B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2021

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 period (3 months)

The Group's revenue for the current quarter of RM632.8 million was higher by RM157.0 million representing a 33% increase as compared to RM475.8 million in the corresponding quarter last year.

Malaysia

Revenue from the Group's Malaysian operations increased by RM149.1 million mainly due to the active management of selected COVID-19 cases in KPJ hospitals, providing vaccination services at 25 PPVs registered with ProtectHealth Corporation under the NIP and decanting of non-COVID-19 patients from public hospitals.

Others

The Group's Other segments which include its overseas venture and education services registered revenue of RM34.5 million representing a 33% increase from RM26.0 million reported in the same corresponding quarter last year.

The Group recorded a 4% increase in EBITDA of RM116.9 million from RM112.0 million as reported in the same period last year. The minimal increase in EBITDA has resulted to a lower profit before tax ("PBT") of RM14.2 million as compared to RM19.0 million in the same period in 2020.

Malaysia

EBITDA edged up 12% to RM120.7 million on the back of RM27.1 million in PBT representing an 8% increase from RM25.1 million recorded in the corresponding quarter last year, owing to benefit from the COVID-19 pandemic and vaccination drive across the country.

The decline is also attributable to the increasing costs of operating under the new normal alongside high provision reversal in 2020 with benefits received from PRIHATIN Economic Stimulus Package and PENJANA Economic Recovery Plan.

The quarter under review also saw an increase in patients visits to 713,917 from 532,137 in the same period last year. This increase has resulted to a 41% rise in the Malaysian's segment Bed Occupancy Rate ("BOR") from 35% in the same period last year.

Others

This segment reported a negative EBITDA of RM0.9 million and loss before tax ("LBT") of RM13.0 million against a positive EBITDA of RM6.7 million and LBT of RM6.2 million in same corresponding quarter last year, owing to negative foreign exchange of RM6.7 million.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2021 (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

For the six-months period ended 30 June 2021, the Group recorded revenue of RM1,238.8 million an increase of 9% as compared to RM1,141.7 million recorded for the same period last year, as detailed below:

Malaysia

Malaysia segment closed its revenue for the 6 months ended 30 June 2021 with RM1,175.5 million, 8% above RM1,085.0 million in the same period in 2020. This was achieved via the increase of patient visits at 1.4 million, a growth of 17% from 1.2 million in the same period last year.

The EBITDA and PBT were closed at RM248.5 million and RM59.7 million respectively, representing a 6% and 36% lower as compared to the same period last year at RM263.0 million and RM92.6 million respectively. Despite the increase in revenue, the operating efficiency is yet to be achieved due to high fixed costs which comprises of staff costs, maintenance costs and depreciation/amortisation and finance costs. Furthermore, the losses from new hospitals under gestation period also contributed to the lower EBITDA and PBT for the current period.

Revenue from the Group's Malaysian operations increased mainly resulting from active management of selected COVID-19 cases in KPJ hospitals, providing vaccination services at 25 PPVs registered with ProtectHealth Corporation under the NIP and decanting of non-COVID-19 patients from public hospitals. The new revenue streams have increased the activities at our group of hospitals and achieved a better performance as compared to the same period in 2020.

During this period, the Group had performed 40,236 surgery cases and 6,788 delivery cases, an increase of 9% and 16%, respectively.

As the number of COVID-19 cases increases, one of the subsidiary companies of the Group, Lablink (M) Sdn Bhd, had continued to receive high numbers of RTK and PCR tests which resulted to an increase of external revenue to RM12.2 million from RM10.3 million in the same period last year.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2021 (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 (continued)

Others

For the 6 months ended 30 June 2021, the Group's Other segments which include its overseas venture and education services registered revenue had recorded a total revenue of RM69.2 million, a 12% increase from RM61.6 million as reported in the same period in 2020.

In the reported period the two hospitals in Indonesia had recorded an increased in inpatient days of 1,051 which resulted to a total revenue of RM18.8 million against RM14.8 million in the same period last year. This increase was due to higher number of COVID-19 cases.

The aged care and retirement village in Australia, Jeta Garden, recorded higher occupancy rate at 83% during the reported period as compared to 78% in the same period in 2020 which resulted to total revenue of RM26.6 million as compared to RM23.8 million.

The Group recorded EBITDA for the current quarter of RM242.7 million, a decrease of 8% as compared to RM265.0 million in the corresponding quarter last year. The Group also recorded PBT for the six-months period of RM34.3 million representing a decline 54% from RM74.1 million in the same period last year as detailed below:

Malaysia

The Malaysian operations results had decline by RM14.4 million primarily from the higher operating costs as mentioned above. The decline is also attributable to the high provision reversal in 2020 with benefits received from PRIHATIN Economic Stimulus Package and PENJANA Economic Recovery Plan.

Others

This segment reported a negative EBITDA of RM37,000 and loss before tax of RM25.4 million against a positive EBITDA of RM6.6 million and loss before tax of RM18.5 million in the same period in 2020. The loss before tax was mainly due to the loss arising from foreign currency translation of RM9.9 million.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2021 (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

The Group's financial position as 30 June 2021, recorded total assets worth of RM5,984.4 million 3% above RM5,788.4 million as reported as at 30 June 2020. The increase of RM196.0 million was contributed by increase in value of non-current assets, land and buildings, which were recently revalued at 31 December 2020, in line with the Groups' five years revaluation policy on its property, plant and equipment, completion of acquisition of a subsidiary, Kluang Specialist Hospital Sdn Bhd, in November 2020 and the completion the development of new hospital building for KPJ Kuching. This increase was mitigated by decrease in deposits, cash and bank balances due to the repayment of Islamic Medium Term Notes ("IMTN") amounted to RM250.0 million in April 2021. As at 30 June 2021 the group's deposits, cash and bank balances were recorded at RM265.5 million.

The Group's total liabilities as at 30 June 2021 was closed at RM3,805.3 million, 2% higher as compared to RM3,718.9 million as at 30 June 2020. The increase of RM86.4 million was due to drawdown of additional borrowing facilities, IMTN and short-term revolving credit ("STRC"), to pay for the Group's total commitment during the period.

As at 30 June 2021, the Group is in a Net Current Liabilities position due to the reclassification of non-current liabilities, IMTN, amounted to RM400.0 million as the repayment is now due within the next 12 months. In addressing the net current liabilities position of RM226.2 million (net of IMTN which will be due in April 2022) as at balance sheet date of 30 June 2021, the Group has a total of unutilised borrowing facilities totalling to RM300.0 million which can be utilised immediately.

Malaysia

As at 30 June 2021 Malaysia segment reported total assets at RM5,718.7 million 5% higher from RM5,444.4 million as at 30 June 2020. The increase were mainly from the additions of property, plant and equipment, new hospital buildings and medical equipment. Meanwhile, total liabilities as at 30 June 2021 was at RM3,684.8 million, 4% higher as compared to RM3,543.8 as at 30 June 2020.

Others

Other segment's total assets and total liabilities as at 30 June 2021 registered at RM536.5 million and RM391.2 million respectively in comparison to RM570.6 million and RM401.6 million respectively as reported in the same period in 2020. The decline of business activities in this segment along with the impairment of land at Jeta Gardens resulted in a decrease of 6% and 3%, respectively.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2021 (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

For the 6 months ended 30 June 2021, the net cash generated from operating activities is RM122.1 million, increased by 67% from RM73.2 million in the same period ended 30 June 2020. The increment is in line with increase in hospital activities during this period in comparison to the same period in 2020.

The cash outflow from investing activities was mainly for payment to contractors for the development projects of new hospital buildings of KPJ Penang and KPJ Puteri and the cash inflows were from a liquidation of fixed deposits placed with licensed bank amounted to RM183.5 million and dividend received from investment in an associate, Al-'Aqar Healthcare REIT, amounted to RM9.0 million.

The cash inflows from financing activities were mainly from the drawdown of borrowings amounted RM193.4 million and the cash outflows were for repayment of IMTN, payment of lease liabilities and payment of dividend to non-controlling interest amounting to RM297.8 million, RM56.5 million and RM49.0 million, respectively.

The above cash inflow and outflows has resulted to net changes of cash and cash equivalents of RM17.3 million and brings to a closing balance of to RM194.5 million as at 30 June 2021, an increase of RM20.7 million from a closing balance of RM173.8 million as reported in the same period in 2020.

B2 MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter ended 30.06.2021	Quarter ended 31.03.2021	Var
	RM'000	RM'000	%
Revenue	632,829	605,944	4
Operating profit	45,094	55,110	(18)
EBITDA	116,860	125,832	(7)
Profit before tax	14,186	20,156	(30)
Net profit for the financial period	8,753	15,238	(43)
Total comprehensive income for the financial period	8,753	15,238	(43)
Profit attributable to Owners of the Company	6,958	12,976	(46)
No. of inpatient (episode)	56,438	51,541	10
No. of outpatient (episode)	702,191	661,006	6

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2021 (CONTINUED)

B2 MATERIAL CHANGES IN QUARTERLY RESULTS (CONTINUED)

The Group recorded 4% increase in its total revenue for the current quarter at RM632.8 million against RM605.9 million in the preceding quarter with increase in number of patients at 6%. The minimal growth between quarter 1 and quarter 2 was mainly due to the surge of COVID-19 infected cases. In the second quarter ended 30 June 2021, the emergence of virus variants brought back the volatility of hospital activities despite numbers of vaccinated citizens continued to increase. On 1 June 2021, the whole country went into full lockdown for 14 days and this continued until end of the month. Despite of the surge in positive COVID-19 cases, the hospitals continued to admit COVID-19 infected patients, providing vaccination services at 25 PPVs registered with ProtectHealth Corporation under the NIP and decanting of non-COVID-19 patients from public hospitals.

In the current quarter ended 30 June 2021, Group's EBITDA of RM116.9 million and PBT of RM14.2 million reported at 7% and 30% lower than RM125.8 million and RM20.2 million as reported in the preceding quarter. The decreased in both was a result of increase in costs as the above new revenue streams were intensified in the current quarter. These activities at the hospitals resulted to additional costs, where significantly arising from drugs, medical supplies and direct manpower costs in delivering the healthcare services as required under the Standard Operating Procedures ("SOP") in providing healthcare services during this COVID-19 global pandemic. Other costs contributed to the lower PBT is the additional depreciation/amortisation costs arising from adding additional beds, new medical equipment and upgrading of facilities at some of our existing hospitals, namely, KPJ Sri Manjung and KPJ Taiping which was opened to the public in the current quarter. The high fixed costs in running a new hospitals continued to be main challenges in achieving group operational efficiency with limited revenue growth during this Movement Control Order ("MCO") period, hence disciplined and consistent cost optimisation continued to be our main focus.

B3 CURRENT YEAR PROSPECTS

KPJ will continue to operate in a challenging environment for the remaining year of 2021. The imposition of a series of MCO over an extended period due to the recent resurgence in the number of COVID-19 cases has significantly impacted the Group's operations. Although economic and business activities have resumed, restricted cross-border movements and tighter SOPs for areas under the Conditional Movement Control Order ("CMCO") continues to weigh on recovery efforts across the Group's business operations. Nevertheless, the Group will remain vigilant and focused on delivering its services whilst protecting its cash position to ensure the Group remains resilient during these unprecedented times.

A number of foundational shifts are arising from and being exacerbated by COVID-19's spread. This includes consumers' increasing involvement in their healthcare decision-making; the rapid adoption of virtual health such as telemedicine and other digital innovations; the push for interoperable data and data analytics usage; and unprecedented public-private collaborations in vaccine and therapeutics development. Amid these dynamics and as part of its transformation programme, the Group has identified key strategic focus areas over 2021 and 2022 that will shape its ability to navigate from recovering to thriving in the post-pandemic "new normal" and advance its journey in the industry.

As the healthcare ecosystem is being challenged to quickly pivot, adapt, and innovate our focus will cover greater adoption of virtual health and other digital innovations, as well as new public-private collaborations. This includes several initiatives to actively relieving pressure on public hospitals via decanting of non-COVID-19 cases and offering of more than 100 different services and procedures to the public hospitals, based on a cost recovery formula to ensure affordability.