B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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)

The financial year 2020 came with COVID-19 global pandemic which has affected all countries, including Malaysia. The lockdowns or Movement Control Order (MCO) implemented by the government from 18 March 2020 has adversely impacted all businesses and healthcare industry was not spared too. During the lockdowns the Group saw that the business activities had declined and this was evidenced by lower patient episodes and lower daily bed occupancy rate (BOR) between 27% and 31% in second half of March, April and May 2020. However due to the quick and immediate action, the Malaysian government was able to control it and implemented the Recovery Movement Control Order (RMCO) phase which commenced on 10 June 2020. From this date onwards the Group saw the business activities improved and this was evidenced by increase in average monthly BOR of 39%.

As a result of the above, the second quarter financial performance ended 30 June 2020 was affected where the Group recorded revenue of RM626.6 million, 27% lower as compared to RM860.3 million as reported in the same period in 2019. During the lockdown period all elective procedures were postponed or delayed and hospitals were focusing on the critical and life-threatening cases hence the average BOR for 3 months period in second quarter 2020 was at 34%, significant decrease as compared to 64% for the same period ended 30 June 2019. In line with this, the Group EBITDA reduced to RM112.0 million in current period as compared to RM152.1 million in the same period of the preceding year. The Group recorded profit before tax of RM19.0 million, declined as compared to RM63.4 million for the 3 months period ended 30 June 2019.

The result for current quarter was impacted by the lower activities in hospital operations during the MCO period and coupled with several expenses, such as staff costs, interest on lease liabilities, borrowing costs and depreciation which remain fixed despite the decline in business activities. During this period, the management had focused on cost optimisation maximised benefits received from PRIHATIN Economic Stimulus Package and PENJANA Economic Recovery Plan unveiled by the Malaysian government, which softened the impact to its profit during the period.

Malaysia

Malaysia segment's revenue registered a declined trend of 27% from RM820.4 million in quarter 2, 2019 to RM598.0 million in the current quarter ended 30 June 2020. The decline in revenue was significant due to lesser number of patients and lower BOR during the MCO period.

EBITDA for Malaysia's segment stood at RM106.7 million, 23% lower than corresponding quarter of the preceding year. The Group has recorded profit before tax of RM21.8 million for the 3 months ended 30 June 2020, a 62% lower as compared to profit before tax of RM57.9 million for the same period in 2019. The decrease was contributed by the decline in revenue while fixed costs remained, and additional expenses incurred since the outbreak, such as costs of personal protective equipment for the frontliners, COVID-19 test kits and other consumable items.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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:

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

Malaysia (continued)

Subsequent to the RMCO, which commenced on 10 June 2020, the revenue showed a recovery trend and this was contributed by the favourable number of patients seeking treatments and following up their health conditions. The patient episodes have increased and daily BOR started to improve in June 2020 with a monthly average BOR of 39% resulted to improved profit for the month.

Others

Others segment was also impacted by the COVID-19 global pandemic, where the revenue was recorded at RM28.7 million for the 3 months ended 30 June 2020, 28% decrease from RM39.8 million reported in the corresponding quarter of the preceding year. The EBITDA and profit before tax were also adversely impacted by the revenue, EBITDA was reported at RM5.3 million for the 3 months period ended 30 June 2020, 61% lower from RM13.5 million reported in the same period in 2019. Meanwhile, loss before tax was posted at RM2.9 million in the second quarter of 2020 against profit before tax of RM5.5 million as reported in the same period of the preceding year.

b. Review on statements of comprehensive income for current financial period compared to prior financial period (6 months)

The financial year 2020 came with COVID-19 global pandemic which has affected all countries, including Malaysia. The lockdowns or MCO implemented by the government from 18 March 2020 has adversely impacted all businesses and healthcare industry was not spared too. During the lockdowns the Group saw that the business activities had declined and this was evidenced by lower patient episodes and lower daily BOR between 27% and 31% in second half of March, April and May 2020. However due to the quick and immediate action, the Malaysian government was able to control it and implemented the RMCO phase which commenced on 10 June 2020. From this date onwards the Group saw the business activities improved and this was evidenced by increase in average monthly BOR of 39%.

Despite reporting an excellent performance in first quarter 2020, the impact of lockdown due to COVID-19 global pandemic in second quarter has affected the result for the 6 months period ended 30 June 2020.The Group recorded revenue of RM1,510.8 million in the first half of 2020, 13% lower as compared to RM1,741.3 million reported in the same period in 2019. The Group's EBITDA and profit before tax in the current period reported at RM265.0 million and RM74.1 million respectively, decreased by 13% and 42% from RM305.2 million and RM127.4 million in the same period in preceding year.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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 (6 months) (continued)

The result for current financial period was a result of lower activities in hospital operations during the MCO period and coupled with several expenses, such as staff costs, interest on lease liabilities, borrowing costs and depreciation which remain fixed despite the decline in business activities. During this period, the management had focused on cost optimisation and maximised benefits received from PRIHATIN Economic Stimulus Package and PENJANA Economic Recovery Plan unveiled by the Malaysian government, which softened the impact to its profit during the period.

Malaysia

Malaysia segment's revenue registered a declined trend of 13% from RM1,659.7 million in quarter 2, 2019 to RM1,442.6 million in the current quarter ended 30 June 2020. The decline in revenue was due to lesser number of patients and lower hospital activities during the MCO due to COVID-19 global pandemic.

EBITDA for Malaysia's segment stood at RM254.6 million, 11% lower than corresponding quarter of the preceding year. Meanwhile, profit before tax of RM83.1 million was recorded for the 6 months ended 30 June 2020, decrease by 34%, affected by the decline in revenue, fixed overhead costs and additional costs relating to the pandemic incurred during the period. In addition, the new 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 period also contributed to the lower EBITDA and profit before tax for Malaysia segment.

Others

Revenue from Others segment was recorded at RM68.2 million for the first 6 months of 2020, 16% decrease from RM81.5 million reported in the corresponding period of the preceding year. The shortfall was mainly due to Indonesian hospitals recorded a declined number of patients to 36,160 in the current period as compared to 62,275 patients within the first half of 2019. Jeta Gardens also reported a decrease in revenue by 8% due to the lower occupancy rate of 78% as at 30 June 2020 against 88% as at 30 June 2019. EBITDA was reported at RM10.5 million for the period ended 30 June 2020, a 46% lower as compared to RM19.6 million reported in the same period in 2019. Meanwhile, loss before tax was posted at RM9.0 million in the first half of 2020 against profit before tax of RM1.1 million in the corresponding period.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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)

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 June 2020 was RM5,788.4 million, a 2% increase as compared to RM5,702.1 million as at 30 June 2019. The Group's total liabilities as at 30 June 2020 was RM3,718.9 million, slightly increased as compared to RM3,702.1 million as at 30 June 2019. The increase was mainly contributed by the opening of the new hospitals namely KPJ Bandar Dato' Onn, KPJ Batu Pahat and KPJ Miri, as well as the opening of new hospital buildings, KPJ Seremban and KPJ Ampang Puteri. The net current liabilities for the Group has increased to RM 248.9 million due to the reclassification of long term debt, Islamic Medium Term Notes (IMTN) of RM250.0 million, which now become current as its due date for repayment is less than 12 months.

Malaysia

Malaysia segment expanded its total assets from RM4,996.9 million as at 30 June 2019 to RM5,217.9 million in the current period mainly contributed by the addition of property, plant and equipment largely due to opening of the new hospitals namely KPJ Bandar Dato' Onn, KPJ Batu Pahat and KPJ Miri, as well as the opening of new hospital buildings, KPJ Seremban and KPJ Ampang Puteri.

This segment closed its total liabilities at RM3,317.3 million for the period ended 30 June 2020, increment by 6% in comparison to RM3,134.8 million as at 30 June 2019 contributed dominantly by recognition of lease liabilities by KPJ Batu Pahat upon its leasing transactions with Al-'Aqar Healthcare REIT during the current period.

Others

Total assets in this segment was significantly derived from Indonesian and Australian operations which registered at RM139.8 million and RM198.6 million respectively, and the remaining assets were contributed by other support services companies. Meanwhile, total liabilities from Indonesia and Australian operations were reported at RM31.0 million and RM222.0 million with the balance of RM148.6 million from other support services companies. Both assets and liabilities as at 30 June 2020 were reported to be decreased by 19% and 29%, respectively as compared to the balances as at 30 June 2019. The decreased in assets and liabilities were due to declined operation in PT Al-Aqar Bumi Serpong Damai, Rumah Sakit Medica Permata Hijau and Jeta Gardens.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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)

d. Review on statements of cash flows for current financial period compared to prior period (6 months)

Group

The net cash generated from operating activities is RM73.2 million, decreased by 65% as compared to the same period in corresponding year which reported at RM207.7 million which was 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, and significant inflows of cash within investing activities was dividend received from associates mainly from Al-‘Aqar Healthcare REIT amount to RM10.7 million.

The cash inflows from financing activities were generated from drawdown of borrowings amounting to RM74.7 million, government grant received by KPJ Selangor amounting to RM3.0 million and issuance of shares through ESOS amounting to RM2.5 million. The cash outflows were mainly from the repayment of borrowings and payment of lease liabilities amounting to RM64.6 million and RM56.6 million respectively.

The cash and cash equivalents at the end of the period decreased to RM173.8 million as compared to RM389.5 million in the corresponding period, mainly contributed by the reduction in cash generated from operating activities due to lower hospital activities, as a result of MCO due to COVID-19 global pandemic.

B2 MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter ended 30.06.2020	Quarter ended 31.03.2020	Var
	RM'000	RM'000	%
Revenue	626,624	884,159	(29)
Operating profit	51,633	87,992	(41)
EBITDA	112,023	153,013	(27)
Profit before tax	18,968	55,087	(66)
Net profit for the financial period	10,933	40,534	(73)
Total comprehensive income for the financial period	10,933	40,534	(73)
Profit attributable to Owners of the Company	12,657	38,533	(67)
No. of inpatient (episode)	43,330	80,352	(46)
No. of outpatient (episode)	512,712	738,890	(31)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020 (CONTINUED)

B2 MATERIAL CHANGES IN QUARTERLY RESULTS (CONTINUED)

Since the outbreak of COVID-19 global pandemic, healthcare industry in Malaysia is not exempted from being affected, including KPJ Group. The MCO implemented from 18 March 2020 has affected the hospital activities. The Group's BOR declined to its lowest of 27% in April, 31% in May and 39% in June from its average occupancy of 67% prior to the MCO.

The Group's revenue plunged 29% in the current quarter recorded at RM626.6 million, as compared to RM884.2 million as reported in the preceding quarter. The Group's revenue recorded for the month of April and May 2020 were at RM164.5 million and RM202.8 million respectively. As Malaysia's MCO has entered into recovery phase from 10 June 2020, the Group saw an increase in its hospital activities and this was evidenced with revenue in June 2020 climbed to RM259.3 million.

In the current quarter ended 30 June 2020, Group's profit before tax of RM19.0 million reported at 66% lower with comparison to RM55.1 million recorded in the preceding quarter. Lower profit before tax in the current quarter was a result of declined in revenue due to MCO and coupled with several expenses, such as staff costs, interest on lease liabilities, borrowing costs and depreciation which remain fixed despite the decline in business activities.

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 global pandemic which has caused widespread economic slowdown in Malaysia and globally. The Malaysian Government's MCO which commenced from 18 March till 3 May 2020, followed by Conditional Movement Control Order (CMCO) from 4 May till 9 June 2020 and RMCO commencing 10 June till 31 August 2020 have made a significant impact to the operations of the Group.

The Group had taken advantage from PRIHATIN Economic Stimulus Package and PENJANA Economic Recovery Plan unveiled by the Malaysian government, which had provided the Group immediate assistance such as wages subsidies programme, loan moratorium, tax incentives programme and rental rebates from Al-'Aqar Healthcare REIT for the lease of land and buildings.

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

For the second half of the year, the Group will remain active in providing its core services and adding new areas of services such as tele-medicine and home visits while continuously educating the public on the implemented Standard Operating Procedures (SOP) at all our healthcare facilities to ensure COVID-19 risk are appropriately managed.