

OUR LEADERSHIP STATEMENT

Review from President & Managing Director

<

>

Ahmad Shahizam Bin Mohd Shariff
President & Managing Director

—

🖼️

×

🔔

Activity

💬

Chat

👥

Groups

📅

Calendar

☎️

Calls

📁

Files

🎤

📺

⋮

📞

Dear Valued Shareholders and Other Stakeholders,

In this my maiden statement to you as KPJ's new President and Managing Director, I am pleased to present an overview of the Group's financial and operational performance for the financial year ended 31 December 2020, as well as insights into our pandemic preparedness efforts and strategic direction moving forward.

A RESILIENT PERFORMANCE AMIDST CHALLENGING OPERATING CONDITIONS

I came onboard KPJ on 1 July 2020, at a time when the Group was facing one of its most challenging phases. KPJ's bed occupancy rate (BOR) had fallen to a record low of 25% in April 2020 as many patients had opted to delay surgeries or appointments to later dates because of the implementation of the initial Movement Control Order (MCO). Although KPJ was deemed an essential services provider, the adverse impact that the movement restrictions would have on the fundamentals of its healthcare operations was beyond all expectations. The Group's performance continued to be weighed down until

the movement restrictions were eased. It was only around September that our BOR recovered to touch 52%. The recovery momentum, however, slowed once again in the fourth quarter of 2020, upon the Malaysian Government reimposing the Conditional MCO (CMCO).

Against this backdrop, KPJ's 2020 revenue declined by 11% to RM2.4 billion from RM2.7 billion in the preceding year. Meanwhile, our 2020 net profit nearly halved to RM110.8 million from RM226.7 million previously on the back of the lower BOR. We ended the year with an average BOR of 48% while the number of inpatients fell 26% year-on-year (y-o-y) to 246,529 patients. The impact of these declines on our

revenue was offset by a lower-than-expected 14% y-o-y decline in surgeries (as surgeries still had to be carried out regardless of external headwinds), and higher revenue from our pathology laboratory arm, Lablink (M) Sdn Bhd (as a result of increased COVID-19 testing).

On top of the impact of external conditions, the results of the Group's 2020 performance was further weighed down by an impairment loss of RM24.1 million in the fourth quarter of 2020. The year's impairments were made up primarily of a RM16.2 million loss from the revaluation of land at Jeta Gardens in Australia and an equity investment loss of RM3.6 million.

Review from President & Managing Director

“
Against this backdrop, KPJ's 2020 revenue declined by 11% to RM2.4 billion from RM2.7 billion in the preceding year.”

On a positive note, our earnings before interest, taxes, depreciation and amortisation (EBITDA) margin remained stable on the back of the cost optimisation measures initiated during the year. The Disruption Initiative Plan (DIP) designed to enhance revenue growth and cost optimisation, supported by full digitalisation measures and other strategic cost initiatives, did much to minimise the impact caused by the pandemic. This enabled us to reduce our total operating expenses for the year by RM104.6 million and maintain a healthy balance sheet with a cash and cash equivalent of RM215.0 million. In fact, as a result of these measures, our EBITDA margin only fell slightly to 22.5% in 2020 from 23.4% previously. Having seen how low levels of activity like in the second quarter of 2020 can affect our hospital ecosystem, we now know what to anticipate and how to optimise cost management activities more proficiently. Cost management optimisation measures like the DIP

remain an important strategy going forward to safeguard our EBITDA margin and we are confident of carrying this out effectively.

The year also saw us reassessing our contractual arrangements with our consultants and establishing the fact that the KPJ Group is an agent instead of a principal in the provision of healthcare consultation services to our customers. As the result of this reassessment, revenue recognition in our financial statements is now presented net of fees paid to medical consultants. This approach serves to better align the Group's financial disclosures with the disclosure practices of our industry peers. It also serves to provide more clarity to investors and resonates better with them.

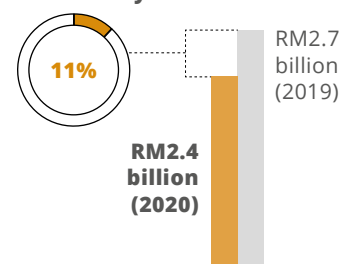
THE YEAR THAT WAS: A FOCUS ON PANDEMIC PREPAREDNESS

The year 2020 was an unprecedented one for KPJ. As the pandemic disrupted operations, we had to resort to swift measures to keep our head above water and ensure the wellbeing of our staff, consultants, patients and their families. Allow me to provide a chronology of how things unravelled over the course of 2020.

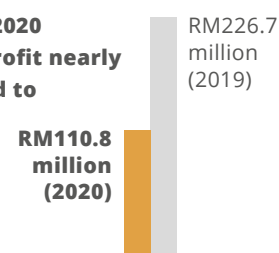
Upon the onset of the first suspected cases of COVID-19 detected by the Ministry of Health (MOH) via the Crisis Preparedness & Response Centre (CPRC) on 23 January 2020, KPJ moved quickly to establish its COVID-19 Task Force which came into being on 28 January. On 24 February, KPJ's Lablink became one of the first private laboratories endorsed by the MOH to perform COVID-19 tests—well before the COVID-19 outbreak was recognised as a pandemic by the World Health Organisation (WHO) on 11 March. Through Lablink, our testing capacity was rapidly ramped up to about 2,500 tests per day to meet higher screening volumes.

Performance Review

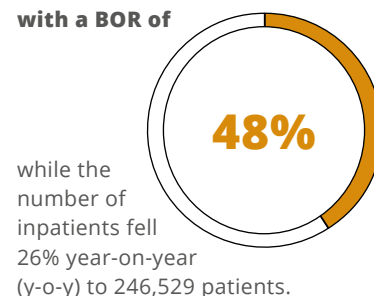
KPJ's 2020 Revenue declined by



KPJ's 2020 Net Profit nearly halved to



KPJ ended the year with a BOR of



HIGHER REVENUE

from our pathology laboratory arm, Lablink (M) Sdn Bhd (as a result of increased COVID-19 testing)

Maintain a healthy balance sheet with a cash and cash equivalent of

RM215.0 MILLION

OUR LEADERSHIP STATEMENT

Review from President & Managing Director

By March 2020, some of KPJ's medical consultants were serving on a pro bono basis for non-COVID-19 patients referred by the MOH. KPJ Klang for instance performed six surgeries for cancer patients decanted or transferred from the MOH's Tengku Ampuan Rahimah Hospital in Klang. We continued to step in to support the Government in its efforts to stem the tide of the pandemic in whatever way we could.

In November 2020, the Government signed preliminary purchasing agreements with pharmaceutical companies for COVID-19 vaccines. This was followed by the Emergency Ordinance 2021 that was officially gazetted on 15 January 2021, which indicated among other things, that private health care providers in Malaysia, during the state of emergency, would be officially allowed to take in COVID-19 patients. Prior to the COVID-19 pandemic, infectious diseases and outbreaks had always been managed by the public health care system - aside from dengue that can be treated across both government and private medical facilities. This development aimed to provide relief for the public healthcare system that was under threat at that point in time, given the surge of coronavirus infections averaging some 2,000 cases daily.

From 16 January 2021, KPJ opened its doors to COVID-19 patients which MOH hospitals were unable to manage. We geared ourselves up to take in COVID-19 patients from all five categories—Category 1 and 2 being positive cases with no or mild symptoms, while Category 5 denotes severe cases that require breathing assistance.

By 25 January 2021, our hospital network was offering more than 100 types of services and procedures to MOH-decanted non-COVID-19 patients. On 1 March 2021, KPJ Tawakkal KL was designated as a COVID-19 Vaccination



Centre while KPJ's frontliners were the part of the first batch to receive the vaccine. By mid-February 2021, some 399 MOH-decanted patients had been treated at 19 of KPJ's hospitals with 255 beds set aside specifically for this purpose.

In all that we sought to do, the safety of our staff, consultants and patients were our topmost priority. To mitigate the impact of the pandemic, we made the necessary changes to our standard operating procedures (SOPs) and protocols, continuously enhancing them to ensure that our hospitals and people remained safe. To ensure the safety of frontliners, patients and their families, KPJ provided over 150,000 pieces of personal protective equipment (PPE), conducted stringent screening at all hospital entry points, as well as undertook regular cleaning and sanitising activities. The main idea behind all that we set our hands to was to always be part of the solution.

Right from the onset of the pandemic, our team worked quickly to ensure we were able to provide uninterrupted services to our nation and its citizens. Where government hospitals became overburdened by the influx of cases, the

private sector, including KPJ, picked up where they could not. Several positive cases within our own staff, kickstarted new ways of operating and rethinking to ensure we were able to run our services in a safer and more effective manner. We also paid attention to opportunities in crisis by leveraging on online consultation, home delivery of medication, and other innovative measures. As people adapted to the new normal, we also came up with new ways to increase efficiency such as according our clients drive-through COVID-19 testing services.

Despite the headwinds that buffeted us in 2020, KPJ was able to weather the storm and turn in a resilient performance. We were able to keep our head above water owing to the dedication, diligence and resilience of every member of the KPJ Family who continued to press in and press on amidst a very tough year. Although facing personal risks, never at any point did our people consider turning away patients or shutting down our services. I for one am proud to be a member of this remarkable team.

Review from President & Managing Director

< > BOLSTERING OUR COVID-19 RESPONSE CAPABILITY TODAY

With no end in sight for the pandemic as yet, we continue to enhance our COVID-19 pandemic preparedness capability. These are some of the measures that KPJ has in place today:

Catering to Decanted Non-COVID-19 Patients from the MOH

A key strategy in combating the pandemic is to increase the number of non-COVID-19 patients that we can take from the MOH to free up their capacity so they can better manage COVID-19 cases. At the Federal level, we have reaffirmed our offer of support to the Government by offering our services and hospitals for the decanting of non-COVID-19 patients. At the state level, all our Regional CEOs and KPJ hospital CEOs are to engage directly with their respective State Medical Directors and Heads of MOH hospitals in offering these services. We continue to offer up to 100 different services and procedures to the MOH based on pre-agreed package prices. These packages are based on a cost recovery formula with only a small margin, to ensure that they are affordable.

Contingency Plans to Establish Full COVID-19-ready Hospitals

A key risk that must be addressed is a scenario where MOH facilities continue to be overrun and the number of COVID-19 cases at our hospitals continues to rise. In such a scenario, the ability of many of our facilities to safely and properly manage these cases above a certain point may quickly be compromised. As such, KPJ's Management is putting in place contingency plans to quickly convert and make ready two KPJ hospitals (one in the Klang Valley and another in Johor) into full COVID-19-ready hospitals which will only treat COVID-19 patients. These hospitals will also be resourced and equipped to manage more COVID-19 patients, in particular those in categories 3, 4 and 5. The decision to operationalise these hospitals into full COVID-19 ready hospitals will only be undertaken after getting the endorsement from KPJ's Advisor on COVID-19 on their readiness and only after obtaining approval from the KPJ Board of Directors.

Upgrading and Enhancing the Preparedness of KPJ Hospitals

All KPJ hospitals have been upgrading their preparedness and ability to manage COVID-19 cases in response to the rise in the number of cases and the spread of the virus among communities. We have enhanced clinical protocols; added more resources to handle such cases; provided dedicated areas to allow for better segregation and management of COVID-19 patients; as well as reviewed our facilities and support services like catering, linen and cleaning services. The Group Clinical Team together with Group Nursing, working under the guidance of the Medical Advisory Committee (MAC) as well as the various hospital Medical Directors and consultants, have also reviewed and revised the relevant SOPs. On top of this, experienced COVID-19 clinicians and nursing staff from the MOH have conducted webinars as well as clinical and nursing knowledge sessions with our hospital teams.

Vaccination Support for the National Immunisation Plan

KPJ stands guided by the Government's policy decision and implementation strategy with regard to the National Immunisation Plan (NIP). Our plans are designed to support and complement the Government's national vaccination strategy. As the nation's largest provider of private healthcare services, we are already directly involved in Phase 1 of the NIP, where 10 of our 28 hospitals nationwide have been running as Vaccination Centres or VCs for frontliners from within the KPJ Group as well as other private healthcare frontliners. 10 hospitals are Vaccination centres, out of which 5 cater to external frontliners. Among the hospitals providing for external care are KPJ Damansara, KPJ Ampang Puteri, KPJ Klang, KPJ Selangor and KPJ Tawakkal KL. As of mid-April 2021, some 10,978 or 67.1% of our frontliners had been vaccinated, out of which 6,548 or 40% of them have already received their second dose.

KPJ also supports Phases 2 and 3 of the NIP, remaining committed to working alongside the COVID-19 Vaccine Supply Access Guarantee Special Committee (JKJAV) and the MOH to ensure the success of these phases. To date, 20 of our hospitals have signed up with ProtectHealth Corporation Sdn Bhd (the executor for private general practitioners' participation in the NIP) to play their part as VCs for Phases 2 and 3 of the NIP. Each of these hospitals, together with a total of 13 Waqaf An Nur (KWAN) clinics and four mobile clinics, have set up information and registration kiosks to assist with the registration of vaccine recipients via the official approved platforms.

In all this, the KPJ Group will continue to play its part in bringing our expertise and resources to bear to help the Government look after the wellbeing of Malaysia's citizens. Given that there is still much work to do in mitigating the impact of the pandemic, it is imperative that healthcare groups like us show our support and initiate more public-private partnerships to strengthen the country's healthcare system. Due to KPJ being in almost every state in the country, we have good working relationships with the Federal and state governments. Being part of Johor Corp, the state investment arm of the Johor government and the single largest shareholder of KPJ, we understand how to work effectively with the public sector. As we currently have excess capacity in our system, we will explore more ways to help the Government and our nation.

OUR LEADERSHIP STATEMENT

Review from President & Managing Director

LEVERAGING ON THE "RE-ENERGISING KPJ" STRATEGY

While doing our best to mitigate the tide of the pandemic, Team KPJ has also been focusing its efforts on the day-to-day running of our business and putting in place the building blocks to ensure the Group's sustainable growth. The new leadership team that is in place today has been tasked with tapping the latent potential within the Group and transforming KPJ for the better. To this end, we are bringing what we call the "Re-energising KPJ" strategy into play. This strategy's overarching aim is to create synergies across the KPJ Group of businesses so that we outperform our industry peers and deliver shareholder returns that are sustainable for the long-term.

A new Transformation Management Office (TMO) will serve as the dedicated governing body that has oversight for the successful implementation of the strategic initiatives that will enable KPJ to become "The Preferred Healthcare Provider and Brand in Malaysia". In re-energising KPJ, the TMO is to focus on creating value, continuously improve clinical outcomes and service quality, as well as enhance financial performance to ensure greater shareholder returns. Key to the TMO's success will be the marshalling of complimentary expertise to manage different aspects of the transformation. By placing the right people with the right skills within the TMO, we are allowing for proactive and hands-on steering of KPJ's transformation agenda as well as the ability to quickly change direction where necessary.

The TMO is to laser-focus its efforts on 10 operational tracks, which will be supported by a total of 59 Initiatives. These initiatives range from the development of a career pathway framework, to digital dashboards for operational and clinical use, to the regional clustering of hospitals. They also encompass the implementation of clinical quality improvement programmes and service quality training, a rebranding exercise, the launch of the telemedicine initiative, a centralised debt collection programme, and the setting up of a change agent network, among others.

In Re-Energising KPJ, we will bring the following Five Value Drivers into play:



SYNERGISE OUR ORGANISATION, PEOPLE AND CULTURE

- Re-organise operating structure
- Attract and retain the best people
- Career progress



ENHANCE CLINICAL AND SERVICE QUALITY

- Quality and advance treatment
- 5-star hospitality and services
- More patients



EMBRACE DIGITALISATION & TECHNOLOGY IN AN ENHANCED MANNER

- Data driven decision making
- Integrated system
- Automation and simplification



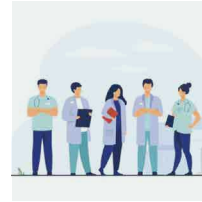
STRENGTHEN BUSINESS AND OPERATIONAL EXCELLENCE

- Effective processes
- Improved productivity
- Cost savings
- Project delivery



REFRESH THE KPJ BRAND & MARKETING

- #1 in the Market
- Flagship hospitals
- Digital marketing



SYNERGISE OUR ORGANISATION, PEOPLE AND CULTURE

Aside from the formation of a new leadership team, we also introduced a new organisational structure (leveraging on the hub and spoke model) effective 1 February 2021. This will accord us central accountability and the means to more effectively manage our business. For more effective and synergistic management, we have divided our network of 28 hospitals in Malaysia into seven Regional Hospital Groupings helmed by seven Regional CEOs who report to the Chief Operating Officer (COO). These Groupings encompass the Northern Region (6 hospitals), Central Region I (5 hospitals), Central Region II (4 hospitals), Southern Region I (3 hospitals), Southern Region II (4 hospitals), East Coast Region (2 hospitals), and East Malaysia Region (4 hospitals). The COO is tasked with overseeing hospital operations, providing overall direction to the regional CEOs, and overseeing the implementation and development of agreed upon strategic objectives successfully.

All these developments place an emphasis on empowerment and accountability at the working level so that KPJ is run in a more professional, effective and meritocratic manner. We are also looking to re-categorise some of our hospitals and move them into different segments with better offerings to strengthen our overall portfolio. Our intention is to streamline our services as well as work seamlessly and cohesively as one big group.

Under our re-energising strategy, we plan to consolidate our domestic assets and services as well as optimise the capacity of the projects we currently have. With a lower level of activity expected in the new normal, we have reassessed our overall investments and expansion strategies for the best outcomes. We have also reached the closing stage of our aggressive expansion

Review from President & Managing Director

phase and will now focus on upgrading and refurbishing older hospitals. Moving forward, we will allocate capital expenditure (CAPEX) of up to RM400 million per year for 2021 and 2022 with two-thirds of this going towards maintenance CAPEX and the remainder allocated for expansion. We plan to add 900 beds progressively up to the end of 2025 with 600 new beds from the expansion of existing hospitals within the next two years. A further 300 beds will be from our new hospital, namely KPJ Damansara II at Sg. Penchala, Selangor. Employing an asset-light model, it is set to open in the first quarter of 2022.

Under our ambulatory care centre (ACC) initiative, we intend to locate healthcare services closer to patients in selected locations. Unlike our purpose-built, provider-centric hospitals, these patient-centric ACCs will blend into the lifestyle of the communities they are located in, which means they can even be operated in commercial centres that offer other services. An ACC will allow patients to have their medical needs fulfilled without having to travel far. They can also fix appointments at their convenience. Ultimately, the ACC serves to cater to patients in a manner which hospitals cannot. We are currently building our first ACC in the Klang Valley which will be ready for business soon.

As part of our overall transformation strategy, our overseas ventures will play a less important role in the Group, both in terms of size and contributions. Our primary focus will be on the domestic business and in this context, we are reconsidering our positions in both Australia and Indonesia. However, we remain open to exploring opportunities outside of Malaysia but these must make good business sense for the long-term. Otherwise, we will focus our efforts on strengthening our position in the Malaysian market over the next few years. We will also consider acquisitions if the opportunity arises.

Our employees are our greatest asset and we desire to give them the tools to work better. Plans are underway to transform our talent development framework, implement career pathways for employees, as well

as implement more effective training and secondment opportunities. In transforming the Group, the transformation of our people's mindsets is extremely important and we are working hard to inculcate a positive mindset among them. We want to show our people that with hard work, effort and commitment, the world can be their oyster.

As much as we expect the best from our people, we too are ready to reward them for their diligence, especially their tireless efforts in combating the spread of the pandemic. In recognition of the worthy and selfless contributions made by the KPJ Family in 2020, the Board approved the award of a fixed sum ex-gratia payment to all employees which was paid out in early February 2021.



ENHANCE CLINICAL AND SERVICE QUALITY

In line with our endeavours to deliver exceptional health treatment, care and diagnosis to all our patients, we have set our sights on elevating clinical services across the care continuum. To enhance the quality of our clinical services and patient experiences, we will leverage on digital platforms as well as transform our functional services to ensure a competitive advantage.

Ultimately, this issue of quality goes hand in hand with our human resources - both our non-medical and medical staff. While we have very dedicated staff to operate 28 hospitals and offer services to the public, our aspiration is to see our non-medical and medical groups working together in a more cohesive fashion. In terms of quality output, there is sense that both groups are not working together as effectively as they should. It is areas like this where our leadership team will be looking to fix so that KPJ becomes No. 1 in terms of both quality

and quantity. By changing the mindsets of our people, getting them out of silos, and getting them to work together more cohesively and effectively, we will elevate the whole customer experience for patients attending KPJ's hospitals.

In 2021, KPJ took proactive measures to further strengthen our culture of clinical quality. Our shared aim is to deliver the best possible clinical outcomes to patients in all our hospitals, achieved via five specific initiative including focusing on zero medication errors, reduced waiting time, the prevention of patient falls, minimising the possibility of I.V Phlebitis, as well as reducing the time it takes to recognise and respond to acute myocardial infarction.



EMBRACE DIGITALISATION & TECHNOLOGY IN AN ENHANCED MANNER

The pandemic, without a doubt, accelerated KPJ's digitalisation journey. Many of our consultants and patients, adapted to online consultancy to reduce risk of infection. This also gave us the opportunity to really embrace new areas, plus it accelerated our own acceptance and adaptation of all things digital. We will continue optimising online platforms even when the pandemic is over. Once we have strengthened our virtual platforms, we will be looking at how we can offer specialist services to patients in the most convenient and cost-effective manner.

Today, the entire healthcare industry is evolving and a lot of it has to do with convenience. If we can make things convenient and seamless for the consumer, they may stay with us throughout their lives. To this end we are reviewing our business model and evolving to meet society's changing needs. For instance, to get nearer to our patients, we must ask ourselves whether it is best that we leverage on consultants' visitations, mobile services,

OUR LEADERSHIP STATEMENT

Review from President & Managing Director

tele-medicine solutions or some other convenient measure to meet our patients' needs. Only by pinning down the answers to these questions will we become more relevant to our patients.

We are also moving towards the direction of enhanced data collection and more online interaction. As the biggest healthcare group in Malaysia, we have a lot of data in hand. However, what we are actually utilising at this stage is just scratching the surface. Even though digitalisation may not be everyone's preference, under the current restrictions, we have no choice but to move in this direction to make operations more interactive for both our staff and patients. While technology is the future of most businesses, in the healthcare industry, it is not yet as seamless an experience as we would like it to be. KPJ intends to change this over time. Moving forward, we intend to tap digitalisation to deliver and maintain our high 5-star standards, enhance our core systems to make them more efficient, and leverage data-generated insights for more transparency.



STRENGTHEN BUSINESS AND OPERATIONAL EXCELLENCE

Cost optimisation activities featured prominently in our efforts to remain resilient over 2020. As mentioned earlier, our DIP strategy for revenue growth and cost optimisation supported by full digitalisation measures and other strategic cost initiatives, led to a 14% or RM90.7 million reduction in total operating expenses over 2020. These cost initiatives included moving training in-house or online, flexible scheduling of staff to suit operational needs, as well as the implementation of energy-efficient practices and proactive water saving initiatives, among others. We anticipate achieving similar cost savings in 2021. To help us get there, we are

looking to get the right people with the right thinking to work in the right places within our organisation.

When our occupancy levels dipped dramatically in 2020, we were forced to look more closely at how we could radically improve the different parts of our operations. This included reviewing stocks and our accessibility to them. We realised that we were able to manage with a lower level of stocks than before. This experience also taught us which were the most reliable parts of our supply chain and what inventories we should focus on. We came out of 2020 learning many new things on the operational front and now know how to operate much better than before.

Throughout 2020, we rolled out effective debt management strategies that seemed to do the job and we will continue to pursue improvements in this area. For instance, our hospitals now send at least three reminders to debtors and have also created dedicated teams to manage debts that have aged beyond a year. In addition to this, we are looking to enhance our centralised procurement activities especially when negotiating for equipment for the entire Group. Cost savings from this initiative will help us protect our margins.



REFRESH THE KPJ BRAND & MARKETING

Our brand strategy revolves around refreshing the KPJ brand and reinforcing the Group's position as the biggest private hospital group in the country. However instead of leveraging on branding in a traditional sense, we will set our sights on efforts on tapping the prominence of the flagship hospitals within the Group and positioning them as being the best-in-their-class at the tertiary level. By capitalising on

our flagship hospitals and linking them to the smaller community-based hospitals and the bigger state capital hospitals, we intend to show how the entire KPJ hospital network (based on a hub and spoke model) is able to work together in a synergistic and seamless manner.

By reinforcing this model, we are paving the way for patients to be taken care of in a seamless manner within our hospital network. Say we have a patient in Sitiawan, Perak who goes to KPJ Sri Manjung, a nearby community hospital. However, if the specialist feels a higher level of treatment is required, then we can immediately refer this patient to KPJ Ipoh. This is where the concept of seamless continuity in the patient's care comes into play. By ensuring our patients experience first-hand the kind of quality care and customer service that we offer, we trust that this will leave a stronger impression than any brand campaign would.

Our efforts to rejuvenate the brand are also aimed at increasing our share price for the long run. In order to do this, we need to be able to offer high quality products and services or change our performance to compete with others in the same field. If investors see that we can perform at the highest levels, they should be able to see the value of our shares. While this is a big challenge for us, I am confident that even as we already have a strong foundation and good people with us, we now just need to improve our marketing and branding as well as strengthen public perception. Our renewed focus on digitalisation and new media platforms to get the word out on KPJ's range of offerings should hold us in good stead.

THE WAY FORWARD

To recap, KPJ's transformation agenda is aimed at strengthening our long-term business continuity and competitiveness while taking us to the next level. By focusing on patient-centric, quality outcomes and the delivery of 5-star services, as well as by getting KPJ to step up beyond "business as usual", we intend to delight patients and

Review from President & Managing Director

other stakeholders and elevate the KPJ brand. By restructuring our functional roles for our key management team as well as our overall organisational structure, we aim to strengthen our operational and financial effectiveness. Moreover, supported by our strong balance sheet and resilient financials, we are investing and upgrading the Group's IT infrastructure, architecture and security as well as embracing digitalisation in a stronger manner to maintain our competitive edge. We are also looking to enhance our value creation process across the board, by consolidating our assets and services.

All these transformation measures, among others, aim to tap KPJ's latent potential. Our team views KPJ as a diamond in the rough that is ready to shine brilliantly with the right polishing. By ensuring greater control over our operations, this will promote better visibility at the management level and help strengthen the decision-making process. By ensuring greater accountability across the board, we aim to measure people's actions in a more effective manner, while eliminating unproductive activities. By adopting a renewed focus towards work and collaboration, our people can meet their goals and objectives much more quickly, rather than if they worked in silos. By ensuring urgent matters are prioritised, we aim to move from complacency to action, and ensure we keep pace with and remain relevant to the market. All in all, the Re-energising KPJ strategy aims to bring to the surface the attributes that have laid dormant for too long and transform the Group into the dynamic, competitive healthcare provider that it can truly become.

The year 2021 is a watershed year for KPJ in that we will be celebrating our 40th anniversary. It presents a good opportunity for us to look at the future in a very different way even as we have learnt from last year's tumultuous experiences and are beginning to build new foundations. I for one am optimistic about our tomorrow as I know our organisation is very adaptable. Last year proved our people's mettle as they stepped up to the plate to overcome a multitude of challenges. As we venture forth into the

new normal with all its uncertainties, we will provide our people the best platforms for them to progress so that they can make the best decisions for our business. They say you need a burning platform to progress—the pandemic gave us exactly that, and so I believe we are off to a good start.

Moving forward, there is a renewed hope among many in view of the anticipated rollout of the NIP for Malaysia and government incentives such as PERMAI. However, KPJ remains cautiously optimistic about our performance for the rest of 2021 in view of the ongoing challenges posed by the pandemic. We will continue to adapt to the new market realities and set our sights on implementing strategies that will pave a pathway towards tangible, sustainable growth. Barring unforeseen circumstances, we anticipate that KPJ will turn in a resilient performance in 2021.

IN APPRECIATION

KPJ was able to weather the challenges of 2020 and turn in a resilient performance because of the support and tireless work of many parties. Firstly, I would like to take this opportunity to extend my heartfelt gratitude to KPJ's Board of Directors for their counsel and guidance in steering us through a very tough year. To our dedicated and diligent employees as well as our passionate consultants in Malaysia, Indonesia and Bangladesh, please accept my sincere appreciation for your commitment to excellence and for going above and beyond the call of duty to care for others. To our leaders, particularly our new C-Suite members, I look forward to working with you to unleash the potential that is within KPJ and accomplish great things.

We also acknowledge the support and confidence placed in us by our investors and shareholders and thank them for their unwavering faith in the Group. A big thank you also goes to the Government and healthcare regulators, as well as the media, partners, suppliers and NGOs for their unstinting support and cooperation. Last but not least, our utmost gratitude to

our patients and customers who continue to place their lives in our hands and their faith in our abilities.

The fight against COVID-19 is far from over so we must yet remain vigilant. I call upon all our stakeholders to lend us their relentless support as we fight the good fight and work to tap KPJ's unrealised potential. Thank you and stay safe everyone.



Ahmad Shahizam Bin Mohd Shariff
President & Managing Director
KPJ Healthcare Berhad