

Company No.

247079	M
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**KPJ HEALTHCARE BERHAD**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORTS**

**31 DECEMBER 2016**

**KPJ HEALTHCARE BERHAD**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORTS  
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER  
2016**

The Directors of KPJ Healthcare Berhad are pleased to announce the financial results for the Group for the three months ended 31 December 2016.

The interim report is prepared in accordance with MFRS134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Listing Requirements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to this report.

**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended		12 months ended	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		RM'000	RM'000	RM'000	RM'000
				Audited	Audited
Revenue	B1	744,985	701,595	3,021,094	2,847,593
Cost of sales		(531,882)	(545,195)	(2,123,062)	(2,021,222)
Gross profit		213,103	156,400	898,032	826,371
Administrative expenses		(153,450)	(130,160)	(687,844)	(644,617)
Other income		19,359	21,019	33,175	39,082
Operating profit		79,012	47,259	243,363	220,836
Finance income		5,930	5,026	16,298	13,731
Finance cost		(27,861)	(15,835)	(83,137)	(64,157)
Finance costs – net		(21,931)	(10,809)	(66,839)	(50,426)
Share of results of associates		6,500	11,646	33,647	39,198
<b>Profit before zakat and tax</b>	B2	63,581	48,096	210,171	209,608
Zakat		(2,097)	(570)	(3,807)	(2,280)
Taxation	B5	(7,978)	(17,937)	(50,489)	(62,199)
Net profit for the financial year		53,506	29,589	155,875	145,129
Other comprehensive income		15,261	44,922	15,449	43,562
Total comprehensive income for the financial year		68,767	74,511	171,324	188,691

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**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended		12 months ended	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		RM'000	RM'000	RM'000	RM'000
				Audited	Audited
<b>Profit for the financial year attributable to:</b>					
Owners of the Company		52,191	27,285	149,195	135,330
Non-controlling interest		1,315	2,304	6,680	9,799
		<u>53,506</u>	<u>29,589</u>	<u>155,875</u>	<u>145,129</u>
<b>Total comprehensive income for the financial year attributable to:</b>					
Owners of the Company		67,452	72,207	164,644	178,892
Non-controlling interest		1,315	2,304	6,680	9,799
		<u>68,767</u>	<u>74,511</u>	<u>171,324</u>	<u>188,691</u>
<b>Dividend per share (sen)</b>	A7	<u>1.50</u>	<u>1.75</u>	<u>6.55</u>	<u>7.85</u>
<b>Earnings per share (sen)</b>	B11				
- Basic					
- at par value of RM0.50		4.60	2.59	13.69	13.04
- Diluted					
- at par value of RM0.50		<u>2.86</u>	<u>1.56</u>	<u>11.93</u>	<u>11.16</u>

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**KPJ HEALTHCARE BERHAD**  
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**AUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	<u>Note</u>	<u>31.12.2016</u> RM'000	<u>31.12.2015</u> RM'000
<b><u>ASSETS</u></b>			
<b><u>Non-current assets</u></b>			
Property, plant and equipment	A9	1,966,535	1,831,949
Investment properties		280,436	279,833
Intangible assets		245,567	252,126
Investment in associates		391,540	475,495
Available-for-sale financial assets		2,146	282
Deferred tax assets		18,757	18,956
Trade and other receivables		34,621	32,661
		<u>2,939,602</u>	<u>2,891,302</u>
<b><u>Current assets</u></b>			
Inventories		47,119	48,053
Trade and other receivables		555,518	517,375
Tax recoverable		33,861	25,646
Deposit, cash and bank balances		359,399	433,206
		<u>995,897</u>	<u>1,024,280</u>
Total assets		<u><u>3,935,499</u></u>	<u><u>3,915,582</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b><u>Current liabilities</u></b>			
Trade and other payables		490,922	616,883
Current tax liabilities		12,047	18,225
Borrowings	B7	333,445	359,149
Deferred revenue		76,804	78,849
Dividends payable		15,720	18,181
		<u>928,938</u>	<u>1,091,287</u>
Net current assets/(liabilities)		<u>66,959</u>	<u>(67,007)</u>

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**KPJ HEALTHCARE BERHAD**  
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**AUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016 (CONTINUED)**

	<u>Note</u>	<u>31.12.2016</u> RM'000	<u>31.12.2015</u> RM'000
<u>Non-current liabilities</u>			
Borrowings	B7	1,242,313	1,178,881
Deferred tax liabilities		63,041	69,177
Provision for retirement benefits		2,548	2,298
Deposits		13,930	13,914
		<u>1,321,832</u>	<u>1,264,270</u>
Total liabilities		<u>2,250,770</u>	<u>2,355,557</u>
Net assets		<u>1,684,729</u>	<u>1,560,025</u>
<u>Equity attributable to owners of the Company</u>			
Share capital	A6	531,784	527,246
Share premium		178,141	147,827
Less: Treasury shares		(54,777)	(54,777)
Reserves		939,940	851,287
		<u>1,595,088</u>	<u>1,471,583</u>
Non-controlling interest		89,641	88,442
Total equity		<u>1,684,729</u>	<u>1,560,025</u>
Total equity and liabilities		<u>3,935,499</u>	<u>3,915,582</u>
<u>Net assets per share attributable to owners of the Company (RM)</u>			
- at par value of RM0.50		<u>1.50</u>	<u>1.40</u>

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**KPJ HEALTHCARE BERHAD**  
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**AUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

Note	Attributable to owners of the Company													
	Issued and fully paid ordinary shares of RM0.50 each					Non-distributable				Distributable		Total	Non-controlling interest	Total equity
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserve RM'000	Esos reserve RM'000	Merger reserve RM'000	Exchange reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	RM'000			
At 1 January 2016	1,054,493	527,246	147,827	(54,777)	31,693	24,496	(3,367)	(2,028)	105,914	694,579	1,471,583	88,442	1,560,025	
Comprehensive income:														
Profit for the financial year	-	-	-	-	-	-	-	-	-	149,195	149,195	6,680	155,875	
Other comprehensive income:														
Translation of foreign subsidiaries	-	-	-	-	-	-	-	(71)	-	-	(71)	-	(71)	
Revaluation surplus	-	-	-	-	-	-	-	-	15,520	-	15,520	-	15,520	
Reclassification to associates	-	-	-	-	-	-	-	-	(33,572)	-	(33,572)	-	(33,572)	
Total other comprehensive income	-	-	-	-	-	-	-	(71)	(18,052)	-	(18,123)	-	(18,123)	
Transactions with owners:														
Issue of shares:														
- Warrants	1	1	1	-	(1)	-	-	-	-	-	1	-	1	
- ESOS	9,075	4,537	30,313	-	-	(1,815)	-	-	-	-	33,035	-	33,035	
ESOS	9,076	4,538	30,314	-	(1)	(1,815)	-	-	-	-	33,036	-	33,036	
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(68,421)	(68,421)	-	(68,421)	
ESOS expenses during the year	-	-	-	-	-	27,818	-	-	-	-	27,818	-	27,818	
Lapsed ESOS	-	-	-	-	-	(388)	-	-	-	388	-	-	-	
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(5,481)	(5,481)	
Total transactions with owners	9,076	4,538	30,314	-	(1)	25,615	-	-	-	(68,033)	(7,567)	(5,481)	(13,048)	
At 31 December 2016	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	

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**KPJ HEALTHCARE BERHAD**  
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**AUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

Note	Attributable to owners of the Company													
	Issued and fully paid ordinary shares of RM0.50 each					Non-distributable				Distributable		Total	Non-controlling interest	Total equity
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserve RM'000	Esos reserve RM'000	Merger reserve RM'000	Exchange reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	RM'000			
At 1 January 2015	1,030,748	515,374	70,507	(54,777)	31,952	-	(3,367)	1,895	58,429	639,347	1,259,360	89,780	1,349,140	
Comprehensive income:														
Profit for the financial year	-	-	-	-	-	-	-	-	-	135,330	135,330	9,799	145,129	
Other comprehensive income:														
Translation of foreign subsidiaries	-	-	-	-	-	-	-	(3,923)	-	-	(3,923)	-	(3,923)	
Revaluation surplus	-	-	-	-	-	-	-	-	47,485	-	47,485	-	47,485	
Total other comprehensive income	-	-	-	-	-	-	-	(3,923)	47,485	-	43,562	-	43,562	
Transactions with owners:														
Issue of shares:														
- Warrants	2,864	1,432	4,076	-	(259)	-	-	-	-	-	5,249	-	5,249	
- Private Placement	17,509	8,754	61,982	-	-	-	-	-	-	-	70,736	-	70,736	
- ESOS	3,372	1,686	11,262	-	-	(674)	-	-	-	-	12,274	-	12,274	
ESOS	23,745	11,872	77,320	-	(259)	(674)	-	-	-	-	88,259	-	88,259	
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(81,405)	(81,405)	-	(81,405)	
ESOS expenses during the year	-	-	-	-	-	26,477	-	-	-	-	26,477	-	26,477	
Lapsed ESOS	-	-	-	-	-	(1,307)	-	-	-	1,307	-	-	-	
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(5,767)	(5,767)	
Change in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(5,370)	(5,370)	
Total transactions with owners	23,745	11,872	77,320	-	(259)	24,496	-	-	-	(80,098)	33,331	(11,137)	22,194	
At 31 December 2015	1,054,493	527,246	147,827	(54,777)	31,693	24,496	(3,367)	(2,028)	105,914	694,579	1,471,583	88,442	1,560,025	

**KPJ HEALTHCARE BERHAD**  
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**AUDITED CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	12 months ended	
	<u>31.12.2016</u>	<u>31.12.2015</u>
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
Profit before zakat and tax	210,171	209,608
Adjustments for:		
Share of results of associates	(33,647)	(39,198)
Finance income	(16,298)	(13,731)
Finance costs	83,137	64,157
Trade receivables		
- Impairment	11,113	5,814
- Reversal of impairment	(957)	(947)
Impairment of goodwill	16,356	-
Share based payments	27,818	26,477
Loss/(gain) on fair value on investment properties	92	(11,421)
Gain on disposal of shares in associates (net)	(13,960)	(1,577)
Gain on disposal of non-current assets held for sale	-	(5,986)
Property, plant and equipment		
- Depreciation	129,874	118,713
- Written-off	10,398	6,374
- (Gain)/loss on disposal	(9,886)	154
Inventories written off	186	120
Available-for-sale financial assets written-off	-	6
Amortisation of software development expenditure	2,145	456
Operating profit before changes in working capital	<u>416,542</u>	<u>359,019</u>
Changes in working capital:		
Inventories	748	(3,606)
Receivables	(46,459)	(109,085)
Payables	(146,766)	(73,440)
Deferred revenue	(2,045)	65,837
Cash flows generated from operations	<u>222,020</u>	<u>238,725</u>
Zakat paid	(3,807)	(2,280)
Income tax refund	8,907	24,452
Income tax paid	(83,898)	(71,837)
Net cash generated from operating activities	<u>143,222</u>	<u>189,060</u>



**KPJ HEALTHCARE BERHAD**  
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**AUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

	12 months ended	
	<u>31.12.2016</u>	<u>31.12.2015</u>
	RM'000	RM'000
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(258,035)	(344,562)
Additions to intangible assets	(11,942)	(8,920)
Additions to investment properties	-	(130)
Purchase of available-for-sale financial assets	(1,864)	-
Proceeds from disposal of property, plant and equipment	23,195	9,788
Proceeds from disposal of non-current assets held for sale	-	38,900
Acquisition of subsidiaries, net of cash acquired	69	(1,988)
Proceeds from sale of interest in subsidiaries	254	-
Proceeds from disposal of shares in associates	75,101	9,286
Interest received	16,298	13,731
Decrease in deposits with licensed banks	2,519	4,135
Dividends received from associates	22,889	27,675
	<u>                    </u>	<u>                    </u>
Net cash used in investing activities	(131,516)	(252,085)
	<u>                    </u>	<u>                    </u>
<b>FINANCING ACTIVITIES</b>		
Grant income received	5,467	1,245
Acquisition of non-controlling interests	-	(7,839)
Dividends paid to non-controlling interests	(5,481)	(5,767)
Issue of shares:		
- Warrants	1	5,249
- Restricted issue	-	63,733
- ESOS	33,035	12,274
Bank borrowings		
- Drawdown	164,386	1,201,945
- Repayment	(132,208)	(915,303)
Interest paid	(83,137)	(64,157)
Dividend paid to shareholders	(70,882)	(83,527)
Designated account	(474)	(7,632)
	<u>                    </u>	<u>                    </u>
Net cash (used in)/generated from financing activities	(82,293)	200,221
	<u>                    </u>	<u>                    </u>
Net changes in cash and cash equivalents	(77,587)	137,196
Currency translation differences	275	(4,099)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	<u>412,437</u>	<u>279,340</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	<u><u>335,125</u></u>	<u><u>412,437</u></u>

**KPJ HEALTHCARE BERHAD**  
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**A NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER  
2016**

**A1 BASIS OF PREPARATION**

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, including compliance with Malaysian Financial Reporting Standard (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2016.

Standards, amendments to published standards and interpretations that are effective

The Group has applied the following amendments for the financial year beginning on 1 January 2016:

- Amendments to MFRS 11 ‘Joint Arrangements’ - Accounting for Acquisition of Interests in Joint Operations
- Amendments to MFRS 101 ‘Presentation of Financial Statements’ - Disclosure initiative
- Amendments to MFRS 127 “Equity Method in Separate Financial Statements”
- Amendments to MFRS 10, 12 & 128 “Investment Entities - Applying the Consolidation Exception”
- Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of these amendments has required additional disclosures. Other than that, the adoption of these amendments did not have any material impact on the financial statements for the current financial year.

Standards that have been issued but not yet effective

The Group did not early adopt these new standards.

- Amendments to MFRS 107 ‘Statement of Cash Flows – Disclosure Initiative’ (effective from 1 January 2017).
- Amendments to MFRS 112 ‘Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses’ (effective from 1 January 2017).
- Amendments to MFRS 140 ‘Classification on ‘Change in Use’ – Assets transferred to, or from, Investment Properties’ (effective from 1 January 2018).
- MFRS 9 ‘Financial Instruments’ (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.
- MFRS 15 ‘Revenue from contracts with customers’ (effective from 1 January 2018) replaces MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction contracts’ and related interpretations.
- MFRS 16 ‘Leases’ (effective from 1 January 2019) supersedes MFRS 117 ‘Leases’ and the related interpretations.

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

**KPJ HEALTHCARE BERHAD**  
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**A NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER  
2016 (CONTINUED)**

**A2 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS**

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

**A3 SEASONALITY OR CYCLICALITY OF OPERATIONS**

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

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

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

**A5 CHANGE IN ACCOUNTING ESTIMATES**

There is no change in the estimates of amounts reported in prior financial years that has a material effect in the current financial year 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 year under review, except for the followings:

**EQUITY SECURITIES**

i. Treasury shares

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

On 19 May 2016, at the Annual General Meeting, the shareholders of the Company renewed their approval for the Company to buy-back its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company.

Up to 31 December 2016, 15,520,000 units of KPJ Healthcare Berhad shares were bought by the Company from the open market, listed on the Bursa Malaysia, at an average buy-back price of RM3.46 per share for a total consideration of RM54,413,249 including transaction cost and was financed by internally generated fund. The shares were retained as treasury shares.

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**A NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER  
2016 (CONTINUED)**

**A6 DEBT AND EQUITY SECURITIES (CONTINUED)**

**EQUITY SECURITIES (CONTINUED)**

ii. Free warrants (2014/2019)

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

Each new warrant (2014/2019) is entitled at any time during the exercise year, to subscribe for one (1) new ordinary share at the exercise price of RM4.01

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

iii. Employees Share Option Scheme (ESOS)

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

The exercise price of the share options granted under the ESOS is RM3.64 each. The options granted are divided into 5 equal tranches which vest on 14 April 2015, 27 February 2016, 27 February 2017, 27 February 2018 and 27 February 2019. The vesting condition is that the offeree must be an employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates. The options expire on 27 February 2020.

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

	<u>31.12.2016</u>	<u>31.12.2016</u>
	Number of shares ('000)	RM'000
<u>Ordinary shares of RM0.50 each</u>		
At start of the financial year	1,054,493	527,246
Issued during the financial year		
- exercise of Free warrants (1 free warrant for every 15 shares) (Refer A6 (ii))	1	1
- exercise of ESOS	9,075	4,537
	<u>1,063,569</u>	<u>531,784</u>
At end of financial year	<u>1,063,569</u>	<u>531,784</u>

**KPJ HEALTHCARE BERHAD**  
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**A NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER  
2016 (CONTINUED)**

**A7 DIVIDENDS PAID**

In respect of the financial year ended 31 December 2015, the Directors declared:

- (i) Fourth interim single tier dividend of 1.75 sen per share on 1,040,687,247 ordinary shares amounting to RM18,212,023. The dividend was declared on 29 February 2016 and was fully paid on 15 April 2016.

In respect of the financial year ended 31 December 2016, the Directors declared:

- (i) First interim single tier dividend of 1.80 sen per share on 1,043,764,179 ordinary shares amounting to RM18,787,755. The dividend was declared on 19 May 2016 and was fully paid on 21 July 2016.
- (ii) Second interim single tier dividend of 1.50 sen per share on 1,046,704,826 ordinary shares amounting to RM15,700,569. The dividend was declared on 29 August 2016 and was fully paid on 18 October 2016.
- (iii) Third interim single tier dividend of 1.50 sen per share on 1,047,978,551 ordinary shares amounting to RM15,719,678. The dividend was declared on 21 December 2016 and was fully paid on 11 January 2017.

The directors did not recommend the payment in respect of the final dividend for the financial year ended 31 December 2016.

**A8 SEGMENT REPORTING**

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

- (i) Malaysia - All healthcare activities including the private hospitals, pathology and laboratory services and distribution of pharmaceutical, medical and consumer healthcare products.
- (ii) Indonesia - Private hospitals
- (iii) Australia - Providing retirement village and aged care facilities
- (iv) Others – Operating segments involved in provision of hospital services in Thailand and Bangladesh, private university college of nursing and allied health and sale of hospital merchandise and other similar activities, none of which are individually significant to warrant separate disclosure.

**KPJ HEALTHCARE BERHAD**  
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**A NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER  
2016 (CONTINUED)**

**A8 SEGMENT REPORTING (CONTINUED)**

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

<u>Year ended 31 December 2016</u>	<u>Malaysia</u> (RM'000)	<u>Indonesia</u> (RM'000)	<u>Australia</u> (RM'000)	<u>Others</u> (RM'000)	<u>Group</u> (RM'000)
<u>Revenue</u>					
Revenue from external customers	2,855,588	59,561	51,491	54,454	3,021,094
<u>Results</u>					
EBITDA*	411,729	15,097	(4,833)	3,334	425,327
Profit/(loss) before zakat and tax	214,243	7,692	(10,527)	(1,237)	210,171
Total assets	3,322,014	70,761	196,450	346,274	3,935,499
Total liabilities	1,683,370	86,057	209,130	272,213	2,250,770
Additions to property, plant and equipment	247,776	3,650	4,376	5,123	260,925
<u>Year ended 31 December 2015</u>					
<u>Revenue</u>					
Revenue from external customers	2,711,897	52,032	40,258	43,406	2,847,593
<u>Results</u>					
EBITDA*	381,958	4,299	(12,550)	19,227	392,934
Profit/(loss) before zakat and tax	213,340	3,039	(16,602)	9,831	209,608
Total assets	3,490,170	145,162	136,890	143,360	3,915,582
Total liabilities	1,939,770	143,692	171,686	100,409	2,355,557
Additions to property, plant and equipment	280,694	47,189	27,949	5,142	362,219

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

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**A NOTES TO THE INTERIM FINANCIAL REPORT  
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2016 (CONTINUED)**

**A9 VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT**

In accordance with the Group Accounting policy, certain land and buildings of the Group were updated on 31 December 2016 to reflect the fair value of the properties that has changed significantly based on a valuation carried out by an independent firm of professional valuers. The book values of the land and buildings were adjusted to reflect the revaluation and the resultant surpluses were credited to revaluation reserve.

**A10 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD**

Except as stated in note B6, there were no material events subsequent to the financial year ended 31 December 2016 that has not been reflected in the interim financial reports.

**A11 CHANGES IN THE COMPOSITION OF THE GROUP**

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

**A12 CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date as at 31 December 2015 except as stated in note B9.

**A13 CAPITAL COMMITMENTS**

Capital expenditures not provided for in the interim financial report as at 31 December 2016 are as follows:

	RM'000
Approved by the Directors and contracted	235,874
Approved by the Directors but not contracted	159,297
	<u>395,171</u>

Analysed as follows:

Building	310,962
Medical equipment	57,092
Other property, plant and equipment	27,117
	<u>395,171</u>

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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016**

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

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

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

The Group's revenue for the current quarter ended 31 December 2016 was RM745.0 million, an increase of 6% as compared to RM701.6 million in the corresponding quarter of the preceding year. The profit before zakat and tax for the 3 months ended 31 December 2016 was recorded at RM63.6 million, an increase of 33% from RM48.1 million in 2015 in line with the increase in revenue.

Malaysia

The Malaysia segment reported revenue of RM699.2 million increase by 5% from RM664.3 million in the same quarter in 2015. The revenue for the current quarter was higher as compared to the corresponding quarter of the preceding year mainly attributed by the increase in revenue generated by the newly opened hospitals and existing hospitals that had turnaround during the quarter.

Indonesia

The Indonesia segment reported revenue of RM20.3 million, 13% increase as compared to RM17.9 million recorded in preceding year. The increase in revenue for this segment is mainly due to the increased of number of patients in both Indonesian hospitals.

EBITDA for this segment is reported at RM12.7 million, significantly increased by more than 100% as compared to EBITDA of RM1.7 million reported in the corresponding quarter of the preceding year. Profit for the current quarter was reported at RM7.9 million, an increase of profit by 220% as compared to RM2.5 million profit in the corresponding quarter of the preceding year.

Australia

Revenue from Australia segment was reported at RM9.0 million, increased by 22% as compared to revenue in the corresponding quarter of the preceding year which was reported at RM7.4 million. The increase is mainly attributable to the higher capacity of the retirement village, with additional beds which has been opened in staggered between middle of 2015 up to the month of May 2016.

EBITDA for this segment is reported at RM1.3 million, improved by 117% as compared to EBITDA of (RM7.6 million) reported in the corresponding quarter of the preceding year. Losses for the current quarter was reported at RM2.4 million, an improvement of 77% as compared to RM10.8 million loss in the corresponding quarter of the preceding year.

Others

Revenue from this segment was reported at RM16.5 million, increased by 37% from RM12.0 million in 2015, mainly contributed by additional hospital services available in KPJ Dhaka which resulted in increase in revenue of RM4.5 million. The revenue from newly added facilities is still trailing behind the additional cost incurred, hence, growth from expansion is yet to be translated into profit.



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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****B1 REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES (CONTINUED)****b. Current financial year compared to prior financial year (12 months)**

The Group's revenue for the current year ended 31 December 2016 was RM3,021.1 million, an increase of 6% as compared to RM2,847.6 million in the corresponding period in 2015. The profit before zakat and tax for the 12 months ended 31 December 2016 was recorded at RM210.2 million a slight increase in comparison to RM209.6 million in 2015.

**Malaysia**

The Malaysia segment reported revenue of RM2,855.6 million increased by 5% from RM2,711.9 million in the same period in 2015. Higher revenue recorded for the current year was mainly attributed by the newly opened hospitals and existing hospitals that had turnaround during the year. EBITDA for this segment was recorded at RM411.7 million in this year, an improvement of 8% as compared to RM382.0 million recorded in 2015.

In line with the increase in EBITDA, profit before zakat and tax also increased at RM214.2 million compared to RM213.3 million in the corresponding preceding year by 3%.

**Indonesia**

The Indonesia segment reported revenue of RM59.6 million, an increase of 15% as compared to RM52.0 million recorded in the same period of 2015. The increase in revenue for this segment is mainly due to the increase in number of patients in both Indonesian hospitals. In line with the increased in revenue, the EBITDA and profit before zakat and tax have also increased.

EBITDA for this segment is reported at RM15.1 million, significantly improved by more than 100% increase as compared to EBITDA of RM4.3 million reported in the preceding year. The profit had also increased significantly, contributed by mainly hospitals that had passed its gestation period.

**Australia**

Revenue from Australia segment was reported at RM51.5 million, about 28% increased as compared to revenue reported in the preceding year which was reported at RM40.3 million. The increase is mainly attributable to higher capacity of the retirement village, with additional beds which has been opened in staggered between middle of 2015 up to the month of May 2016.

EBITDA for this segment is reported at (RM4.8 million), improved with 62% reduction as compared to EBITDA of (RM12.6 million) reported in the preceding year. In line with the improved in revenue and EBITDA, lower loss was also reported for this financial year at RM1.7 million against the loss in 2015 of RM16.6 million.

**Others**

Revenue from this segment was reported at RM54.5 million, increased by 26% from RM43.4 million in 2015 and the loss was recorded at RM1.2 million as compared to RM9.8 million profit in 2015. The increase of revenue in this segment was mainly contributed by additional hospital services available in KPJ Dhaka which resulted in increase in revenue by RM5.4 million in 2016 as compared to preceding year. The revenue from newly added facilities is still trailing behind the additional cost incurred, hence, growth from expansion is yet to be translated into profit.

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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

**B2 MATERIAL CHANGES IN QUARTERLY RESULTS**

Revenue during the current quarter was recorded at RM745.0 million, a slight decrease by 3% as compared to the revenue in preceding quarter of RM767.0 million.

EBITDA for this quarter had shown an improvement as compared to the preceding quarter, as a result of increase in number of patients and other hospital activities during the quarter. Profit for the current quarter had also increased by 30%, which has been closed at RM63.6 million as compared to the preceding quarter of RM49.1 million, as a result from nett gain on disposal of 6% unit holdings in Al-Aqar Healthcare REIT amounting to RM15.9 million.

**B3 CURRENT YEAR PROSPECTS**

In the year 2016, it was evidenced that the demand for healthcare services has increased in line with the population growth, better life expectancy, rapid ageing and the rising of middle income group. The Group will remain focused in maintaining its market position through enhancing its capacity and continuously improve service delivery to patients.

For the 2017, the Group envisage that the revenue growth from the new start up and existing hospitals will continue to improve however the result will be moderated as most new greenfield hospitals are still operating within their gestation period of three to five years. In light of these challenging economic environment and entry of the new players to the industry, the Group expects to deliver moderate performance growth.

**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		12 months ended	
	<u>31.12.2016</u>	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
	RM'000	RM'000	RM'000	RM'000
Income tax expense	7,978	17,937	50,489	62,199

The effective tax rate of the Group for the year ended 31 December 2016 is lower than the previous year, mainly due to certain companies within the Group had managed to utilise the benefits from tax losses and other tax incentives especially towards the end of the year as these companies anticipating to have sufficient taxable profits in foreseeable future years. Certain companies had also started to recognised their deferred tax assets during the quarter as these companies anticipating to have sufficient taxable profits in foreseeable future years. This is evident by the significantly reduced effective tax rate during the quarter as compared to the corresponding quarter. As a group, the effective tax rate for the year ended 31 December 2016 is now equivalent to the statutory tax rate.

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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

**B6 STATUS OF CORPORATE PROPOSALS**

(a) Free warrants (2014/2019)

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

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

<u>Issuance date</u>	<u>Expiry date</u>	<u>Exercise price</u> RM/share	<u>Number of warrants 2014/2019</u>		
			<u>1.1.2016</u> '000	<u>Exercised</u> '000	<u>31.12.2016</u> '000
29 January 2014	23 January 2019	4.01	86,576	(1)	86,575

(b) Proposed development and renting of a hospital building by Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB")

On 9 December 2015, a wholly-owned subsidiary of the Company, KPJSB, had entered into several agreements with Dinamik Serimas Sdn Bhd and Pelaburan Hartanah Berhad for the proposed development and renting of a hospital building to be known as the "KPJ Damansara Specialist Hospital II" ("Proposed Hospital").

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

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

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

The proposal is expected to be completed in the fourth (4th) quarter of 2017.

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

On 23 September 2016, a wholly-owned subsidiary of the Company, KPJSB, has signed a Memorandum of Agreement (MOA) in Seoul, Korea for the development of Spine Centre in KPJ Tawakkal Health Centre. Based on the MOA, KPJ will prepare and sign the Supplementary Agreement with Barun Development Co.

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

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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

**B6 STATUS OF CORPORATE PROPOSALS (CONTINUED)**

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

On 14 December 2016, the Purchasers has made payment of RM220,986 being 10% deposit of total cash consideration.

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

**B7 BORROWINGS**

Details of the Group's borrowings are as follows:

	<u>31.12.2016</u>	<u>31.12.2015</u>
	RM'000	RM'000
<u>Current</u>		
Islamic financing		
- Term loans (secured)	26,082	88,333
- Revolving credits (unsecured)	212,500	182,500
- Finance lease liabilities (secured)	28,475	19,656
- Bank overdrafts (unsecured)	5,369	-
	<u>272,426</u>	<u>290,489</u>
Conventional financing		
- Term loans (secured)	41,398	61,597
- Revolving credits (unsecured)	5,905	-
- Finance lease liabilities (secured)	6,472	-
- Bank overdrafts (unsecured)	7,244	7,063
	<u>61,019</u>	<u>68,660</u>
	<u><u>333,445</u></u>	<u><u>359,149</u></u>

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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

**B7 BORROWINGS (CONTINUED)**

	<u>31.12.2016</u> RM'000	<u>31.12.2015</u> RM'000
<u>Non-current</u>		
Islamic financing		
- Islamic Medium Term Notes (unsecured)	900,000	795,219
- Term loans (secured)	330,333	302,701
- Finance lease liabilities (secured)	9,086	31,416
	<u>1,239,419</u>	<u>1,129,336</u>
Conventional financing		
- Term loans (secured)	2,375	49,545
- Finance lease liabilities (secured)	519	-
	<u>2,894</u>	<u>49,545</u>
	<u>1,242,313</u>	<u>1,178,881</u>
	<u>1,575,758</u>	<u>1,538,030</u>

The Group's borrowings are denominated as follows:

	<u>31.12.2016</u> RM'000	<u>31.12.2015</u> RM'000
Ringgit Malaysia	1,479,915	1,430,741
Australian Dollar	46,976	53,242
US Dollar	48,867	54,047
Total	<u>1,575,758</u>	<u>1,538,030</u>

**B8 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK**

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

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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

**B9 MATERIAL LITIGATIONS**

On 16 April 2015, SMC Healthcare Sdn Bhd (Plaintiff), a wholly-owned subsidiary of the Company, had filed a writ of summon at Kota Kinabalu High Court claiming the balance of the Deposit for purchase of land measuring 4.0 acres in the sum of RM4,160,000 from Chen Sheau Yang (Defendant). The said sealed copy of writ of summons had been served to the Defendant on 13 May 2015. The High Court had fixed for a Trial to be held on 13 to 15 September 2016.

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

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

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

**B10 DIVIDEND PAYABLES**

In respect of the financial year ended 31 December 2016, the Directors declared:

- (i) Third interim single tier dividend of 1.50 sen per share on 1,047,978,551 ordinary shares amounting to RM15,719,678. The dividend was declared on 21 December 2016 and was fully paid on 11 January 2017.

The directors did not recommend the payment in respect of the final dividend for the financial year ended 31 December 2016.

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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

**B11 EARNINGS PER SHARE**

(a) Basic earnings per share

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

	As at <u>31.12.2016</u> RM'000	As at <u>31.12.2015</u> RM'000
Profit for the financial year attributable to equity holders of the Company (RM'000)	149,195	135,330
Weighted average number of ordinary shares in issue ('000)	1,089,522	1,037,588
Basic earnings per share (sen) - at par value of RM0.50	<u>13.69</u>	<u>13.04</u>

(b) Diluted

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

For the warrants 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 year for the warrants and ESOS calculation.

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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

**B11 EARNINGS PER SHARE**

(b) Diluted

	As at <u>31.12.2016</u> RM'000	As at <u>31.12.2015</u> RM'000
Profit for the financial year attributable to equity holders of the Company (RM'000)	149,195	135,330
Weighted average number of ordinary shares in issue ('000)	1,089,522	1,037,588
Assumed shares issued from the		
- exercise of warrants ('000)	86,575	86,576
- exercise of ESOS ('000)	74,926	88,009
Weighted average number of ordinary shares in issue ('000)	<u>1,251,023</u>	<u>1,212,173</u>
Diluted earnings per share (sen)		
- at par value of RM0.50	<u>11.93</u>	<u>11.16</u>



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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

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

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

	As at <u>31.12.2016</u> RM'000	As at <u>31.12.2015</u> RM'000
Total retained profits of the Company and its subsidiaries		
- Realised gains	714,638	648,529
- Unrealised loss	(34,740)	(45,603)
	<u>679,898</u>	<u>602,926</u>
Total share of retained profits from associates		
- Realised gains	43,443	36,240
- Unrealised gains	47,886	57,892
	<u>771,227</u>	<u>697,058</u>
Less: Consolidation adjustments	4,514	(2,479)
Total group retained profits as per consolidated financial statements	<u><u>775,741</u></u>	<u><u>694,579</u></u>