

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2020

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 compared to the corresponding quarter of the preceding year (3 months)

In the first quarter ended 31 March 2020, the Group recorded revenue of RM884.2 million as compared to RM881.0 million as reported in the same period in 2019. The increase in revenue was contributed by higher activities at the hospitals, mainly from the Malaysia segment. This is consistent with the increased in number of outpatients and inpatients procedures performed.

The Group's EBITDA was reported at RM153.0 million in current period, a slight decrease as compared to the same period in the preceding year of RM153.1 million. Meanwhile, profit before tax was recorded at RM55.1 million, a 14% decrease as compared to RM64.0 million for the period ended 31 March 2019. The reduction in EBITDA and profit before tax mainly contributed from the hospitals under gestation period such as KPJ Bandar Dato' Onn, KPJ Batu Pahat, KPJ Perlis and KPJ Miri, which remained as loss-making companies for the current quarter.

The additional expenses borne by the Group during Covid-19 was mainly from the increase in the purchase of material costs, personal protection equipment for the frontliners, ventilator machines, thermo scanners, surgical masks and hand sanitizers. The Group also contributed in terms of providing additional manpowers, loaning of equipment and cash donations to the Ministry of Health (MOH) in managing the worldwide pandemic. These contributions are allowed for tax deduction under Income Tax Act 1967 which will reduced the tax expense for the Group.

Malaysia

The revenue increase in Malaysia segment from RM839.3 million in Quarter 1, 2019 to RM844.6 million in Quarter 1, 2020 was mainly contributed by additional capacity in existing hospitals, particularly for KPJ Seremban and KPJ Ampang Puteri with the opening of the new hospital buildings. Moreover, the opening of KPJ Batu Pahat and KPJ Miri also led to the increase in the revenue recorded.

In the current quarter, the Malaysia segment recorded an EBITDA of RM147.8 million, slightly increase from RM147.0 million in the corresponding quarter of the preceding year. This segment also recorded a 10% decrease in profit before tax of RM61.3 million for the period ended 31 March 2020 as compared to RM68.4 million in the same period in 2019. The outbreak of Covid-19 towards the end of the quarter had given the big impact to Malaysian segment's EBITDA and profit before tax whereby the hospitals have incurred additional expenses on the Covid-19 test kits, personal protection equipment for the frontliners and other consumable items.

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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:

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

Others

Revenue from Others segment was recorded at RM39.6 million for the first three months in 2020, a 5% decrease from RM41.7 million reported in the corresponding quarter of the preceding year. Rumah Sakit Medica Permata Hijau (RSMPH) recorded a significant reduction in its revenue by 32% with decrease in number of patients by 48%. The decrease in RSMPH had been set-off with the revenue increase in Rumah Sakit Medika Bumi Serpong Damai by 13% for the period ended 31 March 2020 mostly from the rise of outpatient numbers. Meanwhile, Jeta Gardens reported a decrease in revenue by 11% from the lower occupancy rate for the first 3 months in 2020 as compared to the same period in 2019.

The shortfall in the Others segment's revenue also affect the bottom line of the performance for EBITDA and profit before tax. EBITDA was reported at RM5.2 million for the period ended 31 March 2020, a 15% lower from RM6.1 million reported in the same period in 2019. Meanwhile loss before tax has been posted at 41% higher from RM4.4 million reported in the corresponding quarter of the preceding year to RM6.2 million in Quarter 1, 2020.

- b. Review on statements of comprehensive income for current financial period compared to prior financial period (3 months)

In the first quarter ended 31 March 2020, the Group recorded revenue of RM884.2 million as compared to RM881.0 million as reported in the same period in 2019. The increase in revenue was contributed by higher activities at the hospitals, mainly from the Malaysia segment. This is consistent with the increased in number of outpatients and inpatients procedures performed.

The Group's EBITDA was reported at RM153.0 million in current period, a slight decrease as compared to the same period in the preceding year of RM153.1 million. Meanwhile, profit before tax was recorded at RM55.1 million, a 14% decrease as compared to RM64.0 million for the period ended 31 March 2019. The reduction in EBITDA and profit before tax mainly contributed from the hospitals under gestation period such as KPJ Bandar Dato' Onn, KPJ Batu Pahat, KPJ Perlis and KPJ Miri, which remained as loss-making companies for the current quarter.

The additional expenses borne by the Group during Covid-19 was mainly from the increase in the purchase of material costs, personal protection equipment for our frontliners, ventilator machines, thermo scanners, surgical masks and hand sanitizers. The Group also contributed in terms of providing additional manpowers, loaning of equipment and cash donations to the Ministry of Health (MOH) in managing the worldwide pandemic. These contributions are allowed for tax deduction under Income Tax Act 1967 which will reduced the tax expense for the Group.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2020 (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 (3 months) (continued)

Malaysia

The revenue increase in Malaysia segment from RM839.3 million in Quarter 1, 2019 to RM844.6 million in Quarter 1, 2020 was mainly contributed by additional capacity in existing hospitals, particularly for KPJ Seremban and KPJ Ampang Puteri with the opening of the new hospital buildings. Moreover, the opening of KPJ Batu Pahat and KPJ Miri also led to the increase in the revenue recorded.

In the current quarter, the Malaysia segment recorded an EBITDA of RM147.8 million, slightly increase from RM147.0 million in the corresponding quarter of the preceding year. This segment also recorded a 10% decrease in profit before tax of RM61.3 million for the period ended 31 March 2020 as compared to RM68.4 million in the same period in 2019. The outbreak of Covid-19 towards the end of the quarter had given the big impact to Malaysian segment's EBITDA and profit before tax whereby the hospitals have incurred additional expenses on the Covid-19 test kits, personal protection equipment to the frontliners and other consumable items.

Others

Revenue from Others segment was recorded at RM39.6 million for the first three months in 2020, a 5% decrease from RM41.7 million reported in the corresponding quarter of the preceding year. RSMPH recorded a significant reduction in its revenue by 32% with decrease in number of patients by 48%. The decrease in RSMPH had been set-off with the revenue increase in Rumah Sakit Medika Bumi Serpong Damai by 13% for the period ended 31 March 2020 mostly from the rise of outpatient numbers. Meanwhile, Jeta Gardens reported a decrease in revenue by 11% from the lower occupancy rate for the first 3 months in 2020 as compared to the same period in 2019.

The shortfall in the Others segment's revenue also affect the bottom line of the performance for EBITDA and profit before tax. EBITDA was reported at RM5.2 million for the period ended 31 March 2020, a 15% lower from RM6.1 million reported in the same period in 2019. Meanwhile loss before tax has been posted at 41% higher from RM4.4 million reported in the corresponding quarter of the preceding year to RM6.2 million in Quarter 1, 2020.

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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 31 March 2020 was RM5,959.5 million, a 2% increase as compared to RM5,820.3 million as at 31 March 2019. The Group's total liabilities as at 31 March 2020 was RM3,889.1 million, slightly increased as compared to RM3,849.9 million as at 31 March 2019. The increase of total assets was mainly contributed by the completion of hospitals under development and expansion such as KPJ Ampang, KPJ Seremban, KPJ Miri and KPJ Kuching.

Malaysia

Malaysia segment recorded 4% increase in total assets from RM5,183.2 million as at 31 March 2019 to RM5,382.1 million as at 31 March 2020 mainly contributed by the addition of property, plant and equipment mainly arising from the newly-opened hospitals, KPJ Bandar Dato' Onn, KPJ Batu Pahat and KPJ Miri. The opening of new hospital buildings at KPJ Ampang Puteri and KPJ Seremban also add up to the increase in total assets. On the other hand, total liabilities for Malaysia segment also increase by 2%, closed at RM3,458.3 million as at 31 March 2020 in comparison to RM3,393.2 million as at 31 March 2019 largely due to purchase of medical equipment for the new hospitals. Lease liabilities was increased as well due to the recognition of lease liabilities by KPJ Batu Pahat upon its leasing transactions with Al-'Aqar Healthcare REIT during the current quarter.

Others

Total assets in this segment was significantly derived from Indonesian and Australian operations which registered at RM144.8 million and RM191.7 million respectively, and the remaining assets was contributed by other support services companies. Meanwhile, total liabilities from Indonesia and Australian operations was reported at RM39.6 million and RM 217.6 million with the balance of RM173.7 million from other support services companies. Both total assets and total liabilities for Others segment as at 31 March 2020 were reported at 9% and 6% decrease as compared to the balances as at 31 March 2019. The decreased in assets and liabilities were significantly contributed by the declined in operation activities from the Rumah Sakit Medica Permata Hijau and Jeta Gardens which led to decrease in cash and bank balances and repayment of borrowings during the current quarter.

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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)

d. Review on statements of cash flows for current financial period compared to prior period (3 months)

Group

The net cash generated from operating activities is RM91.9 million, decreased by 33% as compared to the same period in corresponding year which reported at RM137.4 million mainly due to the decline in profit reported for the period.

Cash outflows from investing activities was largely used for purchase of property, plant and equipment especially for development and expansion of hospital buildings, such as KPJ Penang and KPJ Puteri, the significant inflows of cash within investing activities was dividend received from associates mainly from Al-'Aqar Healthcare REIT amount to RM10.7 million.

The net cash used in financing activities were mainly from the payment of lease liabilities and dividends paid to shareholders amounting to RM28.3 million and RM21.4 million respectively. The main cash inflows for financing activities in March 2019 was from the issuance of warrants amounting to RM23.1 million. There is no such receipt in 2020 since warrant was expired in January 2019.

B2 MATERIAL CHANGES IN QUARTERLY RESULTS

	<u>Quarter ended</u> <u>31.03.2020</u>	<u>Quarter ended</u> <u>31.12.2019</u>	Var
	RM'000	RM'000	%
Revenue	884,159	944,003	(6)
Operating profit	87,992	98,944	(11)
EBITDA	153,013	180,722	(15)
Profit / (loss) before tax	55,087	78,334	(30)
Net profit / (loss) for the financial period	40,534	90,788	(55)
Total comprehensive income for the financial period	40,534	96,814	(58)
Profit attributable to Owners of the Company	38,533	84,001	(54)
No. of inpatient (episode)	80,352	85,920	(6)
No. of outpatient (episode)	738,890	745,377	(1)

The revenue for the current quarter ended 31 March 2020 was RM884.2 million, a 6% lower as compared to RM944.0 million as reported in the preceding quarter. For the first quarter in 2020, the Group recorded excellent performance in the month of January and February with a total revenue of RM616.2 million however due to Covid-19 pandemic, the government of Malaysia has declared a Movement Control Order (MCO) from 18 March 2020 onwards and this has affected the Group revenue, which resulted in lower revenue was recorded in the month of March of RM268.0 million as compared to the 2 months earlier as well as the preceding quarter.

Registration No.

199201015575 (247079-M)

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B2 MATERIAL CHANGES IN QUARTERLY RESULTS (CONTINUED)

Profit before tax in the current quarter of 2020 of RM55.1 million reported at 30% lower with comparison to RM78.3 million recorded in the preceding quarter. Other than the gain on fair value of investment properties and higher interest income received in the last quarter, the reduction in profit before tax in current period was due to decline in revenue due to the MCO and additional expenses incurred in respect of the Covid-19 pandemic.

B3 CURRENT YEAR PROSPECTS

Group

For the financial year ending 31 December 2020, the Group recognises that its performance will be adversely affected by the Covid-19 pandemic which has caused widespread economic slowdown in Malaysia and globally. Specifically, the Malaysian Government's Movement Control Order commencing 18 March till 9 June 2020 made a significant impact to the operations of the Group.

For the second quarter, the Group anticipates a decline. This is due to the effects of the ongoing containment measures for the pandemic. However, the Group will remain active in providing its core services and adding new areas of services such as tele-medicine and home visits.

During this difficult time, the Group remains cautiously optimistic and will continue to focus on disciplined management of costs and operational cash flows.

B4 PROFIT FORECAST / GUARANTEE

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

B5 TAX

	<u>Individual Quarter</u> <u>3 months ended</u>		<u>Cumulative Quarter</u> <u>3 months ended</u>	
	<u>31.03.2020</u>	<u>31.03.2019</u>	<u>31.03.2020</u>	<u>31.03.2019</u>
	RM'000	RM'000	RM'000	RM'000
Income tax expense	14,553	20,686	14,553	20,686

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year. The effective tax rate of the Group for the first quarter ended 31 March 2020 was slightly above the statutory rate due to certain expenses not deductible for tax purposes and non-recognition of deferred tax assets arising from unutilised capital allowances and tax losses of companies under gestation period including KPJ Perlis, KPJ Bandar Dato' Onn, KPJ Batu Pahat and KPJ Miri.