



Care for Life

27th Annual General Meeting

9 July 2020



KPJ HEALTHCARE BERHAD

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Welcome Remarks by the Chairman

Dato' Yusli Bin
Mohamed Yusoff



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Poll Voting

The Chairman is authorised to regulate the meeting by virtue to Paragraph 8.29A of the MMLR, all resolutions tabled at General Meeting to be voted by poll

Poll Administrator & Scrutineers

Poll Administrator :

**Tricor Investor & Issuing House
Services Sdn Bhd**

Scrutineers:

Coopers Professional Scrutineers Sdn Bhd



Briefing by Poll Administrator on STEPS TO CAST YOUR VOTE REMOTELY

Opening Remarks by the Chairman

**Dato' Yusli Bin
Mohamed Yusoff**



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Ordinary Business Agenda 1

**To receive the Audited Financial Statements
for the year ended 31 December 2019 and
the Reports of the Directors and
Auditors thereon.**

Presentation to Shareholders by President & Managing Director

AHMAD SHAHIZAM
BIN MOHD SHARIFF



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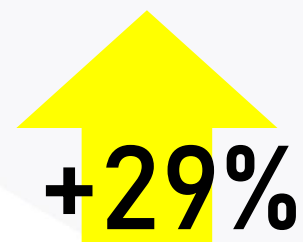
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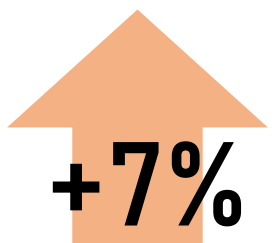
Total revenue in 2019
RM3.6 billion
(2018 : RM 3.4 billion)

Dividend in 2019
2.00 sen
(2018 : 2.00 sen)



EBITDA in 2019
RM640.6 million
(2018 : RM 497.0 million)

2019 Highlights



PBT in 2019
RM275.4 million
(2018 : RM 258.1 million)

Basic EPS in 2019
4.95 sen
(2018 : 4.12 sen)

0.83sen

2019 Highlights

↑ Outpatients
+4.7%

2.90 mil

2.77
mil

Malaysia : 3.5% ^

Indonesia : 8.7% ^

Dhaka : 28.8% ^

Inpatients ↑
+6.1%

331 k


312 k

Malaysia : 5.1% ^

Indonesia : 20.5% ^

Dhaka : 55.2% ^

● 2019
● 2018



 **Operating Beds**
+3.7%

3,313

3,436

Malaysia : 3.0 %  

Indonesia : ~

Dhaka 60.0%  

2019 Highlights



Consultants 
+6.7%

1,259

1,181

Malaysia : 6.7 %  

Indonesia : 15.1 %  

Dhaka : (17.9)%  

 2019

 2018

~ maintain

2019 Highlights

Occupancy Rates

Malaysia – 67%
Indonesia – 54%
Dhaka – 60%

Malaysia : 2.6% ^ ^

Indonesia : 20.0% ^ ^

Dhaka : (18.9%) v v

Avg Length of Stay

Malaysia : 2.5 days

Indonesia : 3.2 days

Dhaka : 2.6 days

2019 Network Expansion



150 Beds

KPJ BDO- *greenfield*



90 Beds

KPJ Batu Pahat - *greenfield*



96 Beds

KPJ Miri- *greenfield*



120 beds

KPJ Ampang Puteri - *brownfield*



87 beds

KPJ Seremban - *brownfield*

Ancillary Services



Retail Pharmacy



HEALTHSHOPPE

-10 outlets in Klang Valley, Johor, Ipoh, Seremban, Kuantan with 1 online store



- 3 full fledge retail pharmacy opened in Bangi, Shah Alam and Kota Damansara

Wellness & Aged Care

- Kuantan Wellness Centre (Confinement Centre & Rehabilitation)
- Damai Care & Wellness Centre (Confinement Centre & Rehabilitation)
- KPJ Tawakkal KL Health Centre (Dental Specialist & Rehabilitation)
- Sibu Geriatric Centre
- Jeta Gardens Australia

2019 Awards



Anugerah Kecemerlangan Industri (AKI)

Hospital : KPJ Ipoh Specialist Hospital
Award : Winner of the Prime Minister's Award and
Winner of Services Sector Awards.



Hospital Management Asia Award

Hospital : KPJ Ipoh Specialist Hospital
Award : Gold Award in the category Mobile & Online
Services Project at Advanced and Live
Queuing System Hospital Management Asia
(HMA) 2019
Venue : Hanoi, Vietnam.

Global Health & Travel Awards

Hospital : KPJ Tawakkal KL Specialist Hospital
Award : Orthopedic Service Provider of The
Year in Asia Pacific.

Thank You



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Q&A

Questions raised by
MSWG and EPF



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1. Covid-19 Pandemic
 - a) To what extent has the pandemic impacted KPJ's business prospects in its home markets?
What are the measures taken by the Group to lessen the impact of the pandemic?
 - b) Given the pandemic, what are the Group's expected revenue growth and EBITDA growth rates in FY2020?

Answer:

The Group average Bed Occupancy Rate ("BOR") dropped to below the historical average of 65%, due to the unprecedented COVID-19 pandemic and the imposition of Movement Control Order ("MCO").

In line with the government's directives on managing the pandemic, the Group took a more cautious approach in managing our hospital operations to safeguard hospital facilities and ensure the safety of our doctors and employees.

Our hospital activities were at its lowest in April 2020. Currently, the BOR of the majority of hospitals (20 of 28 hospitals) are above 45% level. We expect a gradual recovery of hospital activities, barring any 2nd or 3rd wave COVID-19 outbreak in the coming months. The Group is cautiously optimistic that its financial performance will improve in FY2021.



2. KPJ has opened three new hospitals in 2019, namely KPJ Bandar Dato' Onn (operations commenced in February 2019 with a total of 30 beds), KPJ Batu Pahat (operations commenced October 2019 with a total of 29 beds) and KPJ Miri (operations commenced December 2019) (Page 79 of the 2019 Integrated Report)

- a) What are the current occupancy rates and patient volumes for the hospitals?
- b) As the hospitals are still under the gestation period, how does KPJ manage the hospitals' operating expenses to minimise the impact to bottom-line results? What is the earnings outlook for the hospitals in FY2020?

Answer:

a) For the month of May 2020, the Outpatient numbers have returned to pre-MCO levels or better for all 3 hospitals, each registering between 1,400 to 2,300 patients for the month.

As these hospitals are at the gestation phase, the BORs and Inpatient numbers are showing positive signs of improvement, at 16% to 25% and 70 to 115 patients respectively for May 2020.

b) The 3 new hospitals are aggressively marketing and promoting their services and will continue to attract and recruit new consultants to widen its services according to the needs of their areas. Further ward and bed openings will be synchronised with new services launches.

The gestation phase of these hospitals will take around 2 to 3 years before they turn EBITDA positive.



3. As mentioned on page 80 of the 2019 Integrated Report, KPJ continues to focus on improving operational efficiency for its group of hospitals through several initiatives.

What are the improvements that KPJ has achieved and plans to achieve in the next two financial years?

Answer:

For FY2019, the various operational efficiency initiatives have resulted in commendable year-on-year growth in our Gross Profit of 10%, EBITDA of 29% and PAT of 22%.

Over the next 2 years, the Group's focus will be on further improving new hospitals operational efficiencies, embrace greater technology/digital transformation and explore synergistic collaborations.



4. Directors have decided that the disposal will not be completed within the next twelve months and believe that 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 appropriate. The Directors will review the financial structure and management of Jeta Gardens to improve sustainability and subsequently increase shareholders' return (Page 114 of the Financial Report 2019)

Has the Board started the review process on the financial structure and management of Jeta Gardens to improve its sustainability and increase shareholders' return? Please provide the latest update on Jeta Gardens?

Answer:

The review process on the financial structure and management of Jeta Gardens commenced in the second half of FY2019.

Given the uncertainty hanging over the aged care sector until the findings of the Australian government's Royal Commission into Aged Care Quality and Safety are published by the end of 2020, the Company is still exploring various options.

5. Will KPJ slow down capacity expansions due to COVID19 and should we expect higher than expected CAPEX and operating costs due to conditional movement control order (CMCO)?

Answer:

The COVID-19 pandemic and imposition of MCO in mid March 2020 by the government have affected the progress of our hospital development where all construction works had to be suspended. Construction works have restarted since late May 2020 after CMCO was imposed.

CAPEX spending will be confined to those that we have already committed and contracted for. We are taking a cautious approach with regard to launching new hospital development until such time when there is some clarity on “the new normal” market conditions.

There has been a slight increase in our operating costs due to price increases in medical consumables like PPE due to rise in global demands arising from the pandemic. We are confident that we will be able to manage these increases effectively.



6. Can you guide us on the performance of your brownfield expansions especially for KPJ Seremban and KPJ Ampang Puteri? Would these two hospitals provide significant earnings growth for KPJ in FY2020?

Answer:

KPJ Ampang Puteri and KPJ Seremban are 2 of our flagship JCI accredited hospitals. These hospitals' new blocks have been operating since January 2020 and September 2019 respectively and we are confident that the additional capacities will be earnings-accretive in FY2020.

7. The Company in its Corporate Governance Report for FY2019 (Page 48) states that it has applied Practice 8.2 of the Malaysian Code on Corporate Governance (MCCG). Practice 8.2 of MCCG requires that the Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

MSWG's comment:

However, we do not see that KPJ's Audit Committee has that policy.

Please take note.

Answer:

The matter has since been formalised as a policy in the Audit Committee's Terms of Reference as recommended by Practice 8.2 MCCG. Nevertheless, KPJ has never appointed a former key audit partner as a member of the Audit Committee since its formation in 1994.

8. The Company in its Corporate Governance Report for FY2019 (Page 51) states that it has applied Practice 8.5 of the Malaysian Code on Corporate Governance (MCCG).

Practice 8.5 of MCCG requires that all members of the Audit Committee (“AC”) should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Not all members of the AC have attended continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices, and rules (Pages 14-19 of KPJ’s Corporate Governance Report for FY2019).

Answer:

The present AC members comprised of independent directors who are senior eminent persons with vast and diverse experience in their respective fields, all of whom are appropriately familiar with financial matters and with proven management experience. Given the nature of our business, the AC composition is also balanced with members with experience in healthcare.

It is our practice to inform the Board of Directors of new developments in accounting and auditing standards, practices and rules as and when they come into force and are relevant to the business of the Group.

9. We noticed that there are significant changes in BOD with the appointment of 10 new directors into the BOD. Is this a normal rotational exercise for KPJ? If yes, what would be the rotational period and key criteria for the new director's appointment?

Answer:

The recent changes in the BOD composition were made to further enhance the Board's independence (9 out of 13 members are INEDs). The new directors are all experienced corporate leaders who are able to offer new perspectives to effectively steer the Group towards achieving its corporate goals.

The Group has documented clear policies for identifying and separating the functions and responsibilities of the Board and Management, Chairman as well as the President and Managing Director in ensuring the smooth running of the Group's business and operations.



10. We would like to thank Datuk Amiruddin Abdul Satar for his past contributions to KPJ and we would like to welcome Encik Ahmad Shahizam to KPJ. Given the changes in management, can you guide us the key growth strategies for KPJ in the next 5 years.

Answer:

The transition of leadership for KPJ Group has been orderly and smooth. In due course, there will be a broad review of some of the key initiatives and focus of the Group, with a view to further promote growth and enhance shareholders value.

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Agenda



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Ordinary Business

Agenda 2

To re-elect the following Directors of the Company who will retire in accordance with the Constitution of the Company:-

- (i) Prof Dato' Dr Azizi bin Haji Omar
- (ii) Datuk Mohd Radzif bin Mohd Yunus
- (iii) Dato' Yusli bin Mohamed Yusoff
- (iv) Dato' Dr Ngun Kok Weng
- (v) Mohamed Ridza bin Mohamed Abdulla
- (vi) Dato' Seri (Dr) Mohamed Azahari bin Mohamed Kamil

Ordinary Business

Agenda 2

To re-elect the following Directors of the Company who will retire in accordance with the Constitution of the Company:-

- (vii) Dato' Mohd Redza Shah bin Abdul Wahid
- (viii) Dato' Dr Sivamohan a/l S.Namasivayam
- (ix) Khairuddin bin Jaflus
- (x) Rozaini bin Mohd Sani
- (xi) Shamsul Anuar bin Abdul Majid

Ordinary Business

Agenda 2 (Resolution 1)

Re-election of



Prof Dato' Dr Azizi bin Haji Omar

Ordinary Business

Agenda 2 (Resolution 2)

Re-election of



Datuk Mohd Radzif bin Mohd Yunus

Ordinary Business

Agenda 2 (Resolution 3)

Re-election of



Dato' Yusli bin Mohamed Yusoff

Ordinary Business

Agenda 2 (Resolution 4)

Re-election of



Dato' Dr Ngun Kok Weng

Ordinary Business

Agenda 2 (Resolution 5)

Re-election of



Mohamed Ridza bin Mohamed Abdulla

Ordinary Business

Agenda 2 (Resolution 6)

Re-election of



Dato' Seri (Dr) Mohamed Azahari bin
Mohamed Kamil

Ordinary Business

Agenda 2 (Resolution 7)

Re-election of



Dato' Mohd Redza Shah bin Abdul Wahid

Ordinary Business

Agenda 2 (Resolution 8)

Re-election of



Dato' Dr Sivamohan a/l S. Namasivayam

Ordinary Business

Agenda 2 (Resolution 9)

Re-election of



Khairuddin bin Jaflus

Ordinary Business

Agenda 2 (Resolution 10)

Re-election of



Rozaini bin Mohd Sani

Ordinary Business

Agenda 2 (Resolution 11)

Re-election of



Shamsul Anuar bin Abdul Majid

Ordinary Business

Agenda 3 (Resolution 12)

To approve the following payment to Directors :-

To approve the Proposed Directors' fees of RM1,540,000 (Proposed Directors' Fees) for the financial year ended 31 December 2019 (2019: RM1,540,000) (Note (15)(ii))

Ordinary Business

Agenda 4 (Resolution 13)

To approve the following payment to Directors :-

To approve the payment of Directors' Remuneration (excluding Proposed Directors' Fees) to Non-Executive Directors (NED) for the period from 10 July 2020 until the conclusion of the next AGM of the Company (Relevant Period). (Note (15)(ii))

Ordinary Business

Agenda 5 (Resolution 14)

To appoint Messrs Ernst & Young PLT, having consented to act as Auditors of the Company for the financial year ending 31 December 2020 in place of the retiring Auditors, Messrs PricewaterhouseCoopers PLT, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

Special Business Ordinary Resolution 15

Authority to issue and allot shares does not exceed 10 percent (10%) of the total number of issued shares of the Company, Pursuant to section 75 and 76 of the Companies Act, 2016.

Special Business

Ordinary Resolution 16

PROPOSED RENEWAL OF THE SHARE BUY-BACK AUTHORITY

Subject to Section 127 of the Act, the provisions of the MMLR and all other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised, to make purchase(s) of ordinary shares in the Company on Bursa Securities subject to the items that set out in Ordinary Resolution 16 of the Notice of 27th AGM.

Special Business

Ordinary Resolution 17

To authorise the Company and/or its subsidiaries, to enter into and give effect to the Recurrent Related Party Transactions of a Revenue or Trading nature, all with the particulars of which are set out in Part B of the Circular to Shareholders dated 10 June 2020 (“Circular”) with the Related Parties as described in the Circular, provided that such transactions are stated in the Ordinary Resolution 17 of the Notice of 27th AGM.

Questions raised by Shareholders



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Poll Voting



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Poll Results



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Thank you



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