Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORTS

31 DECEMBER 2018

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORTS
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Directors of KPJ Healthcare Berhad are pleased to announce the financial results for the Group for the fourth quarter and financial year ended 31 December 2018.

The interim report is prepared in accordance with MFRS134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Listing Requirements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this report.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Individual Quarter 3 months ended			Cumulative Quarter 12 months ended		
		31.12.2018	31.12.2017	Var	31.12.2018	31.12.2017	Var
		RM'000	RM'000	%	RM'000 Audited	RM'000 Audited	%
Continuing operations							
Revenue		863,345	833,728	4	3,308,117	3,179,998	4
Cost of sales		(593,510)	(566,115)	5	(2,289,346)	(2,214,653)	3
Gross profit		269,835	267,613	1	1,018,771	965,345	6
Administrative expenses		(199,066)	(198,769)	0	(742,239)	(731,517)	1
Other income		15,022	10,813	39	29,371	26,271	12
Operating profit		85,791	79,657	8	305,903	260,099	18
Finance income		2,330	3,851	(39)	8,570	13,637	(37)
Finance costs		(25,041)	(22,496)	11	(89,632)	(79,950)	12
Finance costs - net		(22,711)	(18,645)	22	(81,062)	(66,313)	22
Share of results of associates, net of tax		18,188	16,091	13	41,670	39,540	5
Profit before zakat and tax	B2	81,268	77,103	5	266,511	233,326	14
Zakat		(217)	(973)	(78)	(3,930)	(3,910)	1
Tax	B5	(22,873)	(13,125)	74	(72,651)	(56,120)	29
Profit for the financial year from continuing operations		58,178	63,005	(8)	189,930	173,296	10

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Individual Quarter			Cumulative Quarter		
	3 months ended			12 months ended		
	31.12.2018	31.12.2017	Var	31.12.2018	31.12.2017	Var
	RM'000	RM'000	%	RM'000 Audited	RM'000 Audited	%
Discontinued operation						
Loss for the financial year from discontinued operation	(3,142)	(692)	354	(3,745)	(6,386)	(41)
Net profit for the financial year	55,036	62,313	(12)	186,185	166,910	12
Other comprehensive income	36,597	6,277	483	36,597	7,173	410
Total comprehensive income for the financial year	91,633	68,590	34	222,782	174,083	28
Net profit for the financial year attributable to:						
Owners of the Company from						
- continuing operations	55,115	61,317	(10)	181,579	165,554	10
- discontinued operation	(1,791)	(394)	355	(2,135)	(3,640)	(41)
Non-controlling interests from						
- continuing operations	3,063	1,688	81	8,351	7,742	8
- discontinued operation	(1,351)	(298)	353	(1,610)	(2,746)	(41)
	55,036	62,313	(12)	186,185	166,910	12
Total comprehensive income for the financial year attributable to:						
Owners of the Company from						
- continuing operations	91,712	67,594	36	218,176	172,727	26
- discontinued operation	(1,791)	(394)	355	(2,135)	(3,640)	(41)
Non-controlling interests from						
- continuing operations	3,063	1,688	81	8,351	7,742	8
- discontinued operation	(1,351)	(298)	353	(1,610)	(2,746)	(41)
	91,633	68,590	34	222,782	174,083	28

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Individual Quarter 3 months ended			Cumulative Quarter 12 months ended		
	31.12.2018 RM'000	31.12.2017 RM'000	Var %	31.12.2018 RM'000 Audited	31.12.2017 RM'000 Audited	Var %
Dividend per share (sen)	0.50	0.40	25	2.00	1.78	12
Earnings/(loss) per share attributable to Owners of the Company:						
Basic (sen) from						
- continuing operations	1.28	1.40		4.17	3.78	
- discontinued operation	(0.04)	(0.01)		(0.05)	(0.08)	
Diluted (sen) from						
- continuing operations	1.21	1.23		3.76	3.32	
- discontinued operation	(0.03)	(0.01)		(0.04)	(0.07)	

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AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM'000	31.12.2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A9	2,430,363	2,206,013
Investment properties		311,460	274,205
Intangible assets		236,470	239,437
Investment in associates		422,461	405,984
Available-for-sale financial assets		-	4,678
Equity instruments classified as FVOCI*		4,678	-
Deferred tax assets		68,463	24,682
		3,473,895	3,154,999
Current assets			
Inventories		50,170	51,084
Trade and other receivables		515,743	624,896
Tax recoverable		30,815	28,560
Deposits, bank and cash balances		540,204	200,542
Dividend receivable		5,514	-
		1,142,446	905,082
Assets held for sale		176,528	173,827
		1,318,974	1,078,909
Total assets		4,792,869	4,233,908
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables		517,077	452,847
Contract liabilities		70,274	-
Deferred revenue		-	68,464
Current tax liabilities		14,233	6,896
Borrowings	B7	264,264	350,369
Dividends payable		21,537	-
		887,385	878,576
Liabilities associated with assets held for sale		179,995	190,564
		1,067,380	1,069,140
Net current assets		251,594	9,769

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AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (CONTINUED)

	Note	31.12.2018 RM'000	31.12.2017 RM'000
Non-current liabilities			
Trade and other payables		21,436	30,299
Borrowings	B7	1,481,690	1,242,340
Deferred tax liabilities		68,657	60,206
Provision for retirement benefits		2,678	2,616
Deposits		14,325	14,096
		1,588,786	1,349,557
Total liabilities		2,656,166	2,418,697
Net assets		2,136,703	1,815,211
Equity attributable to Owners of the Company			
Share capital	A6	860,295	736,069
Less: Treasury shares		(111,319)	(55,411)
Reserves		1,234,924	1,046,137
		1,983,900	1,726,795
Non-controlling interests		152,803	88,416
Total equity		2,136,703	1,815,211
Total equity and liabilities		4,792,869	4,233,908
Net assets per share attributable to Owners of the Company (RM)		0.45	0.40

* "FVOCI" refers to fair value through other comprehensive income

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AUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Non-distributable								Distributable			
	Number of shares	Share capital	Treasury shares	Warrant reserve	Esos reserve	Merger reserve	Exchange reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	4,281,413	736,069	(55,411)	31,631	61,189	(3,367)	(5,134)	98,070	863,748	1,726,795	88,416	1,815,211
Sales of interests in a subsidiary to non-controlling interest	-	-	-	-	-	-	-	-	53,800	53,800	66,120	119,920
Comprehensive income:												
Net profit for the financial year	-	-	-	-	-	-	-	-	179,444	179,444	6,741	186,185
Other comprehensive income:												
Currency translation of foreign subsidiaries	-	-	-	-	-	-	8,674	-	-	8,674	-	8,674
Revaluation surplus	-	-	-	-	-	-	-	27,923	-	27,923	-	27,923
Total other comprehensive income	-	-	-	-	-	-	8,674	27,923	-	36,597	-	36,597
Transactions with Owners:												
Issue of shares capital:												
- Warrants	78,603	86,659	-	(7,270)	-	-	-	-	-	79,389	-	79,389
- ESOS	39,132	37,567	-	-	(1,957)	-	-	-	-	35,610	-	35,610
- Share buy-back	-	-	(55,908)	-	-	-	-	-	-	(55,908)	-	(55,908)
	117,735	124,226	(55,908)	(7,270)	(1,957)	-	-	-	-	59,091	-	59,091
ESOS expenses during the financial year	-	-	-	-	12,854	-	-	-	-	12,854	-	12,854
Lapsed ESOS	-	-	-	-	(526)	-	-	-	526	-	-	-
Dividends on ordinary shares	-	-	-	-	-	-	-	-	(84,681)	(84,681)	-	(84,681)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(8,474)	(8,474)
Total transactions with Owners	117,735	124,226	(55,908)	(7,270)	10,371	-	-	-	(84,155)	(12,736)	(8,474)	(21,210)
At 31 December 2018	4,399,148	860,295	(111,319)	24,361	71,560	(3,367)	3,540	125,993	1,012,837	1,983,900	152,803	2,136,703

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AUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

									Non-distributable	Distributable			
	Number of shares	Share capital	Share premium	Treasury shares	Warrant reserve	Esos reserve	Merger reserve	Exchange reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	1,063,569	531,784	178,141	(54,777)	31,692	50,111	(3,367)	(2,099)	87,862	775,741	1,595,088	89,641	1,684,729
Comprehensive income:													
Net profit for the financial year	-	-	-	-	-	-	-	-	-	161,914	161,914	4,996	166,910
Other comprehensive income:													
Currency translation of foreign subsidiaries	-	-	-	-	-	-	-	(3,035)	-	-	(3,035)	-	(3,035)
Revaluation surplus	-	-	-	-	-	-	-	-	10,208	-	10,208	-	10,208
Total other comprehensive income	-	-	-	-	-	-	-	(3,035)	10,208	-	7,173	-	7,173
Transactions with Owners:													
Issue of shares capital:													
- Warrants	167	730	1	-	(61)	-	-	-	-	-	670	-	670
- ESOS	7,207	24,075	1,338	-	-	(1,324)	-	-	-	-	24,089	-	24,089
- Share buy-back	-	-	-	(634)	-	-	-	-	-	-	(634)	-	(634)
	7,374	24,805	1,339	(634)	(61)	(1,324)	-	-	-	-	24,125	-	24,125
Subdivision of shares	3,210,470	-	-	-	-	-	-	-	-	-	-	-	-
ESOS expenses during the financial year	-	-	-	-	-	13,171	-	-	-	-	13,171	-	13,171
Lapsed ESOS	-	-	-	-	-	(769)	-	-	-	769	-	-	-
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(74,676)	(74,676)	-	(74,676)
Dividends paid to non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(6,221)	(6,221)
Total transactions with Owners	3,217,844	24,805	1,339	(634)	(61)	11,078	-	-	-	(73,907)	(37,380)	(6,221)	(43,601)
Transfer pursuant to S618 of CA 2016	-	179,480	(179,480)	-	-	-	-	-	-	-	-	-	-
At 31 December 2017	4,281,413	736,069	-	(55,411)	31,631	61,189	(3,367)	(5,134)	98,070	863,748	1,726,795	88,416	1,815,211

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AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	31.12.2018 RM'000	31.12.2017 RM'000
OPERATING ACTIVITIES		
Profit/(loss) before zakat and tax		
- continuing operations	266,511	233,326
- discontinued operation	(4,524)	(8,050)
Profit before zakat and tax	261,987	225,276
Adjustments for:		
Share of results of associates	(41,670)	(39,540)
Finance income	(10,066)	(13,948)
Finance costs	91,148	82,260
Trade receivables:		
- Impairment	10,076	15,484
- Reversal of impairment loss	(8,773)	(1,682)
Share based payments	12,854	13,171
Gain on fair value on investment properties	(10,931)	(2,313)
Gain on disposal of shares in associates (net)	-	(1,524)
Loss on disposal of shares in subsidiaries	369	-
Property, plant and equipment		
- Depreciation	151,689	127,875
- Written-off	902	12
- (Gain)/loss on disposal	(127)	614
Inventories written-off	396	213
Amortisation of software development expenditure	3,798	3,090
Intangible assets written-off	750	-
Provision for retirement benefits	310	270
Operating profit before working capital changes	462,712	409,258
Changes in working capital:		
Inventories	518	(4,178)
Receivables	89,701	(61,017)
Payables	5,923	96,992
Contract liabilities	70,274	-
Deferred revenue	-	(8,340)
Cash flows generated from operations	629,128	432,715
Zakat paid	(3,930)	(3,910)
Income tax refund	2,555	2,187
Income tax paid	(109,278)	(68,477)
Retirement benefits paid	(248)	(202)
Net cash generated from operating activities	518,227	362,313

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AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	31.12.2018 RM'000	31.12.2017 RM'000
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(380,307)	(450,796)
Additions to intangible assets	(7,322)	(9,288)
Additional investments in associates	(9,000)	-
Purchase of available-for-sale financial assets	-	(2,532)
Proceeds from disposal of property, plant and equipment	287	2,061
Proceeds from disposal of carparks to an associates	13,000	-
Proceeds from disposal of interest in subsidiary	10	-
Proceeds from disposal of shares in associates	-	8,739
Interest received	10,066	13,948
Increase in deposits with licensed banks with maturity of more than 3 months	(109,956)	(4,941)
Dividends received from associates	29,295	23,390
Net cash used in investing activities	(453,927)	(419,419)
FINANCING ACTIVITIES		
Additional investments in subsidiaries	(610)	-
Proceeds from dilution of interest in subsidiary	119,920	-
Grant income received	-	2,731
Dividend paid to non-controlling interests	(8,474)	(6,221)
Issue of shares:		
- Warrants	79,389	670
- ESOS	35,610	24,089
- Share buy-back	(55,908)	(634)
Borrowings:		
- Drawdown	347,576	118,837
- Repayments	(219,229)	(68,462)
Interest paid	(91,148)	(82,260)
Dividends paid to shareholders	(63,144)	(90,396)
Designated account	(3,182)	3,001
Net cash generated from/(used in) financing activities	140,800	(98,645)
Net changes in cash and cash equivalents	205,100	(155,751)
Currency translation differences	14,267	5,473
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	184,847	335,125
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	404,214	184,847

KPJ HEALTHCARE BERHAD
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A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018

A1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with Listing Requirements of the Bursa Malaysia Securities Berhad, Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2018.

Standards, amendments to published standards and interpretations that are effective

The Group has applied the following amendments for the financial year beginning on 1 January 2018:

- MFRS 9 'Financial Instruments'.
- MFRS 15 'Revenue from Contracts with Customer'.
- Amendments to MFRS 2 'Classification and Measurement of Share-based Payment Transactions'.
- Amendments to MFRS 140 'Clarification on 'Change in Use' – Assets transferred to, or from, Investment Properties'.
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'.
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 'Investments in Associates and Joint Ventures'

The impact on the adoption of the MFRS 9 and MFRS 15 is disclosed in Note A5. Other than that, the adoption of these amendments did not have any material impact on the current financial year or prior year and is not likely to affect future years.

Standards that have been issued but not yet effective

The Group did not early adopt these new standards.

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.
- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019).
- Amendments to MFRS 128 'Long Term Interests in Associates and Joint Ventures' (effective 1 January 2019).
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation' (effective 1 January 2019).
- Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) (Annual Improvements to MFRSs 2015–2017 Cycle).
- Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) (Annual Improvements to MFRSs 2015–2017 Cycle).
- Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) (Annual Improvements to MFRSs 2015–2017 Cycle).
- Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) (Annual Improvements to MFRSs 2015–2017 Cycle).

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A1 BASIS OF PREPARATION (CONTINUED)

Standards that have been issued but not yet effective (continued)

The Group did not early adopt these new standards (continued).

- Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement' (effective 1 January 2019).
- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020)

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the full retrospective application approach and will restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RM2,927,692,000, which are mainly in respect of the Group's leases of hospital lands and buildings from Al-'Aqar Healthcare REIT.

The application of MFRS 16 is expected to have the following effects:

- The Group expects a significant increase in total assets and total liabilities due to the recognition of right-of-use assets and lease liabilities

- Due to the straight line method of depreciating right-of-use assets, the capitalised right-of-use assets will be lower than the lease liabilities resulting in a lower net assets at the date of initial application

- Going forward, depreciation charges and interest expense will be reported in the profit or loss instead of rental expense of land and building. This will give rise to a significant improvement of Group's EBITDA.

The overall effects of MFRS 16 is currently being assessed as part of a Group-wide project for implementing MFRS 16 and a reliable estimate of the quantitative effects is not yet available.

The effect of the above amendment is currently being assessed by the Directors.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A2 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the annual financial statements for the financial year ended 31 December 2018 was unqualified.

A3 SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations have not been significantly affected by any seasonal or cyclical trend.

A4 UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no material unusual items affecting assets, liabilities, equity, net income or cash flow during the financial year under review.

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES

There is no change in the estimates of amounts reported in prior financial years that has a material effect in the current financial year under review.

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

The Group has adopted MFRS 9 and MFRS 15 for the first time in the 2018 financial statements, which resulted in the changes in accounting policies as follows:

i. <u>MFRS 15 'Revenue from Contracts with Customers'</u>

The Group and the Company applied MFRS 15 for the first time in the 2018 financial statements with the date of initial application of 1 January 2018 by using the modified retrospective transition method.

Under the modified retrospective transition method, the Group and the Company apply the new policy retrospectively only to contracts that are not completed at the date of initial application. Accordingly, the 2017 comparative information was not restated. The cumulative effects of initially applying MFRS 15 does not have a significant effect to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118.

Had the Group continue to apply the previous accounting policies in accordance with MFRS 118, contract liabilities would be classified as deferred revenue.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

i. MFRS 15 'Revenue from Contracts with Customers' (continued)

The following tables illustrates the Group's revenue disaggregated by the Group's major services and provide reconciliations of the disaggregated revenue with the major market segments. The table also includes the timing of revenue recognition.

	Continuing operations				
	Hospital and healthcare charges		Others		Total
	Malaysia RM'000	Others RM'000	Malaysia RM'000	Others RM'000	RM'000
2018					
Segment revenue	3,608,688	58,964	338,594	49,169	4,055,415
Intersegment revenue	(449,843)	-	(291,656)	(5,799)	(747,298)
Revenue from external customers	3,158,845	58,964	46,938	43,370	3,308,117
Timing of revenue recognition					
Point in time	3,158,845	58,964	46,938	201	3,264,948
Over time	-	-	-	43,169	43,169
	3,158,845	58,964	46,938	43,370	3,308,117
2017					
Segment revenue	3,447,891	60,595	329,454	54,605	3,892,545
Intersegment revenue	(424,867)	-	(281,121)	(6,559)	(712,547)
Revenue from external customers	3,023,024	60,595	48,333	48,046	3,179,998
Timing of revenue recognition					
Point in time	3,023,024	60,595	48,333	124	3,132,076
Over time	-	-	-	47,922	47,922
	3,023,024	60,595	48,333	48,046	3,179,998

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

ii. MFRS 9 ‘Financial Instruments’

The Group has applied MFRS 9 retrospectively with the date of initial application of 1 January 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 does not have a significant effect to the opening balance of retained earnings as at 1 January 2018.

Classification and measurement of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group’s financial assets and financial liabilities:

	Measurement category		Carrying amount		
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) (RM’000)	Reclassi-fications (RM’000)	New (MFRS 9) (RM’000)
Group					
Non-current financial assets					
Investment in equity securities	AFS	-	4,678	(4,678)	-
Investment in equity securities	-	FVOCI	-	4,678	4,678
Current financial assets					
Trade and other receivables	Amortised cost	Amortised cost	604,920	-	604,920
Deposits, bank and cash balances	Amortised cost	Amortised cost	200,542	-	200,542
Current liabilities					
Trade and other payables	Amortised cost	Amortised cost	452,847	-	452,847
Borrowings	Amortised cost	Amortised cost	350,369	-	350,369
Non-current liabilities					
Trade and other payables	Amortised cost	Amortised cost	30,299	-	30,299
Borrowings	Amortised cost	Amortised cost	1,242,340	-	1,242,340

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

ii. MFRS 9 'Financial Instruments' (continued)

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables arising from hospital operations have been grouped based on shared credit risk characteristics such as type of receivables and the days past due.

(ii) Individual assessment

Trade receivables which are in default or credit-impaired are assessed individually.

A6 DEBT AND EQUITY SECURITIES

There has been no issuance of shares and repayments of debt and equity securities by the Company in the current financial year under review, except the followings:

EQUITY SECURITIES

i. Treasury shares

On 23 April 2018, at the Annual General Meeting, the shareholders of the Company renewed their approval for the Company to buy-back its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company.

During the financial year, the Company repurchased 52,150,500 ordinary shares of its issued share capital from the open market for RM55,907,363 at an average price of RM1.07 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares and accounted for in accordance with the requirement of Section 127 of the Companies Act 2016.

As at 31 December 2018, the Company held a total of 115,197,500 of its 4,399,148,119 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM111,318,576.

ii. Warrants (2014/2019)

On 29 January 2014, Warrants 2014/2019 were issued for free to the subscribers of the renounceable rights issue of 43,637,326 new ordinary shares of RM0.50 each in the Company's Rights Shares on the basis of one (1) Rights Share for every fifteen (15) existing shares held by the entitled shareholders of the Company, together with 87,274,652 free detachable new warrants ("Warrants 2014/2019") on the basis of two (2) Warrants 2014/2019 for every one (1) Rights Share subscribed at an issue price of RM4.01 per Rights Share ("Rights Issue").

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A6 DEBT AND EQUITY SECURITIES (CONTINUED)

There has been no issuance of shares and repayments of debt and equity securities by the Company in the current financial year under review, except the followings: (continued)

EQUITY SECURITIES (CONTINUED)

ii. Warrants (2014/2019) (continued)

Each new warrant (2014/2019) is entitled at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price of RM4.01. During the prior year, each warrant has been adjusted to RM1.01 each pursuant to the Share Split exercise on 26 September 2017.

On 27 September 2017, the Company announced that the subdivision of shares has been completed, resulting to 259,226,010 of additional warrants were issued.

Balance of warrants which have yet to be exercised at the end of the financial year is disclosed in Note B6.

The warrants expired on 23 January 2019 and a total of 244,147,766 units now lapsed and no longer valid to be exercised.

iii. Employees Share Option Scheme (ESOS)

An Employees Share Option Scheme ("ESOS") was implemented on 27 February 2015 for the benefit of senior executives and certain employees of the Company. The ESOS shall be in-force for a period of 5 years. The fair value of each share option on the grant date is RM0.25. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The exercise price of the share options granted under the ESOS is RM0.91 each. The options granted are divided into 5 equal tranches which vest on 14 April 2015, 27 February 2016, 27 February 2017, 27 February 2018 and 27 February 2019. The vesting condition is that the offeree must be an employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates. The options will expire on 27 February 2020.

The number of issued and paid up ordinary share capital as a result of the above mentioned exercise is as follows:

	31.12.2018 Number of shares ('000)	31.12.2018 RM'000
At start of the financial year	4,281,413	736,069
Issued during the financial year		
- exercise of warrant	78,603	86,659
- exercise of ESOS	39,132	37,567
At end of financial year	4,399,148	860,295

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A7 DIVIDENDS

In respect of the financial year ended 31 December 2018, the Directors declared:

i. First interim single tier dividend of 0.50 sen per share on 4,213,630,292 ordinary shares amounting to RM21,068,151. The dividend was declared on 26 February 2018 and was fully paid on 20 April 2018.

ii. Second interim single tier dividend of 0.50 sen per share on 4,214,465,132 ordinary shares amounting to RM 21,072,326. The dividend was declared on 30 May 2018 and was fully paid on 20 July 2018.

iii. Third interim single tier dividend of 0.50 sen per share on 4,200,750,613 ordinary shares amounting to RM 21,003,753. The dividend was declared on 16 August 2018 and was fully paid on 5 October 2018.

iv. Fourth interim single tier dividend of 0.50 sen per share on 4,307,294,237 ordinary shares amounting to RM 21,536,471. The dividend was declared on 29 November 2018 and was fully paid on 15 February 2019.

Total dividend declared for the financial year ended 31 December 2018 is RM84,680,701 (2017: RM74,676,143).

A8 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker (“CODM”), which is the Board of Directors (“BOD”). The BOD considers the business by geographical location. The reportable segments have been identified as follows:

Continuing operations

i. Malaysia - All healthcare activities including the private hospitals, pathology and laboratory services and distribution of pharmaceutical, medical and consumer healthcare products.

ii. Others – Operating segments involved in provision of hospital services in Indonesia, Thailand and Bangladesh, private university college of nursing and allied health and sale of hospital merchandise and other similar activities, none of which are individually significant to warrant separate disclosure per quantitative thresholds required by MFRS 8.

Discontinued operation

i. Australia - Providing retirement village and aged care facilities.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The BOD assesses the performance of the operating segments based on EBITDA and profit before zakat and tax.

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

Individual quarter 3 months ended

	Continuing operations			Discontinued operation	
	Malaysia	Others	Sub-total	Australia	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2018					
Revenue					
Revenue from external customers	835,853	27,492	863,345	13,202	876,547
Results					
EBITDA*	149,562	(1,260)	148,302	(4,651)	143,651
Profit/(loss) before zakat and tax	86,090	(4,822)	81,268	(3,921)	77,347
Total assets	4,328,015	303,850	4,631,865	161,004	4,792,869
Total liabilities	2,407,571	69,880	2,477,451	178,715	2,656,166
Additions to property, plant and equipment	189,647	181	189,828	706	190,534
31 December 2017					
Revenue					
Revenue from external customers	806,064	27,664	833,728	10,949	844,677
Results					
EBITDA*	134,274	(12,148)	122,126	(483)	121,643
Profit/(loss) before zakat and tax	90,170	(13,067)	77,103	(2,356)	74,747
Total assets	3,746,875	313,206	4,060,081	173,827	4,233,908
Total liabilities	2,147,442	80,691	2,228,133	190,564	2,418,697
Additions to property, plant and equipment	193,478	1,723	195,201	-	195,201

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

Individual quarter 3 months ended (continued)

The functional currency for Indonesia and Australia operation is as follows:

	Indonesia IDR'000	Indonesia RM'000	Australia AUD'000	Australia RM'000
31 December 2018				
Revenue				
Revenue from external customers	41,087,372	12,400	4,495	13,202
Results				
EBITDA*	(5,284,805)	(1,508)	(1,520)	(4,651)
Loss before zakat and tax	(13,782,028)	(4,063)	(1,291)	(3,921)
Total assets	514,740,351	146,701	55,157	161,004
Total liabilities	155,698,246	44,374	61,225	178,715
Additions to property, plant and equipment	2,587,577	808	242	706
31 December 2017				
Revenue				
Revenue from external customers	37,854,603	11,217	3,339	10,949
Results				
EBITDA*	(22,631,738)	(7,238)	(145)	(483)
Loss before zakat and tax	(28,423,009)	(8,965)	(725)	(2,356)
Total assets	434,006,014	129,898	54,892	173,827
Total liabilities	157,156,699	47,037	60,177	190,564
Additions to property, plant and equipment	805,298	208	-	-

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

Cumulative 12 months ended

	Continuing operations			Discontinued operation	
	Malaysia	Others	Sub-total	Australia	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2018					
Revenue					
Revenue from external customers	3,205,783	102,334	3,308,117	57,491	3,365,608
Results					
EBITDA*	503,355	(295)	503,060	(2,162)	500,898
Profit/(loss) before zakat and tax	278,202	(11,691)	266,511	(4,524)	261,987
Total assets	4,328,015	303,850	4,631,865	161,004	4,792,869
Total liabilities	2,407,571	69,880	2,477,451	178,715	2,656,166
Additions to property, plant and equipment	380,610	7,865	388,475	706	389,181
31 December 2017					
Revenue					
Revenue from external customers	3,071,357	108,641	3,179,998	54,816	3,234,814
Results					
EBITDA*	434,495	(6,500)	427,995	(3,441)	424,554
Profit/(loss) before zakat and tax	249,206	(15,880)	233,326	(8,050)	225,276
Total assets	3,746,875	313,206	4,060,081	173,827	4,233,908
Total liabilities	2,147,442	80,691	2,228,133	190,564	2,418,697
Additions to property, plant and equipment	461,099	5,524	466,623	18	466,641

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

Cumulative 12 months ended (continued)

The functional currency for Indonesia and Australia operation is as follows:

	Indonesia IDR'000	Indonesia RM'000	Australia AUD'000	Australia RM'000
31 December 2018				
Revenue				
Revenue from external customers	148,757,275	43,452	18,893	57,491
Results				
EBITDA*	4,361,520	1,274	(711)	(2,162)
(Loss)/profit before zakat and tax	(23,854,844)	(6,968)	(1,487)	(4,524)
Total assets	514,740,351	146,701	55,157	161,004
Total liabilities	155,698,246	44,374	61,225	178,715
Additions to property, plant and equipment	11,992,982	3,418	242	706
31 December 2017				
Revenue				
Revenue from external customers	155,152,575	48,811	17,115	54,816
Results				
EBITDA*	(2,622,378)	(825)	(1,074)	(3,441)
Profit/(loss) before zakat and tax	(24,504,132)	(7,709)	(2,513)	(8,050)
Total assets	434,006,014	129,898	54,892	173,827
Total liabilities	157,156,699	47,037	60,177	190,564
Additions to property, plant and equipment	1,881,056	563	6	18

* Earnings before interest, tax, depreciation and amortisation ("EBITDA")

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

The key exchange rate used, provided by the ultimate holding corporation, is as follows;

	31.12.2018	31.12.2017
1 Australian Dollar		
Closing	2.9190	3.1667
Average	3.0429	3.2028
1,000 Indonesian Rupiah		
Closing	0.2850	0.2993
Average	0.2921	0.3146

A9 VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The Group's land and building, except for those under constructions were fully revalued as at 31 December 2015. As at year end, the Group assess whether there is an indication that the carrying values of these assets have defer materially from its fair value. Where an indication exist, revaluations were carried out and the carrying value of these assets were updated to reflect its fair value based on independent valuation.

A10 MATERIAL EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

Except as stated in note B6, there were no material events subsequent to the financial year ended 31 December 2018 that has not been reflected in the interim financial reports.

A11 CHANGES IN THE COMPOSITION OF THE GROUP

There are no material changes in the composition of the Group during the current year.

A12 CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date as at 31 December 2018 except as stated in note B9.

A13 RELATED PARTY TRANSACTIONS

All related party transactions within the Group had been entered into in the normal course of business and were carried out on normal commercial terms.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

A14 CAPITAL COMMITMENTS

Capital expenditures not provided for in the interim financial report as at 31 December 2018 are as follows:

	RM'000
Approved by the Directors and contracted	259,246
Approved by the Directors but not contracted	163,438
	422,684

Analysed as follows:

Buildings	300,024
Medical equipments	103,529
Other property, plant and equipment	19,131
	422,684

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 compare with the corresponding quarter of the preceding year (3 months)

Group

The Group's revenue for the current quarter ended 31 December 2018 was RM863.3 million, an increase of 4% as compared to RM833.7 million in the corresponding quarter of the preceding year. The profit before zakat and tax for the 3 months ended 31 December 2018 was recorded at RM81.3 million, increased by 5% from RM77.1 million in 2017.

Segment : Continuing operations

Malaysia

The Malaysia segment continues to excel, reported revenue rose by 4% to RM835.9 million in current quarter from RM806.1 million reported in the same quarter of the preceding year. The improved performance was mainly contributed by the increase in number of patient visits, number of beds and surgeries particularly for KPJ Rawang, KPJ Pasir Gudang and KPJ Bandar Maharani. These hospitals have recorded profit during the year.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (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 compare with the corresponding quarter of the preceding year (3 months) (continued)

Segment : Continuing operations (continued)

Malaysia (continued)

A total of 14 new consultants from various disciplines joined the Group which contributed to an increase of 7% for its inpatient and outpatient treated at our hospitals. Extended promotions to the neighbouring countries and online promotions and marketing strategies were also factors to the increase in revenue.

Profit before zakat and tax has decreased to RM86.1 million during this quarter, 5% decreased from RM90.2 million in the same quarter in 2017, mainly due to the increase in depreciation and finance costs, following the Group's expansion plans and new capital expenditures ("capex") purchased during the year, including completed capex transferred from capital work-in-progress.

Others

Revenue from this segment was reported at RM27.5 million, a decreased of 1% from RM27.7 million in corresponding quarter of the prior year. The decrease was mainly contributed by lower number of patients, particularly for Rumah Sakit Medica Bumi Serpong Damai, due to stricter regulations imposed by the government over cases and treatment on patients under BPJS Kesehatan scheme, an Indonesian National Health Insurance System.

Negative EBITDA for Indonesian operation was reported at RM1.5 million, decreased by 79% as compared to negative EBITDA of RM7.2 million reported in the same quarter of the preceding year. This were mainly due to lower operational cost incurred during the year and depreciation of Malaysian Ringgit which resulted to decrease in foreign exchange loss.

Segment : Discontinued operation

Australia

Revenue from Australia segment was reported at RM13.2 million, increased by 21% as compared to revenue in the corresponding quarter of the preceding year which was reported at RM10.9 million, mainly contributed by the increase in activities. Negative EBITDA for this segment reported at RM4.7 million, more than 100% increased as compared to the negative EBITDA of RM0.5 million in the corresponding quarter of the preceding year, mainly contributed by higher repair and maintenance costs during the year.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (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 year compared to prior financial year (12 months)

Group

The Group's revenue for the current year ended 31 December 2018 was RM3,308.1 million, an increase of 4% as compared to RM3,180.0 million in the corresponding period of the preceding year. The profit before zakat and tax for the year ended 31 December 2018 was recorded at RM266.5 million, increased by 14% from RM233.3 million in 2017.

Segment : Continuing operations

Malaysia

The Malaysia segment revenue in 2018 grew from RM3,071.4 million to RM3,205.8 million, an increase of 4% compared to the preceding year. Higher revenue was mainly contributed by the increase in number of patient visits, number of beds and surgeries particularly for KPJ Rawang, KPJ Pasir Gudang and KPJ Bandar Maharani. These hospitals have also recorded high profit during the year.

A total of 14 new consultants from various disciplines joined the Group which contributed to an increase of 3% for its inpatient and outpatient treated at our hospitals. Extended promotions to the neighbouring countries and online promotions and marketing strategies are also factors to the increase in revenue. Besides, increased activities within the support companies also contributed to the revenue growth.

Profit before zakat and tax has increased to RM278.2 million during this period, an increase of 12% from RM249.2 million in the same period in 2017, contributed by the cost optimisation initiatives by the hospitals.

Others

Revenue from this segment was reported at RM102.3 million, 6% decreased from RM108.6 million in corresponding period of the prior year. The decrease was mainly contributed by lower number of patients, particularly for Rumah Sakit Medica Bumi Serpong Damai, due to stricter regulations imposed by the government over cases and treatment on patients under BPJS Kesehatan scheme, an Indonesian National Health Insurance System.

EBITDA for Indonesian operation was reported at RM1.3 million, increased by more than 100% as compared to negative EBITDA of RM0.8 million reported in the preceding year. This is mainly due to lower operational cost incurred during the year and depreciation of Malaysian Ringgit which resulted to decrease in foreign exchange loss.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (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 year compared to prior financial year (12 months)

Segment : Discontinued operation

Australia

Revenue from Australia segment was reported at RM57.5 million, increased by 5% as compared to revenue in the corresponding period of the preceding year which was reported at RM54.8 million. This segment reported an increase of 35% in EBITDA in current year, which currently stands at negative EBITDA of RM2.2 million, as compared to negative EBITDA of RM3.4 million in the corresponding quarter of the preceding year. Stronger EBITDA was backed by better utilisation of resources, resulted from higher number of residents and occupancy rate reported by Jeta Gardens.

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

Group

The Group's total assets as at 31 December 2018 was RM4,792.9 million, an increase of 13% as compared to RM4,233.9 million as at 31 December 2017. The Group's total liabilities as at 31 December 2018 was RM2,656.2 million, increased by 10% as compared to RM2,418.7 million as at 31 December 2017. The increase is mainly contributed by the progress of new hospitals under development.

Segment : Continuing operations

Malaysia

Total assets from Malaysia segment was reported at RM4,328.0 million, an increase of 16% in comparison to RM3,746.9 million as at 31 December 2017. The increment was mainly attributable to the additional investments in property, plant and equipment for the soon-to-be opened hospitals such as KPJ BDC, KPJ Bandar Dato Onn and KPJ Miri which are currently under construction. In addition, KPJ Ampang Puteri which is in the midst of expansion of the hospital building has also contributed to the increase in total assets. Apart from the increase in property, plant and equipment, the increment was also contributed by the cash received from partial disposal of an interest in subsidiary, Lablink (M) Sdn Bhd to KL Kappa Sdn Bhd via new issuance of ordinary shares, which was completed during the second quarter this year.

Total liabilities from this segment was reported at RM2,407.6 million increased by 12% in comparison to RM2,147.4 million as at 31 December 2017. The increase in liabilities was due to construction costs incurred during the period for the ongoing projects of new and existing hospitals.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (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)

Segment : Continuing operations

Others

Total assets for this segment is mainly contributed by the Indonesian operations of RM146.7 million, increased by 13% in comparison to RM129.9 million as at 31 December 2017. Meanwhile, total liabilities from Indonesia operations was reported at RM44.4 million, decreased by 6% in comparison to RM47.0 million as at 31 December 2017. The decrease was mainly due to the repayment of the bank borrowings and payables towards end of the year.

Segment : Discontinued operation

Australia

The Australia segment reported total assets of RM161.0 million, a decrease of 7% as compared to RM173.8 million recorded as at 31 December 2017, as well as total liabilities which also reported a decrease by RM11.9 million or by 6% compared to RM190.6 million recorded as at 31 December 2017 due to the depreciation of Malaysian Ringgit against Australian Dollar at the end of the year.

d. Review on statements of cash flows for current financial year compared to prior financial year (12 months)

Group

The statement of cash flows is showing good cash inflow from operating activities in line with the increase in profit during the financial year. Furthermore, debtors' turnover days reported at 40 days during this period which is 15% better as compared to the same period in 2017 at 47 days.

Cash used in investing activities, mainly on the expenditure incurred for development of new hospitals, including KPJ Bandar Dato' Onn, KPJ BDC and KPJ Miri, as well as for existing hospitals including KPJ Ampang Puteri.

The increase in cash flows from financing activities was mainly due to the purchase consideration received from the partial disposal of an interest in subsidiary, Lablink (M) Sdn Bhd. Also included in the cash flows from financing activities were repurchased of 52.2 million ordinary shares from the open market amounting RM55.9 million and cash received from ESOS and warrants exercised of RM 35.6 million and RM79.4 million, respectively.

As a result of all the above, net cash and cash equivalent has increased by twofold as compared to the same period of the preceding year.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

B2 MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter ended 31.12.2018			Quarter ended 30.09.2018			
	Continuing	Discontinued	Total	Continuing	Discontinued	Total	Var
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Revenue	863,345	13,202	876,547	820,560	14,601	835,161	5
Operating profit	85,791	(5,069)	80,722	75,347	(300)	75,047	8
Profit / (loss) before zakat and tax	81,268	(3,921)	77,347	62,938	(666)	62,272	24
Net profit / (loss) for the financial year	58,178	(3,142)	55,036	41,753	(666)	41,087	34
Total comprehensive income for the financial year	94,775	(3,142)	91,633	41,753	(666)	41,087	123
EBITDA	148,302	(4,651)	143,651	119,332	343	119,675	20
Profit attributable to Owners of the Company	55,115	(1,791)	53,324	41,681	(380)	41,301	29
No. of inpatient (episode)	81,933	-	81,933	78,152	-	78,152	5
No. of outpatient (episode)	712,332	-	712,332	695,188	-	695,188	2

Revenue during the current quarter for continuing operations was recorded at RM863.3 million, 5% increased as compared to the revenue in preceding quarter of RM820.6 million, mainly contributed by the increased of patient numbers. In line with the increase in revenue, profit before zakat and tax for current quarter increased by 29%, which had been closed at RM81.3 million as compared to RM62.9 million in the preceding quarter. The hike was mainly contributed by RM11.5 million fair value gain on investment properties recorded at year end. EBITDA for this quarter stands at RM148.3 million, an increase of 24% as compared to the preceding quarter of RM119.3 million.

As for discontinued operation, the revenue shows a 10% decreased from RM14.6 million in preceding quarter to RM13.2 million in current quarter. In line with decrease in revenue, loss before zakat and tax has decreased to RM3.9 million as compared to loss before zakat and tax of RM0.7 million in the preceding quarter. EBITDA for discontinued operation have decreased from RM0.3 million in quarter 3, 2018 to negative EBITDA of RM4.7 million in current quarter.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

B3 CURRENT YEAR PROSPECTS

Group

For the year 2018, the Group achieved strong financial results with record high revenue since our inception. The growth in revenue and earnings before interest, tax, amortisation and depreciation (EBITDA) was underpinned by solid overall performance. Our focus on improvements in operational efficiencies coupled with strict cost discipline throughout the year resulted in a positive impact on costs and diluted the effects of cost escalation.

The Group's sterling performance and operations excellence will continue to accelerate in 2019, with the opening of more new hospitals and other healthcare facilities. The rising cost in healthcare industry will continue to be the Group's main challenge. With continuous monitoring over operational excellence and focus on revenue growth along with disciplined cost management, the Group is confident to lead improvements and further its vision of becoming the preferred healthcare provider.

B4 PROFIT FORECAST / GUARANTEE

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

B5 TAX

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Income tax expense	22,873	13,125	72,651	56,120

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 2018 is higher as compared to prior period, and slightly above the statutory tax rate due to certain expenses not deductible for tax purposes. As for the current quarter, the effective tax rate is higher due to revised tax payable for certain companies as a result of profit improvement within the Group.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

B6 STATUS OF CORPORATE PROPOSALS

(a) Warrants (2014/2019)

On 29 January 2014, Warrants 2014/2019 were issued for free to the subscribers of the renounceable rights issue of 43,637,326 new ordinary shares of RM0.50 each in the Company's Rights Shares on the basis of one (1) Rights Share for every fifteen (15) existing shares held by the entitled shareholders of the Company, together with 87,274,652 free detachable new warrants ("Warrants 2014/2019") on the basis of two (2) Warrants 2014/2019 for every one (1) Rights Share subscribed at an issue price of RM4.01 per Rights Share ("Rights Issue").

Each new warrant (2014/2019) is entitled at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price of RM4.01. During the prior year, each warrant has been adjusted to RM1.01 each pursuant to the Share Split exercise on 26 September 2017.

On 27 September 2017, the Company announced that the subdivision of shares has been completed, resulting to 259,226,010 of additional warrants were issued.

Set out below are details of the Warrants (2014/2019) issued by the Company during the financial year:

		Exercise	Number of Warrants 2014/2019		
Issuance date	Expiry date	price	1.1.2018	(Exercised)	31.12.2018
		RM/share	'000	'000	'000
29 January 2014	23 January 2019	1.01	345,635	(78,603)	267,032

The warrants expired on 23 January 2019 and a total of 244,147,766 units now lapsed and no longer valid to be exercised.

(b) Disposal of equity interest in Hospital Penawar

On 1 December 2016, a wholly-owned subsidiary of the Group, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB"), has entered into a Sale and Purchase Agreement with Dr Mohd Adnan bin Sulaiman and Azizan bin Sulaiman ("Purchasers") to dispose thirty percent (30%) equity shareholding of Hospital Penawar amounting to 720,000 ordinary shares to the Purchasers for a total cash consideration of RM2,209,860.

On 29 December 2016, the Purchasers have made payment of RM220,986 being 10% deposit of the total cash consideration.

Thereafter, the Purchasers have defaulted in payment of the balance purchase price within the extended time frame provided under the Sale and Purchase Agreement ("SPA") and a further two months extension granted by KPJSB. The said SPA is therefore deemed terminated with effect from 25 July 2017.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

B6 STATUS OF CORPORATE PROPOSALS (CONTINUED)

(b) Disposal of equity interest in Hospital Penawar (continued)

Notwithstanding the termination of the SPA, KPJSB is still desirous of completing the disposal of the 30% equity stake and has offered the Purchasers the option of settling the balance purchase price through staggered payments. The Purchasers have in principle agreed to this proposed option and have proposed for two lump sum payments to be paid as settlement. KPJSB has proceeded to prepare a Settlement Agreement along these terms and forwarded the Agreement to the Purchasers in October 2017 for concurrence and execution.

The Settlement Agreement has been executed and stamped on 26 December 2018. The Purchasers have made the first lump sum payment of RM720,000 on 31 December 2018 and the disposal is deemed completed on the same date. KPJSB retains the right under contract to recover the final payment if it is not paid by the Purchasers on or before 31 December 2019.

(c) Acquisition of an office premise in Kota Bharu by Perdana Specialist Hospital Sdn Bhd ("PSHSB")

On 11 June 2017, a subsidiary of the Group, PSHSB, has signed a Sale and Purchase Agreement (SPA) with KTC Convention and Apartment Sdn Bhd ("KTC") for a total cash consideration of RM6,800,000 for the proposed acquisition of an office premise in Kota Bharu, Kelantan (Level 1) ("Property").

The completion of the SPA is subject to the following conditions precedent ("CP") under the SPA which have all been fulfilled by Parties, as follows:-

a) the registration of transfer of the Property in favour of PSHSB ; and;
b) the registration of the charge created by PSHSB over the Property in favour of its financier, Bank Islam Malaysia Berhad ("BIMB"), as security for a financing facility granted by BIMB to PSHSB ("Financing") .

PSHSB has obtained the State Authority consent to transfer the Property.

PSHSB has utilised internally generated funds and external funding to pay KTC the balance of the purchase price in the sum of RM6,120,000 ("Balance Purchase Price") (which included payment of the redemption amount due to KTC's existing financier).

The proposed acquisition of the Property has completed on 11 December 2018, upon full settlement of the Balance Purchase Price by PSHSB.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

B6 STATUS OF CORPORATE PROPOSALS (CONTINUED)

(d) Planned disposal of aged care operation in Australia

During the financial year 2017, the Directors have approved the divestment of aged care operations in Australia, by disposing its shares in Jeta Gardens (Qld) Pty Ltd (“Jeta Gardens”) and its subsidiaries.

As of 31 December 2018, Jeta Gardens is in a net total liability position of RM17.7 million.

The investment in Jeta Gardens has been presented as an asset held for sale since 31 December 2017 in the Statements of Financial Position, while the comparative figures in the Statements of Comprehensive Income have been restated to reflect the ‘Discontinued Operation’ in accordance with the criteria set out in MFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

The disposal is expected to be completed in 2019.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

B7 BORROWINGS

Details of the Group's borrowings are as follows:

	Current		Non-current		Total borrowings	
	Foreign	RM	Foreign	RM	Foreign	RM
	'000	'000	'000	'000	'000	'000
As at 31 December 2018						
Secured:						
Term loans						
- Conventional						
RM	-	1,220	-	843	-	2,063
AUD	5,742	16,762	-	-	5,742	16,762
- Syariah						
RM	-	47,060	-	344,485	-	391,545
USD	2,198	9,124	5,483	22,759	7,681	31,883
Finance lease liabilities						
- Conventional						
RM	-	770	-	694	-	1,464
AUD	5	14	-	-	5	14
- Syariah						
RM	-	9,839	-	13,752	-	23,591
Unsecured:						
Revolving credits						
- Conventional						
AUD	1,854	5,413	-	-	1,854	5,413
- Syariah						
RM	-	187,000	-	-	-	187,000
Bank overdrafts						
- Syariah						
RM	-	9,251	-	-	-	9,251
Islamic Medium Term Notes	-	-	-	1,100,000	-	1,100,000
		286,453		1,482,533		1,768,986
Transfer to liabilities associated with assets held for sale						
AUD	(7,601)	(22,189)	-	-	(7,601)	(22,189)
RM	-	-	-	(843)	-	(843)
Total		264,264		1,481,690		1,745,954

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

B7 BORROWINGS (CONTINUED)

Details of the Group's borrowings are as follows (continued):

	Current		Non-current		Total borrowings	
	Foreign	RM	Foreign	RM	Foreign	RM
	'000	'000	'000	'000	'000	'000
As at 31 December 2017						
Secured:						
Term loans						
- Conventional						
RM	-	1,237	-	1,188	-	2,425
AUD	8,931	28,283	-	-	8,931	28,283
- Syariah						
RM	-	20,943	-	286,973	-	307,916
USD	471	1,910	8,921	36,193	9,392	38,103
Finance lease liabilities						
- Conventional						
RM	-	891	-	2,183	-	3,074
AUD	16	50	-	-	16	50
- Syariah						
RM	-	13,794	-	15,803	-	29,597
Unsecured:						
Revolving credits						
- Conventional						
AUD	1,854	5,871	-	-	1,854	5,871
- Syariah						
RM	-	309,500	-	-	-	309,500
Bank overdrafts						
- Syariah						
RM	-	2,094	-	-	-	2,094
Islamic Medium Term Notes	-	-	-	900,000	-	900,000
		384,573		1,242,340		1,626,913
Transfer to liabilities associated with assets held for sale						
AUD	(10,801)	(34,204)	-	-	(10,801)	(34,204)
Total		350,369		1,242,340		1,592,709

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

B7 BORROWINGS (CONTINUED)

Details of the Group's borrowings are as follows (continued):

The key exchange rate used is as follows;

	31.12.2018	31.12.2017
1 Australian Dollar	2.9190	3.1667
1 US Dollar	4.1510	4.0573

Material changes in borrowings

Increase in borrowings as at 31 December 2018 were mainly due to issuance of Islamic Medium Term Notes ("IMTN") for a nominal value of RM200 million. With this issuance, total nominal value of IMTN issued as at 31 December 2018 is RM1.1 billion. The proceed was used to pay for the development costs of the ongoing projects of new hospitals. There is no such material changes in borrowings during the same quarter last year.

Weighted average interest rate of borrowings are as follows:

- Term loan: 5.58% p.a. (2017: 5.30% p.a.)
- Hire purchase: 2.79% p.a. (2017: 3.74% p.a.)
- Islamic Medium Term Notes: 5.76% p.a. (2017: 5.83% p.a.)
- Overdraft: 6.52% p.a. (2017: 6.85% p.a.)
- Revolving credit: 4.54% p.a. (2017: 4.76% p.a.)

B8 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

As at the date of this report, there were no financial instruments with off balance sheet risk.

B9 MATERIAL LITIGATIONS

On 16 April 2015, SMC Healthcare Sdn Bhd (Plaintiff) ("SMCH"), a wholly-owned subsidiary of the Group, had filed a writ of summons at Kota Kinabalu High Court claiming the balance of the Deposit for purchase of land measuring 4.0 acres in the sum of RM4,160,000 from Chen Sheau Yang (Defendant).

On 6 July 2017, the High Court Judge delivered its decision in favour of the Plaintiff as follows:

1) The Claim of the Plaintiff for the sum of RM4,160,000 was allowed;
2) Interest on the Judgement sum at 5% calculated from 18 February 2015, the effective termination date of the transaction to the date of full payment.
3) The Counter Claim of the Defendant was dismissed.
4) Costs of RM50,000 to be paid by the Defendant.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

B9 MATERIAL LITIGATIONS (CONTINUED)

The Defendant had on 4 August 2017 filed an appeal against the decision of the High Court and on 18 July 2018, the Court of Appeal sitting on circuit in Kota Kinabalu allowed the appeal of the Defendant and reversed the decision of the High Court. The Court of Appeal awarded costs of RM60,000 to the Defendant for both the appeal and the High Court case. The decision by the Court of Appeal include the damages for the wrongful caveat entered on the land by SMCH which has yet to be determined.

SMCH has filed an application seeking leave to appeal at the Federal Court against the decision of the Court of Appeal and the said application is fixed for hearing on 17 January 2019.

On 17 January 2019, the Federal Court disallowed the leave application with cost of RM20,000. The decision of the Court of Appeal therefore stands where the binding contract has come into place and since SMCH withdrew from the said contract, the Defendant was entitled to forfeit the full deposit sum of RM5,200,000 as agreed liquidated damages.

B10 DIVIDENDS

In respect of the financial year ended 31 December 2018, the Directors declared:

i. First interim single tier dividend of 0.50 sen per share on 4,213,630,292 ordinary shares amounting to RM21,068,151. The dividend was declared on 26 February 2018 and was fully paid on 20 April 2018.

ii. Second interim single tier dividend of 0.50 sen per share on 4,214,465,132 ordinary shares amounting to RM 21,072,326. The dividend was declared on 30 May 2018 and was fully paid on 20 July 2018.

iii Third interim single tier dividend of 0.50 sen per share on 4,200,750,613 ordinary shares amounting to RM 21,003,753. The dividend was declared on 16 August 2018 and was fully paid on 5 October 2018.

iv. Fourth interim single tier dividend of 0.50 sen per share on 4,307,294,237 ordinary shares amounting to RM 21,536,471. The dividend was declared on 29 November 2018 and was fully paid on 15 February 2019.

Total dividend declared for the financial year ended 31 December 2018 is RM84,680,701 (2017: RM74,676,143).

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

B11 EARNINGS PER SHARE

Following the subdivision of shares as mentioned in note A6, the earnings per share has to be accounted for retrospectively. The comparative amount has then be restated and being showed accordingly.

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the Group's net profit attributable to ordinary equity holders by the average number of ordinary shares in issue during the financial year.

	As at 31.12.2018	As at 31.12.2017
Continuing operations		
Profit attributable to Owners of the Company (RM'000)	181,579	165,554
Weighted average number of ordinary shares in issue ('000)	4,355,011	4,378,914
Basic earnings per share (sen)	4.17	3.78
Discontinued operation		
Loss attributable to Owners of the Company (RM'000)	(2,135)	(3,640)
Weighted average number of ordinary shares in issue ('000)	4,355,011	4,378,914
Basic earnings per share (sen)	(0.05)	(0.08)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

B11 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

For the diluted earnings per share calculation, the average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares for the Group are the warrants and ESOS.

For the warrants issued and ESOS granted to employees issued, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding warrants and ESOS. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants and ESOS. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to profit for the financial year for the warrants and ESOS calculation.

	As at 31.12.2018	As at 31.12.2017
Continuing operations		
Profit attributable to Owners of the Company (RM'000)	181,579	165,554
Weighted average number of ordinary shares in issue ('000)	4,355,011	4,378,914
Assumed shares issued from the		
exercise of warrants ('000)	267,032	345,635
exercise of ESOS ('000)	212,955	260,007
Weighted average number of ordinary shares in issue ('000)	4,834,998	4,984,556
Diluted earnings per share (sen)	3.76	3.32
Discontinued operation		
Loss attributable to Owners of the Company (RM'000)	(2,135)	(3,640)
Weighted average number of ordinary shares in issue ('000)	4,355,011	4,378,914
Assumed shares issued from the		
exercise of warrants ('000)	267,032	345,635
exercise of ESOS ('000)	212,955	260,007
Weighted average number of ordinary shares in issue ('000)	4,834,998	4,984,556
Diluted earnings per share (sen)	(0.04)	(0.07)