

MANAGEMENT DISCUSSION AND ANALYSIS



**DEAR SHAREHOLDERS,
I AM PLEASED TO DELIVER
KPJ'S MANAGEMENT
DISCUSSION AND
ANALYSIS, DESCRIBING
OUR MANY ACHIEVEMENTS
THROUGHOUT THE YEAR
UNDER REVIEW.**



DATO' AMIRUDDIN ABDUL SATAR

PRESIDENT & MANAGING DIRECTOR

The year 2017 saw us facing a myriad of challenges within a dynamically shifting private healthcare landscape, both on the global and domestic fronts. Among the main drivers of change were consumer sentiments driven by economic factors and greater competition.

Nevertheless, economic forecasts have shown signs of recovery, with the Malaysian economy expanding strongly by as much as 5.9% for the year, supported by domestic demand, particularly through private sector spending. This has been an excellent driver for the resilient Malaysian private healthcare industry.

Against this backdrop, KPJ's strengthening position was evident in several respects. KPJ's solid strategies delivered on our strategic intent of continuous growth and profitability, to achieve a market capitalisation of RM4.1 billion at end of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP FINANCIAL PERFORMANCE 2017

KPJ continued with its strong performance momentum in the financial year ended 2017 (FY2017), achieving revenue in excess of RM3.0 billion for the second year in a row since our inception. Group revenue stands at RM3.18 billion, up from 2016 revenue of RM3.02 billion. In line with management's plan to divest from aged care operations in Australia, the 2016 revenue has been restated to RM2.97 billion, as per the requirement of MFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Our sustained earning in challenging market conditions is proof of the effectiveness of our long-term strategies, coupled with our fundamentally strong business model.

Earnings before interest, taxes, depreciation and amortisation (EBITDA), has increased to RM441.6 million in 2017, compared to RM430.2 million (restated). This was achieved despite higher costs encountered in 2017 in some areas such as RM796.0 million in appropriation to consultants, compared to RM779.0 million in 2016; and RM777.2 million in material costs for 2017, compared to RM707.5 million in 2016. We also saw higher costs in terms of repair and other capital expenditure as a result of our investment into developing world-class medical facilities in tandem with the Group's transformation objectives.

Within the private healthcare sector, there is a typical three-to five-year gestation period for a hospital to turnaround and begin making profits. Bearing this in mind, we are confident our results will improve even further in the coming years, as the new hospitals we have opened in Malaysia which are coming to the end of their gestation cycle start to yield profits.

Our profit before zakat and tax (PBZT) stood at RM233.3 million, up from RM220.7 million (restated in 2016). As a Group dedicated to its zakat commitments, we contributed RM3.9 million in zakat in 2017, compared to RM3.8 million in 2016. During the year, another five companies within the Group has utilised the benefits from tax losses and other tax incentives, resulting in deferred tax assets recognised during the year and kept the effective tax rate at almost the statutory tax rate of 24%.

Profit after tax (PAT) also increased Year on Year (YoY) by 7% to RM166.9 million as a result of better cost management and reduction in the impairment losses taken up during the year.

Our total assets base grew by almost 8% in 2017 to RM4.2 billion, driven by strategically focused investments we had made during the year under review in the areas of modern technology, cutting edge medical equipment, and developing and upgrading our facilities in order to provide our patients with the high quality of healthcare they expect from KPJ.

Our Malaysian operations were the largest contributor to our revenue at 97% or RM3.1 billion of total Group revenue. Hospital and healthcare revenue continued to be the major revenue generating segment, accounting for almost 97% of total Group revenue. This represented an increase of 7% from hospital and healthcare revenue of RM2.9 billion recorded in 2016.

During the year, KPJ also carried out a subdivision of shares exercise of every one ordinary share into four ordinary shares in KPJ. The subdivision exercise was approved at the Extraordinary General Meeting (EGM) held on 24 August 2017, effected on 26 September 2017 and completed with the listing and quotation of 4,280,627,292 Subdivided Shares and 259,226,010 Additional Warrants on the Main Board of Bursa Malaysia Securities Berhad (Bursa Malaysia) on 27 September 2017.

KPJ's rationale in conducting the subdivision of shares exercise was to reward our shareholders for their loyalty and continuing support through greater equity participation in terms of number of shares held, whilst maintaining their percentage of equity interest. It was also to improve the trading liquidity of KPJ shares so that a wider spread of investors could participate in the growth and capital appreciation potential of the new subdivided shares. Additionally, it provided a cheaper entry point for small and retail investors as a result of the adjustment of KPJ's share price pursuant to the subdivision of shares exercise.

The increase in share price affordability is expected to also improve the marketability of any future equity raising exercise to be considered by the Group. The exercise is a cost effective means by which KPJ is able to reward shareholders as there was no utilisation of existing reserves of the Group to facilitate the exercise.

A comprehensive financial review of our performance can be found in our Group Financial Review on page 45 of this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS



STRENGTHENING OUR POSITION AS MALAYSIA'S PREFERRED HEALTHCARE PROVIDER

In 2017, KPJ recorded a number of key strategic milestones which differentiated us as the preferred healthcare service provider in the marketplace.

Innovation-led Transformation

- **Innovation Centred Culture**

Ongoing commitments to create, develop and nurture an innovation-led work culture is borne through a number of initiatives aimed at bringing our people on board and ensuring we are all on the same page.

- **Upgrading of IT Infrastructure and Systems Improvements**

In 2017, KPJ invested RM30 million for IT expenditure. This covers several areas such as Cloud Computing, Information Security and Cybersecurity, Disaster Recovery and Failover System for Business Continuity and Technology Refresh for existing hospitals. We also conducted systems improvements by upgrading our KPJ Clinical Information System (KCIS) and Hospital Information System (HITS). We will be rolling out the final phase of the upgraded versions known as KCIS2 and HITS2 to all our hospitals by end 2018. Both KCIS2 and HITS2 are significant enablers for our hospital network in terms of technological advancements, enabling a green paper free environment, with most transactions conducted online and in real time.

To ensure that our systems are safe, we have also upgraded our cybersecurity protocols, to ensure a strong foundation of information technology, new software and hardware which can support the rollout of MedTech and other clinical innovations.

Other plans in the pipeline include further improvements in an appointment system, an IT help desk; online payment mechanisms for medical tourists; and online registration of vendors to avoid the duplication of work and processes.

- **Adopting Innovations in Medical Technology (MedTech)**

A game changer for KPJ in 2017 was the adoption of IBM Watson for Oncology, a cognitive computing platform for KPJ oncologists to utilise, as a decision - making support system in designing treatment plans for cancer patients.

KPJ is the first private healthcare provider in Malaysia to bring in and utilise the Watson for Oncology platform.

- **Online Pharmacy**

The year under review saw KPJ launching our e-pharmacy, KPJ Healthshoppe (KPJHS) which is currently offering over-the-counter products online. Having built the foundation for this in 2017, our medium- to long-term plan is to extend our capacities to subsequently provide e-prescription services.

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Continuous Improvements in Customer Services

We are developing a culture of continuous customer service improvements throughout our hospital network with our Service Quality Management (SQM) system, which requires all our hospitals to submit their service initiatives on an ongoing basis. Within the SQM system, our Patient Communication Management System was enhanced with a new reporting module in 2017, which enables us to manage and benchmark our complaints process. Additionally, the SQM External Customer Survey System enables us to conduct online surveys to track satisfaction, evaluate the patient experience and measure customer loyalty. Our sustained customer service training programmes for staff are provided through a number of different avenues, including our Service Quality Coach programme, which has progressed to the point where we now have coaches in hospitals throughout the KPJ network.

Another key customer-centred initiative was the new KPJ Care Card which rewards customer loyalty. Up to 90% of all existing cards in phase one have been replaced. Phase two is planned to link the loyalty function of the card to a good rewards redemption programme.

Comprehensive details of our customer services initiative and outcomes can be found within our Sustainability Statement, on pages 62 to 64 of this Report.

Maintaining our Hospital Network Expansion Strategy

In the northern-most state, KPJ Perlis is now committed to open by the second quarter of 2018.

In the south, KPJ Bandar Dato' Onn in Johor is scheduled to open in the third quarter of 2018.

The hospital in Bandar Dato' Onn is KPJ's sixth hospital in Johor. It was completed on time, despite the many challenges. This was made possible by the effective evaluation system which saw KPJ's technical team holding to higher standards of contactor selection and tender evaluation processes.

Expanding our Medical Tourism Reach and Market

Medical tourism is one of the healthcare niches KPJ has identified as a key enabler to sustain our long-term growth. In 2017, KPJ recorded a 15% growth, in terms of health tourism revenue, contributed by several new unconventional markets such as the Pacific Islands of Tuvalu and Fiji. The Ministry of Tuvalu has appointed KPJ Hospitals as their preferred healthcare provider for its citizens by sending complicated cases ranging from cancer, orthopaedics, neurology, bariatric and eye surgeries.

KPJ is positioning KPJ Sabah as a provider of choice for medical tourists within our identified medical tourism target markets, including China. Another high value market is the Middle East, where Arabic speaking professionals cater to the needs of Arab patients who have been patronising KPJ hospitals for years.

Sustaining our Talent Management Agenda

We believe that people are the most essential asset to ensuring both good patient care and business sustainability. Good care has been taken to introduce strategic plans to strengthen the team, create sustainable career development opportunities and improve human resource (HR) processes to make integrated systems much easier to implement. These include leave applications, training programmes and schemes, employees' declaration of assets and the evaluation of their performance, all of which is primarily conducted online. The utilisation of online processes has afforded our employees with a faster and more efficient means of conducting their work.

We believe in looking after the wellbeing and welfare of our staff, with strategic policies in place, including a Medical Top Up Fund for inpatient and outpatient services. KPJ introduced Flexi-Hour in 2017, a unique work hour system for our HQ staff which gives them the flexibility to work the hours that fit with their family schedules and responsibilities.



KPJ Healthshoppe new concept store

MANAGEMENT DISCUSSION AND ANALYSIS

Our continuous training and development initiatives with regards to upskilling our employees continue to create value through our highly skilled and qualified talent base by encouraging our employees to avail of continuous education opportunities through sponsorships and corporate programmes with incentives for staff who attain higher education qualifications.

In line with our commitment to diversity, a Diversity Committee was set up in 2017 with the aim of increasing our Group's employee diversity. We have in place a deliberate policy and action plan aimed at improving diversity at all levels by taking affirmative action in diversifying the ethnic base of our staff to reflect the multi-racial diversity of our country and to serve our multi-cultural patient base of Malaysian and foreign patients.

A deep dive into our strategic initiatives and outcomes in 2017 can be found further down within the 'Strategic Progress 2017' of this Management Discussion and Analysis, where we look at how we have progressed in our six key strategies throughout our hospital network and operations.

CREATING VALUE FOR OUR SHAREHOLDERS THROUGH ROBUST REWARDS

It has always been KPJ Group's belief to reward our shareholders and investors with valuable dividends in line with their investments in the Group. Over the past number of years, we have remained consistent in our dividend pay outs of between 45% and 50% of the annual net profit attributable to shareholders. In FY2017, the Group declared a total dividend pay-out of RM74.7 million, or 1.78 sen per share, which represents a dividend pay-out of 45%.

KPJ'S INTEGRATED HEALTHCARE SERVICES MODEL

At KPJ, we employ an integrated approach towards the provision of healthcare delivery services. The organisation and management of health services throughout our network of hospitals and aged care centres is geared towards ensuring that our patients obtain the care they need, when they need it, in ways that are patient-centric and user-friendly, and achieve the desired treatment outcomes while providing value for money.

We view integration as a continuum, where our various business units work together collectively, bearing in mind their individual areas of responsibility, to further the Group's six key strategic thrusts to drive our long-term growth and profitability.



MANAGEMENT DISCUSSION AND ANALYSIS

THE KPJ VALUE ECOSYSTEM

We have significantly invested in the creation and development of a healthcare service model which creates sustainable long-term value for our stakeholders and investors. Each of our business units adds value to KPJ's operations through its specialised functions.



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' capacities to cater to market demand
- Structured professional development



New Hospital Development

The New Hospital Development or Business Development Unit is responsible for expanding KPJ's network of hospitals through adaptations or changes in the business model for new hospital development, such as design, build and lease models, or joint venture concepts to reduce gearing.



Clinical Operations

Our Clinical Operations unit ensures that all the components of clinical governance is in place, with the monitoring of compliance by the Group Medical Advisory Committee to ensure best patient outcomes and ascertaining that patients' safety is not compromised. It also monitors the performance outcomes of several procedures which are then used to promote KPJ's healthcare services as a preferred healthcare provider.



Ambulatory Care

The provision of outpatient services include the following:

- KPJ KL Dental Specialist Centre
- KPJ KL Rehabilitation Centre
- Haemodialysis services
- Consultant clinical specialists
- KPJ Pusat Pakar Mata Centre For Sight



Biomedical Services

Our Biomedical Services division drives innovation and growth in KPJ through investments in cutting edge medical technologies and equipment.



Senior Living Care

This segment provides customised packages at our three senior living facilities in Malaysia and one in Australia.



Ancillary Services

Ensure the smooth operations of our network of hospitals through:

- Supply-distribution value chain
- Reducing dependencies on outsourced third party vendors and supplies



Education

- KPJ Healthcare University College (KPJUC) provides a wide range of medical and healthcare qualifications.
- Malaysia College of Hospitality & Management (MCHM) trains professionals in Culinary Arts, Hotel and Restaurant Management, as well as in Early Childhood Education.



Medical Tourism

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

- Increasing Group revenue and patient loads by venturing into new markets like China, India and the Pacific Islands
- Boosting KPJ branding regionally and internationally
- Enhancing our patients' healthcare experience and standards with selected KPJ hospitals having embarked on the patients' experience quality process
- Promoting Malaysia as a preferred healthcare destination with our extensive network of hospitals nationwide

MANAGEMENT DISCUSSION AND ANALYSIS

KEY HIGHLIGHTS

New hospitals opened

FY2017	FY2016	Variance (%)
25	25	0

Operating beds

FY2017	FY2016	Variance (%)
3,052	2,929	4.2

Occupancy rates (Malaysia)

FY2017	FY2016	Variance (%)
66.1%	66.2%	(0.1)

Inpatients (Malaysia)

FY2017	FY2016	Variance (%)
286,465	279,794	2.4

Outpatients (Malaysia)

FY2017	FY2016	Variance (%)
2,473,851	2,464,704	0.4

Occupancy rates (Indonesia)

FY2017	FY2016	Variance (%)
37.4%	46.3%	(19.2)

Inpatients (Indonesia)

FY2017	FY2016	Variance (%)
8,294	9,091	(8.8)

Outpatients (Indonesia)

FY2017	FY2016	Variance (%)
122,972	110,264	11.5

Occupancy rates (Bangladesh)

FY2017	FY2016	Variance (%)
52.8%	34.5%	53.0

Inpatients (Bangladesh)

FY2017	FY2016	Variance (%)
3,298	2,028	63

Outpatients (Bangladesh)

FY2017	FY2016	Variance (%)
91,304	43,609	109

Occupancy rates (Thailand)

FY2017	FY2016	Variance (%)
39.9%	38.0%	5.0

Inpatients (Thailand)

FY2017	FY2016	Variance (%)
8,696	8,422	3.3

Outpatients (Thailand)

FY2017	FY2016	Variance (%)
291,316	273,118	6.7

OUR REGIONAL NETWORK AND FOOTPRINT



MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC PROGRESS 2017

Our long-term business strategy coupled with our strong business fundamentals are the firm foundations upon which we continue creating transformative growth.

We are driven by a relentless focus on quality in everything we do, from the new hospitals we are building, to the renovations, upgrading and creation of additional capacities of our existing hospitals. We regard the investments we make on buildings and equipment, and on upskilling our staff and care givers, as being fundamental to our future success.

We believe this approach will allow us to capitalise on both inorganic and organic growth opportunities, while at the same time ensuring that our team is able to access cutting edge medical technologies and solutions to cater to the healthcare needs of our growing patient base.

KEY THRUST 1 : CAPACITY BUILDING

Retrofitting and Expansion of Existing Hospitals

KPJ Rawang renovated its Paediatric ward on the 5th floor, which was officially opened in February, while the Surgical ward on the 4th floor opened in August 2017. Haemodialysis services commenced in March 2017.

At the end of 2017, KPJ Johor completed the renovation of its existing building. A second annex block, completed in Oct 2017, adds a further 40 beds as well as other facilities.

KPJ Damansara commenced its retrofitting works to cater to patient demand in special care services for intensive care units, together with the special care nursery.

Renovation of the Lablink building during the year further expanded and enhanced its capabilities to offer international-standard services. This project is expected to be completed in February 2018.

KPJ Klang is scheduled to undergo a renovation exercise in early 2018 to increase bed numbers by an additional 78 beds bringing it to a total capacity to 145 beds. More clinics will be added, while its haemodialysis unit will receive an additional 18 dialysis chairs. The physiotherapy services also expanded.

Our Indonesia Footprint

KPJ has two hospitals in Jakarta, Indonesia, namely Rumah Sakit Medika Bumi Serpong Damai (RSMBSD) and Rumah Sakit Medika Permata Hijau (RSMPH).

The year 2017 saw both hospitals obtaining their Accreditation status from the Komite Akreditasi Rumah Sakit (KARS).

These KPJ hospitals participate in the BPJS Kesehatan scheme and serve the large population of Indonesia under this scheme. The aim of the BPJS Kesehatan is to provide access to quality healthcare, regardless of their income bracket. Strong collaboration with other local healthcare players will also strengthen KPJ's ability to serve and contribute to the healthcare sector of Indonesia.

For the year 2017, RSMBSD served more than 75,000 outpatients and more than 3,000 inpatients. It currently has 9 full time specialist doctors and 36 sessional specialists from various disciplines.

RSMBSD's services include cardiology, nephrology and O&G services, with a complete Cathlab facility and cardiac OT, supported by 3 experienced Cardiologists and a team of competent personnel. It is operating at 66 beds currently and has a four-bedded ICU facility that can cater for the needs of the local community. Other high technology facilities include 4-D O&G ultrasound, 128-slices CT Scan, MRI 1.5 Tesla and Mammogram. The Hospital also offers a wide range of health support services such as physiotherapy, laboratory, endoscopy, and radiology, as well as 16 dialysis machines currently. The hospital plans to add another 12 machines next year.



RSMBSD AND RSMPH PARTICIPATE IN THE BPJS KESEHATAN SCHEME AND SERVE THE LARGE POPULATION OF INDONESIA UNDER THIS SCHEME.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY HIGHLIGHTS 2017

BANGLADESH HEALTHCARE SECTOR

RESIDENT CONSULTANTS



increased by 67%
from 15 to 25

STAFF



grew by 28%
from 251 to 322

BED CAPACITY



increased from 50 to 80 beds
while professional team grew to 260 staff

1ST IMS CERTIFIED HOSPITAL



and Nursing College in Bangladesh



RSMPH also invested significantly in its operations, with the ultimate goal of improving services to its customers. Primary hardware enhancements during the year included the installation of KPJ's Picture Archiving and Communication System (PACS) and Laboratory Information System (LIS). New medical equipment was also brought in, including a new CT Scan and Ultrasound. Dialysis services were expanded, from only four machines the previous year to 10 machines during the year under review.

Year 2017 saw the hospital serving more than 47,000 outpatients and 4,400 inpatients. Supported by more than 200 professional staff from various categories and 60 Medical Consultants (full-time and part-time), RSMPH is committed towards delivering quality healthcare services to its customers.

While its facilities were being upgraded, RSMPH strengthened its working relationship with third party providers, including insurance companies, third party administrators, and general practitioners, with the ultimate goal of establishing a sustainable network for the benefit and ease of patients.

Expanding our Capacities in Bangladesh to Capture Market Opportunities

The Bangladesh healthcare sector is a growing one and presents us with promising potential long-term returns. In line with

this, we have expanded our capacity in the country at our Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College through the introduction of new services such as urology, plastic surgery, ophthalmology and ENT surgery. We have also added additional consultants in our existing services such as cardiology, general surgery, internal medicine, obstetrics and gynaecology, orthopaedics surgery and paediatrics.

Growing Our Capacities in Education

Our education subsidiary KPJ Healthcare University College (KPJUC) is a crucial enabler for our continuous growth, as the provider of a ready talent pool of qualified medical professionals to work in our extensive hospital network. An important factor in the provision of skilled and qualified medical professionals is changing healthcare trends which are shaping healthcare service demands, especially in terms of specialisations and sub-specialisations. To remain as the preferred healthcare provider of choice, KPJ continues to expand the spectrum of its healthcare services and specialities in line with current and future healthcare needs.

In line with this, KPJUC introduces relevant academic programmes every year which are tailored to meet market needs, while at the same time fulfilling the requirements set by the respective Nursing/Medical Boards of Malaysia and Malaysian Qualification Agency (MQA). In 2017, we introduced three new programmes approved by the

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STATUS OF ACADEMIC PROGRAMME AT KPJUC



Note: Active programme : Ongoing programme with students enrolling every year
New Programme : Programmes newly approved by MQA and MOHE

STATUS OF STUDENTS ENROLLED IN KPJUC

SCHOOL OF MEDICINE	December 2017	December 2016	Variance (%)
Master of Otorhinolaryngology (Head and Neck Surgery)	4	7	(43)
Master of Radiology	7	6	17
Master of General Surgery	3	3	0
Master of Orthopaedic	4	4	0
TOTAL	18	20	(10)

SCHOOL OF PHARMACY	December 2017	December 2016	Variance (%)
Master of Science in Pharmaceutical Technology	2	3	(33)
Bachelor of Pharmacy (Hons)	101	115	(12)
Bachelor of Pharmaceutical with Health Sciences (Hons)	116	164	(29)
Diploma in Pharmacy (Nilai)	341	323	6
Diploma in Pharmacy (Penang)	149	157	(5)
TOTAL	709	762	(7)

SCHOOL OF NURSING	December 2017	December 2016	Variance (%)
Doctor of Philosophy in Nursing	3	4	(25)
Master of Nursing Science (Research)	8	9	(11)
Bachelor of Science in Nursing (Hons)	24	21	14
Certificate in Renal Nursing (Nilai)	20	20	0
Certificate in Renal Nursing (JB)	0	0	0
Certificate in Paediatric Nursing	20	20	0
Professional Certificate in Critical Care Nursing	20	0	100
Professional Certificate in Education & Teaching for Nursing Professionals	4	0	100
Post Basic Certificate in Orthopaedic Nursing (JB)	10	10	0
Advanced Diploma in Midwifery Nursing	0	7	(100)
Diploma in Nursing (Nilai)	568	556	2
Diploma in Nursing (JB)	328	308	6
Certificate in Basic Patient Care Course for Healthcare Assistant (JB)	0	37	(100)
Certificate in Dialysis Technician	0	0	0
Certificate in Obstetric Care Assistant	0	0	0
TOTAL	1,005	992	1

Ministry of Higher Education (MOHE) Malaysia, comprising the Bachelor of Business Management (Hons), Bachelor of Occupational Therapy (Hons) and Bachelor of Psychology (Hons).

KPJUC continued with its reputation as one of the leading providers of healthcare and medical education, achieving a number of firsts in the industry in 2017. It produced its first two homegrown graduates of Bachelor of Pharmacy (Hons) and Bachelor of Physiotherapy (Hons). The Bachelor of Pharmacy (Hons) programme received its full accreditation in December 2017.

KPJUC also participated for the first time in the Malaysia Research Assessment Instrument (e-MyRA) and the Rating System for Malaysian Higher Education Institutions (SETARA). These ratings are important to determine the status of the KPJUC's academic achievements in research and academic programme delivery. Furthermore, it measures student satisfaction of services provided by KPJUC throughout their study period on campus. The results of MyRA and SETARA for KPJUC will be announced during KPJUC's second participation in 2018 and 2019.

As well as that, KPJUC is also firmly committed to developing the medical field in Malaysia through sustained research and development projects. More information on this is available within our Sustainability Statement on page 73 of this Annual Report.

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SCHOOL OF HEALTH SCIENCES	December 2017	December 2016	Variance (%)
Master of Physiotherapy (Research)	10	5	100
Bachelor of Medical Imaging (Hons)	32	35	(9)
Bachelor of Physiotherapy (Hons)	75	83	(10)
Bachelor of Occupational Therapy (Hons)	5	0	100
Diploma in Medical Imaging	140	165	(15)
Diploma in Physiotherapy	217	288	(25)
Diploma of Higher Education in Operating Department Practise (in collaboration with Liverpool John Moores University, UK)	53	57	(7)
TOTAL	532	633	(16)

SCHOOL OF BUSINESS & MANAGEMENT	December 2017	December 2016	Variance (%)
Diploma in Health Information Management	37	61	(39)
Bachelor of Psychology (Hons)	6	0	100
Bachelor of Business Management (Hons)	4	0	100
Bachelor of Arts (Hons) in Strategic and Corporate Communication	10	10	0
TOTAL	57	71	(20)

CENTRE FOR GLOBAL PROFESSIONAL	December 2017	December 2016	Variance (%)
Foundation In Science	15	22	(32)
TOTAL	15	22	(32)
GRAND TOTAL	2,336	2,500	(7)



KEY THRUST 2 : ENRICHED CUSTOMER EXPERIENCE

Enhancing our Clinical Operations to Provide Patient Centric Care

KPJ views patient-centric care management as a strong strategy to ensure continuous growth by leveraging on enriched customer engagements to build relationships of trust and communication with our patients and their families.

Our customer service delivery model is based on providing the highest quality of patient care through a compassionate approach, which takes into account the cultural sensitivities of our multi-ethnic patient demographic base. To ensure this, we have in place a comprehensive set of policies, systems and processes, which epitomise a culture of continuous improvement. In 2017, our Clinical services implemented a number of new measures aimed at enhancing the level of care to our patients as follows:

- Developed fact sheets for patient information and education
- Implemented monitoring of "Level of Care" in the Intensive Care Unit (ICU)
- Initiated documentation of "Early Warning Signs" that identifies a patient at risk of deterioration whereby the medical team can then identify the cause and address it accordingly

Detailed information on these measures along with other outcomes can be found within our Sustainability Statement on pages 65 to 68 of this Annual Report.

Boosting our Customer Service Deliveries

Within our customer service segment, we have been focused on implementing initiatives, which augments our level of customer service. These initiatives include setting up centres of excellence to expand our capacity and improve our delivery of care. Hospital operations are continuously integrated in terms of service delivery, especially with regards to maximising our services, as well as the operating systems and platforms, which these are delivered on.

A key move in line with the digitalisation of our business is to expand our customers' access to medications and non-pharmaceutical products through the setting up of our online retail facility under KPJ HealthShoppe (KPJHS). This initiative encompasses online prescriptions, online appointments and an online pharmacy. KPJHS' interactive online website enables customers to shop via multiple channels, from the comfort of their home or on the go. By utilising Search Engine Optimisation, we are able to be among top rankings for customer searches on web browsers. Our medium-term plan is to expand the capabilities of the online pharmacy system to allow customers to order new and refill prescriptions either through self-pick-up at KPJ hospital or through mail delivery, and users to view their prescription history securely online.

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We also optimised the KPJ customer experience through focused improvements in Service Environment Audits (SEAs), Standard People Practice (SPP) and SQM External Survey Audits. The results of these audits are used to generate initiatives and measures in a structured manner, customised to cater to needs and gaps identified during the audit process.

Comprehensive details of our customer service initiatives and outcomes can be found within our Sustainability Statement on pages 62 to 65 of this Annual Report.

New Products & Services to Enhance Communications between Patients and Caregivers

KPJ has a robust platform for our doctors to provide a system for connecting with patients and other caregivers such as general practitioners, which is seamlessly integrated for ease of communication and information exchange. Since then, 12 of our hospitals are on the doctor portal.

The system provides patients with a convenient way to generate appointments for treatment. Doctors can also use the portal to manage their individual web pages, which are developed to provide patients with more information on their areas of specialisations, key strengths, and areas of interests.

We rolled out a more integrated online appointment system through a pilot project involving 10 hospitals from our group. Since its inception, we have seen an increase in the utilisation of this system from both doctors as well as patients. The online system helps patients choose their appointment date and time as per the doctor's availability, which is visible on our hospital websites. This initiative has reduced waiting times for our patients, ensuring a more effective management of appointment bookings in our hospitals.

Patients can communicate with doctors through clinical assistants in managing appointment requests as individual tickets. Additionally, they can utilise the 'Ask A Doctor' tool to post questions pertaining

to a particular clinical specialisation, which can then be answered directly.

Enhancing Customer Service within our Corporate Client Base

Our Corporate Client Management (CCM) division is primarily responsible for the management of our corporate client base, which is a significant revenue contributor to our group's earnings. Through a centralised CCM function, we are able to manage our corporate partnerships in a strategic manner, identifying different means to enhance revenue in this segment.

A key initiative in 2017 was the PruAmbassador programme, which is a collaborative venture between Prudential Assurance (M) Berhad (PAMB) and Prudential BSN (M) Berhad (PBTB). Through this programme, a dedicated Prudential staff is stationed at selected panel hospitals to provide assistance to patients with Prudential insurance coverage who are seeking medical treatment.

KEY THRUST 3 : INNOVATION @ THE CORE

Improving Cancer Treatment Outcomes with IBM Watson for Oncology

2017 was a game changer for KPJ, as it marked our groundbreaking new venture in becoming the first private healthcare provider in Malaysia to acquire and utilise IBM Watson for Oncology, a cognitive computing platform for the treatment of cancer patients. The platform will be utilised at five KPJ specialist hospitals namely KPJ Damansara Specialist Hospital, KPJ Ampang Puteri Specialist Hospital, KPJ Johor Specialist Hospital, KPJ Ipoh Specialist Hospital and KPJ Sabah Specialist Hospital.

Watson for Oncology summarises the key medical attributes of a cancer patient to an oncologist to assist in the delivery of cancer treatment options. It provides oncologists with information from more than 300 medical journals, 200 textbooks, and 15 million pages of text. Currently, it provides treatment options for breast, lung, colorectal, cervical, ovarian, gastric, prostate and bladder cancer. Utilising this

KEY HIGHLIGHTS 2017



33 Customer Service Workshops

conducted by external speakers and attended by more than 1,000 staff



SQM Mentoring Program certified **16 Mentors** while the Service Quality Coach Programme has certified **53 coaches**



Group-wide KPJ Care Card implemented in Jan 2017 with **discount card benefits** in Phase One



SQM Portal implemented **3 modules**

- Patient Communication Management System (PCMS)
- SQM External Customer Survey
- Customer Initiative Knowledge base



9,312 staff trained in 2017



Total of 77,230.5 training hours

Customer Satisfaction Index (CSI) summary performance - KPJ Group of Hospitals average of **4.35 out of 5**

MANAGEMENT DISCUSSION AND ANALYSIS

BENEFITS OF THE PruAMBASSADOR PROGRAMME

- Ensures a smooth operational process where appropriate advice is provided to the hospital on specific cases
- Reduces complaint rates through managing customer expectations, educating customers on processes, and reducing waiting times
- Reduces deferment rates as hospitals are able to confirm the documents required for submission
- Improves customer experience through more efficient patient management processes

KPJ HOSPITALS WITH PruAMBASSADOR COUNTERS



- KPJ Perdana Specialist Hospital
- KPJ Johor Specialist Hospital
- KPJ Seremban Specialist Hospital
- Kuching Specialist Hospital
- KPJ Penang Specialist Hospital
- Kedah Medical Centre
- KPJ Selangor Specialist Hospital
- KPJ Ampang Puteri Specialist Hospital
- KPJ Kajang Specialist Hospital

technology, healthcare teams are building a more patient-centric cancer care model, improving experiences for providers and patients alike, through the surfacing of relevant data, bridging disparate sources of information and identifying treatments that are personalised to each unique patient's needs.

For comprehensive details on this new MedTech platform and the benefits it offers KPJ and its patients, please refer to our Sustainability Statement on pages 68 to 71 of this Annual Report.

Conducting Groundbreaking Surgery Utilising 3D Printing

Medical 3D printing is adding a whole new dimension to MedTech by opening new doors to surgeons and researchers in terms of treatment and diagnosis. KPJ achieved another first in terms of MedTech adoption when we conducted innovative 3D surgery at KPJ KL Dental Specialist Centre in KPJ Tawakkal Health Centre within the specialist area of Oral and Maxillofacial surgery.

Oral and Maxillofacial surgery treats many diseases, injuries and defects in the head, neck, face and jaws, as well the hard and soft tissues of the mouth (Oral) and the jaws and face (Crania-maxillofacial). Our Consultant Oral and Maxillofacial and Implantology Surgeon at the facility utilised 3D printing in a pilot project in 2017.

3D printing refers to the use of a digital model to build an object of any size or shape by adding successive layers of material in a single continuous run. This layering capability allows the manufacturing of complex shapes, for example the intricate structure of bones or vascular channels. We are pleased to report that the surgery conducted was a success, and we intend to continue with our innovative work in this area.

In this particular case, it involved a patient who had a disfigured facial structure as a result of an old accident causing the defaced alignment of the mandible bone. The procedure was performed using 3D Printed guides and precision surgery devices, with a 3D printed plate to hold

the new realigned bone at the precise position. This new method has improved patient outcome with an improved alignment of facial bones/mandible which has significantly restored the patient's face to how it looked prior to the accident.

Following the success of this surgery, we conducted a knowledge sharing exercise with all KPJ hospitals in the Klang Valley so that they could explore the use of this technology in other areas such as orthopaedics, cardiology and neurosurgery.

KEY THRUST 4: NEW NICHES

Medical Tourism

In 2017, the health tourism market in Malaysia experienced a positive uptrend, recording increasing revenues as noted by the Malaysia Healthcare Tourist Council (MHTC). MHTC has been positioning Malaysia as the preferred destination for world-class healthcare services, and plays a huge role in promoting international awareness of the strengths of Malaysian healthcare.

Within the industry, there have been strong collaborations between the public and private sector which is driving growth. At KPJ, we have been working on collaborative efforts with Malaysian Government Ministries and Agencies such as Economic Transformation Programme (ETP), MHTC, MOH and Tourism Malaysia which are aligned to our strategic objectives in this niche.

KPJ's two-pronged health tourism strategy focuses on strengthening our presence in our existing markets of Indonesia, the Pacific Islands and Africa, and expanding into new high potential markets such as China and India.

Our marketing initiatives are concentrated on both domestic and international endeavours. We have forged a strong relationship with foreign embassies both within Malaysia and abroad, as a base from which to spread word of mouth recognition of the KPJ healthcare brand. Throughout the year, we maintained a consistent and continuous schedule of external marketing activities which placed KPJ at international medical conferences and overseas exhibitions, thus creating international awareness of our capacities and strengths.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY HIGHLIGHTS 2017: DENTAL SERVICES



8% revenue growth in 2017 for dental services



5% increase in visits by medical tourists for dental care, totalling 822 patients

We also conducted continuous engagement activities such as Health Awareness Programmes with expatriate communities, embassies and international schools, referral arrangements with foreign doctors and health coordinators, and online marketing activities covering key niche services. Another strategy includes the engagement of an Arabic speaking specialist to expand our base of Arab patients who have been patronising KPJ hospitals for the past number of years.

In 2017, to spearhead our international marketing drive, we commissioned marketing agents in our target markets of Indonesia, China and the Middle East and North Africa (MENA). We also developed inroads into new markets in the Pacific Islands and attracting more high value patients from the Tuvalu Islands through the Ministry of Health, Tuvalu.

2017 has seen a double digit growth in revenues for health tourism. The revenue growth was contributed by a few new markets that have been successfully penetrated such as the Pacific Islands like Tuvalu and Fiji. The Ministry of Health of Tuvalu has appointed KPJ Hospitals as their preferred healthcare provider for its citizens by sending complicated cases ranging from cancer, orthopaedics, neurosurgery, bariatric, and eye surgeries to name a few.

To facilitate this collaboration, KPJ implemented the Flywire Payment Gateway at three KPJ Hospitals as a pilot project to facilitate online payments from the Tuvalu Government and other healthcare tourism clients. In terms of treatments sought after by medical tourists, we found the majority of patients from the Pacific Islands are seeking cancer treatment, obstetrics and gynaecology services, and cardiac and urology treatments.

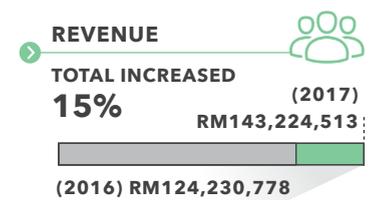
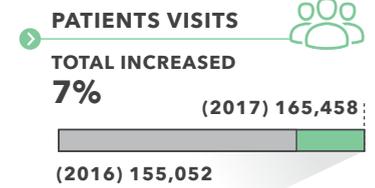
In addition, we also opened up information centres in various global locations which promote KPJ's healthcare network to medical tourists.

We have distinguished ourselves from our competitors in the market by offering a spectrum of value-added services to our medical tourist patients to ensure a pleasant and seamless healthcare cum tourism experience.

Senior Living Care

With an increasing aging population demographic, we have identified niche market opportunities in the aged and senior living care segment. Our strategy within this niche segment employs a number of levers to drive growth. We are exploring collaborations with property developers to set up Senior Living Care centres or retirement villages with KPJ as the operator. Another strategy is to offer memberships within retirement villages to the public. We are also looking into mutually beneficial affiliations with other aged care players, as well as leveraging on the KPJ Care Card to reach out to senior citizens. All our senior and aged care centres are staffed by medical care professionals such as nurses and carers who are trained in geriatric care.

MEDICAL TOURISM



SENIOR LIVING CARE

- KPJ Senior Living Care, KPJ Tawakkal
- Sibu Geriatric Centre
- Jeta Gardens, Brisbane, Australia
- KPJ Kuantan Specialist Hospital (opened in February 2018)

KEY HIGHLIGHTS 2017

SENIOR LIVING CARE

- Increase in 2017 revenue to RM19 million, from RM17 million in 2016
- Increase in occupancy of residential aged care segment to 96.7% in 2017, from 85.9% in 2016
- KPJ Senior Living Care (KPJ Tawakkal Health Centre) received 28 residents for high- and moderate-care in 2017
- KPJ KL Dental Centre and KPJ Centre for Sight provided support to KPJ Senior Living Care by providing comprehensive care for senior citizens with dental and/or vision impairment

MANAGEMENT DISCUSSION AND ANALYSIS

2018 PRIORITIES

HOME NURSING

- Promoting home care nursing through a central brochure
- Commencing services at KPJ Rawang Specialist Hospital in 2018
- Implementation of online booking system

KPJ HOSPITALS IN CENTRAL HOME NURSING

- KPJ Tawakkal Specialist Hospital
- KPJ Ampang Puteri Specialist Hospital
- KPJ Sentosa Specialist Hospital
- KPJ Damansara Specialist Hospital
- KPJ Selangor Specialist Hospital
- KPJ Kajang Specialist Hospital
- KPJ Klang Specialist Hospital

KEY HIGHLIGHTS 2017

HOME NURSING

- 381 clients in total
- 539 total visits:
 - 178 maternal
 - 184 medical
 - 177 surgical

Expanding our Reach into the Home Nursing Segment

With the steady increase of the aging population demographic, there is growing demand for home nursing services for senior citizens. KPJ provides for this need through KPJ Klang Valley Central Home Nursing. Our home nursing services include health assessments such as blood pressure monitoring and other vital signs, glucose monitoring, post-operation monitoring and teaching about diseases and treatment and preventive measures, wound care, wound dressing and follow ups. Since the fourth quarter of 2016, KPJ Tawakkal Health Centre has been appointed to become the coordinator of KPJ Klang Valley Central Home Nursing to further drive growth within this segment.

Strategic Partnership to Grow Lablink's Pathology and Diagnostic Business

Lablink (M) Sdn Bhd (Lablink) is KPJ's laboratory arm, the first in Malaysia to be certified with Bio-Safety Level 3 (BSL3) facilities which allows testing of highly infectious diseases according to World Health Organisation (WHO) standards. Equipped with state-of-the-art equipment and technology, Lablink has capabilities as a Tuberculosis Reference Centre, offering microscopy, culture, sensitivity and molecular testing of Mycobacterium. It also offers tests various speciality areas in Medical Laboratory.

Lablink manages KPJ's network of 25 hospital laboratories, more than 100 external non-KPJ hospitals and general practitioners clinics across Malaysia. Centralising our hospital networks' laboratory services has afforded KPJ the benefits of standardised systems and methods, cost efficient bulk purchasing, and efficient comparison of results among the laboratories. As well as that, the Lablink Laboratory Information System (LIS) facilitates the online transfer of results which allows for quicker reference and retrieval by doctors in their diagnosis and treatment of patients.

In early 2018, Lablink entered into a strategic partnership with Quadria Capital to grow its pathology and diagnostics businesses in Malaysia and explore new growth markets in Southeast Asia in order to become the regional leader in pathology and diagnostics services. The partnership also allows for capex burden to be shifted at the holding level with the addition of a partner.

The partnership was initiated in January 2018 through a proposed subscription and share purchase agreement with KL Kappa Sdn Bhd and Kumpulan Perubatan (Johor) Sdn Bhd for the subscription of new shares in Lablink by KL Kappa and for the purchase of some existing shares in Lablink by KL Kappa from KPJ. Under the agreement, the issuance of shares will collectively result in KL Kappa having a 49% stake in Lablink's enlarged share capital, with the remaining 51% held by KPJ.



2018 PRIORITIES

LABLINK

- To provide integrated laboratory support for all diseases in the region
- To promote laboratory excellence in lab tests and professional practice through quality standards, such as in laboratory accreditation MS 15189 and Joint Commission International (JCI) laboratory certification
- To identify more sub-specialty niche tests to complement existing disciplines
- To explore new untapped markets
- To forge strategic alliances with major international laboratories
- To be a recognised brand by market penetration in Southeast Asia

KEY HIGHLIGHTS 2017

LABLINK

- 2017 total revenue of RM81 million, up 10% from 2016 revenue of RM73 million
- Increased Total Number of Tests Run in 2017 by 7% to 14.9 million

MANAGEMENT DISCUSSION AND ANALYSIS

Tapping Into Shifts in Healthcare Trends through KPJ Wellness and Lifestyle Programme

In more recent years, we have witnessed a global shift in lifestyle demographics, with more people seeking healthy lifestyles in pursuing the age old adage that prevention is better than cure. The KPJ Wellness and Lifestyle Programme leverages on this as an integrated solution offering our customers regular healthcare screenings, designed to meet the needs of different individuals, couples and families. It utilises the KPJ network of hospitals' advanced medical technology and expert medical professionals to improve our customers health status through effective patient care.

Since its inception nine years ago, the programme has grown in strength in pursuing the KPJ tagline of Care For Life, and inspiring positive changes in individual lifestyles which contributes towards a healthier society in general. Today, the programme has more than 19,000 subscribers nationwide and operates in 16 participating KPJ Specialist Hospitals.

During the fourth quarter of 2017, we conducted a strategic review to identify measures which would ensure it was well-positioned to transform with future needs. Among the strategies identified was a plan to attract new subscribers, and also to reward our existing valuable subscriber base in conjunction with the programme's 10th Year Anniversary in 2018. The programme also aims to expand its business by increasing the utilisation of technology in 2018, and attracting new business demographics and corporate collaborations by leveraging on KPJ's strong brand presence and wide network of hospitals.

Growing the niche segment of rehabilitative treatments

Rehabilitation treatments are being sought after by a greater portion of the population in line with shifting healthcare trends. KPJ KL Rehabilitation Centre provides for this niche segment through a multi-disciplinary rehabilitation approach which combined physiotherapy, occupational therapy, speech therapy and psychologist. It also focuses on neuro-rehabilitation for conditions such as multiple-sclerosis, Parkinson's disease, Traumatic Brain Injury, Autism in children, adults and senior citizens, post-stroke care and other areas.

Exploring New Growth Areas in Sterilisation of Surgical Instruments

Quality patient care can only be successfully achieved if the surgical instruments used to treat patients are clinically clean. Through Sterile Services Sdn Bhd (SSSB), we are providing efficient and consistent services to CSSD customers in conformance with the international quality standards.

We have a CSSD centre located in Rawang which provides expert high quality sterile supply administration and customer service, allowing our customers to focus on their core competencies and other strategic initiatives. The sterilised surgical instruments are returned to hospitals within 24 hours to ensure there will be no shortages in surgical instruments. The centre is the first of its kind in South East Asia, and provides services for the sterilisation of surgical instruments from both public and private hospitals in the Klang Valley and Selangor, resulting in cost savings and greater efficiency. In 2017, we obtained a new external customer, Cardiac Vascular Sentral Kuala Lumpur (CVSKL), who rely completely on our services for the sterilisation of their surgical instruments.

TOTAL NUMBER OF STERILIZED SURGICAL INSTRUMENT SETS AS AT 31 DEC 2017

No.	Hospital	YTD Dec 2017	YTD Dec 2016	Var (%)	BGT 2017	Var (%)
1.	KPJ Tawakkal	4,598	3,991	15.2	5,535	(16.9)
2.	KPJ Damansara	11,058	11,357	(2.6)	12,300	(10.1)
3.	KPJ Klang	2,598	2,350	10.6	4,305	(39.7)
4.	KPJ Rawang	3,876	2,865	35.3	4,920	(21.2)
5.	KPJ Ampang	1,758	3,162	(44.4)	4,920	(64.3)
6.	KPJ Sentosa	225	10	2,150	0	100.0
7.	KPJ Kajang	2,079	1,162	78.9	2,460	(15.5)
	Sub Total KPJ	26,192	24,897	5.2	34,440	(23.9)
8.	UiTM Sg Buloh	1,931	2,181	(11.5)	2,460	(21.5)
9.	CVSKL	269	0	100.0	0	100.0
10.	Others	594	1,362	(56.4)	0	100.0
	Sub Total Non-KPJ	2,794	3,543	(21.1)	2,460	13.6
	TOTAL	28,986	28,440	1.9	36,900	(21.4)

2018 PRIORITIES

STERILE SERVICES SDN BHD

- To increase the number of surgical sets from KPJ hospitals in the Klang Valley Hospital by 80%
- Standardising and acquiring standard surgical sets from KPJ Klang Valley hospitals, which can then be rotated among to ensure a continuous supply of clean surgical sets
- Obtaining MSQH accreditation
- Providing ongoing ad-hoc services to Government hospitals
- Initiating collaborations to purchase surgical instruments from India and Pakistan, which offer greater cost efficiencies

KEY HIGHLIGHTS 2017

REHABILITATIVE TREATMENTS



54% increase in revenue in 2017

MANAGEMENT DISCUSSION AND ANALYSIS

KEY HIGHLIGHTS 2017

KPJ PUSAT PAKAR MATA CENTRE FOR SIGHT



Revenue grew 11% to RM14.6 million in 2017 from RM13.1 million in 2016

NUMBER OF PATIENT:



Day patients increased by 4%
with 2,355 cases in 2017

Outpatients increased by 5%
to 19,852 cases in 2017

Expanding into Niche Outpatient Services with Centre for Sight

KPJ Pusat Pakar Mata Centre For Sight (CFS) serves as a centre of excellence in eye care, providing quality clinical care at reasonable prices. Its range of specialty services extends from correcting vision defects using minimally invasive laser treatment known ReLEx SMILE, a flapless form of laser eye surgery to cornea and vitreo-retinal surgery, glaucoma treatment, cataract removal with premium lens implants, oculoplastic surgery and paediatric ophthalmology.

CFS operates in three branches located in Rawang, Petaling Jaya and Kuala Lumpur, with its latest centre housed in Tawakkal Health Centre equipped with the latest femtosecond laser vision correction technique called ReLEx SMILE stands for Small Incision Lenticule Extraction.

In 2017, CFS that provides both inpatient and outpatient daycare facilities has treated over 19,000 patients and performed over 2,300 procedures. A nominal but growing segment of its cases came from health tourism, where it treated 440 cases in 2017 comprising medical tourists from 55 countries primarily from Asia and the Middle East.

The Centre continues to actively promote its services, via online marketing, TV billboards at strategic locations, awareness talks with eye screening to the general public and corporates, co-branded bank promotional packages tie-ups and roadshows.

During the year, we began conducting roadshows in shopping malls to leverage on the high volume of Malaysians who frequent them. KPJ CFS had various booths in selected popular shopping malls such in the Klang Valley which resulted in a growth of 20% in lasik services. Moving forward, we will continue to venture into new shopping malls that are located in the heart of city and also urban and suburban townships. As well as to accelerate the use of social media and digital marketing platform to reach out to the younger customers that fit the right profile for Lasik (aged 18-40 years).

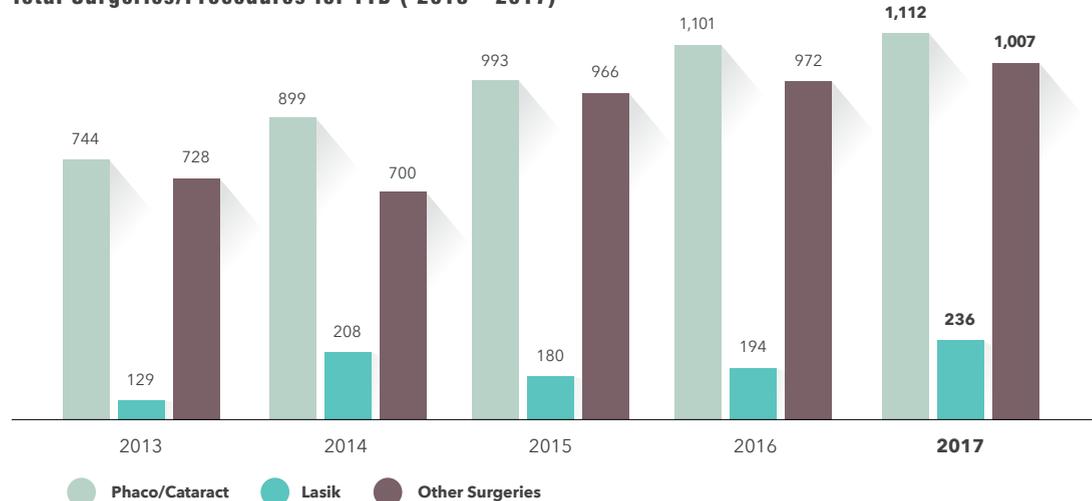
KEY THRUST 5 : TALENT MANAGEMENT

Providing Opportunities for Our Employees to Upskill Themselves

Talent management is one of our key strategies through which we are able to carve a strong reputation for ourselves as a leading healthcare provider by having the best talents in the healthcare industry on board at our network of hospitals. We are committed to nurturing our talent base, by providing our employees continuous education opportunities, both through programmes available at higher level institutions of learning, as well as continuous training and development programmes at the workplace. We believe in motivating our employees, and have in place a number of initiatives and measures aimed at ensuring their wellbeing and personal growth.

STATISTICS SURGERIES/PROCEDURE FOR 3 CENTRES

Total Surgeries/Procedures for YTD (2013 - 2017)



MANAGEMENT DISCUSSION AND ANALYSIS

KPJ provides opportunities to qualified employees to further their studies through both formal education programmes and short-term training based on our belief that a strong and capable workforce is the cornerstone of our sustainable long-term success. We support our staff in pursuing their medical education, from certificate to PhD level, both within KPJUC and through collaborations with other universities.

In 2011, KPJUC was the first private education institution in Malaysia to be approved by MOHE to train and produce medical specialists. To graduate from these medical specialist programmes, candidates need to pass the final Conjoint Board examination, supervised by panellists from Universiti Kebangsaan Malaysia (UKM), Universiti Malaya (UM), Universiti Sains Malaysia (USM) and KPJUC. KPJUC was also the first private nursing college to initiate the Diploma in Nursing Programme, as well as the first to have the Diploma in Nursing Programme accredited by Malaysian Qualification Agency (MQA). It enjoys a stellar reputation in Malaysia as one of the leading private education institutions in the provision of medical education courses.

A key achievement in 2017 was KPJUC producing its first two specialists from its Master of Otorhinolaryngology - Head and Neck Surgery programme. There were also 21 graduates from the Bachelor of Pharmacy programme, 52 from the Bachelor of Pharmaceutical Science programme, and 20 graduates each from the Bachelor of Health Science and Bachelor of Physiotherapy programmes respectively. To date, 92 graduates of Masters in Business Administration and Masters in Nursing have been sponsored within the Group.

Additionally, the Bachelor of Pharmacy programme had recently been accorded full accreditation by the Pharmacy Board Malaysia and MQA. Our candidates are therefore assured of the post of a Provisionally Registered Pharmacist (PRP) in KPJ's network of hospitals upon the completion of their studies which affords them a competitive edge over their peers.

Responding to changing healthcare trends and market demands, KPJUC has expanded its programmes venturing into the field of healthcare management.

Among the programmes in the pipeline to be offered in 2018 include the Master in Healthcare Business Management, Master of Anaesthesiology and Bachelor of Science in Nursing (Postregistration), Bachelor in Healthcare Management and Professional Certificate in Perioperative Nursing (Post Basic).

We also provide our employees further education opportunities through collaborations with external universities and colleges. From our perspective, it offers KPJ the benefits of networking with renowned institutions of higher learning and international hospitals of excellence such as the University of East London, United Kingdom and the University of South Australia, Australia. Within Malaysia, KPJ has established firm links with public universities such as Universiti Kebangsaan Malaysia.

For full details on our various measures, including work-life balance, benefits and compensation, providing a safe workplace and promoting diversity and inclusion, please refer to our Sustainability Statement on pages 87 to 93 of this Annual Report.

CONTINUING EDUCATION PROGRAMMES FOR KPJ STAFF

Programme	No. of Participants
MBA, Henley Business School, University of Reading, UK	7
MBA in Healthcare Management, Universiti Teknologi Malaysia	36
Executive MBA, Universiti Teknologi Malaysia	5
Executive MBA, Asia e-University	1
MBA, Universiti Kebangsaan Malaysia	3
MBA with University of East London, United Kingdom	16
Masters in Nursing (UniSA)	32
PhD	4
TOTAL	104

Ensuring Succession Planning to Future Proof Ourselves

At KPJ, we are committed to succession planning through the appointment, training, and determination of compensation levels and, where appropriate, the replacement of senior management. Our succession planning agenda is an ongoing initiative, which is reviewed and discussed at various high-level management and line function leadership meetings within the Group.

KEY HIGHLIGHTS 2017

SUCCESSION PLANNING

264 people

RECOMMENDED FOR PROMOTION IN 2017



76 Staff

AWARDED THE MERIT AWARD



SPAR Competency

ASSESSMENT FOR DEPUTY MANAGERS AND ABOVE ALIGNED WITH JCORP AND PILOTED AT KPJ HQ



3 Participants

UNDERGOING THE PRESTIGIOUS JOHOR LEADERSHIP PROGRAMME, WITH 9 GRADUATES FROM KPJ TO DATE



200 young executives

HAVE UNDERGONE THE EXECUTIVE DEVELOPMENT PROGRAMME



KPJ MANAGEMENT TRAINEE PROGRAMME IN ITS SECOND YEAR OF IMPLEMENTATION



20 completed the programme

19 are undergoing training

MANAGEMENT DISCUSSION AND ANALYSIS

KEY HIGHLIGHTS 2017

INTRAPRENEURS AT KPJ

Healthcare Engineering Services: Pride Outlet Sdn Bhd (POSB)

Established in 2014, POSB provides planned preventive maintenance services for non-imaging medical devices in KPJ's network hospitals. In 2017, it recorded a revenue of RM628,000.

POSB is keeping up with global digital trends in radiography by embarking into Digital Radiography (DR) products and marketing these to new KPJ hospitals projects and hospitals requiring systems upgrades. It expanded its services from KPJ hospitals in the Central region, to hospitals in the northern and southern regions in 2017.

Stationery and Printing Materials: Skop Yakin (M) Sdn Bhd

Skop Yakin provides the Group with cost-effective supplies of stationery and printing materials for marketing and promotional collaterals and hospital and office administrative documents. It also provides event planning and management services and plans to expand its reach beyond the Group to other third party clients, as well as extending its product range to include premium and collateral items. The company charted a revenue growth of 75% in 2017.

Pharmaceuticals: Teraju Farma Sdn Bhd (TFSB)

TFSB is involved in wholesale supply of pharmaceuticals and healthcare-related products to the public and private medical sector. In 2017, TFSB recorded a revenue of RM71.1 million, an increase of 22% from 2016. EBITDA increased from RM1.13 million to RM1.69 million, up by RM0.56 million despite challenges from launching of new products in the market and price competition. Profit Before Tax stood at RM1.66 million, increased by 49% from RM1.11 million during the same period last year. TFSB will also be focusing on the enhancement of its IT systems and working closely with its business partners to penetrate new customer markets in relevant healthcare sectors.

Hospital Catering: Total Meal Solution Sdn Bhd (TMSSB)

Founded in 2015, TMSSB initially provided inpatient meals to KPJ Klang Specialist Hospital, and then expanded its coverage to KPJ Rawang Specialist Hospital a year later. As at end 2017, TMSSB now provides inpatient meals for 6 hospitals in the KPJ network.

- KPJ Klang
- KPJ Seremban
- KPJ Pahang
- KPJ Rawang
- KPJ Sentosa
- KPJ Tawakkal

➤ REVENUE OF
RM6 Million,
INCREASE BY 200%
FROM 2016

➤ ACCUMULATED
PROFIT OF
RM300K
UP BY 145%
FROM 2016

Cultivating the Spirit of Innovation with Our Intrapreneurship Approach

KPJ has adopted an 'intrapreneurship' approach towards cultivating an innovation mind-set among our employees, whereby we offer them the support they require to start off on their own entrepreneurial ventures. In the past number of years, this approach has resulted in the development of six intrapreneur companies which offer their services to KPJ's network of hospitals. Through our ecosystem of intrapreneur companies, we are able to benefit from substantial cost savings to the Group.

Expanding Our Talent Management Philosophy To Our Stakeholders To Strengthen Our Delivery Ecosystem

At KPJ, we believe in building the capacities of our ecosystem of vendors, as the basis upon which they will be able to maintain a high standard of delivery of products and services which are aligned to our strategic goal of providing the best quality healthcare services to our patients. KPJ's Vendor Development Programme (VDP) encompasses outsourced vendors such as our linen and laundry services, hospital café, medical waste disposal, housekeeping services, home nursing, nursing agency, and ambulance services.

Ensuring High Employee Retention Rates

Within the competitive healthcare landscape, KPJ is mindful of talented staff being poached by our competitors. To ensure high retention rates and low employee turnover, we have in place a number of work-life balance initiatives such as our new Flexi-Hour work initiative, which allows for flexible working hours for staff in our headquarters.

As well as that, we conducted a special salary adjustment for our nursing staff with post basic qualifications as required under the Private Healthcare Facilities and Services Act (PHFSA). We also conducted a salary rationalisation exercise for all employees due to the minimum wage adjustment in Malaysia. Other incentives during the year included a KPJ Medical Top Up fund for inpatient services, and the standardisation of annual leave.



FLEXI-HOUR

- ✓ Clock-in time is flexible between 7.30 am and 9.00 am
- ✓ Staff are required to fulfil minimum 8 working hours per day work at any time (excluding Saturdays)
- ✓ Earliest cut-off work time is 4.30 pm (Mondays to Fridays)
- ✓ Compulsory for staff to punch their clock-in and clock-out

MANAGEMENT DISCUSSION AND ANALYSIS

Transferring Skills and Knowledge Regionally

We have been using the synergies available throughout our network of aged care centres to transfer and share knowledge and skills, thus ensuring that our senior care services are aligned to international aged care living guidelines. In 2017, we conducted a knowledge sharing and transfer programme from Jeta Gardens in Australia to our Malaysian operations. This was conducted through continuous education programmes for our staff to ensure they provide high quality assistive nursing care services with empathy and compassion. In the medium- to longterm future, we intend to continue with our approach of the continuous transfer of knowledge within our regional network, as we set in motion plans to identify and launch new aged care facilities and services.

KEY THRUST 6 : BUSINESS PROCESS IMPROVEMENT

Harnessing the Potential of Industry 4.0 to Create Long-term Business Value

Within the healthcare sector, patients are increasingly seeking improved results within the healthcare delivery value chain. They seek increased access to services, faster diagnosis and better treatment outcomes within a healthcare delivery system which offers them greater convenience. To cater to these demands, KPJ needs to be innovative in the way it approaches the delivery of patient-centric healthcare within our network of hospitals.

In order to remain ahead of the curve as an industry leader, KPJ is moving towards becoming a fully innovative service provider, in line with the demands of the 4th Industrial Revolution or Industry 4.0. Within the field of MedTech, Industry 4.0 leverages on digital data, interconnectivity, automation and a digital customer interface to open the doors to new sensor and data analytic operations, as well as remote surgical procedures, training, maintenance and service operations.

Through KPJ Information Technology Services (KPJIT), we are sharpening our focus on Industry 4.0. KPJIT has in place a 10 year strategic plan focusing on enhancing our Group's business processes through infrastructure improvements, Cloud Computing, Big Data, cybersecurity, Internet of Things (IoT), Systems Integration and Simulation.

In 2017, KPJIT upgraded its infrastructure by moving the entire network of KPJ hospitals onto the Cloud. By modernising our information infrastructure, we are able to capture opportunities available through data virtualisation, and enhance our capabilities to build and manage data integration and refine our processes.

This move has reduced technology investment costs in our hospitals by as much as 75% through reductions in hardware and software licensing costs over the next five years. Among the systems improvements are data virtualisation, new Microsoft.Net developments to revamp the client-server hospital information system, and upgrading HITS and KCIS to second generation cloud computing products, namely, HITS2 and KCIS2.

This has enabled greater integration capabilities and a unified patient identity within a network information hub that maintains medical records and the medical history of any patient. HITS2 and KCIS2 also provide capabilities to integrate with other third generation products such as IoT, IBM Watson, Artificial Intelligence and other products that offer greater benefits through the adoption of new medical technologies. HITS2 and KCIS2 delivers on data standardisation and consistency, with opportunities to adopt and use Big Data for analytics purposes to predict operational and business improvements, and improving the accuracy and speed of management decisions.

We understand the risks and threats in private and public Clouds, and cybersecurity, information security and data protection is a key priority to ensure data integrity. In line with this, we have invested heavily in cybersecurity to comply with ISO27001 pertaining to security policies to manage data security incidents and improve business continuity.

KPJIT is also exploring MedTech opportunities in the area of wearable medical technology solutions to be launched in 2018. These will improve our patients' health outcomes by offering continuous health monitoring capabilities with alerts by medical providers. Other technology improvements such as piloting MedTech products like IBM Watson and implementing robotic automation processes increases the efficiency of our operations and services. Our systems enhancements and technology solutions create long-term value for our business by integrating the KPJ hospital network to create a culture which promotes a more effective and meaningful application of technology.

Enhancing Our Cybersecurity

KPJ takes the protection of its data, especially patient details, extremely seriously. We are in the process of strengthening our capabilities and capacities in managing threats and vulnerabilities in this area, especially with regards to enhancing our cybersecurity protocols. Our efforts are centred around the primary areas of Governance and Data Integrity. In line with this, KPJ's framework to safeguard Information Security, Cyber security and Data Protection is guided by the ISO/IEC27001: Security of information and ISO9001 : Quality management systems.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY HIGHLIGHTS 2017

CLINICAL OPERATIONS

- Developed standardised consent forms for the Group
- Reviewed KPJ By-Laws and Rules and Regulation for the Medical Professional
- Developed new governing policies:
 - Guideline On Audio Video Recording
 - ICU Enteral Feeding Guidelines For Adults
 - Policy on Fertility Services
 - Policy on Use of Entonox in Labour Room
 - Guideline for Cancer Marker screening for the General Population

KCIS

- 1 hospitals on KCIS2 as at end 2017
- 27 hospitals to be integrated into KCIS2 in 2018
- Completed the development and User Acceptance Tests (UAT) of KCIS2

HITS

- 1 hospitals on HITS2 as at end 2017
- 27 hospitals to be integrated with HITS2 in 2018
- Completed the development and User Acceptance Tests (UAT) of HITS2

Ramping Up Our Clinical Operations Processes

Clinical operations form the base of our healthcare services, and ensuring optimal efficiencies with regards to business process improvement within our clinical operations remains a priority. We continuously monitor our clinical governance and processes to ensure that our operations are at maximum efficiency.

In 2017, we conducted the monitoring of compliance of clinical protocols, with regards to best practices in OTs, the Intensive Care Unit (ICU) and A&E, in order to ensure that we are providing the best quality of healthcare to our patients.

We also developed and monitored the use of Antibigram for Urinary Tract Infection (UTI). UTIs are one of the most common forms of nosocomial or Hospital acquired infections (HAIs), which increases the cost of medical care, extends hospital stays and reflects on the morbidity and mortality of the admitted patients. KPJ has always maintained a policy of reducing HAIs, details of which can be found within our Sustainability Statement on page 67 of this Annual Report.

Digitalisation of our Network

KPJ views the digitalisation of our integrated healthcare network as crucial to driving growth by leading through innovation and technology. Forming the bedrock of our IT-based clinical service innovations is KCIS and HITS. Our digitisation drive is an ongoing mission, as we continuously harness cutting edge technology and IT platform upgrades to improve our systems to ensure a robust digitised business model.

Facilitating Seamless Communications Through KCIS

Introduced in 2011, KCIS integrates the entire KPJ healthcare network to ensure that our patients are able to enjoy a seamless care experience by catering to the clinical activity needs of our network of hospitals. The platform facilitates seamless communication amongst clinical professionals through its key functionalities of patient clinical

information, e-pharmacy, e-ordering and clinical reporting. For patients, they are able to enjoy an integrated healthcare experience, beginning from registration to diagnosis to treatment and follow-up care, as well as electronic orders.

KCIS has been integrated with the Electronic Medical Record (EMR) system, which digitises and centralises patient records for easier retrieval and access, allowing for more efficient medical record maintenance. It is also integrated with Lablink Antibigram, which allows for the sharing of a bacteria's profile in terms of susceptibility or resistance pattern to a panel of antibiotics with clinicians, thus ensuring better patient outcomes.

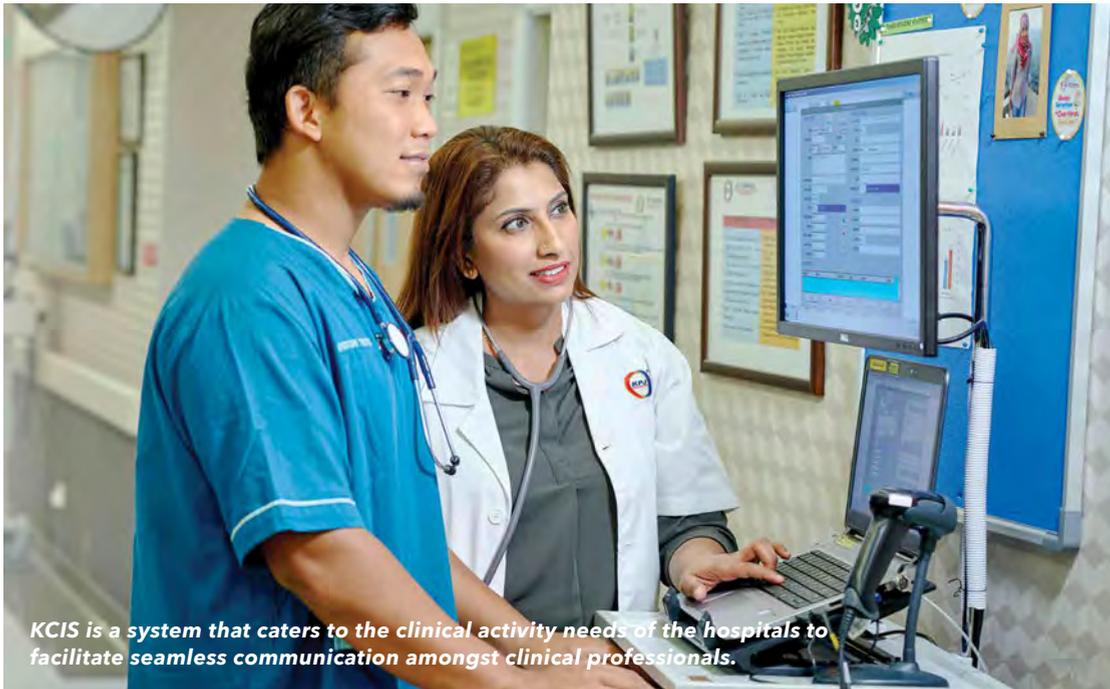
In 2016, we upgraded KCIS to version 2.0, known as KCIS2, where new features were incorporated to further enhance the efficiency of the system. We began with a pilot project at KPJ Kajang, and thereafter continued with upgrading more hospitals with the new system. Among the new features and modules available in KCIS2 is an Electronic Medical Record Application (EMRA), Risk Management and Incident Reporting system, and greater integration between healthcare services and its operations.

Enabling greater hospital network integration with HITS

Introduced in 1997, HITS is an integrated hospital management system covering the complete range of patient service processes from registration to billing. Its functionalities also extend to financial and material management modules, making it a highly reliable and robust system to support our hospital network operations.

KCIS2 and HITS2 work together in a complementary manner, enabling greater integration between our hospitals enterprise-wide with Mobility and IoT capability to enhance healthcare management, care providers and patient experience and expectations. It forms the main thrust of KPJ's focused improvement measures in the area of data warehousing with second generation products and also

MANAGEMENT DISCUSSION AND ANALYSIS



KCIS is a system that caters to the clinical activity needs of the hospitals to facilitate seamless communication amongst clinical professionals.

KEY HIGHLIGHTS 2017

PHARMASERV ALLIANCES SDN BHD

- Received Lean Management recognition from the Malaysia Productivity Corporation
- Participated in KPJ Quality Workshop and qualified for 2018 KPJ Innovative Creative Circles
- Obtained IMS Certification comprising ISO 9001 : 2015, ISO 14001 : 2015, OHSAS 18001 : 2007
- Enhanced purchasing module component of its inventory system to increase efficiency in stock management
- Continuous improvements of warehouse policies and flow processed resulting in delivery of goods in a timely manner thus meeting customer expectations

2018 PRIORITIES

PHARMASERV ALLIANCES SDN BHD

- Offering cold chain storage and distribution services
- Directly sourcing from manufacturers and importers such as Sole Distributors/ Product License Holders/ Authorised Representatives (AR) to obtain greater cost optimisations in the purchase of medical devices
- Setting up an E-Procurement portal for the Group
- Focusing on digital marketing strategies to boost revenue, maximise social media influences and convert current website to an e-commerce enabled platform

introduces Big Data Analytics to tap into the Group's vast data network, providing greater insights for more robust and informed decision-making processes.

In 2016, we had upgraded the system to HITS2 through a pilot project at KPJ Pahang Specialist Hospital and continued with upgrading other hospitals in our network in 2017. HITS2 offers greater integration of hospital operational processes such as accounting, centralised billing, inventory, pharmacy and business management. The platform is accessible by wards, ancillary departments, pharmacies, purchasing departments, clinics and our business office. As a real time platform, it allows for data to be collected and analysed in a timely manner. HITS2 is operated within strict accessibility protocols so as to ensure the confidentiality and reliability of the information residing on the system.

Optimising our Medication Delivery Systems and Costs through Pharmaserv Alliances

Established in 1965, Pharmaserv Alliances Sdn Bhd (PASB) is KPJ's centralised wholesaler and distributor of pharmaceutical, medical disposables and other hospital related products. Its clients are the KPJ

network of hospitals and companies, as well as external clients within the government sector and other healthcare sector players. By employing volumetric purchases, PASB is able to achieve profitable growth and retain a competitive edge by transferring cost savings to customers.

Over the years, it has recorded consistent growth in revenue and profitability. In 2017, its revenue increased to RM420 million, from RM387 million in 2016. Profit for 2017 stood at RM2.9 million, almost 63% from 2016 profit before tax of RM1.8 million.

Improvements in Quality Assurance and Certification

Our continuous improvements in our quality assurance and certifications have garnered a number of external validations, reflecting the marketplace's trust and faith in our network of hospitals. In 2017, KPJ conducted its first quality workshop with 20 hospitals participating in it and presenting their best practices for clinical and non-clinical services. A total of 32 ideas were chosen as Best Practices for both categories. This new platform enhances the Group's ability to harness benefits and adopt innovative new ideas through knowledge sharing.

MANAGEMENT DISCUSSION AND ANALYSIS

AWARDS



Prime Minister's Industry Excellence Award - KPJ Klang Specialist Hospital was the winner of Malaysia Prime Minister's Award



Asian Hospital Management Awards 2017 - Excellence award given to KPJ Johor Specialist Hospital under the Innovations in Healthcare Technology Project category



Kuala Lumpur Mayor's Tourism Awards 2017 - KPJ KPJ Tawakkal Specialist Hospital and KPJ Tawakkal Health Centre obtained the Platinum Award for the Medical Tourism Category



International Innovative and Creative Circle - KPJ Pahang Specialist Hospital

Moving into 2018, we have identified the following priorities to enhance our quality assurance commitments:

- ISO 9001:2015 and Lean Management - aiming for the implementation of the ISO 9001:2015 certification and Lean Management practices as the basis for continuous improvements in our Quality Management Systems
- Green Environment Initiatives - the following targets have been identified for 2018:
 - KPJ Rawang Specialist Hospital is aiming for the Energy Management Gold Standard Under ASEAN Energy Management Scheme (EMGS AEMAS) 2 Star certification
 - KPJ Seremban Specialist Hospital will be participating in the National Energy and Green Technology Awards 2018 (NEGTA) within the Energy Management in Buildings and Industries category for Buildings consuming more than 2,000 MWh per year
- Best Practice Competition - To encourage innovative new ideas, KPJ will be conducting an internal Best Practice Competition for the entire KPJ Group of Hospitals as part of KPJ Quality Convention 2018

GROUP FORWARD MOVING STATEMENT

As we move forward into 2018, KPJ remains firmly committed to sustaining our business mission by leading the way through leveraging on innovation and technology. We are optimistic on our outlook for the year ahead, as we expect the reap the rewards of plans and initiatives we have put in place as part of our overall strategy to stimulate organic and inorganic growth and strengthen our capacities.

We remain cognisant of the challenges 2018 brings for us. Within our corporate client base, we are seeing companies reducing their employee healthcare benefit budgets to achieve greater cost optimisations within their respective business models. Changes are also expected in the healthcare regulatory landscape, with MOH adopting new regulations pertaining to specialised manpower and specialists, which form the majority of our employee base in the provision of high quality healthcare services.

Within the intensely challenging private healthcare sector, we are witnessing more service providers join the market place, or existing service providers expanding their healthcare network in their bid to gain more market share. With different healthcare companies vying for the services of talented and highly skilled medical professionals, this presents us with the challenge of finding the Right Fit in terms of attracting and retaining the right talent to drive our agenda of continuous growth and profitability.

We are cognisant of the need to innovate continuous change within the Group, as we strategically enhance our integrated healthcare service model to retain our leadership position as the largest healthcare provider in Malaysia. To remain as the preferred healthcare provider, and to strengthen our brand presence regionally and internationally, we have drawn up a set of strategic initiatives for 2018 which are aligned to our six key core strategies.

2018 STRATEGIES FOCUS

Adopting Focused Strategies To Generate Continuous Growth

Moving into 2018, KPJ is acutely aware that the competitive business landscape is shifting. Innovation therefore will be a key focus area for us, taking shape through further digitalisation of our services.

Digitalisation will enable greater access to improved care for all Malaysians and health travellers alike. KPJ will continue to adopt the latest in technology for its operations, marketing and service delivery, with planned investments in improving our business and financial systems and processes, thus driving efficiency and improvement in financial reporting required to support a fast growing business.

Our New Business Unit has been charged with the task of identifying new areas of growth which will stimulate our competitiveness within the healthcare sector and differentiate us from our competitors. A key way it intends to achieve this is by focusing on developing our outpatient services by expanding its market coverage, bearing in mind the tremendous growth in terms of outpatient

MANAGEMENT DISCUSSION AND ANALYSIS

numbers over the past few years. This initiative was selected for implementation under KPJ Blue Ocean Strategy. In line with this, KPJ's ambulatory or outpatient medical care services will identify how to enhance opportunities in the provision of outpatient care, as well as expanding and upgrading our outpatient day care facilities to provide our customers with a more comfortable healthcare experience.

By analysing healthcare market trends and identifying gaps in the market, we are exploring new markets both locally and overseas. We are also investigating and evaluating potential strategic alliances with international players who complement our strengths and skill sets. From a regulatory perspective, in order to maintain strict adherence to increasingly stringent MOH regulations in healthcare, we will be maximising our current nursing manpower to adhere to these.

Within our medical tourism segment, we are seeking to expand our reach to the two new global superpower markets of China and India, with their populations showing an increased preference to seek private healthcare services abroad. Leveraging on the synergies of our wide hospital network, we will be looking at cross-selling doctors and consultants' medical services and treatments on an inter-hospital basis.

In the past few years, we have been focusing more on niche and sub-specialisation medical services as a way to differentiate ourselves in the marketplace, and within the medical tourism segment, will be promoting these more aggressively by coming up with Group-wide packages. With regards to our medical packages, we will be developing more targeted packages, especially in treatment areas that offer high margins. Within selected KPJ hospitals, we will be establishing a cohort of Healthcare Tourism Friendly Hospitals, whose services and treatment packages are geared towards providing for medical tourists' needs.

Continue to create employment opportunities for future generations

KPJ's job creation agenda is tied in to our growth strategy, with the expansion of our network and into new niche markets, specialities and sub-specialities acting as an enabler for the creation of talent pipeline employment opportunities for future generations. It is also borne through the performance of our education arm KPJUC, as a talent pipeline, providing medical and healthcare education for the younger generation.

With regards to KPJUC, the plan has been put in motion to achieve full university status by 2020, and we are currently in the midst of strengthening our education delivery model in tandem with this. We have also targeted enrolment of 2,800 students in its academic programmes to ensure consistent growth of student numbers, along with actively promoting Continuous Professional Development (CPD) programmes to internal and external clients for various healthcare

and non-healthcare training programmes. KPJUC will also conduct an aggressive marketing drive to increase its student enrolment numbers, and a total of RM1.5 million has been allocated to rebrand KPJUC and to promote its academic programmes on the national and international stage.

In order to record healthy and sustainable financial performance, KPJUC will be conducting an efficiency drive with regards to the management of its expenses to drive cost optimisation. Among the measures identified is the implementation of e-green technologies to reduce its utilities costs by 5% per annum, reducing rental costs by merging KPJ International College (KPJIC) and Malaysian College of Hospitality and Management (MCHM) facilities, and revising the Real Estate Investment Trust (REITS) rate of KPJUC Nilai.

Aggressive and intelligent marketing on online and social media

In an increasingly digitalised world, where consumers are seeking out service providers for almost all aspects of their life, it has become a business imperative for companies to establish a strong digital marketing presence through the utilisation of online and social media platforms. Responding to this, KPJ has embarked on a sustained marketing campaign which is both aggressive and intelligent in identifying suitable online and social media platforms to reach out to its target market.

Within the medical tourism segment of our business, we will be upping the ante on our digital marketing efforts, through more aggressive online and social media marketing campaigns. Among them is the utilisation of the Doctors Portal to enhance the cross-selling and promotion of our consultants' medical specialities and sub-specialities. We will also be developing a targeted plan to increase the number of likes for each of our hospitals' Facebook accounts, by focusing on content which is relevant and interesting for users.

This entails the development of content-driven digital marketing efforts which are more personalised and pushed towards the right target audience, highlighting KPJ's unique selling propositions by providing relevant information about healthcare, disease and wellness. Our marketing content will be expanded to include videos within the KPJ TV and YouTube platform to develop, index and increase the number of user likes and views in order to generate a viral marketing effect.

Superior Customer Service

We remain committed to ensuring our network of hospitals continue with their forward moving momentum to deliver superior customer service by focusing on patient-centric benefits. Within our Clinical Operations unit, we have planned a number of new initiatives which will augment our healthcare delivery levels. These include a Stroke Management Centre, a Remote Healthcare Digital Monitoring System in collaboration with JCorp, the setting up of a nursing initiative known as Magnet Hospital and embarking on the mQuit Smoking Cessation Programme in collaboration with MOH.

MANAGEMENT DISCUSSION AND ANALYSIS

As well as that, we will begin QR coding our patients, from point of entry from Pharmaserv to hospital inventory, dispensing and administration of medication. Our Doctors Portal will be updated with information on Clinical Governance Policies, online medical journals and reference materials, benchmark performances and use of the Statistical Performance Control Chart reports, all of which will assist our doctors offer better treatment outcomes for their patients.

In 2018, we will be conducting a benchmarking exercise along with monitoring of performance measurements for nephrology, ophthalmology and cardiology specialities. There will also be a new Hospital Information Management System (HIMS) structure, which will add to our operational efficiencies in providing the best level of clinical care for our patients. For our inpatients, their hospital stay will be enhanced with a new menu which incorporates nutritional information with regards to their food choices.

In line with ensuring our nurses receive continuous training and development to upskill themselves, we will be conducting a number of workshops and seminars in 2018, such as KPJ Medical Workshop, Nursing Workshop, Nursing Seminar - Forum with the Nurses, KPJ Antibiotic Awareness Week and Intensive Course in Obstetric Emergencies (iCOE).

Our Customer Service unit remains focused on the continuous development of a strong service culture. The internalisation of the train-the-trainers programme is anticipated to be completed by 2019 with the intention of realising a KPJ Service Academy by 2021. The KPJ Customer Service Training Services Business Unit will be able to produce qualified trainers, with updated and relevant content, and conduct service consulting. Staff will be equipped with the correct tools and appropriate knowledge on excellent customer service deliveries with training by our Service Quality Coaches and SQM Mentors.

To ensure efficient and effective Customer Communications Management, several SQM Portal enhancements are in the pipeline including the introduction of additional workflow areas that will improve service deliveries such as housekeeping, dietary services and maintenance. Building on the success of the KPJ Care Card, we will be introducing a self-managed loyalty system for card holders whereby customers will be able to conduct additional transactions with KPJ online.

Effective talent management is another means by which we can ensure superior customer service. Within this area, KPJ intends to effect a paradigm shift in the way we manage our talent, moving from employee engagement to employee experience.

In the medium- to long-term, we will be working on developing the employee experience within an ecosystem that integrates the three core components of engagement, culture and performance management.

We are committed to digitalising the human resource function through the ongoing digitalisation of the workplace, as an important element to improve the employee experience by analysing employee data. We are looking at ways and means to incorporate the 'Gig Economy' into the KPJ way of working. The Gig Economy is a labour market characterised by the prevalence of short-term contracts or freelance work, as opposed to permanent jobs. Within KPJ, we have identified that having flexible work provisions will drive our value proposition as an employer to expand our candidate talent pool and retain highly valued employees.

Successful migration to KCIS2 and HITS2

Moving into 2018, we are determined to complete the successful migration of our hospital systems to KCIS2 and HITS2. Our target is to ensure successful migration within 28 hospitals in our Group. In the medium- to long-term, we will also be looking at different and innovative ways to inject more automation and automated processes into the operations of our hospital network.

We have identified several measures which will result in substantial cost savings with regards to KCIS2 maintenance to the tune of €300,000 (approximately RM1.4 million, at a forex rate of RM4.81 to €1). Our aim is to implement these measures within 13 hospitals by year end 2018 so we can benefit from greater cost efficiencies. As well as that, we are aiming for compliance with ISO9001 and ISO27001 Standard Operating Procedures, and will be implementing the measures and actions identified in order to attain this.

We are confident that through these set of focused strategic initiatives, we will remain on course in our transformation journey, as we aim to be a regionally and internationally acknowledged world-class healthcare service provider, as a key driver to ensure our sustained long-term growth and profitability.



Dato' Amiruddin Abdul Satar

President & Managing Director
KPJ Healthcare Berhad