




**PEOPLE  
PASSION  
PURPOSE**

Integrated Annual Report 2020



Care for Life



# WHAT YOU'LL FIND IN **THIS REPORT**

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## OUR VISION

### The Preferred Healthcare Provider

Our fundamental purpose is the delivery of exceptional health treatment, care and diagnosis to all our patients. We are dedicated to being the preferred provider of care, with innovative use of technology, experienced consultants and well-trained staff who collaborate to offer the best diagnosis and treatment plans.

## OUR MISSION

### Deliver Quality Healthcare Services

Our mission is to improve the health of the people and the communities we serve. Led by skilled and caring medical staff, we are consistently focused on clinical excellence and innovative technology for superior patient outcomes.

## OUR CORE VALUE

### Values That Guide Us

Our values represent the philosophy of our organisation and guide all our decision-making and actions. We strive to maintain a patient-centered environment, focused on compassionate care, based on the intrinsic part of our commitment to Care for Life in every aspect of our operations. Our core values are therefore.



Ensuring Safety



Delivering Service with Courtesy



Performing Duties with Integrity



Exercising Professionalism at All Times



Striving for Continuous Improvement



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This Integrated Annual Report is intended to provide the basis for meaningful engagement with our stakeholders. We welcome your feedback which can be provided to KPJ Healthcare Berhad, Group investor and media executive at <https://kpj.listedcompany.com/contact.html>.

### Navigation Icons:

 This icon tells you where you can find related information in our report.

 This icon tells you where you can find more information at [www.kpjhealth.com.my](http://www.kpjhealth.com.my)

# About This Report



“

**As KPJ continues our integrated reporting journey, we remain focused on our Value Creation Model, in order to achieve sustainable long-term growth. This Integrated Report is prepared in accordance with the guideline of Bursa Malaysia’s Main Board Listing Requirements.**

”

## OUR REPORTING JOURNEY

This report marks KPJ Healthcare Berhad’s (The Group) third Integrated Report (IR). This report is further supplemented by our Sustainability Report and Financial Report. Our comprehensive suite of reports demonstrates the Group’s commitment to transparent reporting practices and are also available online at <https://www.kpjhealth.com.my>.

## REPORTING SCOPE AND BOUNDARY

This IR details the Group’s financial and non-financial activities for the period 1 January to 31 December 2020. It seeks to describe the Group’s progress in implementing its strategies and to communicate to our stakeholders the challenges, risks and opportunities the Group has navigated along its value creation journey. This report covers the activities of the Group’s operations and all its subsidiaries in locations where it operates.

## REPORTING FRAMEWORKS

In line with best practices, this Report adopts the International Integrated Reporting Council (IIRC) framework. The reporting is also aligned to the Malaysian Code on Corporate Governance 2017 (MCCG 2017), the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad, the Companies Act 2016 and the Malaysian Financial Reporting Standards. Sustainability-related information has been prepared in accordance with the GRI Standards Core option and is closely guided by Bursa Malaysia’s Sustainability Reporting Guide to fulfil Bursa’s sustainability-related Listing Requirements and the FTSE4Good Bursa Malaysia Index. We also continue to be guided by our commitment towards the UN SDGs and report our contributions towards specific goals.

## FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements with the use of words or phrases such as “might”, “forecast”, “anticipate”, “project”, “may”, “believe”, “predict”, “expect”, “continue”, “will”, “estimate”, “target”, and other similar expressions. The report may also contain forecast information about KPJ Healthcare Berhad’s future direction, strategies and growth opportunities. However, due to risks and uncertainties present in our dynamic business environment and operating landscape, these forward-looking statements are not a guarantee of future operating or financial results.

**NAVIGATING THIS REPORT**

Throughout this IR, we have linked Our Value Creation activities against Our Six Capitals and Seven Strategic Thrusts with the following icons:

**OUR SIX CAPITALS**

-  **Financial Capital**
-  **Manufactured Capital**
-  **Natural Capital**
-  **Human Capital**
-  **Intellectual Capital**
-  **Social and Relationship Capital**

More information on **page 10.**

**OUR SEVEN STRATEGIC THRUSTS**

-  **01 Capacity Building**
-  **02 Enriched Customer Relationships**
-  **03 Innovation @ The Core**
-  **04 New Niches**
-  **05 Talent Management**
-  **06 Business Process Improvement**
-  **07 Sustainable Value For Stakeholders**

More information on **page 21.**

**FEEDBACK**

The Group welcomes feedback as we value meaningful and inclusive engagement with our stakeholders. Should you have any comments and feedback on this report, please contact our Investor Relations Services at [ir@kpjhealth.com.my](mailto:ir@kpjhealth.com.my).

**APPROVAL BY THE BOARD**

The Board acknowledges its responsibility in ensuring the integrity of this report and is of the opinion that the IR has been prepared and presented in accordance to the IR Framework as prescribed by the International Integrated Reporting Council (IIRC).



**Dato' Yusli bin Mohamed Yusoff**

*Chairman  
KPJ Healthcare Berhad*



**Ahmad Shahizam bin Mohd Shariff**

*President & Managing Director  
KPJ Healthcare Berhad*

Reporting Suite	Integrated Report 2020	Sustainability Report 2020	Financial Report 2020
Disclosure	<ul style="list-style-type: none"> <li>• Management Discussion and Analysis</li> <li>• Corporate Governance Overview</li> <li>• Audit Committee Report</li> <li>• Statement on Risk Management and Internal Control (SORMIC)</li> </ul>	<ul style="list-style-type: none"> <li>• Global Reporting Initiative (GRI)</li> </ul>	<ul style="list-style-type: none"> <li>• Directors' Report</li> <li>• Notes to Financial Statement</li> <li>• Independent Auditor's Report</li> </ul>
Reporting Framework	<ul style="list-style-type: none"> <li>• Malaysian Code on Corporate Governance 2017</li> <li>• MMLR</li> <li>• IIRC &lt;IR&gt; Framework</li> <li>• CA 2016</li> </ul>	<ul style="list-style-type: none"> <li>• GRI Standards</li> <li>• FTSE4Good Bursa Malaysia</li> <li>• MMLR</li> </ul>	<ul style="list-style-type: none"> <li>• IFRS/MFRS</li> <li>• CA 2016</li> <li>• MMLR</li> </ul>

WE ARE KPJ HEALTHCARE - OUR INVESTMENT CASE

# At A Glance



 <b>Hospitals</b> * 19 Accredited by MSQH 4 Accredited by JCI	 <b>Ambulatory Care Centre (ACC)</b>	 <b>Education</b>	 <b>Senior and Assisted Living Care</b>
--	---	--	--

\* By Malaysian Society for Quality in Health (MSQH)  
By Joint Commission International (JCI)

- Ancillary Services**
- Pathology and Diagnostic
- Technical Consultancy Services
- Healthcare Engineering
- Hospital Catering
- Hospital Laundry
- Wholesale Distributor Pharmaceutical products/Retail Pharmacies
- Central Sterile Services
- Ambulatory Care and Wellness**
- Senior and Assisted Living Care
- Confinement Centres
- Eye Centre
- Dental
- Rehabilitation
- Haemodialysis

**Employees**



**Malaysia**  
14,567

**Indonesia**  
395

**Bangladesh**  
415

**Medical Consultants**



**Malaysia**  
1,182

**Indonesia**  
103

**Bangladesh**  
47

**Operating Beds**



**Malaysia**  
3,230

**Indonesia**  
100

**Bangladesh**  
80

**Average Occupancy Rate**

**Malaysia**  
48%

**Indonesia**  
40%

**Bangladesh**  
47%

**Outpatients**



**Malaysia**  
2,453,693

**Indonesia**  
58,718

**Bangladesh**  
119,786

**Inpatients**



**Malaysia**  
237,132

**Indonesia**  
4,098

**Bangladesh**  
5,299

\* Information as at 26 April 2021

WE ARE KPJ HEALTHCARE - OUR INVESTMENT CASE

# What We Do



**KPJ Has A Resilient Business Model, Drawn From More Than 40 Years' Experience In The Malaysian Private Healthcare Industry. Our Value Ecosystem Centres On Managing A Network Of Specialist Hospitals, Supported By Strategic Investments In A Diversified Portfolio. We Are In A Position To Create Sustainable Long-Term Value For All Our Stakeholders.**

## KPJ'S VALUE ECOSYSTEM

### HOSPITAL OPERATIONS



Our Hospital Operations division plays an integral role in supporting the smooth running of our network of hospitals through:

- Continuously reviewing and streamlining processes
- Enhancing hospital systems
- Expanding existing hospitals' capacity to cater to market demand
- Structured professional development

### CLINICAL OPERATIONS



Our Clinical Operations oversees quality and professionalism in patient care services. It also ensures that all the components of clinical governance are in place, under the guidance of the Medical Advisory Committee. Hospital Operations also monitors clinical outcomes.

### DIAGNOSTIC SERVICES



Our Diagnostic Services provide timely, cost-effective, and high quality diagnostic care in a safe environment for patients. It includes the clinical services of Pathology and Laboratory Medicine, Radiology, and Nuclear Medicine.



## What We Do

## AMBULATORY CARE



The provision of outpatient services which includes the following:

- Dentistry
- Oral and maxillofacial surgery
- Rehabilitation services
- Ambulatory care centres
- Haemodialysis services
- Ophthalmology

## SENIOR AND ASSISTED LIVING CARE



Providing both short and long term care for individuals who need support in their daily activities. These services are provided at our four Senior and Assisted Living Centres in Malaysia and one in Australia

## ANCILLARY SERVICES



Support hospitals through:

- Supply-distribution value chain
- Reducing dependency on outsourced third party vendors and supplies
- Intrapreneur companies that generate business value for KPJ Group
- Pharmaceutical companies that provide medication to our hospitals, as well as the Group's retail pharmacies
- Sterilisation services of surgical equipment

## BUSINESS EXPANSION



The Business Development Services is responsible for the identification, evaluation and expansion of KPJ's business, encompassing both hospital-based and healthcare-related businesses, either via sole ownership, partnership, joint venture, and/or design build and lease models.

## EDUCATION



Three platforms provide education programmes:

- KPJ Healthcare University College (KPJUC) provides a wide range of medical and healthcare qualifications; branches in Johor and Penang
- Malaysian College of Hospitality and Management (MCHM) trains professionals in Culinary Arts, Hotel Management, Tourism Management, Restaurant Management and Early Childhood Education
- Sheikh Fazilatunnessa Mujib KPJ Nursing College (SFMKNC) in Bangladesh provides basic and post-basic nursing programmes for Bangladeshi students

## HEALTH TOURISM



Positioning KPJ as the preferred provider among international health travelers, aimed at:

- Leveraging KPJ brand regionally and internationally
- Bringing in international Health travelers to obtain specialist treatment, from the Group's hospitals.
- Increasing Group revenue and patient volumes by strengthening current market in Indonesia, Indo China (Myanmar and Vietnam), Bangladesh and the Middle East
- Enhancing international patients' healthcare experience in Malaysia

**WE ARE KPJ HEALTHCARE**

# How We Create Value

KPJ approaches value creation with the understanding that it is a process that is nurtured and managed over time in order to produce meaningful outcomes. As such, our strategies and initiatives ensure consistent and sustainable returns across all our capitals.



# How We Create Value

This will in turn generate long-term value for our stakeholders which is crucial to our continued prosperity and ability to deliver quality healthcare services.



More information on please refer to pages **page 10-20.**

WE ARE KPJ HEALTHCARE

# Our Six Capitals



## FINANCIAL CAPITAL

Our Financial Capital is the pool of funds available to KPJ, sustained by other capitals. The components of our Financial Capital are the revenue generated from our operations, market capitalisation, Government grants, the income we derive from fund raising activities such as Sukuk, as well as loans obtained.

### Trade-Offs

We use our Financial Capital to expand our hospital network as well as to invest in medical equipment and new technologies, which in turn increase our Manufactured and Intellectual Capitals. While this results in the reduction of our Financial Capital in the short-term, in the longer term it adds to the overall competitive strength of our business and therefore our Financial Capital.

### Link to Strategic Thrusts

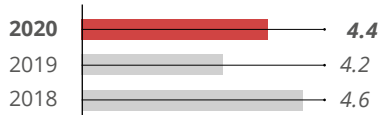


### Link To Material Matters

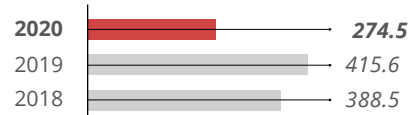
- Cost of Healthcare Services
- Government Regulations
- Funders for Healthcare Services

KEY INPUTS

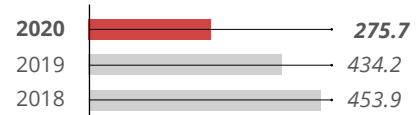
#### Market Capitalisation (RM Bil)



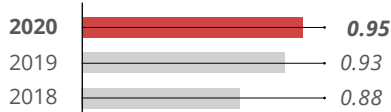
#### Capital Expenditure (RM Mil)



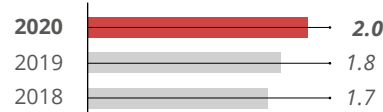
#### Cash Used in Investing Activities (RM Mil)



#### Debt/Equity Ratio



#### Total Borrowings (RM Bil)



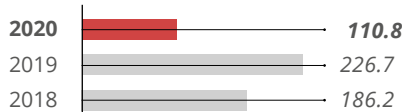
ACTIVITIES AND PROCESSES

- Funding the development of new hospitals and ACCs to expand our network
- Funding the expansion of existing hospitals to meet increased market demand
- Funding for new or upgraded equipment
- Funding for research and development (R&D) as well as innovation activities

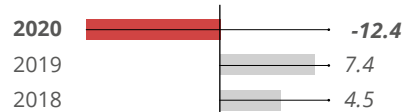
- Cost optimisation programme to reduce operational and maintenance costs
- Appropriate management of debt and equity
- Effectively and efficiently manage the Group's liquidity to ensure a strong balance sheet

KEY OUTPUTS

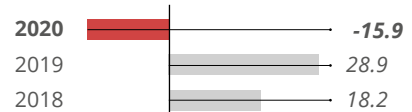
#### Net Profit (RM Mil)



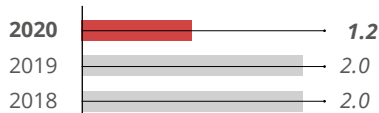
#### Revenue Growth (%)



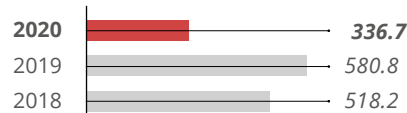
#### EBITDA Growth (%)



#### Dividend Payout Per Share (Sen)



#### Cash generated from operations (RM Mil)





## Our Six Capitals



### MANUFACTURED CAPITAL

KPJ's Manufactured Capital includes all infrastructure created and utilised within our integrated healthcare business model. These include our network of hospitals, aged care facilities and the ambulatory care centres within the regional footprint of our operations, as well as the medical and healthcare equipment, pharmacies, and hospital facilities we employ in the provision of healthcare services.

#### Trade-Offs

Investment in Manufactured Capital reduces our Financial Capital in the short-term. However, it adds to our ability to generate long-term growth, thus expanding our Financial Capital in the longer term.

#### Link to Strategic Thrusts

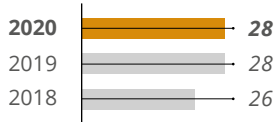


#### Link To Material Matters

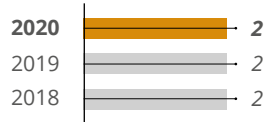
- Government Regulations

#### Hospitals

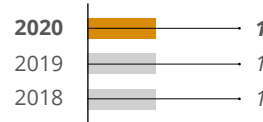
##### Malaysia



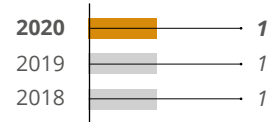
##### Indonesia



##### Thailand

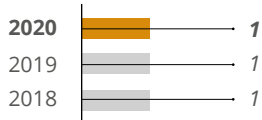


##### Bangladesh

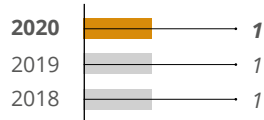


#### Education

##### Malaysia

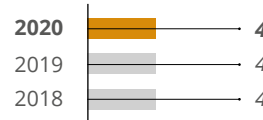


##### Bangladesh

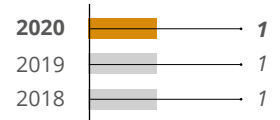


#### Senior and Assisted Living Care Centres

##### Malaysia



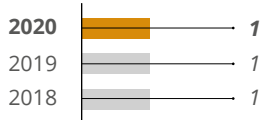
##### Australia



KEY INPUTS

#### Ambulatory Care Centres

##### Malaysia



#### High Tech System for Diagnostic Imaging

- MRI – for soft tissue and advance imaging such as Brain, Cardiac, Abdomen and Extremities
- CT scan – fast imaging for 3D Imaging, Cardiac Imaging
- CT Simulator – for radiotherapy treatment planning
- Angiography – for Cardiac treatment

#### High Tech System for Cancer Treatment

- PET CT – combination of advance technology for better cancer detection
- Linear Accelerator (LINAC)

#### Basic Imaging with Advance Technology

- General X-Ray – using Digital Radiography and Computed Radiography
- C-Arm
- Mammography – with 3D (Tomosynthesis)
- Ultrasound
- Lithotripter and ESWL – with Ultrasound and C-Arm
- Fluoroscopy – using digital system
- Bone Densitometer

#### Special Diagnostic Services

- Heart Lung Machine
- Laser Eye Surgery

**WE ARE KPJ HEALTHCARE**

Our Six Capitals



**MANUFACTURED CAPITAL**

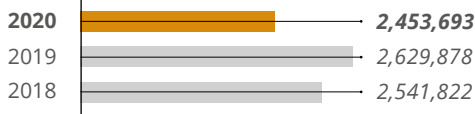
ACTIVITIES AND PROCESSES

- Transition from Private Owned Cloud to Managed Private Owned Cloud, involving a range of IT infrastructure on Enterprise model.
- Hardware of the Core System integrated with Industry 4.0 initiatives such as Autonomous Robotics, Big Data and Cloud Computing
- Upgrading of operational efficiency
- Focused investments in expanding the capacity of existing hospitals
- Expanded our retail pharmacy business through both physical outlets and an online e-commerce website for Healthshoppe which are based in KPJ Hospitals
- Expanded retail pharmacy outlets through the JX Pharmacy brand, located outside hospitals

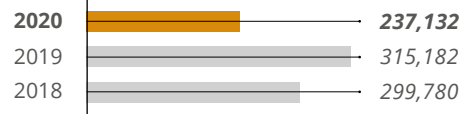
**HOSPITAL STATISTICS**

Malaysia

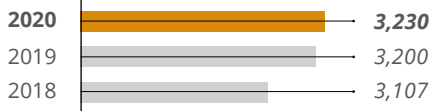
Outpatients



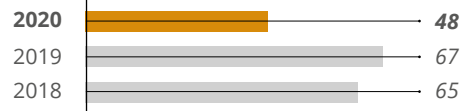
Inpatients



Operating Beds



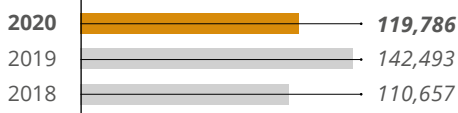
Average Bed Occupancy Rate (%)



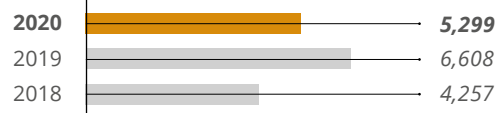
KEY OUTPUTS

Bangladesh

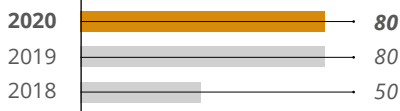
Outpatients



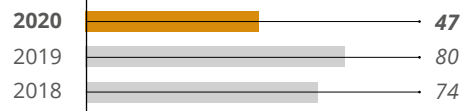
Inpatients



Operating Beds



Average Bed Occupancy Rate (%)

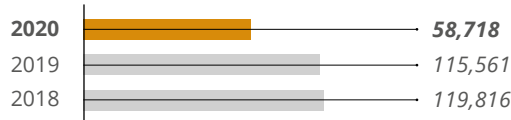


## Our Six Capitals

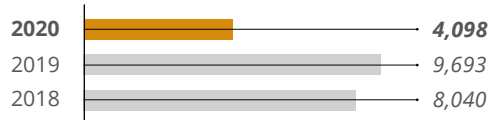
- Increased capacity of hospitals in Malaysia following relocation of two hospitals in 2020.
  - KPJ Kuching with a capacity of 150 inpatient beds, 22 medical and surgical specialists, and 340 staff.
  - KPJ Kluang, with a 90-bed capacity, 14 medical and surgical specialists, as well as 220 staff.
- Increase in the number of beds of existing hospitals in 2020 by 30 beds.
- Strengthening current market in Indonesia, Indo China (Myanmar and Vietnam), Bangladesh and the Middle East.

### Indonesia

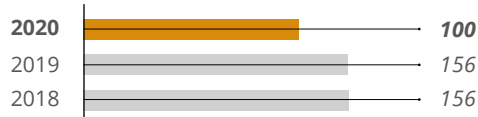
#### Outpatients



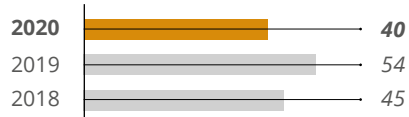
#### Inpatients



#### Operating beds

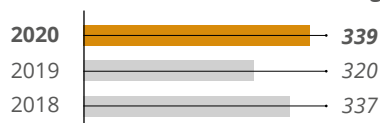


#### Average Bed Occupancy Rate (%)

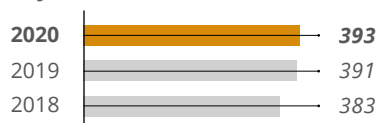


### RESIDENTS AT SENIOR AND ASSISTED LIVING CARE CENTRES

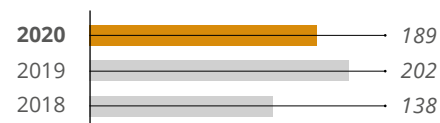
#### Sibu Geriatric Health and Nursing Centre



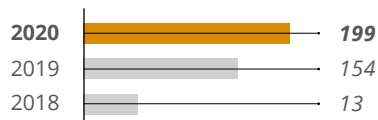
#### KPJ Tawakkal KL Health Centre



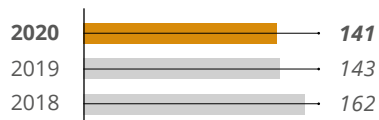
#### Kuantan Care Wellness Centre



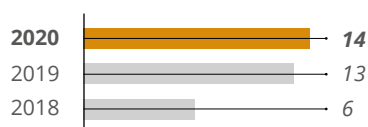
#### Damai Care Wellness Centre



#### Jeta Gardens, Australia



### KPJ HEALTHSHOPPE AND JX PHARMACY OUTLETS



**WE ARE KPJ HEALTHCARE**

Our Six Capitals



**NATURAL CAPITAL**

Our Natural Capital refers to the renewable and non-renewable natural resources we use in delivering our services.

**Trade-Offs**

Expansion of our Manufactured Capital impacts negatively on Natural Capital. However, by ensuring that we responsibly manage our environmental footprint, we are able to mitigate our business' impact on our Natural Capital, and add to the value of our Social and Relationship Capital.

**Link to Strategic Thrusts**

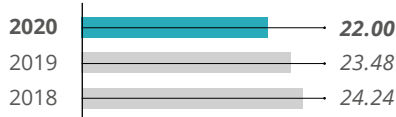


**Link To Material Matters**

- Cost of Healthcare Services

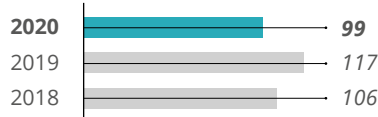
**KEY INPUTS**

**Average electricity consumption per square foot (sq ft) (kWh)**



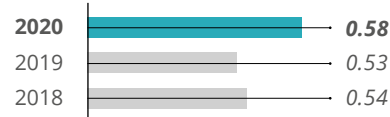
achieved target of not more than 27.69 kWh per sq ft

**Average water consumed per employee (m<sup>3</sup>)**



achieved target of not more than 111 m<sup>3</sup> Per employee

**Average hazardous waste generated per patient (kg)**



increased from the target of not more than 0.5 kg per patient

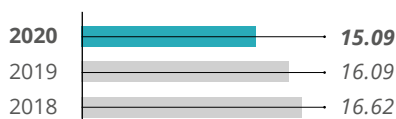
**ACTIVITIES AND PROCESSES**

- The nature of KPJ's healthcare services is energy and water-intensive. As our business has increased and expanded its operations, this has led to an increase in water and energy consumption, as well as waste generated. To mitigate this, we have measures in place and collect data to monitor our progress
- Conducting water saving initiatives include:
  - Monitoring and tracking water leakages
  - Rainwater harvesting
- Conducting Waste Management Practices which focus on:
  - Regular training of hospital staff on proper clinical waste disposal
  - Appointing a clinical waste disposal contractor whose operations are in compliance with Ministry of Health (MOH) and Department of Environment (DOE) regulations
  - Recycling non-clinical waste such as paper and other material
  - Conducting waste disposal activities according to environmental regulations such as Environmental Quality Act 1974 and subsequent legislation
- Removing daily waste using designated vehicles at special collection areas which are kept clean and locked
- Promoting paperless offices
- Utilising sophisticated heating, ventilation and air-conditioning (HVAC) systems to optimise energy consumption
- Upgrading chiller systems to conserve energy
- Replacement of light bulbs with LEDs at our hospitals
- Installation of electricity timers within certain hospital areas
- Green building initiatives
- Zero Single - Use Plastic initiative

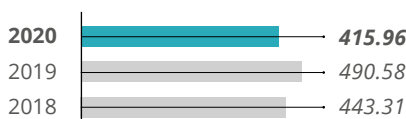
➡ For more information on our environmental initiatives, please refer to *Environmental Section of our Sustainability Report.*

**KEY OUTPUTS**

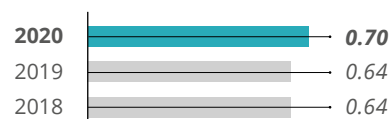
**GHG emission per square foot (sq ft) (CO<sub>2</sub>) - Electricity Consumption**



**GHG emission per employee (CO<sub>2</sub>) - Water Consumption**



**GHG emission per patient served (CO<sub>2</sub>) - Hazardous Waste**





## Our Six Capitals



### HUMAN CAPITAL

Our Human Capital refers to the skills and experience of our employees that enable KPJ to implement its strategies and deliver healthcare services that create value for all our stakeholders. Human Capital value created by KPJ's medical consultants is safeguarded through the closed system model where the Group's consultants practice only in KPJ Hospitals.

#### Trade-Offs

Our investment in Human Capital reduces our Financial Capital in the shortterm. However in the long-term, it adds to our Human, Financial, and Social and Relationship Capital.

#### Link to Strategic Thrusts



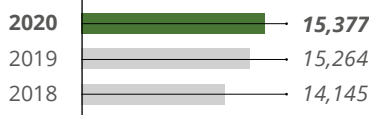
#### Link To Material Matters

- Managing and Retaining Talent

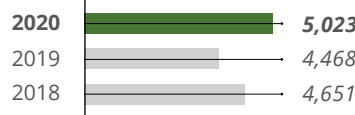
#### A Diverse Workforce

KEY INPUTS

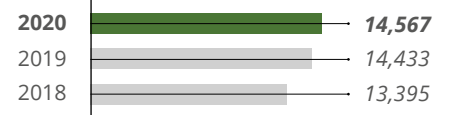
##### Total staff in Group



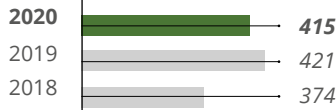
##### No. of trained nurses



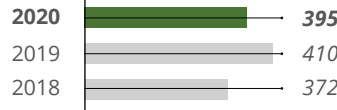
##### Total staff in Malaysia



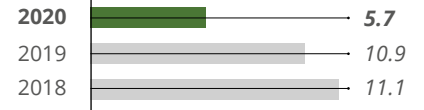
##### Total staff in Bangladesh



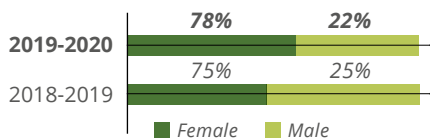
##### Total staff in Indonesia



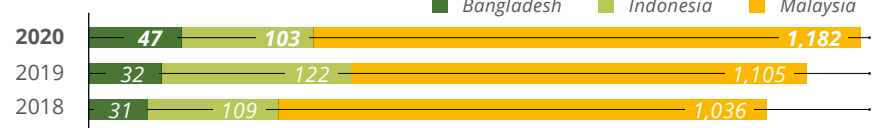
##### Investment in Training and Development (RM Mil)



##### Male:Female Gender Diversity Ratio



##### Medical consultants



ACTIVITIES AND PROCESSES

- Competitive and fair remuneration packages
- Fair employment practices
- Investing in employees' career development, including skillset training and leadership development initiatives
- Succession planning to identify and guide internal talent as future leaders in the organisation
- Continuing Education opportunities for all qualified employees
- Organise annual healthcare conferences/workshops at both national and industry levels such as KPJ Healthcare Conference
- Occupational health and safety management systems
- Employee engagement initiatives such as:
  - Activities conducted by the Sports and Recreational Clubs
  - Annual events such as Family Day, Talent Management Day and Sports Carnivals
  - Employee participation in CSR initiatives
- Work-life balance initiatives such as
  - Flexible working hours
  - Onsite crèches for our staff members' children with breastfeeding rooms which are open 24/7 to accommodate nurses working on shifts
- Promoting healthy living lifestyle amongst our employees through voluntary wellness and health initiatives
- Time off during working hours to attend to urgent personal matters
- Special parking bays for pregnant employees
- Employee Share Option Scheme (ESOS) for employees
- Comprehensive benefits and welfare for all employees
- Workforce transformation policies
- Diversity and Inclusion Policy and Practices

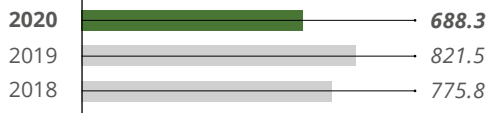
**WE ARE KPJ HEALTHCARE**

Our Six Capitals

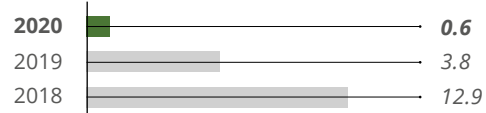


**HUMAN CAPITAL**

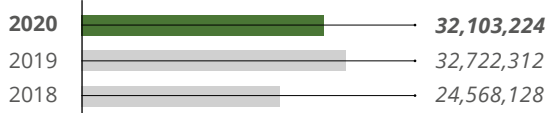
**Employee Benefit Costs (RM Mil)**



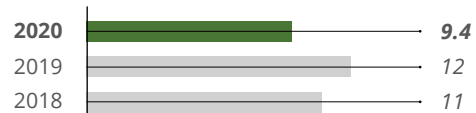
**Esos Expenses (RM Mil)**



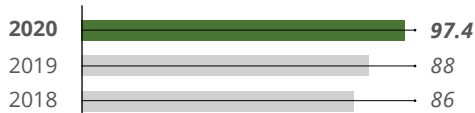
**Total Man Hours Worked (Hours)**



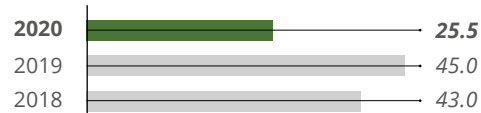
**Staff Attrition Rate (%)**



**Staff Retention Rate (%)**

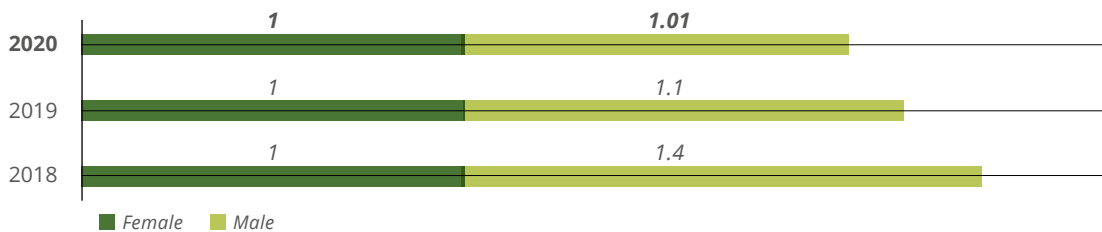


**Average Training Hours Per Employee (Hours)**



KEY OUTPUTS

**Ratio of Basic Salary and Remuneration of Women to Men**



▶ For more information on our employees, please refer to the **Materiality People 2 to Materiality People 4 in the Social Section of our Sustainability Report.**

## Our Six Capitals



### INTELLECTUAL CAPITAL

Our Intellectual Capital comprises of intangibles such as our health service offerings, as well as health quality standards, accreditations and certifications that define the Group's competitive advantage. It also includes information technology (IT) and medical technology (MedTech) innovations that we adopt to enhance our efficiencies and clinical outcomes.

#### Trade-Offs

In the short-term, our investment in Intellectual Capital reduces Financial Capital. However it grows our Human, Financial, and Social and Relationship Capitals in the longer term.

#### Link to Strategic Thrusts

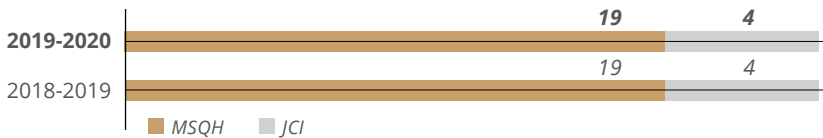


#### Link To Material Matters

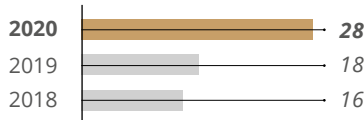
- Quality of Service Standards
- Government Regulations

#### Key Inputs

#### Hospital Certification, Accreditation and Standards

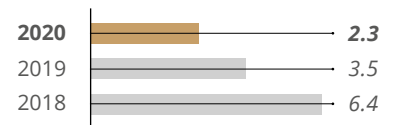


#### No. of Hospitals Integrated with KPJ Online Booking System



More details on our Certification, Accreditation and Standards can be found within our **Materiality Economic 4 - Delivery Safe and Excellence Clinical Services.**

#### IT Investment (RM Mil)



#### Activities and Processes

- Clinical Services introduced new services in line with new technology or meeting customers' expectations and endeavour to provide a safe healing environment. These were some of the new services initiated and in progress:
  - Nursing Shared Governance
  - Clinical Pharmacy Services in KPJ Hospitals
  - Acute Stroke Centre
- Continued with digitisation initiatives via Health Information System (HIS) migration, to second generation Cloud Computing
- Implementation of integrated systems that increase effectiveness, improve monitoring and tracking of treatment outcomes with an emphasize on information security
- Implemented a new Data Centre to prepare for the Group's consolidated Cloud Computing within our hospital network
- Cyber security and IT Risk Assessment actions were undertaken to prepare for ISO 27001
- Most hospitals continued monitoring and renewing their certifications, including:
  - Joint Commission International (JCI),
  - Malaysian Society for Quality in Health (MSQH), Integrated Management System (IMS)
    - ISO 9001:2015 Quality Management System, OHSAS 18000:2007, ISO 14000:2015 Environmental Management System. Hospitals that certified with ISO 18001:2007 OHSAS are moving towards the conversion to ISO 45001:2018 Occupational Safety and Health Management System.
- In-house nursing and healthcare dashboard
- Comprehensive Clinical Governance policies, structure and management in place
- Masters and PhD Programmes
- Academic Healthcare Centre (AHC) initiative as a collaborative platform for KPJUC academics and KPJ hospital clinical professionals to provide hands on skills training for KPJUC students and research collaboration
- KPJUC initiates new research and innovation activities with the needs and inyerest of the community. In 2020, KPJ entered into MOA with UKM for establishment of RM1 million Endowment Fund for healthcare R&D
- The biennial KPJ Quality Convention has been the platform for employees to showcase innovative projects that can effectively improve operations.

**WE ARE KPJ HEALTHCARE**

Our Six Capitals



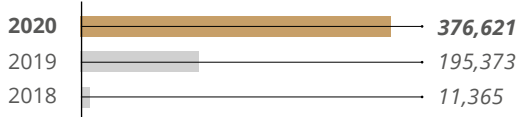
**INTELLECTUAL CAPITAL**

**Specialists Trained at KPJUC**

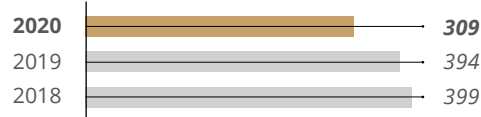
Programmes	AS AT 2020
PHD IN NURSING	3
MASTER OF OTORHINOLARYNGOLOGY (HEAD AND NECK SURGERY)	5
MASTER OF SCIENCE IN PHARMACEUTICAL TECHNOLOGY	2
MASTER OF PHYSIOTHERAPY	5
MASTER IN RADIOLOGY	5
MASTER OF NURSING SCIENCE	6
MASTER OF GENERAL SURGERY	1

KEY OUTPUTS

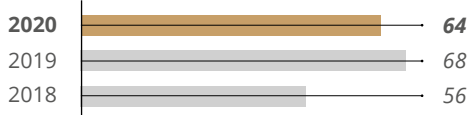
**Total Number of KPJ Online Appointments**



**No. of KPJUC Graduates Recruited**



**Average of Innovation Received Per Hospital**



	2020		2020
Accreditation by Joint Commission International	4	Baby Friendly Hospital Initiative (BFHI)	18
Accreditation by Malaysian Society for Quality in Health - Hospital	19	Planetree	2
Accreditation by Malaysian Society for Quality in Health - KWAN	8	Adoption of Personal Data Protection Act (PDPA)	29
Accreditation by Malaysian Society for Quality in Health - Dental Clinic	1	mQuit Programme	8
ISO 9001:2015	1	Integrated Management System (IMS)	21
ISO 22000:2018 Food Safety Management System	4		

For more information on our digital healthcare innovations, technology and cyber security enhancements, KPJUC, as well as accreditations and certifications, please refer to **Materiality Economic 4 and 5 within the Economic section and Materiality People 2 of our Sustainability Report.**



## Our Six Capitals



### SOCIAL AND RELATIONSHIP CAPITAL

Our Social and Relationship Capital refers to the long-term relationships we have cultivated with our stakeholders, including patients, suppliers, business partners and the Government. This also plays a large role in the Group's long-term reputation management.

#### Trade-Offs

In the short-term, investment in Social and Relationship Capital reduces our Financial Capital. However through our wide spectrum of initiatives which create value for our stakeholders, we are able to grow our Social and Relationship, Human, Intellectual and Financial Capitals in the longer term.

#### Link to Strategic Thrusts

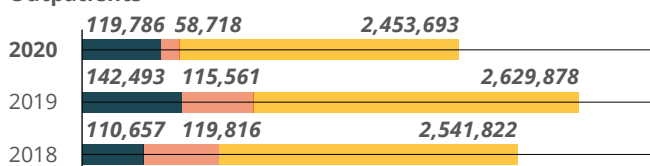


#### Link To Material Matters

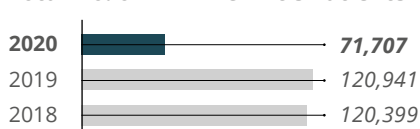
- Cost of Healthcare Services
- Quality of Service Standards
- Government Regulations
- Funders for Healthcare Services

#### KEY INPUTS

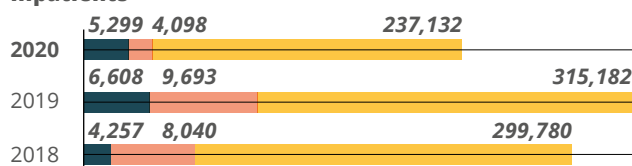
##### Outpatients



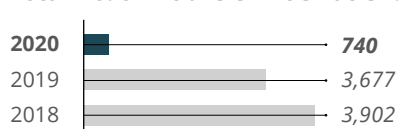
##### Total No. of KWAN Clinic's Patients



##### Inpatients



##### Total No. of Mobile Clinic's Patients



#### ACTIVITIES AND PROCESSES

##### For our Patients

- Increased focus on KPJ Brand through specially designed onground and online initiatives
- KPJ's Customer Service Tools include:
  - KPJ Service Quality Coach
  - Customer Service Workshops
  - SQM Mentoring Programme
  - Standard People Practice (SPP)
  - Planetree project focusing on person-centred care
  - Premier Customer Service Programme
  - Customer Service Management Recognition by SIRIM
  - KPJ Care Card Loyalty Programme
- Integrated SQM Portal comprising the following elements:
  - Patient Communication Management System (PCMS)
  - SQM External Survey
  - Online Training Module
  - FAQ on SQM Application Portal
  - KPJ Dashboard

- Planned Preventive Maintenance (PPM)
- Ongoing commitment to reduce admission and discharge waiting times

##### For the Government

- Active engagement with the Government on healthcare issues and legislation
- Contribute in kind to efforts by MOH during health emergencies, e.g. efforts to flatten the curve of pandemic COVID-19
- Representation on Government bodies such as the Malaysian Nursing Board

##### For our Intermediaries

- Embarking on an online portal for outpatient specialist guarantee letters (GL) and e-billing, with the objective of increasing the efficiency of admission workflow process

##### For our Vendors and Suppliers

- Efficient, streamlined and fair procurement processes and policies
- Regular interaction with suppliers
- Fair contract negotiations with suppliers and vendors
- Assessment process with regards to suppliers and vendors
- All suppliers, vendors and other related third parties are required to sign the Corporate Integrity Agreement (CIA), to ensure transparency in building mutually beneficial working relationships

**WE ARE KPJ HEALTHCARE**

Our Six Capitals



**SOCIAL AND RELATIONSHIP CAPITAL**

**ACTIVITIES AND PROCESSES**

**For Accreditation and Industry Bodies**

- Representation in accreditation and industry bodies such as the Association of Private Hospitals Malaysia (APHM) and MSQH.
- All our consultants are duly registered on the National Specialist Register

**For the Community**

- Community outreach programmes such as:
  - Klinik Waqaf An-Nur (KWAN), including Mobile Clinics and Dialysis Centres
- Baby Hatches that provide safety for babies left behind by their parents

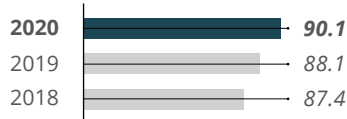
- Public health education programmes
- Community grievance platforms and channels

**For our Investors and Shareholders**

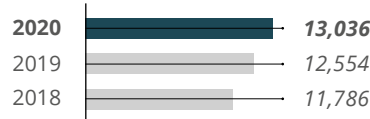
- Investor relations information via uploaded presentation
- Corporate website that provide relevant information on hospital
- Updating of investor-related information via meetings/ briefing with analysts
- General Meetings – AGM and EGM
- Participation in investment roadshows and conferences

**KEY OUTPUTS**

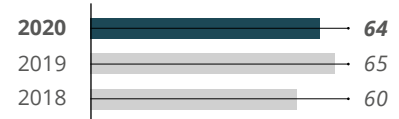
**Customer Satisfaction Index (%)**



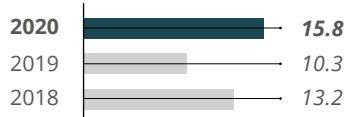
**Total No. of Staff Trained in Customer Service**



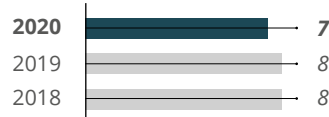
**Total No. of Service Quality Coaches**



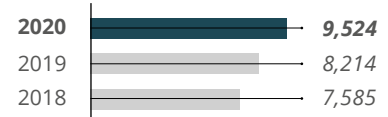
**Total Investment in Community Outreach Programmes (RM Mil)**



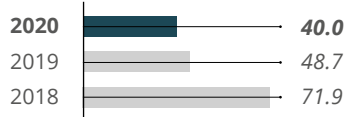
**No. of Hospitals with Baby Hatches**



**CIA Execution by Vendors and Suppliers**

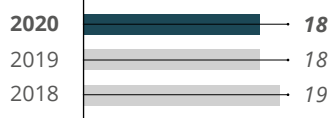


**Tax Distribution to Government/ Approved Agencies (RM Mil)**

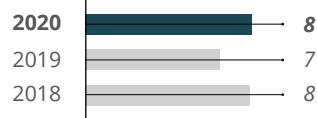


**Klinik Waqaf An-Nur**

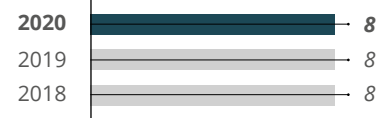
**Clinics**



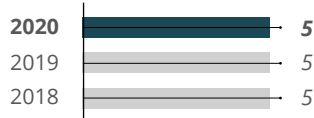
**Clinics Operating As Dialysis Centres**



**Clinics With MSQH Certification**



**Mobile Clinics**



For more information on our customer service and intermediary initiatives, please refer to **Materiality Economic 1 and 2 within the Economic section of our Sustainability Report**. Further information on our community initiatives can be found within the **Materiality People 1 in the Social section of our Sustainability Report**. Full disclosures on our investor and shareholder activities can be found within our standalone Corporate Governance Overview section of our Integrated Report.

# Strategic Progress



**Our strategic intent is premised on delivering exceptional healthcare to our patients, through the careful and excellent management of patient journeys, to produce quality patient outcomes as well as create a sustainable pool of returning clients. Dedication to this strategy, bolstered by our aspiration to be the preferred healthcare provider, will ultimately create long-term value to our shareholders.**

We are guided by seven strategic thrusts which are aligned to our six capitals. These thrusts are aimed at growing the business while improving resilience, growing capacity and embedding innovation.

**Our Group Tagline:**

**Care For Life**

As a leading provider of healthcare services regionally, KPJ is committed to offering quality service par excellence across all our business. To achieve this, we leverage on our experienced medical professionals and state-of-the-art facilities in all markets that we operate in.

**Our Vision:**

**The Preferred Healthcare Provider**

KPJ's vision to be the preferred healthcare provider is achievable through the delivery of exceptional health treatment, care and diagnosis to all patients. Our steadfast commitment to achieving our vision can be seen through the various initiatives and actions such as innovative use of technology, having a team of experienced consultants, and well-trained medical and non-medical employees who work hand in hand wherever we operate.

**Our Mission:**

**Deliver Quality Healthcare Services**

We made it our mission to improve the health of the people and the communities across all markets in which we operate. Delivery of care is led by medical professionals who are committed to achieving quality patient outcomes.

**Our Fundamentals:**

**Core Values**

We are guided by our Core Values which underpin our dedication to "Care for Life". It is our hope that through these five core values, we can maintain and grow KPJ's patient-centered healthcare services.



Ensuring Safety



Delivering Service with Courtesy



Exercising Professionalism at All Times










Striving for Continuous Improvement



Performing Duties with Integrity

**OUR SEVEN STRATEGIC THRUSTS**


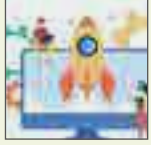

drive our commitment to provide a comprehensive, patient-centred care, and to maintain our position as the leader in the country's private healthcare industry

 <p><b>CAPACITY BUILDING</b></p> <p>Strategic investments and enhancements in project development.</p>	 <p><b>ENRICHED CUSTOMER RELATIONSHIP</b></p> <p>Employ strategic measures aimed at strengthening the KPJ brand, built on a patient-centric culture.</p>	 <p><b>INNOVATION @ THE CORE</b></p> <p>Embedding a Culture of Innovation throughout the Group, ensuring KPJ keeps abreast with industry trends.</p>	 <p><b>NEW NICHES</b></p> <p>Explore new and potential opportunities, to grow the business in the medium to long term.</p>	 <p><b>TALENT MANAGEMENT</b></p> <p>Focus on nurturing dependable and high integrity talents who are capable of driving positive performance, contributing to KPJ's sustainable growth.</p>	 <p><b>BUSINESS PROCESS IMPROVEMENT</b></p> <p>Continuously improving our processes and systems to improve performance.</p>	 <p><b>SUSTAINABLE VALUE FOR STAKEHOLDERS</b></p> <p>Ensuring long-term growth, in order to provide stakeholders with high returns, contributing to sustainable positive relationship.</p>
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**WE ARE KPJ HEALTHCARE**

Strategic Progress

We established strategic focus and targets for each thrust in 2020 to drive better outcomes and ensure quality healthcare services. Our targets and achievements are shown in the table below:

Strategic Thrust	Strategic Focus 2020	Strategic Focus 2021-2025
<p><b>CAPACITY BUILDING</b></p> 	<p><b>Continuous Growth in Healthcare Industry</b></p> <p><b>Achieved</b> Relocation of two hospitals in Kluang, Johor and Kuching, Sarawak</p> <p><b>Achieved</b> Maximise the utilisation of capacity of the existing hospitals i.e. by offering more than 40 procedures and surgeries for decanting patients that referred by MOH</p>	<p><b>Strengthen Business and Operational Excellence</b></p>  <p><b>In Progress</b> Maximising capacity with 1,000 beds at the existing hospitals until 2025</p> <p><b>Achieved and Continuous Improvement</b> [JANUARY] Maximise the utilisation of capacity of the existing hospitals i.e. by offering more than 100 procedures and surgeries for decanting patients that referred by MOH</p> <p><b>Achieved and Continuous Improvement</b> [FEBRUARY] Clustering KPJ hospitals by Region i.e. Flagship Hospitals, General Hospitals and Community Hospitals</p>
<p><b>ENRICHED CUSTOMER RELATIONSHIP</b></p> 	<p><b>Provide Patient Centric Benefits in Our services</b></p> <p><b>Achieved</b> Customer Satisfaction Index more than 90%</p>	<p><b>Enhance Clinical and Service Quality</b></p>  <p><b>Achieved and Continuous Improvement</b> [JANUARY] Continuous development on our strong service culture</p>
<p><b>INNOVATION @ THE CORE</b></p> 	<p><b>Leveraging on Technology and Innovation for Quality Care</b></p> <p><b>Achieved</b> Implementation of Telemedicine and Medication Delivery (TMD)</p> <p><b>Achieved</b> Intensive marketing on social media</p>	<p><b>Embrace Digitalisation &amp; Technology in Enhanced Manner</b></p>  <p><b>Achieved and Continuous Improvement</b> [JANUARY] Digitalisation of services in online consultation, TMD, etc</p> <p><b>Achieved and Continuous Improvement</b> [JANUARY] Strengthen the digital marketing in promoting packages and educate public via awareness programme</p>
<p><b>NEW NICHES</b></p> 	<p><b>Continuous Growth in Healthcare Industry</b></p> <p><b>Achieved</b> One retail pharmacy opened in December 2020 named JX Pharmacy Sri Manjung</p>	<p><b>Strengthen Business and Operational Excellence</b></p>  <p><b>Achieved</b> [JANUARY] Ambulatory Care Centre (ACC) opened in Taiping, Perak Open ACC in Kinrara, Selangor soon</p>

## Strategic Progress

Strategic Thrust	Strategic Focus 2020	Strategic Focus 2021-2025
<p><b>TALENT MANAGEMENT</b></p> 	<p><b>Build a Culture of High Performance</b></p> <p><b>Achieved</b> Communication of anti-corruption policy/ ABMS to all employees covers (91% of employee acknowledged e-pledge)</p> <p><b>Achieved</b> Invest RM5.7 million in training and development programmes for employees</p>	<p><b>Synergise Organisation, People and Culture</b></p>  <p><b>Achieved and Continuous Improvement</b> [JANUARY] Maintain our culture of business ethics and integrity</p> <p><b>Achieved and Continuous Improvement</b> [JANUARY] Invest in employees' training, career development, health and wellbeing</p>
<p><b>BUSINESS IMPROVEMENT</b></p> 	<p><b>Upgrading Hospital Information System</b></p> <p><b>Take The Environment Protection Seriously</b></p> <p><b>In Progress</b> Completion of pilot project of nHIS (next generation Hospital Information System) Phase 1 at KPJ Damansara 2 by the first quarter of 2022</p> <p><b>Achieved</b> Environmental indicators - energy and water reached the Group target</p> <p><b>Not Achieved</b> Environmental indicator - waste increase due to the compliance to COVID-19 SOP in related consumable items</p>	<p><b>Embrace Digitalisation &amp; Technology in Enhanced Manner</b></p>  <p><b>Take The Environment Protection Seriously</b></p>  <p><b>In Planning</b> nHIS rollout to the hospitals nationwide after successful pilot project implementation at KPJ Damansara 2</p> <p><b>Achieved and Continuous Improvement</b> [JANUARY] Continue the green and energy efficiency initiatives based on the requirement of the Malaysian Standard (MS1525:2007)</p>
<p><b>SUSTAINABLE VALUE FOR STAKEHOLDERS</b></p> 	<p><b>Protect the Socio-Economic Environment of Our Stakeholders</b></p> <p><b>Achieved</b> 18 KWAN clinics and five mobile clinics served 72,447 patients underprivileged community nationwide</p> <p><b>Achieved</b> Investment of Outreach Programme to the local community by RM15.8 million</p> <p><b>Achieved</b> Maintain dividend pay-out not less than 40% of our profit after tax, RM51.4 million</p> <p><b>Achieved</b> Collaboration with the Government to assist in flattening the COVID-19</p>	<p><b>Synergise Our Organisation, People and Culture</b></p>  <p><b>Achieved and Continuous Improvement</b> [JANUARY] Strengthen KWAN mobile clinics by identify potential partners such as bank or other corporate entities in Klang Valley</p> <p><b>Achieved and Continuous Improvement</b> [JANUARY] Designing Strategic CSR Programme with measureable impact to the local community</p> <p><b>Achieved and Continuous Improvement</b> [JANUARY] Protect shareholders' interests</p> <p><b>Achieved and Continuous Improvement</b> [MARCH] Collaboration with the Government to cater to the increase of demand in healthcare and a shortage in the provision of certain healthcare services</p>

## WE ARE KPJ HEALTHCARE

### Strategic Progress

#### COVID-19 IMPACT

##### Impact on Patients ▼

- Patients rescheduled their appointments, procedures and surgeries due to the pandemic and lockdown measures in the second quarter
- Patients' volumes gradually recover post-COVID-19 as elective procedures returned slowly while COVID-19 lingers

##### Mitigation plans:

- Aggressive marketing campaigns to attract patients and to increase patient volumes i.e. MRI pneumococcal vaccine
- Aggressive promotion on social media platforms by organising series of webinars for new and existing consultants to generate referrals and increase in patient numbers

##### Impact on Workforce ▼

- Manpower shortages due to the infection of critical frontline healthcare professionals resulted in service disruption and compromised safety of hospital operations
- Employees work in a completely different setting, working from home in the new normal in comparison to what they were used to before. Employees returned to the workplace or adopted a hybrid working arrangement

##### Mitigation plans:

- All KPJ Group staff have been briefed on COVID-19 safety procedures and precautions
- Effective communication to employees on the status of pandemic, updates on the latest MCO measures, SOP and best practices i.e. implemented Return to Work (RTW) Guidelines post MCO to allow rotation of staff at the office
- Conducted online training and webinar session as well as virtual motivational sessions for employees to remain productive during MCO

##### Impact on Operations ▼

- Hospital remained opened at all times and carry out COVID-19 test for the public, contributing to population safety
- Shortages of supplies due to non-delivery of medicines and other essentials
- Business disruption due to the temporary closure of hospitals because of COVID-19 transmissions

##### Mitigation plans:

- Ensured efficient management of stock via Pharmaserv and the stockpiling of healthcare essentials at least to 3 months
- Increase and improve the SOP at the hospitals for patient, consultants and employees safety

##### Impact on Finance ▼

- Reduction in revenue in Health Tourism due to the restriction of health tourists and cancellation of flights. The Visit Malaysia Year 2020 & MyHT Year 2020 were cancelled by the Government

##### Mitigation plans:

- Maximised benefit received from PRIHATIN economic stimulus packages and PENJANA economic recovery plan
- Designed a disruption initiatives plan for revenue growth and cost optimisation (i.e. staff rescheduling)
- Explored new opportunities and investments with the existing resources (i.e. existing hospitals) and new revenue streams (i.e. ACC)

##### Impact on Technology ▼

- The pandemic pushed employees and consultants to rapidly embrace technology and resort to Telemedicine and Medication Delivery
- Employees working remotely by using technology to avoid disruption to their work schedule

##### Mitigation plans:

- Invest in the Telemedicine and Medication Delivery and rolled out to all of the hospitals
- Meetings and discussion on virtual platforms i.e. Skype, Google Meet to minimise the risk of social contacts among staff
- VPN access in order to access respective department and services file server in KPJ Corporate office remotely

##### Impact on Industry ▼

- New mind-set of stakeholders i.e. anxious patients and families
- Public-Private Partnership Programme to combat COVID-19 and develop economic growth

##### Mitigation Plans:

- Restoring stakeholders confidence by improving the processes of engagement
- Engaged with MOH and APHM on managing COVID-19 and accepted decanted patients and National Immunisation Plan





## STAYING MOTIVATED TO CONTINUE GIVING OUR BEST



SRN  
Seri  
Sharudin  
*Infection Control Officer  
KPJ Johor Specialist Hospital*

"Every staff who reported to me, I will remind them every morning, that this is a pandemic. Please tell your family and spouse to understand your role as frontliners, we are dealing with an unseen enemy. We must have positive mindsets and keep ourselves healthy, because our loved ones will be proud to hear our story about this one day."

I take being a frontliner as my purpose in life, being able to give my service to those in need. As the Infection Control In-charge at KPJ Johor, I am proud of my team members because they are able to push themselves to the limit. They are so committed to each task and I am grateful they have made it through."

OUR LEADERSHIP STATEMENT

Statement from Our Chairman

**Dear Valued Shareholders and Other Stakeholders of KPJ,**

I am pleased to report that KPJ overcame a multitude of unprecedented challenges in highly challenging times, to turn in a resilient performance in 2020. Although we were hit hard by the COVID-19 pandemic and the different phases of the stringent but necessary Movement Control Order (MCO), our people stepped up to the plate to prove their mettle and make steadfast progress on several fronts.

**Highlight of the year**

**Declared dividends of 1.2 sen**

per ordinary share, with total dividends of RM86.0 million paid for FY2019

**Community Outreach Programme**

**RM15.8 million**

**Incorporating the tagline**

**People, Passion, Purpose**

this year's Annual Report pays tribute to the resilience, dedication and passion of our people.

The year also saw us thoroughly re-evaluating our state of play and putting in place the building blocks that are laying strong foundations for KPJ's sustainable growth. Today, a re-energised KPJ is well positioned to make good advances forward in its value creation efforts as the biggest private hospital group in Malaysia by bed count capacity.

It is my privilege to present the Annual Report of KPJ Healthcare Berhad (KPJ or the Group) for the financial year ended 31 December 2020. Incorporating the tagline "People, Passion, Purpose" this year's Annual Report pays tribute to the resilience, dedication and passion of our people. It also celebrates their capacity to innovate and remain laser-focused in all that they set their hands to. We also applaud our people's commitment to working together as a team to overcome highly challenging operating conditions.

**REMAINING RESILIENT AMIDST CHALLENGING TIMES**

In 2020, as a consequence of the economic disruptions resulting from COVID-19 containment measures and heightened risk aversion, the global economy contracted by 3.5%, marking the deepest peacetime recession since the Great Depression. The second quarter of 2020 in particular saw a steep decline in production activities across nations which led to weakened labour market conditions that weighed on domestic demand, external trade and global growth. To avert a deeper downturn, governments the world over set in place unprecedented global policy responses, including substantial fiscal stimuli, accommodative monetary policies and quantitative easing measures. As containment measures were gradually lifted in the second half

## Statement from our Chairman

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**The Malaysian government rolled out a series of stimulus packages in 2020 worth RM305 billion (20% of Malaysia's GDP) to support the economy throughout the crisis.**

of 2020, global growth showed signs of recovery, although at an uneven and gradual pace.

On the domestic front, the Malaysian economy contracted by 5.6% in 2020, its lowest level since a 7.4% contraction during the Asian Financial Crisis in 1998. This was due to broad-based weaknesses in exports, production and domestic demand, arising from adverse external spill-overs as well as the implementation of stringent domestic containment measures to combat the pandemic. Weaker domestic economic activities led to a decline in labour market conditions and income losses, thereby impacting consumer spending. Given the low levels of business confidence and the slower implementation of projects, private investment activity was affected.

Meanwhile, the implementation of the various phases of the MCO impacted public expenditure. The greatest impact was felt in the second quarter of 2020 even as GDP contracted by 17.1%. Growth gradually improved in the second half of the year, partly supported by the improvement in external demand and the reopening of the domestic economy amid a more targeted approach to containment measures.

Malaysia's adoption of a comprehensive and complementary policy response to the crisis played a significant role in cushioning the economic impact of the

pandemic on the domestic economy while supporting growth recovery. The Malaysian government rolled out a series of stimulus packages in 2020 worth RM305 billion (20% of Malaysia's GDP) to support the economy throughout the crisis. Providing immediate relief to households and businesses in particular, these policy measures eased cash flow constraints and helped reduce job losses.

Amidst this challenging backdrop, the healthcare industry, typically the most resilient of industries to withstand tough economic conditions, experienced what was termed "a washout year". Due to the unprecedented impact of the COVID-19 pandemic and the movement restrictions on inpatient demand, all hospitals registered lower-than-expected bed occupancy rates (BOR). This was especially

evident during the initial MCO with the BOR slumping to a record low.

KPJ was no different, ending the year with a much lower BOR of 48% (2019: 67%) while the number of inpatients fell 24.8% year-on-year. As a result, we saw the Group's 2020 revenue decline 11% to RM2.4 billion from RM2.7 billion previously, while our 2020 net profit nearly halved to RM110.8 million as compared to a net profit of RM226.7 million in 2019. On top of the external headwinds posed by the pandemic, our 2020 performance was dragged down further by an impairment loss and a decrease in share of profit from associates. The finer details of our operational and financial performance are spelt out in the Review by the President and Managing Director (PMD).

Despite the year's challenges, the Board made a conscious decision to reward shareholders for their support and went on to pay out three interim dividends amounting to 1.2 sen per share in respect of the financial year ended 31 December 2020—these included interim dividends of 0.5 sen on 20 April; 0.3 sen on 28 July and 0.4 sen on 31 December. In total, dividends amounting to RM51.4 million were paid out to shareholders over the course of 2020 representing some 46% of the Group's net profit for 2020.



**OUR LEADERSHIP STATEMENT**

Statement from our Chairman

**RE-ENERGISING KPJ: OUR STRATEGIC PATHWAY TO PROGRESS**

Even before the COVID-19 pandemic began to escalate, plans were underway to transform KPJ and reinforce its position as Malaysia’s biggest private hospital group by bed count capacity. While the highly disruptive operational conditions in 2020 truly tested our people and our entire hospital infrastructure, it also gave us the impetus to take a closer look at ourselves, re-strategize and plan how to better move forward. The following are some of the building blocks that we set in place over 2020 and which are laying the foundations for the Group’s future value creation efforts under our “Re-energising KPJ” strategy. This strategy calls for the creation of synergies across the KPJ Group’s businesses to outperform the industry and deliver sustainable total shareholder returns.

**A STRONGER LEADERSHIP BENCH**

When I joined the Board on 18 February last year, the COVID-19 situation was just beginning to unfold and no one knew what was to come. At that point in time, KPJ was undergoing a transition with substantial changes underway at the Board level. In fact, most of us Directors then were newcomers to KPJ and were just beginning to understand the workings of KPJ. However, upon being thrown headlong into 2020’s tumult and undergoing our baptism of fire, we came out a wiser, more experienced lot.

Today, 11 of the 13 Directors on the Board have served KPJ for just over a year. While we may be relatively new to KPJ, we bring to the table our time-tested, multi-faceted experiences, skillsets and outlooks which will help balance the



**The plan is to enhance the synergy between our non-medical and medical staff as well as continue increasing our service levels so that wherever patients go within the KPJ network, they will be able to get the same level of clinical care and service.**



Board’s decision-making process. More importantly, we bring aboard fresh perspectives as well as the lessons learnt from 2020 to lead the Group forward on to greater heights of success.

On 1 July 2020, we brought our new President and Managing Director (PMD), En. Ahmad Shahizam Mohd Shariff, on board to drive the transformation within KPJ and improve operating levels at all units within the Group. The PMD has been given the mandate to reinvigorate KPJ so that we can continue to lead the industry. The finer details of the strategy to Re-energise KPJ can be found in the PMD’s Review within this Annual Report.

Earlier this year, several new members of the senior leadership team joined our PMD adding their wealth of experience and expertise to the mix. They include our new Chief Corporate Officer, Pn. Ariesza Noor; Chief Operating Officer, Pn. Nik Zainon Yusoff; Chief Commercial Officer, En. Nik Izhar Nik Mohammed; Chief Transformation Officer, Mr. Suriaghandi a/l Suppiah; and Chief Talent Officer, En. Shathiran bin Mohd Idrus.

With the addition of fresh team players, KPJ now has a multi-talented and highly-experienced leadership team to guide and lead the Group forward with a singular vision and mandate. I believe we are in good shape on this front moving forward and look forward to seeing the fruit of our combined efforts in due course.

**ENHANCED SERVICE LEVELS ACROSS THE GROUP**

KPJ’s fundamental purpose is to deliver exceptional health treatment, care and diagnosis to all our patients. To this end, the last 40 years have seen KPJ building a very large and strong base to become the largest healthcare group in Malaysia by bed capacity. Apart from quantity, we also want to focus on the quality of our efforts. We plan to enhance the quality healthcare that we are already providing by taking our service levels up several notches. The plan is to enhance the synergy between our non-medical and medical staff as well as continue increasing our service levels so that wherever patients go within the KPJ network, they will be able to get the same level of clinical care and service.

We bring aboard fresh perspectives as well as the lessons learnt from 2020 to lead the Group forward on to

**GREATER HEIGHTS OF SUCCESS**



KPJ now has a multi-talented and highly-experienced leadership team to guide and lead the Group

**FORWARD WITH A SINGULAR VISION AND MANDATE**



**40 YEARS**

have seen KPJ building a very large and strong base to become the largest healthcare group in Malaysia by bed capacity

## Statement from our Chairman



## A More Compelling Case for Digitalisation

The pandemic taught us the value and convenience of leveraging digitalisation in a greater manner. Over the course of 2020, many surgical patients were reluctant to approach hospitals because of fears of the pandemic. To offset this, KPJ relied on digitalisation and tele-medicine services to reach out to those who were hesitant. As many on both sides of the equation (i.e., both patients and healthcare providers) were not accustomed to this nor knowledgeable about the accuracy of online diagnosis, this was something that we have had to proactively ramp up. Over time, more and more people have gotten used to tapping tele-medicine services, but there is still much room for improvement. The technology to do this

is now very advanced and we are currently exploring new systems that we can introduce to the Group.

As we move to embrace technology in a more immersive manner, the possibilities and benefits are endless. For instance, we are of the view that when a patient comes to KPJ for treatment, the care should not just end there. We should also follow up with the patient as they advance into other stages of their lives. Ideally, we would like to see the babies that we help to deliver stay with us as customers for the rest of their lives – digital platforms will make all this possible and much easier.

### BOLSTERING OUR REPUTATION

Plans are underway to rejuvenate and strengthen the KPJ brand to reinforce the Group's reputation as the biggest private hospital group in the country. However, this branding will not be done in a traditional marketing sense but more in a manner of how the entire hospital network is positioned.

Currently, there are several prominent hospitals within our fold that are better known by their individual name and are not as well known for being a part of the KPJ Group. Take for instance, the KPJ Damansara or the KPJ Ampang Puteri – both of which are within KPJ's stable of hospitals yet are better known by their individual names.



## OUR LEADERSHIP STATEMENT

### Statement from our Chairman

We plan to position these key flagship hospitals as being the best-in-their-class at the tertiary level. The positioning will not be so much from a premium perspective, but more from a service perspective in that they offer the best healthcare services and are complemented by various sub-specialisations. We will capitalise on these flagship hospitals and link them to the smaller community-based hospitals and the bigger state capital hospitals so that they all work together in a synergistic manner via a seamless hub and spoke model. I am confident that the hub and spoke model will pave the way for patients to be taken care of in a seamless manner within our hospital network.

➤ For more details on KPJ's Re-energising Strategy, please turn to the Review by the PMD on **pages 34 to 41** of this Annual Report.

#### UPHOLDING RESPONSIBLE CORPORATE PRACTICES

#### COMMITTED TO GOOD GOVERNANCE MEASURES

The Board of KPJ acknowledges that good governance translates into good business. As such, we are committed to upholding and implementing strong standards of corporate governance, as well as robust risk management and internal control measures throughout the length and breadth of our organisation. These essential components of our business are safeguarding our corporate reputation, bolstering investor confidence, ensuring continued shareholder value creation and driving the sustainable, long-term growth of our businesses,

The Group's governance policies are guided by the spirit and intended outcomes of the enhanced Malaysian Code on Corporate Governance (MCCG) 2017. We are deeply committed to ensuring good governance policies flow down from the Board in a coherent manner and are cascaded down

across the rest of the organisation in an effective manner. Even as we uphold good governance, we work closely with our stakeholders at various levels and through a myriad of channels to arrive at one outcome—patient safety and satisfaction.

On 1 December 2020, three Independent Non-Executive Directors, namely Prof. Dato' Dr. Azizi Bin Haji Omar, Dato' Dr. Ngun Kok Weng, and Dato' Dr. Sivamohan A/L S. Namasivayam, were redesignated as Non-Independent Non-Executive Directors to rightly reflect their positions as medical consultants with vested interests in KPJ. Nevertheless, in terms of Board representation, today 50% of KPJ's Directors are Independent Directors. We are looking to recruit a new Independent Director so that we are further aligned with MCCG 2017 Practice Note 4.1 which calls for at least half of the Board (of Large Companies), to comprise Independent Directors. While historically, most government-linked companies (GLCs) have not had much independence on their Boards, KPJ's goal is to have a more professional Board of Independent Directors. In terms of gender diversity on the Board, we have one female Director and are working to recruit another for more diverse Board representation.

Effective 1 February 2021, the Board approved a new group senior management structure. This revised structure has been reorganised to establish greater management accountability and enhance empowerment at all levels of management. It now mandates that 10 members of the KPJ Senior Management Team, together with seven Regional CEOs, will form the newly established KPJ Group Management Committee (KGMC), headed by the PMD and will also replace the KPJ EXCO.

February also saw us implement a new organisational structure where we will

leverage on a hub and spoke structure to more effectively manage our business. The details of these are spelt out in the PMD's Review. 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.

Last year, due to the pandemic restrictions, we leveraged digitalisation to conduct our first fully virtual Annual General Meeting (AGM). Our 27th AGM was carried out on 9 July 2020 guided by the Securities Commission Malaysia's Guidance on the Conduct and General meetings for listed issuers. All shareholders were required to register their attendance remotely by using the Remote Participation and Voting (RPV) mechanism. Shareholders were encouraged to post questions to be read and answered during the Q&A session, while electronic poll voting was conducted for all resolutions and immediately announced during the proceedings. In line with KPJ's sustainability efforts, shareholders were able to access the Group's Integrated Report, Sustainability Report and Financial Report online instead of hard copies of the same.

In the future, pandemic or not, we may continue to explore the option of a virtual AGM as it is a rather practical platform, which allows shareholders who cannot be present or who may be overseas, the ability to virtually attend these meetings. Although more costly, it is worth the effort and convenience.

#### RECOGNISED FOR UPHOLDING EXCELLENCE

The KPJ Group and its subsidiaries continue to be recognised for upholding excellence on several fronts.

For our readiness and proactiveness in according our patients cashless payment



## Statement from our Chairman

### UPHOLDING TANGIBLE SUSTAINABILITY PRACTICES

The KPJ Group is deeply committed to championing the agenda of sustainability across our organisation by balancing out our economic ambitions with social and environmental considerations as part of our sustainability journey.

For a good part of 2020, we focused our efforts on mitigating the effects of the pandemic upon our business, frontliners and other vulnerable groups within society by helping as much as we could in areas where we were most effective. These included supplying ventilator machines to the Ministry of Health (MOH) to support their treatment of COVID-19 patients, providing testing facilities, and leading the way in reducing our prices for pandemic-related care. Over the course of 2020, we also undertook the following:

- **Distributed 150,000 pieces** of personal protective equipment (PPE) and hand sanitisers to MOH frontliners
- **Donated RM550,000** in cash to charities and local communities
- **Disbursed more than RM450,000** worth of food to 26,514 frontliners, staff, local communities and orang asli groups
- **Spent RM150,000 for KPJUC student** welfare and hospitality, among other activities

➤ For more insights into our sustainability endeavours over 2020, please refer to our third standalone **Sustainability Report**.

options such as the JomPAY solution to settle their bills safely amidst the pandemic, KPJ received accolades on several fronts. At The Asset Triple A Awards - Asia 2020 event, our collaborative JomPay effort with HSBC received the title Best Payment and Collection Solution. At the Adam Smith Award - Asia 2020 event, the same solution was hailed Highly Commended Winner, Best Crisis Management Solution. The JomPAY solution also helped KPJ garner the COVID-19 Innovation Award for Corporates under the COVID-19 Response Awards Category at the Treasury Management International (TMI) Awards – Global for Innovation and Excellence event.

KPJ was also once again named recipient of the Reader's Digest Trusted Brand for Private Hospitals – Platinum Award for the third consecutive year. Prior to winning Platinum, KPJ was named the Reader's Digest Trusted Brand Award – Gold Winner, for six consecutive years since 2012. These wins signify the trust and confidence that healthcare consumers have in KPJ as a provider for them, their families and the communities that we operate in.

We were also selected by HR Asia as being one of the Best Companies to Work at the Asia Awards 2020 - Malaysia Edition. The HR Asia Awards recognise organisations that have a strong and positive workplace culture and promote high levels of employee engagement. We are honoured to have been selected for the third time, after being previously selected in 2014 and 2018. It is especially noteworthy that the winners were chosen based on surveys among the employees themselves.

The year also saw us bagging a Gold Award for our 2019 Integrated Annual Report at the NACRA 2020 Excellence Awards in the category of Companies with RM2 billion to RM10 billion in market capitalisation.



## OUR LEADERSHIP STATEMENT

### Statement from our Chairman

Our subsidiaries too chalked up several wins over the course of 2020. KPJ Puteri won the Excellence Award in the Most Advanced Healthcare Technology category during the 19th Hospital Management Asia Conference. This prestigious event recognises and honours hospitals in the Asia Pacific that demonstrate innovative and progressive approaches that improve healthcare.

KPJ Tawakkal KL (KPJ TWKL) went on to be named the top Orthopaedic Service of The Year for the fourth year running at the Global Health Asia-Pacific 2020 APAC Healthcare and Medical Tourism Awards. This latest win underscores KPJ TWKL's capacity and capabilities as a centre for Orthopaedics, for the domestic and international markets. It has to date demonstrated a 96% - 98% recovery rate per annum for its orthopaedic cases.



KPJ Tawakkal KL (KPJ TWKL) was named top Orthopaedic Service of The Year at the Global Health Asia-Pacific 2020 APAC Healthcare and Medical Tourism Awards.

## MOVING FORWARD

The year 2021 is forecast to be a turning point for the global economy with the expectation for a post-pandemic rebound, albeit at an uneven pace across nations. While there is still much uncertainty, particularly surrounding a possible resurgence in COVID-19 cases and the potential re-imposition of lockdowns in some countries, the deployment of vaccines is expected to pave the way for normalisation in economic activities worldwide. Additionally, there is an expectation that the ongoing expansionary monetary policy and loose financial conditions globally will continue to ease domestic financial conditions, particularly in emerging market economies, thereby further supporting the economic recovery.

For Malaysia, the expectation is that the domestic economy will recover in 2021, with growth ranging from 6.0–7.5%. The path of recovery is expected to be gradual and uneven across economic sectors, with the possibility of some speedbumps along the way. Growth will be underpinned by stronger external demand and higher public and private expenditure. The rollout of the domestic COVID-19 vaccination programme is expected to lift sentiment and support economic activities. Given Malaysia's integration with fast-growing segments of global value chains and diversified external trade structures, along with continued policy support and the effective execution of the same, domestic growth is expected to rebound in 2021.

On 18 January 2021, the Malaysian government announced the PERMAI Assistance Package which included a RM100 million allocation to further enhance cooperation between the public and private sectors in combating the pandemic. Some RM150 million has been allocated under PERMAI to recruit an additional 3,500 healthcare personnel, comprising assistant medical officers, paramedics, laboratory technicians and nurses who began work end-January. On top of this, the government has secured the commitment of several private healthcare facilities, including KPJ, to receive referrals and treat both COVID-19 and non-COVID-19 patients to help alleviate the strain on the public healthcare system. This bodes well for private-public collaboration and the well-being of the general public.

## Statement from our Chairman

Moving forward into 2021, while the Board of KPJ is cautiously optimistic that the outlook will improve on the back of the anticipated rollout of the national COVID-19 vaccination programme, we also expect the challenges posed by the pandemic to continue in 2021. Amidst the uncertainties, we will continue to take advantage of the Malaysian governments' incentives to mitigate the adverse effects of the pandemic.

The last many years have seen us opening up new hospitals across the country and focusing our efforts on reaching the break-even point as soon as we can. Moving forward, we will now explore how best to utilise and optimise the capacity of these new projects that we have embarked on. While KPJ already has a strong presence in Malaysia, we will turn our efforts to exploring opportunities outside of Malaysia. Although we already have a presence in Indonesia and investments in Australia will re-evaluate our involvement in these operations and look beyond them. The Board is of the opinion that whatever we take on from now on, that we must do it more efficiently and in a much different manner than before.

We do not just want to remain a big player in Malaysia, we want to add value and be a significant player with a meaningful presence outside Malaysia. Moving forward, the PMD and his team are tasked with improving our Malaysian operations as well as looking out for opportunities to expand our footprint. Our sub-businesses such as our laboratory and pharmaceutical businesses too have tremendous potential and I am confident that we can do this well. I for one am quite excited to be involved in KPJ. While I still have a lot to learn, I believe the Board shares my view in that although KPJ is a diamond in the rough – once we polish it, it can be a fantastic asset to our stakeholders.

There is still much uncertainty before us and the fight against the COVID-19 pandemic continues. We cannot let our guard down but we must be vigilant at all times. As KPJ ventures forth, we will continue to keep a laser focus on our Re-energising strategy and uphold our mandate to "Care for Life".

### ACKNOWLEDGEMENTS

The year 2020 was a year like no other and we have many parties whom we want to thank for standing with us amidst some very tough times.

On behalf of the Board, I wish to convey our heartfelt appreciation to our valued shareholders for their unwavering confidence in KPJ and our value creation abilities. As we venture forth amidst uncertain times, rest assured KPJ will do all that is necessary to ensure we continue creating value for you and our entire spectrum of stakeholders.

We also wish to convey our sincere thanks to our customers and patients for their continued trust and confidence in KPJ's quality healthcare delivery. We remain committed to delivering robust and innovative patient-centric healthcare solutions for their betterment in our role as a world-class healthcare provider.

Our utmost gratitude goes to the various state governments and Federal Government, the Ministry of Health and other health regulators and accreditation bodies, as well as our vendors and suppliers, for according us their unstinting cooperation and support in our mission to deliver effective healthcare solutions and treatment. We also look forward to the further cementing the public-private partnership that we have embarked on for the benefit of the general public.

To our consultants, medical officers, nurses and all other medical and non-medical professionals within the KPJ Family, a big thank you for your unwavering dedication and tireless efforts in carrying out your daily roles and responsibilities amidst very challenging times. Your resilience, passion and hard work have done much to ensure the well-being of countless patients and reinforce KPJ's reputation as a reliable and dedicated healthcare organisation.

To our multi-talented and highly-experienced leadership team under KPJ's PMD, Ahmad Shahizam, many of which have just come onboard in the last one year – we thank you for your worthy efforts in leading Team KPJ to new heights of excellence. Last but not least, my sincere gratitude to my colleagues on the Board for their astute insights and wise counsel which helped KPJ navigate safely through the year's challenges. Please join me in bidding farewell to Dato' Seri (Dr.) Mohamed Azahari Bin Mohamed Kamil who resigned as a Non-Independent Non-Executive Director effective 8 October 2020. We thank him for his contributions to KPJ and bid him every success in his future endeavours.

As we stride forward amidst uncertain times, I call upon all our stakeholders to continue walking arm in arm with us on our value creation journey as Team KPJ works hard to overcome all obstacles and makes the most of all opportunities that come our way. Thank you and stay safe.



**Dato' Yusli Mohamed Yusoff**

*Chairman*

*KPJ Healthcare Berhad*

OUR LEADERSHIP STATEMENT

# Review from President & Managing Director

**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 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.

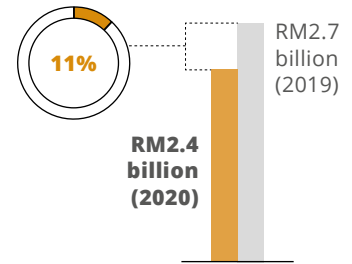
### THE YEAR THAT WAS: A FOCUS ON PANDEMIC PREPAREDNESS

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.

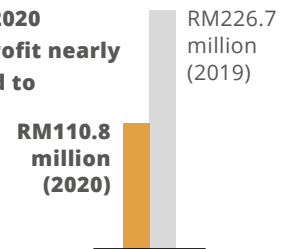
Upon the onset of the first suspected cases of COVID-19 detected by the Ministry of Health (MOH) via the Crisis Preparedness & Response Centre (CPRC) on 23 January 2020, KPJ moved quickly to establish its COVID-19 Task Force which came into being on 28 January. On 24 February, KPJ’s Lablink became one 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

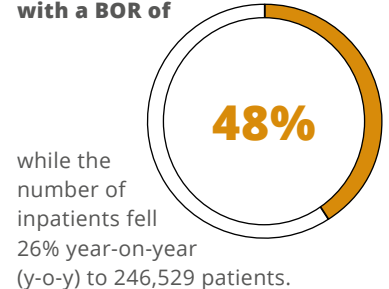
**KPJ’s 2020 Revenue declined by**



**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 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 our 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 40<sup>th</sup> 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.

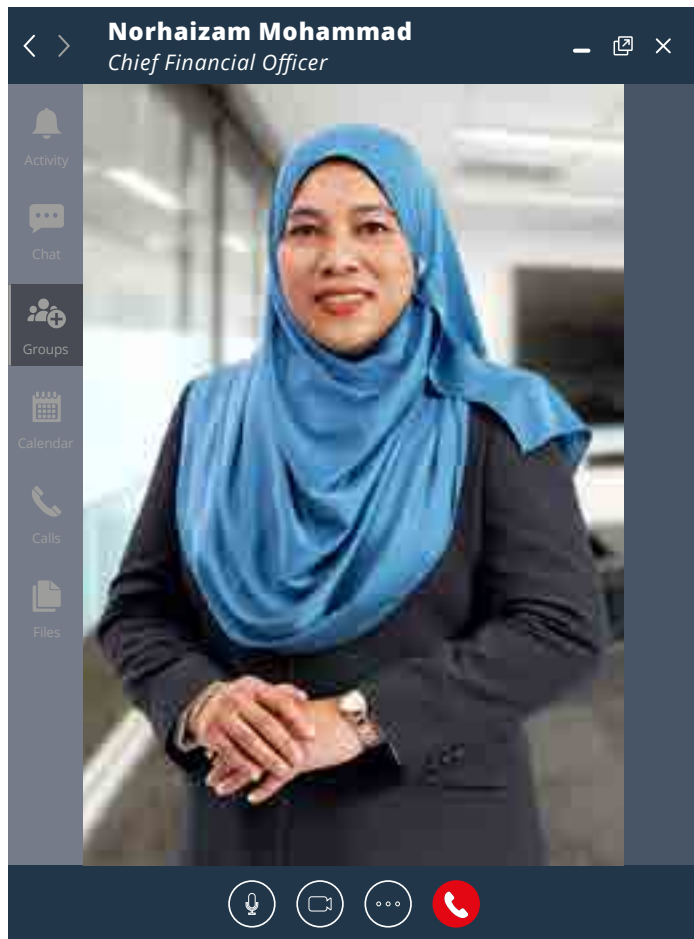


**Ahmad Shahizam Bin Mohd Shariff**  
President & Managing Director  
KPJ Healthcare Berhad



OUR LEADERSHIP STATEMENT

# Chief Financial Officer's Review



In 2020, the Group recorded a revenue of RM 2.4 billion despite challenging global economic conditions brought about by COVID-19. This year we persevered resilience in continuing our operations as frontliners with effective cost management strategies, whilst optimising PRIHATIN and PENJANA packages received from the Government during the year.

**FINANCIAL PERFORMANCE IN 2020  
- THE YEAR WHERE WE PERSEVERE**

The year 2020 proved to be one of the most challenging times for the Group as we navigated the impact of the COVID-19 pandemic. Revenue declined as a result of the various movement restrictions implemented to contain the virus, leading to a decline in patient visits and Bed Occupancy Rates (BOR). Revenue from our Malaysia operations recorded a 12% decline to RM2.3 billion, while revenue from our other segments was lower by 19% at RM0.1 billion. Nevertheless, the Group has remained resilient and took immediate measures to manage our costs ultimately delivering profit in 2020, albeit at lower levels compared to 2019.

Among the cost management strategies undertaken during the year were introduction of flexible scheduling of staff's duty to suit the current operational activities, as well as optimum utilisation of hospital operating equipment and apparatus. The Group also took the opportunity to embrace and speed up its transformation to digital platforms by intensifying our digital presence via digital marketing and online health services.

Despite the unfavourable impact of COVID-19, the Group took the opportunity to maximise benefits received from PRIHATIN economic stimulus packages and PENJANA economic recovery plan unveiled by the Government middle of the year. For the year 2020, the total incentives received by the Group accumulated to RM10.9 million.

During the year, management reassessed the Group's contracts with its consultants and determined that consultants' revenue should be presented net of remuneration to consultants (as included in costs of sales), as KPJ is an Agent instead of a Principal in respect of these contracts. Following this reassessment, the Directors have approved the decision to restate the prior year consultancy revenue from a gross to a net basis. Our revenue is now reported net of fees paid to medical consultants. This approach better aligns the Group's financial disclosures with the rest of the healthcare players in the industry and will enable investors to understand our growth prospects with greater clarity.

**REVENUE**

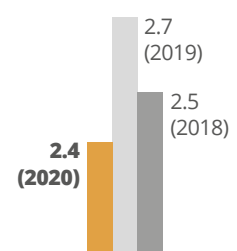
The Group reported a revenue of RM2.4 billion, 11% lower compared to the RM2.7 billion recorded in FY2019. Revenue was largely affected by the Movement Control Order (MCO), implemented by the Government



**The Group has remained resilient and took immediate measures to manage our costs, ultimately delivering profit in 2020, albeit at lower levels compared to 2019.**



**Revenue**  
(RM BIL)





## Chief Financial Officer's Review

in phases throughout the year, to contain the spread of the COVID-19 pandemic. The Group's business activities were impacted as patients postponed or delayed elective procedures, resulting in a lower Bed Occupancy Rate (BOR) of 48% compared to 67% for FY2019. The Group's patient visits declined by 9% to 2.9 million in 2020 from 3.2 million in the preceding year. Revenue during the year was majorly contributed by laboratory services, Lablink which recorded an increase by more than 100% or RM13.3 million contributed by COVID-19 screening and testing activities. A total of 240,000 tests were recorded by Lablink.

### OTHER INCOME

Other income was recorded higher as compared to last year mainly due to rental rebate received from Al-Aqar Healthcare REIT amounted to RM9.5 million, which was received due to the decline of hospital business activities as a result of implementation of MCO. This rental rebate was among the initiatives undertaken to reduce the operating costs in tandem with the decline of business activities.

### ADMINISTRATIVE EXPENSES

Administrative expenses recorded in 2020 were lower as compared to the year 2019. The reduction in hospital activities impacted by the COVID-19 pandemic led to better management of expenditures incurred which resulted to total cost reduction by

RM104.6 million. The significant reduction was contributed by lower travelling, training, ancillary and employee costs. Concurrently, the Group has taken the opportunity by maximising the benefits received from PRIHATIN economic stimulus packages and PENJANA economic recovery plan unveiled by the Government. Total incentives received was accumulated to RM10.9 million.

### EBITDA

In line with the lower revenue recorded during the year, our EBITDA reduced to RM538.9 million as compared to 2019 of RM640.6 million. EBITDA margin has however remained relatively stable at 22.5% FY2020 compared to 23.4% in FY2019, largely due to cost optimisation measures carried out through the year.

During the pandemic, significant effort were implemented in ensuring effective management of hospital operations, as our business was classified as an essential service. All hospitals remained opened throughout the

MCO period, despite the decline in number of patient visits. Cost optimisation and strict monitoring were in force throughout the period, and this is evident by the minimal decline of EBITDA margin.

### NET FINANCE COST

The Group enjoyed the benefit of the lower Overnight Policy Rate (OPR) in 2020 via its short term borrowings, particularly for bank overdrafts and revolving credits where the effective interest rates were decrease to as low as 4.81% and 2.82% respectively.

Apart from that, a total of RM588.8 million of the borrowings was approved for six months moratorium from April to September 2020.

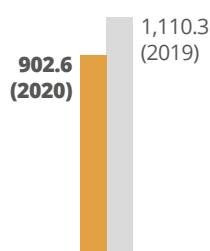
Additional facilities were drawdown during the year for capital expenditure spending. This has resulted to slight increase of 3% to RM149.3 million in 2020 (2019: RM145.0 million) in net finance cost.

### TAXATION

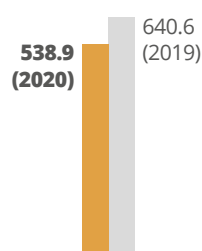
The Group's effective tax rate for the year was 27% (2019: 18%). This was higher as compared to prior period, and slightly above the statutory tax rate due to non-recognition of tax benefits arising from unutilised capital allowances and tax losses of the newly-opened hospitals, such as KPJ Bandar Dato' Onn, KPJ Miri, KPJ Perlis and KPJ Batu Pahat, which were still under gestation period and less recognition of the ITA in current year.



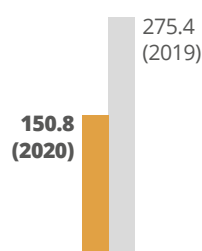
#### Gross Profit (RM MIL)



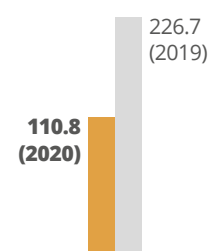
#### EBITDA (RM MIL)



#### PBT (RM MIL)



#### PAT (RM MIL)



## OUR LEADERSHIP STATEMENT

### Chief Financial Officer's Review

#### FINANCIAL POSITION AS AT 31 DECEMBER 2020

##### TOTAL ASSETS

The Group's total assets grew by 2% to RM6.1 billion as at end 31 December 2020 (2019: RM6.0 billion). The increase in total assets was contributed by increased in property, plant and equipment as a result of revaluation made on land and building amounted to RM96.3 million in accordance with the Group Accounting policy, on top of the acquisition of new subsidiary, Kluang Specialist Hospital Sdn Bhd amounted to RM82.4 million.

##### TOTAL LIABILITIES

Total liabilities as at 31 December 2020 registered at RM3.9 billion, slightly higher by RM0.3 million as compared to as at 31 December 2019. Reduction in current liabilities was contributed by total trade and other payables where lower sales of medical and pharmaceutical products were recorded especially during the MCO period and the repayment made to contractors during the year. The reduction in payables was set-off by the additional drawdown of Islamic Medium Term Notes ("IMTN") of RM200.0 million, resulting in the total liabilities line to be slightly higher than in the last financial year.

##### LIQUIDITY AND CASH FLOWS

Cash and cash equivalents at the end of the year decreased to RM215.0 million (2019: RM268.4 million) mainly due to the reduction of cash generated from operating activities due to lower hospital activities, as a result of the movement restrictions.

Net cash generated by operations declined to RM336.7 million, a decrease of 42% (2019: 580.8 million) due to the reduced hospital activities. Cash flow from operations was RM396.5 million, reflecting a similar level of decline from the RM676.1 million recorded in FY2019.

The decline in cash investment by 37% was part of the initiatives taken in managing cash flow during the pandemic. Cash used in investment activities stood at RM275.7 million (2019: RM434.2 million). Investment decision was prioritised only those committed and importance were considered. A total of RM240.5 million (2019: RM397.4 million) was spent for property, plant and equipment, deposits with licensed banks amounted to RM34.0 million (2019: RM74.4 million) and investment in a subsidiary amounted to RM27.4 million (2019: RM2.7 million).

Cash utilised for financing activities stood at RM111.3 million (2019: RM310.9 million) a reduction of 64%. The cash inflows from financing activities were generated from drawdown of borrowings amounting to RM348.2 million, specifically from the issuance of IMTN of RM200.0 million, government grant received by KPJ Selangor amounting to

RM3.0 million and issuance of shares through ESOS amounting to RM2.6 million (2019: RM15.6 million).

The cash outflows were mainly for repayment of borrowings, payment of lease liabilities and dividends to shareholders amounting to RM194.1 million, RM99.0 million and RM72.7 million (2019: RM86.2 million) respectively.

##### CAPITAL MANAGEMENT

Prudent capital management continues to be the main pillar in ensuring sufficient working capital to meet our debt obligations and closely monitor critical financial ratios such as accounts receivable/payable, gearing and current ratio for the early detection of red flags.

The Group's debt equity ratio maintained at 0.9 as per preceding year due to repayment made during the year which was offset with new drawdown during the year. Borrowings was mainly used for expansion of capacity and capital expenditure purposes.

##### RETURNS TO SHAREHOLDERS

In 2020, given the current level of uncertainty with regard to the global impact of COVID-19, the Group has continued to reward its shareholders in appreciation of their support. Despite the economic and operational challenges, three interim dividends were declared during the year, with total dividend of 1.2 sen per share, which amounted to a total dividend pay-out of RM51.4 million, representing 46% of the Group's net profit for 2020.

##### GOING FORWARD

The Group anticipates that challenges posed by the pandemic will continue in 2021. We remain cautiously optimistic that the outlook will improve towards end-2021 in tandem with the anticipated roll-out of the national COVID-19 vaccination programme in Malaysia. The Group will continue to focus on disciplined management of costs and operational cash flows while continuously looking for ways to improve and diversify our business strategies and prospects.



**Norhaizam Mohammad**  
Chief Financial Officer

## Group Quarterly Performance

2020 (RM'000)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year End 2020
Revenue	677,651	487,684	645,274	586,834	2,397,443
Gross profit	266,510	159,088	259,339	217,618	902,555
Operating profit	87,992	51,633	86,943	56,608	283,176
Finance income	2,661	3,350	2,728	5,425	14,164
Finance costs					
- Borrowings	(25,164)	(20,534)	(24,284)	(24,270)	(94,252)
- Lease liabilities	(17,991)	(17,986)	(14,446)	(18,801)	(69,224)
Finance costs - net	(40,494)	(35,170)	(36,002)	(37,646)	(149,312)
Share of results of associates, net of tax	7,589	2,505	5,192	1,660	16,946
Profit before tax	55,087	18,968	56,133	20,622	150,810
Tax	(14,553)	(8,035)	(20,556)	3,146	(39,998)
<b>Profit for the financial year</b>	<b>40,534</b>	<b>10,933</b>	<b>35,577</b>	<b>23,768</b>	<b>110,812</b>
Profit for the financial year attributable to:					
Owners of the Company	38,533	12,657	33,968	25,285	110,443
Non-controlling interests	2,001	(1,724)	1,609	(1,517)	369
	<b>40,534</b>	<b>10,933</b>	<b>35,577</b>	<b>23,768</b>	<b>110,812</b>
Basic EPS (sen)	0.90	0.30	0.79	0.59	2.58

2019 (RM'000)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year End 2019
Revenue (Restated)	668,625	654,183	697,185	717,926	2,737,919
Gross profit	273,349	257,295	300,659	278,951	1,110,254
Operating profit	94,118	90,919	92,492	98,944	376,473
Finance income	2,020	3,415	4,258	4,513	14,206
Finance costs					
- Borrowings	(25,275)	(23,238)	(21,161)	(19,860)	(89,534)
- Lease liabilities	(15,750)	(15,933)	(15,843)	(22,105)	(69,631)
Finance costs - net	(39,005)	(35,756)	(32,746)	(37,452)	(144,959)
Share of results of associates, net of tax	8,897	8,203	9,937	16,842	43,879
Profit before tax	64,010	63,366	69,683	78,334	275,393
Tax	(20,686)	(19,499)	(20,965)	12,454	(48,696)
<b>Profit for the financial year</b>	<b>43,324</b>	<b>43,867</b>	<b>48,718</b>	<b>90,788</b>	<b>226,697</b>
Profit for the financial year attributable to:					
Owners of the Company	39,127	41,827	46,413	84,001	211,368
Non-controlling interests	4,197	2,040	2,305	6,787	15,329
	<b>43,324</b>	<b>43,867</b>	<b>48,718</b>	<b>90,788</b>	<b>226,697</b>
Basic EPS (sen)	0.91	0.96	1.11	1.97	4.95

**OUR LEADERSHIP STATEMENT**

# 5 Years Financial Performance

**STATEMENTS OF COMPREHENSIVE INCOME**

GROUP (RM'000)	2020	2019	2018	2017	2016
Revenue*	<b>2,397,443</b>	2,737,919	2,548,831	2,438,776	2,242,089
Gross profit	<b>902,555</b>	1,110,254	1,036,326	976,930	898,032
Operating profit	<b>283,176</b>	376,473	297,469	250,138	239,556
Finance income	<b>14,164</b>	14,206	10,066	13,948	16,298
Finance costs					
- Borrowings	<b>(94,252)</b>	(89,534)	(91,148)	(82,260)	(83,137)
- Lease liabilities	<b>(69,224)</b>	(69,631)	-	-	-
Share of results of associates, net of tax	<b>16,946</b>	43,879	41,670	39,540	33,647
Profit before tax	<b>150,810</b>	275,393	258,057	221,366	206,364
Tax	<b>(39,998)</b>	(48,696)	(71,872)	(54,456)	(50,489)
Profit for the financial year	<b>110,812</b>	226,697	186,185	166,910	155,875
Profit for the financial year attributable to:					
Owners of the Company	<b>110,443</b>	211,368	179,444	161,194	149,195
Non-controlling interests	<b>369</b>	15,329	6,741	4,996	6,680
	<b>110,812</b>	226,697	186,185	166,190	155,875

**STATEMENTS OF FINANCIAL POSITION**

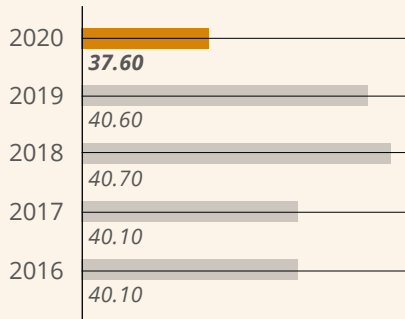
GROUP (RM'000)	2020	2019	2018	2017	2016
Non-current assets	<b>5,071,166</b>	4,806,348	3,473,895	3,154,999	2,939,602
Current assets	<b>1,070,265</b>	1,179,499	1,142,446	905,082	995,897
Assets held for sale	-	-	176,528	173,827	-
Current liabilities	<b>(1,231,978)</b>	(1,197,933)	(1,067,380)	(1,069,140)	(928,938)
Non-current liabilities	<b>(2,707,241)</b>	(2,738,650)	(1,588,786)	(1,349,557)	(1,321,832)
<b>TOTAL</b>	<b>2,202,212</b>	2,049,264	2,136,703	1,815,211	1,684,729
Share capital	<b>909,504</b>	906,743	860,295	736,069	531,784
Less: Treasury shares	<b>(155,310)</b>	(155,310)	(111,319)	(55,411)	(54,777)
Reserves	<b>1,295,890</b>	1,141,392	1,234,924	1,046,137	1,118,081
Shareholders' funds	<b>2,050,084</b>	1,892,825	1,983,900	1,726,795	1,595,088
Non-controlling interests	<b>152,128</b>	156,439	152,803	88,416	89,641
<b>TOTAL</b>	<b>2,202,212</b>	2,049,264	2,136,703	1,815,211	1,684,729

\* All numbers are restated except for 2020.

## 5 Years Financial Performance

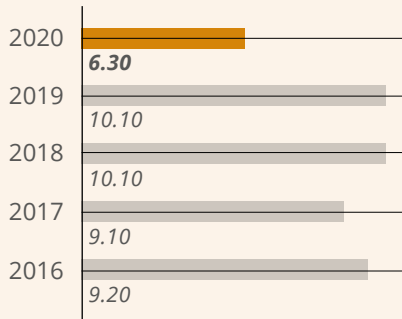
### Gross profit margin\*

(%)



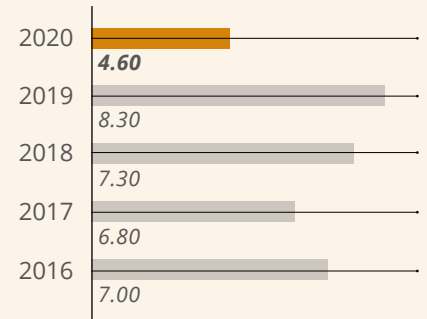
### Profit before tax margin\*

(%)



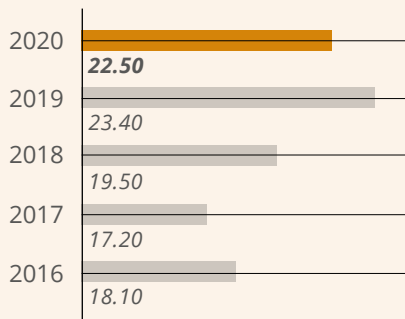
### Net profit margin\*

(%)

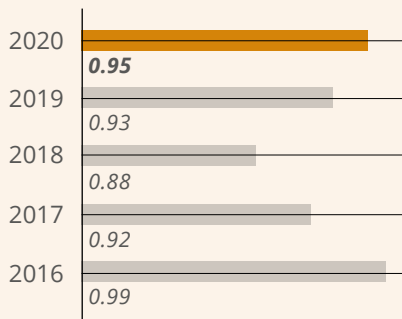


### EBITDA Margin\*

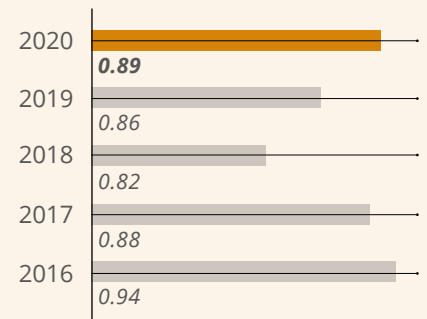
(%)



### Debt Ratio

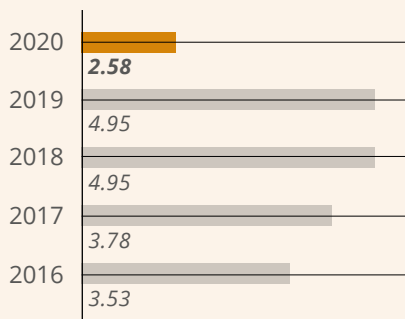


### Gearing Ratio



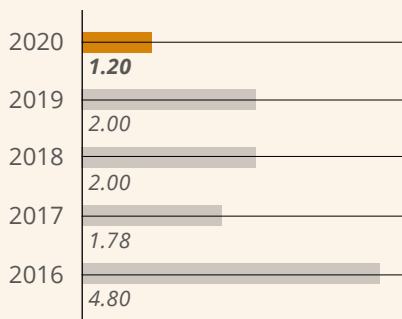
### Earnings per share

(sen)



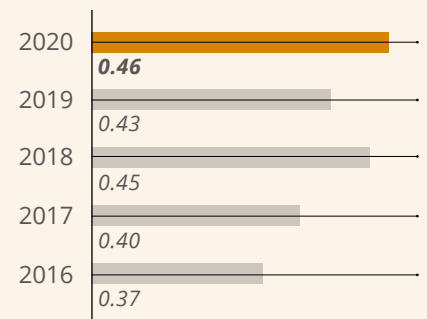
### Dividend per share

(sen)



### Net asset per share

(sen)



\* All numbers are restated except for 2020.



**OUR LEADERSHIP STATEMENT**

# Statement of Value Added

**VALUE DISTRIBUTION**

The Group's value creation for its stakeholders can either be in the form of financial return or non financial or intangible.

This Statement of Value Added illustrates how the Group's financial performance supports its ability to deliver financial value to its stakeholders.

The financial value in this statement is based on the profit before finance costs, community investment expenses, zakat and tax, depreciation, impairment & amortisation and staff costs.

	2020 RM'000	2019 RM'000 Restated
Revenue	<b>2,397,443</b>	2,737,919
Purchase of goods and services	<b>(1,215,752)</b>	(1,337,049)
Value added by the Group	<b>1,181,691</b>	1,400,870
Other income	<b>29,776</b>	21,652
Finance income	<b>14,164</b>	14,206
Finance costs		
- Borrowings	<b>(94,252)</b>	(89,534)
- Lease Liabilities	<b>(69,224)</b>	(69,631)
Share of results of associates, net of tax	<b>16,946</b>	43,879
<b>Value added available for distribution</b>	<b>1,079,101</b>	1,321,442
<b>Distribution</b>		
To Employees:	<b>687,946</b>	821,135
To Government/Approved agencies:	<b>39,998</b>	48,696
To Shareholders:		
Dividend	<b>51,355</b>	86,019
Non-controlling interests	<b>369</b>	15,329
Community investment	<b>15,823</b>	10,346
Retained for re-investment	<b>240,345</b>	224,914
Retained for future growth	<b>43,265</b>	115,003
<b>Total distribution</b>	<b>1,079,101</b>	1,321,442
Number of employees at the year end	<b>15,377</b>	15,264
Value added per employee (RM'000)	<b>77</b>	92
Wealth created per employee (RM'000)	<b>70</b>	87
Number of shares at year end ('000 units)	<b>4,442,043</b>	4,439,197
Value added per share (RM)	<b>0.27</b>	0.32
Wealth created per share (RM)	<b>0.24</b>	0.30



# TEAMWORK MAKES THE DREAM WORK



**SRN  
Nurul  
Najwa Bt  
Sahidan,**  
*OT Department  
Kedah Medical Centre*

Through this, I know that i am blessed because i am surrounded by such great and supportive people. It is indeed a lifetime experience that I will never forget.

COVID-19 is not something that can be taken lightly. It has affected many people in the most undesirable and unimaginable way.

I pray that all my family members and friends are protected from this pandemic and I urge everyone to continue complying with the SOPs. Never be complacent. #KitaJagaKita




OUR PERFORMANCE REVIEW

# COVID-19 Story

KPJ'S COVID-19 PREPAREDNESS	
<b>1 MAR 2021</b>	<b>10 of our Hospital appointed as the COVID-19 vaccinations Centre and &gt;10,000 frontliners have been vaccinated at our hospitals.</b>
<b>FEB TILL APR 2021</b>	<b>KPJ's frontliners are among the first batch of healthcare workers who received the COVID-19 vaccine</b>
<b>25 JAN 2021</b>	KPJ offers more than <b>100 surgeries</b> and procedures to MOH for their non-COVID-19 patients
<b>16 JAN 2021</b>	Commenced receiving COVID-19 positive patients
<b>14 JAN 2021</b>	<b>Emergency Ordinance 2021 officially gazetted</b> -private hospitals in Malaysia to take in COVID-19 patients
<b>28 NOV 2020</b>	<b>Government's preliminary purchasing agreement of COVID-19 vaccine</b> with pharmaceutical company
<b>MAY 2020</b>	<b>KPJ consultants' pro bono services for MOH patients;</b> also 6 surgeries for MOH cancer patients
<b>11 MAR 2020</b>	The <b>COVID-19 outbreak</b> recognised as a pandemic by World Health Organisation (WHO)
<b>24 FEB 2020</b>	<b>LABLINK became one of the first private laboratories,</b> endorsed by MOH to perform COVID-19 test.
<b>28 JAN 2020</b>	KPJ formed a <b>Task Force Committee</b>
<b>23 JAN 2020</b>	<b>MOH through the Crisis Preparedness and Response Centre (CPRC) received the first cases of suspected of COVID-19</b>

# KPJ'S COVID-19 GOVERNMENT ENGAGEMENT

## MANAGING ADMISSION & TREATMENT Admission & Treatment

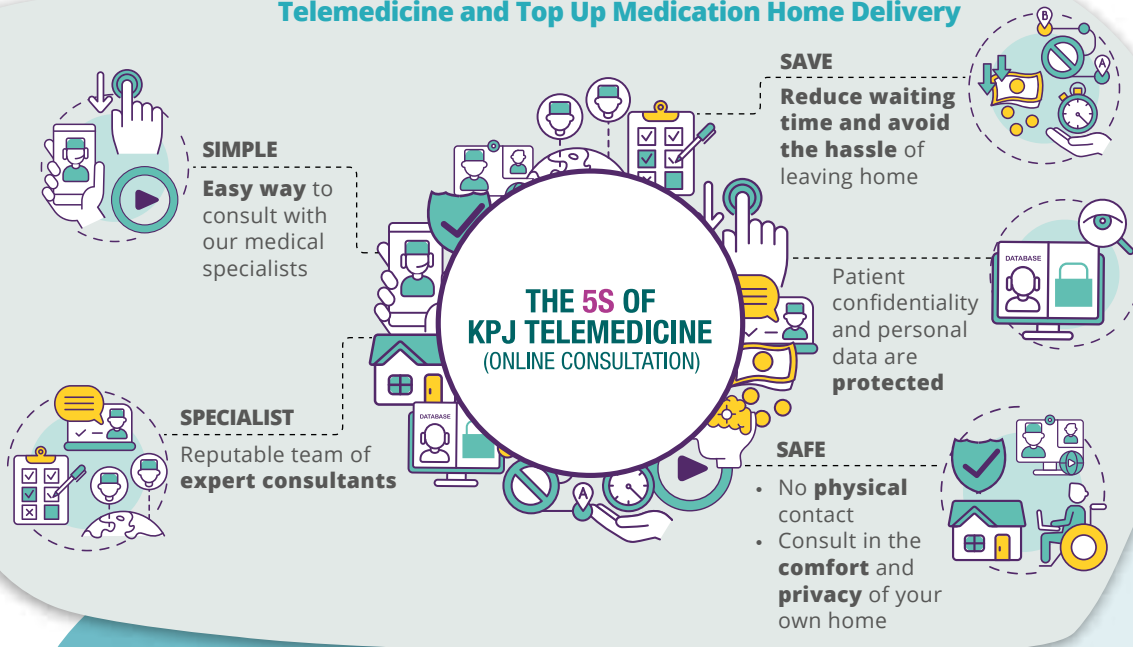
NON-COVID-19 PATIENT	COVID-19 PATIENT
<p><b>Bed Allocation</b> 200 beds</p> 	<p>All of our hospitals are equipped to manage isolation cases (normal ward and ICU)</p> <p><b>Bed Allocation</b> &gt;200 beds</p> 
<p><b>Dialysis Chairs</b> 130 chairs</p> 	



# KPJ'S APPLICATION OF TECHNOLOGY TO SERVE NATION

## PATIENT ENGAGEMENT VIA TECHNOLOGY

### Telemedicine and Top Up Medication Home Delivery



#### KPJ Hospitals embrace telemedicine

- Pandemic accelerated shift towards medical technology
- The participation from the consultants has increased four times and intensified
- Top up medication home delivery services

More than **3,200** of Group's educational & awareness pushes through webinars and social media

**Integrated online** appointments with hospitals' network system

Cashless transactions Collaboration with **JomPay and Duit Now** enable patients to make payments via **Payment kiosk, website and mobile apps**

More than **7,500** patients

Revenue **RM5 million**

## INVESTMENT IN OUR SOCIAL AND RELATIONSHIP CAPITAL

More than.....

**150,000 PPEs and Hand Sanitisers** distributed to the MOH frontliners

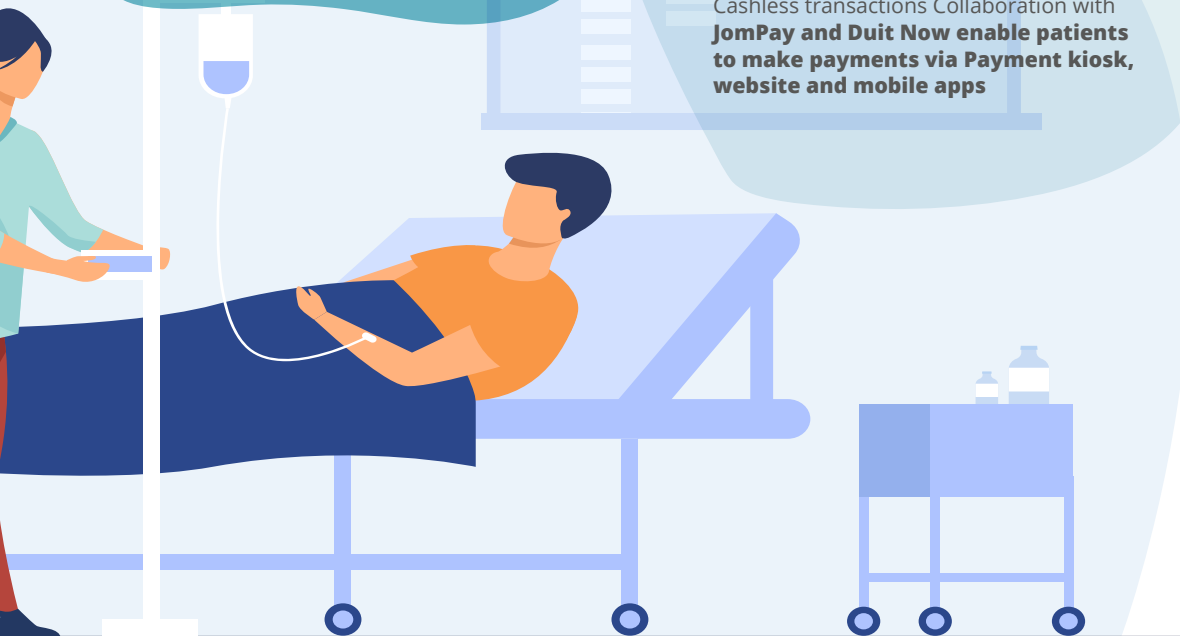
**150,000 PPEs and Hand Sanitisers** distributed

**RM150,000** on food served to frontliners, staff and communities

**RM150,000** spent on KPJUC student welfare and hospitality

**FOOD** for more than **3,000** and more than **270 families**, including the underprivileged and orang asli

**FOOD** for nearly **4,500** of Government's frontliners



**OUR PERFORMANCE REVIEW**

# Clinical and Hospital Operations Overview



**As an essential and critical service during the pandemic, KPJ implemented measures to ensure that our hospitals remained safe. All 28 of the Group’s hospitals remained open throughout the year, providing care to inpatients and outpatients.**



**NAVIGATING THE COVID-19 SCENARIO**

**STAYING COVID-FREE FOR HEALTHCARE CONTINUITY**

The KPJ Group’s primary focus during the year was to stay COVID-free across all our hospitals to ensure that healthcare services would not be disrupted and could continue to be delivered effectively and efficiently. Protecting our patients and their families, employees and consultants, thus became our top priority throughout the year. An important component of this effort was ensuring adequate supply of personal protective equipment (PPE), which was in short supply given the skyrocketing demand for PPE globally. In response, our procurement teams worked around the clock to obtain adequate supply to meet the needs of our hospitals.

To minimise the risk of COVID-19 transmission at all our hospitals, the Group rolled out several strategic measures, of which a key initiative was the immediate mobilisation of our Hospital Infection Control Committee. Protocols for handling a COVID-19 outbreak based on Ministry of Health (MOH) guidelines were adopted by the Committee, and were constantly reviewed, revised and upgraded as and when new data became available.

In addition, digital and hardcopy posters were displayed at all our hospitals to inform patients and visitors about screening procedures, visiting hours, limits to the number of visitors and age-groups at risk. Temperature screening and hand sanitisers were placed at entrances and appropriate physical distancing limits were enforced in elevators, waiting areas and cafes.

The Group also played a vital role in the nation’s fight against the pandemic as we closely supported the Government’s efforts by ramping up our testing capabilities and treating non-COVID-19 patients to reduce the strain on public hospitals. We have extended our commitment to the Government going into the year 2021 with our participation in the National Immunisation Programme, whereby 10 of our hospitals were appointed as vaccination centres for frontliners. Looking further ahead, a total of 20 of our hospitals have signed up to be vaccination centres for phase two and three of the programme which will involve the inoculation of the general public.

**TESTING TO KEEP MALAYSIA SAFE**

The Group’s subsidiary, Lablink, played an instrumental role in conducting testing for the COVID-19 virus using the standard RT-PCR (Polymerase Chain Reaction) test. Screening operations began from 24 February 2020 and testing capacity was rapidly increased, reaching a peak of about 2,500 tests per day. In 2020 alone, Lablink conducted 240,000 tests on samples from KPJ hospitals, other private hospitals and MOH hospitals.

The Group also rolled out drive-through screening services to further reduce the risk of infection to our customers. KPJ Damansara was the first private hospital in the country to offer drive-through services which are now available at 13 KPJ hospitals. With the increase in the scale of our operations, we were able to offer testing at a lower price of RM388 per test, compared to RM600 at the initial stages.



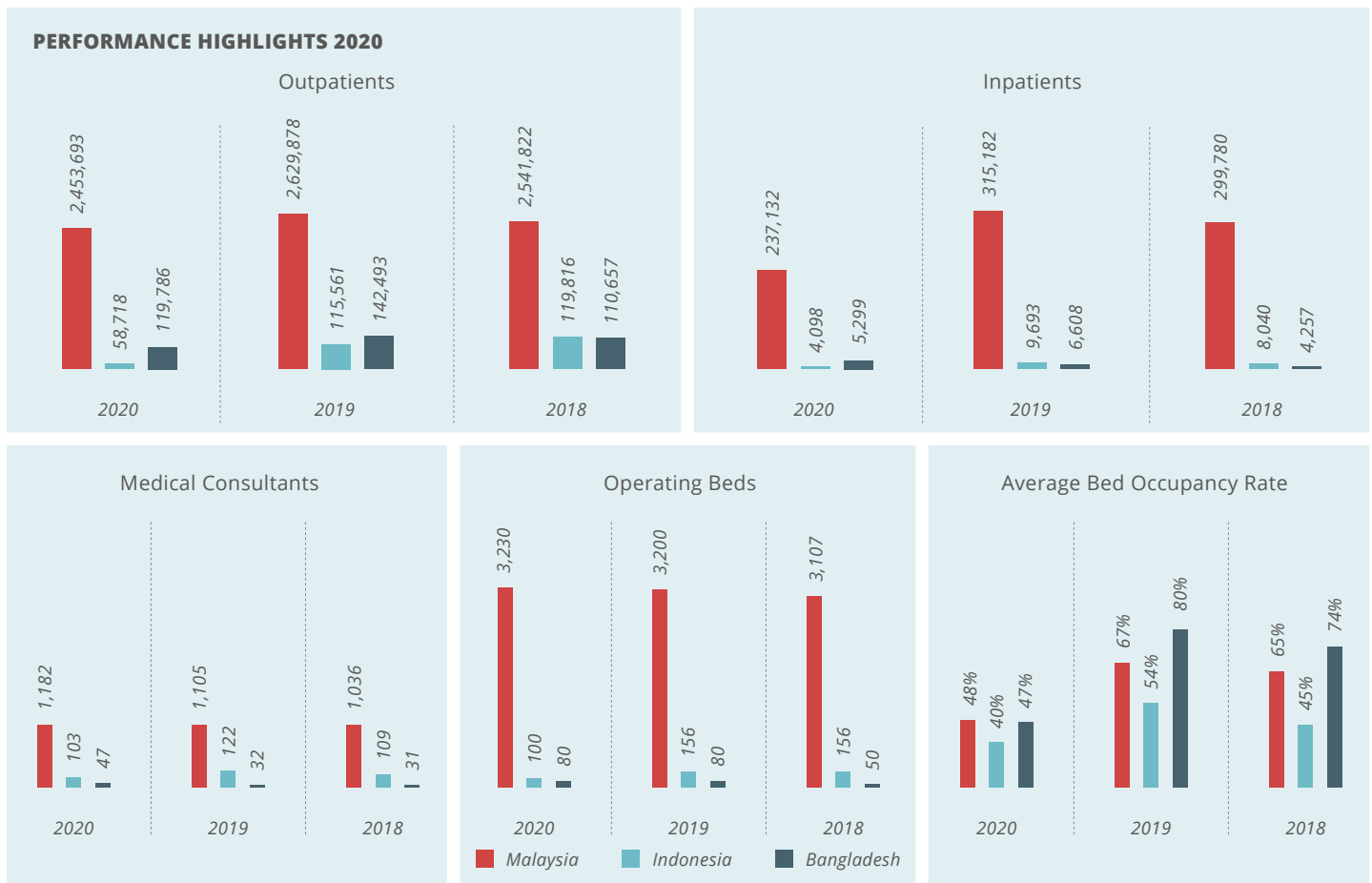
## Clinical and Hospital Operations Overview

### PERFORMANCE IN 2020

The KPJ Group continued to deliver excellent service to its patients and created more value for its stakeholders, despite the disruptions on the entire healthcare landscape that were triggered by the pandemic. As our abilities to manage the impact of the pandemic matured over the year, the Group was able to advance its business growth objectives and implement steps to improve operational resilience by studying how we could be doing things better. In the year under review, this included optimising inventory levels, deploying strategic cost initiatives and improving how we manage debt collection. In terms of business growth, the Group has opened a new Ambulatory Care Centre (ACC) in Taiping and two new hospitals in Kluang, Johor and Kuching, Sarawak.

The Group has also had to adapt to changing demand patterns for hospital care and services. With this in mind, we have looked to digital marketing to enable greater visibility, promoted competitive packages for a variety of treatments and created new channels of communication to provide more convenience for our customers. It was also an opportune time for us to explore the potential of digital technology to enable us to serve our patients remotely, via telemedicine and teleconsulting.

In reviewing our operational numbers, it is clear that lower hospital activity led to an overall reduction in the number of patients in 2020, mainly due to movement restrictions implemented to contain the virus. The number of inpatients declined by about 26% to 246,529 compared to 331,483 patients in 2019, as patients postponed elective procedures and surgeries. This was further demonstrated by the lower average Bed Occupancy Rate (BOR) of 45% in 2020 compared to 60% in 2019, although there was a recovery in the BOR towards the later part of the year as movement restrictions were eased. The number of outpatients also declined by 9% to 2,632,197 patients compared to 2,887,932 patients in 2019.



Following the opening of the ACC and relocation of the 2 hospitals, together with the addition of beds at other hospitals in our network throughout 2020, our Group of hospitals now has 3,230 beds compared to 3,200 beds in 2019. In terms of consultants, we now have 1,182 in 2020 compared to 1,105 consultants in 2019. These numbers are expected to increase further with the expected opening of the ACC in Kinrara, Puchong soon, as well as the opening of the KPJ Damansara 2 which is targeted for the first quarter of 2022.

**OUR PERFORMANCE REVIEW**

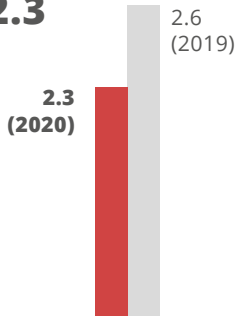
Clinical and Hospital Operations

**Financial Performance - 2020 vs 2019**

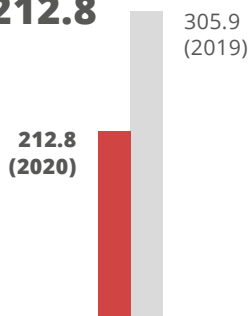


**MALAYSIA**

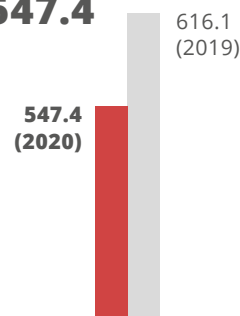
Revenue  
**RM2.3**  
billion



Profit Before Tax  
**RM212.8**  
million

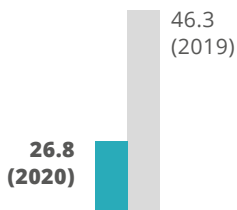


EBITDA  
**RM547.4**  
million

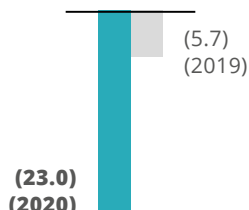


**INDONESIA**

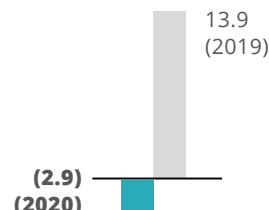
Revenue  
**RM26.8**  
million



Profit Before Tax  
**(RM23.0)**  
million

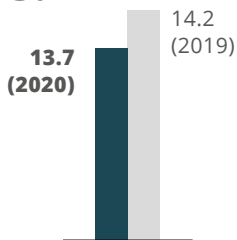


EBITDA  
**(RM2.9)**  
million

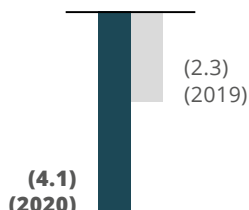


**BANGLADESH**

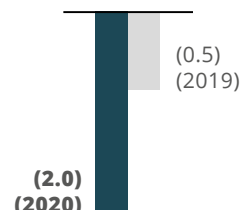
Revenue  
**RM13.7**  
million



Profit Before Tax  
**(RM4.1)**  
million



EBITDA  
**(RM2.0)**  
million



## Clinical and Hospital Operations

### Inpatient and Outpatient performance

### Other significant outcomes in FY2020

- Overall number of outpatients: **2,453,693 in 2020** vs 2,629,878 in 2019
- Strong quarter-on-quarter (Q-o-Q) **increase in outpatient numbers of 29%** in the third quarter, and a 5% increase in the fourth quarter.
- Overall number of inpatients: **237,132 in 2020** vs 315,182 in 2019
- **Inpatient numbers increased by 49%** Q-o-Q in the third quarter but decreased 12% Q-o-Q in the fourth quarter due to the reimposition of the MCO in December 2020.

- **Recorded a 10% increase in the delivery of babies.** This was partly attributed to the Group's "Peace of Mind" maternity package that had been promoted since 2019, in addition to the offer of a free car seat for every newborn at KPJ hospitals during the period of August to December 2020.
- **Setting up of a dedicated phone line and Whatsapp account for our Oncology services** at the KPJ Ampang Puteri
- **The Kedah Medical Centre began providing self-pickup for medication,** home nursing and home delivery of medication
- KPJ Klang performed **six pro-bono surgeries** for cancer patients decanted/ transferred from the Tengku Ampuan Rahimah Hospital in Klang.
- **Opened our doors to treat COVID-19 positive patients** from MOH hospitals with effect from January 16 2021.
- By 25 January 2021, **our network of hospitals was offering more than 100 types of services and procedures** to MOH-decanted non-COVID-19 patients.

- **Overall number of outpatients: 58,718 in 2020** vs 115,561 in 2019
- **Outpatient arrivals increased by 43%** Q-o-Q in the third quarter and 12% Q-o-Q in the fourth quarter.
- **Overall number of inpatients: 4,098 in 2020** vs 9,693 in 2019
- **Inpatient arrivals improved by 52%** Q-o-Q in the third quarter and 25% Q-o-Q in the fourth quarter.

- **The hospital license for RSMBSD was renewed** for a period of five years.
- RSMBSD set aside a **dedicated ward to treat COVID-19 positive patients**

- **Overall number of outpatients: 119,786 in 2020** vs 142,493 in 2019
- Outpatient arrivals bounced back in the third and fourth quarter, recording Q-o-Q **improvements of 100% and 22%, respectively.**
- **Overall number of inpatients: 5,299 in 2020** vs 6,608 in 2019
- **Inpatient arrivals improved by 139%** and 5% Q-o-Q in the third and fourth quarter, respectively.

- The Health Ministry of Bangladesh approved the Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital and Nursing College as a designated **RT-PCR laboratory to carry out sampling and testing for the COVID-19 virus. The cost of setting up the laboratory - estimated at RM2 million - was borne by the government.**

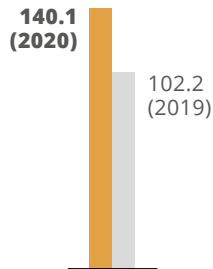
**OUR PERFORMANCE REVIEW**

Clinical and Hospital Operations

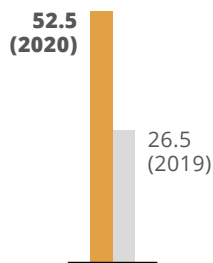
**PATHOLOGY**

**LABLINK (M) SDN BHD**

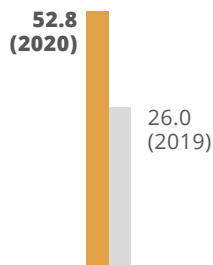
**Revenue**  
(RM MIL)



**EBITDA**  
(RM MIL)



**PBT**  
(RM MIL)



**WHAT WE DO**

Lablink is a network of private laboratories offering pathology services through its headquarters in Kuala Lumpur and 29 hospital-based laboratory branches around Malaysia. Our headquarters focuses on high-end, speciality testing through its advanced laboratories which includes Malaysia’s first Bio-Safety Level 3 (BSL3) laboratory. In 2020, Lablink joined other private laboratories in Malaysia to partner with the Health Ministry to help with the important task of COVID-19 testing during the pandemic.

**NAVIGATING THE COVID-19 CHALLENGE**

For Lablink, the pandemic was a unique challenge and opportunity as we reacted, adapted and eventually optimised our operations to meet the demand for COVID-19 PCR testing. At the initial stage, it was a continuous battle to balance equipment inventory, manpower and the availability of personal protective equipment (PPE), to enable our technicians to work safely and for the workflow to progress uninterrupted. As time went by, our operations became smoother and more efficient as we gained more experience on how to manage demand cycles while balancing our turnaround time. Lablink was also given excellent support by our vendors despite a challenging logistical environment.

In order to provide this crucial service to the nation, we made significant adjustments rapidly by reallocating and mobilising staff, conducting training and following best practices throughout the year. To make sure there was enough testing capacity, the laboratory workplace was expanded and the number of work shifts increased to three from one, in addition to a ten-fold increase to our staff numbers. This raised our capacity from 120 tests to 2,500 tests per day. Our efforts to help the nation were also conducted at minimal cost to the government as part of the Group’s contribution towards the battle against COVID-19.

**BIOMEDICAL AND COMMISSIONING SERVICES**

KPJ’s Biomedical and Commissioning Services provide a comprehensive range of technical and administrative services related to hospitals’ medical equipment. This is to ensure that the equipment and systems used in patient care are operational, safe and properly configured to meet our healthcare mission. In 2020, we spent RM81.6 million on equipment installation at our new hospitals and Ambulatory Care Centres.

For more information on our Biomedical and Commissioning Services, please refer to Materiality Economic 7 [page 51 of our Sustainability Report](#).

# Ambulatory Care and Wellness

## NAVIGATING THE COVID-19 IMPACT

All our businesses across the Ambulatory Care and Wellness Division were impacted by the pandemic. The strictest movement and business operations restrictions during the first MCO significantly reduced the number of patient visits, although a recovery was seen in the later part of the year in tandem with the easing of movement restrictions.

As a healthcare service provider, we acted with urgency to limit the impact on business through the implementation of strict SOPs, mandatory COVID-19 test results for arriving patients, and a pivot to using digital channels to provide our services wherever possible.



**Marketing initiatives also shifted online as we could no longer organise roadshows or conduct face to face interactions with potential customers.**



KPJ Vaccine Centres confirm details of vaccine recipients via MySejahtera application



**OUR PERFORMANCE REVIEW**

**Ambulatory Care and Wellness**



Business Unit

**CONFINEMENT CENTRES**

Our Confinement Centres in Kota Kinabalu, Sabah and Kuantan, Pahang provide a comprehensive range of services that eases the worries of new mothers and meets the needs of a unique set of customers that require multi-disciplinary care.

Our team members consist of senior registered nurses and Health Ministry-certified midwives. Mothers can select from 7, 14 or 28 day packages and some of the features included in our service are:

- A blend of modern and traditional confinement experts
- Special discounts at KPJ Hospitals for jaundice tests and treatment
- Blood taking for babies is done on site, eliminating the hassle of going to the hospital
- Attractive pricing that is also flexible and compassionate (full refunds in the event of a miscarriage or COVID-19 restrictions)
- Complimentary COVID-19 testing in the event of close-contact tracing

**EYE CENTRE**

**KPJ Pusat Pakar Mata Centre for Sight**

KPJ Pusat Pakar Mata Centre for Sight (KPJCFSS) is one of the leading Eye Specialist Centres in Malaysia, offering high-quality and affordable eye care and treatment. Our ophthalmologists are specialised in refractive surgery (LASIK), treating cataract and retina diseases, oculoplastic surgery, as well as diagnosis and treatment of corneal diseases and conditions. KPJCFSS conducts certain eye procedures which are rare in Malaysia, such as corneal transplant and ReLEx SMILE. This makes us one of the pioneers for this procedure. In addition, we continue to add more sub-specialised ophthalmic services to the customers.

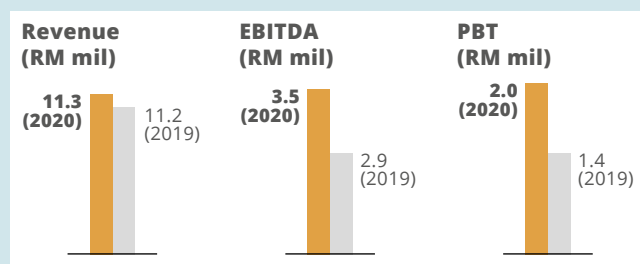
Key Achievements in 2020

**After Birth Care @ Damai Care and Wellness Centre**

Numbers of customers served in 2020 was 67 compared to 62 in 2019, which is a 7% increase despite several cancellations due to the pandemic.

**Mom and Baby Care Centre @ KPJ Kuantan Care and Wellness Centre**

Number of customers served in 2020 was 29 mothers and 30 babies. In 2019, there were 6 mothers and 6 babies as the centre only opened in mid-May 2019.



We introduced an online appointment system which has helped to reduce patient waiting time, providing a significant increase in customer satisfaction and ensuring that physical distancing requirements are adhered to in the centre.

We also rolled out our online consultation services in October 2020 as an alternative channel for our customers targeting existing patients who require follow-up consultations

## Ambulatory Care and Wellness



### DENTAL

#### KL Dental Specialist Centre

KL Dental Specialist Centre provides a full range of dental services for the whole family supported by a strong team of dental specialists that includes paediatric dentists, cosmetic dentists, periodontists, endodontists, maxillo-facial surgeons and orthodontists. In addition, we provide a high level of cross infection control standards to ensure the safest possible environment for our customers.



### REHABILITATION

#### KPJ Rehabilitation Business

The KPJ Rehabilitation Business has three centres located in Kota Kinabalu in Sabah, Kuantan in Pahang and Kuala Lumpur. The centres offer a multi-disciplinary setting for both preventive and treatment purposes over a wide range of conditions that includes musculoskeletal, neurological, paediatric, geriatric, obstetrics and gynaecology, sports injuries and pre and post-operative care.

Our medical facilities are supported by state-of-the-art equipment and technology, while the treatment for our patients is administered by highly-qualified personnel. We are also one of SOCSO's appointed vendors, treating their members that are referred to us for their work-related injuries.

**The total number of customers in 2020 declined to 4,605 compared to 5,540 in 2019.**

#### CUSTOMERS SERVED IN 2020

KPJ Damai Care and Wellness Centre (DWC)

**2,061**

KPJ Kuantan Care and Wellness Centre

**3,145**

KL Rehabilitation Centre

**13,532**



Business Unit

Key Achievements in 2020

**OUR PERFORMANCE REVIEW**

Ambulatory Care and Wellness



Business Unit

**HAEMODIALYSIS**

Our haemodialysis centres in Kuantan and Kuala Lumpur are operated by well trained and experienced staff to meet the unique needs of patients undergoing dialysis treatment. There are regular assessments held with Consultant Nephrologists to determine steps that can be taken to lead to a better quality of life. Modern haemodialysis and haemodiafiltration services are used to treat patients in clean, spacious and comfortable environments. Food is provided as well as isolation rooms for Hepatitis B and Hepatitis C patients.

**SENIOR AND ASSISTED LIVING CARE**

This service provides a homely environment for elderly residents requiring daily assistance and support. Our services embody positive values, based on efficient & effective care. There are four specially developed centres in Malaysia, staffed by registered nurses and care assistants who are trained in aged care. Services are provided around the clock. KPJ's competitive advantage is that the centres are supported by the Group's network of 28 full-fledged hospitals with a diverse range of specialties.

Key Achievements in 2020

**KPJ Kuantan Care and Wellness Centre**

**9,321** were treated in 2020 with 18 chairs compared to 3,322 treatments with 10 chairs in 2019.

**KPJ TAWAKKAL KL**

**860** customers were treated in 2020 compared to 945 in 2019.

**Revenue: RM52.3 million** in 2020 vs 65.2 million in 2019  
**EBITDA: (RM1.8) million** in 2020 vs 13.0 million in 2019  
**PBT: (RM33.2) million** in 2020 vs (42.8 million) in 2019

We leveraged on social media to continue marketing our services, with a targeted focus on hospitals that have a higher proportion of stroke cases to capitalise on our strength in nursing and rehabilitation. We also continue to send our staff to Post Basic Gerontology and Rehabilitation and Short Courses to ensure our standards of care remain consistent.

Hospitals/Facilities	2020	2019
<b>Jeta Gardens - Australia</b>		
Total No of Residents	141	153
Occupancy rate	79%	86%
<b>KPJ Tawakkal KL Health Centre</b>		
Total No of Residents	393	372
Occupancy rate	80%	75%
<b>Sibu Geriatric</b>		
Total No of Residents	339	320
Occupancy rate	101%	95%
<b>Kuantan Wellness Centre</b>		
Total No of Residents	189	201
Occupancy rate*	64%	63%
<b>Damai Wellness Centre</b>		
Total No of Residents	199	154
Occupancy rate	42%	48%

## Ambulatory Care and Wellness

### OUTLOOK & PROSPECTS

Looking ahead, it is clear that further investments into digital technology will be required to stay competitive and relevant, especially in light of the new norms introduced by the pandemic. From online appointment and queuing systems at our eye centre, to having the ability to monitor the health of our aged patients remotely, the technologies that we are exploring will be the basis for our continued and sustainable growth. In tandem with this, the shift to online and digital marketing efforts will be here to stay as we adapt to changing customer preferences.



**To continue creating value for our stakeholders, we are always looking at improving our operational efficiency, exploring new business opportunities within our respective business domains and introducing more initiatives to provide better customer service.**





OUR PERFORMANCE REVIEW

# Ancillary Services

NAVIGATING THE COVID-19 IMPACT

Our Ancillary Services Division comprises a wide range of businesses that support the needs of the Group's hospitals, and as such, the decline in hospital activity due to the pandemic had a knock-on effect on the Division. For instance, there was reduced demand for laundry, catering and sterilisation services because of fewer patients, while the supply chain for our procurement-related businesses were disrupted due to movement restrictions. Across the division, higher costs were also incurred due to the need for personal protective equipment in our day-to-day operations.

“  
**In response, this meant that wherever we could, costs were optimised or reduced. For businesses that were not completely reliant on the Group, it led to exploring new business opportunities which were facilitated by digital platforms. For our education-related businesses in particular, classes and marketing of our courses shifted to online mediums as a result of the pandemic.**  
 ”



Business Unit

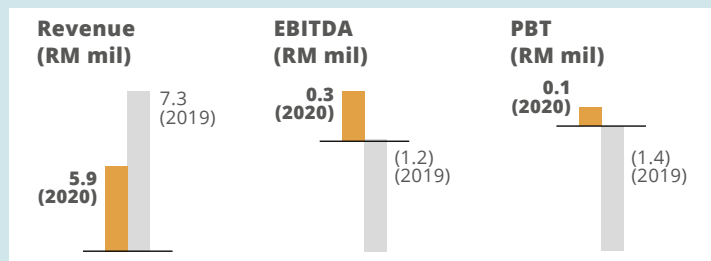
TECHNICAL CONSULTANCY

**Healthcare Technical Services Sdn Bhd (HTS)**

HTS was founded in 1995 and is headquartered in Kuala Lumpur as an independent provider of consultancy services in the healthcare sector. Since its inception, HTS has grown rapidly to become a leader for healthcare consultancy services in Malaysia with presence in Thailand, Indonesia, Laos, Bangladesh, Saudi Arabia, Papua New Guinea and Poland.

Our competitive advantage lies in our deep knowledge and experience in hospital development, leveraging on the KPJ Group's large network of hospitals throughout the country. Our core services include Project Management, Hospital Planning, Assets Management Audit, Energy Management Audit and Green Building Facilitation. We are backed by a strong planning and design team, specialist knowledge in hospital development and all facets of building operations.

Key Achievements in 2020



HTS continued carrying out initiatives to better manage costs, improve efficiency and reduce business risk. We have also taken steps to address other issues such as project timelines exceeding what had been agreed, and improving the quality of the consultants and contractors that we work with. For example, in terms of hospital planning, HTS has improved its tracking and monitoring processes to ensure that designs submitted to the Ministry of Health are complete and error-free, thus reducing the potential for delays in project completion.

HTS also continues to be the Maintenance Manager for the Al-`Aqar Healthcare REIT which has 20 healthcare properties in its portfolio. In 2020, we conducted 1,734 Planned Preventive Maintenance for this portfolio.



## Ancillary Services



### HEALTHCARE ENGINEERING

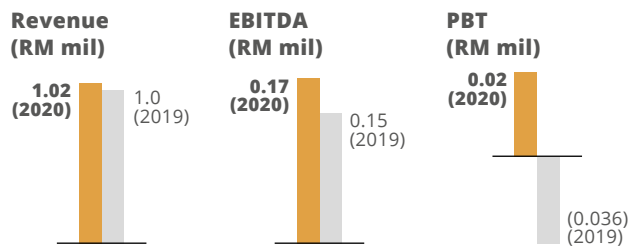
#### Pride Outlet Sdn Bhd (POSB)

POSB supplies quality maintenance services, bio-medical products and imaging equipment for the KPJ network of hospitals supported by a team of competent engineers and testers. We also rent out medical equipment, troubleshoot and repair and provide biomedical maintenance. Our consultancy services are backed by 20 years of experience in procuring, delivering, installation, commissioning, training and handing over of biomedical equipment.

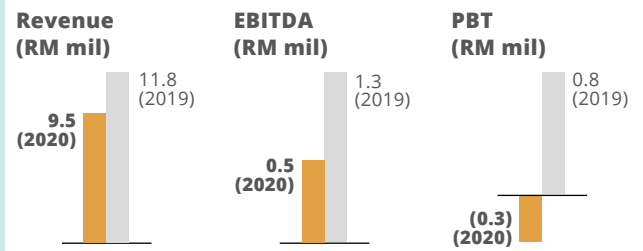
### HOSPITAL CATERING

#### Total Meal Solutions (TMS)

TMS focus on manufacturing food and is a service provider specialising in the healthcare industry. Our operations comprise a strong team of professionals headed by a group of experienced chefs utilising a central kitchen equipped with state-of-the-art facilities, halal-certified products and multiple satellite kitchens. All our products are handled with the strictest food safety and hygiene protocols. Our business is able to support and manage any requirements or limitations that a hospital may face, such as the closure of kitchens or the shortage of food supplies.



In addition to keeping up with planned preventive maintenance services at hospitals during the pandemic, we began initial marketing activities of the Neusoft CT Scan system, a mobile CT Scan product, to the Ministry of Health and will continue to follow up with the ministry on our proposal.



TMS proactively responded to the slower business environment with the introduction of a new retail business segment to help revive our revenue. A few key products were developed and marketed via various e-commerce platforms, namely Grabmart and Shopeee. We also maintained our material cost ratio at 41% which was slightly better than the target of 42%.

**OUR PERFORMANCE REVIEW**

Ancillary Services



Business Unit

**HOSPITAL LAUNDRY**

**Fabricare Laundry Sdn Bhd (FLSB)**

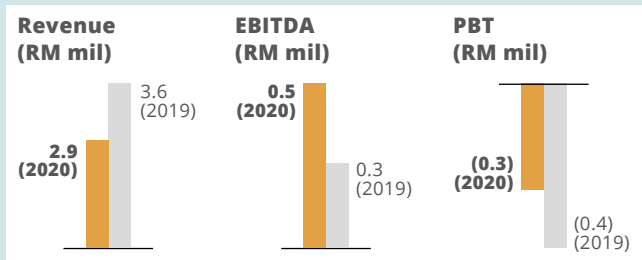
The company offers a one-stop laundry centre for wet washing, dry cleaning, and linen rental services for KPJ Hospitals. It also provides laundry services for other private hospital and fine-dining restaurants around Johor Bahru. We comply with MSQH accreditation standards, and in more recent times, with the World Health Organisation’s (WHO) guidelines on linen handling for COVID-19 patients.

**WHOLESALE AND DISTRIBUTION OF PHARMACEUTICAL AND MEDICAL PRODUCTS**

**Pharmaserv Alliances Sdn Bhd (PASB)**

PASB is the Centralised Procurement Arm for the KPJ Group of Hospitals and Companies focused on supplying pharmaceutical and medical devices which are procured at competitive prices and delivered efficiently. We are strategically located in the Subang Hi-Tech Industrial Park Shah Alam, which is close to key infrastructure such as third-party logistics and major motorways and main suppliers which enables faster delivery to KPJ Hospitals.

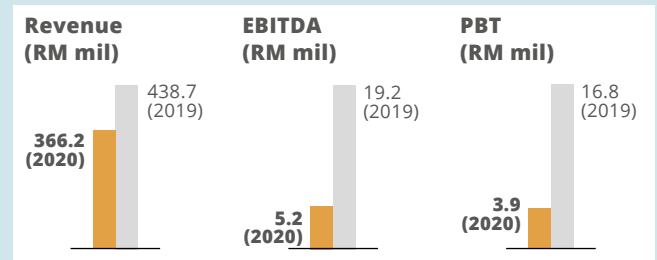
Key Achievements in 2020



We had to temporarily outsource all our services to a third-party as we received a tenancy termination notice for our rented premises during the Movement Control Order.

This move involved seconding our employees to the third-party provider and terminating the services of our foreign workers. The steps we took enabled us to continue serving our customers while significantly reducing our operating cost and staff overhead.

We will be shifting into our new premises in the second half of 2021.



PASB reviewed key SOPs related to Procurement and Tender Processes to reinforce integrity and transparency. A Procurement Committee was also established in August 2020 to support and streamline the procurement process, and uphold good governance and internal controls to mitigate risks in the management of its high value inventory.

PASB intensified its customer engagement to ensure that expectations are being met and conducted meetings with key-personnel in the Group across the various divisions we serve to gather feedback and discuss how we could further improve our services.

We also met with our suppliers to ensure that they would continue to meet service standards and expectations. PASB works with more than 250 suppliers, and they have all fulfilled stringent requirements under the Group’s Corporate Integrity Declaration and Anti-Bribery and Corruption Policy.

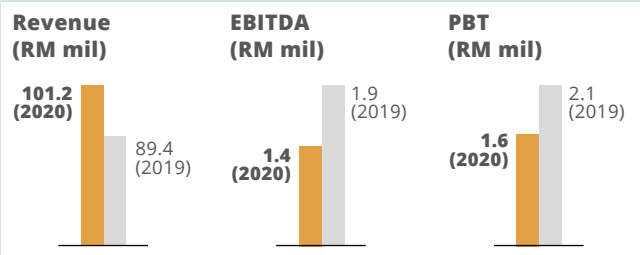
## Ancillary Services



### WHOLESALE AND DISTRIBUTION OF PHARMACEUTICAL AND MEDICAL PRODUCTS

#### Teraju Farma Sdn Bhd (TFSB)

TFSB is a pharmaceutical wholesaler based in Malaysia with a license issued by the Minister of Health to fulfil the needs of both Government and Private hospitals. We are a joint-venture company with the KPJ Group and also acts as a tendering agent for the government sector. TFSB has a dedicated team to manage tenders and drive external activities in the Government sector.



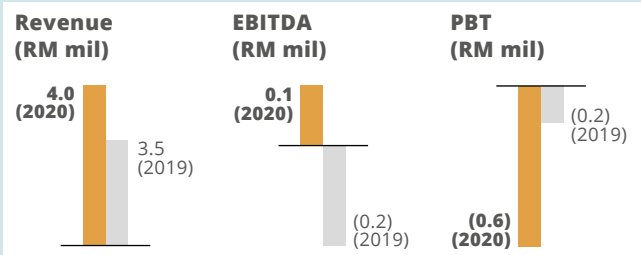
TFSB aggressively submitted quotations to government hospitals and increased submissions by 6% compared to 2019. We also actively participated in Health Ministry tenders, submitting 1,350 tenders in 2020 compared to 1,200, leading to more tenders being won. The company was also able to manage its costs despite the drop in overall business activities due to the pandemic.



### RETAIL PHARMACIES

#### KPJ Healthshoppe Sdn Bhd and Jx Pharmacy Sdn Bhd

We leverage on our parent company, KPJ, for its strong branding and financial support. There are also good synergies in being part of the largest private hospital operator with product referrals from specialists, collaboration on marketing activities and the ability to get better pricing by leveraging on the Group's Central Procurement Arm.



To overcome the challenges of the pandemic, we boosted our digital engagement through aggressive digital marketing activities such as FB Live events conducted by pharmacists on relevant topics. We also carried out promotional activities via social media platforms and increased public awareness on the existence of the KPJ marketplace and our brick-and-mortar outlets.

Our aggressive digital marketing activities made a significant impact to revenue with online sales increasing by 57% in 2019.

In addition, we undertook new product collaborations with principals by organising a sales fair at Menara KPJ and at the outlet, and also launched our own private label for a range of face mask products.

Business Unit

Key Achievements in 2020

**OUR PERFORMANCE REVIEW**

Ancillary Services



Business Unit

**CENTRE STERILE SERVICES**

**Sterile Services Sdn Bhd (SSSB)**

SSSB provides outsourced decontamination and sterilisation services and is strategically located in Rawang, Selangor. It is the first such facility in South East Asia, and provides sterilisation of surgical instruments through its Central Sterile Supply Department. All surgical instruments received at our facilities are washed and decontaminated by fully automated machines validated and calibrated to manufacturer's specifications. We operate round-the-clock and all around the year.

SSSB has also invested in the very latest technology to ensure our customers receive the highest standards of service. We are compliant to national quality standards, conforming to the requirements set out in the Medical Devices Directive through the application of ISO 17665-1:2006 - QMS, ISO 13485:2012, QMS for Medical Device and ISO 17665-1:2006 for moist heat sterilisation.

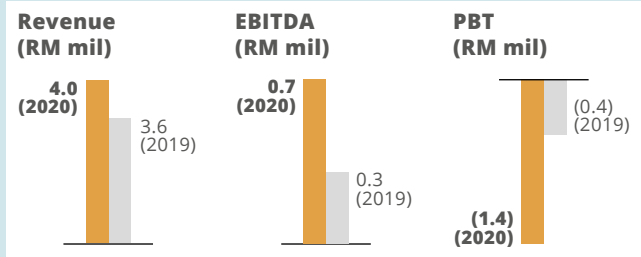
**EDUCATION**

**KPJ Healthcare University College Sdn Bhd (KPJUC)**

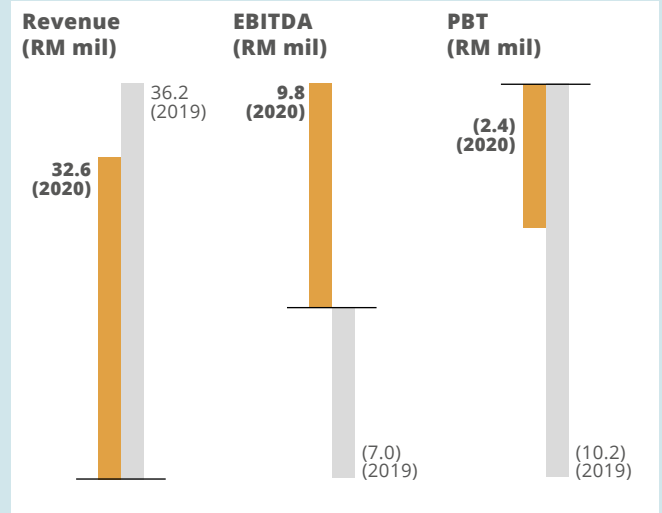
KPJUC offers a total of 38 academic programmes and is the biggest healthcare education provider in Malaysia with three college licenses, namely; KPJ Healthcare University, KPJ International College Johor Bahru and KPJ International College Penang. KPJ holds many competitive advantages which include:

- Offering the highest number of postbasic programmes for Nursing.
- Only higher education institution approved by Ministry of Education to offer Master in Medical specialty programmes, supported by 50 specialist consultants.
- Fully supported by 28 KPJ hospitals for student clinical training with sufficient capacity to offer real world patient and healthcare
- Establishment of the Academic Health Centre which aims to improve teaching and training, while contributing to research and development by leveraging on Big Data from KPJ hospitals.

Key Achievements in 2020



SSSB focused on enhancing its services further to achieve a zero-rate of non-compliance and full acceptance of our sterilised products by our customers. Achieving this requires good process management, qualified and skilled employees and efficient logistics management. From the 89,000 sets of surgical equipment that were handled in our facilities, we achieved a 99.62% acceptance rate and a zero rate of non-compliance.



## Ancillary Services



### **Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital and Nursing College**

Located in the Gazipur district, about 28km from the city of Dhaka, Bangladesh, the nursing college was inaugurated in March 2015 with an initial cohort of 74 students. The number of students has since grown to 314, with the first batch having graduated in September 2019.

We produced the first home grown graduates from our Masters of General Surgery and Masters of Orthopaedic programmes with three medical officers from the first cohort graduating in December 2020. They will undergo pre-National Specialist Register training in 2021.

In addition, three more of our academic programmes have received full accreditation:

- Bachelor of Business Management
- Bachelor of Psychology
- PhD in Nursing

KPJUC participated for the first time in the Malaysia Research Assessment Instrument (e-MyRA) and Rating System for Malaysian Higher Education Institutions (SETARA). The ratings determine the status of academic achievements of the University in the field of research and academic delivery of its programmes. KPJUC Nilai achieved a 4-star rating for SETARA and 1-star rating for MyRA. In addition to this, our colleges in Johor and Penang achieve 4-star MyQuest ratings.

The Academic Health Centre published three research publications that appeared in the Malaysian Journal of Pharmacy, Web of Science Journal, International Journal of Physiotherapy and the Journal of Pharmacy and Bioallied Sciences.



**OUR PERFORMANCE REVIEW**

Ancillary Services



**OUTLOOK & PROSPECTS**

Going forward, the Ancillary Division and the businesses within will undertake a number of strategies to build greater resilience, especially in the context of the challenges we faced during the pandemic. This will mean looking outside the Group for opportunities, especially for businesses that provide services which are needed by other private hospital players. Beyond efforts to diversify, internally, we will continue with our cost savings and optimisation initiatives, and to become more efficient operationally.



**In addition, we believe that a number of the businesses in the Division will be able to capitalise on the shift to online and digital channels. This is especially true for our pharmaceutical, catering and laundry businesses which will all be further exploring digital platforms to market and sell their products and services. For the education segment of the business, we will continue widening our programme offerings as we seek to grow our enrolments further.**

