A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A14 CAPITAL COMMITMENTS

Capital expenditures not provided for in the interim financial report as at 31 December 2018 are as follows:

	RM'000
Approved by the Directors and contracted	259,246
Approved by the Directors but not contracted	163,438
	422,684

Analysed as follows:

Buildings	300,024
Medical equipments	103,529
Other property, plant and equipment	19,131
	422,684

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 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 31 December 2018 was RM863.3 million, an increase of 4% as compared to RM833.7 million in the corresponding quarter of the preceding year. The profit before zakat and tax for the 3 months ended 31 December 2018 was recorded at RM81.3 million, increased by 5% from RM77.1 million in 2017.

Segment : Continuing operations

Malaysia

The Malaysia segment continues to excel, reported revenue rose by 4% to RM835.9 million in current quarter from RM806.1 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. These hospitals have recorded profit during the year.

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

A total of 14 new consultants from various disciplines joined the Group which contributed to an increase of 7% for its inpatient and outpatient treated at our hospitals. Extended promotions to the neighbouring countries and online promotions and marketing strategies were also factors to the increase in revenue.

Profit before zakat and tax has decreased to RM86.1 million during this quarter, 5% decreased from RM90.2 million in the same quarter in 2017, mainly due to the increase in depreciation and finance costs, following the Group's expansion plans and new capital expenditures ("capex") purchased during the year, including completed capex transferred from capital work-in-progress.

Others

Revenue from this segment was reported at RM27.5 million, a decreased of 1% from RM27.7 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.

Negative EBITDA for Indonesian operation was reported at RM1.5 million, decreased by 79% as compared to negative EBITDA of RM7.2 million reported in the same quarter of the preceding year. This were mainly due to lower operational cost incurred during the year and depreciation of Malaysian Ringgit which resulted to decrease in foreign exchange loss.

Segment : Discontinued operation

Australia

Revenue from Australia segment was reported at RM13.2 million, increased by 21% as compared to revenue in the corresponding quarter of the preceding year which was reported at RM10.9 million, mainly contributed by the increase in activities. Negative EBITDA for this segment reported at RM4.7 million, more than 100% increased as compared to the negative EBITDA of RM0.5 million in the corresponding quarter of the preceding year, mainly contributed by higher repair and maintenance costs during the year.

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

Group

The Group's revenue for the current year ended 31 December 2018 was RM3,308.1 million, an increase of 4% as compared to RM3,180.0 million in the corresponding period of the preceding year. The profit before zakat and tax for the year ended 31 December 2018 was recorded at RM266.5 million, increased by 14% from RM233.3 million in 2017.

Segment : Continuing operations

Malaysia

The Malaysia segment revenue in 2018 grew from RM3,071.4 million to RM3,205.8 million, an increase of 4% 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. These hospitals have also recorded high profit during the year.

A total of 14 new consultants from various disciplines joined the Group which contributed to an increase of 3% for its inpatient and outpatient treated at our hospitals. Extended promotions to the neighbouring countries and online promotions and marketing strategies are also factors to the increase in revenue. Besides, increased activities within the support companies also contributed to the revenue growth.

Profit before zakat and tax has increased to RM278.2 million during this period, an increase of 12% from RM249.2 million in the same period in 2017, contributed by the cost optimisation initiatives by the hospitals.

Others

Revenue from this segment was reported at RM102.3 million, 6% decreased from RM108.6 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 RM1.3 million, increased by more than 100% as compared to negative EBITDA of RM0.8 million reported in the preceding year. This is mainly due to lower operational cost incurred during the year and depreciation of Malaysian Ringgit which resulted to decrease in foreign exchange loss.

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

Segment : Discontinued operation

Australia

Revenue from Australia segment was reported at RM57.5 million, increased by 5% as compared to revenue in the corresponding period of the preceding year which was reported at RM54.8 million. This segment reported an increase of 35% in EBITDA in current year, which currently stands at negative EBITDA of RM2.2 million, as compared to negative EBITDA of RM3.4 million in the corresponding quarter of the preceding year. Stronger EBITDA was backed by better utilisation of resources, resulted from higher number of residents and occupancy rate reported by Jeta Gardens.

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

Group

The Group's total assets as at 31 December 2018 was RM4,792.9 million, an increase of 13% as compared to RM4,233.9 million as at 31 December 2017. The Group's total liabilities as at 31 December 2018 was RM2,656.2 million, increased by 10% as compared to RM2,418.7 million as at 31 December 2017. The increase is mainly contributed by the progress of new hospitals under development.

Segment : Continuing operations

Malaysia

Total assets from Malaysia segment was reported at RM4,328.0 million, an increase of 16% in comparison to RM3,746.9 million as at 31 December 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 second quarter this year.

Total liabilities from this segment was reported at RM2,407.6 million increased by 12% in comparison to RM2,147.4 million as at 31 December 2017. The increase in liabilities was due to construction costs incurred during the period for the ongoing projects of new and existing hospitals.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 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 year compared to prior financial year (continued)

Segment : Continuing operations

Others

Total assets for this segment is mainly contributed by the Indonesian operations of RM146.7 million, increased by 13% in comparison to RM129.9 million as at 31 December 2017. Meanwhile, total liabilities from Indonesia operations was reported at RM44.4 million, decreased by 6% in comparison to RM47.0 million as at 31 December 2017. The decrease was mainly due to the repayment of the bank borrowings and payables towards end of the year.

Segment : Discontinued operation

Australia

The Australia segment reported total assets of RM161.0 million, a decrease of 7% as compared to RM173.8 million recorded as at 31 December 2017, as well as total liabilities which also reported a decrease by RM11.9 million or by 6% compared to RM190.6 million recorded as at 31 December 2017 due to the depreciation of Malaysian Ringgit against Australian Dollar at the end of the year.

d. Review on statements of cash flows for current financial year compared to prior financial year (12 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 year. Furthermore, debtors' turnover days reported at 40 days during this period which is 15% better as compared to the same period in 2017 at 47 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 increase in cash flows from financing activities was mainly due to the purchase consideration received from the partial disposal of an interest in subsidiary, Lablink (M) Sdn Bhd. Also included in the cash flows from financing activities were repurchased of 52.2 million ordinary shares from the open market amounting RM55.9 million and cash received from ESOS and warrants exercised of RM 35.6 million and RM79.4 million, respectively.

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