair value and cash value are recognised as deferred consultancy expenses and amortised using remaining service period to retirement (at age 65) of consultants. These amortisation expenses are charged to profit or loss.

	Group	
	2012	2011
	RM'000	RM'000
Represented by:		
Refundable practicing deposits	8,601	7,356
Deferred consultancy expenses	6,923	7,429
	<u>15,524</u>	<u>14,785</u>

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30. Share capital

	Group/Company	
	2012	2011
	RM'000	RM'000
Authorised ordinary shares of RM0.50 each		
At 1 January/31 December	500,000	500,000
Issued and fully paid ordinary shares of RM0.50 each		
At 1 January	292,492	279,954
Issued during the financial year:		
- exercise of share warrants	30,599	12,538
	<u>323,091</u>	<u>292,492</u>

(a) Treasury shares

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.

On 11 January 2013, the Company bought back from the open market 60,000 units of KPJ Healthcare Berhad shares, listed on the Main Market of Bursa Malaysia Securities Berhad, at an average buy-back price of RM5.66 per share.

(b) Share split, bonus issue and free warrants

On 15 January 2010, the Company has subdivided its existing 211,050,615 ordinary shares of RM1 each into 422,101,230 ordinary shares of RM0.50 each ("Share Split").

On the same date, the Company issued bonus shares of up to 105,525,308 new ordinary shares of RM0.50 each, which credited as fully paid up by the Company, on the basis of one (1) Bonus Shares for every four (4) shares held by the entitled share holders of the Company after the share split ("Bonus Issue").

On the same date, the Company issued up to 131,906,635 free warrants on the basis of one (1) free warrant for every four (4) shares held by the entitled shareholders of the Company after the Share Split and Bonus Issue.

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**KPJ Healthcare Berhad
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30. Share capital (continued)

(b) Share split, bonus issue and free warrants (continued)

The new shares issued arising from the Share Split, Bonus Issue and Free Warrants exercised shall upon issue and allotment, rank pari passu in all respects.

The warrants exercise period is five years commencing from the offer date. Warrant exercise price is 15% discount to the theoretical ex-all price based on five-day volume weighted-average market price up to and including 20 November 2009 ("price fixing date:").

Set out below are details of the free warrants issued by the Company:

Issuance date	Expiry date	Exercise price RM/share	Number of warrants 2010/2015		
			At 1.1.2012 '000	Exercised '000	At 31.12.2012 '000
15 January 2010	14 January 2015	1.70	74,549	(61,198)	13,351

Details relating to warrants exercised during the year are as follows:

Exercise date	Fair value of shares at share issue date RM/share	Exercise price RM/share	Number of shares issued	
			2012 '000	2011 '000
1 January 2012 to 31 December 2012	4.64 - 6.37	1.70	61,198	25,077

Details relating to warrants exercised during the year are as follows:

	Group/Company	
	2012 RM'000	2011 RM'000
Ordinary share capital - at par	30,599	12,538
Share premium	73,436	30,093
Proceeds from exercise of warrants	104,035	42,631
Fair value at exercise date of shares issued	336,889	105,570

The fair value of shares issued on the exercise of warrants is the mean market price at which the Company's shares were traded on the Main Market of Bursa Malaysia Securities Berhad on the day prior to the exercise of the warrants.

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31. Reserves

		Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-distributable reserves:					
Share premium	(a)	147,288	73,852	142,266	68,830
Merger reserve	(b)	(3,367)	(3,367)	-	-
Exchange reserve	(c)	(25)	(995)	-	-
Revaluation reserve	(d)	50,415	45,215	-	-
		194,311	114,705	142,266	68,830
Distributable reserve:					
Retained earnings	(e)	518,546	485,780	31,525	18,722
		712,857	600,485	173,791	87,552

- (a) This reserve comprise the premium paid on subscription of shares in the Company over and above the par value of the shares.
- (b) Merger deficit is the difference between the nominal value and share premium of ordinary shares issued by the Company as consideration and the nominal value of ordinary shares of subsidiaries acquired.
- (c) Exchange reserve is used to record exchange differences arising from the translation of financial statements of subsidiaries whose functional currency differs from the Group's presentation currency.
- (d) Revaluation reserve (non-distributable)

	Group	
	2012 RM'000	2011 RM'000
At 1 January	45,215	56,110
Transfer to retained earnings on disposal of property, plant and equipment to Al-'Aqar Healthcare REIT net of non-controlling interest	-	(12,007)
Revaluation surplus, net of tax	5,200	1,112
	5,200	(10,895)
At 31 December	50,415	45,215

The revaluation reserve includes surplus from the revaluation of the Group's land and buildings and unrealised revaluation reserves retained in the Group's interest in Al-'Aqar Healthcare REIT.

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**KPJ Healthcare Berhad
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- (e) Under the single-tier tax system which came into effect from the year of assessment 2009, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2012 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever if earlier unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2009. As at 31 December 2012, the Company has fully utilised its Section 108 balance.

32. Non-cash transactions

The principal non-cash transactions during the financial year are as follows:

- (i) The acquisition of property, plant and equipment of which RM6,891,000 (2011: RM3,976,000) is by means of hire purchase and finance lease.
- (iii) KPJSB disposed its entire interest in Kluang Utama Specialist Hospital Building and Bandar Baru Klang Specialist Hospital Building to Al-'Aqar Healthcare REIT for a total sale consideration of RM96.50 million which was satisfied partly by cash consideration of RM40.99 million and RM55.51 million by the issuance of 56.64 million new units in Al-'Aqar at an issue price of RM0.98 per unit credited as fully paid-up.

The disposal of Kluang Utama Specialist Hospital Building was completed on 6 January 2012.

The disposal of Bandar Baru Klang Specialist Hospital Building was completed on 26 June 2012.

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33. Significant related party disclosures

In addition to the related party disclosures elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms, conditions and prices obtainable in transactions with unrelated parties.

(a) Significant related party transactions

	Type of transactions	Company	
		2012 RM'000	2011 RM'000
Paid/payable to/ (received/receivable from) subsidiaries			
Ampang Puteri Specialist Hospital Sdn Bhd	Management fees	(2,905)	(2,812)
	Advances received/paid	(18,350)	19,750
	Interest expense	1,665	1,539
Damansara Specialist Hospital Sdn Bhd	Management fees	(2,561)	(2,484)
	Interest expense	1,085	983
	Advances received	(12,850)	(10,117)
	Dividend received (net)	(21,000)	(27,000)
Ipoh Specialist Hospital Sdn Bhd	Management fees	(3,336)	(3,032)
	Interest expense	1,651	1,525
Johor Specialist Hospital Sdn Bhd	Management fees	(3,050)	(2,917)
	Dividend received (net)	(21,273)	(26,076)
Kuching Specialist Hospital Sdn Bhd	Interest income	(20)	(344)
	Management fees	(1,014)	(702)
Kumpulan Perubatan (Johor) Sdn Bhd	Interest income	(2,129)	(1,828)
Kuantan Specialist Hospital Sdn Bhd	Management fees	(836)	(774)
	Interest expense	1,836	844
	Advances received	(26,802)	(15,131)
Pharmaserv Alliances Sdn Bhd	Management fees	(884)	(345)
	Interest income	(462)	(335)

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33. Significant related party disclosures (continued)

(a) Significant related party transactions (continued)

	Type of transactions	Company	
		2012 RM'000	2011 RM'000
Paid/payable to/ (received/receivable from) subsidiaries (continued)			
Puteri Nursing College Sdn Bhd	Management fees	(1,200)	(1,200)
Perdana Specialist Hospital Sdn Bhd	Interest income	(660)	(346)
	Management fees	1,123	(864)
Puteri Specialist Hospital (Johor) Sdn Bhd	Management fees	(2,089)	(1,981)
	Corporate Fees	(97)	(90)
Pusat Pakar Tawakal Sdn Bhd	Management fees	(2,243)	(2,008)
	Dividend received (net)	(640)	(191)
Penang Specialist Hospital Sdn Bhd	Management fees	(1,411)	(613)
	Expenses Recharged	(4)	(4)
	Repayment of Advances	960	-
Selangor Specialist Hospital Sdn Bhd	Management fees	(1,823)	(1,635)
	Interest expense	322	741
Sentosa Medical Centre Sdn Bhd	Management fees	(887)	(834)
	Advances Received	(6,200)	(4,100)
	Interest expense	690	628
Seremban Specialist Hospital Sdn Bhd	Management fees	(1,728)	(1,566)
SMC Healthcare Sdn Bhd	Management fees	(876)	(2,224)
Tawakal Holdings Sdn Bhd	Dividend received (net)	(3,688)	(1,584)
Kajang Specialist Hospital Sdn Bhd	Management fees	(1,292)	(1,133)

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33. Significant related party disclosures (continued)

(a) Significant related party transactions (continued)

	Type of transactions	Company	
		2012 RM'000	2011 RM'000
Paid/payable to/ (received/receivable from) subsidiaries (continued)			
Lablink (M) Sdn Bhd	Management fees	(150)	(150)
	Advances Received	(1,025)	(1,011)
	Dividend received (net)	(1,875)	(94)
Teraju Farma Sdn Bhd	Management fees	(120)	(120)
Taiping Medical Centre Sdn Bhd	Interest Expense	333	282
	Management fees	(233)	(203)
Pusat Pakar Kluang Utama Sdn Bhd	Management fees	(368)	(326)
	Advances Received	(3,629)	-
Point Zone (M) Sdn Bhd	Interest on borrowing	(9,671)	(6,095)
Type of transactions		Group	
		2012	2011
		RM'000	RM'000
Paid/payable to/ (received/receivable from) associate			
Al-'Aqar Healthcare REIT	Disposal of building	(96,500)	(50,270)
	Disposal of land	(3,590)	-
Paid/payable to/ (received/receivable from) a related party			
Jcorp Hotels and Resort Sdn Bhd	Purchase of service apartments	1,935	-
Johor Corporation	Acquisition of subsidiary	15,840	-
	Acquisition of land	45,000	-

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33. Significant related party disclosures (continued)

(a) Significant related party transactions (continued)

Management fees charged to subsidiaries are in respect of operational and administrative function of the subsidiaries which are performed by employees of the Company.

Information regarding outstanding balances arising from related party transactions as at the financial year end are disclosed in Note 23 and 26.

(b) Key management personnel compensation

	Group/Company	
	2012	2011
	RM'000	RM'000
Salaries, allowances and bonus	3,144	2,843
Contribution to defined contribution plan	680	317
	<u>3,824</u>	<u>3,160</u>

34. Non-cancellable operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2012	2011
	RM'000	RM'000
Represented by:		
Not later than 1 year	71,527	71,398
Later than 1 year but not later than 2 years	71,457	89,066
Later than 2 years but not later than 5 years	248,031	224,854
Later than 5 years	479,790	516,907
	<u>870,805</u>	<u>902,225</u>

The Group has entered into a contractual agreement with AmanahRaya Trustees Berhad (as Trustee for Al-'Aqar Healthcare REIT) and Damansara REIT Managers Sdn Bhd to lease the hospital land and buildings including certain equipment for a period of fifteen years, with an option to renew for another fifteen years subject to terms and conditions as stipulated in the agreement.

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**KPJ Healthcare Berhad
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Upon the adoption of MFRS 139, the financial guarantees provided to financiers for subsidiaries are no longer disclosed as contingent liabilities, but would instead be recorded as financial liabilities if considered likely to crystallise. The Company has assessed the financial guarantee contracts and concluded that the financial impact of the guarantees is not material.

36. Significant events**(a) Proposed Disposal by KPJSB**

On 30 April 2010, KPJSB proposed to dispose its entire interest in Kluang Utama Specialist Hospital Building and Bandar Baru Klang Specialist Hospital Building to Al-'Aqar Healthcare REIT ("Al-'Aqar") for a proposed total sale consideration of RM96.50 million to be satisfied partly by cash consideration of RM40.99 million and RM55.51 by the issuance of 56.64 million new units in Al-'Aqar at an issue price of RM0.98 per unit to be credited as fully paid-up. The proposed disposal was approved by shareholders on 17 December 2010.

The proposed disposal of Kluang Utama Specialist Hospital Building was completed on 6 January 2012.

The proposed disposal of Bandar Baru Klang Specialist Hospital Building was completed on 26 June 2012.

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

On 22nd June 2011, PSHSB, a wholly-owned subsidiary of 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 second (2nd) quarter of 2013.

(c) Proposed Acquisition of Land at Mukim of Klang District of Klang State of Selangor

On 11th November 2011, KPJSB entered into a Sale and Purchase agreement ("SPA") with Sazean Development Sdn Bhd to acquire four (4) plots of land with an aggregate area of approximately 1.8397 hectares for a total cash consideration of RM23,762,400 located at Mukim of Klang District of Klang State of Selangor.

The Proposed Acquisition was completed on 12 June 2012.

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**KPJ Healthcare Berhad
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- (d) Disposal of Redeemable Preference Shares in Intrapreneur Development Sdn Bhd.

References are made in relation to the Subscription Agreement entered into with Intrapreneur Development Sdn Bhd ("IDSB") for the proposed subscription of 100,000 Redeemable Preference Shares ("RPS") of RM0.01 each in IDSB at issue price of RM100 each.

As at to date, the Company has only subscribed and is the registered owner of 15,369 RPS with the total cost of the investment being RM1,536,900.

The Company had on 30th January 2012 entered into a Sale of Shares Agreement with Johor Corporation to dispose 15,369 RPS at the total sale consideration of RM1,536,900.

The proposed disposal has been completed on 7th March 2012.

- (e) Proposed Acquisition of 8 units of service apartments for a total purchase consideration of RM1,934,880.

On 8th February 2012, KPJSB entered into separate Sale and Purchase Agreements ("SPAs") with JCorp Hotels and Resorts Sdn Bhd to acquire eight (8) units of Service Apartments for a total purchase consideration of RM1,934,880. The purchase consideration for each one (1) unit of the Service Apartment is RM241,860.

The Service Apartments are part of the Berjaya Tioman Suites developed by Tioman Island Resort Bhd. The Berjaya Tioman Suites is located on a parcel of land at PN14711 Lot 5006, Bandar Tioman, Daerah Rompin, Pahang.

The proposed acquisition was completed on 8th February 2012.

- (f) Proposed Joint Venture between KPJSB and Naim Land Sdn Bhd

On 19th April 2012, KPJSB signed a Joint Venture Agreement ("JVA") with Naim Land Sdn Bhd ("NLSB") for the purpose of designing, developing, building, completing and owning a purpose-built hospital building and subsequently operating as a hospital at a land held under lot 3247 Block 11, Kuala Baram Land District, Miri, Sarawak measuring 4 acres, where NLSB is the registered owner of the Land.

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**KPJ Healthcare Berhad
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- (g) Proposed Acquisition by KPJSB of 80% equity interest in PT Khidmat Perawatan Jasa Medika ("PT KPJ Medika")

On 23rd March 2012, KPJSB 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 in relation to the Proposed Acquisition.

The proposed acquisition was completed on 7 March 2013.

- (h) Proposed Acquisition by KPJSB of 49% equity interest in SMC Healthcare Sdn Bhd ("SMCH")

On 1st August 2012, KPJSB proposed to acquire the balance of 49% equity interest in SMCH equivalent to 39,200,000 ordinary shares of RM1.00 each from Sabah Medical Centre Sdn Bhd for a total cash consideration of RM54,880,000.

The proposed acquisition was completed on 8th August 2012.

- (i) Proposed Acquisition by KPJSB of land at Mukim Tebrau, Johor Bahru.

On 16th May 2012, KPJSB 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, for a total cash consideration of RM45,000,000.

The proposed acquisition was completed on 14th December 2012.

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

On 1st June 2012, PASB, a wholly owned subsidiary of 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 was completed on 16th January 2013.

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**KPJ Healthcare Berhad
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- (k) Proposed Disposal by Puteri Specialist Hospital (Johor) Sdn Bhd ("PSH") of two (2) pieces of land

On 8th August 2012, PSH, a subsidiary of the Company, 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.

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

On 12th September 2012, ISH, a subsidiary of the Company, 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 second (2nd) quarter of 2013.

- (m) Proposed Acquisition by KPJSB of 23.37% equity interest in Vejthani Public Company Limited ("VPCL")

On 23rd November 2012, KPJSB proposed to acquire 23.37% equity interest in Vejthani Public Company Limited ("VPCL") equivalent to the total of 8,000,000 preference shares of THB10.00 each for a total cash consideration of THB605,615,991 equivalent to RM60,529,200.

The proposed acquisition was completed on 23rd November 2012.

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37. Capital commitments

Capital expenditure not provided for in the financial statements is as follows:

	Group	
	2012	2011
	RM'000	RM'000
Approved by the directors and contracted	163,475	188,031
Approved by the directors but not contracted	267,441	244,494
	430,916	432,525
Analysed as follows:		
- Leasehold land	5,700	10,431
- Buildings	253,314	301,372
- Medical equipment	24,199	29,628
- Other property, plant and equipment	147,703	91,094
	430,916	432,525

The Group's interest in capital commitments of the associates is disclosed in Note 17.

38. Fair value of financial instruments

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Receivables	23
Deposits, cash and bank balances	24
Payables	26
Borrowings	27
Deposits	29

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of long term receivables and payables, which comprise advances to or from subsidiaries, are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangement at the reporting date.

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**KPJ Healthcare Berhad
(Incorporated in Malaysia)****39. Financial risk management objectives and policies**

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises mainly from revenue made on deferred credit terms, trade and other receivables, cash and cash equivalents, and deposits with financial institutions. Risk arising from these are minimised through effective monitoring of receivable accounts that exceeded the stipulated credit terms. Credit limits are set and credit history is reviewed to minimise potential losses. The Group has no significant concentration of credit risk with any single customer.

The Group seeks to invest cash assets safely and profitability and buys insurance to protect itself against insurable risk. In this regard, counterparties are assessed for credit limits that are set to minimise any potential losses. The Group's cash and cash equivalents and short term deposits are placed with creditworthy financial institutions and the risks arising there from are minimised in view of the financial strength of these financial institution.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 23.

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39. Financial risk management objectives and policies (continued)**(a) Credit risk (continued)**Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 23. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 23.

Apart from those disclosed above, none of other financial assets is either past due or impaired.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

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39. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2012				
Group				
Payables	404,139	-	-	404,139
Borrowings	212,543	27,679	350,848	591,070
Deposits	2,273	5,812	8,743	16,828
Total undiscounted financial liabilities	618,955	33,491	359,591	1,012,037
Company				
Payables	187,036	60,763	113,519	361,318
Borrowings	120,000	-	-	120,000
Total undiscounted financial liabilities	307,036	60,763	113,519	481,318
2011				
Group				
Payables	379,977	-	-	379,977
Borrowings	142,048	52,615	250,548	445,211
Deposits	-	9,830	5,665	15,495
Total undiscounted financial liabilities	522,025	62,445	256,213	840,683
Company				
Payables	91,570	152,942	281,702	526,214
Borrowings	65,000	-	-	65,000
Total undiscounted financial liabilities	156,570	152,942	281,702	591,214

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**KPJ Healthcare Berhad
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Interest rate risk is the risk that the fair value of future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM471,571 (2011: RM249,215) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in interest rate for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has three subsidiaries abroad; a hospital in Jakarta, Indonesia, an aged care facility in Queensland, Australia and a pharmaceutical distributor in Singapore. The Group does not face significant exposure from currency risk as these subsidiaries operate independently; pharmaceutical drugs and medical supplies are supplied from and distributed in the country these subsidiaries operate. Hence, transactions involving foreign currency are minimal and risks are limited to the translation of foreign currency functional financial statement to that of the presentation currency.

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40. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is total borrowings divided by shareholders' funds.

The Group's gearing ratios as at 31 December 2012 and 31 December 2011 were as follows:

	Group	
	2012	2011
	RM'000	RM'000
Current borrowings	206,627	140,991
Non-current borrowings	385,469	302,480
Total	592,096	443,471
Shareholders' funds	1,035,925	892,954
Gearing ratio	0.57	0.50

41. Comparative

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation.

42. Segmental reporting

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

The Group principally operates in one main business segment namely the operating of specialist hospitals. Support services of the Group mainly comprise provision of management services and pathology and laboratory services, marketing and distribution of pharmaceutical, medical and surgical products and operating a private nursing college.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)**

42. Segmental reporting (continued)

	Hospitals				Aged care facility Australia	Support services/ Others	Group
	Malaysia	Indonesia	Thailand	Total			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012							
Revenue							
Total segment revenue	1,872,496	22,134	-	1,894,630	30,783	689,578	2,614,991
Inter-segment revenue	-	-	-	-	-	(518,894)	(518,894)
Revenue from external customers	1,872,496	22,134	-	1,894,630	30,783	170,684	2,096,097
Results							
Adjusted EBITDA*	260,634	(6,869)	-	253,765	(4,352)	12,234	261,647
Depreciation and amortisation	(69,215)	(2,360)	-	(71,575)	-	(6,971)	(78,546)
Finance cost	(13,337)	(550)	-	(13,887)	(654)	(9,062)	(23,603)
Associates							
- share of results	4,812	-	179	4,991	-	32,406	37,397
Profit before zakat and tax	182,894	(9,779)	179	173,294	(5,006)	28,607	196,895
Zakat	(1,275)	-	-	(1,275)	-	(45)	(1,320)
Income tax expense	(40,428)	-	-	(40,428)	-	(8,353)	(48,781)
Profit net of tax	141,191	(9,779)	179	131,591	(5,006)	20,209	146,794
Total assets	1,772,139	20,861	-	1,793,000	111,678	345,100	2,249,778
Total assets includes:							
Investment in associates	350,027	-	55,666	405,693	49,160	24,390	479,243
Total liabilities	383,759	8,124	-	391,883	96,739	657,703	1,146,325

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
(Incorporated in Malaysia)**

42. Segmental reporting (continued)

2011	←----- Hospitals -----→			Aged care facility Australia RM'000	Support services RM'000	Group RM'000
	Malaysia RM'000	Indonesia RM'000	Total RM'000			
Revenue						
Total segment revenue	1,718,453	11,541	1,729,994	6,609	636,028	2,372,631
Inter-segment revenue	-	-	-	-	(463,638)	(463,638)
Revenue from external customers	1,718,453	11,541	1,729,994	6,609	172,390	1,908,993
Results						
Adjusted EBITDA*	232,835	(7,334)	225,501	948	12,623	239,072
Depreciation and amortisation	(60,459)	(2,362)	(62,821)	(50)	(6,741)	(69,612)
Finance cost	(10,605)	(652)	(11,257)	(1,139)	(7,292)	(19,688)
Associates						
- share of results	3,960	-	3,960	-	50,865	54,825
Profit before zakat and tax	165,731	(10,348)	155,383	(241)	49,455	204,597
Zakat	(1,275)	-	(1,275)	-	(25)	(1,300)
Income tax expense	(46,200)	-	(46,200)	-	(2,838)	(49,038)
Profit net of tax	118,256	(10,348)	107,908	(241)	46,592	154,259
Total assets	1,604,084	22,951	1,627,035	126,546	205,683	1,959,264
Total assets includes:						
Investment in associates	313,107	-	313,107	65,368	20,237	398,712
Total liabilities	358,158	9,877	368,035	120,097	474,280	962,412

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**KPJ Healthcare Berhad
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43. Supplementary information disclosed pursuant to Bursa Malaysia Securities Berhad listing requirement

The following analysis of realised and unrealised retained earnings is prepared pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profit or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	Group	
	As at 2012 RM'000	As at 2011 RM'000
Total retained earnings of KPJ Healthcare Berhad and its subsidiaries:		
- Realised	564,638	532,743
- Unrealised	(26,808)	(30,789)
	537,830	501,954
Total share of retained earnings from associates:		
- Realised	71,226	52,946
- Unrealised	(1,125)	(882)
	607,931	554,018
Less: Consolidation adjustments	(89,385)	(68,238)
Total Group retained earnings	518,546	485,780

The disclosure of realised and unrealised earnings above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

The total retained earnings of the Company as at 31 December 2012 amounting to RM9,520,000 (31 December 2011: RM18,722,000) is fully realised.

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORTS
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

The Directors of KPJ Healthcare Berhad are pleased to announce the financial results for the Group for the three months ended 30 September 2013.

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 2012 and the accompanying explanatory notes attached to this report.

**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		<u>3 months ended</u>		<u>9 months ended</u>	
		<u>30.09.2013</u>	<u>30.09.2012</u>	<u>30.09.2013</u>	<u>30.09.2012</u>
		RM'000	RM'000	RM'000	RM'000
Revenue		565,183	530,578	1,697,932	1,585,489
Cost of sales		(401,488)	(370,806)	(1,180,779)	(1,110,384)
Gross profit		163,695	159,772	517,153	475,105
Administration expenses		(143,151)	(119,023)	(441,950)	(348,397)
Other income		7,114	4,961	18,433	14,572
Other operating expenses		(434)	(988)	(1,651)	(2,164)
Operating profit		27,224	44,722	91,985	139,116
Finance Income		3,216	2,706	8,691	6,825
Finance cost		(9,476)	(8,551)	(23,956)	(21,139)
Finance costs – net		(6,260)	(5,845)	(15,265)	(14,314)
Associates					
- share of results		7,623	9,031	25,021	25,735
Profit before zakat and tax	B1	28,587	47,908	101,741	150,537
Zakat		(330)	(330)	(990)	(990)
Income tax expense	B5	(6,861)	(10,745)	(24,418)	(35,376)
Profit net of tax		21,396	36,833	76,333	114,171
Other comprehensive income		99	(142)	1,163	(83)
Total comprehensive income for the period		21,495	36,691	77,496	114,088

**UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-
MONTH FPE 30 SEPTEMBER 2013 (Cont'd)**

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		<u>3 months ended</u>		<u>9 months ended</u>	
		<u>30.09.2013</u>	<u>30.09.2012</u>	<u>30.09.2013</u>	<u>30.09.2012</u>
		RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Equity holders of the Company		19,415	33,369	69,802	101,504
Minority interest		1,981	3,464	6,531	12,667
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net profit attributable to shareholders		<u>21,396</u>	<u>36,833</u>	<u>76,333</u>	<u>114,171</u>
Total comprehensive income attributable to:					
Equity holders of the Company		19,514	33,227	70,965	101,421
Minority interest		1,981	3,464	6,531	12,667
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net profit attributable to shareholders		<u>21,495</u>	<u>36,691</u>	<u>77,496</u>	<u>114,088</u>
Dividend per share (sen)	A7	<u>2.00</u>	<u>2.50</u>	<u>8.00</u>	<u>9.70</u>
Earnings per share (sen)	B11				
- Basic					
- at par value RM0.50		3.28	5.59	11.81	17.38
- Diluted					
- at par value RM0.50		<u>2.85</u>	<u>4.90</u>	<u>10.32</u>	<u>15.30</u>

**UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-
MONTH FPE 30 SEPTEMBER 2013 (Cont'd)**

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013**

	<u>Note</u>	<u>30.09.2013</u>	<u>Audited</u> <u>31.12.2012</u>
ASSETS		RM'000	RM'000
Non-current assets			
Property, plant and equipment	A9	1,143,577	909,355
Other Assets		20,777	15,680
Investment properties		53,118	53,118
Interest in associates		489,063	479,243
Available-for-sale financial assets		3,074	3,074
Intangible assets		209,229	176,614
Deferred tax assets		17,004	15,601
		<u>1,935,842</u>	<u>1,652,685</u>
Current assets			
Inventories		51,241	57,552
Receivables, deposits and prepayments		381,230	325,027
Tax refund receivable		9,073	11,041
Deposit, cash and bank balances		235,662	201,460
		<u>677,206</u>	<u>595,080</u>
Non-current assets held for sale		2,013	2,013
		<u>679,219</u>	<u>597,093</u>
Total assets		<u>2,615,061</u>	<u>2,249,778</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	A6	327,139	323,091
Reserves		741,379	712,857
		<u>1,068,518</u>	<u>1,035,948</u>
Less: Treasury Shares		(364)	(23)
Total equity attributable to shareholders of the Company		<u>1,068,154</u>	<u>1,035,925</u>
Minority interest		74,059	67,528
Total equity		<u>1,142,213</u>	<u>1,103,453</u>
LIABILITIES			
Non-current liabilities			
Borrowings	B7	613,878	385,469
Deposits		17,173	15,524
Deferred tax liabilities		44,543	43,857
		<u>675,594</u>	<u>444,850</u>

**UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-
MONTH FPE 30 SEPTEMBER 2013 (Cont'd)**

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013**

	<u>30.09.2013</u>	<u>Audited</u>
	RM'000	31.12.2012 RM'000
Current liabilities		
Payables	363,803	404,139
Borrowings	B7	
- bank overdrafts	2,568	1,046
- others	349,119	205,581
Current tax liabilities	8,624	13,422
Deferred revenue	60,056	61,133
Dividend Payable	13,084	16,154
	<u>797,254</u>	<u>701,475</u>
Total liabilities	<u>1,472,848</u>	<u>1,146,325</u>
Total equity and liabilities	<u>2,615,061</u>	<u>2,249,778</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)		
- at par value RM0.50	1.75	1.71

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

KPJ HEALTHCARE BERHAD
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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	Attributable to shareholders of the Company										
	Issued and fully paid ordinary shares		Non-distributable				Distributable				Total equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Treasury shares RM'000	Merger reserve RM'000	Exchange reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Minority Interest RM'000	
At 1 January 2013	646,182	323,091	147,288	(23)	(3,367)	(25)	50,415	518,546	1,035,925	67,528	1,103,453
Total comprehensive income for the period	0	0	0	0	0	1,163	0	69,802	70,965	6,531	77,496
Issue of shares:	8,096	4,048	9,715	0	0	0	0	0	13,763	0	13,763
- exercise of share warrants	0	0	0	(341)	0	0	0	0	(341)	0	(341)
- shares bought back											
Dividend in respect of the financial year ended:											
31 December 2012	0	0	0	0	0	0	0	(26,014)	(26,014)	0	(26,014)
- 4th Interim											
31 December 2013	0	0	0	0	0	0	0	(13,060)	(13,060)	0	(13,060)
- 1st Interim	0	0	0	0	0	0	0	(13,084)	(13,084)	0	(13,084)
- 2nd Interim											
At 30 September 2013	654,278	327,139	157,003	(364)	(3,367)	1,138	50,415	536,190	1,068,154	74,059	1,142,213

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

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

**UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-
MONTH FPE 30 SEPTEMBER 2013 (Cont'd)**

KPJ HEALTHCARE BERHAD
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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	9 months ended	
	<u>30.09.2013</u>	<u>30.09.2012</u>
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit for the financial year attributable to equity holders of the Company	69,802	101,504
Adjustments for:		
Zakat	990	990
Taxation	24,418	35,376
Minority interest	6,531	12,667
Associated companies	(26,391)	(25,735)
Finance income	(8,691)	(6,825)
Finance costs	23,956	21,139
Allowance for doubtful debts	5,768	5,557
Property, plant and equipment		
- depreciation	68,724	57,126
- loss on disposals	0	431
Gain on disposal of shares in an associate	(2,993)	0
Operating profit before changes in working capital	<u>162,114</u>	<u>202,230</u>
Changes in working capital:		
Inventories	6,311	5,248
Receivables	(55,856)	(40,660)
Payables	(82,958)	(36,464)
Related companies	(545)	2,585
Cash from operations	<u>29,066</u>	<u>132,939</u>
Long term deposit	1,649	933
Interest paid	(23,956)	(21,139)
Income tax paid	(27,810)	(14,257)
Net cash (used in)/generated from operating activities	<u>(21,051)</u>	<u>98,476</u>

**UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-
MONTH FPE 30 SEPTEMBER 2013 (Cont'd)**

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013 (CONTINUED)**

	9 months ended	
	<u>30.09.2013</u>	<u>30.09.2012</u>
	RM'000	RM'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(233,769)	(133,729)
Acquisition of subsidiary company	(70,355)	32,942
Additional investment in subsidiary company	(6,833)	(36,710)
Proceeds from disposal of shares in an associate	18,689	0
Net cash used in investing activities	<u>(292,268)</u>	<u>(137,497)</u>
FINANCING ACTIVITIES		
Issuance of shares		
- exercise of share warrants	13,763	91,841
Interest received	8,691	6,825
Bank borrowings		
- drawdown	428,027	15,829
- repayment	(54,553)	(28,211)
Dividend paid to shareholders	(55,228)	(59,077)
Net cash from financing activities	<u>340,700</u>	<u>27,207</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	27,381	(11,814)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	200,414	252,080
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>227,795</u>	<u>240,266</u>
DEPOSITS, CASH AND BANK BALANCES		
Deposits with licensed banks	48,180	18,016
Cash and bank balances	187,482	229,126
Bank overdraft	(2,568)	(1,577)
	<u>233,094</u>	<u>245,565</u>
less: Deposits pledged with licensed banks	(5,299)	(5,299)
CASH AND CASH EQUIVALENTS	<u>227,795</u>	<u>240,266</u>

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

A1 BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in compliance with MFRS 134: Interim Financial Reporting.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.

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 2012 except for the newly-issued Malaysian Accounting Standards Board approved accounting framework - Malaysian Financial Reporting Standards ("MFRS"), Amendments to standards and IC Interpretations ("IC Int.") to be applied by all Entities Other Than Private Entities for the:

Financial periods beginning on or after 1 July 2012

Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
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Financial periods beginning on or after 1 January 2013

Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 10	Consolidation Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 13	Fair Value Measurements
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 127	Consolidated and Separate Financial Statements (IAS27 as revised by IASB in December 2003)
Amendments to IC Int 2	Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standard- Government Loans
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements: Transaction Guidance
Amendments to MFRS 11	Joint Arrangements: Transition
Amendments to MFRS 12	Disclosure of Interest in Other Entities: Transition Guidance

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

A1 BASIS OF PREPARATION (CONTINUED)

Financial periods beginning on or after 1 January 2014

Amendments to Offsetting Financial Assets and Financial Liabilities
MFRS 132

Amendments to Investment Entities
MFRS 10, MFRS 12
and MFRS 127

Financial periods beginning on or after 1 January 2015

Amendments to Financial Instruments
MFRS 9

The adoption of the above did not have any significant effects on the interim financial report upon their initial application.

A2 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

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

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 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 except as stated in note B9.

A5 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.

A6 DEBT AND EQUITY SECURITIES

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

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>30.09.2013</u>	<u>30.09.2013</u>
	Number of shares ('000)	RM'000
<u>Ordinary shares of RM0.50 each</u>		
At start of the financial period	646,182	323,091
Issued during the financial period		
- exercise of Free Warrants (1 free warrant for every 4 shares)	8,096	4,048
	<u> </u>	<u> </u>
At end of financial period	<u>654,278</u>	<u>327,139</u>

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

KPJ HEALTHCARE BERHAD
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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

A6 DEBT AND EQUITY SECURITIES (CONTINUED)

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.

On 11 January 2013, the Company bought back from the open market 60,000 unit of KPJ Healthcare Berhad shares, listed on the Main Market of Bursa Malaysia Securities Berhad, at an average buy-back price of RM5.66 per share.

The total consideration paid for share buy-back, including transaction costs, was RM340,722 and was financed by internally generated fund. The shares purchased were retained as treasury shares.

A7 DIVIDEND PAID

The Directors declared 2nd interim single tier dividend of 2.00 cents per share on 654,207,861 ordinary shares amounting to RM13,084,157. The dividend was fully paid on 18 October 2013.

A8 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.

30 September 2013

	HOSPITALS			AGED CARE FACILITY	SUPPORT SERVICES	GROUP
	Malaysia (RM'000)	Indonesia (RM'000)	Thailand (RM'000)	Australia (RM'000)	(RM'000)	(RM'000)
Revenue	1,502,812	28,530	0	27,578	432,980	1,991,900
Intersegment revenue	0	0	0	0	(293,968)	(293,968)
External revenue	1,502,812	28,530	0	27,578	139,012	1,697,932
Profit/(loss) for the period	122,550	(5,118)	1,729	3,123	(20,543)	101,741

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

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**A NOTES TO THE INTERIM FINANCIAL REPORT
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A8 SEGMENT REPORTING (CONTINUED)

30 September 2012

	HOSPITALS			AGED CARE FACILITY	SUPPORT SERVICES	GROUP
	Malaysia (RM'000)	Indonesia (RM'000)	Thailand (RM'000)	Australia (RM'000)	(RM'000)	(RM'000)
Revenue	1,436,278	16,320	0	20,376	393,826	1,866,800
Intersegment revenue	0	0	0	0	(281,311)	(281,311)
External revenue	<u>1,436,278</u>	<u>16,320</u>	<u>0</u>	<u>20,376</u>	<u>112,515</u>	<u>1,585,489</u>
Profit/(loss) for the period	138,283	(8,124)	0	(5,518)	25,896	150,537

A9 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.

A10 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the financial period ended 30 September 2013 that has not been reflected in the interim financial reports, except as stated in note B6.

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

KPJ HEALTHCARE BERHAD
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**A NOTES TO THE INTERIM FINANCIAL REPORT
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A11 CHANGES IN THE COMPOSITION OF THE GROUP

- 1) On 17th April 2013, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), a subsidiary of KPJ Healthcare Bhd ("KPJHB"), had entered into a Sale and Purchase Agreement ("SPA") with the shareholders of Rawang Specialist Hospital Sdn Bhd ("RSHSB") for the acquisition of one hundred percent (100%) equity interest in RSHSB comprising of 30,000,000 ordinary shares of RM1.00 each for a total cash consideration of RM50,630,164.00. Upon the completion of the Proposed Acquisition, RSHSB will be a wholly-owned subsidiary of KPJSB.

The acquisition was completed on 18th July 2013.

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 2012 except as stated in note B9.

A13 CAPITAL COMMITMENT

Capital expenditures not provided for in the interim financial report as at 30 September 2013 are as follows:

	RM'000
Approved and contracted	128,258
Approved but not contracted	169,982
	<u>298,240</u>
Analysed as follows:	
Leasehold land	7,100
Building	148,787
Medical equipment	69,073
Other property, plant and equipment	53,308
Renovation	19,972
	<u>298,240</u>

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

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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 2013

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

The profit before taxation for the current quarter of RM28.6 million is 40% decreased from corresponding quarter in 2012 of RM47.9 million, due to the losses contributed by the 3 newly open hospitals in the group which are currently going through their gestation period i.e. KPJ Bandar Baru Klang, KPJ Pasir Gudang and PT Khasanah Putera Jakarta Medica.

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

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

The Group recorded revenue of RM1,697.9 million for 9 months ended 30 September 2013 with an increase of 7% from RM1,585.5 million as reported for 2012. The higher revenue for the period is mainly due to the increase in revenue of the existing hospitals and newly open hospitals in the group.

Malaysia

The Malaysian segment revenue for 9 months ended 30 September 2013 has increased by 5% to RM1,502.8 million compared with RM1,436.3 million as reported in 2012. The higher revenue reported is due to the increase in revenue of the existing hospitals and newly open hospitals in the group.

Indonesia

The Indonesian segment revenue of RM28.5 million for 9 months ended 30 September 2013 is 75% higher than the revenue reported in 2012 of RM16.3 million. The increase in revenue from this segment is due to the revenue contributed by PT Khidmat Perawatan Jasa Medika in current quarter.

Aged Care Facility

The Aged Care Facility segment revenue for 9 months ended 30 September 2013 is RM27.6 million, 35% higher than the revenue reported in 2012 of RM20.4 million due to higher occupancy, increase resident acuity due to progression in care needs, new treatment initiatives attracting higher clinical assessments and sale of three new villas amounting to RM4.8 million.

Support Services

The revenue from Support Services segment of RM433.0 million for 9 months ended 30 September 2013 is 10% higher, compared with revenue from the same period in 2012 of RM393.8 million. Marketing and distribution of pharmaceutical, medical and surgical products and pathology and also from the laboratory services contributed to the revenue growth of this segment, which has increased in line with the increase in revenue of the hospitals within the Group.

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

The Group recorded revenue of RM565.2 million for 3 months ended 30 September 2013 with an increase of 7% from RM530.6 million as reported for 2012. The higher revenue for the period is mainly due to the increase in revenue of the existing hospitals and newly open hospitals in the group.

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

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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 2013

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

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

Malaysia

The Malaysian segment revenue for 3 months ended 30 September 2013 has increased by 4% to RM490.7 million compared with RM470.5 million as reported in 2012. The higher revenue reported is due to the increase in revenue of the existing hospitals and newly open hospitals in the group.

Indonesia

The Indonesian segment revenue of RM10.8 million for 3 months ended 30 September 2013 is 80% higher than the revenue reported in 2012 of RM6.0 million. The increase in revenue from this segment is due to the revenue contributed by PT Khidmat Perawatan Jasa Medika in current quarter of RM2.2 million compared with nil for the same period in 2012.

Aged Care Facility

The Aged Care Facility segment revenue for 3 months ended 30 September 2013 is RM9.6 million, 33% higher than the revenue reported in 2012 of RM7.2 million due to sale of three new villas during the current quarter amounting to RM4.8 million.

Support Services

The revenue from Support Services segment of RM145.7 million for 3 months ended 30 September 2013 is slightly lower by 3% due to slight decrease in the revenue of pharmaceutical, medical and surgical products, compared with revenue from the same period in 2012 of RM149.8 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 RM28.6 million decreased by 24.7% as compared to the preceding quarter of RM38.0 million. The decrease in the net profit before tax is as elaborated in Note B1.

B3 CURRENT YEAR PROSPECTS

The healthcare industry is expected to enjoy continued growth in this current year. The drivers are mainly from population growth, rapid ageing, the rising of middle income and health tourism.

The Group will continue to strengthen its presence in Malaysia and Asia by continually building its capacity through the expansion of existing hospitals as well as building new hospitals. In April 2013, KPJ Pasir Gudang Specialist Hospital started its operations. The remaining hospitals that are under construction are KPJ Sabah Specialist Hospital, Maharani Specialist Hospital and KPJ Rawang Specialist Hospital.

The expansion of existing hospitals will have a positive impact to the Group results for 2013, however this will be moderated by the new greenfield hospitals where each of this hospital will have an average gestation period between three to five years.

**UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-
MONTH FPE 30 SEPTEMBER 2013 (Cont'd)**

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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING
REQUIREMENTS
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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

	3 months ended		9 months ended	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	RM'000	RM'000	RM'000	RM'000
Taxation	6,861	10,745	24,418	35,376

The effective tax rate of the Group for the period ended 30 September 2013 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 of 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 with 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:

	Number of shares '000
Issued on 15.01.2010	131,907
Exercised in Financial Year Ended 2010	(32,281)
Balance not exercised as at 01.01.2011	99,626
Exercised in Financial Year Ended 2011	(25,077)
Balance not exercised as at 01.01.2012	74,549
Exercised in Financial Year Ended 2012	(61,197)
Balance not exercised as at 01.01.2013	13,352
Exercised in Current Period	(8,096)
Balance not exercised as at 30.09.2013	5,256

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

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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 2013

B6 STATUS OF CORPORATE PROPOSALS (CONTINUED)

- b) 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 third (3rd) quarter of 2014.

- c) Proposed Acquisition by Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") of 100% equity interest in Rawang Specialist Hospital Sdn Bhd ("RSHSB")

On 17th April 2013, KPJSB, a subsidiary of KPJ Healthcare Bhd ("KPJHB"), has entered into a Sale and Purchase Agreement ("SPA") with the shareholders of RSHSB for the acquisition of one hundred percent (100%) equity interest in RSHSB comprising of 30,000,000 ordinary shares of RM1.00 each for a total cash consideration of RM50,630,164.00. Upon the completion of the Proposed Acquisition, RSHSB will be a wholly-owned subsidiary of KPJSB.

The proposed acquisition was completed on 18th July 2013.

- d) Proposed Combination of New Issue of Securities KPJ Healthcare Berhad ("KPJHB")

On 29th July 2013, Board of Directors of KPJHB wishes to announce that the Company proposes to undertake the following:-

- i. Admission to the Official List and the listing of and quotation for up to 87,937,732 New Warrants to be issued pursuant to the Proposed Rights Issue;
- ii. Listing of and quotation for up to 329,766,497 Bonus Shares to be issued pursuant to the Proposed Bonus Issue;
- iii. Listing of and quotation for up to 43,968,866 Rights Shares to be issued pursuant to the Proposed Rights Issue;
- iv. Listing of and quotation for up to 2,885,736 Additional Warrants to be issued pursuant to the adjustment made in accordance with the provisions of the Deed Poll 2009 as a result of the Proposed Bonus Issue and Proposed Rights Issue; and
- v. Listing of and quotation for up to 87,937,732 new KPJ Shares to be issued pursuant to the exercise of the New Warrants and listing of and quotation for up to 2,885,736 new KPJ Shares to be issued pursuant to the exercise of the Additional Warrants
- vi. Proposed increase in the authorised Share Capital of KPJ from RM500,000,000 comprising 1,000,000,000 KPJ Shares to RM750,000,000 comprising 1,500,000,000 KPJ Shares; and
- vii. Proposed amendments to the Memorandum and Articles of Association of KPJ

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

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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 2013

B6 STATUS OF CORPORATE PROPOSALS (CONTINUED)

(d) Proposed Combination of New Issue of Securities KPJ Healthcare Berhad ("KPJHB") (continued)

On 6 September 2013, KPJ intends to procure underwriting arrangements for any remaining Rights Shares not subscribed for by the other Entitled Shareholders pursuant to the Proposed Rights Issue. The appointments of the underwriters have been finalised, with the underwriting agreement to be signed after the EGM to obtain shareholders' approval for the Proposals.

Pursuant thereto, the Company will procure a written irrevocable undertaking from JCorp and/or its related companies, being the substantial shareholders of KPJ, to subscribe in full for its respective Rights Shares entitlement on the Entitlement Date for the Proposed Rights Issue.

On 20 September 2013, the listing application to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the admission of the New Warrants to the Official List of Bursa Securities and the listing of and quotation for the Bonus Shares, Rights Shares, New Warrants and Additional Warrants, as well as the new KPJ Shares to be issued arising from the exercise of the New Warrants and Additional Warrants on the Main Market of Bursa Securities in relation to the Proposals have been submitted.

On 11 October 2013, Bursa Malaysia Securities Berhad resolve to approve the above, subject to full compliance with Bursa Securities Main Market Listing Requirements. KPJ also needs to continuously furnish Bursa Securities on the status of the Proposals before completion and to provide summary of the number of shares listed pursuant to the exercise of the New Warrants and Additional Warrants after completion of the Proposals.

The proposed combination of New Issue of Securities is expected to be completed in the fourth (4th) quarter of 2013.

(e) Proposed Joint Venture between Kumpulan Perubatan (Johor) Sdn Bhd and UTM Holdings Sdn Bhd

On 27 September 2013, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), had signed a Joint Venture Agreement ("JVA") with UTM Holdings Sdn Bhd ("UTM Holdings") for the purpose of designing, developing, building, completing and owning, and subsequently operating a private hospital on a portion of the leasehold land held under HSD 46692, Lot No, PTD No 95180, Mukim Kulaijaya, Johor ("Land") ("Proposed JV").

(f) Proposed acquisition of multi-storey office building by Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB")

KPJSB and Danaharta Hartanah Sdn Bhd ("DHSB") had entered into a tenancy agreement on 11 September 2012 ("Tenancy Agreement") whereby DHSB had granted upon KPJSB the option to purchase a multi-storey office building known as Menara 238 at No.238, Jalan Tun Razak, Kuala Lumpur.

On 16 October 2013, KPJSB has exercised its option to purchase and therefore, entered into a conditional sale and purchase agreement ("SPA") with DHSB for a total cash consideration of RM206,000,000.

The proposed acquisition is expected to be completed in the first (1st) quarter 2014.

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

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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 2013

B6 STATUS OF CORPORATE PROPOSALS (CONTINUED)

- (g) Proposed acquisition by Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") of 100% equity in BDC Specialist Hospital Sdn Bhd ("BDC")

On 6th November 2013, KPJSB, a subsidiary of KPJ Healthcare Bhd ("KPJHB"), had entered into a conditional Share Sale Agreement with Usaha Cendera Sdn Bhd for the acquisition of 2 ordinary shares of RM1.00 each in BDC which is equivalent to 100% of the equity of BDC for a total cash consideration of RM16,516,144.

BDC is the registered owner of a leasehold land at Lot 18807 Block 11 Muara Tebas Land District located at Stampin, Kuching, Sarawak measuring approximately 1.918 hectares ("Land"). Henry Butcher in their valuation report dated 11 December 2012 has valued the Land based on the market value of RM16,590,000.

Upon the completion of the Proposed Acquisition, BDC will be a wholly-owned subsidiary of KPJSB.

The proposed acquisition is expected to be completed in the fourth (4th) quarter of 2013.

- (h) Proposed Deed of Agreement between Kumpulan Perubatan (Johor) Sdn Bhd and Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Trust

On 18 November 2013, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), entered into a Deed of Agreement ("Agreement") with Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Trust ("Trust") to lease a 250-bed hospital building known as "Sheikh Fazilatunnessa Mujib Memorial KPJ Specialist Hospital" ("Hospital") erected on a piece of land located approximately 50 kilometres from Dhaka, Bangladesh ("Hospital Building"). The Hospital Building was built by the Trust at a cost of Tk2.15 billion (equivalent to RM87.5 million).

Pursuant to the Agreement, KPJSB or its nominee company, KPJ Healthcare (Bangladesh) Private Limited, a subsidiary of KPJSB in Bangladesh, ("License Operator") will be the licence operator of the said Hospital. The License Operator proposes to lease the Hospital Building to run and operate the Hospital for an initial period of ten (10) years which is extendable for another five (5) years.

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

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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 2013

B7 BORROWINGS

Details of the Group's borrowings as at 30 September 2013 are as follows:

	<u>30.09.2013</u> RM'000	<u>Audited</u> <u>31.12.2012</u> RM'000
<u>Current</u>		
Term loans		
- Islamic (secured)	2,123	10,489
- Conventional (secured)	8,044	13,718
Revolving Credit		
- Islamic (unsecured)	332,400	105,900
- Conventional (unsecured)	-	70,000
Hire Purchase and lease liabilities		
- Islamic (secured)	5,533	883
- Conventional (secured)	1,019	4,591
Bank overdrafts		
- Conventional (unsecured)	2,568	1,046
	<u>351,687</u>	<u>206,627</u>
<u>Non current</u>		
Islamic Commercial papers (secured)	449,000	349,000
Term loans		
- Islamic (secured)	93,153	23,893
- Conventional (secured)	35,508	4,755
Hire Purchase and lease liabilities		
- Islamic (secured)	34,394	1,995
- Conventional (secured)	1,823	5,826
	<u>613,878</u>	<u>385,469</u>
Grand total	<u>965,565</u>	<u>592,096</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.

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

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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 2013

B9 MATERIAL LITIGATIONS

On 15 May 2012, the Plaintiffs who are the majority shareholders of Hospital Penawar Sdn Bhd ("**Joint Venture Company**") have filed a suit against the Defendant which is the minority shareholders of the Joint Venture Company at the High Court of Johor Bahru ("**JB High Court**") for the sum of RM115,634,000 for alleged breach of a joint venture agreement incorporating shareholders agreement in respect of the Joint Venture Company entered into between the Plaintiffs and Defendant on 30 May 1995 ("**JV Agreement**") or alternatively for the Defendant to buy all the Plaintiffs' shares in the Joint Venture Company for RM141,296,000, both of which is claimed together with general damages.

On 26 July 2013, the JB High Court had allowed the claim by the Plaintiffs against the Defendant wherein the Plaintiffs had alleged that the Defendant had breached the JV Agreement whereby the JB High Court had awarded the sum of approximately RM70.49 million and costs for the sum of RM150,000 against the Defendant ("**Judgement**").

A notice of appeal against the Judgement has been filed at the Court of Appeal on 29 July 2013 and subsequently, the appeal has been fixed for hearing on 12 December 2013.

The above judgement sum has not been provided for in this quarterly result. Had the above judgement sum of RM70.486 million being included in this current period, the pro-forma results for the profit before tax for cumulative quarter will be reduced to RM31.3 million. Therefore the Pro-forma Basic Earnings per share will be recorded at 3.97 cents for cumulative quarter at par value of RM0.50. The Pro-forma Diluted Earnings per share will be recorded at 3.46 cents for cumulative quarter at par value of RM0.50.

B10 DIVIDEND

In respect of the financial year ending 31 December 2013:

On 22 May 2013, the Directors declared 1st interim single tier dividend of 2.0 cents per share on 653,020,611 ordinary shares amounting to RM13,060,412. The dividend was fully paid on 19 July 2013.

On 30 August 2013, the Directors declared 2nd interim single tier dividend of 2.0 cents per share on 654,207,861 ordinary shares amounting to RM13,084,157. The dividend was fully paid on 18 October 2013.

**UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-
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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING
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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>30.09.2013</u>	<u>30.09.2012</u>
Profit for the financial year attributable to Equity Holders of the Company (RM'000)	69,802	101,504
Weighted average number of ordinary shares in issue ('000)	590,934	584,057
Basic earnings per share (sen)		
- at par value RM0.50	<u>11.81</u>	<u>17.38</u>

(b) Diluted earnings per share

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.

	<u>9 months ended</u>	
	<u>30.09.2013</u>	<u>30.09.2012</u>
Profit for the financial year attributable to Equity Holders of the Company (RM'000)	69,802	101,504
Weighted average number of ordinary shares in issue ('000)	590,934	584,057
Adjusted weighted average number of issued and issuable ordinary shares ('000)	85,307	79,500
Diluted earnings per share (sen)		
- at par value RM0.50	<u>10.32</u>	<u>15.30</u>

**UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-
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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING
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FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**
**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>30.09.2013</u> RM'000	<u>As at</u> <u>30.09.2012</u> RM'000
Total retained profits of the Company and its subsidiaries		
- Realised gains	555,315	557,284
- Unrealised gains	(19,176)	(26,973)
	<u>536,139</u>	<u>530,311</u>
Total share of retained profits from associates		
- Realised gains	31,484	29,061
- Unrealised gains	(2,650)	(2,922)
	<u>564,973</u>	<u>556,450</u>
Less: Consolidation adjustments	(28,783)	(29,567)
Total group retained profits as per consolidated financial statements	<u><u>536,190</u></u>	<u><u>526,883</u></u>

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH FPE 30 SEPTEMBER 2013 (Cont'd)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

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>Individual Quarter</u> <u>3 months ended</u>		<u>Cumulative Quarter</u> <u>9 months ended</u>	
	<u>30.09.2013</u> RM'000	<u>30.09.2012</u> RM'000	<u>30.09.2013</u> RM'000	<u>30.09.2012</u> RM'000
(a) Finance income	3,216	2,706	8,691	6,825
(b) Other operating income				
including investment income	7,114	4,961	18,433	14,572
(c) Interest expense	9,476	8,551	23,956	21,139
(d) Depreciation and amortization				
-Depreciation	23,967	20,294	68,724	57,126
-Loss on disposal	-	(1,049)	-	(431)
-Written off	-	-	-	-
-Revaluation deficit/(surplus)	-	-	-	-
(e) Write off of receivable	-	-	-	-
(f) Write off of inventories	-	-	-	-
(g) Foreign exchange (loss) / gain	99	(142)	1,163	(112)

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

DIRECTORS' REPORT



KPJ HEALTHCARE BERHAD (247079-M)
(A Member of Johor Corporation Group of Companies)

Level 12, Menara 238, No. 238 Jalan Tun Razak, 50400, Kuala Lumpur, Malaysia.
Tel : 603-2681 6222 Fax : 603-2681 8222 Email : kpj@kpjhealth.com.my Website : www.kpjhealth.com.my

18 December 2013

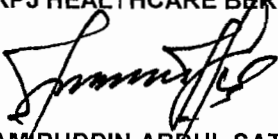
Registered Office:
Suite 12B, Level 12
Menara Ansar
65 Jalan Trus
80000 Johor Bahru
Johor

To: The shareholders of KPJ Healthcare Berhad ("KPJ" or the "Company")

On behalf of the Board of Directors of KPJ ("Board"), I wish to report that after making due enquiries in relation to KPJ and its subsidiaries ("Group") during the period between 31 December 2012, being the date to which the latest audited consolidated financial statements have been made up, and the date of this letter, being a date not earlier than fourteen (14) days before the date of this Abridged Prospectus:-

- (a) In the opinion of the Board, the business of our Group has been satisfactorily maintained;
- (b) In the opinion of the Board, no circumstances have arisen since the latest audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (c) The current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) Save as disclosed in this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- (e) There has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/ or principal sums in relation to any borrowings in our Group since the latest audited consolidated financial statements of our Group; and
- (f) Save as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group since the latest audited consolidated financial statements.

Yours faithfully
For and on behalf of the Board of
KPJ HEALTHCARE BERHAD


AMIRUDDIN ABDUL SATAR
President / Managing Director

KPJ Network of Hospitals

MALAYSIA : Johor Bahru • Ipoh • Ampang • Petaling Jaya • Shah Alam • Seremban • Kota Bharu • Kajang • Alor Setar • Bukit Mertajam • Kuala Lumpur • Kuantan
Taiping • Kota Kinabalu • Kuching • Kluang • Sibu

INDONESIA : Jakarta

ADDITIONAL INFORMATION

1. SHARE CAPITAL

- (i) Save for the Bonus Shares, Rights Shares, New Warrants, Outstanding Warrants and the new Shares to be issued pursuant to the exercise of the New Warrants and Outstanding Warrants, no securities shall be allotted or issued on the basis of this AP later than twelve (12) months after the date of the issuance of this AP.
- (ii) As at the date of this AP, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM0.50 each, all of which rank *pari passu* with one another.
- (iii) All the Rights Shares and the new Shares to be issued pursuant to the exercise of the New Warrants shall, upon allotment and issue, rank *pari passu* in all respects with the existing issued and paid-up ordinary share capital, save and except that such Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid prior to the date of allotment of such Shares.
- (iv) As at the date of this AP, save for the warrant holders who are entitled to exercise their rights for each Outstanding Warrant held and the Entitled Shareholders who will be provisionally allotted the Rights Shares together with New Warrants under the Rights Issue, no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of our Company or our subsidiaries as of the date of this AP.
- (v) Save as disclosed in **Section 3.2, Appendix II** of this AP, the Rights Shares, the Shares to be issued arising from the exercise of the New Warrants, and the Shares to be issued arising from the exercise of the Additional Warrants, none of our securities have been issued or agreed to be issued either as fully or partly paid-up otherwise than in cash, within two (2) years immediately preceding the date of this AP.

2. DIRECTORS' REMUNERATION

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are as follows:-

Articles 84

The fees of the directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the company and shall (unless such resolution otherwise provided) be divisible among the directors as they may agree, or, failing agreement, equally, except that any director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he had held office provided always that:-

- (a) fees payable to non-executive directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to executive directors may not include a commission on or percentage of turnover;
- (c) fees payable to directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting;
- (d) any fee paid to an alternate director shall be agreed upon between himself and the

ADDITIONAL INFORMATION (Cont'd)

director nominating him and shall be paid out of the remuneration of the latter;

- (e) The Directors shall also be paid such travelling, hotel and other expenses as may be reasonably incurred by them in connection with their attendance at Meetings of Directors;
- (f) If by arrangement with the Directors any Director shall perform or render any special duties or services outside his ordinary duties as Director, the Directors may pay him special remuneration provided always that non-executive directors shall not be remunerated by a commission on or percentage of profits or turnover and that no executive director shall be remunerated by a commission on or a percentage of turnover.

3. DECLARATIONS OF CONFLICT OF INTEREST**3.1. Adviser**

Save as disclosed below, RHB Investment Bank confirms that as at the LPD, there are no equity and/or financial relationship with KPJ, other than the following:-

- (a) EPF, being a substantial shareholder of KPJ, is also a substantial shareholder of RHB Capital Berhad ("**RHB Cap**"), which is the holding company of RHB Investment Bank. As at the LPD, EPF holds approximately 12.37% and 41.34% equity interests in KPJ and RHB Cap, respectively and it is the single largest shareholder of RHB Cap; and
- (b) As at the LPD, RHB Cap and/or its related companies ("**RHB Banking Group**") had extended various credit facilities with a combined limit of up to an aggregate amount of approximately RM17.14 million to the KPJ Group, which are in RHB Banking Group's ordinary course of business.

RHB Investment Bank has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser to KPJ for the Bonus Issue and Rights Issue on the basis that:-

- (a) The Rights Issue is a capital raising transaction on a pro-rata basis involving all shareholders of KPJ, who will be given equal opportunity to subscribe for new KPJ Shares on equal terms;
- (b) The Bonus Issue involves free issuance of new KPJ Shares on a pro-rata basis to all the shareholders of KPJ;
- (c) EPF is not involved in the day-to-day operations of both KPJ Group and RHB Investment Bank;
- (d) RHB Banking Group existing exposure to KPJ Group of approximately RM17.14 million, represents approximately 0.02% compared with RHB Cap's audited consolidated gross loan, advances and financing of RM111,474 million as at 31 December 2012;
- (e) RHB Investment Bank is a licensed investment bank and its appointment as Adviser for the Rights Issue and Bonus Issue as well as the underwriter for the Rights Issue, if any, is in the ordinary course of its business; and

ADDITIONAL INFORMATION (Cont'd)

- (f) The conduct of RHB Banking Group's business is regulated strictly by the Financial Services Act, 2013 and RHB Banking Group's own internal controls and checks.

3.2. Due Diligence Solicitors

Messrs Abdul Raman Saad & Associates, the due diligence solicitors for the Rights Issue, confirms that as at the date of this AP, they have no equity and/or financial relationship with our Company that has resulted in or may result in a conflict of interest situation in their role as due diligence solicitors to our Company for the Rights Issue.

3.3. Reporting Accountants

Messrs Ernst & Young, the reporting accountants for the Rights Issue, confirm that as at the date of this AP, they have no equity and/or financial relationship with our Company that has resulted in or may result in a conflict of interest situation in their role as the reporting accountants to our Company for the Rights Issue.

4. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within the past two (2) years immediately preceding the date of this AP:-

- (i) the letter of offer dated 27 February 2012 by JCorp, a major shareholder of the Company, to KPJSB wherein JCorp had offered to sell its entire holding of 16,000 ordinary shares of Rp1,000,000 each or equivalent to 80% equity in PT KPJ Medika ("**PT KPJ Medika Shares**") to KPJSB for a total cash consideration of RM15,840,000. The offer was accepted by KPJSB on 23 March 2012. On 9 July 2012, KPJSB has entered into a conditional sale of shares agreement with JCorp in relation to the said acquisition of PT KPJ Medika Shares;
- (ii) the joint venture agreement dated 19 April 2012 entered between KPJSB and Naim Land Sdn Bhd ("**NLSB**") for the purpose of designing, developing, building, completing and owning a purpose-built hospital building and subsequently operating as a hospital on all that piece of land held under Lot 3247, Block 11, Kuala Baram Land District, Miri, Sarawak measuring four (4) acres and owned by NLSB;
- (iii) the sale and purchase agreement dated 1 June 2012 entered between Pharmaserv Alliances Sdn Bhd ("**PASB**") and Lewre International Sdn Bhd in respect of the acquisition by PASB of a 3-storey office building together with a single storey warehouse located on GM525, Lot 55327, Mukim Damansara, Batu 3, Lebuhraya Persekutuan, Petaling, Selangor measuring approximately 5,223 square metres for a total cash consideration of RM14,200,000;
- (iv) the conditional sale and purchase agreement dated 23 July 2012 entered between Bandar Dato Onn Specialist Hospital Sdn Bhd (formerly known as Renalcare Perubatan (M) Sdn Bhd) ("**BDOSHSB**") and Johor Land Berhad ("**JLB**"), a subsidiary company of JCorp, in respect of the acquisition of all that piece of vacant commercial land held under HS(D) 501209, Lot No PTD 163189, Mukim Tebrau, District of Johor Bahru, State of Johor by BDOSHSB, from JLB for a total cash consideration of RM45,000,000;

ADDITIONAL INFORMATION (Cont'd)

- (v) the conditional sale and purchase agreement dated 1 August 2012 entered between KPJSB and Sabah Medical Centre Sdn Bhd ("**SMC**") in respect of the acquisition by KPJSB of the balance of forty nine percent (49%) equity interest in SMC Healthcare Sdn Bhd equivalent to 39,200,000 ordinary shares of RM1.00 each from SMC for a total cash consideration of RM54,880,000;
- (vi) the conditional sale and purchase agreement dated 12 September 2012 entered between Ipoh Specialist Hospital Sdn Bhd ("**ISHSB**"), Dr Lee Min Chuang and Yeat Soo Ing in respect of the acquisition by ISHSB of 90,000 ordinary shares of RM1.00 each which is equivalent to 100% equity interest in Sri Manjung Specialist Centre Sdn Bhd for a total cash consideration of RM14,250,000;
- (vii) the sale and purchase agreement dated 17 April 2013 entered between KPJSB and the shareholders of Rawang Specialist Hospital Sdn Bhd ("**RSHSB**") in respect of the acquisition by KPJSB of 30,000,000 ordinary shares of RM1.00 each which is equivalent to 100% equity interest in RSHSB for a total cash consideration of RM50,630,164;
- (viii) the conditional share sale agreement dated 23 November 2012 entered between KPJSB, a wholly-owned subsidiary of KPJ and Aureos South-East Asia Fund L.L.C ("**ASEA**") and GSB Private Funds ("**GSB**") in respect of the acquisition of 5,333,333 preference shares and 2,666,667 preference shares from ASEA and GSB, respectively, totalling of 8,000,000 preference shares representing 23.37% equity interest in Veithani Public Company Limited ("**VPCL**") for a total cash consideration of THB605,615,991;
- (ix) the joint venture agreement dated 27 September 2013 entered between KPJSB and UTM Holdings Sdn Bhd for the purpose of designing, developing, building, completing and owning, and subsequently operating a private hospital on a portion of the leasehold land held under HSD 46692, Lot No, PTD No 95180, Mukim Kulaijaya, Johor;
- (x) the conditional sale and purchase agreement dated 17 October 2013 entered between KPJSB, a wholly-owned subsidiary of KPJ and Danaharta Hartanah Sdn Bhd for the acquisition of all that parcel of land held under Geran 52130 Lot 405 Seksyen 87A, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur together with a multi-storey office building erected thereon known as Menara 238 for a total cash consideration of RM206.0 million;
- (xi) the conditional share sale agreement dated 6 November 2013 entered between KPJSB, a wholly-owned subsidiary of KPJ and Usaha Cendera Sdn Bhd (formerly known as Usaha Cendera Cerah Sdn Bhd) for the acquisition of two (2) ordinary shares of RM1.00 each in BDC Specialist Hospital Sdn Bhd ("**BDCSHSB**") which is equivalent to the entire equity interest in BDCSHSB for a total cash consideration of RM16,516,144;
- (xii) The Deed Poll 2013 constituting the New Warrants;
- (xiii) The Underwriting Agreement dated 11 December 2013 entered between KPJ and the Joint Underwriters to underwrite up to 24,426,903 Rights Shares at the issue price of RM2.80 per Rights Share, representing 55.55% of the total size of the Rights Issue for an underwriting commission of 1.5% of the value of the Rights Shares to be underwritten; and
- (xiv) The Deed of Agreement entered into with the Trust dated 18 November 2013 in Dhaka, Bangladesh.

ADDITIONAL INFORMATION (Cont'd)**5. MATERIAL LITIGATION**

Save as disclosed below, as at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceedings pending or threatened against our Group or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business operations of our Group:-

(i) Dr Mohd Adnan bin Sulaiman and Mr Azizan bin Sulaiman (“Plaintiffs”) v KPJSB, a wholly-owned subsidiary company of KPJ (“Defendant”/“Appellant”)

On 15 May 2012, the Plaintiffs who are the shareholders of Hospital Penawar Sdn Bhd (“**Joint Venture Company**”) have filed a suit against the Defendant which is also one of the shareholders of the Joint Venture Company at the High Court of Johor Bahru (“**JB High Court**”) for the sum of RM115,634,000 for the alleged breach of a joint venture agreement incorporating shareholders agreement in respect of the Joint Venture Company entered into between the Plaintiffs and Defendant on 30 May 1995 (“**JV Agreement**”) or alternatively for the Defendant to buy all the Plaintiffs’ shares in the Joint Venture Company for RM141,296,000, both of which is claimed together with general damages.

On 26 July 2013, the JB High Court had allowed the claim by the Plaintiffs against the Defendant wherein the Plaintiffs had alleged that the Defendant had breached the JV Agreement whereby the JB High Court had awarded the sum of approximately RM70.49 million and costs for the sum of RM150,000 against the Defendant (“**Judgement**”).

On 12 December 2013, the Court of Appeal has allowed the appeal by KPJSB against the decision of the JB High Court. The Court of Appeal further gave consequential order that the monies in the sum of RM70.49 million together with the accrued interest be released to KPJSB.

6. GENERAL

- (i) There is no existing or proposed service contract entered or to be entered into by our Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this AP.
- (ii) Save as disclosed in this AP, there are no material information including trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.
- (iii) Save as disclosed in this AP, the financial conditions and operations of our Group are not affected by any of the following:-
- (a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;
 - (c) unusual or infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;

ADDITIONAL INFORMATION (Cont'd)

- (d) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on our Group's revenue or operating income; and
- (e) substantial increase in revenue.

7. WRITTEN CONSENTS

The written consents of our Adviser, Company Secretary, Principal Bankers, Share Registrar, Joint Underwriters, Bloomberg and the Solicitors for the Rights Issue to the inclusion in this AP of their names in the form and context in which they appear have been given before issuance of this AP and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion in this AP of their names and letters relating to the audited consolidated financial statements of our Group for the FYE 31 December 2012 and the proforma consolidated statements of financial position of our Group as at 31 December 2012 respectively, in the form and context in which they appear have been given before the issuance of this AP and have not subsequently been withdrawn.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents are made available for inspection at the registered office of our Company at Suite 12B, Level 12, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, during normal business hours on any Market Days for a period of twelve (12) months from the date of this AP:-

- (i) Our Memorandum and Articles of Association;
- (ii) The Deed Poll 2013 constituting the New Warrants;
- (iii) Our audited consolidated financial statements for the past two (2) FYE 31 December 2011 and FYE 31 December 2012;
- (iv) Our unaudited consolidated results for the nine (9)-month FPE 30 September 2013;
- (v) The proforma consolidated statements of financial position of our Group as at 31 December 2012 together with the notes and Reporting Accountants' letter thereon as set out in **Appendix III** of this AP;
- (vi) Our Directors' Report as set out in **Appendix VI** of this AP;
- (vii) The consent letters referred to in **Section 7** of this **Appendix VII**;
- (viii) The undertakings letters from JCorp and WANCorp as referred to in **Section 9** of this AP;
- (ix) The material contracts referred to in **Section 4** of this **Appendix VII**; and
- (x) The relevant cause papers and documents referred to in **Section 5** of this **Appendix VII**.

ADDITIONAL INFORMATION (Cont'd)

9. RESPONSIBILITY STATEMENT

This AP together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

RHB Investment Bank, being the Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning this Rights Issue.

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