

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019**

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORTS

FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Directors of KPJ Healthcare Berhad are pleased to announce the financial results for the Group for the fourth quarter and financial year ended 31 December 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 2019 and the accompanying explanatory notes attached to this report.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Individual Quarter			Cumulative Quarter		
		3 months ended			12 months ended		
		31.12.2019	31.12.2018	Var	31.12.2019	31.12.2018	Var
		RM'000	RM'000	%	RM'000	RM'000	%
			Re-presented		Audited	Audited	
					Re-presented		
Revenue		944,003	876,547	8	3,604,364	3,365,608	7
Cost of sales		(665,052)	(600,175)	11	(2,494,110)	(2,329,282)	7
Gross profit		278,951	276,372	1	1,110,254	1,036,326	7
Administrative expenses		(184,514)	(206,116)	(10)	(751,990)	(765,757)	(2)
Other income		5,049	10,466	(52)	21,652	30,830	(30)
Zakat		(542)	(217)	>100	(3,443)	(3,930)	(12)
Operating profit		98,944	80,505	23	376,473	297,469	27
Finance income		4,513	3,826	18	14,206	10,066	41
Finance costs		(19,860)	(25,389)	(22)	(89,534)	(91,148)	(2)
- Borrowings		(22,105)	-	100	(69,631)	-	100
- Lease liabilities							
Finance costs - net		(37,452)	(21,563)	74	(144,959)	(81,082)	79
Share of results of associates, net of tax		16,842	18,188	(7)	43,879	41,670	5
Profit before tax	B2	78,334	77,130	2	275,393	258,057	7
Tax	B5	12,454	(22,094)	>(100)	(48,696)	(71,872)	(32)
Profit for the financial year		90,788	55,036	65	226,697	186,185	22

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	<u>Individual Quarter</u>			<u>Cumulative Quarter</u>		
	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>Var</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>Var</u>
	RM'000	RM'000	%	RM'000	RM'000	%
		Re-presented		Audited	Audited	
				Re-presented		
Other comprehensive income for the financial year, net of tax	6,026	36,597	(84)	6,026	36,597	(84)
Total comprehensive income for the financial year	<u>96,814</u>	<u>91,633</u>	6	<u>232,723</u>	<u>222,782</u>	4
Profit for the financial year attributable to:						
Owners of the Company	84,001	53,324	58	211,368	179,444	18
Non-controlling interests	6,787	1,712	>100	15,329	6,741	>100
	<u>90,788</u>	<u>55,036</u>	65	<u>226,697</u>	<u>186,185</u>	22
Total comprehensive income for the financial year attributable to:						
Owners of the Company	90,027	89,921	0	217,394	216,041	1
Non-controlling interests	6,787	1,712	>100	15,329	6,741	>100
	<u>96,814</u>	<u>91,633</u>	6	<u>232,723</u>	<u>222,782</u>	4

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	<u>Individual Quarter</u>			<u>Cumulative Quarter</u>		
	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>Var</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>Var</u>
	Sen	Sen	%	Sen	Sen	%
Dividend per share	0.50	0.50	-	2.00	2.00	-
Earnings per share attributable to Owners of the Company:						
Basic	1.97	1.24		4.95	4.12	
Diluted	1.89	1.18		4.74	3.71	

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	<u>Note</u>	<u>31.12.2019</u> RM'000	<u>31.12.2018</u> RM'000
<u>ASSETS</u>			
<u>Non-current assets</u>			
Property, plant and equipment	A9	2,598,686	2,430,363
Right-of-use assets		1,084,159	-
Investment properties		328,582	311,460
Intangible assets		235,402	236,470
Investment in associates		445,715	422,461
Equity instruments classified as FVOCI*		4,678	4,678
Deferred tax assets		109,126	68,463
		<u>4,806,348</u>	<u>3,473,895</u>
<u>Current assets</u>			
Inventories		53,609	50,170
Trade and other receivables		549,602	515,743
Tax recoverable		92,679	30,815
Deposits, bank and cash balances		478,335	540,204
Dividend receivable		5,274	5,514
		<u>1,179,499</u>	<u>1,142,446</u>
Assets held for sale		-	176,528
		<u>1,179,499</u>	<u>1,318,974</u>
Total assets		<u>5,985,847</u>	<u>4,792,869</u>
<u>EQUITY AND LIABILITIES</u>			
<u>Current liabilities</u>			
Trade and other payables		770,523	517,077
Contract liabilities		66,896	70,274
Current tax liabilities		2,252	14,233
Borrowings	B7(a)	289,513	264,264
Lease liabilities	B7(b)	47,359	-
Dividends payable		21,390	21,537
		<u>1,197,933</u>	<u>887,385</u>
Liabilities associated with assets held for sale		-	179,995
		<u>1,197,933</u>	<u>1,067,380</u>
Net current (liabilities)/assets		<u>(18,434)</u>	<u>251,594</u>

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (CONTINUED)

	<u>Note</u>	<u>31.12.2019</u> RM'000	<u>31.12.2018</u> RM'000
<u>Non-current liabilities</u>			
Trade and other payables		7,744	21,436
Borrowings	B7(a)	1,473,812	1,481,690
Lease liabilities	B7(b)	1,174,790	-
Deferred tax liabilities		64,962	68,657
Provision for retirement benefits		2,775	2,678
Deposits		14,567	14,325
		<u>2,738,650</u>	<u>1,588,786</u>
Total liabilities		<u>3,936,583</u>	<u>2,656,166</u>
Net assets		<u>2,049,264</u>	<u>2,136,703</u>
 <u>Equity attributable to Owners of the Company</u>			
Share capital	A6	906,743	860,295
Less: Treasury shares		(155,310)	(111,319)
Reserves		1,141,392	1,234,924
		<u>1,892,825</u>	<u>1,983,900</u>
Non-controlling interests		156,439	152,803
		<u>2,049,264</u>	<u>2,136,703</u>
Total equity and liabilities		<u>5,985,847</u>	<u>4,792,869</u>
 <u>Net assets per share attributable to Owners of the Company (RM)</u>			
		<u>0.43</u>	<u>0.45</u>

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

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD

(Incorporated in Malaysia)

**AUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Non-distributable							Distributable		Total	Non-controlling interest	Total equity
	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			
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	-	-	-	-	-	-	-	-	(223,828)	(223,828)	-	(223,828)
As restated	4,399,148	860,295	(111,319)	24,361	71,560	(3,367)	3,540	125,993	789,009	1,760,072	152,803	1,912,875
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	1,203	1,203	1,156	2,359
Comprehensive income:												
Profit for the financial year	-	-	-	-	-	-	-	-	211,368	211,368	15,329	226,697
Other comprehensive income:												
Currency translation differences of foreign subsidiaries	-	-	-	-	-	-	5,266	-	-	5,266	-	5,266
Revaluation surplus	-	-	-	-	-	-	-	760	-	760	-	760
Disposal of property, plant and equipment	-	-	-	-	-	-	-	(5,331)	5,331	-	-	-
Total other comprehensive income	-	-	-	-	-	-	5,266	(4,571)	5,331	6,026	-	6,026
	4,399,148	860,295	(111,319)	24,361	71,560	(3,367)	8,806	121,422	1,006,911	1,978,669	169,288	2,147,957

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD

(Incorporated in Malaysia)

**AUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

	Non-distributable							Distributable	Total	Non-controlling interest	Total equity	
	Number of shares	Share capital	Treasury shares	Warrant reserve	Esos reserve	Merger reserve	Exchange reserve	Revaluation reserve				Retained earnings
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Transactions with Owners:												
Issue of share capital:												
- Warrants	22,884	25,230	-	(2,117)	-	-	-	-	-	23,113	-	23,113
- ESOS	17,165	21,218	-	-	(5,599)	-	-	-	-	15,619	-	15,619
- Share buy-back	-	-	(43,991)	-	-	-	-	-	-	(43,991)	-	(43,991)
	40,049	46,448	(43,991)	(2,117)	(5,599)	-	-	-	-	(5,259)	-	(5,259)
ESOS expenses during the financial year	-	-	-	-	3,827	-	-	-	-	3,827	-	3,827
Lapsed ESOS	-	-	-	-	(8,635)	-	-	-	-	8,635	-	-
Lapsed warrant	-	-	-	(22,244)	-	-	-	-	-	22,244	-	-
Dividends on ordinary shares	-	-	-	-	-	-	-	-	(86,019)	(86,019)	-	(86,019)
Dividends paid to non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	-	(6,861)	(6,861)
Acquisition of interest in subsidiaries	-	-	-	-	-	-	-	-	1,537	1,537	(5,938)	(4,401)
Sales of interests in a subsidiary to non-controlling interest	-	-	-	-	-	-	-	-	70	70	(50)	20
Total transactions with Owners	40,049	46,448	(43,991)	(24,361)	(10,407)	-	-	-	(53,533)	(85,844)	(12,849)	(98,693)
At 31 December 2019	4,439,197	906,743	(155,310)	-	61,153	(3,367)	8,806	121,422	953,378	1,892,825	156,439	2,049,264

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD

(Incorporated in Malaysia)

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

	Non-distributable							Distributable		Total	Non-controlling interest	Total equity
	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			
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: Profit for the financial year	-	-	-	-	-	-	-	-	179,444	179,444	6,741	186,185
Other comprehensive income:												
Currency translation differences of foreign subsidiaries	-	-	-	-	-	-	8,674	-	-	8,674	-	8,674
Revaluation surplus	-	-	-	-	-	-	-	27,923	-	27,923	-	27,923
Total other comprehensive income	-	-	-	-	-	-	8,674	27,923	-	36,597	-	36,597
	<u>4,281,413</u>	<u>736,069</u>	<u>(55,411)</u>	<u>31,631</u>	<u>61,189</u>	<u>(3,367)</u>	<u>3,540</u>	<u>125,993</u>	<u>1,096,992</u>	<u>1,996,636</u>	<u>161,277</u>	<u>2,157,913</u>

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD

(Incorporated in Malaysia)

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

	Non-distributable							Distributable	Total	Non-controlling interest	Total equity	
	Number of shares	Share capital	Treasury shares	Warrant reserve	Esos reserve	Merger reserve	Exchange reserve	Revaluation reserve				Retained earnings
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Transactions with Owners:												
Issue of share capital:												
- Warrants	78,603	86,659	-	(7,270)	-	-	-	-	-	79,389	-	79,389
- ESOS	39,132	37,567	-	-	(1,957)	-	-	-	-	35,610	-	35,610
- Share buy-back	-	-	(55,908)	-	-	-	-	-	-	(55,908)	-	(55,908)
	117,735	124,226	(55,908)	(7,270)	(1,957)	-	-	-	-	59,091	-	59,091
ESOS expenses during the financial year												
Lapsed ESOS	-	-	-	-	12,854	-	-	-	-	12,854	-	12,854
Dividends on ordinary shares	-	-	-	-	(526)	-	-	-	526	-	-	-
Dividends paid to non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	(84,681)	(84,681)	-	(84,681)
	-	-	-	-	-	-	-	-	-	-	(8,474)	(8,474)
Total transactions with Owners	117,735	124,226	(55,908)	(7,270)	10,371	-	-	-	(84,155)	(12,736)	(8,474)	(21,210)
At 31 December 2018	4,399,148	860,295	(111,319)	24,361	71,560	(3,367)	3,540	125,993	1,012,837	1,983,900	152,803	2,136,703

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<u>31.12.2019</u>	<u>31.12.2018</u>
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	275,393	258,057
Adjustments for:		
Share of results of associates	(43,879)	(41,670)
Finance income	(14,206)	(10,066)
Finance costs		
- Borrowings	89,534	91,148
- Lease liabilities	69,631	-
Dividends received from Al-Salam REIT	(89)	(103)
Trade receivables:		
- Impairment charge for the year (net)	4,654	1,303
Share-based payments	3,827	12,854
Gain on fair value on investment properties	(1,830)	(10,931)
Gain on disposal of shares in associates (net)	(1,070)	-
(Gain)/loss on disposal of shares in subsidiaries	(117)	369
Property, plant and equipment		
- Depreciation	159,082	151,689
- Written-off	2,124	902
- Gain on disposal	(861)	(127)
Right-of-use assets		
- Depreciation	57,165	-
Inventories written-off	460	396
Amortisation of software development expenditure	4,013	3,798
Intangible assets written-off	-	750
Provision for retirement benefits	322	310
Negative goodwill on acquisition	(213)	-
	<hr/>	<hr/>
Operating profit before working capital changes	603,940	458,679
Changes in working capital:		
Inventories	(3,899)	518
Receivables	(21,535)	89,701
Payables	110,461	6,026
Contract liabilities	(3,378)	70,274
	<hr/>	<hr/>
Cash flows generated from operations	685,589	625,198
Income tax refund	17,928	2,555
Income tax paid	(112,970)	(109,278)
Retirement benefits paid	(225)	(248)
	<hr/>	<hr/>
Net cash generated from operating activities	590,322	518,227
	<hr/>	<hr/>

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

	<u>31.12.2019</u>	<u>31.12.2018</u>
	RM'000	RM'000
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(397,382)	(380,307)
Additions to investment properties	(4,720)	-
Additions to intangible assets	(6,680)	(7,322)
Additional investments in associates	-	(9,000)
Proceeds from disposal of property, plant and equipment	2,007	287
Proceeds from disposal of carparks to an associate	-	13,000
Proceeds from disposal of interest in subsidiary	1,148	10
Interest received	14,206	10,066
Increase in deposits with licensed banks with maturity of more than 3 months	(74,363)	(109,956)
Dividends received from associates	21,118	29,295
Net cash used in investing activities	<u>(444,666)</u>	<u>(453,927)</u>
FINANCING ACTIVITIES		
Investments in a subsidiary	2,720	(610)
Additional investments in subsidiaries	(1,810)	-
Proceeds from dilution of interest in subsidiary	20	119,920
Grant income received	10,384	-
Dividends paid to non-controlling interest	(6,861)	(8,474)
Issue of shares:		
- Warrants	23,113	79,389
- ESOS	15,619	35,610
- Share buy-back	(43,991)	(55,908)
Borrowings:		
- Drawdown	52,327	347,576
- Repayments	(75,325)	(219,229)
Payment of lease liabilities	(110,333)	-
Interest paid	(89,534)	(91,148)
Dividends paid to shareholders	(86,166)	(63,144)
Designated account	(182)	(3,182)
Net cash (used in)/generated from financing activities	<u>(310,019)</u>	<u>140,800</u>
Net changes in cash and cash equivalents	(164,363)	205,100
Currency translation differences	6,795	14,267
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	404,214	184,847
RECLASSIFICATION FROM NON-CURRENT ASSETS HELD FOR SALE	21,716	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>268,362</u>	<u>404,214</u>

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
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 2019.

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 2019, 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.
- Amendments to MFRS 9 ‘Prepayment Features with Negative Compensation’.
- Amendments to MFRS 119 ‘Plan Amendment, Curtailment or Settlement’.
- Amendments to MFRS 128 ‘Long Term Interests in Associates and Joint Ventures’.
- Annual Improvements to MFRSs 2015–2017 Cycle:
 - Amendments to MFRS 3 ‘Business Combinations’
 - Amendments to MFRS 11 ‘Joint Arrangements’
 - Amendments to MFRS 112 ‘Income Taxes’
 - Amendments to MFRS 123 ‘Borrowing Costs’
- IC Interpretation 23 ‘Uncertainty over Income Tax Treatments’.

The impact on the adoption of the MFRS 16 is disclosed in Note A5. Other than that, the adoption of other amendments listed above did not have any material impact on the current period or any prior period and is not likely to have a material effect for future periods.

Standards that have been issued but not yet effective

- Amendments to MFRS 3 ‘Business Combinations’ (effective 1 January 2020)
- Amendments to MFRS 101 and MFRS 108 ‘Definition of Material’ (effective 1 January 2020)

The adoption of these amendments is not expected to have any material impact on the current financial year or prior year and is not likely to affect future years.

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
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 2019 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 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:

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.

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
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.

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
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.

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
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

	<u>2019</u> RM'000
Operating lease commitments disclosed as at 31 December 2018	2,927,692
<u>Lease liabilities</u>	
Lease liability previously not disclosed as a lease commitment as it was classified as MFRS 5	76,111
Operating lease commitments discounted using the lessee's incremental borrowing rate at the date of initial application	1,080,739
	<u>1,156,850</u>
Lease liabilities recognised as at 1 January 2019:	
- Current lease liabilities	41,687
- Non-current lease liabilities	1,115,163
	<u>1,156,850</u>

The reclassification and adjustments to right-of-use assets and lease liabilities recognised have the following impact to financial statements as at 1 January 2019:

	As previously restated RM'000	Adoption of MFRS 16 RM'000	Reclassification of leasehold land RM'000	Reclassification from MFRS 5 RM'000	As restated RM'000
Property, plant and equipment	2,430,363	-	(168,289)	93,011	2,355,085
Right-of-use assets	-	862,508	168,289	-	1,030,797
Deferred tax assets	68,463	70,514	-	-	138,977
Retained earnings	1,012,837	(223,828)	-	-	789,009
Lease liabilities	-	1,156,850	-	-	1,156,850
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
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 tax for continuing operations for the year ended 31 December 2019 is shown below:

	RM'000
EBITDA with MFRS 16 impact	640,612
Impact on adoption of MFRS 16:	
- Lease rental	(110,333)
EBITDA without MFRS 16 impact	<u>530,279</u>
Profit before tax with MFRS 16 impact	275,393
Impact on adoption of MFRS 16:	
- Depreciation	57,165
- Finance costs	69,631
- Lease rental	(110,333)
	<u>16,463</u>
Profit before tax without MFRS 16 impact	<u>291,856</u>

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 year ended 31 December 2019, the Company repurchased 47,109,200 ordinary shares of its issued share capital from the open market at an average price of RM0.93 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.

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
2019 (CONTINUED)**

A7 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 (CONTINUED)

i. Treasury shares (continued)

As at 31 December 2019, the Company held a total of 162,306,700 of its 4,439,197,175 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM 155,310,152.

ii. Employees Share Option Scheme

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 was initially be in-force for a period of 5 years. However, upon approval from KPJ's Board of Directors (BOD) on 3 December 2019, it has been resolved that ESOS's period is extended to another 3 years, whereby there will be no additional options will be granted. The options will expire on 27 February 2023.

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 remained dividable 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.

During the year, the Company offered additional ESOS to eligible employees. The fair value of additional ESOS issued during the financial year is RM0.25 and the exercise price is RM0.91 (2018: RM0.91).

Movement of ESOS during the year:

	<u>31.12.2019</u> Units '000	<u>31.12.2018</u> Units '000
Outstanding as at 1 January	212,955	260,007
- Granted	1,089	1,792
- Exercised	(17,165)	(39,132)
- Lapsed	(8,476)	(9,712)
Outstanding as at 31 December	<u>188,403</u>	<u>212,955</u>

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
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:

	<u>31.12.2019</u>	<u>31.12.2019</u>
	Number of shares ('000)	RM'000
At 1 January	4,399,148	860,295
Issued during the financial period		
- exercise of warrant	22,884	25,230
- exercise of ESOS	17,165	21,218
	<u>4,439,197</u>	<u>906,743</u>
At 31 December	<u>4,439,197</u>	<u>906,743</u>

A7 DIVIDENDS

In respect of the financial year ended 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 RM 21,598,340. 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.
- iii. Third interim dividend of 0.50 sen per share on 4,284,117,355 ordinary shares amounting to RM 21,420,587. The dividend was declared on 30 August 2019 and was fully paid on 10 October 2019.
- iv. Fourth interim dividend of 0.50 sen per share on 4,278,001,795 ordinary shares amounting to RM 21,390,009. The dividend was declared on 28 November 2019 and was fully paid on 14 February 2020.

The Directors is in the opinion that the Company is able to pay its debts, identified as at the date of the statements of financial position, as being the debts as they fall due and that the company will remain solvent for the period of twelve months after the date of declaration.

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
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 Executive Committee (“EXCO”). The EXCO considers the business by geographical location. The reportable segments have been identified as follows:

- 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 and aged care services in Indonesia, Thailand, Bangladesh and Australia, 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.

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 EXCO assesses the performance of the operating segments based on earnings before interest, tax, depreciation and amortisation (“EBITDA”) and profit before tax.

Individual quarter 3 months ended

	<u>Malaysia</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>31 December 2019</u>			
<u>Revenue</u>			
Revenue from external customers	900,643	43,360	944,003
<u>Results</u>			
EBITDA*	166,695	14,028	180,723
Profit/(loss) before tax	97,045	(18,711)	78,334
Total assets	5,396,232	589,615	5,985,847
Total liabilities	3,507,942	428,641	3,936,583
Additions to property, plant and equipment	147,361	5,216	152,577

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
2019 (CONTINUED)**

A8 SEGMENT REPORTING (CONTINUED)

Individual quarter 3 months ended (continued)

	<u>Malaysia</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>31 December 2018</u>			
<u>Revenue</u>			
Revenue from external customers	835,853	40,694	876,547
<u>Results</u>			
EBITDA*	149,344	(5,910)	143,434
Profit/(loss) before tax	87,536	(10,406)	77,130
Total assets	4,328,015	464,854	4,792,869
Total liabilities	2,407,571	248,595	2,656,166
Additions to property, plant and equipment	189,647	887	190,534

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

	<u>Indonesia</u> IDR'000	<u>Indonesia</u> RM'000	<u>Australia</u> AUD'000	<u>Australia</u> RM'000
<u>31 December 2019</u>				
<u>Revenue</u>				
Revenue from external customers	51,141,379	14,831	4,534	13,408
<u>Results</u>				
EBITDA*	(1,358,621)	(394)	3,545	10,230
Profit before tax	(40,706,897)	(11,805)	(493)	(1,473)
Total assets	511,258,054	150,770	72,579	208,489
Total liabilities	122,722,957	36,191	81,110	232,997
Additions to property, plant and equipment	9,132,866	2,692	287	823

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
2019 (CONTINUED)**

A8 SEGMENT REPORTING (CONTINUED)

Individual quarter 3 months ended (continued)

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

	<u>Indonesia</u> IDR'000	<u>Indonesia</u> RM'000	<u>Australia</u> AUD'000	<u>Australia</u> RM'000
<u>31 December 2018</u>				
<u>Revenue</u>				
Revenue from external customers	41,087,372	12,400	4,495	13,202
<u>Results</u>				
EBITDA*	(5,284,805)	(1,508)	(1,520)	(4,650)
Profit before tax	(13,782,028)	(4,063)	(1,291)	(3,921)
Total assets	514,740,351	146,701	59,337	173,205
Total liabilities	155,698,246	44,374	65,405	190,916
Additions to property, plant and equipment	2,587,577	808	242	706

Cumulative 12 months ended

	<u>Malaysia</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>31 December 2019</u>			
<u>Revenue</u>			
Revenue from external customers	3,436,876	167,488	3,604,364
<u>Results</u>			
EBITDA*	619,620	20,992	640,612
Profit/(loss) before tax	309,385	(33,992)	275,393
Total assets	5,396,232	589,615	5,985,847
Total liabilities	3,507,942	428,641	3,936,583
Additions to property, plant and equipment	405,711	9,871	415,582

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
2019 (CONTINUED)**

A8 SEGMENT REPORTING (CONTINUED)

Cumulative 12 months ended (continued)

	<u>Malaysia</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>31 December 2018</u>			
<u>Revenue</u>			
Revenue from external customers	3,205,783	159,825	3,365,608
<u>Results</u>			
EBITDA*	499,445	(2,477)	496,968
Profit/(loss) before tax	274,292	(16,235)	258,057
Total assets	4,328,015	464,854	4,792,869
Total liabilities	2,407,571	248,595	2,656,166
Additions to property, plant and equipment	380,610	8,571	389,181

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

	<u>Indonesia</u> IDR'000	<u>Indonesia</u> RM'000	<u>Australia</u> AUD'000	<u>Australia</u> RM'000
<u>31 December 2019</u>				
<u>Revenue</u>				
Revenue from external customers	196,110,345	56,872	17,920	51,893
<u>Results</u>				
EBITDA*	33,862,069	9,820	1,826	5,287
Profit before tax	(33,737,931)	(9,784)	(2,726)	(7,894)
Total assets	511,258,054	150,770	72,579	208,489
Total liabilities	122,722,957	36,191	81,110	232,997
Additions to property, plant and equipment	21,956,595	6,475	287	823

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
2019 (CONTINUED)**

A8 SEGMENT REPORTING (CONTINUED)

Cumulative 12 months ended (continued)

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

	<u>Indonesia</u> IDR'000	<u>Indonesia</u> RM'000	<u>Australia</u> AUD'000	<u>Australia</u> RM'000
<u>31 December 2018</u>				
<u>Revenue</u>				
Revenue from external customers	148,757,275	43,452	18,893	57,491
<u>Results</u>				
EBITDA*	4,361,520	1,274	(711)	(2,162)
Profit before tax	(23,854,844)	(6,968)	(1,487)	(4,524)
Total assets	514,740,351	146,701	55,157	161,004
Total liabilities	155,698,246	44,374	61,225	178,715
Additions to property, plant and equipment	11,992,982	3,418	242	706

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

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

	<u>31.12.2019</u>	<u>31.12.2018</u>
1 Australian Dollar		
Closing	2.8726	2.9190
Average	2.8958	3.0429
1,000 Indonesian Rupiah		
Closing	0.2949	0.2850
Average	0.2900	0.2921

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER
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 year end, the Group assessed 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 financial year ended 31 December 2019 that has not been reflected in this interim financial report.

A11 CHANGES IN THE COMPOSITION OF THE GROUP

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

A12 CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since the statement of financial position as at 31 December 2019.

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 December 2019 are as follows:

	RM'000
Approved by the Directors and contracted	235,895
Approved by the Directors but not contracted	176,522
	<hr/>
	412,417
	<hr/> <hr/>

Analysed as follows:

Building	253,546
Medical equipment	136,448
Other property, plant and equipment	22,423
	<hr/>
	412,417
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KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

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

For the quarter ended 31 December 2019, the Group recorded a total revenue of RM944.0 million, an 8% growth from RM876.5 million as reported in quarter 4, 2018. This growth were contributed by hospitals operations, mainly from Malaysia segment.

In line with the revenue growth, current quarter EBITDA was recorded at RM180.7 million, 26% increased as compared to EBITDA of the corresponding quarter in 2018, at RM143.4 million. The adoption of MFRS 16 in financial year 2019 has therefore eliminate rental expenses in profit and loss and replaced by depreciation and finance costs hence affected the recorded Group's EBITDA for year 2019. [Refer to Note A5(d)(ii) on the reconciliation between EBITDA and profit before tax with MFRS 16 impact].

The revenue and EBITDA growth in current quarter was contributed by the existing and new hospitals, such as KPJ Rawang, KPJ Pasir Gudang, KPJ Tawakkal KL, KPJ Batu Pahat, KPJ Perlis and KPJ Bandar Dato' Onn. This is evidenced by increased in number of patients and procedures performed in particular, surgeries. The opening of the new block in KPJ Seremban has resulted in increased number of beds and consequently increased the revenue.

The profit before tax for the current quarter was recorded at RM78.3 million, an increase of 2% from RM77.1 million as reported in the same quarter in 2018. The growth of profit before tax was affected by lower gain on fair value of investment properties at balance sheet date of RM 1.0 million against RM10.9 million in comparative quarter in 2018.

Malaysia

Revenue from Malaysia segment for the current quarter was recorded at RM900.6 million, increased of RM64.7 million as compared to the same quarter in corresponding year, of RM835.9 million.

In the same quarter, Malaysia segment recorded an EBITDA of RM166.7 million, an increase of 12% from RM149.3 million in 2018.

In current quarter, Malaysia segment recorded profit before tax of RM97.0 million, 11% increased from RM87.5 million in 2018. The growth of profit before tax was in line with the increase in revenue and cost optimisation exercised, despite the losses from newly-opened hospitals, KPJ Batu Pahat and KPJ Miri which was opened in quarter 4, 2019.

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

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

Others

Revenue from Others segment was recorded at RM 43.4 million, an increase of 7% from RM40.7 million in 2018. Rumah Sakit Medika Bumi Serpong Damai contributed significantly as it had added 12 number of beds to expand its current capacity, where it recorded 19% growth in number of patients in current quarter. EBITDA from Others segment was reported at RM14.0 million, 100% higher than loss EBITDA of RM5.9 million as reported in the same quarter in corresponding year. Other than improved performance from Indonesian operations, Others segment's EBITDA also impacted by the adoption of MFRS 16 which resulted to recognition of depreciation from right-of-use assets and interest from lease liabilities by RM11.1 million and RM6.0 million respectively.

- b. Review on statements of comprehensive income for current financial year compared to prior financial year (12 months)

For the year ended 31 December 2019, the Group recorded a total revenue of RM3,604.4 million, a 7% growth from RM3,365.6 million as reported in year 2018. This growth were contributed by hospitals operations, mainly from Malaysia segment.

In line with the revenue growth, current year EBITDA was recorded at RM640.6 million, 29% increased as compared to EBITDA of the corresponding year, at RM497.0 million. The adoption of MFRS 16 in financial year 2019 has therefore eliminate rental expenses in profit and loss and replaced by depreciation and finance costs, hence affected the recorded Group's EBITDA for year 2019. [Refer to Note A5(d)(ii) on the reconciliation between EBITDA and profit before tax with MFRS 16 impact].

The revenue and EBITDA growth in current year was contributed by the existing and new hospitals, such as KPJ Rawang, KPJ Pasir Gudang, KPJ Tawakkal KL, KPJ Batu Pahat, KPJ Perlis and KPJ Bandar Dato' Onn. This is evidenced by increased in number of patients and procedures performed in particular, surgeries. The opening of the new block in KPJ Seremban has resulted in increased number of beds and consequently increased the revenue.

The profit before tax for the year was recorded at RM275.4 million, an increase of 7% from RM258.1 million as reported in 2018. The growth of profit before tax in line with the increase in revenue and cost optimisation exercised within the Group.

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

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

Malaysia

Revenue from Malaysia segment for the year was recorded at RM3,436.9 million an increase of RM231.1 million as compared to the same quarter in corresponding year, of RM3,205.8 million. In 2019, Malaysia segment recorded an EBITDA of RM619.6 million, an increase of 24% from RM499.4 million in 2018.

In 2019, Malaysia segment recorded profit before tax of RM309.4 million, 13% increased from RM274.3 million in 2018, the growth was resulted from improved revenue by the hospitals.

Others

Revenue from Others segment was recorded at RM 167.5 million, an increase of 5% from RM159.8 million in 2018. Rumah Sakit Medika Bumi Serpong Damai contributed significantly as it had added 12 number of beds to expand its current capacity, where it recorded 16% growth in number of patients in current year. EBITDA from Others segment was reported at RM21.0 million, 100% higher than loss EBITDA of RM2.5 million reported in 2018. Other than improved performance from Indonesian operations, Others segment's EBITDA also impacted by the adoption of MFRS 16 which resulted to recognition of depreciation from right-of-use assets and interest from lease liabilities by RM15.3 million and RM11.5 million respectively.

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

Group

The Group's total assets as at 31 December 2019 was RM5,985.8 million, an increase of 25% as compared to RM4,792.9 million as at 31 December 2018. The Group's total liabilities as at 31 December 2019 was RM3,936.6 million, increased by 48% as compared to RM2,656.2 million as at 31 December 2018. The increase was mainly contributed by the progress of new hospitals under development and expansion of existing hospitals.

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 RM913.5 million and RM1,222.1 million respectively. There were no such balances during the corresponding year.

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

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

Malaysia

Malaysia segment expanded its total assets by 25% with RM5,396.2 million reported as at 31 December 2019 in comparison to RM4,328.0 million as at 31 December 2018. The increment was mainly attributable to the additional investments in property, plant and equipment arising from the newly-opened hospitals, KPJ Bandar Dato Onn, KPJ Perlis, KPJ Batu Pahat and KPJ Miri and soon-to-be opened hospital, KPJ BDC which is currently under construction. Meanwhile, KPJ Puteri, KPJ Seremban and KPJ Penang which are in the midst of expanding their hospital buildings have also contributed to the increase in total assets, correspondingly the total liabilities for current year of RM3,507.9 million had increased in comparison to RM2,407.6 million as at 31 December 2018 mainly due to financing of the construction costs and purchase of medical equipment.

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 RM766.4 million and RM1,037.9 million respectively. There were no such balances in the corresponding year.

Others

Total assets in this segment was significantly derived from Indonesian and Australian operations which registered at RM150.8 million and RM208.5 million respectively, and the remaining is assets recorded in the other support services companies. Meanwhile, total liabilities from Indonesia and Australian operations was reported at RM36.2 million and RM 233.0 million with the balance of RM159.4 million from other support services companies. The increase in assets and liabilities are significantly contributed by the increased in operation activities from the two hospitals in Indonesia.

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 RM147.1 million and RM184.2 million respectively.

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

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

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

Group

The net cash generated from operating activities is RM592.7 million, increased by 14% from previous year. This increase was contributed by profit improvement and coupled with operating efficiencies specifically improvement on debtors' turnover days to 40 days, 4 days faster as compared to 44 days in 2018.

Cash outflows from investing activities was largely used for purchase of property, plant and equipment of new hospitals, namely KPJ Perlis, KPJ Bandar Dato' Onn, KPJ Batu Pahat and KPJ Miri. Other outflows were used for development and expansion of hospital buildings, such as KPJ Ampang Puteri, KPJ Penang, KPJ Seremban and KPJ Puteri. The significant inflows of cash within investing activities was dividend received from associates mainly from Al-'Aqar Healthcare REIT amount to RM21.1 million.

The cash inflows from financing activities were from issuance of shares through warrants and ESOS amounting to RM38.7 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 of borrowings amounting to RM52.3 million. The cash outflows was mainly dividends paid to shareholders amounting to RM86.2 million, and repurchased of 47.1 million ordinary shares from the open market amounting to RM44.0 million.

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

B2 MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter ended <u>31.12.2019</u>	Quarter ended <u>30.09.2019</u>	Var
	RM'000	RM'000	%
Revenue	944,003	919,104	3
Operating profit	98,944	92,492	7
EBITDA	180,722	154,659	17
Profit / (loss) before tax	78,334	69,683	12
Net profit / (loss) for the financial period	90,788	48,718	86
Total comprehensive income for the financial period	96,814	48,718	99
Profit attributable to Owners of the Company	84,001	46,413	81
No. of inpatient (episode)	85,920	87,001	(1)
No. of outpatient (episode)	745,377	744,335	0

Revenue in the current quarter was recorded at RM944.0 million, an increase of 3% as compared to the revenue in preceding quarter of RM919.1 million. EBITDA of RM180.7 million has increased by 17% as compared to RM154.6 million and profit before tax improved by 12% and closed at RM78.3 million as compared to RM69.7 million, in the preceding quarter. Net profit had significantly improved due to tax credit from recognition of investment tax allowance during this quarter, resulting to reduction in tax expense. This has subsequently improved the total comprehensive income and profit attributable to Owners of the Company during this quarter.

B3 CURRENT YEAR PROSPECTS

Group

The additional capacity from new hospitals which has started its operation, coupled with the completion of the expansion at the existing hospitals will complement to the rising demand for healthcare services by the local and foreign patients. Notwithstanding the slower growth rate of Malaysia's economic in 2019, the Group is optimistic to continue its performance in 2020.

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.

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

B5 TAX

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
	RM'000	RM'000	RM'000	RM'000
Income tax expense	(12,454)	22,094	48,696	71,872

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 fourth quarter and financial year ended 31 December 2019 was lower due to the recognition of tax credit arising from the recognition of investment tax allowance, which the Group had obtained the approval from the authority in the last quarter of 2019.

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. Following the approval, management commenced discussion with buyers in connection with the disposal. The disposal is subject to the approval by the relevant authorities and was expected to be completed in 2019.

In October 2019, the Directors acknowledged that the aged care providers such as Jeta Gardens have been adversely affected by changes in policies and actions by the Australian Government. During the financial year 2019, the Government launched an Aged Care Royal Commission Inquest into the aged care quality and safety of the aged care industry of which the results of this inquest is only expected to be made available to the public by end of 2020. In addition, the Government is also making available more home care packages, thereby reducing the demand for aged care facilities.

In this unfavourable and uncertain market condition, potential investors are more cautious in their decision to invest or expand their business until there are more clarity in respect of the findings from the inquest and subsequent decision to be taken by the Government, if any.

Due to this current development, Directors have decided that the disposal will not be completed within the next twelve months and believes it is more appropriate to take the opportunity to improve the operations of Jeta Gardens under the current climate and reconsider any divestment in the future, if required. The Directors will review the financial structure and management of Jeta Gardens to improve sustainability and subsequently increase shareholders' return.

Since the investment in Jeta Gardens no longer meets the criteria set in MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", this disposal group has been represented as continuing operations in the current year in accordance with paragraph 36 of MFRS 5.

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 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
<u>As at 31 December 2019</u>						
Secured:						
Term loans						
- Conventional						
AUD	2,479	7,120	1,663	4,778	4,142	11,898
- Syariah						
RM	-	54,048	-	328,745	-	382,793
USD	2,298	9,441	3,662	15,041	5,960	24,482
Hire purchase creditors and finance lease						
- Conventional						
RM	-	386	-	957	-	1,343
AUD	1	2	-	-	1	2
- Syariah						
RM	-	7,228	-	24,305	-	31,533
Unsecured:						
Revolving credits						
- Conventional						
AUD	1,854	5,327	-	-	1,854	5,327
- Syariah						
RM	-	197,300	-	-	-	197,300
Bank overdrafts						
- Syariah						
RM	-	8,688	-	-	-	8,688
Islamic Medium Term Notes						
	-	-	-	1,100,000	-	1,100,000
		289,540		1,473,826		1,763,366
Finance lease transfer to lease liabilities						
RM		(27)		(14)		(41)
Total		289,513		1,473,812		1,763,325

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 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
<u>As at 31 December 2018</u>						
Secured:						
Term loans						
- Conventional						
RM	-	390	-	843	-	1,233
AUD	5,742	16,762	-	-	5,742	16,762
- Syariah						
RM	-	51,728	-	344,485	-	396,213
USD	2,398	9,956	5,483	22,758	7,881	32,714
Hire purchase creditors and finance lease						
- Conventional						
RM	-	769	-	695	-	1,464
AUD	5	14	-	-	5	14
- Syariah						
RM	-	5,170	-	13,752	-	18,922
Unsecured:						
Revolving credits						
- Conventional						
AUD	1,854	5,413	-	-	1,854	5,413
- Syariah						
RM	-	187,000	-	-	-	187,000
Bank overdrafts						
- Syariah						
RM	-	9,251	-	-	-	9,251
Islamic Medium Term Notes						
	-	-	-	1,100,000	-	1,100,000
		286,453		1,482,533		1,768,986
Transfer to liabilities associated with assets held for sale						
AUD	(7,601)	(22,189)	-	-	(7,601)	(22,189)
RM	-	-	-	(843)	-	(843)
Total		264,264		1,481,690		1,745,954

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

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

	<u>31.12.2019</u>	<u>31.12.2018</u>
1 Australian Dollar	2.8726	2.9190
1 US Dollar	<u>4.1073</u>	<u>4.1510</u>

Material changes in borrowings

There was no material changes in borrowings during the current year as compared to the corresponding year. The increase was mainly due to the drawdown on term loans which were used to finance the development costs of the ongoing projects of new hospitals and renovation of existing hospitals.

Weighted average interest rate of borrowings are as follows:

- Term loan: 5.75% p.a. (2018: 5.58% p.a.)
- Hire purchase: 2.56% p.a. (2018: 2.79% p.a.)
- Islamic Medium Term Notes: 5.76% p.a. (2018: 5.76% p.a.)
- Overdraft: 6.42% p.a. (2018: 6.52% p.a.)
- Revolving credit: 4.30% p.a. (2018: 4.54% p.a.)

(b) Lease liabilities

	<u>31.12.2019</u> RM'000
Amount due for settlement within 12 months	
- Finance lease previously classified as borrowings	41
- Lease liabilities*	<u>47,318</u>
	<u>47,359</u>
Amount due for settlement after 12 months	
- Lease liabilities*	<u>1,174,790</u>
	<u><u>1,222,149</u></u>

* Included in the line item 'lease liabilities' in the consolidated statements of financial position. In the previous year, 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.

Registration No.

199201015575 (247079-M)

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 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 statement of financial position.

B10 DIVIDENDS

In respect of the financial year ended 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 RM 21,598,340. 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.
- iii. Third interim dividend of 0.50 sen per share on 4,284,117,355 ordinary shares amounting to RM 21,420,587. The dividend was declared on 30 August 2019 and was fully paid on 10 October 2019.
- iv. Fourth interim dividend of 0.50 sen per share on 4,278,001,795 ordinary shares amounting to RM 21,390,009. The dividend was declared on 28 November 2019 and was fully paid on 14 February 2020.

The Directors is in the opinion that the Company is able to pay its debts, identified as at the date of the statements of financial position, as being the debts as they fall due and that the company will remain solvent for the period of twelve months after the date of declaration.

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

B11 EARNINGS PER SHARE

(a) Basic earnings per share

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

	As at <u>31.12.2019</u>	As at <u>31.12.2018</u>
Profit attributable to Owners of the Company (RM'000)	211,368	179,444
Weighted average number of ordinary shares in issue ('000)	4,271,338	4,355,011
Basic earnings per share (sen)	<u>4.95</u>	<u>4.12</u>

(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 is ESOS.

For the ESOS granted to employees, 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 outstanding ESOS. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of 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 year for the ESOS calculation.

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

	As at <u>31.12.2019</u>	As at <u>31.12.2018</u>
Profit attributable to Owners of the Company (RM'000)	211,368	179,444
Weighted average number of ordinary shares in issue ('000)	4,271,338	4,355,011
Assumed shares issued from the		
- exercise of warrants ('000)	-	267,032
- exercise of ESOS ('000)	188,403	212,955
Weighted average number of ordinary shares in issue ('000)	<u>4,459,741</u>	<u>4,834,998</u>
Diluted earnings per share (sen)	<u>4.74</u>	<u>3.71</u>