

Company No.

247079	M
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KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORTS

30 SEPTEMBER 2018

KPJ HEALTHCARE BERHAD

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORTS
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER
2018

The Directors of KPJ Healthcare Berhad are pleased to announce the financial results for the Group for the third quarter and financial period ended 30 September 2018.

The interim report is prepared in accordance with MFRS134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Listing Requirements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	Note	Individual Quarter			Cumulative Quarter		
		3 months ended			9 months ended		
		30.09.2018	30.09.2017	Var	30.09.2018	30.09.2017	Var
		RM'000	RM'000	%	RM'000	RM'000	%
			(Restated)		(Restated)		
<u>Continuing operations</u>							
Revenue		820,560	788,433	4	2,444,772	2,346,270	4
Cost of sales		(565,113)	(559,139)	1	(1,695,836)	(1,648,538)	3
Gross profit		255,447	229,294	11	748,936	697,732	7
Administrative expenses		(185,268)	(179,641)	3	(543,173)	(532,748)	2
Other income		5,168	5,220	(1)	14,349	15,458	(7)
Operating profit		75,347	54,873	37	220,112	180,442	22
Finance income		2,059	3,165	(35)	6,240	9,786	(36)
Finance costs		(21,820)	(16,780)	30	(64,591)	(57,454)	12
Finance costs - net		(19,761)	(13,615)	45	(58,351)	(47,668)	22
Share of results of associates		7,352	9,682	(24)	23,482	23,449	-
Profit before zakat and tax	B2	62,938	50,940	24	185,243	156,223	19
Zakat		(1,049)	(726)	44	(3,713)	(2,937)	26
Taxation	B5	(20,136)	(16,542)	22	(49,778)	(42,995)	16
Profit for the financial period from continuing operations		41,753	33,672	24	131,752	110,291	19

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

	Individual Quarter			Cumulative Quarter		
	30.09.2018	30.09.2017	Var	30.09.2018	30.09.2017	Var
	RM'000	RM'000	%	RM'000	RM'000	%
		(Restated)			(Restated)	
Discontinued operation						
Loss for the financial period from discontinued operation	(666)	(583)	14	(603)	(5,694)	(89)
Net profit for the financial period	41,087	33,089	24	131,149	104,597	25
Other comprehensive income	-	-	-	-	896	(100)
Total comprehensive income for the financial period	41,087	33,089	24	131,149	105,493	24
Profit/(loss) for the financial period attributable to:						
Owners of the Company from						
- continuing operations	41,681	30,887	35	126,464	104,237	21
- discontinued operation	(380)	(332)	14	(344)	(3,246)	(89)
Non-controlling interest from						
- continuing operations	72	2,785	(97)	5,288	6,054	(13)
- discontinued operation	(286)	(251)	14	(259)	(2,448)	(89)
	41,087	33,089	24	131,149	104,597	25
Total comprehensive income attributable to:						
Owners of the Company from						
- continuing operations	41,681	30,887	35	126,464	105,133	20
- discontinued operation	(380)	(332)	14	(344)	(3,246)	(89)
Non-controlling interest from						
- continuing operations	72	2,785	(97)	5,288	6,054	(13)
- discontinued operation	(286)	(251)	14	(259)	(2,448)	(89)
	41,087	33,089	24	131,149	105,493	24

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

	<u>Individual Quarter</u>			<u>Cumulative Quarter</u>		
	<u>30.09.2018</u>	<u>30.09.2017</u>	<u>Var</u>	<u>30.09.2018</u>	<u>30.09.2017</u>	<u>Var</u>
	RM'000	RM'000	%	RM'000	RM'000	%
		(Restated)			(Restated)	
Dividend per share (sen)	0.50	0.38	32	1.50	1.38	9
Earnings per share attributable to Owners of the Company:						
Basic (sen) from						
- continuing operations	0.96	0.70		2.89	2.38	
- discontinued operation	-	-		(0.01)	(0.07)	
Diluted (sen) from						
- continuing operations	0.85	0.62		2.55	2.09	
- discontinued operation	-	-		(0.01)	(0.06)	

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

	<u>Note</u>	<u>30.09.2018</u> RM'000	<u>31.12.2017</u> RM'000 (Audited)
<u>ASSETS</u>			
<u>Non-current assets</u>			
Property, plant and equipment	A9	2,304,976	2,206,013
Investment properties		286,900	274,205
Intangible assets		230,947	239,437
Investment in associates		417,959	405,984
Available-for-sale financial assets		4,678	4,678
Deferred tax assets		62,151	24,682
		<u>3,307,611</u>	<u>3,154,999</u>
<u>Current assets</u>			
Inventories		49,056	51,084
Trade and other receivables		622,934	611,119
Contract assets		19,095	13,777
Tax recoverable		32,621	28,560
Deposit, cash and bank balances		414,680	200,542
		<u>1,138,386</u>	<u>905,082</u>
Assets held for sale		160,302	173,827
		<u>1,298,688</u>	<u>1,078,909</u>
Total assets		<u><u>4,606,299</u></u>	<u><u>4,233,908</u></u>
<u>EQUITY AND LIABILITIES</u>			
<u>Current liabilities</u>			
Trade and other payables		550,863	444,525
Contract liabilities		76,155	76,786
Current tax liabilities		6,888	6,896
Borrowings	B7	239,943	350,369
Dividends payable		21,004	-
		<u>894,853</u>	<u>878,576</u>
Liabilities associated with assets held for sale		175,592	190,564
		<u>1,070,445</u>	<u>1,069,140</u>
Net current assets		<u>228,243</u>	<u>9,769</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018 (CONTINUED)**

	<u>Note</u>	<u>30.09.2018</u> RM'000	<u>31.12.2017</u> RM'000 (Audited)
<u>Non-current liabilities</u>			
Trade and other payables		21,436	30,299
Borrowings	B7	1,442,580	1,242,340
Deferred tax liabilities		55,142	60,206
Provision for retirement benefits		2,716	2,616
Deposits		14,742	14,096
		<u>1,536,616</u>	<u>1,349,557</u>
 Total liabilities		 <u>2,607,061</u>	 <u>2,418,697</u>
 Net assets		 <u>1,999,238</u>	 <u>1,815,211</u>
<u>Equity attributable to Owners of the Company</u>			
Share capital	A6	755,078	736,069
Less: Treasury shares		(85,056)	(55,411)
Reserves		1,067,131	1,046,137
		<u>1,737,153</u>	<u>1,726,795</u>
Non-controlling interest		262,085	88,416
 Total equity		 <u>1,999,238</u>	 <u>1,815,211</u>
 Total equity and liabilities		 <u>4,606,299</u>	 <u>4,233,908</u>
 <u>Net assets per share attributable to Owners of the Company (RM)</u>		 <u>0.40</u>	 <u>0.40</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

Note	Non-distributable				Distributable		Exchange reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
	Number of shares '000	Share capital RM'000	Treasury shares RM'000	Warrant reserve RM'000	Esos reserve RM'000	Merger reserve RM'000						
At 1 January 2018	4,281,413	736,069	(55,411)	31,631	61,189	(3,367)	(5,134)	98,070	863,748	1,726,795	88,416	1,815,211
Sales of interests in a subsidiary to non-controlling interest	-	-	-	-	-	-	-	-	(51,455)	(51,455)	171,040	119,585
Comprehensive income: Net profit for the financial period	-	-	-	-	-	-	-	-	126,120	126,120	5,029	131,149
Other comprehensive income: Currency translation of foreign subsidiaries	-	-	-	-	-	-	1,094	-	-	1,094	-	1,094
Total other comprehensive income	-	-	-	-	-	-	1,094	-	-	1,094	-	1,094
Transactions with Owners:												
Issue of shares:												
- Warrants	437	481	-	(40)	-	-	-	-	-	441	-	441
- ESOS	19,300	18,528	-	-	(965)	-	-	-	-	17,563	-	17,563
- Share buy-back	-	-	(29,645)	-	-	-	-	-	-	(29,645)	-	(29,645)
	19,737	19,009	(29,645)	(40)	(965)	-	-	-	-	(11,641)	-	(11,641)
Dividends on ordinary shares	-	-	-	-	-	-	-	-	(63,144)	(63,144)	-	(63,144)
ESOS expenses during the period	-	-	-	-	9,384	-	-	-	-	9,384	-	9,384
Lapsed ESOS	-	-	-	-	(487)	-	-	-	487	-	-	-
Dividends paid to non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,400)	(2,400)
Total transactions with Owners	19,737	19,009	(29,645)	(40)	7,932	-	-	-	(62,657)	(65,401)	(2,400)	(67,801)
At 30 September 2018	4,301,150	755,078	(85,056)	31,591	69,121	(3,367)	(4,040)	98,070	875,756	1,737,153	262,085	1,999,238

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

	Number of shares '000	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserve RM'000	Esos reserve RM'000	Merger reserve RM'000	Exchange reserve RM'000	Non-distributable Revaluation reserve RM'000	Distributable Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2017	1,063,569	531,784	178,141	(54,777)	31,692	50,111	(3,367)	(2,099)	87,862	775,741	1,595,088	89,641	1,684,729
Comprehensive income:													
Net profit for the financial period	-	-	-	-	-	-	-	-	-	100,991	100,991	3,606	104,597
Other comprehensive income:													
Currency translation of foreign subsidiaries	-	-	-	-	-	-	-	583	-	-	583	-	583
Total other comprehensive income	-	-	-	-	-	-	-	583	-	-	583	-	583
Transactions with Owners:													
Issue of shares:													
- Warrants	167	730	1	-	(61)	-	-	-	-	-	670	-	670
- ESOS	6,421	23,320	1,338	-	-	(1,284)	-	-	-	-	23,374	-	23,374
	6,588	24,050	1,339	-	(61)	(1,284)	-	-	-	-	24,044	-	24,044
Subdivision of shares	3,210,470	-	-	-	-	-	-	-	-	-	-	-	-
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(57,803)	(57,803)	-	(57,803)
ESOS expenses during the period	-	-	-	-	-	13,171	-	-	-	-	13,171	-	13,171
Lapsed ESOS	-	-	-	-	-	(469)	-	-	-	469	-	-	-
Dividends paid to non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,400)	(2,400)
Total transactions with Owners	3,217,058	24,050	1,339	-	(61)	11,418	-	-	-	(57,334)	(20,588)	(2,400)	(22,988)
Transfer pursuant to S618 of CA 2016*	-	179,480	(179,480)	-	-	-	-	-	-	-	-	-	-
At 30 September 2017	4,280,627	735,314	-	(54,777)	31,631	61,529	(3,367)	(1,516)	87,862	819,398	1,676,074	90,847	1,766,921

Note: * Pursuant to Section 618 of the Companies Act 2016, any outstanding Share Premium accounts shall become part of ordinary share capital.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	<u>30.09.2018</u> RM'000	<u>30.09.2017</u> RM'000
OPERATING ACTIVITIES		
Profit/(loss) before zakat and tax		
- continuing operations	185,243	156,223
- discontinued operation	(603)	(5,694)
	<hr/>	<hr/>
Profit before zakat and tax	184,640	150,529
Adjustments for:		
Share of results of associates	(23,482)	(23,449)
Finance income	(6,240)	(9,786)
Finance costs	64,591	57,454
Trade receivables impairment charge for the year	2,712	-
Share based payments	9,384	13,171
Property, plant and equipment		
- Depreciation	108,719	104,786
- Written-off	26	-
- Loss on disposal	63	392
Inventories written off	153	-
Amortisation of software development expenditure	2,445	1,152
	<hr/>	<hr/>
Operating profit before changes in working capital	343,011	294,249
Changes in working capital:		
Inventories	1,875	(3,771)
Receivables	(19,577)	(21,227)
Payables	91,088	71,854
Contract assets and contract liabilities	(6,563)	(4,212)
	<hr/>	<hr/>
Cash flows generated from operations	409,834	336,893
Zakat paid	(3,713)	(2,937)
Income tax paid (net of refund)	(96,335)	(43,263)
	<hr/>	<hr/>
Net cash generated from operating activities	309,786	290,693
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)**

	<u>30.09.2018</u> RM'000	<u>30.09.2017</u> RM'000
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(198,962)	(271,440)
Additions to intangible assets	(142)	(9,354)
Proceeds from disposal of property, plant and equipment	1,105	8,430
Proceeds from partial disposal of interest in subsidiaries (net)	119,920	-
Interest received	6,240	9,786
Dividends received from quoted investment	83	-
Dividends received from associates	15,375	10,538
	<hr/>	<hr/>
Net cash used in investing activities	(56,381)	(252,040)
	<hr/>	<hr/>
FINANCING ACTIVITIES		
Dividend paid to non-controlling interest	(2,400)	(2,400)
Issue of shares:		
- Warrants	441	670
- ESOS	17,563	23,374
- Share buy-back	(29,645)	-
Bank borrowings		
- Drawdown	277,953	75,729
- Repayment	(202,213)	(53,764)
Interest paid	(64,591)	(57,454)
Dividend paid to shareholders	(42,140)	(57,803)
	<hr/>	<hr/>
Net cash used in financing activities	(45,032)	(71,648)
	<hr/>	<hr/>
Net changes in cash and cash equivalents	208,373	(32,995)
Currency translation differences	818	248
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<hr/> 184,847	<hr/> 335,125
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<hr/> 394,038	<hr/> 302,378
Bank overdraft	7,041	4,140
Deposits with licenced banks with maturity of more than 3 months	8,496	3,555
Designated account (FSRA & DSRA)	5,105	8,107
	<hr/>	<hr/>
DEPOSIT, CASH AND BANK BALANCES	<hr/> 414,680	<hr/> 318,180
	<hr/>	<hr/>

KPJ HEALTHCARE BERHAD

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A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A1 BASIS OF PREPARATION

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

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2017.

Standards, amendments to published standards and interpretations that are effective

The Group has applied the following amendments for the financial year beginning on 1 January 2018:

- MFRS 9 ‘Financial Instruments’.
- MFRS 15 ‘Revenue from Contracts with Customer’.
- Amendments to MFRS 2 ‘Classification and Measurement of Share-based Payment Transactions’.
- Annual Improvements to MFRS 128 ‘Investments in Associates and Joint Ventures’.
- Amendments to MFRS 140 ‘Clarification on ‘Change in Use’ – Assets transferred to, or from, Investment Properties’.
- IC Interpretation 22 ‘Foreign Currency Transactions and Advance Consideration’.

Standards that have been issued but not yet effective

The Group did not early adopt these new standards.

- Annual Improvements to MFRSs 2015–2017 Cycle (effective from 1 January 2019).
- MFRS 16 ‘Leases’ (effective from 1 January 2019).
- Amendments to MFRS 9 ‘Prepayment Features with Negative Compensation’ (effective 1 January 2019).
- Amendments to MFRS 119 ‘Plan Amendment, Curtailment or Settlement’ (effective 1 January 2019).
- Amendments to MFRS 128 ‘Long Term Interests in Associates and Joint Ventures’ (effective 1 January 2019).
- IC Interpretation 23 ‘Uncertainty over Income Tax Treatments’ (effective 1 January 2019).
- The Conceptual Framework for Financial Reporting (Revised 2018) (effective 1 January 2020).

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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER
2018 (CONTINUED)**

A2 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the annual financial statements for the financial year ended 31 December 2017 was unqualified.

A3 SEASONALITY OR CYCLICALITY OF OPERATIONS

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

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

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

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES

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

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

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

i. MFRS 15 'Revenue from Contracts with Customers'

The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Group has opted to use practical expedients for completed contracts whereby the Group need not restate contracts that:

- (i) begin and end within the same annual reporting period; and
- (ii) are completed contracts at the beginning of the earliest period presented.

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

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

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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER
2018 (CONTINUED)**

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

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

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

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

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

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

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

	Continuing operations				
	<u>Hospital and healthcare charges</u>		<u>Others</u>		<u>Total</u>
	Malaysia RM'000	Others RM'000	Malaysia RM'000	Others RM'000	RM'000
<u>2018</u>					
Segment revenue	2,667,017	42,216	95,002	37,136	2,841,371
Intersegment revenue	(339,638)	-	(52,451)	(4,510)	(396,599)
Revenue from external customers	<u>2,327,379</u>	<u>42,216</u>	<u>42,551</u>	<u>32,626</u>	<u>2,444,772</u>
Timing of revenue recognition					
Point in time	2,327,379	42,216	37,651	149	2,407,395
Over time	-	-	4,900	32,477	37,377
	<u>2,327,379</u>	<u>42,216</u>	<u>42,551</u>	<u>32,626</u>	<u>2,444,772</u>

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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER
2018 (CONTINUED)**

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

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

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

	Continuing operations				
	<u>Hospital and healthcare charges</u>		<u>Others</u>		<u>Total</u>
	Malaysia RM'000	Others RM'000	Malaysia RM'000	Others RM'000	RM'000
<u>2017</u>					
Segment revenue	2,564,512	43,610	82,788	42,379	2,733,289
Intersegment revenue	(342,611)	-	(39,396)	(5,012)	(387,019)
Revenue from external customers	<u>2,221,901</u>	<u>43,610</u>	<u>43,392</u>	<u>37,367</u>	<u>2,346,270</u>
Timing of revenue recognition					
Point in time	2,221,902	43,610	37,350	446	2,303,308
Over time	-	-	6,042	36,920	42,962
	<u>2,221,902</u>	<u>43,610</u>	<u>43,392</u>	<u>37,366</u>	<u>2,346,270</u>

ii. MFRS 9 'Financial Instruments'

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

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

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A NOTES TO THE INTERIM FINANCIAL REPORT
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2018 (CONTINUED)

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

ii. MFRS 9 'Financial Instruments' (continued)

Classification and measurement of financial assets

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

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

Impairment of financial assets

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

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

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2018 (CONTINUED)**

A6 DEBT AND EQUITY SECURITIES

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

EQUITY SECURITIES

i. Treasury shares

On 23 April 2018, at the Annual General Meeting, the shareholders of the Company renewed their approval for the Company to buy-back its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company.

Up to 31 December 2017, 63,047,000 units of KPJ Healthcare Berhad shares were bought by the Company from the open market, listed on the Bursa Malaysia for a total consideration of RM55,411,213.

During the financial year, the Company repurchased 27,741,000 ordinary shares of its issued share capital from the open market at an average price of RM1.07 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares and accounted for in accordance with the requirement of Section 127 of the Companies Act 2016.

As at 30 September 2018, the Company held a total of 90,788,000 of its 4,301,150,235 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM 85,056,456.

ii. Free warrants (2014/2019)

On 29 January 2014, Warrants 2014/2019 were issued for free to the subscribers of the renounceable rights issue of 43,637,326 new ordinary shares of RM0.50 each in the Company's Rights Shares on the basis of one (1) Rights Share for every fifteen (15) existing shares held by the entitled shareholders of the Company, together with 87,274,652 free detachable new warrants ("Warrants 2014/2019") on the basis of two (2) Warrants 2014/2019 for every one (1) Rights Share subscribed at an issue price of RM4.01 per Rights Share ("Rights Issue").

Each new warrant (2014/2019) is entitled at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price of RM4.01. During the year, each warrant has been adjusted to RM1.01 each pursuant to the Share Split exercise on 26 September 2017.

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

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

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**A NOTES TO THE INTERIM FINANCIAL REPORT
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2018 (CONTINUED)**

A6 DEBT AND EQUITY SECURITIES (CONTINUED)

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

EQUITY SECURITIES (CONTINUED)

iii. Employees Share Option Scheme (ESOS)

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

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

The fair value of ESOS is RM1.01 and the exercise price is RM3.64 (2017: RM3.64).

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

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

	<u>30.09.2018</u>	<u>30.09.2018</u>
	Number of shares ('000)	RM'000
At start of the financial period	4,281,413	736,069
Issued during the financial period		
- exercise of warrant	437	481
- exercise of ESOS	19,300	18,528
	<u>4,301,150</u>	<u>755,078</u>
At end of financial period	<u>4,301,150</u>	<u>755,078</u>

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2018 (CONTINUED)**

A7 DIVIDENDS

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

- i. First interim single tier dividend of 0.50 sen per share on 4,213,630,292 ordinary shares amounting to RM21,068,151. The dividend was declared on 26 February 2018 and was fully paid on 20 April 2018.
- ii. Second interim single tier dividend of 0.50 sen per share on 4,214,465,132 ordinary shares amounting to RM 21,072,326. The dividend was declared on 30 May 2018 and was fully paid on 20 July 2018.
- iii. Third interim single tier dividend of 0.50 sen per share on 4,200,750,613 ordinary shares amounting to RM 21,003,753. The dividend was declared on 16 August 2018 and was fully paid on 5 October 2018.

A8 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker ("CODM"), which is the Board of Directors ("BOD"). The BOD considers the business by geographical location. The reportable segments have been identified as follows:

Continuing operations

- i. Malaysia - All healthcare activities including the private hospitals, pathology and laboratory services and distribution of pharmaceutical, medical and consumer healthcare products.
- ii. Others – Operating segments involved in provision of hospital services in Indonesia, Thailand and Bangladesh, private university college of nursing and allied health and sale of hospital merchandise and other similar activities, none of which are individually significant to warrant separate disclosure per quantitative thresholds required by MFRS 8.

Discontinued operation

- i. Australia - Providing retirement village and aged care facilities.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

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A NOTES TO THE INTERIM FINANCIAL REPORT
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2018 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

Individual quarter 3 months ended

	<u>Continuing operations</u>			<u>Discontinued</u>	<u>Total</u>
	<u>Malaysia</u>	<u>Others</u>	<u>Sub-total</u>	<u>operation</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>Australia</u>	<u>RM'000</u>
				<u>RM'000</u>	
<u>30 September 2018</u>					
<u>Revenue</u>					
Revenue from external customers	794,887	25,673	820,560	14,601	835,161
<u>Results</u>					
EBITDA*	118,026	1,306	119,332	342	119,674
Profit/(loss) before zakat and tax	64,255	(1,317)	62,938	(666)	62,272
Total assets	4,114,528	331,469	4,445,997	160,302	4,606,299
Total liabilities	2,359,301	72,168	2,431,469	175,592	2,607,061
Additions to property, plant and equipment	52,855	5,874	58,729	-	58,729
<u>30 September 2017</u>					
<u>Revenue</u>					
Revenue from external customers	762,320	26,113	788,433	14,770	803,203
<u>Results</u>					
EBITDA*	104,119	(49)	104,070	554	104,624
Profit/(loss) before zakat and tax	53,675	(2,735)	50,940	(583)	50,357
Total assets	3,593,987	337,842	3,931,829	177,046	4,108,875
Total liabilities	2,038,302	98,948	2,137,250	204,703	2,341,953
Additions to property, plant and equipment	54,364	2,044	56,408	18	56,426

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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER
2018 (CONTINUED)**

A8 SEGMENT REPORTING (CONTINUED)

Individual quarter 3 months ended (continued)

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

	<u>Indonesia</u> IDR'000	<u>Indonesia</u> RM'000	<u>Australia</u> AUD'000	<u>Australia</u> RM'000
<u>30 September 2018</u>				
<u>Revenue</u>				
Revenue from external customers	38,378,781	10,916	4,738	14,601
<u>Results</u>				
EBITDA*	5,788,789	1,661	111	342
Loss before zakat and tax	(1,494,014)	(412)	(216)	(666)
Total assets	499,855,856	138,710	53,697	160,302
Total liabilities	138,796,396	38,516	58,819	175,592
Additions to property, plant and equipment	4,240,453	1,154	-	-
<u>30 September 2017</u>				
<u>Revenue</u>				
Revenue from external customers	39,716,069	12,729	4,638	14,770
<u>Results</u>				
EBITDA*	6,461,778	2,071	174	554
Profit/(loss) before zakat and tax	1,070,203	343	(183)	(583)
Total assets	449,500,000	148,335	53,504	177,046
Total liabilities	158,190,909	52,203	61,862	204,703
Additions to property, plant and equipment	687,879	227	5	18

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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER
2018 (CONTINUED)**

A8 SEGMENT REPORTING (CONTINUED)

Cumulative 9 months ended

	<u>Continuing operations</u>			<u>Discontinued</u>	<u>Total</u>
	<u>Malaysia</u>	<u>Others</u>	<u>Sub-total</u>	<u>operation</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>Australia</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>30 September 2018</u>					
<u>Revenue</u>					
Revenue from external customers	2,369,930	74,842	2,444,772	44,289	2,489,061
<u>Results</u>					
EBITDA*	353,793	965	354,758	2,488	357,246
Profit/(loss) before zakat and tax	192,112	(6,869)	185,243	(603)	184,640
Total assets	4,114,528	331,469	4,445,997	160,302	4,606,299
Total liabilities	2,359,301	72,168	2,431,469	175,592	2,607,061
Additions to property, plant and equipment	190,963	7,999	198,962	-	198,962
<u>30 September 2017</u>					
<u>Revenue</u>					
Revenue from external customers	2,265,293	80,977	2,346,270	43,867	2,390,137
<u>Results</u>					
EBITDA*	304,181	5,648	309,829	(1,863)	307,966
Profit/(loss) before zakat and tax	159,036	(2,813)	156,223	(5,694)	150,529
Total assets	3,593,987	337,842	3,931,829	177,046	4,108,875
Total liabilities	2,038,302	98,948	2,137,250	204,703	2,341,953
Additions to property, plant and equipment	267,621	3,801	271,422	18	271,440

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**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER
2018 (CONTINUED)**

A8 SEGMENT REPORTING (CONTINUED)

Cumulative 9 months ended (continued)

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

	<u>Indonesia</u> IDR'000	<u>Indonesia</u> RM'000	<u>Australia</u> AUD'000	<u>Australia</u> RM'000
<u>30 September 2018</u>				
<u>Revenue</u>				
Revenue from external customers	107,669,903	31,052	14,398	44,289
<u>Results</u>				
EBITDA*	9,646,325	2,782	809	2,488
Loss before zakat and tax	(10,072,816)	(2,905)	(196)	(603)
Total assets	499,855,856	138,710	53,697	160,302
Total liabilities	138,796,396	38,516	58,819	175,592
Additions to property, plant and equipment	9,405,405	2,610	-	-
<u>30 September 2017</u>				
<u>Revenue</u>				
Revenue from external customers	117,297,972	37,594	13,776	43,867
<u>Results</u>				
EBITDA*	20,009,360	6,413	(585)	(1,863)
Profit/(loss) before zakat and tax	3,918,877	1,256	(1,788)	(5,694)
Total assets	449,500,000	148,335	53,504	177,046
Total liabilities	158,190,909	52,203	61,862	204,703
Additions to property, plant and equipment	1,075,758	355	5	18

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

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**A NOTES TO THE INTERIM FINANCIAL REPORT
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2018 (CONTINUED)**

A8 SEGMENT REPORTING (CONTINUED)

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

	<u>30.09.2018</u>	<u>30.09.2017</u>
1 Australian Dollar		
Closing	2.9853	3.3090
Average	3.0760	3.1842
1,000 Indonesian Rupiah		
Closing	0.2775	0.3300
Average	0.2884	0.3205
	<u> </u>	<u> </u>

A9 VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

In accordance with the Group Accounting policy, certain land and buildings of the Group were revalued on 31 December 2017 to reflect the fair value of the properties that has changed significantly based on a valuation carried out by independent firm of professional valuers. The book values of the land and buildings were adjusted to reflect the revaluation and the resultant surpluses were credited to revaluation reserve.

A10 MATERIAL EVENTS SUBSEQUENT TO THE END OF FINANCIAL PERIOD

Except as stated in note B6, there were no material events subsequent to the financial period ended 30 September 2018 that has not been reflected in the interim financial reports.

A11 CHANGES IN THE COMPOSITION OF THE GROUP

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

A12 CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date as at 31 December 2017 except as stated in note B9.

A13 RELATED PARTY TRANSACTIONS

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

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**A NOTES TO THE INTERIM FINANCIAL REPORT
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2018 (CONTINUED)**

A14 CAPITAL COMMITMENTS

Capital expenditures not provided for in the interim financial report as at 30 September 2018 are as follows:

	RM'000
Approved and contracted	154,495
Approved but not contracted	116,747
	<hr/>
	271,242
	<hr/> <hr/>

Analysed as follows:

Buildings	219,728
Medical equipment	28,129
Other property, plant and equipment	23,385
	<hr/>
	271,242
	<hr/> <hr/>

**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING
REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD
ENDED 30 SEPTEMBER 2018**

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

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

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

Group

The Group's revenue for the current quarter ended 30 September 2018 was RM820.6 million, an increase of 4% as compared to RM788.4 million in the corresponding quarter of the preceding year. The profit before zakat and tax for the 3 months ended 30 September 2018 was recorded at RM62.9 million, increased by 24% from RM50.9 million in 2017.

Segment : Continuing operations

Malaysia

The Malaysia segment continues to excel, reported revenue rose by 4% to RM794.9 million in current quarter from RM762.3 million reported in the same quarter of the preceding year. The improved performance was mainly contributed by the increase in number of patient visits, number of beds and surgeries particularly for KPJ Rawang, KPJ Pasir Gudang and KPJ Bandar Maharani. Extended promotions to the neighbouring country and online promotions are also factors to the increase in revenue. Besides, increased activities at the support companies also contributed to the revenue growth.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

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

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

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

Segment : Continuing operations (continued)

Malaysia (continued)

Profit before zakat and tax has increased to RM64.3 million during this quarter, an increase of 20% from RM53.7 million in the same quarter in 2017, contributed by the cost optimisation initiatives by the hospitals.

Others

Revenue from this segment was reported at RM25.7 million, a decreased of 2% from RM26.1 million in corresponding quarter of the prior year. The decrease was mainly contributed by lower number of patients, particularly for Rumah Sakit Medica Bumi Serpong Damai, due to stricter regulations imposed by the government over cases and treatment on patients under BPJS Kesehatan scheme, an Indonesian National Health Insurance System.

The decrease in revenue of Indonesian operation has affected EBITDA of RM1.7 million, translated to 19% decreased as compared to EBITDA of RM2.1 million reported in the corresponding quarter of the preceding year.

Segment : Discontinued operation

Australia

Revenue from Australia segment was reported at RM14.6 million, slightly decreased as compared to revenue in the corresponding quarter of the preceding year which was reported at RM14.8 million. This segment reported a decrease of 50% in EBITDA during this quarter, which currently stands at RM0.3 million, as compared to EBITDA of RM0.6 million in the corresponding quarter of the preceding year.

- b. Review on statements of comprehensive income for current financial period compared to prior financial period (9 months)

Group

The Group's revenue for the current year ended 30 September 2018 was RM2,444.8 million, an increase of 4% as compared to RM2,346.3 million in the corresponding period of the preceding year. The profit before zakat and tax for the 9 months ended 30 September 2018 was recorded at RM185.2 million, increased by 19% from RM156.2 million in 2017.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

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

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

- b. Review on statements of comprehensive income for current financial period compared to prior financial period (9 months) (continued)

Segment : Continuing operations

Malaysia

The Malaysia segment revenue in 2018 grew from RM2,265.3 million to RM2,369.9 million, an increase of 5% compared to the preceding year. Higher revenue was mainly contributed by the increase in number of patient visits, number of beds and surgeries particularly for KPJ Rawang, KPJ Pasir Gudang and KPJ Bandar Maharani. Extended promotions to the neighbouring country and online promotions are also factors to the increase in revenue. The increase in revenue was also attributed by the organic growth from the existing hospitals.

Profit before zakat and tax has increased to RM192.1 million during this period, an increase of 21% from RM159.0 million in the same period in 2017. The growth was mainly contributed by better cost optimisation.

Others

Revenue from this segment was reported at RM74.8 million, 8% decreased from RM81.0 million in corresponding period of the prior year. The decrease was mainly contributed by lower number of patients, particularly for Rumah Sakit Medica Bumi Serpong Damai, due to stricter regulations imposed by the government over cases and treatment on patients under BPJS Kesehatan scheme, an Indonesian National Health Insurance System.

EBITDA for Indonesian operation was reported at RM2.8 million, decreased by 56% as compared to EBITDA of RM6.4 million reported in the preceding year.

Segment : Discontinued operation

Australia

Revenue from Australia segment was reported at RM44.3 million, increased by 1% as compared to revenue in the corresponding period of the preceding year which was reported at RM43.9 million. This segment reported an increase of more than 100% in EBITDA in current year, which currently stands at RM2.5 million, as compared to negative EBITDA of RM1.9 million in the corresponding quarter of the preceding year. Stronger EBITDA was backed by better utilisation of resources, resulted from higher number of residents reported by Jeta Gardens.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

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

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

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

Group

The Group's total assets as at 30 September 2018 was RM4,606.3 million, an increase of 12% as compared to RM4,108.9 million as at 30 September 2017. The Group's total liabilities as at 30 September 2018 was RM2,607.1 million, increased by 11% as compared to RM2,342.0 million as at 30 September 2017.

Segment : Continuing operations

Malaysia

Total assets from Malaysia segment was reported at RM4,114.5 million, an increase of 14% in comparison to RM3,594.0 million as at 30 September 2017. The increment was mainly attributable to the additional investments in property, plant and equipment for the soon-to-be opened hospitals such as KPJ BDC, KPJ Bandar Dato Onn and KPJ Miri which are currently under construction. In addition, KPJ Ampang Puteri which is in the midst of expansion of the hospital building has also contributed to the increase in total assets. Apart from the increase in property, plant and equipment, the increment was also contributed by the cash received from partial disposal of an interest in subsidiary, Lablink (M) Sdn Bhd to KL Kappa Sdn Bhd via new issuance of ordinary shares, which was completed during the last quarter.

Total liabilities from this segment was reported at RM2,359.3 million increased by 16% in comparison to RM2,038.3 million as at 30 September 2017. The increase in liabilities was due to construction costs incurred during the period for the ongoing projects of new and existing hospitals.

Others

Total assets for this segment is mainly contributed by the Indonesian operations of RM138.7 million, decreased by 6% in comparison to RM148.3 million as at 30 September 2017. Meanwhile, total liabilities from Indonesia operations was reported at RM38.5 million, decreased by 26% in comparison to RM52.2 million as at 30 September 2017. The decrease was mainly due to the depreciation of Malaysian Ringgit and repayment of the bank borrowings and payables during the period.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

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

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

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

Segment : Discontinued operation

Australia

The Australia segment reported total assets of RM160.3 million, a decrease of 9% as compared to RM177.0 million recorded as at 30 September 2017, as well as total liabilities which also reported a decrease by RM29.1 million or by 14% compared to RM204.7 million recorded as at 30 September 2017 due to the depreciation of Malaysian Ringgit during the period.

d. Review on statements of cash flows for current financial period compared to prior financial period (9 months)

Group

The statement of cash flows is showing good cash inflow from operating activities in line with the increase in profit during the financial period. Furthermore, debtors' turnover days reported at 43 days during this period which is 19% better as compared to the same quarter in 2017 at 53 days.

Cash used in investing activities, mainly on the expenditure incurred for development of new hospitals, including KPJ Bandar Dato' Onn, KPJ BDC and KPJ Miri, as well as for existing hospitals including KPJ Ampang Puteri. The expenditure were off-setted with the purchase consideration received from the partial disposal of an interest in subsidiary, Lablink (M) Sdn Bhd.

Included in the cash flows from financing activities were repurchased of 27.7 million ordinary shares from the open market amounting RM29.6 million, and issuance of Islamic Medium Term Notes ("IMTN") for a nominal value of RM200 million during this period. With this issuance, total nominal value of IMTN issued as at 30 September 2018 is amounted to RM1.1 billion.

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

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

B2 MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter ended 30.09.2018			Quarter ended 30.06.2018			Var
	Continuing	Discontinued	Total	Continuing	Discontinued	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Revenue	820,560	14,601	835,161	801,329	14,769	816,098	2
Operating profit	75,347	(300)	75,047	73,963	(42)	73,921	2
Profit / (loss) before zakat and tax	62,938	(666)	62,272	61,419	(417)	61,002	2
Net profit / (loss) for the financial period	41,753	(666)	41,087	44,993	(417)	44,576	(8)
Total comprehensive income for the financial period	41,753	(666)	41,087	44,993	(417)	44,576	(8)
EBITDA	119,332	342	119,674	118,822	601	119,423	0
Profit attributable to Owners of the Company	41,681	(380)	41,301	42,574	(237)	42,337	(2)
No. of inpatient (episode)	74,949	-	74,949	72,515	-	72,515	3
No. of outpatient (episode)	635,984	-	635,984	659,765	-	659,765	(4)

Revenue during the current quarter for continuing operations was recorded at RM820.6 million, 2% increased as compared to the revenue in preceding quarter of RM801.3 million, mainly contributed by the increased of inpatient numbers. In line with the increase in revenue, profit before zakat and tax for current quarter increased by 2%, which had been closed at RM62.9 million as compared to RM61.4 million in the preceding quarter. EBITDA for this quarter stands at RM119.3 million, slight increase as compared to the preceding quarter of RM118.8 million.

As for discontinued operation, the revenue shows a 1% decreased from RM14.8 million in preceding quarter to RM14.6 million in current quarter. In line with decrease in revenue, loss before zakat and tax has decreased to RM0.7 million as compared to loss before zakat and tax of RM0.4 million in preceding quarter. EBITDA for discontinued operation have decreased from RM0.6 million in quarter 2, 2018 to RM0.3 million in current quarter.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

B3 CURRENT YEAR PROSPECTS

Group

The Group is confident to end the financial year ending 31 December 2018 with improved results from its matured and new hospitals, and foresee that the EBITDA and PBZT margin will be sustainable amidst rising cost challenges. The Group will keep its focus on disciplined cost management through innovative approaches towards operational excellence.

As for the Others segment, the Group will continue to remain focused on putting in robust strategies in tandem with the improvement in the Group core activities of providing hospital services.

B4 PROFIT FORECAST / GUARANTEE

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

B5 TAXATION

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	<u>30.09.2018</u>	<u>30.09.2017</u>	<u>30.09.2018</u>	<u>30.09.2017</u>
	RM'000	RM'000	RM'000	RM'000
Income tax expense	20,136	16,542	49,778	42,995

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period. The effective tax rate of the Group for the period ended 30 September 2018 is slightly lower as compared to prior period. However, the rate were slightly above the statutory tax rate due to certain expenses not deductible for tax purposes.

B6 STATUS OF CORPORATE PROPOSALS

(a) Free warrants (2014/2019)

On 29 January 2014, Warrants 2014/2019 were issued for free to the subscribers of the renounceable rights issue of 43,637,326 new ordinary shares of RM0.50 each in the Company's Rights Shares on the basis of one (1) Rights Share for every fifteen (15) existing shares held by the entitled shareholders of the Company, together with 87,274,652 free detachable new warrants ("Warrants 2014/2019") on the basis of two (2) Warrants 2014/2019 for every one (1) Rights Share subscribed at an issue price of RM4.01 per Rights Share ("Rights Issue").

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

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

B6 STATUS OF CORPORATE PROPOSALS (CONTINUED)

(a) Free warrants (2014/2019) (Continued)

Each new warrant (2014/2019) is entitled at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price of RM4.01. During the year, each warrant has been adjusted to RM1.01 each pursuant to the Share Split exercise on 26 September 2018.

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

<u>Issuance date</u>	<u>Expiry date</u>	<u>Exercise price</u> RM/share	<u>Number of Warrants 2014/2019</u>		
			<u>1.1.2018</u> '000	<u>Exercised</u> '000	<u>30.9.2018</u> '000
29 January 2014	23 January 2019	1.0025	345,635	(437)	345,198

(b) Disposal of equity interest in Hospital Penawar

On 1 December 2016, a wholly-owned subsidiary of the Group, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), has entered into a Sale and Purchase Agreement with Dr Mohd Adnan bin Sulaiman and Azizan bin Sulaiman ("Purchasers") to dispose thirty percent (30%) equity shareholding of Hospital Penawar amounting to 720,000 ordinary shares to the Purchasers for a total cash consideration of RM2,209,860.

On 29 December 2016, the Purchasers have made payment of RM220,986 being 10% deposit of the total cash consideration.

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

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

The Purchasers have requested for extension of time and expect to complete by 31 December 2018.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

B6 STATUS OF CORPORATE PROPOSALS (CONTINUED)

- (c) Acquisition of an office premise in Kota Bharu by Perdana Specialist Hospital Sdn Bhd ("PSHSB")

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

The completion of the SPA is pending as there are conditions precedent ("CP") under the SPA which must be fulfilled, as follows:-

- a) the registration of transfer of the Property in favour of PSHSB ; and;
- b) the registration of the charge created by PSHSB over the Property in favour of its financier, Bank Islam Malaysia Berhad ("BIMB"), as security for a financing facility granted by BIMB to PSHSB ("Financing") .

PSHSB has obtained the State Authority consent to transfer the Property.

PSHSB has to pay KTC the balance of the purchase price in the sum of RM6,120,000 only ("Balance Purchase Consideration") which will include payment of the redemption amount due to KTC's existing financier .

Given that the purchase consideration for the Property will be partly financed using the proceeds of the Financing, there are conditions imposed by BIMB which must be met by PSHSB prior to the release of the Financing to pay for the Balance Purchase Consideration.

Barring any unforeseen circumstances and subject to the release of the Financing, the proposed acquisition of the Property is expected to be completed in the fourth (4th) quarter of 2018.

- (d) Planned disposal of aged care operation in Australia

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

As of 30 September 2018, Jeta Gardens is in a net total liability position of RM15.3 million.

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

The disposal is expected to be completed by second (2nd) quarter of 2019.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

B7 BORROWINGS

Details of the Group's borrowings are as follows:

	Current		Non-current		Total borrowings	
	Foreign deno	RM deno	Foreign deno	RM deno	Foreign deno	RM deno
	'000	RM'000	'000	RM'000	'000	RM'000
<u>As at 30 September 2018</u>						
Secured:						
Term loans						
- Conventional						
RM	-	563	-	678	-	1,241
AUD	6,540	19,523	-	-	6,540	19,523
- Syariah						
RM	-	25,785	-	302,211	-	327,996
USD	2,173	8,989	5,193	21,483	7,366	30,472
Finance lease liabilities						
- Conventional						
RM	-	390	-	1,694	-	2,084
AUD	6	18	-	-	6	18
- Syariah						
RM	-	10,175	-	16,514	-	26,689
Unsecured:						
Revolving credits						
- Conventional						
AUD	1,854	5,536	-	-	1,854	5,536
- Syariah						
RM	-	187,000	-	-	-	187,000
Bank overdrafts						
- Syariah						
RM	-	7,041	-	-	-	7,041
Islamic Medium Term Notes						
Term Notes	-	-	-	1,100,000	-	1,100,000
		265,020		1,442,580		1,707,600
Transfer to liabilities associated with assets held for sale						
AUD	(8,400)	(25,077)	-	-	(8,400)	(25,077)
Total		239,943		1,442,580		1,682,523

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

B7 BORROWINGS (CONTINUED)

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

	Current		Non-current		Total borrowings	
	Foreign deno	RM deno	Foreign deno	RM deno	Foreign deno	RM deno
	'000	RM'000	'000	RM'000	'000	RM'000
<u>As at 30 September 2017</u>						
Secured:						
Term loans						
- Conventional						
RM	-	815	-	1,432	-	2,247
AUD	3,681	12,181	5,841	19,329	9,522	31,510
- Syariah						
RM	-	4,741	-	297,782	-	302,523
USD	533	2,248	9,832	41,505	10,365	43,753
Finance lease liabilities						
- Conventional						
RM	-	1,747	-	2,469	-	4,216
AUD	14	46	6	20	20	66
- Syariah						
RM	-	16,045	-	9,244	-	25,289
Unsecured:						
Revolving credits						
- Conventional						
AUD	1,815	6,007	-	-	1,815	6,007
- Syariah						
RM	-	269,500	-	-	-	269,500
Bank overdrafts						
- Syariah						
RM	-	4,140	-	-	-	4,140
Islamic Medium Term Notes						
Term Notes	-	-	-	900,000	-	900,000
Total		<u>317,470</u>		<u>1,271,781</u>		<u>1,589,251</u>

* "deno" refers to denomination

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

B7 BORROWINGS (CONTINUED)

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

The key exchange rate used is as follows;

	<u>30.09.2018</u>	<u>30.09.2017</u>
1 Australian Dollar	2.9799	3.3092
1 US Dollar	4.0350	4.2212

Material changes in borrowings

Increase in borrowings as at 30 September 2018 were mainly due to issuance of Islamic Medium Term Notes ("IMTN") for a nominal value of RM200 million. With this issuance, total nominal value of IMTN issued as at 30 September 2018 is RM1.1 billion. The proceed was used to pay for the development costs of the ongoing projects of new hospitals. There is no such material changes in borrowings during the same quarter last year.

Weighted average interest rate of borrowings are as follows:

- Term loan: 4.91% p.a. (2017: 5.10% p.a.)
- Hire purchase: 3.04% p.a. (2017: 2.97% p.a.)
- Islamic Medium Term Notes: 5.73% p.a. (2017: 5.81% p.a.)
- Overdraft: 6.74% p.a. (2017: 6.86% p.a.)
- Revolving credit: 4.17% p.a. (2017: 4.06% p.a.)

B8 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

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

B9 MATERIAL LITIGATIONS

On 16 April 2015, SMC Healthcare Sdn Bhd (Plaintiff) ("SMCH"), a wholly-owned subsidiary of the Group, had filed a writ of summons at Kota Kinabalu High Court claiming the balance of the Deposit for purchase of land measuring 4.0 acres in the sum of RM4,160,000 from Chen Sheau Yang (Defendant).

On 6 July 2017, the High Court Judge delivered its decision in favour of the Plaintiff as follows:

- 1) The Claim of the Plaintiff for the sum of RM4,160,000 was allowed;
- 2) Interest on the Judgement sum at 5% calculated from 18 February 2015, the effective termination date of the transaction to the date of full payment.
- 3) The Counter Claim of the Defendant was dismissed.
- 4) Costs of RM50,000 to be paid by the Defendant.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

B9 MATERIAL LITIGATIONS (CONTINUED)

The Defendant had on 4 August 2017 filed an appeal against the decision of the High Court and on 18 July 2018, the Court of Appeal sitting on circuit in Kota Kinabalu allowed the appeal of the Defendant and reversed the decision of the High Court.

The Company has filed an application seeking leave to appeal at the Federal Court against the decision of the Court of Appeal and the grounds of judgment of the Court of Appeal have been received on 16 October 2018. The Company now awaiting hearing date to be fixed by the Federal Court for the leave application which is anticipated to take place in the 1st Quarter 2019.

B10 DIVIDENDS

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

- i. First interim single tier dividend of 0.50 sen per share on 4,213,630,292 ordinary shares amounting to RM21,068,151. The dividend was declared on 26 February 2018 and was fully paid on 20 April 2018.
- ii. Second interim single tier dividend of 0.50 sen per share on 4,214,465,132 ordinary shares amounting to RM 21,072,326. The dividend was declared on 30 May 2018 and was fully paid on 20 July 2018.
- iii. Third interim single tier dividend of 0.50 sen per share on 4,200,750,613 ordinary shares amounting to RM 21,003,753. The dividend was declared on 16 August 2018 and was fully paid on 5 October 2018.

B11 AUTHORISED FOR ISSUE

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

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

B12 EARNINGS PER SHARE

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

(a) Basic earnings per share

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

	As at <u>30.09.2018</u>	As at <u>30.09.2017</u> (Restated)
<u>Continuing operations</u>		
Profit attributable to Owners of the Company (RM'000)	126,464	104,237
Weighted average number of ordinary shares in issue ('000)	4,371,795	4,379,556
Basic earnings per share (sen)	<u>2.89</u>	<u>2.38</u>
<u>Discontinued operation</u>		
Loss attributable to Owners of the Company (RM'000)	(344)	(3,246)
Weighted average number of ordinary shares in issue ('000)	4,371,795	4,379,556
Basic earnings per share (sen)	<u>(0.01)</u>	<u>(0.07)</u>

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

B12 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

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

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

	As at 30.09.2018	As at 30.09.2017 (Restated)
<u>Continuing operations</u>		
Profit attributable to Owners of the Company (RM'000)	126,464	104,237
Weighted average number of ordinary shares in issue ('000)	4,371,795	4,379,556
Assumed shares issued from the		
- exercise of warrants ('000)	345,198	345,635
- exercise of ESOS ('000)	233,820	267,468
Weighted average number of ordinary shares in issue ('000)	<u>4,950,813</u>	<u>4,992,659</u>
Diluted earnings per share (sen)	<u>2.55</u>	<u>2.09</u>
<u>Discontinued operation</u>		
Loss attributable to Owners of the Company (RM'000)	(344)	(3,246)
Weighted average number of ordinary shares in issue ('000)	4,371,795	4,379,556
Assumed shares issued from the		
- exercise of warrants ('000)	345,198	345,635
- exercise of ESOS ('000)	233,820	267,468
Weighted average number of ordinary shares in issue ('000)	<u>4,950,813</u>	<u>4,992,659</u>
Diluted earnings per share (sen)	<u>(0.01)</u>	<u>(0.06)</u>