

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
2017 (CONTINUED)**

A14 CAPITAL COMMITMENTS

Capital expenditures not provided for in the interim financial report as at 31 December 2017 are as follows:

	RM'000
Approved and contracted	187,065
Approved but not contracted	273,337
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	460,402
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Analysed as follows:

Buildings	314,490
Medical equipment	111,993
Other property, plant and equipment	33,919
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	460,402
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**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING
REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR
ENDED 31 DECEMBER 2017**

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 statement of comprehensive income for current quarter compare with the corresponding quarter of the preceding year (3 months)

Group

The Group's revenue for the current quarter ended 31 December 2017 was RM833.7 million, an increase of 13% as compared to RM736.0 million in the corresponding quarter of the preceding year. The profit before zakat and tax for the 3 months ended 31 December 2017 was recorded at RM77.1 million, increased by 17% from RM66.0 million in 2016.

Segment : Continuing operations

Malaysia

The Malaysia segment continues to excel, reported a revenue of RM806.1 million, an increase of 15% from RM699.2 million in the corresponding quarter of the preceding year. The revenue for the current quarter was higher mainly contributed by the increase in number of patient episodes and complex cases per inpatient in line with more promotional activities and healthcare tourism effort during the year.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2017 (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 statement of comprehensive income for current quarter compare with the corresponding quarter of the preceding year (3 months) (continued)

Segment : Continuing operations (continued)

Malaysia (continued)

During the last financial year, the Group continued to record revenue growth arising from the new hospitals within the Group, such as KPJ Klang, KPJ Rawang, KPJ Pasir Gudang, KPJ Bandar Maharani and KPJ Pahang. A total of 25 new consultants from various disciplines joined the Group which contributed to an increase of 8% for its inpatient and outpatient treated at our hospitals. This is evident by the increase in profit before zakat and tax that has increased from RM59.0 million in the fourth quarter of 2016 to RM90.2 million in the same quarter in 2017.

Others

Revenue for this quarter from this segment was reported at RM27.7 million, a decrease from RM36.8 million mainly contributed by the Indonesian operations. The Indonesian operations reported a decrease of 45% in revenue in current quarter that stands at RM11.2 million as compared to the revenue of RM20.3 million in the preceding year. The decrease was mainly contributed by lower number of patients, particularly for Rumah Sakit Medika Permata Hijau, and also due to appreciation of Malaysian Ringgit towards end of the year has resulted to increase in foreign exchange loss. EBITDA for this Indonesian operation is reported at negative RM7.1 million, 187% decreased as compared to positive EBITDA of RM8.2 million reported in the corresponding quarter of the preceding year.

The decrease in revenue recorded by Indonesian operations was off set with the increase in KPJ University College and KPJ Dhaka. In 2017, 3 new programmes have been approved by the Ministry of Higher Education (MOHE) Malaysia which intake commenced in September 2017. Loss before zakat and tax incurred during this period for this segment which stands at RM13.1 million as compared to profit of RM7.1 million during the same period in 2016 was mainly contributed by foreign exchange losses from KPJ Dhaka due to appreciation of Malaysian Ringgit.

Segment : Discontinued operation

Australia

Revenue from Australia segment was reported at RM10.9 million, increased by 21% as compared to revenue in the corresponding quarter of the preceding year which was reported at RM9.0 million. However, this segment reported a decrease of more than 100% in EBITDA during this quarter, which currently stands at negative EBITDA of RM0.6 million, as compared to RM1.3 million in the corresponding quarter of the preceding year. This is mainly due to higher operational cost incurred by Jeta Gardens, as well as foreign exchange loss due to appreciation of Malaysian Ringgit against the Australian Dollar.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2017 (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 statement of comprehensive income for current financial year compared to prior financial year (12 months)

Group

The Group's revenue for the current period ended 31 December 2017 was RM3,180.0 million, an increase of 7% as compared to RM2,969.6 million in the corresponding period of the preceding year. The profit before zakat and tax for the 12 months ended 31 December 2017 was recorded at RM233.3 million, an increase of 6% from RM220.7 million in 2016 in line with the increased in revenue.

Segment : Continuing operations

Malaysia

The Malaysia segment reported revenue of RM3,071.4 million increase by 8% from RM2,855.6 million in the same period in 2016. The revenue for the current year was higher as compared to last year mainly contributed by the increase in number of episodes and complex cases per inpatient, in line with more promotional activities and healthcare tourism effort. During the year, a total of 25 new consultants from various disciplines joined the Group which contributed to an increase of 3% for numbers of inpatient and outpatient treated at our hospitals, with number of surgery cases increased to more than 92,000.

In 2017, the new hospitals within the Group, such as KPJ Klang, KPJ Rawang, KPJ Pasir Gudang, KPJ Bandar Maharani and KPJ Pahang has shown tremendous improvement and contributed significantly to the Group's revenue growth. This has resulted to an increase in profit before zakat and tax by 16% from RM214.2 million in financial year ended 2016 to RM249.2 million in 2017.

Others

Revenue from other segment reported a decrease from RM114.0 million in 2016 to RM108.6 million in 2017, mainly due to the Indonesian operations. The Indonesian operations reported a decrease of 18% in revenue of RM48.8 million as compared to the revenue of RM59.6 million in the preceding year with huge decrease in EBITDA at RM0.1 million, as compared to EBITDA of RM15.1 million reported in the corresponding period of the preceding year, mainly contributed by lower number of patients, particularly for Rumah Sakit Medika Permata Hijau, and also due to appreciation of Malaysian Ringgit towards end of the year has resulted to increase in foreign exchange loss.

The decrease in Indonesian operations is off setted with the increase in revenue recorded by KPJ University College and KPJ Dhaka. In 2017, 3 new programmes have been approved by the Ministry of Higher Education (MOHE) Malaysia and which intake commenced in September 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 2017 (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 statement of comprehensive income for current financial year compared to prior financial year (12 months) (continued)

Segment : Continuing operations (continued)

Others (continued)

KPJ Dhaka is still going through its gestation period, its performance in year 3 recorded revenue increase of 57% from RM7.5 million to RM11.8 million, as a result of number of consultants increased from 17 to 24. Loss before zakat and tax incurred during this period, which stands at RM4.2 million as compared to profit of RM3.2 million during the period in 2016 was due to its expanding activities which is yet to be cost efficient as well as due to the appreciation of Malaysian Ringgit towards US Dollar.

Segment : Discontinued operation

Australia

Revenue from Australia segment was reported at RM54.8 million, increased by 6% as compared to revenue in the corresponding period of the preceding year which was reported at RM51.5 million. This segment reported a negative EBITDA of RM3.1 million, an improvement of 35% as compared to the negative EBITDA of RM4.8 million reported in the corresponding period of the preceding year.

c. Review on statement of financial position for current financial period compared to prior financial period (12 months)

Group

The Group's total assets as at 31 December 2017 was RM4,233.9 million, an increase of 8% as compared to RM3,935.5 million as at 31 December 2016. In line with the increment, the Group's total liabilities as at 31 December 2017 was RM2,418.7 million increased by 7% as compared to RM2,250.8 million as at 31 December 2016.

Segment : Continuing operations

Malaysia

Total assets from Malaysia segment was reported at RM3,747.4 million, an increase of 13% in comparison to RM3,322.0 million as at 31 December 2016. The increment was mainly attributable to the increase in property, plant and equipment by RM461.1 million arising from soon-to-be opened hospitals, which are currently under construction and expansion project for existing hospitals.

Total liabilities from this segment was reported at RM2,143.9 million increased by 27% in comparison to RM1,683.4 million as at 31 December 2016. While the increased in liabilities was due by the increment of construction costs incurred during the financial year.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2017 (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 statement of financial position for current financial period compared to prior financial period (12 months) (continued)

Segment : Continuing operations

Others

Total assets mainly contributed by the assets belonged to Indonesian operations, which was reported at RM129.9 million increased by 83% in comparison to RM70.8 million as at 31 December 2016. The increase was also due to increase in property, plant and equipment and receivables during the year.

Total liabilities from Indonesia operations was reported at RM47.0 million decreased by 45% in comparison to RM86.1 million as at 31 December 2016, due to decrease in borrowings arising from repayment of the loan during the period.

There are also decrease in bank balance and trade receivables balances for KPJ University College and MCHM (fka KFCH College) from RM346.3 million in 2016 to RM182.8 million in 2017.

Segment : Discontinued operation

Australia

The Australia segment reported total assets of RM173.8 million, a decrease of 12% as compared to RM196.5 million recorded as at 31 December 2016, due to disposal of their available-for-sale investments by piecemeal throughout the year. The segment reported the total liabilities of RM190.6 million increase, represents decrease of 9% compared to RM209.1 million recorded as at 31 December 2016.

d. Review on statement of cash flows for current financial period compared to prior financial period (12 months)

Group

The statement of cash flows recorded an increase of cash inflow of more than 100% from its operating activities from RM141.2 million to RM396.5 million. The increase is supported by the revenue growth and efficient management of inventories and trade receivables.

A total of RM419.4 million was used in investing activities in 2017 to develop new hospitals. The development of KPJ Perlis, KPJ Bandar Dato' Onn, KPJ BDC and KPJ Miri are expected to be completed in year 2018 and 2019.

Net cash used in financing activities was higher than the previous financial year due to fourth quarter dividend was paid in December 2017 whilst for 2016 amount was paid in January 2017.