A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

A14 CAPITAL COMMITMENTS

Capital expenditures not provided for in the interim financial report as at 31 December 2020 are as follows:

	RM'000
Approved by the Directors and contracted	206,154
Approved by the Directors but not contracted	199,882
	406,036

Analysed as follows:

Building	126,609
Medical equipment	154,472
Other property, plant and equipment	124,955
	406,036

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 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 worldwide COVID-19 pandemic has presented unprecedented challenges to the global economy, across all industries including healthcare. In order to control the pandemic outbreak, the Malaysian Government had enforced a Movement Control Order ("MCO") on 18 March 2020. During the lockdown, many patients opted to postpone non-urgent and non-essential treatment and defer visits to hospitals and healthcare facilities, which resulted in the reduction of patient volumes for the Group. The Group's bed occupancy rate ("BOR") was significantly affected where low BOR of 25% and 32% were recorded in April and May 2020, respectively. However, upon implementation of the Recovery Movement Control Order ("RMCO") which commenced on 10 June 2020, the Group saw an improvement in occupancy levels resulting in increase of the BOR in Quarter 3, 2020 to 51%. The period post MCO and RMCO has seen a gradual improvement of our business activities, but nevertheless, this increase has yet to surpass our performance in the same period in 2019.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

The reinstatement of the Conditional Movement Control Order ("CMCO") by the Malaysian Government in early November 2020 to curb the third wave of COVID-19 cases in Malaysia has resulted in the BOR for the current quarter in 2020 (4Q2020) to decrease by 25% to 43% as compared to 68% BOR that was recorded in Quarter 4, 2019. Consequently this resulted in the revenue for the current quarter to decrease by 18%, at RM586.8 million against RM717.9 million reported in the fourth quarter of 2019. This is evidenced by the lower patient numbers in the current quarter with 764,899 patients, falling from 827,451 patients in the same quarter in 2019.

The reduction in hospital activity has affected the Group's revenue as well as the EBITDA and profit before tax for the last 3 months in 2020. The EBITDA and profit before tax reported at RM121.7 million and RM20.6 million, respectively, were 33% and 74% lower as compared to RM180.7 million and RM78.3 million in the same period in 2019. The recognition of impairment loss on the investment of quoted and unquoted shares has resulted in administrative costs to increase. Additionally, lower gain on fair value of investment properties and impairment loss on property, plant and equipment also added to the lower performance of the Group in the current quarter. Moreover, the significant decrease in share of profit by 90%, which was mainly contributed by Al-'Aqar Healthcare REIT has also contributed to the reduction in EBITDA and profit before tax for the current quarter.

Malaysia

Malaysia segment contributed to 94% of total Group revenue for the quarter of RM554.0 million, registering at 18% or RM124.9 million lower over RM678.9 million in the same period in the preceding year, mainly due to the 6% reduction in number of patients from 755,485 patients reported in quarter 4, 2019 to 713,715 in current quarter. Malaysia segment's EBITDA closed at RM136.7 million, lower by 20% from RM171.3 million in the same period in 2019 and the profit before tax was recorded at RM57.5 million, which was 40% lower as compared to RM95.5 million reported for the fourth quarter in 2019. The lower share of profit recorded due to COVID-19 pandemic and the increase in costs especially from newly opened hospitals and new hospital buildings in current year were the main contributor to the lower performance in the current quarter.

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

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

Others

The revenue for the three months ended 31 December 2020 was reported at RM32.9 million, a 16% decrease from RM39.0 million recorded in the same period ended 31 December 2019. Other segment also reported a negative EBITDA at RM15.0 million in the fourth quarter of 2020 against positive EBITDA of RM9.4 million reported in the same period of the preceding year. Loss before tax of RM36.8 million for the 3 months ended 31 December 2020, significantly higher as compared to the RM17.2 million loss in the same quarter in 2019. Indonesian operations reported 55% decline in patient volume to 14,141 patients from 31,346 patients in Quarter 4, 2019. Meanwhile, Jeta Gardens reported an impairment loss due to the lower fair value of property, plant and equipment by RM16.2 million.

b. Review on statements of comprehensive income for current financial period compared to prior financial year

The worldwide COVID-19 pandemic has presented unprecedented challenges to the global economy, across all industries including healthcare. In order to control the pandemic outbreak, the Malaysian Government had enforced a Movement Control Order (“MCO”) on 18 March 2020. During the lockdown, many patients opted to postpone non-urgent and non-essential treatment and defer visits to hospitals and healthcare facilities, which resulted in the reduction of patient volumes for the Group. The Group’s bed occupancy rate (“BOR”) was significantly affected where low BOR of 25% and 32% were recorded in April and May 2020, respectively. However, upon implementation of the Recovery Movement Control Order (“RMCO”) which commenced on 10 June 2020, the Group saw an improvement in occupancy levels resulting in increase of the BOR in Quarter 3, 2020 to 51%. The period post MCO and RMCO has seen a gradual improvement of our business activities, but nevertheless, this increase has yet to surpass our performance in the same period in 2019.

The Group’s revenue for the year ended 31 December 2020 was reported at RM2,397.4 million, 12% lower as compared to RM2,737.9 million, was largely affected by the MCO during the second quarter and the CMCO in the fourth quarter of 2020. The COVID-19 global pandemic has impacted KPJ’s business activities with lower patient episodes and lower BOR at all of its hospitals. During the lockdown, many elective procedures were postponed or delayed and hospitals were focusing on the critical and life-threatening cases. This resulted in the BOR in the current year to drop to 48% as compared to 66% for the year ended 31 December 2019. Meanwhile, the Group’s patient visits declined by 9% to 2.9 million in 2020 from 3.2 million in the preceding year. During the period, despite the reduction in hospital revenue, laboratory revenue from Lablink recorded an increase by more than 100% or RM13.3 million, which softened the impact on total revenue drop for the Group.

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

The lower activities in the Group's hospitals in the current year due to COVID-19 has resulted in EBITDA and profit before tax to drop to RM538.9 million and RM150.8 million respectively, decreasing by 16% and 45% from RM640.6 million and RM275.4 million respectively in the preceding year. The impairment loss on the investment of quoted and unquoted shares has resulted the administrative costs to increase. Lower gain on fair value of investment properties and impairment loss on property, plant and equipment also added to the lower performance of the Group. The decrease in share of profit by 61%, which was mainly contributed by Al-'Aqar Healthcare REIT also added to the reduction in EBITDA and profit before tax for the current year. In addition, expenses such as staff costs, interest on lease liabilities, borrowing costs and depreciation remain fixed despite the decline in business activities. To mitigate these challenges, the management focused on cost optimisation and fully optimised benefits received from PRIHATIN Economic Stimulus Package and PENJANA Economic Recovery Plan provided by the Malaysian government, which help soften the impact to the profit line of the Group's profitability.

Malaysia

Malaysia segment recorded a 12% reduction in revenue in the current year to RM2,274.7 million from RM2,586.9 million in 2019 mainly contributed by the decrease in number of outpatients and inpatients by 176,185 patients and 78,050 patients respectively along with the decrease in BOR from 67% in 2019 to 48% in 2020. EBITDA and profit before tax for Malaysia segment were recorded at 11% and 30% lower from RM616.1 million and RM305.9 million respectively in 2019. The shortfall in Malaysia segment's EBITDA and profit before tax mainly contributed by the losses at hospitals under gestation period (KPJ Bandar Dato' Onn, KPJ Batu Pahat, KPJ Perlis and KPJ Miri). Furthermore, the additional expenses incurred as precautionary and safety measures against COVID-19, the loss from investment of quoted and unquoted shares and lower gain on fair value from investment properties also led to lower EBITDA and profit before tax for Malaysia segment.

Others

The revenue for Other segment in 2020 was reported at RM122.7 million, 19% lower as compared to RM151.0 million for the year ended 31 December 2019 with Indonesian operations being the main contributor. Indonesian operations registered a 50% drop in number of patient from 125,254 patients to 62,816 patients that led to a 42% decrease in its revenue.

On the same note, Jeta Gardens's occupancy rate fell from 81% in the period ended 31 December 2019 to 77% for the same period in 2020 resulting its revenue decreasing by 5% or RM2.5 million.

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

Others

The EBITDA for Other segment was reported at a negative EBITDA of RM8.5 million for the year ended 31 December 2020 as compared to an EBITDA of RM24.5 million reported in 2019. Meanwhile, loss before tax was posted at RM62.0 million in 2020 against RM30.5 million in the corresponding year. The significant drop in EBITDA and profit before tax for Other segment was mainly due to the lower fair value of property, plant and equipment contributed by Jeta Gardens as well as lower hospital activities in Indonesia affected by the COVID-19.

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

The Group's total assets as at 31 December 2020 was 3% higher at RM6,141.4 million in comparison to RM5,985.8 million as at 31 December 2019. The opening of new hospital buildings by KPJ Ampang Puteri and KPJ Seremban along with the acquisition of a new subsidiary, Kluang Specialist Hospital Sdn Bhd have contributed to the increase in total assets as at 31 December 2020.

The Group's total liabilities as at 31 December 2020 registered at RM3,939.2 million, slightly lower as compared to RM3,936.6 million as at 31 December 2019. The decrease in total liabilities is mainly derived from the reduction in total trade and other payables caused by lower sales of medical and pharmaceutical products especially during the MCO period and the repayment made to contractors during the year. The reduction in total trade and other payables was set-off by the additional drawdown of Islamic Medium Term Notes ("IMTN") of RM200.0 million, resulting in the total liabilities line to be slightly lower than in the last financial year.

The net current liabilities for the Group has increased to RM161.3 million due to the reclassification of prior tranche of IMTN amounting RM250.0 million to current liabilities as its due date for repayment is less than 12 months. On top of that, the reduction in trade and other receivables upon the lower patient visits in current year also contributed to the increase in the net current liabilities.

Malaysia

Malaysia segment recorded an increase of 3% in its total assets to RM5,584.1 million as at 31 December 2020 from RM5,396.2 million as at 31 December 2019 mainly from the addition of property, plant and equipment, new hospital building and medical equipment. Meanwhile, total liabilities for Malaysia segment as at 31 December 2020 was RM3,534.7 million, 1% higher as compared to RM3,507.9 as at 31 December 2019.

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

Others

Other segment's total assets and total liabilities as at 31 December 2020 closed at RM557.4 million and RM404.5 million respectively in comparison to the total assets and total liabilities recorded as at 31 December 2019 of RM589.6 million and RM428.6 million respectively. The decline of business in Indonesia operations and Jeta Gardens along with the decrease in value of property, plant and equipment at Jeta Gardens resulted in a decrease of 5% and 6% in Other segment's total assets and total liabilities, respectively.

d. Review on statements of cash flows for current financial period compared to prior year

The Group's hospital activities saw a declining trend since the outbreak of the pandemic which resulted in lower cash generated from operating activities especially during the implementation of MCO. The downtrend led the net cash generated from operating activities to be recorded at RM336.7 million, a decrease by 42% as compared to the same period in corresponding year which was RM580.8 million.

Cash outflows from investing activities was for purchase of property, plant and equipment especially for development and expansion of hospital buildings, such as KPJ Penang and KPJ Puteri, along with the acquisition of a subsidiary, Kluang Specialist Hospital Sdn Bhd on 2 November 2020. Meanwhile, the significant inflows of cash under investing activities was from dividends received from associates mainly from Al-'Aqar Healthcare REIT which amounted to RM14.5 million.

The cash inflows from financing activities were generated from drawdown of borrowings amounting to RM348.2 million, specifically from the issuance of IMTN of RM200.0 million, government grant received by KPJ Selangor amounting to RM3.0 million and issuance of shares through ESOS amounting to RM2.6 million. The cash outflows were mainly for repayment of borrowings, payment of lease liabilities and dividends to shareholders amounting to RM194.1 million, RM92.4 million and RM72.7 million respectively.

The cash and cash equivalents at the end of the period decreased to RM215.0 million as compared to RM268.4 million in the corresponding period, mainly due to the reduction in cash generated from operating activities due to lower hospital activities, as a result of the MCO and RMCO.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

B2 MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter ended 31.12.2020	Quarter ended 30.09.2020	Var
	RM'000	RM'000	%
Revenue	586,834	645,274	(9)
Operating profit	56,508	86,943	(35)
EBITDA	121,653	152,189	(20)
Profit before tax	20,622	56,133	(63)
Net profit for the financial period	23,768	35,577	(33)
Total comprehensive income for the financial period	118,733	35,577	>100
Profit attributable to Owners of the Company	25,285	33,968	(26)
No. of inpatient (episode)	57,722	65,125	(11)
No. of outpatient (episode)	707,177	671,130	5

The Group was in a recovery phase in the third quarter upon the implementation of RMCO on 10 June 2020. However, the reinstatement of the CMCO in November 2020 led to reduction in the Group revenue by 9%, evidenced by the decline in number of inpatients from 65,125 patients to 57,722 patients. The inpatient revenue closed at RM517.9 million in the fourth quarter 2020, a drop of 9% from RM566.3 million in Quarter 3, 2020. The Group's EBITDA and profit before tax for Quarter 4, 2020 was RM121.7 million and RM20.6 million respectively, 20% and 63% lower as compared to EBITDA and profit before tax recorded in Quarter 3, 2020 of RM152.2 million and RM56.1 million, respectively. The shortfall in EBITDA and profit before tax mainly from the impairment loss from investment of quoted and unquoted shares of RM3.6 million, the impairment loss on land by Jeta Gardens of RM16.2 million and the significant decline in share of profit from associates of RM3.5 million specifically from Al-'Aqar Healthcare REIT.

B3 CURRENT YEAR PROSPECTS

For the financial year ended 31 December 2020, the Group's performance was adversely affected by the COVID-19 global pandemic which has caused widespread economic slowdown in Malaysia and globally. While the Group is anticipating that the challenges posed by the pandemic will continue in 2021, the Group is cautiously optimistic that the outlook towards the end of 2021 will improve on the back of the anticipated roll-out of the national COVID-19 vaccination program in Malaysia. In this regard, the Group will continue to manage its operations under the new normal framework while continuously looking to improve its business prospects during this period.

Looking ahead into 2021, the Group will continue to take advantage of Governments' incentives in order to mitigate the adverse effects of the pandemic. Specifically under the PERMAI assistance package announced by the Government in January 2021, the Group has offered to collaborate with the government hospitals to treat non-COVID-19 patients in efforts to alleviate the strain on the public healthcare system.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

B3 CURRENT YEAR PROSPECTS (CONTINUED)

The Group remains cautiously optimistic and will continue to focus on disciplined management of costs and operational cash flows. The Group expects the business environment to stay challenging for most of 2021. Nonetheless the Group will focus on its core services while supplementing them with new services such as tele-medicine and home medication delivery services in order to better serve its patients.

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

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Income tax recoverable / (expense)	3,146	12,454	(39,998)	(48,696)

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 year ended 31 December 2020 is higher as compared to prior period, and slightly above the statutory tax rate due to non-recognition of tax benefits arising from unutilised capital allowances and tax losses for new businesses under gestation which includes KPJ Perlis, KPJ Bandar Dato' Onn, KPJ Batu Pahat and KPJ Miri. As for the current quarter, the effective tax rate was lower than the statutory rate resulted from the recognition of tax credits arising from the recognition of investment tax allowances (ITA), which the Group had obtained approval from the authorities in the last quarter 2020. In comparison to the same quarter in 2019, higher ITA was approved as compared to amount approved in 2020.

B6 STATUS OF CORPORATE PROPOSALS

There were no significant corporate proposals during the financial period under review.