

**KPJ HEALTHCARE BERHAD**  
(Incorporated in Malaysia)

**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 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)

Group

The Group recorded total revenue of RM699.0 million for the current quarter, an increase of 10% compared against RM633.4 million in the corresponding quarter of the preceding period. During the quarter under review, patient visits increased to 782,732 from 736,255 compared to the corresponding quarter of the preceding period.

The Group recorded a total EBITDA of RM147.9 million, a 3% decrease from RM152.2 million as reported in the preceding period and a total profit before tax ("PBT") of RM43.4 million, a decrease of 23% from RM56.1 million in the preceding period driven primarily by its Malaysia segment performance.

Malaysia

The Malaysia segment recorded total revenue of RM663.3 million for the current quarter, an increase of 9% compared against RM607.3 million in the corresponding quarter of the preceding period. During the quarter under review, patient visits increased to 714,321 from 693,093 compared to the corresponding quarter of the preceding period.

The lifting of Movement Control Order ("MCO") with stricter laws, the increased in the vaccinated population and the introduction of National Recovery Plan ("NRP") by Malaysian Government holds the key to the increase in Malaysia segment revenue in current quarter. The active management of selected COVID-19 cases in KPJ hospitals, providing vaccination services at 25 Pusat Pemberian Vaksin ("PPVs") registered with ProtectHealth Corporation, and decanting non-COVID-19 patients from public hospitals also contributed to the revenue growth.

The Malaysia segment recorded a total EBITDA of RM149.5 million, a decrease of 7% compared to RM160.7 million, while PBT recorded RM55.8 million, which declined by 26% from RM75.0 million last year.

The decline is attributable to the increased costs at operations resulting from SOP compliance, however, being offset by reversal of bonus in 2020, and top up with benefits received on the PRIHATIN Economic Stimulus Package and PENJANA Economic Recovery Plan.

Others

The Others segment recorded total revenue of RM39.3 million, a 37% increase from RM28.7 million reported in the corresponding quarter of the preceding period. During the quarter under review, patient visits increased to 68,411 from 43,162 compared to the corresponding quarter of the preceding period.

The increase in Others segment revenue was mainly due to the increased admissions on positive COVID-19 cases in the Indonesian hospitals.

This segment reported a positive EBITDA of RM1.6 million and loss before tax ("LBT") of RM12.4 million against a negative EBITDA of RM6.1 million and LBT of RM18.9 million, the corresponding quarter of the preceding period. The better indicators in the current period correlate with the increase in revenue.

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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)

b. Review on statements of comprehensive income for current financial period compared to prior financial period (9 months)

Group

The Group recorded total revenue of RM1,937.7 million, an increase of 9% compared against RM1,775.1 million recorded last year. During the period under review, patient visits increased to 2,253,908 from 2,111,539 compared to the corresponding period last year. The Group hospitals also performed 61,880 surgery cases and 11,374 delivery cases, an increase of 4% and 29%, respectively, compared to the corresponding period last year.

The higher revenue recorded was mainly due to active collaboration with the public healthcare sector to treat COVID-19 patients, higher COVID-19 screening, laboratory testing, and vaccination services.

The Group recorded a total EBITDA of RM390.6 million, a decrease of 6% from RM417.2 million in the corresponding period last year, driven primarily by its Malaysia segment performance. The Group also recorded a total PBT of RM77.8 million, a decrease of 40% from RM130.2 million in the same period last year.

Malaysia

The Malaysia segment recorded total revenue of RM1,838.8 million for the current period, an increase of 9% compared against RM1,692.3 million in the corresponding period last year. During the quarter under review, patient visits increased to 2,084,740 from 1,974,822 compared to the corresponding period last year. The growth in revenue from the improvement in hospital activities especially on the relaxing MCO and the introduction of NRP by Malaysian Government. The Group's second quarter of 2020 encountered lower performance from enforcement of MCO 1.0 with stricter laws and restriction in travelling has portrayed a significant impact to the total patient number recorded and movement for hospital activities.

The Malaysia segment recorded a total EBITDA of RM398.0 million, a decrease of 6% compared to RM423.6 million, while PBT recorded RM115.5 million, which declined by 31% from RM167.6 million last year.

Even though the Malaysia segment recorded higher revenue during the period, EBITDA and PBT were lower due to higher fixed costs, the incremental cost for SOP compliance and losses incurred from new hospitals still in their gestation period. Moreover, the additional allowances for front liners to cater activities for the National COVID-19 Immunisation Programme ("NIP") and treating COVID-19 patients, added with reversal of provisions in 2020 contributed to the notable expenses in current period under review.

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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)

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

Others

The Others segment recorded total revenue of RM108.4 million, a 20% increase from RM90.3 million reported in the same corresponding period last year. In the reported period, the two hospitals in Indonesia recorded a rise in the number of patients of 58,111 from 36,160 patients for the period ended 30 September 2020 which resulted in total revenue of RM28.7 million against RM19.9 million in the same period last year. The increase was mainly due to the higher number of admissions of COVID-19 patients. In addition, the aged care and retirement village in Australia, Jeta Garden, recorded a higher occupancy rate at 92% during the reported period as compared to 77% in the same period last year, which resulted in an increase of total revenue to RM40.8 million as compared to RM35.7 million in the corresponding period last year.

This segment reported a positive EBITDA of RM1.6 million and LBT of RM37.8 million against EBITDA of RM0.4 million and LBT of RM37.4 million in the same corresponding quarter last year.

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

Group

The Group maintained its stable performance with net asset as at 30 September 2021 of RM2,201.8 million, 5% higher against RM2,101.8 million as at 30 September 2020.

This was achieved with the higher total assets worth of RM6,222.4 million as at 30 September 2021 in comparison to RM5,973.4 million as at 30 September 2020. The RM249.0 million increase mainly contributed by the non-current assets balances especially 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 of the development of a new hospital building for KPJ Kuching. The high non-current assets further evidence with the increase in right-of-use ("ROU") assets balance from the renewal of lease agreement between KPJ's hospitals and Al-Aqar Healthcare REIT.

Nevertheless, the favourable non-current assets balances were 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 and dividend payment to non-controlling interest at RM49.0 million. As at 30 September 2021 the Group's deposits, cash and bank balances were recorded at RM317.0 million.

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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 (continued)

Group

The Group's total liabilities as at 30 September 2021 was closed at RM4,020.6 million, 4% higher as compared to RM3,871.5 million as at 30 September 2020. The increase was due to drawdown of additional borrowing facilities and the increase impact in lease liabilities balances from the lease agreement renewal starting July 2021.

As at 30 September 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 RM222.9 million (net of IMTN which will be due in April 2022) as at balance sheet date of 30 September 2021, the Group has a total of unutilised borrowing facilities totalling to RM300.0 million which can be utilised immediately.

Malaysia

Malaysia segment's total assets as at 30 September 2021 closed at RM5,975.6 million, 6% higher in comparison to RM5,649.3 million as at 30 September 2020. The increase in total assets was consistent with the reasons provided above for KPJ Group.

Meanwhile, total liabilities as at 30 September 2021 was at RM3,918.3 million, grew by 6% as compared to RM3,702.8 as at 30 September 2020. Other than additional drawdown in borrowing balances, the increase in trade and other payable was from the improved hospital activities within the reported period also contributed to the higher total liabilities.

Others

Others segment total assets and total liabilities as at 30 September 2021 registered at RM531.2 million and RM386.7 million respectively in comparison to RM559.7 million and RM404.3 million respectively as reported in the same period in 2020. The impairment of land at Jeta Gardens and the reduction in lease liabilities balances resulted in a decrease of 5% and 4%, respectively.

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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**

The net cash generated from operating activities for the nine-month ended 30 September 2021 was RM261.6 million, representing a 14% increase from RM229.9 million for the same corresponding period in 2020.

The cash outflow from investing activities was mainly for payment to contractors for the new hospital building development projects of KPJ Penang and KPJ Puteri. Meanwhile, the cash inflows were from a liquidation of fixed deposits placed with licensed bank amounted to RM145.9 million and dividend received mainly from investment in an associate, Al-'Aqar Healthcare REIT, amounted to RM14.7 million.

The cash inflows from financing activities mainly generated from the issuance of shares at RM17.6 million and the draw-down of borrowings amounting to RM194.5 million. In contrarily, the cash outflows were for repayment of IMTN, payment of lease liabilities and payment of dividend to non-controlling interest amounting to RM319.6 million, RM91.6 million and RM49.0 million, respectively.

The above cash flows has resulted to net changes of cash and cash equivalents at RM3.3 million and brings to a closing balance of RM214.5 million as at 30 September 2021, a decrease of RM74.2 million from a closing balance of RM288.8 million as reported in the same period in 2020. The moratorium enjoyed by the Group in preceding period resulted to fewer repayment of borrowings made.

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**B2 MATERIAL CHANGES IN QUARTERLY RESULTS**

	Quarter ended <u>30.09.2021</u>	Quarter ended <u>30.06.2021</u>	Var
	RM'000	RM'000	%
Revenue	698,958	632,829	10
Operating profit	81,967	45,094	82
EBITDA	147,932	116,860	27
Profit before tax	43,425	14,186	>100
Net profit for the financial period	17,928	8,753	>100
Total comprehensive income for the financial period	17,928	8,753	>100
Profit attributable to Owners of the Company	12,639	6,958	82
No. of inpatient (episode)	55,220	56,438	(2)
No. of outpatient (episode)	727,512	702,191	4

The Group recorded a 10% increase in its total revenue for the current quarter at RM699.0 million by RM64.6 million in the preceding quarter. Patient volumes increased to 782,732 patients against 758,629 patients reported in Q2, 2021. Despite the lower inpatient number recorded in the current quarter, the Group achieved a higher bed occupancy rate at 43% compared to 41% in the previous quarter, along with 7% higher in inpatient days from 131,273 days in Q2, 2021 to 140,321 days in Q3, 2021.

The Group recorded 21,644 surgeries and 4,586 deliveries during this quarter against 20,471 surgeries and 3,504 deliveries, respectively reported in the previous quarter. With the easing of restrictions in each state based on phases of the NRP, activities began to pick up at KPJ hospitals. During the period under review, KPJ hospitals continued to admit COVID-19 patients, providing vaccination services at 25 PPVs registered with Protect Health Corporation and decanting non-COVID-19 patients from public hospitals.

The more robust revenue performance for the quarter ended 30 September 2021 resulted in higher EBITDA and PBT, respectively. This represents an increase of EBITDA of 27% from RM116.9 million and a PBT increase of more than 100% from RM14.2 million in the previous quarter. In addition, the Group received rental rebates from Al-'Aqar Healthcare REIT, which contributed to the better performance in the current period. The high fixed costs in running a new hospital continued to be main challenges in achieving group operational efficiency during this period, hence disciplined and consistent cost optimisation continued to be our main focus.

**B3 CURRENT YEAR PROSPECTS**

For the nine months up to 30 September 2021, KPJ Group recorded growth of 9% in its revenue to RM1,937.7 million on a year-on-year basis. However, against a challenging backdrop for the healthcare sector, PBT decreased by 40%, compared to the same period in the preceding year.

KPJ Group will continue to operate in a challenging environment for the final quarter of 2021. The imposition of a series of lockdowns in the reported period due to the resurgence in the number of COVID-19 cases has significantly impacted the Group's operations.

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**B3 CURRENT YEAR PROSPECTS (CONTINUED)**

In the short term, slow recovery is expected in terms of hospital activities due to patient aversion to visiting hospitals; however, with business activities resuming and the easing of restrictions in each state based on the National Recovery Plan, activities in the hospitals are expected to start recovering gradually towards the end of the year into early 2022.

The Group remains cautiously optimistic but will remain vigilant and focused on delivering its services while enhancing its cash position to ensure it remains resilient during these unprecedented times.

As the healthcare ecosystem is being challenged to pivot, adapt and innovate quickly, our focus will be on more significant adoption of digital technology in our operations. The widespread use of telemedicine and virtual healthcare models during the pandemic has widened patients' access to healthcare. This will continue to be a trend in the future that the Group will continue to be focused on, but importantly, this has also allowed the Group to push forward its digital transformation plan. The Group will be looking at using more digital tools with analytic capabilities to enhance services offered to the patients.

The Group will continuously put more efforts on cost optimization through the review of cost structures and deployment of resources. More savings are expected in future from central procurement initiatives on the procurement of services as well as pharmaceutical goods and equipment that would improve the Group's bottom line.

The Group will continue deepening its public and private collaboration efforts. This includes several initiatives to actively engage with the Ministry of Health in decanting patients to KPJ Hospitals on a longer-term concessionary agreement to help manage the pressures in the public sector healthcare system while maximising utilisation of assets in the Group.

**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 9 months ended	
	<u>30.09.2021</u>	<u>30.09.2020</u>	<u>30.09.2021</u>	<u>30.09.2020</u>
	RM'000	RM'000	RM'000	RM'000
Income tax expense	25,497	20,556	35,848	43,144

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 current quarter and period ended 30 September 2021 were significantly above the statutory rate mainly due to certain expenses were not deductible for tax purposes and the impact of business losses arising from the new hospitals that are currently under gestation period.