Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2019

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORTS
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

The Directors of KPJ Healthcare Berhad are pleased to announce the financial results for the Group for the second quarter and financial period ended 30 June 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 30 JUNE 2019

	Note	Individual Quarter 3 months ended			Cumulative Quarter 6 months ended		
		30.06.2019	30.06.2018	Var	30.06.2019	30.06.2018	Var
		RM'000	RM'000	%	RM'000	RM'000	%
Continuing operations							
Revenue		847,311	801,329	6	1,715,440	1,624,212	6
Cost of sales		(593,472)	(558,613)	6	(1,191,531)	(1,130,723)	5
Gross profit		253,839	242,716	5	523,909	493,489	6
Administrative expenses		(163,656)	(172,932)	(5)	(343,345)	(357,905)	(4)
Other income		4,079	4,179	(2)	10,137	9,181	10
Operating profit		94,262	73,963	27	190,701	144,765	32
Finance income		3,064	3,161	(3)	4,790	4,181	15
Finance costs							
- Borrowings		(22,935)	(22,504)	2	(47,844)	(42,771)	12
- Lease liabilities		(15,933)	-	100	(31,683)	-	100
Finance costs - net		(35,804)	(19,343)	85	(74,737)	(38,590)	94
Share of results of associates, net of tax		8,203	6,799	21	17,100	16,130	6
Profit before zakat and tax	B2	66,661	61,419	9	133,064	122,305	9
Zakat		(1,145)	(1,589)	(28)	(1,464)	(2,664)	(45)
Tax	B5	(19,499)	(14,837)	31	(40,185)	(29,642)	36
Profit for the financial period from continuing operations		46,017	44,993	2	91,415	89,999	2

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	Individual Quarter			Cumulative Quarter		
	3 months ended			6 months ended		
	30.06.2019	30.06.2018	Var	30.06.2019	30.06.2018	Var
	RM'000	RM'000	%	RM'000	RM'000	%
Discontinued operation						
(Loss)/profit for the financial period from discontinued operation	(2,150)	(417)	>100	(4,224)	63	(>100)
Net profit for the financial period	43,867	44,576	(2)	87,191	90,062	(3)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the financial period	43,867	44,576	(2)	87,191	90,062	(3)
Net profit for the financial period attributable to:						
Owners of the Company from						
- continuing operations	43,053	42,574	1	83,362	84,783	(2)
- discontinued operation	(1,225)	(238)	>100	(2,407)	36	(>100)
Non-controlling interests from						
- continuing operations	2,964	2,419	23	8,053	5,216	54
- discontinued operation	(925)	(179)	>100	(1,817)	27	(>100)
	43,867	44,576	(2)	87,191	90,062	(3)
Total comprehensive income for the financial period attributable to:						
Owners of the Company from						
- continuing operations	43,053	42,574	1	83,362	84,783	(2)
- discontinued operation	(1,225)	(238)	>100	(2,407)	36	(>100)
Non-controlling interests from						
- continuing operations	2,964	2,419	23	8,053	5,216	54
- discontinued operation	(925)	(179)	>100	(1,817)	27	(>100)
	43,867	44,576	(2)	87,191	90,062	(3)

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	Individual Quarter			Cumulative Quarter		
	3 months ended			6 months ended		
	30.06.2019	30.06.2018	Var	30.06.2019	30.06.2018	Var
	RM'000	RM'000	%	RM'000	RM'000	%
Dividend per share (sen)	0.50	0.50	-	1.00	1.00	-
Earnings/(loss) per share attributable to Owners of the Company:						
Basic (sen) from						
- continuing operations	1.00	1.01		1.93	2.01	
- discontinued operation	(0.03)	(0.01)		(0.06)	0.00	
Diluted (sen) from						
- continuing operations	0.96	0.88		1.85	1.76	
- discontinued operation	(0.02)	(0.01)		(0.05)	0.00	

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	30.06.2019 RM'000	31.12.2018 RM'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	A9	3,268,477	2,430,363
Investment properties		311,460	311,460
Intangible assets		234,734	236,470
Investment in associates		427,130	422,461
Equity instruments classified as FVOCI*		4,678	4,678
Deferred tax assets		44,779	68,463
		4,291,258	3,473,895
Current assets			
Inventories		53,233	50,170
Trade and other receivables		539,494	515,743
Tax recoverable		30,103	30,815
Deposits, bank and cash balances		513,320	540,204
Dividend receivable		5,139	5,514
		1,141,289	1,142,446
Assets held for sale		140,440	176,528
		1,281,729	1,318,974
Total assets		5,572,987	4,792,869
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables		511,983	517,077
Contract liabilities		68,921	70,274
Current tax liabilities		9,678	14,233
Borrowings	B7(a)	245,541	264,264
Lease liabilities	B7(b)	31,966	-
Dividends payable		-	21,537
		868,089	887,385
Liabilities associated with assets held for sale		160,934	179,995
		1,029,023	1,067,380
Net current assets		252,706	251,594

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019 (CONTINUED)

	Note	30.06.2019 RM'000	31.12.2018 RM'000 Audited
Non-current liabilities			
Trade and other payables		14,447	21,436
Borrowings	B7(a)	1,492,095	1,481,690
Lease liabilities	B7(b)	1,035,299	-
Deferred tax liabilities		110,443	68,657
Provision for retirement benefits		2,783	2,678
Deposits		14,883	14,325
		2,669,950	1,588,786
Total liabilities		3,698,973	2,656,166
Net assets		1,874,014	2,136,703
Equity attributable to Owners of the Company			
Share capital	A6	903,811	860,295
Less: Treasury shares		(111,319)	(111,319)
Reserves		922,483	1,234,924
		1,714,975	1,983,900
Non-controlling interests		159,039	152,803
Total equity		1,874,014	2,136,703
Total equity and liabilities		5,572,987	4,792,869
Net assets per share attributable to Owners of the Company (RM)		0.39	0.45

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

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

								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 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	-	-	-	-	-	-	-	-	80,955	80,955	6,236	87,191
Other comprehensive income:												
Currency translation of foreign subsidiaries	-	-	-	-	-	-	2,221	-	-	2,221	-	2,221
Transfer between reserves	-	-	-	-	-	-	-	(5,264)	5,264	-	-	-
Total other comprehensive income	-	-	-	-	-	-	2,221	(5,264)	5,264	2,221	-	2,221
Transactions with Owners:												
Issue of shares capital:												
- Warrants	22,884	25,230	-	(2,117)	-	-	-	-	-	23,113	-	23,113
- ESOS	16,174	18,286	-	-	(3,567)	-	-	-	-	14,719	-	14,719
	39,058	43,516	-	(2,117)	(3,567)	-	-	-	-	37,832	-	37,832
ESOS expenses during the financial period	-	-	-	-	1,276	-	-	-	-	1,276	-	1,276
Lapsed ESOS	-	-	-	-	(5,649)	-	-	-	5,649	-	-	-
Lapsed warrant	-	-	-	(22,244)	-	-	-	-	22,244	-	-	-
Dividends on ordinary shares	-	-	-	-	-	-	-	-	(43,209)	(43,209)	-	(43,209)
Total transactions with Owners	39,058	43,516	-	(24,361)	(7,940)	-	-	-	(15,316)	(4,101)	-	(4,101)
At 30 June 2019	4,438,206	903,811	(111,319)	-	63,620	(3,367)	5,761	120,729	735,740	1,714,975	159,039	1,874,014

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	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	-	-	-	-	-	-	-	-	84,819	84,819	5,243	90,062
Other comprehensive income:												
Currency translation of foreign subsidiaries	-	-	-	-	-	-	(157)	-	-	(157)	-	(157)
Total other comprehensive income	-	-	-	-	-	-	(157)	-	-	(157)	-	(157)
Transactions with Owners:												
Issue of shares capital:												
- Warrants	1	1	-	(1)	-	-	-	-	-	-	-	-
- ESOS	1,746	1,676	-	-	(87)	-	-	-	-	1,589	-	1,589
- Share buy-back	-	-	(5,250)	-	-	-	-	-	-	(5,250)	-	(5,250)
	1,747	1,677	(5,250)	(1)	(87)	-	-	-	-	(3,661)	-	(3,661)
ESOS expenses during the financial period	-	-	-	-	6,256	-	-	-	-	6,256	-	6,256
Lapsed ESOS	-	-	-	-	(348)	-	-	-	348	-	-	-
Dividends on ordinary shares	-	-	-	-	-	-	-	-	(42,140)	(42,140)	-	(42,140)
Total transactions with Owners	1,747	1,677	(5,250)	(1)	5,821	-	-	-	(41,792)	(39,545)	-	(39,545)
At 30 June 2018	4,283,160	737,746	(60,661)	31,630	67,010	(3,367)	(5,291)	98,070	960,575	1,825,712	159,779	1,985,491

Company No.

247079	M

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	30.06.2019 RM'000	30.06.2018 RM'000
OPERATING ACTIVITIES		
Profit before zakat and tax		
- continuing operations	133,064	122,305
- discontinued operation	(4,224)	63
Profit before zakat and tax	128,840	122,368
Adjustments for:		
Share of results of associates	(17,100)	(16,130)
Finance income	(4,790)	(4,181)
Finance costs		
- Borrowings	47,844	42,771
- Lease liabilities	31,683	-
Dividends received from Al-Salam REIT	(67)	(63)
Trade receivables		
- Impairment	4,115	2,627
Share based payments	1,276	6,256
Gain on disposal of shares in associates	(341)	-
Gain on disposal of shares in subsidiaries	(48)	-
Property, plant and equipment		
- Depreciation	78,128	73,003
- Written-off	177	-
- (Gain)/loss on disposal	(163)	5
Right-of-use assets		
- Depreciation	21,963	-
Inventories written-off	71	93
Amortisation of software development expenditure	1,878	1,528
Operating profit before working capital changes	293,466	228,277
Changes in working capital:		
Inventories	(3,134)	(1,664)
Receivables	(34,704)	(36,702)
Payables	7,595	23,853
Contract liabilities	(1,353)	(4,748)
Cash flows generated from operations	261,870	209,016
Zakat paid	(1,464)	(2,664)
Income tax paid (net of refund)	(44,896)	(40,506)
Net cash generated from operating activities	215,510	165,846

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	30.06.2019 RM'000	30.06.2018 RM'000
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(141,935)	(139,918)
Additions to intangible assets	(142)	(142)
Proceeds from disposal of property, plant and equipment	171	1,085
Proceeds from disposal of carparks to an associates	-	13,000
Proceeds from disposal of interest in subsidiary	1,148	-
Interest received	4,790	4,181
Increase in deposits with licensed banks with maturity of more than 3 months	-	5,988
Dividends received from associates	12,488	10,697
Net cash used in investing activities	(123,480)	(105,109)
FINANCING ACTIVITIES		
Grant income received	10,384	-
Additional investments in subsidiaries	(335)	-
Proceeds from dilution of interest in subsidiary	-	119,920
Principal elements of lease payments	(48,088)	-
Acquisition of non-controlling interests	(20)	-
Issue of shares:		
- Warrants	23,113	-
- ESOS	14,719	1,589
- Share buy-back	-	(5,250)
Borrowings:		
- Drawdown	24,702	252,986
- Repayments	(32,607)	(162,823)
Interest paid	(47,844)	(42,771)
Dividends paid to shareholders	(64,746)	(21,068)
Net cash (used in)/generated from financing activities	(120,722)	142,583
Net changes in cash and cash equivalents	(28,692)	203,320
Currency translation differences	2,221	(5,679)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	404,214	184,847
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	377,743	382,488

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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)
- MFRS 17 'Insurance Contracts' (effective 1 January 2021)

The Group did not early adopt these new standards.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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 changes in accounting policies are also expected to be reflected in the Group’s consolidated financial statements as at and for the year ending 31 December 2019.

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:

<u>MFRS 16 ‘Leases’</u>

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 SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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 SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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 SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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 SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

A5 CHANGE IN ACCOUNTING ESTIMATES AND POLICIES (CONTINUED)

<u>MFRS 16 'Leases' (continued)</u>

(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 30 June 2019 is shown below:

	RM'000
EBITDA with MFRS 16 impact	309,770
Impact on adoption of MFRS 16:	
- Lease rental	(48,088)
EBITDA without MFRS 16 impact	261,682
PBZT with MFRS 16 impact	133,064
Impact on adoption of MFRS 16:	
- Depreciation	21,963
- Finance costs	31,683
- Lease rental	(48,088)
	5,558
PBZT without MFRS 16 impact	138,622

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 SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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.

Up to 31 December 2018, the Company repurchased 115,197,500 ordinary shares of its issued share capital from the open market for RM111,318,576 at an average price of RM0.97 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.

The Company did not purchased any ordinary shares from the open market on Bursa Malaysia Securities Berhad during the period.

As at 30 June 2019, the Company held a total of 115,197,500 of its 4,438,206,535 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM111,318,576.

ii. 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.

Movement of ESOS during the period:

	30.06.2019 Units ‘000	30.06.2018 Units ’000
Outstanding as at 1 January	212,955	260,007
- Granted	1,089	1,792
- Exercised	(16,174)	(1,746)
- Lapsed	(5,040)	(6,177)
At end of financial period	192,830	253,876

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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)

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

	30.06.2019 Number of shares ('000)	30.06.2019 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	16,174	18,286
At end of financial period	4,438,206	903,811

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.

ii. Second interim dividend of 0.50 sen per share on 4,322,068,715 ordinary shares amounting to RM 21,610,343. The dividend was declared on 31 May 2019 and was fully paid on 28 June 2019.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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

	Continuing operations			Discontinued operation	
	Malaysia	Others	Sub-total	Australia	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2019					
Revenue					
Revenue from external customers	820,430	26,881	847,311	12,958	860,269
Results					
EBITDA*	146,506	8,394	154,900	(1,636)	153,264
PBZT	65,943	718	66,661	(2,150)	64,511
Total assets	5,030,313	402,234	5,432,547	140,440	5,572,987
Total liabilities	3,334,512	203,527	3,538,039	160,934	3,698,973
Additions to property, plant and equipment	89,039	974	90,013	-	90,013

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

Individual quarter 3 months ended (continued)

	Continuing operations			Discontinued operation	
	Malaysia	Others	Sub-total	Australia	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2018					
Revenue					
Revenue from external customers	777,597	23,732	801,329	14,769	816,098
Results					
EBITDA*	120,895	(2,074)	118,821	601	119,422
PBZT	65,499	(4,080)	61,419	(417)	61,002
Total assets	4,055,454	324,729	4,380,183	164,967	4,545,150
Total liabilities	2,310,036	69,540	2,379,576	180,418	2,559,994
Additions to property, plant and equipment	65,630	540	66,170	-	66,170

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

	Indonesia	Indonesia	Australia	Australia
	IDR'000	RM'000	AUD'000	RM'000
30 June 2019				
Revenue				
Revenue from external customers	45,153,460	13,113	4,454	12,958
Results				
EBITDA*	9,021,262	2,628	(563)	(1,636)
PBZT	(300,115)	(76)	(739)	(2,150)
Total assets	514,583,906	149,641	48,466	140,440
Total liabilities	141,856,946	41,252	55,539	160,934
Additions to property, plant and equipment	3,140,436	952	-	-

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

Individual quarter 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
30 June 2018				
Revenue				
Revenue from external customers	32,468,080	9,461	4,795	14,769
Results				
EBITDA*	(19,663)	(3)	194	601
PBZT	(6,188,323)	(1,800)	(137)	(417)
Total assets	495,771,550	139,758	55,360	164,967
Total liabilities	141,585,669	39,913	60,545	180,418
Additions to property, plant and equipment	1,093,651	314	-	-

Cumulative 6 months ended

	Continuing operations			Discontinued operation	
	Malaysia RM'000	Others RM'000	Sub-total RM'000	Australia RM'000	Total RM'000
30 June 2019					
Revenue					
Revenue from external customers	1,659,740	55,700	1,715,440	25,817	1,741,257
Results					
EBITDA*	297,610	12,160	309,770	(3,076)	306,694
PBZT	135,580	(2,516)	133,064	(4,224)	128,840
Total assets	5,030,313	402,234	5,432,547	140,440	5,572,987
Total liabilities	3,334,512	203,527	3,538,039	160,934	3,698,973
Additions to property, plant and equipment	137,931	4,004	141,935	-	141,935

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

Cumulative 6 months ended (continued)

	Continuing operations			Discontinued operation	
	Malaysia	Others	Sub-total	Australia	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2018					
Revenue					
Revenue from external customers	1,575,043	49,169	1,624,212	29,688	1,653,900
Results					
EBITDA*	235,767	(341)	235,426	2,146	237,572
PBZT	127,857	(5,552)	122,305	63	122,368
Total assets	4,055,454	324,729	4,380,183	164,967	4,545,150
Total liabilities	2,310,036	69,540	2,379,576	180,418	2,559,994
Additions to property, plant and equipment	137,793	2,125	139,918	-	139,918

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

	Indonesia	Indonesia	Australia	Australia
	IDR'000	RM'000	AUD'000	RM'000
30 June 2019				
Revenue				
Revenue from external customers	96,662,035	27,829	8,877	25,817
Results				
EBITDA*	23,011,462	6,625	(1,058)	(3,076)
PBZT	4,428,621	1,275	(1,452)	(4,224)
Total assets	514,583,906	149,641	48,466	140,440
Total liabilities	141,856,946	41,252	55,539	160,934
Additions to property, plant and equipment	11,949,794	3,475	-	-

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

A8 SEGMENT REPORTING (CONTINUED)

Cumulative 6 months ended (continued)

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

30 June 2018	Indonesia IDR'000	Indonesia RM'000	Australia AUD'000	Australia RM'000
Revenue				
Revenue from external customers	69,291,122	20,136	9,660	29,688
Results				
EBITDA*	3,857,536	1,121	698	2,146
PBZT	(8,578,802)	(2,493)	20	63
Total assets	495,771,550	139,758	55,360	164,967
Total liabilities	141,585,669	39,913	60,545	180,418
Additions to property, plant and equipment	5,164,952	1,456	-	-

* EBITDA for the period ended 30 June 2019 is stated after adoption of MFRS 16, while EBITDA for the period ended 30 June 2018 is stated before adoption of MFRS 16.

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

	30.06.2019	30.06.2018
1 Australian Dollar		
Closing	2.8977	2.9799
Average	2.9084	3.0733
1,000 Indonesian Rupiah		
Closing	0.2908	0.2819
Average	0.2879	0.2906

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

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.

A10 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

Except as stated in note B6, there were no material events subsequent to the second quarter ended 30 June 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 period.

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 30 June 2019 are as follows:

	RM'000
Approved by the Directors and contracted	109,666
Approved by the Directors but not contracted	182,481
	292,147

Analysed as follows:

Buildings	85,413
Medical equipments	133,556
Other property, plant and equipment	73,178
	292,147

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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 registered a positive growth of 6% from RM801.3 million in quarter 2, 2018 to RM847.3 million in the current quarter ended 30 June 2019 driven by better performance from Malaysia and Others segments.

EBITDA improved significantly by 30% disclosed at RM154.9 million during this quarter as compared to RM118.8 million in corresponding quarter. The adoption of MFRS 16 with effect from 1 January 2019 boosted the Group's EBITDA since the Group does not recognised lease rental, and instead recognised depreciation and finance costs derived from the right-of-use assets and lease liabilities respectively. [Refer to Note A5(d)(ii) on the reconciliation between EBITDA and PBZT with MFRS 16 impact].

The PBZT for the 3 months ended 30 June 2019 was recorded at RM66.7 million, increase by 9% from RM61.4 million in 2018, in line with the increase in revenue.

Segment : Continuing operations

Malaysia

Malaysia segment's revenue grew by 6% to RM820.4 million in current quarter ended 30 June 2019 underpinned 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. Increase activities at the support companies also contributed to the revenue growth.

EBITDA for Malaysia was notably high at RM146.5 million in this quarter from RM120.9 million during the second quarter 2018, resulted from the exclusion of lease rental from the administrative expenses upon adoption of MFRS 16. The lease rental amounted to RM22.4 million was deducted in arriving to the EBITDA in quarter 2, 2018.

PBZT recorded a slight increase from RM65.9 million during this quarter from RM65.5 million in the same quarter in 2018 lead by the increase in revenue by 6%. However, the increase in PBZT has been set-off by the MFRS 16 impact recognised during the quarter, largely contributed by higher depreciation and finance costs amounting to RM6.2 million and RM9.1 million respectively.

Others

Revenue from this segment improved favourably by 13% at RM26.9 million from RM23.7 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, both Indonesian hospitals saw an overall increase in number of patients mainly contributed by consecutive marketing activities and treatment packages introduced during the quarter.

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

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 (continued)

EBITDA recognised for Indonesian operation increased exceptionally by more than 100% from loss EBITDA in quarter 2, 2018 to EBITDA of RM2.6 million in 2019. Lower operational cost incurred and better utilisation of resources has led to the good performance during the quarter.

Segment : Discontinued operation

Australia

Revenue from Australia segment was narrowed from RM14.8 million in 2018 to RM13.0 million in current quarter. The reduction was due to lower average residential occupancy rate in Jeta Gardens which recorded at 88% during this quarter as compared to 96% in the corresponding quarter. The fall in occupancy rate was due to incline competition from newly opened facilities close to Jeta Gardens.

EBITDA for this segment plummeted to loss EBITDA of RM1.6 million from EBITDA of RM0.6 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. Review on statements of comprehensive income for current financial period compared to prior financial period (6 months)

Group

The Group's revenue registered a positive growth of 4% from RM1,642.2 million as at 30 June 2018 to RM1,715.4 million as at 30 June 2019 driven by better performance from Malaysia and Others segments.

EBITDA improved significantly by 32% disclosed at RM309.8 million during this period as compared to RM235.4 million in corresponding year. The adoption of MFRS 16 with effect from 1 January 2019 boosted the Group's EBITDA since the Group does not recognised lease rental but instead recognised depreciation and finance costs derived from the right-of-use assets and lease liabilities respectively. [Refer to Note A5(d)(ii) on the reconciliation between EBITDA and PBZT with MFRS 16 impact].

The PBZT for the 6 months ended 30 June 2019 was recorded at RM133.1 million, increase by 9% from RM122.3 million in 2018, in line with the increase in revenue.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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 (6 months) (continued)

Segment : Continuing operations

Malaysia

Malaysia segment's revenue grew by 5% to RM1,659.7 million for the period ended 30 June 2019 underpinned 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. Increase activities at the support companies also contributed to the revenue growth.

EBITDA for Malaysia was notably high at RM297.6 million in this period, 26% increased from RM235.8 million as at 30 June 2018, resulted from the exclusion of lease rental from the administrative expenses upon adoption of MFRS 16. The lease rental amounted to RM42.9 million was deducted in arriving to the EBITDA in 2018.

PBZT recorded an increase by 6% to RM135.6 million as at 30 June 2019 from RM127.9 million in the corresponding period in 2018 lead by the increased in revenue. However, the increase in PBZT has been set-off by the MFRS 16 impact amounting to RM4.3 million recognised during the period, largely contributed by higher depreciation and finance costs amounting to RM19.2 million and RM28.0 million respectively.

Others

Revenue from this segment improved favourably by 13%, closed at RM55.7 million during this period from RM49.2 million in 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, both Indonesian hospitals saw an overall increase in number of patients mainly contributed by consecutive marketing activities and treatment packages introduced during the period.

EBITDA recognised for Indonesian operation increased exceptionally by more than 100% from EBITDA of RM1.1 million in 2018 to EBITDA of RM6.6 million in 2019. Lower operational cost incurred and better utilisation of resources has led to the good performance during the period.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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 (6 months) (continued)

Segment : Discontinued operation

Australia

Revenue from Australia segment was narrowed from RM29.7 million in 2018 to RM25.8 million in current quarter. The reduction was due to lower average residential occupancy rate in Jeta Gardens which recorded at 88% during this quarter as compared to 96% in the corresponding quarter. The fall in occupancy rate was due to incline competition from newly opened facilities close to Jeta Gardens.

EBITDA for this segment plummeted to loss EBITDA of RM3.1 million from EBITDA of RM2.1 million in the corresponding period of the preceding year. This is mainly due to inability to fully utilise the capacities and resources as a result of lower occupancy rate.

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

Group

The Group's total assets as at 30 June 2019 was RM5,573.0 million, an increase of 23% as compared to RM4,545.2 million as at 30 June 2018. The Group's total liabilities as at 30 June 2019 was RM3,699.0 million, increased by 44% as compared to RM2,560.0 million as at 30 June 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 RM780.0 million and RM1,067.3 million respectively. There are no such balances in the prior financial period.

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

Segment : Continuing operations

Malaysia

Total assets from Malaysia segment was reported at RM5,030.3 million, an increase of 24% in comparison to RM4,055.5 million as at 30 June 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 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. Apart from that, the impact of the adoption of MFRS 16 has led to recognition of right-of-use assets as at 30 June 2019 amounting to RM680.3 million.

Total liabilities from this segment was reported at RM3,334.5 million boosted by 44% in comparison to RM2,310.0 million as at 30 June 2018. The increase in liabilities was due to construction costs incurred during the period for the ongoing projects of new and existing hospitals. On top of that, in relation to the MFRS 16 adoption, total lease liabilities had been closed at RM943.3 million in total liabilities.

Others

Total assets for this segment is dominantly contributed by the Indonesian operations of RM149.6 million, increased by 7% in comparison to RM139.8 million as at 30 June 2018. Additional fair value of land and hospital equipment is one of the factors to the incline in total assets by RM3.9 million and RM3.8 million respectively.

Meanwhile, total liabilities from Indonesia operations was reported at RM41.3 million, 3% increase in comparison to RM39.9 million as at 30 June 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 RM99.8 million and RM123.9 million respectively. This addition is contributed by KPJ Healthcare University College and Malaysia College of Hospitality & Management.

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

Segment : Discontinued operation

Australia

The Australia segment reported total assets of RM140.4 million, a decrease of 15% as compared to RM165.0 million recorded as at 30 June 2018, as well as total liabilities which also reported a decrease by RM19.5 million or by 11% compared to RM180.4 million recorded as at 30 June 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 (6 months)

Group

The statement of cash flows is showing a better cash inflows from operating activities concurrent with the increase in profit during the financial period. Debtors’ turnover days has improved at 40 days during this period as compared to the same period in 2018 at 50 days.

Investing activities recorded net cash outflows, mainly due to development in KPJ BDC and KPJ Miri. On the same note, cash was also used to support expansion plans for existing hospitals such as KPJ Ampang Puteri, KPJ Puteri, KPJ Seremban and KPJ Penang. The impact was soften by dividend received from associates, mainly from Al-‘Aqar Healthcare REIT.

The cash generated from financing activities were mainly funds received from issuance of shares through warrants and ESOS amounting to RM37.8 million, government grant received by KPJ Bandar Dato’ Onn in relation to the incentives for the development of hospital building amounting to RM10.4 million and drawdown on the borrowings amounting to RM24.7 million. The cash outflows for financing activities was mainly due to higher dividend paid to shareholders amounting to RM64.7 million as compared to only RM21.1 million in the corresponding period, this is due to timing difference at the point of payment.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

B2 MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter ended 30.06.2019			Quarter ended 31.03.2019			
	Continuing	Discontinued	Total	Continuing	Discontinued	Total	Var
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Revenue	847,311	12,958	860,269	868,129	12,859	880,988	(2)
Operating profit	94,262	(2,198)	92,064	96,439	(2,002)	94,437	(3)
EBITDA	154,900	(1,636)	153,264	154,870	(1,440)	153,430	(0)
Profit / (loss) before zakat and tax	66,661	(2,150)	64,511	66,403	(2,074)	64,329	0
Net profit / (loss) for the financial period	46,017	(2,150)	43,867	45,398	(2,074)	43,324	1
Total comprehensive income for the financial period	46,017	(2,150)	43,867	45,398	(2,074)	43,324	1
Profit attributable to Owners of the Company	43,053	(1,225)	41,828	40,309	(1,182)	39,127	7
No. of inpatient (episode)	78,765	-	78,765	79,797	-	79,797	(1)
No. of outpatient (episode)	704,301	-	704,301	708,542	-	708,542	(1)

Revenue in the current quarter for continuing operations was recorded at RM847.3 million, slightly decreased as compared to the revenue in preceding quarter of RM868.1 million. EBITDA quarter-on-quarter of RM154.9 million showed a consistent healthy result in current quarter while PBZT has improved and closed at RM66.7 million as compared to RM66.4 million in the preceding quarter.

As for discontinued operation, the revenue showed 1% increase from RM12.9 million in preceding quarter to RM13.0 million in current quarter, while loss before zakat and tax has declined from RM 2.1 million in the preceding quarter to RM2.2 million in the current quarter. Loss EBITDA for discontinued operation are recorded at RM1.6 million in the current quarter, slight decline as compared to the preceding quarter.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

B3 CURRENT YEAR PROSPECTS

Group

Based on the half yearly result, the Group is optimistic that its performance in 2019 will continue to improve.

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 6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Income tax expense	19,499	14,837	40,185	29,642

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 second quarter ended 30 June 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.

B6 STATUS OF CORPORATE PROPOSALS

(a) 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 30 June 2019, Jeta Gardens is in a net total liability position of RM20.5 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 SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

B6 STATUS OF CORPORATE PROPOSALS

(b) Acquisition of Healthcare Technical Services Sdn Bhd (“HTS”) as subsidiary by Kumpulan Perubatan (Johor) Sdn Bhd (“KPJSB”)

KPJSB, a wholly-owned subsidiary of the Group, had entered into a share sale agreement (“SSA) with Damansara Assets Sdn Bhd, for the acquisition of the equity interests in HTS from 30% to 51%, for a total cash consideration of RM334,950 upon the terms and conditions of the SSA.

The acquisition has been completed on 1 April 2019.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

B7 BORROWINGS AND LEASE LIABILITIES

(a) 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 30 June 2019						
Secured:						
Term loans						
- Conventional						
AUD	4,148	12,020	-	-	4,148	12,020
- Syariah						
RM	-	29,625	-	365,244	-	394,869
USD	2,223	9,309	4,693	19,652	6,916	28,961
Hire purchase creditors and finance lease						
- Conventional						
RM	-	1,082	-	1,034	-	2,116
AUD	3	8	-	-	3	8
- Syariah						
RM	-	10,293	-	6,192	-	16,485
Unsecured:						
Revolving credits						
- Conventional						
AUD	1,854	5,374	-	-	1,854	5,374
- Syariah						
RM	-	187,000	-	-	-	187,000
Bank overdrafts						
- Syariah						
RM	-	8,838	-	-	-	8,838
Islamic Medium Term Notes	-	-	-	1,100,000	-	1,100,000
		263,549		1,492,122		1,755,671
Transfer to liabilities associated with assets held for sale						
AUD	(6,005)	(17,402)	-	-	(6,005)	(17,402)
Finance lease transfer to lease liabilities						
RM		(606)		(27)		(633)
Total		245,541		1,492,095		1,737,636

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

B7 BORROWINGS AND LEASE LIABILITIES (CONTINUED)

(a) 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 30 June 2018						
Secured:						
Term loans						
- Conventional						
RM	-	776	-	679	-	1,455
AUD	7,337	21,864	-	-	7,337	21,864
- Syariah						
RM	-	20,900	-	294,713	-	315,613
USD	2,162	8,724	5,933	23,939	8,095	32,663
Hire purchase creditors and finance lease						
- Conventional						
RM	-	498	-	1,763	-	2,261
AUD	9	26	-	-	9	26
- Syariah						
RM	-	10,178	-	15,896	-	26,074
Unsecured:						
Revolving credits						
- Conventional						
AUD	1,854	5,526	-	-	1,854	5,526
- Syariah						
RM	-	209,500	-	-	-	209,500
Bank overdrafts						
- Syariah						
RM	-	6,348	-	-	-	6,348
Islamic Medium Term Notes	-	-	-	1,100,000	-	1,100,000
		284,340		1,436,990		1,721,330
Transfer to liabilities associated with assets held for sale						
AUD	(9,200)	(27,416)	-	-	(9,200)	(27,416)
Total		256,924		1,436,990		1,693,914

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

B7 BORROWINGS AND LEASE LIABILITIES (CONTINUED)

(a) Borrowings (continued)

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

The key exchange rate used is as follows;

	30.06.2019	30.06.2018
1 Australian Dollar	2.8977	2.9799
1 US Dollar	4.1878	4.0350

Material changes in borrowings

There are no material changes in borrowings during the second quarter of 2019. While in the second quarter of 2018, the increase in borrowings 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 30 June 2018 was RM1.1 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: 6.50% p.a. (2018: 5.05% p.a.)
- Hire purchase: 3.11% p.a. (2018: 3.13% p.a.)
- Islamic Medium Term Notes: 5.76% p.a. (2018: 5.73% p.a.)
- Overdraft: 6.60% p.a. (2018: 6.28% p.a.)
- Revolving credit: 4.54% p.a. (2018: 4.17% p.a.)

(b) Lease liabilities

	30.06.2019 RM'000
Current	
- Finance lease previously classified as borrowings	633
- Lease liabilities*	31,333
	31,966
Non-current	
- Lease liabilities*	1,035,299
	1,067,265

* 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 SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

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

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.

ii. Second interim dividend of 0.50 sen per share on 4,322,068,715 ordinary shares amounting to RM 21,610,343. The dividend was declared on 31 May 2019 and was fully paid on 28 June 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 30.06.2019	As at 30.06.2018
Continuing operations		
Profit attributable to Owners of the Company (RM'000)	83,362	84,783
Weighted average number of ordinary shares in issue ('000)	4,318,163	4,213,814
Basic earnings per share (sen)	1.93	2.01
Discontinued operation		
(Loss)/profit attributable to Owners of the Company (RM'000)	(2,407)	36
Weighted average number of ordinary shares in issue ('000)	4,318,163	4,213,814
Basic earnings per share (sen)	(0.06)	0.00

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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 30.06.2019	As at 30.06.2018
Continuing operations		
Profit attributable to Owners of the Company (RM'000)	83,362	84,783
Weighted average number of ordinary shares in issue ('000)	4,318,163	4,213,814
Assumed shares issued from the		
- exercise of warrants ('000)	-	345,634
- exercise of ESOS ('000)	192,830	253,876
Weighted average number of ordinary shares in issue ('000)	4,510,993	4,813,324
Diluted earnings per share (sen)	1.85	1.76
Discontinued operation		
(Loss)/profit attributable to Owners of the Company (RM'000)	(2,407)	36
Weighted average number of ordinary shares in issue ('000)	4,318,163	4,213,814
Assumed shares issued from the		
- exercise of warrants ('000)	-	345,634
- exercise of ESOS ('000)	192,830	253,876
Weighted average number of ordinary shares in issue ('000)	4,510,993	4,813,324
Diluted earnings per share (sen)	(0.05)	0.00