Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORTS
FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019

The Directors of KPJ Healthcare Berhad are pleased to announce the financial results for the Group for the first quarter and financial period ended 31 March 2019.

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Note	Individual Quarter 3 months ended			Cumulative Quarter 3 months ended		
		31.03.2019	31.03.2018	Var	31.03.2019	31.03.2018	Var
		RM’000	RM’000	%	RM’000	RM’000	%
Continuing operations							
Revenue		868,129	822,883	5	868,129	822,883	5
Cost of sales		(598,059)	(572,110)	5	(598,059)	(572,110)	5
Gross profit		270,070	250,773	8	270,070	250,773	8
Administrative expenses		(179,689)	(184,973)	(3)	(179,689)	(184,973)	(3)
Other income		6,058	5,002	21	6,058	5,002	21
Operating profit		96,439	70,802	36	96,439	70,802	36
Finance income		1,726	1,020	69	1,726	1,020	69
Finance costs							
- Borrowings		(24,909)	(20,267)	23	(24,909)	(20,267)	23
- Lease liabilities		(15,750)	-	100	(15,750)	-	100
Finance costs - net		(38,933)	(19,247)	102	(38,933)	(19,247)	102
Share of results of associates, net of tax		8,897	9,331	(5)	8,897	9,331	(5)
Profit before zakat and tax	B2	66,403	60,886	9	66,403	60,886	9
Zakat		(319)	(1,075)	(70)	(319)	(1,075)	(70)
Tax	B5	(20,686)	(14,805)	40	(20,686)	(14,805)	40
Profit for the financial period from continuing operations		45,398	45,006	1	45,398	45,006	1

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD 31 MARCH 2019 (CONTINUED)

	Individual Quarter 3 months ended			Cumulative Quarter 3 months ended		
	31.03.2019	31.03.2018	Var	31.03.2019	31.03.2018	Var
	RM'000	RM'000	%	RM'000	RM'000	%
Discontinued operation						
(Loss)/profit for the financial period from discontinued operation	(2,074)	480	(532)	(2,074)	480	(532)
Net profit for the financial period	43,324	45,486	(5)	43,324	45,486	(5)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the financial period	43,324	45,486	(5)	43,324	45,486	(5)
Net profit for the financial period attributable to:						
Owners of the Company from						
- continuing operations	40,309	42,209	(5)	40,309	42,209	(5)
- discontinued operation	(1,183)	274	(532)	(1,183)	274	(532)
Non-controlling interests from						
- continuing operations	5,089	2,797	82	5,089	2,797	82
- discontinued operation	(891)	206	(533)	(891)	206	(533)
	43,324	45,486	(5)	43,324	45,486	(5)
Total comprehensive income for the financial period attributable to:						
Owners of the Company from						
- continuing operations	40,309	42,209	(5)	40,309	42,209	(5)
- discontinued operation	(1,183)	274	(532)	(1,183)	274	(532)
Non-controlling interests from						
- continuing operations	5,089	2,797	82	5,089	2,797	82
- discontinued operation	(891)	206	(533)	(891)	206	(533)
	43,324	45,486	(5)	43,324	45,486	(5)

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

	Individual Quarter			Cumulative Quarter		
	3 months ended			3 months ended		
	31.03.2019	31.03.2018	Var	31.03.2019	31.03.2018	Var
	RM'000	RM'000	%	RM'000	RM'000	%
Dividend per share (sen)	0.50	0.50	-	0.50	0.50	-
Earnings/(loss) per share attributable to Owners of the Company:						
Basic (sen) from						
- continuing operations	0.93	1.00		0.93	1.00	
- discontinued operation	(0.03)	0.01		(0.03)	0.01	
Diluted (sen) from						
- continuing operations	0.89	0.88		0.89	0.88	
- discontinued operation	(0.03)	0.01		(0.03)	0.01	

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	31.03.2019 RM'000	31.12.2018 RM'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	A9	3,225,223	2,430,363
Investment properties		311,460	311,460
Intangible assets		238,878	236,470
Investment in associates		426,539	422,461
Equity instruments classified as FVOCI*		4,678	4,678
Deferred tax assets		61,240	68,463
		4,268,018	3,473,895
Current assets			
Inventories		50,321	50,170
Trade and other receivables		558,598	515,743
Tax recoverable		31,828	30,815
Deposits, bank and cash balances		600,981	540,204
Dividend receivable		-	5,514
		1,241,728	1,142,446
Assets held for sale		153,533	176,528
		1,395,261	1,318,974
Total assets		5,663,279	4,792,869
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables		568,199	517,077
Contract liabilities		72,269	70,274
Current tax liabilities		9,872	14,233
Borrowings	B7(a)	253,649	264,264
Lease liabilities	B7(b)	31,954	-
Dividends payable		21,598	21,537
		957,541	887,385
Liabilities associated with assets held for sale		172,262	179,995
		1,129,803	1,067,380
Net current assets		265,458	251,594

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019 (CONTINUED)

	Note	31.03.2019 RM'000	31.12.2018 RM'000 Audited
Non-current liabilities			
Trade and other payables		15,873	21,436
Borrowings	B7(a)	1,487,843	1,481,690
Lease liabilities	B7(b)	1,035,101	-
Deferred tax liabilities		130,417	68,657
Provision for retirement benefits		2,758	2,678
Deposits		14,665	14,325
		2,686,657	1,588,786
Total liabilities		3,816,460	2,656,166
Net assets		1,846,819	2,136,703
Equity attributable to Owners of the Company			
Share capital	A6	899,567	860,295
Less: Treasury shares		(111,319)	(111,319)
Reserves		901,570	1,234,924
		1,689,818	1,983,900
Non-controlling interests		157,001	152,803
Total equity		1,846,819	2,136,703
Total equity and liabilities		5,663,279	4,792,869
Net assets per share attributable to Owners of the Company (RM)		0.38	0.45

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

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Note	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
		Non-distributable								Distributable			
		'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 2019													
As previously reported		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
Adjustment on adoption of MFRS 16		-	-	-	-	-	-	-	-	(348,000)	(348,000)	-	(348,000)
As restated		4,399,148	860,295	(111,319)	24,361	71,560	(3,367)	3,540	125,993	664,837	1,635,900	152,803	1,788,703
Comprehensive income:													
Net profit for the financial period		-	-	-	-	-	-	-	-	39,126	39,126	4,198	43,324
Other comprehensive income:													
Currency translation of foreign subsidiaries		-	-	-	-	-	-	642	-	-	642	-	642
Transfer between reserves		-	-	-	-	-	-	-	(5,264)	5,264	-	-	-
Total other comprehensive income		-	-	-	-	-	-	642	(5,264)	5,264	642	-	642
Transactions with Owners:													
Issue of shares capital:													
- Warrants		22,884	25,230	-	(2,117)	-	-	-	-	-	23,113	-	23,113
- ESOS		12,833	14,042	-	-	(2,364)	-	-	-	-	11,678	-	11,678
		35,717	39,272	-	(2,117)	(2,364)	-	-	-	-	34,791	-	34,791
ESOS expenses during the financial period		-	-	-	-	957	-	-	-	-	957	-	957
Lapsed ESOS		-	-	-	-	(3,166)	-	-	-	3,166	-	-	-
Lapsed warrant		-	-	-	(22,244)	-	-	-	-	22,244	-	-	-
Dividends on ordinary shares		-	-	-	-	-	-	-	-	(21,598)	(21,598)	-	(21,598)
Total transactions with Owners		35,717	39,272	-	(24,361)	(4,573)	-	-	-	3,812	14,150	-	14,150
At 31 March 2019		4,434,865	899,567	(111,319)	-	66,987	(3,367)	4,182	120,729	713,039	1,689,818	157,001	1,846,819

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

	Note	Non-distributable								Distributable			
		Number of shares '000	Share capital RM'000	Treasury shares RM'000	Warrant reserve RM'000	Esos reserve RM'000	Merger reserve RM'000	Exchange reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity 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 period		-	-	-	-	-	-	-	-	42,483	42,483	3,003	45,486
Other comprehensive income:													
Currency translation of foreign subsidiaries		-	-	-	-	-	-	434	-	-	434	-	434
Total other comprehensive income		-	-	-	-	-	-	434	-	-	434	-	434
Transactions with Owners:													
Issue of shares capital:													
- ESOS		422	405	-	-	(21)	-	-	-	-	384	-	384
- Share buy-back		-	-	(4,787)	-	-	-	-	-	-	(4,787)	-	(4,787)
		422	405	(4,787)	-	(21)	-	-	-	-	(4,403)	-	(4,403)
ESOS expenses during the financial period		-	-	-	-	3,128	-	-	-	-	3,128	-	3,128
Lapsed ESOS		-	-	-	-	(195)	-	-	-	195	-	-	-
Dividends on ordinary shares		-	-	-	-	-	-	-	-	(21,068)	(21,068)	-	(21,068)
Total transactions with Owners		422	405	(4,787)	-	2,912	-	-	-	(20,873)	(22,343)	-	(22,343)
At 31 March 2018		4,281,835	736,474	(60,198)	31,631	64,101	(3,367)	(4,700)	98,070	939,158	1,801,169	157,539	1,958,708

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	31.03.2019 RM'000	31.03.2018 RM'000
OPERATING ACTIVITIES		
Profit before zakat and tax		
- continuing operations	66,403	60,886
- discontinued operation	(2,074)	480
Profit before zakat and tax	64,329	61,366
Adjustments for:		
Share of results of associates	(8,897)	(9,331)
Finance income	(1,726)	(1,020)
Finance costs		
- Borrowings	24,909	20,267
- Lease liabilities	15,750	-
Dividends received from Al-Salam REIT	(20)	-
Trade receivables		
- Impairment	2,333	992
Share based payments	957	3,128
Gain on disposal of shares in subsidiaries	(48)	-
Property, plant and equipment		
- Depreciation	38,353	36,471
- Written-off	177	-
- Gain on disposal	(1)	(521)
Right-of-use assets		
- Depreciation	10,250	-
Inventories written-off	40	38
Amortisation of software development expenditure	931	611
Operating profit before working capital changes	147,337	112,001
Changes in working capital:		
Inventories	(191)	991
Receivables	(57,795)	(44,181)
Payables	71,871	53,026
Contract liabilities	1,995	11,427
Cash flows generated from operations	163,217	133,264
Zakat paid	(319)	(1,075)
Income tax paid (net of refund)	(24,077)	(19,579)
Net cash generated from operating activities	138,821	112,610

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

	31.03.2019 RM'000	31.03.2018 RM'000
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(51,922)	(73,748)
Additions to intangible assets	(3,339)	(142)
Proceeds from disposal of property, plant and equipment	2	676
Proceeds from disposal of carparks to an associates	-	13,000
Proceeds from disposal of interest in subsidiary	1,148	-
Interest received	1,726	1,020
Increase in deposits with licensed banks with maturity of more than 3 months	-	4,724
Dividends received from associates	11,250	10,559
Net cash used in investing activities	(41,135)	(43,911)
FINANCING ACTIVITIES		
Proceeds from dilution of interest in subsidiary	-	119,920
Principal elements of lease payments	(23,000)	-
Acquisition of non-controlling Interests	(20)	-
Issue of shares:		
- Warrants	23,113	-
- ESOS	11,678	384
- Share buy-back	-	(4,787)
Borrowings:		
- Drawdown	13,709	104,938
- Repayments	(16,103)	(71,816)
Interest paid	(24,909)	(20,267)
Dividends paid to shareholders	(21,537)	-
Net cash (used in)/generated from financing activities	(37,069)	128,372
Net changes in cash and cash equivalents	60,617	197,071
Currency translation differences	923	(9,265)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	404,214	184,847
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	465,754	372,653

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019

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") and International Financial Reporting Standards.

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, except for the adoption of new and amended standards as set out in Note A5.

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 2019:

- MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations.
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'.
- Amendments to MFRS 128 'Long Term Interests in Associates and Joint Ventures'.
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'.
- Amendments to MFRS 3 'Business Combinations' (Annual Improvements to MFRSs 2015–2017 Cycle).
- Amendments to MFRS 11 'Joint Arrangements' (Annual Improvements to MFRSs 2015–2017 Cycle).
- Amendments to MFRS 112 'Income Taxes' (Annual Improvements to MFRSs 2015–2017 Cycle).
- Amendments to MFRS 123 'Borrowing Costs' (Annual Improvements to MFRSs 2015–2017 Cycle).
- Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement'.

The impact on the adoption of the MFRS 16 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

- Amendments to MFRS 3 'Business Combinations' (effective 1 January 2020)
- Amendments to MFRS 101 'Presentation of Financial Statements' (effective 1 January 2020)
- Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective 1 January 2020)

The Group did not early adopt these new standards.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (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 16 for the first time effective quarter 1, 2019. The impact of the adoption of MFRS 16 are disclosed below:

MFRS 16 'Leases'

The Group has adopted MFRS 16 'Leases' from 1 January 2019 which resulted in changes in accounting policies and adjustments to the amount recognised in the financial statements. The new standard supersedes MFRS 117 'Leases' and the related interpretations. 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.

The new standard has therefore eliminate rental expenses in profit or loss and replaced by depreciation and finance costs. In statement of financial position, right-of-use assets and lease liabilities will be recognised as part of the Group's assets and liabilities respectively. In applying MFRS 16 on leased assets, the Group will measure the right-of-use assets using the cost model and will be part of the Group's property, plant and equipment.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

MFRS 16 'Leases' (continued)

(a) The Group's leasing activities and how these are accounted for

The majority of the Group's leasing activities are lease of buildings with Al-'Aqar Healthcare REIT. The rental contracts are typically made for a period of 15 years with an option to extend for another 15 years. The lease terms are negotiated with the lessor, such that similar terms are set for properties with similar characteristics. These terms are used to maximise operational efficiencies in terms of managing contracts. There are no covenants attached to these leases and the properties may not be used as security for borrowing purposes.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment that is within the control of the lessee.

Until 2018, these leases are recognised as non-cancellable operating leases of the Group. Payments made to the lessor were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group. Each lease payment is allocated between liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, and

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

MFRS 16 'Leases' (continued)

(a) The Group's leasing activities and how these are accounted for (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs, if any.

Payments associated with short-term leases and leases of low-value assets are recognised as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less, and low-value assets comprised of certain IT-equipment and small items of office furniture.

(b) Adjustments recognised on adoption of MFRS 16

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which was previously classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.85%.

In arriving at the remaining lease payments, management has considered and incorporated the extension option of an additional period of 15 years.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(c) Practical expedients applied

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessment on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying MFRS 117.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

MFRS 16 'Leases' (continued)

(d) Impact on adoption of MFRS 16

i. Statement of Financial Position

	2019 RM'000
Operating lease commitments disclosed as at 31 December 2018	2,927,692
Lease liabilities	
Operating lease commitments discounted using the lessee's incremental borrowing rate at the date of initial application	1,073,000
Lease liabilities* recognised as at 1 January 2019:	
- Current lease liabilities	31,379
- Non-current lease liabilities	1,041,621
	1,073,000

Right-of-use assets recognised as part of property, plant and equipment on 1 January 2019 amounted to RM792.0 million.

Apart from the changes above, the change in accounting policy also resulted in an increase in deferred tax liability by RM67.0 million. The net impact on retained earnings on 1 January 2019 was a decrease of RM348.0 million.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

MFRS 16 'Leases' (continued)

(d) Impact on adoption of MFRS 16 (continued)

ii. The reconciliation between EBITDA and profit before zakat and tax ("PBZT") for continuing operations for the period ended 31 March 2019 is shown below:

	RM'000
EBITDA with MFRS 16 impact	154,870
Impact on adoption of MFRS 16:	
- Lease rental	(23,000)
EBITDA without MFRS 16 impact	131,870
PBZT with MFRS 16 impact	66,403
Impact on adoption of MFRS 16:	
- Depreciation	10,250
- Finance costs	15,750
- Lease rental	(23,000)
	3,000
PBZT without MFRS 16 impact	69,403

The reclassifications and adjustments arising from new leasing rules are recognised in the opening statement of financial position on 1 January 2019. No additional statement of financial position as at beginning of the earliest comparative period will be presented.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

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 period under review, except the followings:

EQUITY SECURITIES

i. Treasury shares

On 18 April 2019, 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 last 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 March 2019, the Company held a total of 115,197,500 of its 4,434,865,486 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").

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.

The warrants expired on 23 January 2019 and a total of 244,147,766 units 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.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (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)

iii. Employees Share Option Scheme (ESOS) (continued)

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.

Movement of ESOS during the period:

	31.03.2019 Units '000	31.03.2018 Units '000
Outstanding as at 1 January	212,955	260,007
- Granted	1,089	1,792
- Exercised	(12,833)	(422)
- Lapsed	(1,696)	(3,888)
At end of financial period	199,515	257,489

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

	31.03.2019 Number of shares ('000)	31.03.2019 RM'000
At start of the financial year	4,399,148	860,295
Issued during the financial period		
- exercise of warrant	22,884	25,230
- exercise of ESOS	12,833	14,042
At end of financial period	4,434,865	899,567

A7 DIVIDENDS

In respect of the financial year ending 31 December 2019, the Directors declared:

i. First interim dividend of 0.50 sen per share on 4,319,667,986 ordinary shares amounting to RM21,598,340. The dividend was declared on 19 February 2019 and was fully paid on 19 April 2019.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

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 earnings before interest, tax, depreciation and amortisation ("EBITDA") and profit before zakat and tax ("PBZT").

Individual quarter 3 months ended / Cumulative 3 months ended

	Continuing operations			Discontinued operation	
	Malaysia	Others	Sub-total	Australia	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2019					
Revenue					
Revenue from external customers	839,310	28,819	868,129	12,859	880,988
Results					
EBITDA*	151,104	3,766	154,870	(1,440)	153,430
PBZT	69,637	(3,234)	66,403	(2,074)	64,329
Total assets	5,103,523	406,223	5,509,746	153,533	5,663,279
Total liabilities	3,443,622	200,576	3,644,198	172,262	3,816,460
Additions to property, plant and equipment	48,892	3,030	51,922	-	51,922

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

Individual quarter 3 months ended / Cumulative 3 months ended (continued)

	Continuing operations			Discontinued operation	
	Malaysia RM'000	Others RM'000	Sub-total RM'000	Australia RM'000	Total RM'000
31 March 2018					
Revenue					
Revenue from external customers	797,446	25,437	822,883	14,919	837,802
Results					
EBITDA*	114,872	1,733	116,605	1,545	118,150
PBZT	62,358	(1,472)	60,886	480	61,366
Total assets	4,002,227	324,512	4,326,739	168,182	4,494,921
Total liabilities	2,274,124	78,081	2,352,205	184,343	2,536,548
Additions to property, plant and equipment	72,163	1,585	73,748	-	73,748

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

	Indonesia IDR'000	Indonesia RM'000	Australia AUD'000	Australia RM'000
31 March 2019				
Revenue				
Revenue from external customers	51,508,575	14,716	4,423	12,859
Results				
EBITDA	13,990,200	3,997	(495)	(1,440)
PBZT	4,728,736	1,351	(713)	(2,074)
Total assets	526,375,698	150,754	53,034	153,533
Total liabilities	158,662,709	45,441	59,503	172,262
Additions to property, plant and equipment	8,809,358	2,523	-	-

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

Individual quarter 3 months ended / Cumulative 3 months ended (continued)

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

	Indonesia IDR'000	Indonesia RM'000	Australia AUD'000	Australia RM'000
31 March 2018				
Revenue				
Revenue from external customers	36,823,042	10,675	4,865	14,919
Results				
EBITDA	9,931,011	2,879	504	1,545
PBZT	(2,390,479)	(693)	157	480
Total assets	502,081,996	140,834	56,686	168,182
Total liabilities	151,201,426	42,412	62,133	184,343
Additions to property, plant and equipment	4,071,301	1,142	-	-

* EBITDA for the period ended 31 March 2019 is stated after adoption of MFRS 16, while EBITDA for the period ended 31 March 2018 is stated before adoption of MFRS 16.

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

	31.03.2019	31.03.2018
1 Australian Dollar		
Closing	2.8950	2.9669
Average	2.9070	3.0668
1,000 Indonesian Rupiah		
Closing	0.2864	0.2805
Average	0.2857	0.2899

A9 VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The Group's land and buildings, except right-of-use assets and for those under constructions were fully revalued as at 31 December 2015. As at period end, the Group assess whether there is an indication that the carrying values of these assets have differed 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.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

A10 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

Except as stated in note B6, there were no material events subsequent to the first quarter ended 31 March 2019 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 quarter, other than disposal of a subsidiary, Medical Supplies (Sarawak) Sdn Bhd for a total consideration of RM1.1 million, completed on 31 March 2019.

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.

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.

A14 CAPITAL COMMITMENTS

Capital expenditures not provided for in the interim financial report as at 31 March 2019 are as follows:

	RM'000
Approved by the Directors and contracted	112,377
Approved by the Directors but not contracted	209,325
	321,702

Analysed as follows:

Buildings	104,324
Medical equipments	143,738
Other property, plant and equipment	73,640
	321,702

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019

B1 REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES

Additional information as required by Appendix 9B of Bursa Malaysia Listing Requirements:

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

Group

The Group's revenue for the current quarter ended 31 March 2019 was RM868.1 million, an increase of 5% as compared to RM822.9 million in the corresponding quarter of the preceding year.

EBITDA was notably high at RM154.9 million during this quarter as compared to RM116.6 million in corresponding quarter, mainly contributed by the impact of MFRS 16 adoption. Starting from 1 January 2019, the Group has adopted MFRS 16, which saw operating lease rental now being recognised as right-of-use assets and lease liabilities in the statements of financial position which resulted in no lease expense to be recognised and being replaced with depreciation and finance costs in the statements of comprehensive income. [Refer to Note A5(d)(ii) on the reconciliation between EBITDA and PBZT with MFRS 16 impact].

The PBZT for the 3 months ended 31 March 2019 was recorded at RM66.4 million, increase by 9% from RM60.9 million in 2018, in line with the increase in revenue.

Segment : Continuing operations

Malaysia

A 5% growth was reported in Malaysia segment from RM797.4 million as at 31 March 2018 to RM839.3 million as at 31 March 2019 mainly contributed by the increase in number of patient visits and surgeries especially for KPJ Rawang, KPJ Pasir Gudang and KPJ Johor. In addition, the newly-opened hospital, KPJ Perlis and KPJ Bandar Dato' Onn are also contributing factors to the double-digit increment to the revenue of the period.

EBITDA for Malaysia has been noticeably increased from RM114.9 million during the first quarter 2018 to RM151.1 million in this quarter, mainly contributed by lease rental which has been excluded from the administrative expenses, as a result from the adoption of MFRS 16 in this quarter. The lease rental amounted to RM20.5 million was deducted in arriving to the EBITDA in Q1, 2018.

PBZT has increased by 12% to RM69.6 million during this quarter from RM62.4 million in the same quarter in 2018, in line with the increase in revenue for the period. Besides, cost optimisation initiatives by the hospitals also lead to better profit for the period. However, the increase has been set-off by MFRS 16 impact amounting to RM2.5 million recognised during the quarter, largely contributed by higher depreciation and finance costs amounting to RM13.0 million and RM18.9 million respectively. Increased depreciation was due to the addition of property, plant and equipment as well as the inclusion of right-of-use assets. As for finance costs, the increase was in line with higher borrowings as well as finance costs charged on lease liabilities.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

B1 REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES (CONTINUED)

Additional information as required by Appendix 9B of Bursa Malaysia Listing Requirements: (continued)

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

Segment : Continuing operations (continued)

Others

Revenue from this segment closed at RM28.8 million, an increase of 13% from RM25.4 million in corresponding quarter of the prior year mainly from Indonesian operation. Rumah Sakit Medika Bumi Serpong Damai reported additional 12 beds as compared to the same period in prior year. Furthermore, the number of patients rose in both Indonesian hospitals mainly contributed by an aggressive marketing activities and treatment packages introduced during the period.

The increase in revenue has resulted to higher EBITDA recognised for Indonesian operation which was reported at RM4.0 million, increased by 38% as compared to EBITDA of RM2.9 million reported in the same quarter of the preceding year. This were mainly due to lower operational cost incurred due to better utilisation of resources during the period and appreciation of Indonesian Rupiah against Malaysian Ringgit which resulted to decrease in foreign exchange loss.

Segment : Discontinued operation

Australia

Revenue from Australia segment was reported at RM12.9 million, decreased by 13% as compared to revenue in the corresponding quarter of the preceding year which was reported at RM14.9 million. The reduction was due to lower average residential occupancy rate in Jeta Gardens which recorded at 89% during this quarter as compared to 97% in the corresponding quarter, as more people choose to stay longer in their own homes.

Loss EBITDA for this segment reported at RM1.4 million, a reversal from EBITDA of RM1.5 million in the corresponding quarter of the preceding year. This is mainly due to inability to fully utilise the capacities and resources as a result of lower occupancy rate.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (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 (3 months)

Group

The Group's revenue for the current quarter ended 31 March 2019 was RM868.1 million, an increase of 5% as compared to RM822.9 million in the corresponding quarter of the preceding year.

EBITDA was notably high at RM154.9 million during this quarter as compared to RM116.6 million in corresponding quarter, mainly contributed by the impact of MFRS 16 adoption. Starting from 1 January 2019, the Group has adopted MFRS 16, which saw operating lease rental now being recognised as right-of-use assets and lease liabilities in the statements of financial position which resulted in no lease expense to be recognised and being replaced with depreciation and finance costs in the statements of comprehensive income. [Refer to Note A5(d)(ii) on the reconciliation between EBITDA and PBZT with MFRS 16 impact].

The PBZT for the 3 months ended 31 March 2019 was recorded at RM66.4 million, increase by 9% from RM60.9 million in 2018, in line with the increase in revenue.

Segment : Continuing operations

Malaysia

A 5% growth was reported in Malaysia segment from RM797.4 million as at 31 March 2018 to RM839.3 million as at 31 March 2019 mainly contributed by the increase in number of patient visits and surgeries especially for KPJ Rawang, KPJ Pasir Gudang and KPJ Johor. In addition, the newly-opened hospital, KPJ Perlis and KPJ Bandar Dato' Onn are also contributing factors to the double-digit increment to the revenue of the period.

EBITDA for Malaysia has been noticeably increased from RM114.9 million during the first quarter 2018 to RM151.1 million in this quarter, mainly contributed by lease rental which has been excluded from the administrative expenses, as a result from the adoption of MFRS 16 in this quarter. The lease rental amounted to RM20.5 million was deducted in arriving to the EBITDA in Q1, 2018.

PBZT has increased by 12% to RM69.6 million during this quarter from RM62.4 million in the same quarter in 2018, in line with the increased in revenue for the period. Besides, cost optimisation initiatives by the hospitals also lead to better profit for the period. However, the increase has been set-off by MFRS 16 impact amounting to RM2.5 million recognised during the quarter, largely contributed by higher depreciation and finance costs amounting to RM13.0 million and RM18.9 million respectively. Increased depreciation was due to the addition of property, plant and equipment as well as the inclusion of right-of-use assets. As for finance costs, the increase was in line with higher borrowings as well as finance costs charged on lease liabilities.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (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 (3 months) (continued)

Segment : Continuing operations (continued)

Others

Revenue from this segment closed at RM28.8 million, an increase of 13% from RM25.4 million in corresponding quarter of the prior year mainly from Indonesian operation. Rumah Sakit Medika Bumi Serpong Damai reported additional 12 beds as compared to the same period in prior year. Furthermore, the number of patients rose in both Indonesian hospitals mainly contributed by an aggressive marketing activities and treatment packages introduced during the period.

The increase in revenue has resulted to higher EBITDA recognised for Indonesian operation which was reported at RM4.0 million, increased by 38% as compared to EBITDA of RM2.9 million reported in the same quarter of the preceding year. This were mainly due to lower operational cost incurred due to better utilisation of resources during the period and appreciation of Indonesian Rupiah against Malaysian Ringgit which resulted to decrease in foreign exchange loss.

Segment : Discontinued operation

Australia

Revenue from Australia segment was reported at RM12.9 million, decreased by 13% as compared to revenue in the corresponding quarter of the preceding year which was reported at RM14.9 million. The reduction was due to lower average residential occupancy rate in Jeta Gardens which recorded at 89% during this quarter as compared to 97% in the corresponding quarter, as more people choose to stay longer in their own homes.

Loss EBITDA for this segment reported at RM1.4 million, a reversal from EBITDA of RM1.5 million in the corresponding quarter of the preceding year. This is mainly due to inability to fully utilise the capacities and resources as a result of lower occupancy rate.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

B1 REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES (CONTINUED)

Additional information as required by Appendix 9B of Bursa Malaysia Listing Requirements: (continued)

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

Group

The Group’s total assets as at 31 March 2019 was RM5,663.3 million, an increase of 26% as compared to RM4,494.9 million as at 31 March 2018. The Group’s total liabilities as at 31 March 2019 was RM3,816.5 million, increased by 50% as compared to RM2,536.5 million as at 31 March 2018. The increase is mainly contributed by the progress of new hospitals under development.

In line with adoption of MFRS 16, both total assets and total liabilities were notably high during this quarter due to recognition of right-of-use assets and lease liabilities amounting to RM781.8 million and RM1,067.1 million respectively. There are no such balances in the prior financial period.

Segment : Continuing operations

Malaysia

Total assets from Malaysia segment was reported at RM5,103.5 million, an increase of 28% in comparison to RM4,002.2 million as at 31 March 2018. The increment was mainly attributable to the additional investments in property, plant and equipment especially for the newly-opened hospitals, KPJ Bandar Dato Onn and KPJ Perlis and soon-to-be opened hospitals such as KPJ BDC and KPJ Miri which are currently under construction. In addition, KPJ Ampang Puteri, KPJ Seremban and KPJ Penang which are in the midst of expansion of the hospital building has also contributed to the increase in total assets.

Total liabilities from this segment was reported at RM3,443.6 million increased by 51% in comparison to RM2,274.1 million as at 31 March 2018. The increase in liabilities was due to construction costs incurred during the period for the ongoing projects of new and existing hospitals.

With the adoption of MFRS 16, right-of-use assets and lease liabilities amounting to RM687.0 million and RM949.7 million has been recognised in total assets and total liabilities respectively as at 31 March 2019. These amount is in relation to the lease of land and buildings from Al-‘Aqar Healthcare REIT.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (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 (continued)

Others

Total assets for this segment is mainly contributed by the Indonesian operations of RM150.8 million, increased by 7% in comparison to RM140.8 million as at 31 March 2018. Increase in total assets consist of the additional fair value of land and hospital equipment by RM3.9 million and RM3.8 million respectively.

Meanwhile, total liabilities from Indonesia operations was reported at RM45.4 million, 7% increase in comparison to RM42.4 million as at 31 March 2018.

Included in total assets and total liabilities from others segment is amount recognised in relation to MFRS 16, which are right-of-use assets and lease liabilities amounting to RM94.8 million and RM117.4 million respectively. This addition is contributed by KPJ Healthcare University College and Malaysia College of Hospitality & Management.

Segment : Discontinued operation

Australia

The Australia segment reported total assets of RM153.5 million, a decrease of 9% as compared to RM168.2 million recorded as at 31 March 2018, as well as total liabilities which also reported a decrease by RM12.0 million or by 7% compared to RM184.3 million recorded as at 31 March 2018. The decrease in total assets and liabilities was contributed from the sale of investment in Al-‘Aqar Healthcare REIT and repayment of loan respectively.

d. Review on statements of cash flows for current financial period compared to prior financial period (3 months)

Group

The statement of cash flows is showing a healthy cash inflow from operating activities in line with the increase in profit during the financial period. Furthermore, debtors’ turnover days reported at 42 days during this period which is 11% better as compared to the same period in 2018 at 47 days.

Cash in investing activities were mainly used on the expenditure incurred for development of new hospitals, including KPJ BDC and KPJ Miri, as well as for newly opened hospitals, KPJ Perlis and KPJ Bandar Dato’ Onn.

The decrease 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 in March 2018. There is no such receipt in 2019.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

B2 MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter ended 31.03.2019			Quarter ended 31.12.2018			
	Continuing	Discontinued	Total	Continuing	Discontinued	Total	Var
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Revenue	868,129	12,859	880,988	863,345	13,202	876,547	1
Operating profit	96,439	(2,002)	94,437	85,791	(5,069)	80,722	17
EBITDA	154,870	(1,440)	153,430	148,302	(4,651)	143,651	7
Profit / (loss) before zakat and tax	66,403	(2,074)	64,329	81,268	(3,921)	77,347	(17)
Net profit / (loss) for the financial period	45,398	(2,074)	43,324	58,178	(3,142)	55,036	(21)
Total comprehensive income for the financial period	45,398	(2,074)	43,324	94,775	(3,142)	91,633	(53)
Profit attributable to Owners of the Company	40,309	(1,183)	39,126	55,115	(1,791)	53,324	(27)
No. of inpatient (episode)	79,797	-	79,797	81,933	-	81,933	(3)
No. of outpatient (episode)	708,542	-	708,542	712,332	-	712,332	(1)

Revenue in the current quarter for continuing operations was recorded at RM868.1 million, 1% increase as compared to the revenue in preceding quarter of RM863.3 million. EBITDA for this quarter stands at RM154.9 million, an increase of 4% as compared to the preceding quarter of RM148.3 million. The noticeably higher EBITDA was contributed by lease rental which has been excluded from the administrative expenses, as a result from the adoption of MFRS 16 effective from 1 January 2019. PBZT for current quarter decrease by 18% and closed at RM66.4 million as compared to RM81.3 million in the preceding quarter. This is mainly due to fair value gain on investment properties amounting to RM11.5 million recorded in quarter 4, 2018. There is no such gain during this quarter. Besides, in relation to adoption of MFRS 16, the Group had recognised additional expenses amounting to RM3 million during this quarter.

As for discontinued operation, the revenue showed a 2% decrease from RM13.2 million in preceding quarter to RM12.9 million in current quarter due to slight reduction in occupancy rate. Loss before zakat and tax has improved to RM2.1 million as compared to loss before zakat and tax of RM3.9 million in the preceding quarter. Loss EBITDA for discontinued operation have significantly improved from RM4.7 million in quarter 4, 2018 to RM1.4 million in the current quarter.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

B3 CURRENT YEAR PROSPECTS

Group

For the year 2019, the Group acknowledged that rising cost in healthcare industry will continue to be the main challenge. With continuous monitoring over operational excellence and focus on revenue growth along with disciplined cost management, the Group is confident to achieve its target 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 period under review.

B5 TAX

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Income tax expense	20,686	14,805	20,686	14,805

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 first quarter ended 31 March 2019 is above the statutory tax rate due to certain expenses not deductible for tax purposes and non-recognition of deferred tax assets arising from unutilised capital allowances and tax losses of a newly-opened companies due to uncertainties of recoverability to be offset with future profits.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (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:

			Number of Warrants 2014/2019		
Issuance date	Expiry date	Exercise price	1.1.2019	(Exercised)& (Lapsed)	31.03.2019
		RM/share	'000	'000	'000
29 January 2014	23 January 2019	1.01	267,032	(267,032)	-

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

(b) 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 March 2019, Jeta Gardens is in a net total liability position of RM18.7 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 FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

B7 BORROWINGS AND LEASE LIABILITIES

(a) Borrowings

Details of the Group's borrowings are as follows:

	Current		Non-current		Total borrowings	
	Foreign '000	RM '000	Foreign '000	RM '000	Foreign '000	RM '000
As at 31 March 2019						
Secured:						
Term loans						
- Conventional						
RM	-	181	-	-	-	181
AUD	4,945	14,317	-	-	4,945	14,317
- Syariah						
RM	-	45,291	-	352,306	-	397,597
USD	2,247	9,168	5,178	21,128	7,425	30,296
Hire purchase creditors and finance lease						
- Conventional						
RM	-	623	-	1,101	-	1,724
AUD	4	11	-	-	4	11
- Syariah						
RM	-	4,203	-	13,308	-	17,511
Unsecured:						
Revolving credits						
- Conventional						
AUD	1,854	5,369	-	-	1,854	5,369
- Syariah						
RM	-	187,000	-	-	-	187,000
Bank overdrafts						
- Syariah						
RM	-	8,488	-	-	-	8,488
Islamic Medium Term Notes	-	-	-	1,100,000	-	1,100,000
		274,651		1,487,843		1,762,494
Transfer to liabilities associated with assets held for sale						
AUD	(6,803)	(19,697)	-	-	(6,803)	(19,697)
Finance lease transfer to lease liabilities						
RM		(1,305)		-		(1,305)
Total		253,649		1,487,843		1,741,492

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

B7 BORROWINGS AND LEASE LIABILITIES (CONTINUED)

(a) Borrowings

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

	Current		Non-current		Total borrowings	
	Foreign '000	RM '000	Foreign '000	RM '000	Foreign '000	RM '000
As at 31 March 2018						
Secured:						
Term loans						
- Conventional						
RM	-	838	-	740	-	1,578
AUD	8,134	24,133	-	-	8,134	24,133
- Syariah						
RM	-	25,827	-	283,918	-	309,745
USD	1,442	5,565	7,400	28,564	8,842	34,129
Hire purchase creditors and finance lease						
- Conventional						
RM	-	605	-	1,834	-	2,439
AUD	13	38	-	-	13	38
- Syariah						
RM	-	7,643	-	18,236	-	25,879
Unsecured:						
Revolving credits						
- Conventional						
AUD	1,854	5,502	-	-	1,854	5,502
- Syariah						
RM	-	254,500	-	-	-	254,500
Bank overdrafts						
- Syariah						
RM	-	3,428	-	-	-	3,428
Islamic Medium Term Notes	-	-	-	1,000,000	-	1,000,000
		328,079		1,333,292		1,661,371
Transfer to liabilities associated with assets held for sale						
AUD	(10,001)	(29,673)	-	-	(10,001)	(29,673)
Total		298,406		1,333,292		1,631,698

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

B7 BORROWINGS AND LEASE LIABILITIES (CONTINUED)

(a) Borrowings

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

The key exchange rate used is as follows;

	31.03.2019	31.03.2018
1 Australian Dollar	2.8950	2.9669
1 US Dollar	4.0800	3.8602

Material changes in borrowings

There is no material changes in borrowings during the first quarter of 2019. While in the first quarter of 2018, the increase in borrowings were mainly due to issuance of Islamic Medium Term Notes ("IMTN") for a nominal value of RM100 million. With this issuance, total nominal value of IMTN issued as at 31 March 2018 was RM1.0 billion. The proceed was used to pay for the development costs of the ongoing projects of new hospitals.

Weighted average interest rate of borrowings are as follows:

- Term loan: 6.37% p.a. (2018: 5.16% p.a.)
- Hire purchase: 2.78% p.a. (2018: 3.73% p.a.)
- Islamic Medium Term Notes: 5.76% p.a. (2018: 5.82% p.a.)
- Overdraft: 6.55% p.a. (2018: 6.85% p.a.)
- Revolving credit: 4.54% p.a. (2018: 4.75% p.a.)

(b) Lease liabilities

	31.03.2019 RM'000
Current	
- Finance lease previously classified as borrowings	1,305
- Lease liabilities*	30,649
	31,954
Non-current	
- Lease liabilities*	1,035,101
	1,067,055

* Included in the line item 'lease liabilities' in the consolidated statements of financial position. In the previous quarter, the Group only recognised lease liabilities in relation to leases that were classified as 'finance leases' under MFRS 117 Leases. These were presented as part of the Group's borrowings.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (CONTINUED)

B7 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

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

B8 MATERIAL LITIGATIONS

There were no pending material litigations since the date of the last annual statement of financial position.

B10 DIVIDENDS

In respect of the financial year ending 31 December 2019, the Directors declared:

i. First interim dividend of 0.50 sen per share on 4,319,667,986 ordinary shares amounting to RM21,598,340. The dividend was declared on 19 February 2019 and was fully paid on 19 April 2019.

B11 EARNINGS PER SHARE

(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 31.03.2019	As at 31.03.2018
Continuing operations		
Profit attributable to Owners of the Company (RM'000)	40,309	42,209
Weighted average number of ordinary shares in issue ('000)	4,316,050	4,213,591
Basic earnings per share (sen)	0.93	1.00
Discontinued operation		
(Loss)/profit attributable to Owners of the Company (RM'000)	(1,183)	274
Weighted average number of ordinary shares in issue ('000)	4,316,050	4,213,591
Basic earnings per share (sen)	(0.03)	0.01

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019 (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 31.03.2019	As at 31.03.2018
Continuing operations		
Profit attributable to Owners of the Company (RM'000)	40,309	42,209
Weighted average number of ordinary shares in issue ('000)	4,316,050	4,213,591
Assumed shares issued from the		
- exercise of warrants ('000)	-	345,635
- exercise of ESOS ('000)	199,515	256,799
Weighted average number of ordinary shares in issue ('000)	4,515,565	4,816,025
Diluted earnings per share (sen)	0.89	0.88
Discontinued operation		
(Loss)/profit attributable to Owners of the Company (RM'000)	(1,183)	274
Weighted average number of ordinary shares in issue ('000)	4,316,050	4,213,591
Assumed shares issued from the		
- exercise of warrants ('000)	-	345,635
- exercise of ESOS ('000)	199,515	256,799
Weighted average number of ordinary shares in issue ('000)	4,515,565	4,816,025
Diluted earnings per share (sen)	(0.03)	0.01