



KPJ HEALTHCARE BERHAD



SUSTAINABLE HEALTHCARE

ANNUAL REPORT 2016





KPJ

HEALTHCARE BERHAD

2016

ANNUAL REPORT

SUSTAINABLE HEALTHCARE

KPJ Healthcare Bhd (KPJ)'s success journey in Malaysia for the last 35 years underscores our philosophy that building and growing our business sustainably in a responsible manner go hand-in-hand. We serve our mission to provide the rakyat of Malaysia with quality healthcare services as we continue to create long-term value for shareholders, and support the development and expansion of the healthcare industry in the country.

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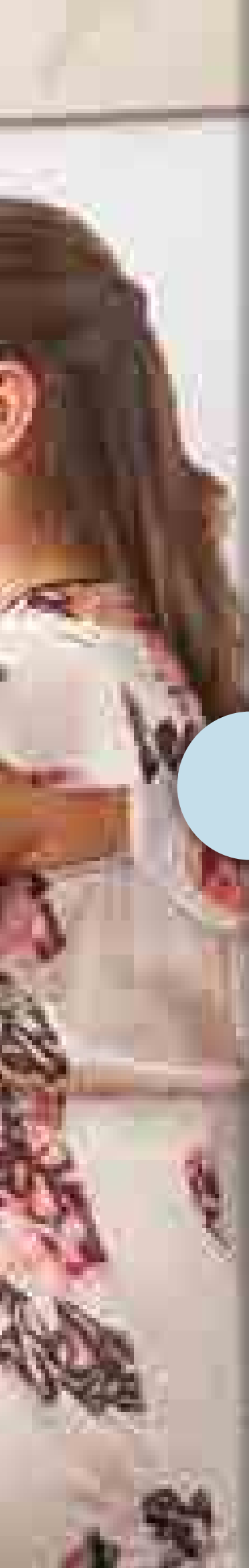
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TAILORING

Solutions

◆ FOR OUR CUSTOMERS ◆

Our core focus is ensuring that our customers enjoy a positive and holistic patient experience. We connect and engage with them as we improve our service delivery and offerings. We have our finger on the pulse of their needs which allows us to design innovative healthcare and medical packages that best provide relevant solutions that are for everyone.



OUR VALUES

what we strive for

As a global provider of premium healthcare services, KPJ is committed to world-class excellence in every aspect of healthcare. Our medical expertise and advanced facilities enable us to provide a one-stop continuum of care to cater to the rapidly growing demands of the markets we operate in.

KPJ HAS A WELL-DEFINED STRATEGY

VISION

The Preferred Healthcare Provider

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

MISSION

Delivering Quality Healthcare Services

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



OUR CORE VALUES

a company dedicated to innovation



ENSURING SAFETY



DELIVERING SERVICE WITH COURTESY



PERFORMING DUTIES WITH INTEGRITY



EXERCISING PROFESSIONALISM AT ALL TIMES

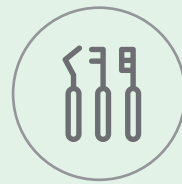


STRIVING FOR CONTINUOUS IMPROVEMENT

Our values represent the philosophy of our organisation and guide all our decision-making and actions. We strive to maintain a patient-centred environment focused on compassionate care. Our core values of Ensuring Safety, Delivering Service with Courtesy, Performing Duties with Integrity, Exercising Professionalism at All Times, and Striving for Continuous Improvement are an intrinsic part of our commitment to 'Care for Life' in every aspect of our operations.

We hold ourselves accountable to high standards and our core values reaffirm our commitment to serving all those who count on us.





DELIVERING

World class Services

◆ TO THE NATION ◆

We constantly innovate and upgrade our hospitals with the latest state-of-the-art medical technology and equipment, on par with international benchmarks and practices. We are committed to maintaining clinical excellence as we deliver quality healthcare services to all our patients.







OUR EXCELLENT SERVICES

Safety, speed and service are the hallmarks of every KPJ member interaction



When you are responsible for delivering high-quality healthcare to more than 2 million people, patient satisfaction is as critically important.



— responsible for delivering high-quality —
HEALTHCARE

①

ACCESSIBILITY

②

CLINICAL GOVERNANCE

③

24/7 CUSTOMER SERVICE

④

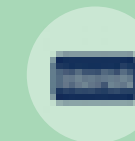
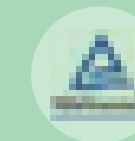
INTEGRATED NETWORKED PLATFORM

⑤

QUALITY



Accreditation



Integrated Management System Certification Body

RESULTS
that we have achieved



IMPROVED SCORE
KPJ'S CUSTOMER
SATISFACTION
SURVEY

86.1%



IN 2016,
EMPLOYEES RECEIVED
AN AVERAGE OF

47 hours

OF TRAINING PER PERSON





ACHIEVING

Results

◆ FOR OUR SHAREHOLDERS ◆

We are committed to long-term growth, and with that, focus on creating long-term value for our shareholders by operating sustainably in a responsible manner.





“
 STRONG
 PARTNERSHIPS
 WILL CONTINUE TO
 MATTER. WE MUST
 CONVINCE THOSE
 RESPONSIBLE IN
 THE DIFFERENT
 REGIONS OF OUR
 QUALITY AND
 RELIABILITY
 ”



RESULTS
that we have achieved



FROST & SULLIVAN

RECOGNISES
 KPJ HEALTHCARE BERHAD AS

“HOSPITAL OF
 THE YEAR”



**MSQH
 ACCREDITATION**

“KPJ RAWANG
 SPECIALIST HOSPITAL”

“KPJ BANDAR MAHARANI
 SPECIALIST HOSPITAL”



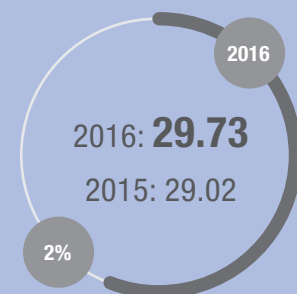
EXPANDED OUR
 CSR OUTREACH

**2 NEW
 KWAN CLINICS**

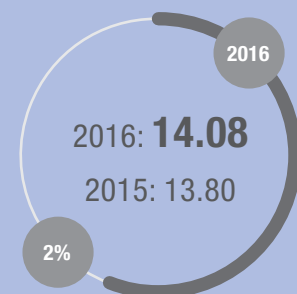


OUR MOTIVATION IN NUMBERS

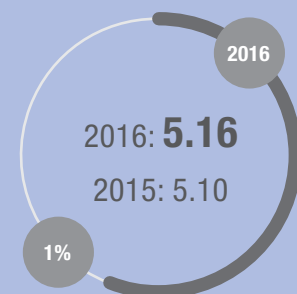
*2016 was both a successful and ambitious year
 for KPJ Healthcare Berhad*



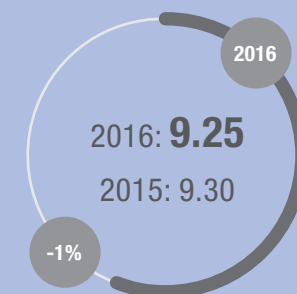
GROSS PROFIT MARGIN (%)



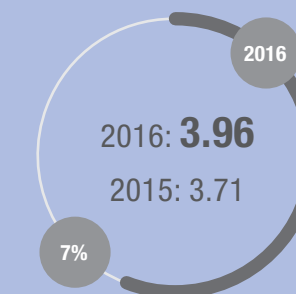
EBITDA MARGIN (%)



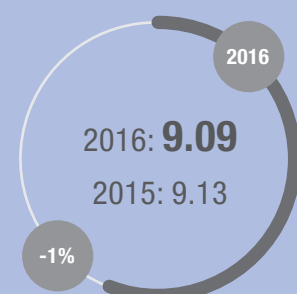
NET PROFIT MARGIN (%)



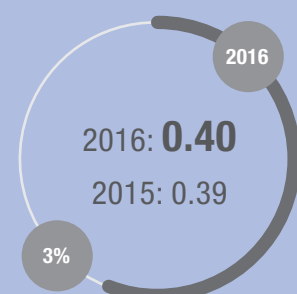
RETURN ON EQUITY (%)



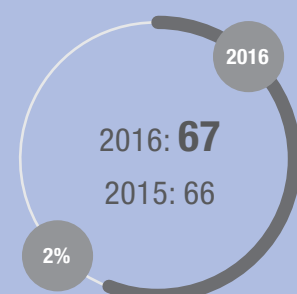
RETURN ON ASSETS (%)



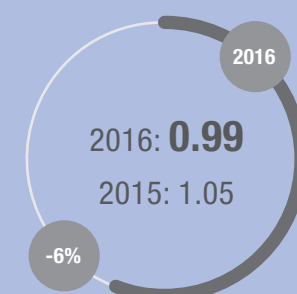
RETURN ON AVERAGE CAPITAL EMPLOYED (%)



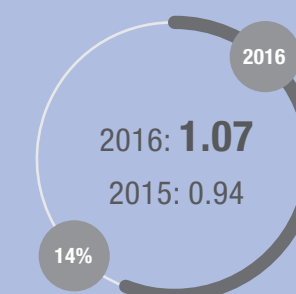
DEBT RATIO



DEBT TURNOVER DAYS RATIO



DEBT EQUITY RATIO



CURRENT RATIO

Facts at a Glance

HOSPITALS

25 in Malaysia	2 in Indonesia	1 in Bangladesh	1 in Thailand
--------------------------	--------------------------	---------------------------	-------------------------

1,122

MEDICAL CONSULTANTS

RETIREMENT & AGED CARE CENTERS

1 in Australia	2 in Malaysia
--------------------------	-------------------------

<h2>INPATIENTS</h2> 279,794	<h2>OUTPATIENTS</h2> 2,464,704
------------------------------------	---------------------------------------

2 BRANCHES

1 UNIVERSITY COLLEGE

38 PROGRAMMES

EMPLOYEES

12,635

2,929

OPERATING BEDS

ACCREDITED HOSPITALS

18 By Malaysian Society for Quality in Health (MSQH)	4 By Joint Commission International (JCI)
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Our Reporting Approach

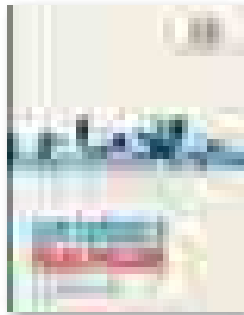
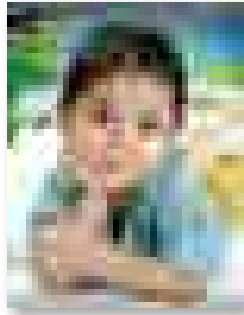


ABOUT THIS REPORT AND OUR REPORTING SUITE

We have produced a full suite of reporting publications in line with Bursa Malaysia's revised Listing Requirements (24 March 2016).

KPJ Healthcare's Annual Report 2016 which contains its Sustainability Statement, has been prepared and curated within our best capacity to provide our stakeholders a clear and informed review of KPJ's 2016 performance and ongoing business delivery and creation of value, against the year's landscape of opportunities, challenges and developments. The Report has been tailored to meet our readers' specific information requirements.

This also marks the debut of the KPJ Sustainability Statement, as part of our commitment to, and in accordance with market regulation, share how our business integrates social value into our operations, in creating sustainable business value for all our stakeholders.

REPORT PUBLICATION	PURPOSE	FRAMEWORKS APPLIED	CROSS-REFERENCE
<p>KPJ Annual Report 2016</p> 	<p>Provide a comprehensive discussion of KPJ's performance</p>	<ul style="list-style-type: none"> √ Companies Act, 1965 √ Bursa Malaysia Securities Berhad Listing Requirements √ Malaysian Financial Reporting Standards √ International Financial Reporting Standards 	<p>KPJ website</p>
<p>KPJ Sustainability Statement 2016</p> 	<p>Present a balanced and comprehensive analysis of KPJ's sustainability practices and performance in relation to issues material to our stakeholders. The statement scope covers KPJ's operations in Malaysia only.</p>	<ul style="list-style-type: none"> √ Bursa Malaysia Securities Berhad Listing Requirements relating to Sustainability Statements in Annual Report 	

KPJ Healthcare Berhad

KPJ Healthcare Berhad (KPJ or the Group) is Malaysia's leading provider of private healthcare services. Since its introduction of the first private specialist hospital in Johor in 1981, the Group has been at the forefront of the healthcare industry.

Driven by its core values of Safety, Courtesy, Integrity, Professionalism and Continuous Improvement, KPJ's integrated network consists of 25 specialist hospitals located throughout the nation. With its expansion abroad, the Group currently has two hospitals in Indonesia, a sizable share in a hospital in Bangkok, a hospital in Bangladesh, as well as a retirement and age-care resort in Australia.

KPJ's competitive advantage lies in its extensive reach and presence in the highly competitive private healthcare industry. With its hospitals located in various parts of the nation, the Group's hospitals are easily accessible and offer a diverse range of medical specialist services, many of which are major firsts in the nation's healthcare industry.





The Group has made outstanding inroads in the application of integrated Group-wide technology. The adoption of Cloud Computing has further enhanced the ability of the medical consultants in assessing patient information in real-time, to ensure delivery of a seamless service. To further optimise the handling of patients' records and increase hospital efficiency, continuous improvements are being undertaken to advance its Clinical Information System (KCIS).

The Group's extensive experience in hospital development and management spanning three and a half decades also means that the Group is built based on strong, dependable fundamentals. These serve as a solid bedrock as the industry continues to evolve and change over time.

In growing the health tourism segment, our aggressive marketing strategies continue to show stellar results as we have expanded our footprint in Asia, the Middle East, Africa, Australasia, and Kazakhstan (a member of the Commonwealth of Independent Countries).

Apart from hospital-based care, the KPJ Group made its mark in healthcare-related industries, primarily KPJ Senior Living Care services and Healthcare Education. These thriving sub-sectors hold tremendous potential for the future, in line with the increasing consumer demand.

Our hospitals continue to be recognised by accreditation bodies such as the Malaysian Society for Quality in Health (MSQH) and the Joint

Commission International (JCI). KPJ hospitals have been certified by Integrated Management System (IMS) that integrates and emphasises on the Quality Management System (MS ISO 9001:2000); Environment (MS ISO 14001:2004); Occupational Safety and Health (OHSAS 18001:1999) Systems as well as other ISO and SIRIM certifications.

We continue to touch the lives of the impoverished and underprivileged in communities through our management of Klinik Wakaf An-Nur (KWAN) initiative. Since the inception of the first KWAN charity clinic in Johor in 1988, it has since served more than one million patients. Today, the KWAN network encompasses one hospital in Johor, 18 clinics throughout Malaysia, as well as four mobile clinics in Kuala Lumpur, Johor and Selangor.

What We Offer

● SURGICAL DISCIPLINES

1 Anaesthesiology

- Anaesthesiology and Critical Care
- Intensive Care (Anaesthesiology)

2 Cardiothoracic Surgery

3 Dental Specialties

- Dental Surgery
- Dental Implant
- Oral And Maxillofacial Surgery
- Oral Pathology And Oral Medicine
- Orthodontics
- Orthognathic
- Paediatric Dentistry
- Periodontics
- Prosthodontics
- Restorative Dentistry
- Endodontic
- Root Canal Treatment
- Denture
- Cosmetic Dentistry including Teeth Whitening

4 Neurosurgery

5 Obstetrics And Gynaecology (O & G)

- Obstetrics And Gynaecology (O & G)
- Gynae-Oncology
- Maternal Fetal Medicine
- Reproductive Medicine
- Uro-Gynaecology

6 Ophthalmology

- Cornea Transplant Surgery
- Vitreoretinal Surgery
- Oculoplastic Surgery
- Refractive Error Laser Vision
- Cataract
- Glaucoma

7 Orthopaedic Surgery

- Orthopaedic Surgery
- Spine Surgery
- Arthroplasty
- Upper Limb and Microsurgery

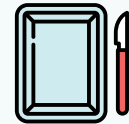
8 Otorhinolaryngology/Ear, Nose & Throat (ENT) including Cochlear Transplant Surgery

9 Paediatric Surgery

10 Plastic Surgery

11 Surgery

- General Surgery
- Breast and Endocrine Surgery
- Colorectal
- Hepatobiliary Surgery
- Thoracic Surgery
- Upper GIT
- Vascular Surgery
- Bariatric Surgery



● MEDICAL SPECIALTIES

1 Medicine

- Internal Medicine
- Cardiology
- Clinical Haematology
- Dermatology
- Endocrinology
- Gastroenterology & Hepatology
- Geriatric Medicine
- Infectious Diseases
- Clinical Oncology
- Nephrology
- Neurology
- Respiratory Medicine
- Rheumatology

2 Paediatrics

- General Paediatrics
- Neonatology
- Paediatric Cardiology
- Paediatric Dermatology
- Paediatric Haematology & Oncology
- Paediatric Infectious Diseases
- Paediatric Respiratory Medicine

3 Pathology

- Pathology
- Anatomical Pathology
- Haematology
- Medical Microbiology

4 Psychiatry

5 Radiology

- Clinical Radiology

6 Rehabilitation Medicine

- Neurological Rehabilitation
- Paediatric Rehabilitation
- Amputee Rehabilitation
- Orthopaedic Rehabilitation
- Work Assessment and Work Hardening





● **HOSPITAL CLINICAL SERVICES & FACILITIES**

1 Pain Management

- Acute Pain Management
- Interventional Chronic Pain Management

2 Bariatric (Obesity) Surgery Centre

- Roux en Y Gastric Bypass, Sleeve
- Weight Management Clinic
- Counselling
- Patient Support Group

3 Sleep Disorder Centre

4 Oncology Services

- Clinical / Medical Therapy – Chemotherapy, Hormonal Therapy
- Radiotherapy

5 Clinical Laboratory

6 Clinical Pathology

7 Pharmacy Services

8 Cardiac Catheterisation Laboratory (CATH LAB)

9 Endoscopy Services

- Gastroscopy
- Colonoscopy
- ERCP

10 In-Vitro Fertilisation (IVF) Services

11 Occupational Health Services



12 Rehabilitation Services

- Physiotherapy
- Occupational Therapy
- Speech Therapy

13 Specialised Neurodevelopmental/ Psycho-Educational Rehabilitation

14 Psychology Services (Adult & Paediatric)

15 LASIK Services

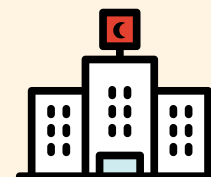
16 Diabetic Counselling Services

17 Home Nursing Services

18 Ambulance Services

19 Pre and Post Natal Services

- Parent Craft Services
- Breast Feeding Counselling



Our Reach



CENTRAL

- KPJ Ampang Puteri Specialist Hospital
- KPJ Damansara Specialist Hospital
- KPJ Selangor Specialist Hospital
- KPJ Tawakkal Specialist Hospital
- KPJ Kajang Specialist Hospital
- KPJ Seremban Specialist Hospital
- KPJ Sentosa KL Specialist Hospital
- KPJ Klang Specialist Hospital
- KPJ Rawang Specialist Hospital
- KPJ Tawakkal Health Centre
- KPJ Pusat Pakar Mata Centre For Sight

SOUTHERN

- KPJ Johor Specialist Hospital
- KPJ Puteri Specialist Hospital
- Kluang Utama Specialist Hospital
- KPJ Pasir Gudang Specialist Hospital
- KPJ Bandar Maharani Specialist Hospital
- KPJ Bandar Dato' Onn Specialist Hospital*

NORTHERN

- KPJ Ipoh Specialist Hospital
- KPJ Penang Specialist Hospital
- Taiping Medical Centre
- Kedah Medical Centre
- Sri Manjung Specialist Centre
- KPJ Perlis Specialist Hospital*

EAST COAST

- KPJ Perdana Specialist Hospital
- KPJ Pahang Specialist Hospital

SABAH & SARAWAK

- Kuching Specialist Hospital
- Damai Specialist Hospital
- KPJ Sabah Specialist Hospital
- Sibu Specialist Medical Centre
- BDC Specialist Hospital*
- KPJ Miri Specialist Hospital*

THAILAND

- Vejthani Hospital, Bangkok

AUSTRALIA

- Jeta Gardens Retirement and Aged Care Resort, Brisbane

INDONESIA

- RS Medika Permata Hijau, Jakarta
- RS Medika Bumi Serpong Damai, Jakarta

BANGLADESH

- Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College, Dhaka

* Hospitals under development

Malaysia

Asia



REGISTERED OFFICE

KPJ HEALTHCARE BERHAD

Level 11,
Menara KOMTAR,
Johor Bahru City Centre,
80000 Johor Bahru,
Johor, Malaysia.
T (607) 219 2692
F (607) 223 3175

CORPORATE OFFICE

KPJ HEALTHCARE BERHAD

Level 12, Menara 238,
Jalan Tun Razak,
50400 Kuala Lumpur, Malaysia.
T (603) 2681 6222
F (603) 2681 6888
E kpj@kpjhealth.com.my

PRINCIPAL BANKERS

HSBC AMANAH MALAYSIA BERHAD

No. 2, Lebu Ampang,
P. O. Box 10244,
50912 Kuala Lumpur, Malaysia.

MALAYAN BANKING BERHAD

343, Jalan Pahang,
Setapak,
53300 Kuala Lumpur, Malaysia.

REGISTRAR

PRO CORPORATE MANAGEMENT SERVICES

SDN BHD

Level 16,
Menara KOMTAR,
Johor Bahru City Centre,
80000 Johor Bahru,
Johor, Malaysia.
T (607) 226 7692
F (607) 223 3175

AUDITOR

PRICEWATERHOUSECOOPERS (AF1146)

Level 10, 1 Sentral, Jalan Rakyat,
Kuala Lumpur Sentral,
P. O. Box 10192,
50706 Kuala Lumpur, Malaysia.

STOCK EXCHANGE LISTING

BURSA MALAYSIA SECURITIES BERHAD

MAIN MARKET

(Listed since 29 November 1994)
Stock code: KPJ(5878)

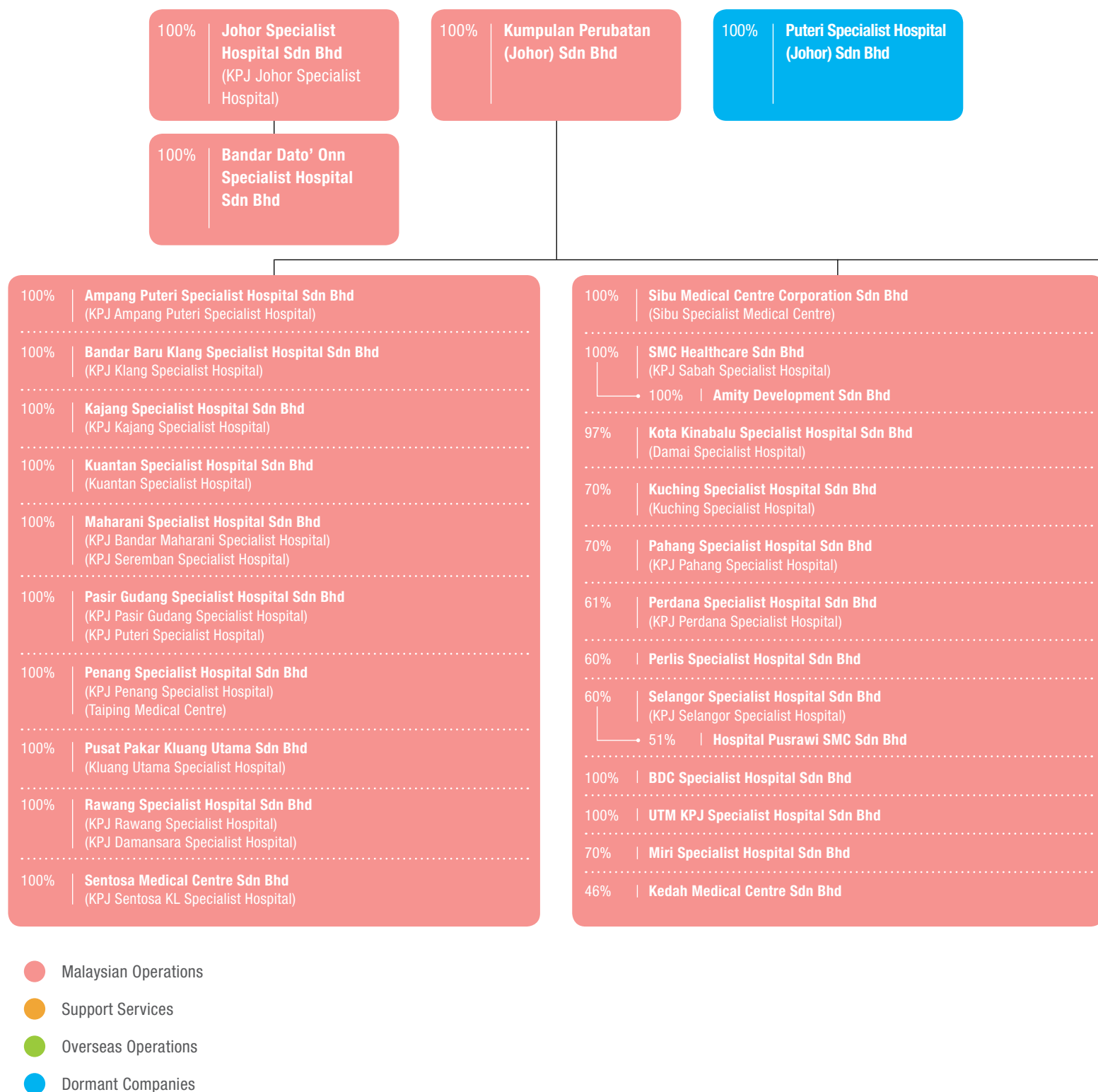
COMPANY SECRETARIES

Salmah Abd Wahab
(LS 0002140)

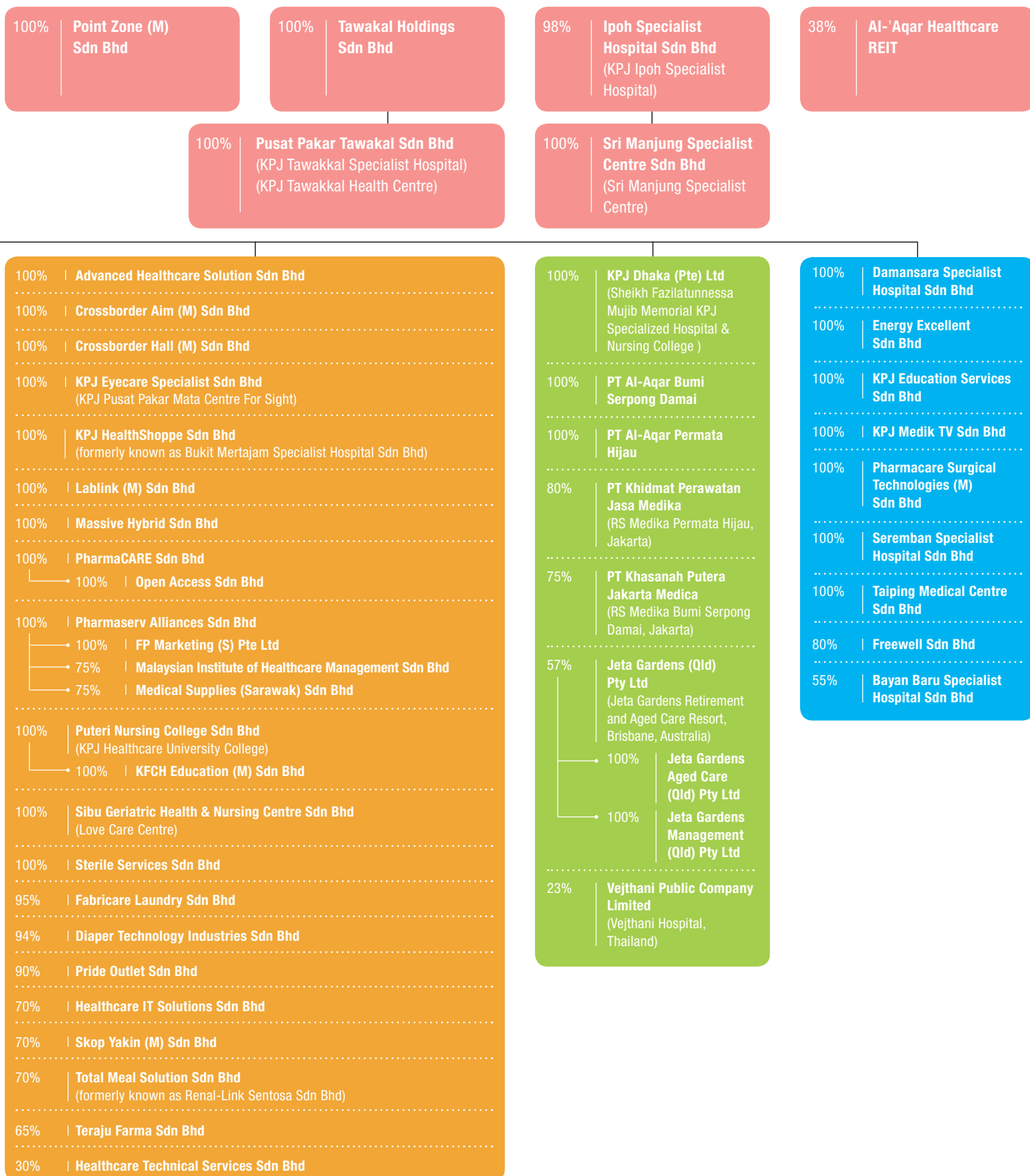
Hana Ab Rahim @ Ali
(MAICSA 7064336)



Corporate Structure



Corporate Structure



Corporate Milestones

August



KPJ COLLABORATES WITH JAPANESE PARTNERS TO SET UP ONCOLOGY CENTRE IN INDONESIA

KPJ Healthcare Berhad has entered into a memorandum of understanding (MoU) on 2 August 2016 with two Japanese partners to explore the possibility of developing an oncology centre at one of its hospitals located outside of Jakarta, Indonesia.



OFFICIAL OPENING OF KPJ SABAH SPECIALIST HOSPITAL

KPJ Sabah Specialist Hospital, the 22nd hospital in the Group, was officiated by Tuan Yang Terutama Yang Di-Pertua Negeri Sabah Tun Datuk Seri Panglima (Dr.) Haji Juhar bin Datuk Haji Mahiruddin, on 23 August 2016. KPJ Sabah broke new ground by being the first private healthcare provider in the state to provide haematology services, vitreo-retinal surgery, gynae-oncology services, non-invasive treatment for GERD, radiotherapy and oncology services.

September



MOU BETWEEN KPJ WITH SEBARUN HOSPITAL, DK MEDICAL CENTRE AND DAEJEON WELLNESS HOSPITAL

KPJ signed an agreement with Sebarun Hospital from Korea to set up a spine centre in KPJ Tawakkal Health Centre (THC), an MoU with DK Medical Centre (DKMC) for cosmetics & reconstructive surgery also in THC as well as with Daejeon Wellness Centre in Johor.

October



OFFICIAL LAUNCH OF KPJ PAHANG SPECIALIST HOSPITAL

KPJ Pahang Specialist Hospital, the latest private specialist hospital in Kuantan, was officiated by KDYMM Sultan Pahang on 6 October 2016. A key feature of this hospital is the fact that it is the only private service provider in Pahang to have its own Catheterisation Lab (Cath Lab), to diagnose and treat cardiovascular diseases. It also is the first to have a sea-fronting resort-like atmosphere.



October



GROUNDBREAKING CEREMONY OF KPJ BATU PAHAT SPECIALIST HOSPITAL

KPJ Healthcare Berhad signed an agreement to lease from Johor Corporation for the proposed development and leasing of KPJ Batu Pahat Specialist Hospital. The Hospital development could help to boost the state's economy. Johor Menteri Besar Datuk Mohamed Khaled Nordin officiated the groundbreaking ceremony on 19 October 2016.



OFFICIAL LAUNCH KPJ BANDAR MAHARANI SPECIALIST HOSPITAL

The launch of the KPJ Bandar Maharani Specialist Hospital – Muar's first private hospital on 30 October 2016, was graced by DYMM Raja Zarith Sofiah Binti Almarhum Sultan Idris Shah, Permaisuri Johor. KPJ Bandar Maharani Specialist Hospital offered full inpatient and outpatient medical and surgical services, diagnostic imaging and 24 hour emergency care services.

November



GROUNDBREAKING CEREMONY KPJ MIRI SPECIALIST HOSPITAL

A new full fledged KPJ specialist hospital will be built in Miri, where the groundbreaking ceremony was officiated by YB Datuk Seri Dr. S. Subramaniam, Minister of Health, Malaysia on 26 November 2016. This hospital is in collaboration with Naim Holdings Berhad (Naim), a leading developer. To be aptly known KPJ Miri Specialist Hospital (KPJ Miri), it is KPJ's third (3rd) hospital in the State of Sarawak.

December



GROUNDBREAKING CEREMONY KPJ KLUANG SPECIALIST HOSPITAL

KPJ Kluang Specialist Hospital is building its new hospital in Kluang, Johor which the groundbreaking ceremony was officiated by Yang Berhormat Datuk Halimah Binti Mohamed Sadique, Deputy Minister of Urban Wellbeing, Housing and Local Government on 19 December 2016. The development of the new hospital will provide more efficient healthcare service to residents of Kluang and its surrounding areas.

CHAIRMAN'S *Message*



DATO'
KAMARUZZAMAN
ABU KASSIM



“ **In 2016, strategic partnerships with well-established players from Japan and Korea were formed, for the benefit of knowledge transfer and increased regional opportunities.** ”

*Dear Shareholders
and Stakeholders of KPJ,*

Welcome to the Annual Report of KPJ Healthcare Berhad ('KPJ' or 'the Group') for the Fiscal Year 2016.

It is imperative to note that the year under review had been characterised by ongoing uncertainty, marked with periods of market volatility, following a rather dismal trend of relatively modest global economic growth for several years.

Despite the myriad of macroeconomic and geopolitical challenges faced, KPJ never lost sight of our north star – which is to provide the highest levels of quality and safe services for our patients and communities, both at home and abroad. We are also deeply committed to creating economic and sustainable value for our shareholders.

Guided by these principles, KPJ has once again presented strong deliverables, registering a revenue of RM3.0 billion, a 6.1% year-on-year growth from 2015. In addition, net profit came in at RM155.9 million, compared to RM145.1 million the previous year, registering a 7.4% increase.

KPJ registered
a revenue of

RM **3.0** Billion

a 6.1% year-on-year
growth from 2015

Net Profit came in at

RM **155.9** Million

registering a 7.4% increase
from 2015



Three-Pronged Strategy

- **NETWORK EXPANSION**
- **STRONG GROWTH POTENTIAL**
- **NEW AND IMPROVEMENT ON PRODUCTS AND SERVICES**

Moving Forward

- expands our reach throughout the nation;
- strengthens our leading market position in the private healthcare industry;
- enables us to generate greater long term value.

Continuing our journey, we anchor our core strategies to a three-pronged strategy, namely network expansion to reach underserved areas with strong growth potential; cost containment measures to protect and improve margins; and ramping up operations of hospitals with new and improved products and services.

As we go forward, this strategy will evolve as we increase the level of engagement and interconnectedness with our patients and customers.

The decision to continue investing in more capital projects – though while being mindful of the current pressures faced by the construction industry – is essential, on three counts. First, it expands our reach throughout the nation; second, it strengthens our leading market position in the private healthcare industry; and finally it enables us to generate greater long term value.

To date, there are four (4) specialist hospitals already nearing completion. Out of these four, KPJ Perlis is set to be opened to the public in 2017. Further our sub-specialist hospital located in Bandar Dato' Onn in Johor is scheduled to be opened in 2018. In the meantime, the two hospitals in Sarawak targeted for opening in 2018 are part of KPJ's wider efforts to reach out to more communities in Malaysia's largest state.

Apart from hospitals, we pushed for growth in all other segments of the business, such as senior living care and healthcare education. Each of these have proven to be worthwhile investments for the Group.

In 2016, strategic partnerships with well-established players from Japan and Korea were formed, for the benefit of knowledge transfer and increased regional opportunities.



“

THE MARKETS ARE HIGHLY COMPETITIVE AND WE ARE CONFRONTED BY AGGRESSIVE COMPETITION IN ALL AREAS OF OUR BUSINESS.

”



Details of these initiatives are contained in this report.

More importantly, for me as Chairman, is to ensure that KPJ is constantly keeping abreast on the latest technological and medical advancements. We recognise that as service providers, we must continuously strive to improve our service and even exceed the service level expectations of our customers.

Moving in tandem with the markets – and, anticipating the next turns in the road ahead – is crucial in today's fast paced healthcare industry. In this regard, as is evident throughout this Report, KPJ is proactively and aggressively incorporating sustainable innovation into its business.

The Group has identified several factors that are material to our sustainability, potential disruptors to

our business, and the technology we can apply to manage the former – and control the latter. These initiatives are covered in greater depth within our Sustainability Summary report.

The markets are highly competitive and we are confronted by aggressive competition in all areas of our business. Through this I am pleased to say we have an excellent team on board to take on these challenges. The Board takes this opportunity to acknowledge and express our appreciation to the entire KPJ Group who have worked hard to get KPJ to where it is today. We have accomplished a lot in a year, and I am thankful to each and every one of you who has made this possible.

On a personal level, I would like to thank my colleagues on the Board for their unwavering support and guidance to the Management team in navigating these challenges.

I would like to express my utmost appreciation to our shareholders, business partners, customers and patients for your continued confidence and support as we work towards growing our business and increasing value for our shareholders.

Thank you.

Dato' Kamaruzzaman Abu Kassim
Chairman
KPJ Healthcare Berhad

Our Business Model

In KPJ, our patients are placed first and foremost at the heart of our business. Our core Business Model is built around our efforts to provide them with integrated and comprehensive healthcare excellence and solutions, through the best service delivery channels possible. Operationally, we optimise delivery by increasing efficiency and productivity through capacity-building measures and sharing of resources across our network. On the extended value-chain, our ancillary units form a support system for the network providing assurance of products, supplies and integrity of systems and processes. To sustain a strong talent pipeline, our medical university offers medical programmes from certificates to PhD.

ONE-STOP HEALTHCARE SOLUTIONS

At KPJ, we can cater across your healthcare and medical needs. Our centres of excellence across clinical and medical specialties, together with our ambulatory services, provide patients with a one-stop integrated care and solutions.



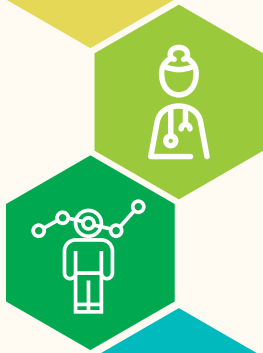
INCREASING ACCESSIBILITY TO HEALTHCARE BY GROWING THE HOSPITAL-NETWORK

By working towards having at least one in each state across the country, we are providing Malaysians with better access to quality private healthcare services.



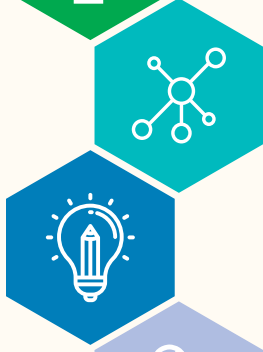
CONTINUOUS DEVELOPMENT OF HUMAN & INTELLECTUAL CAPITAL

Staff and skills development have never been compromised. The Group has persistently invested in its medical and staff members, providing training from post-graduate to PhD.



INNOVATION

KPJ invests significantly in healthcare technologies eg. Internet of Things (IoT); bringing in new medical knowledge into the country, resulting in many breakthroughs in patient care. KPJ is at the forefront of applying and leveraging state-of-the-art technology in our hospital's medical equipment, operations and systems.



ANCILLARY UNITS

The extended support system that provides assurance of products, supplies and integrity of systems and processes (IT, inventory, etc) that underpin the smooth operations for KPJ hospitals.



QUALITY & SAFETY-CENTERED CULTURE

KPJ hospitals have won wide acclaim for their adherence to best practices – encompassing accreditation by the Malaysian Society for Quality in Health (MSQH) and Joint Commission International (JCI). KPJ hospitals have also been certified in the areas of quality management (MS ISO 9001:2008), environment management (MS ISO 14001:2004) and occupational safety and health (OHSAS 18001:2007), making them the preferred name in the Malaysian healthcare sector.



PROFESSIONAL EXPERTS

KPJ has a full-fledged experienced team of personnel, from medical specialists, nurses, allied health personnel as well as hospital management and the operations team.



INTEGRATED NETWORK

Centralised systems promote:

- Administration – encompassing centralised billings, patient records and feedback database helps provide convenience and easy retrieval of information for individual customers and corporate clients.
- Purchasing – benefiting from bulk discounts, efficiencies in inventory management and uniform distribution and availability of pharmaceutical products throughout KPJ's network of hospitals.



COLLABORATION WITH INDUSTRY LEADERS ACROSS THE REGION





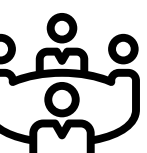

Creates sustainable competitive advantage for the long term.





“
 KPJ IS COMMITTED TO PROVIDING COMPREHENSIVE, PATIENT CENTRED CARE FOR LIFE TO ALL STAKEHOLDERS. THE GROUP'S MAIN AIM IS TO SUSTAIN ITS PREMIER POSITION IN MALAYSIA'S PRIVATE HEALTHCARE INDUSTRY.
 ”

Moving forward amidst the more challenging external environment, KPJ will focus on six (6) key thrusts namely:

 <p>CAPACITY BUILDING Strategic investments and enhancement in project development to maximise potential</p>	 <p>ENRICHED CUSTOMER RELATIONSHIP Attain strong market loyalty, built upon a patient-centric culture</p>	 <p>INNOVATION @ THE CORE Structured technology agenda for innovation and growth</p>
 <p>NEW NICHES Unlocking new sources of growth that contribute to overall business development</p>	 <p>TALENT MANAGEMENT Nurture dependable and high integrity world class talents who are capable of continuously driving positive performance</p>	 <p>BUSINESS PROCESS IMPROVEMENT Improve processes and systems to effectively sustain high performance</p>



DATO'
AMIRUDDIN
ABDUL SATAR



OFFICIAL OPENING CEREMONIES

3

- KPJ Sabah Specialist Hospital
- KPJ Bandar Maharani Specialist Hospital
- KPJ Pahang Specialist Hospital

GROUNDBREAKING EVENTS

3

- KPJ Miri Specialist Hospital
- KPJ Batu Pahat Specialist Hospital
- KPJ Kluang Specialist Hospital

A year ago, I had shared about the foreseeable challenges in 2016 and the strategy to overcome them. I had stressed on the need to strengthen KPJ innovative capabilities in our journey to become the leading healthcare provider in Malaysia. The plan was to actively expand our capacity by either building new hospitals or increasing the number of beds. Besides that, we also foresee the importance of enhancing our capabilities by identifying new niches of services.

Against this backdrop, we are pleased to report that we had official opening ceremonies for 3 of our hospitals and also groundbreaking events for 3 other hospitals. The 3 hospitals which we had officially launched were the KPJ Sabah, KPJ Bandar Maharani and KPJ Pahang Specialist Hospitals whilst the groundbreaking was for the future KPJ Miri, KPJ Batu Pahat and KPJ Kluang Specialist Hospitals. This is part of our effort to increase our capabilities which will result in improvement of our performance and revenue.

Having identified the socioeconomic and geopolitical issues which will give adverse impact to KPJ, we proceeded to identify our strengths. This is necessary so as to soften the negative effects and allow us to remain as the leader in the provision of quality healthcare in the country. Among the major initiatives undertaken in 2016 were new and upgraded infrastructure for our IT system and also innovation initiatives which are hoped to strengthen our position.

Performance 2016

The year 2016 continued to be another sterling year for KPJ. Our efforts yielded a revenue of RM3.02 billion, which is a 6.1% growth year on year over 2015. This is also a new benchmark for KPJ having breached the RM3.0 billion revenue mark for the first time since its inception 35 years ago.

“ Having identified the socioeconomic and geopolitical issues which will give adverse impact to KPJ, we proceeded to identify our strengths. ”

KPJ's earning before interest, taxes, depreciation and amortisation

RM **425.3** Million
a healthy 8.2% year-on-year growth

The Group has been consistently dedicated to reward its shareholders with quarterly dividend payout between **45% to 50%** of net profit.



Our earnings before interest, taxes, depreciation and amortisation grew a healthy 8.2% year-on-year, to over RM425.3 million. This was achieved despite of our ongoing expansion plans in 2016 and into the next three to four years. We foresee that our results will be improving further with more new hospitals completing their gestation periods.

This achievement was only made possible by lowering our operating costs by improving stock control measures at the hospitals. We had also embarked on lean management exercises at the hospitals hence reducing further the operational costs.

As previously shared, the gestation of new hospitals is between 3 to 5 years after commencement of operation. We are therefore proud to announce that KPJ Klang Specialist Hospital has successfully turned around during the year under review after only 3 years in operation, with an increase of 15% in its patient numbers year-on-year.

The net profit of the company recorded a 7.4% increase from 2015 at RM155.9 million. The increase was mainly due to lower tax charged during the year. The merger of matured hospitals with newly opened hospital under one entity has made the Group more tax efficient bringing it closer to the Malaysian statutory tax rate. KPJ had also contributed more than RM3.0 million towards zakat in 2016, which is higher than the contribution of RM2.3 million in 2015.

Our Indonesian operations saw heightened activity in 2016, reporting a revenue of RM59.6 million, an increase of 15% compared to RM52.0 million which was recorded in 2015. This is mainly due to our Rumah Sakit Medika Bumi Serpong Damai (RSMBSD) which delivered a strong performance with a 17.1% increase in revenue, from RM22.9 million in 2015 to RM26.8 million in 2016. This was mainly due to the appointment of RSMBSD as one of the panel hospitals under the Jaminan Kesehatan Nasional (JKN) scheme. The national healthcare scheme is under the management of the Social Security (Badan Penyelenggaraan Jaminan Sosial Kesehatan, BPJS). RSMBSD had also recorded a significant increase in profit from RM8,161 in 2015 to RM346,428 in 2016.

The Group has been consistently dedicated to reward its shareholders with quarterly dividend payout between 45% to 50% of the annual net profit attributable to shareholders. For the year

under review on the back of net profit attributable to shareholders of RM149.2 million, the Group had declared and paid a total dividend of RM68.4 million. During the year, the Group was also able to significantly reduce its effective tax rate compared to the preceeding year. Fifteen (15) companies within the Group has utilised the benefits from tax losses and other tax incentives, resulting in deferred tax assets recognised during the year, as they are anticipating to have sufficient taxable profits in the foreseeable future years.

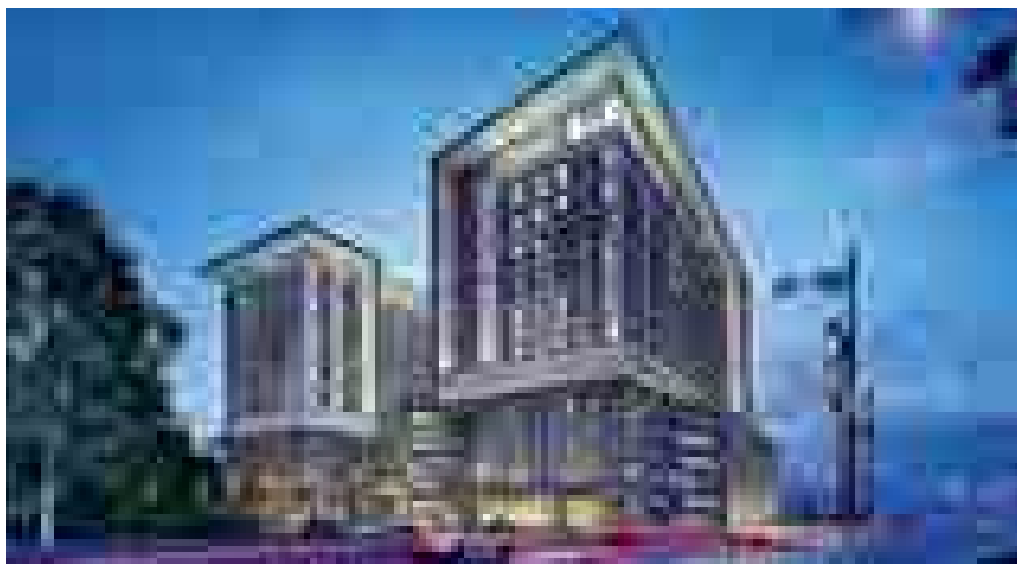
Driving Cost Efficiencies

KPJ has undertaken a series of measures to generate more value from our existing assets. One of such measures are by reviewing our operations so as to reduce costs and improve efficiency. We had also reviewed our pricing strategy so as to soften the impact brought about by the increasing material costs.

We also take pride in controlling our gearing to be at the lowest level possible. Realising the parallel growth of gearing with our expansion plans, we have now embarked on 'design, build and lease' arrangements for future hospitals. Other than helping to keep our gearing under check, such arrangements will also keep us focused in our business. The first project under this model is KPJ Damansara 2 followed by KPJ Batu Pahat and KPJ Kluang Specialist Hospital. These projects will be completed in stages by the next 3 years.

We realised that as the Group grows bigger, more efficiency can be achieved through consolidation of our hospitals. Hence, in the year under review, we had undertaken the consolidation of the hospital operations of KPJ Damansara and KPJ Rawang under Rawang Specialist Hospital Sdn Bhd. Among the benefits derived from this exercise was cross-sharing of talent, expertise and resources between the hospitals, more effective capital expenditure and financial efficiency. The patients also benefit from such exercise by having easy cross-referrals between the two hospitals. Subsequent to the completion of the consolidation of KPJ Damansara and KPJ Rawang in April 2016, we had proceeded to undertake the consolidation of KPJ Puteri with KPJ Pasir Gudang, KPJ Seremban with KPJ Bandar Maharani and KPJ Penang with Taiping Medical Centre which exercise was completed in December 2016.

We also took major strides in our sustainability framework which looks into the management of



risks and explores all opportunities in the Group. For more information on sustainability initiatives please refer to Sustainability Statement on pages 82 to 104.

Realising the importance of continuous improvement of our services, we have put in place regulations, surveillance audit and preventive measures so as to mitigate risks associated with the stakeholders. Risk mitigation and best practices on disaster response is available on Business Continuity Management pages 178 to 179.

Our Global IT Strategic Transformation Project had contributed to the reduction in operational costs by trimming outsourced expenses. The Project aims to shift progressively the Group system into a private cloud support enterprise-wide network. This will allow KPJ to consolidate its resources and optimise costs resulting in more affordable healthcare cost to patients.

CREATING VALUE IN A CHALLENGING ENVIRONMENT

Improving Capacity and Capabilities

KPJ has seven (7) greenfield projects in the pipeline which have been scheduled to be fully developed between years 2017 to 2020. Acknowledging the importance of selecting the correct consultants and contractors for our projects, we have now a system to ensure the smoothness of such selection. Project consultants and contractors are now required to be registered with KPJ and tenders are awarded based

on the past projects, cost and desired results. The contractors' capabilities and competencies are to be evaluated by independent QS consultants.

In 2016, an additional 158 licensed beds have been added across the Group of which 102 beds were at KPJ Pahang which commenced its operations in May 2016. The said Hospital is the first private facility in Pahang to have its own cardiac catheterisation lab services. Even within barely a year since commencing operations at its new location in Tanjung Lumpur, the Hospital has successfully recorded a revenue of RM44.6 million.

We are also pleased to share that KPJ Selangor has successfully completed their new outpatient block in October 2016. The 8-floor building is targeted to be operational by the 1st quarter of 2017. There will be 54 new clinics at the new building which will provide better comfort to the patients.

KPJ Perlis, which was originally scheduled to open its doors to the public in 2015, will be completed and opened in 2017 with 60 beds in Phase 1.

In the year under review, our Rumah Sakit Medika Bumi Serpong Damai (RSMBSD) had also launched their new Kidney-Hypertension and Diabetic Clinic with an additional 8 dialysis machines. Together with the other 10 existing machines, RSMBSD saw a spike of its cases to an average of 688 per month. The Hospital was named the winner of the Trauma Centre Award 2016 – BPJS Ketenakerjaan for the Province of Banten for their service excellence in 2016.

Meanwhile, our Sheikh Fazilatunnesa Mujib Memorial KPJ Specialized Hospital in Bangladesh had commendably recorded a revenue increase to RM7.5 million in 2016 compared to RM2.1 million the year before. The hospital increased the number of consultants from 11 to 17 in 2016 that saw a healthy growth in total patient arrivals from 15,910 to 54,232 in 2016.

All these positive achievements in 2016 were the results of KPJ strategies for sustainable long term growth. Backed by the Group's solid fundamentals, KPJ performance remains strong despite of the global challenges.

Ancillary Services Complementing the Hospitals

KPJ Group has, over the years, cultivated its own diverse range of healthcare-related business entities. These business support and complement our specialist hospitals.

In 2016, Pharmserv Alliances Sdn Bhd (PASB) and Lablink (M) Sdn Bhd (Lablink) recorded RM386.9 million and RM73.5 million in revenue, respectively. PASB is the supplier of pharmaceutical, medical disposables and hospital related products while Lablink specialises in laboratory and pathology services. The improved results was mainly due to the increase in the sales of pharmaceuticals, medical and surgical products, and as laboratory services. These were significant improvement for each company compared to their achievements in 2015, where PASB had recorded RM365.9 million and Lablink with RM66.3 million.

KPJ Healthcare University College (KPJUC), our education arm, also registered an increase of 7.3% in revenue against its performance in 2015. The revenue of KPJUC for the financial year 2016 was RM43.2 million as compared to RM40.3 million in 2015. The improved performance was due to the increase in the number of students and programmes offered during the year in review.

Health Tourism Realising International Opportunities

The overall performance of KPJ's Health Tourism business in 2016 recorded an 8% increase in revenue, with 155,052 visits by foreign patients in the year under review. Revenue from this segment

“ **Accreditation continues to be our aim in meeting the demand by our patients for quality healthcare. As at March 2017, KPJ has 18 MSQH-accredited hospitals and 4 JCI-accredited hospitals.** ”

also grew a healthy 8% to RM124.2 million despite the challenging operating environment.

We are well-placed to gain from the Government initiatives to market the country internationally as an attractive hub for healthcare excellence. In this instance the temporary weakening of the Ringgit works in our favour to drive tourism dollars into the country. The KPJ Health Tourism team has been proactively expanding its portfolio of countries and services, especially to the Middle Eastern, Asian and East African regions.

Governance

The Board strives to provide effective leadership, strategic direction and a productive environment to sustain value creation for its stakeholders. KPJ's corporate governance structure assists the Board in achieving those objectives by ensuring compliance with regulations such as Bursa Malaysia Securities Berhad Listing Requirements and the Companies Act, 1965. Our full governance report is on pages 150 to 164.

As a healthcare services provider, KPJ has a comprehensive Clinical Governance framework, Medical Professionals By-Laws, based on integrated approach to clinical risk management and continuous quality improvement. The framework measures four major areas of organisational performance including Clinical Risk Management, Clinical Effectiveness, Effective Workforce and Customer Participation.

Performance across this area by all KPJ Hospitals is closely monitored by our Clinical and Quality Services, which reports to the Medical Advisory Committee (MAC) and the Board. More information on the stated MAC report is on pages to 172 to 177.

Accreditation continues to be our aim in meeting the demand by our patients for quality healthcare. Realising this, KPJ as a responsible healthcare group, puts a lot of emphasis on quality throughout the hospital processes. As at March 2017, KPJ has 18 MSQH-accredited hospitals and 4 JCI-accredited hospitals.

Managing Talent for Our Future

Employees continue to be our valued assets. Today, our growing business has more than 12,000 staff. Staff cost for the year 2016 amounted to RM666.2 million. The Group spent RM10.3 million for training purposes, an increase of up to 25% from the RM8.3 million spent in 2015.

Employees are recruited and regularly appraised against a formal job specification. Comprehensive policies covering all material aspects of employment have been established and we are committed to effective communication with employees by formal and informal approach.

KPJ's Employee Share Options Scheme (ESOS) was offered to staff to express our appreciation for their contributions, by making them our shareholders. Implemented since 2015 for a period of five (5) years, the scheme has benefitted more than 5,000 staff. ESOS expenses registered in 2016 was RM27.8 million compared to RM26.5 million in 2015.

Driving Innovation

KPJ, in 2016 and in during the 1st quarter of 2017, has already undertaken proactive measures to implement innovation that boost the Group's capabilities in delivering on our brand promise.

The Group's initiatives are driven by the Group's New Products and Services (NPS) unit, which is responsible for planned service enhancement process via technology-based systems. Among its current ventures include KPJ's retail pharmacy which provides online services to consumers.

A Digital Marketing Committee has been established to oversee KPJ's digital marketing strategy and campaign plans across all product portfolios.

KPJ is exploring collaborations with several renowned technology companies to introduce clinically advanced systems. We are in talks with IBM to acquire its Watson technology, which is a cognitive technology that can process information, analyse and interpret data much like the human thought process. This investment will be applied for oncology purposes. We hope to have this system operating by the end of 2017.

Strategic Partnerships

In August 2016, KPJ had entered into a tri-partite collaboration (MOU) with Sojitz Corporation and Capital Medica Co. Ltd. of Japan, for a proposed USD12 million oncology centre at Rumah Sakit Medika Bumi Serpong Damai (RSMBSD).

The signing took place at the 12th World Islamic Economic Forum (WIEF) in Jakarta, Indonesia, witnessed by YAB Dato' Sri Mohd. Najib Tun Razak, the Prime Minister of Malaysia, and YABhg Tun Musa Hitam, Chairman of the World Islamic Economic Forum Foundation.

On 23 September 2016, KPJ also signed and agreement to collaborate with Sebarun Hospital from Korea to set up a Minimal Invasive Surgery (MIS) Spine



Centre at KPJ Tawakkal Health Centre (THC). KPJ also signed a memorandum of understanding (MOU) with DK Medical Centre (DKMC) for a Cosmetics & Reconstructive Surgery at the THC, and the Daejeon Wellness Hospital (DWH) for a Specialised Wellness Centre in Johor Bahru. Both DKMC and DWH are also Korean companies. The ceremony was witnessed by Johor Menteri Besar Datuk Mohamed Khalid Nordin.

Customer Satisfaction

The Annual Customer Satisfaction Survey, carried out by KPJ's Service Quality Management indicated a favourable score of 86.1%, in terms of patient satisfaction. This was achieved from the improved service quality and new customer-centred initiatives rolled out in 2016.

Among the new customer-centred initiatives was the Patient Communication Management System (PCMS) in all hospitals to effectively compile and address in real-time patients' requests, feedback, and suggestions. We had also introduced Service Quality Coaches in all KPJ hospitals who had conducted service quality training for more than 6,000 staff. The Group also conducted special customer service workshops which were attended by more than 900 hospital staff, including case studies that are essential in equipping frontline personnel to deliver high-level service. Recently, we had introduced the KPJ Care Loyalty Programme Card to reward and provide value added benefits to patients.

Investing for Communities

KPJ's main Community Service thrust is the Klinik Waqaf An-Nur (KWAN) initiative which caters to the underprivileged. There are today 18 KWAN clinics and 1 Hospital Waqaf An-Nur (HWAN). During the year, the total number of patients seen at both KWAN and HWAN was 100,292 patients compared to 72,581 in 2015 which is an increase of 38%.

To date, KPJ has contributed more than RM5 million per year in operating expenses of KWAN and HWAN, which mainly comprised of the cost of medical suppliers and staff costs. We also had donated cash to KWAN amounting to RM3.5 million in 2016, compared to RM3.1 million in 2015.



Besides KWAN and HWAN, KPJ had participated in various other community services. We have also contributed more than RM1 million in terms of cash donations to other parties, including to the 'asnaf' category and public community programmes for underprivileged children.

Looking Ahead

I foresee a very challenging fiscal year in 2017. The global uncertainty, both from the political and economy aspect, should not be lightly brushed aside.

Be that as it may, we should instead identify our strengths than to dwell too much into the uncertainty of things. Innovation and technology still remain the key to improvement and betterment of KPJ performance. Improving the customer service and also strengthening the KPJ branding will also be the focus in 2017. All these will sum up to efficient quality care to the patients.

Being more than 30 years in the industry and as a leader, we shall use our expertise and constantly review our current standing against our competitors

and the market. Strategies will be regularly enhanced and updated to ensure their relevance in maintaining our competitive position. Plans are already afoot to add to the Group capacity and capabilities for the next five years.

While there is more work to be done, I believe we are on the right path. Let me assure you that KPJ is still an attractive investment that will yield meaningful long term returns for all.

May 2017 be another sterling year for KPJ!

DATU' AMIRUDDIN ABDUL SATAR
President & Managing Director
KPJ Healthcare Berhad



HOSPITAL OPERATIONS

“

In today's era, it is all about convenience, time and the experience, where expectations are high and feedback can be made available online. As we practice Care for Life, where creating a positive overall experience for our patients' come first, our Hospital Operations team plays an integral role in ensuring the smooth running of the Group's operations in supporting this.

”





KPJ is constantly reviewing and streamlining our processes, enhancing systems, and expanding capacity to ensure we continue to be the preferred healthcare service provider. Here are some of the key enhancement initiatives achieved in 2016:

Operational and Service Enhancements

Operational and system efficiencies

1

- Enhanced patient safety and clinical outcomes
- Quicker information and communication exchange between patients and the KPJ medical team, and within the Group
- Digitising clinical breakthroughs
- Value added/ friendly services

Hospital infrastructure upgrades and expansion

2

- 25 hospitals in Malaysia, and growing
- Ongoing hospital infrastructure upgrades and capacity expansion
- Regional presence that is yielding encouraging results

Medical team's growth

3

- Medical and professional team upskilling across specialised areas and services to support expansion

Latest medical equipment, technology and services

4

- Installation of latest medical technology
- Expanded line of medical services, special treatment packages

HOSPITAL UPGRADES AND EXPANSION

Malaysia's operations continue to expand

KPJ recorded a revenue of RM3.0 billion, a 6.1% growth compared to 2015. Profit before zakat and tax came to RM210.2 million. This was driven predominantly by organic growth from newly opened hospitals, maturing greenfield projects and existing hospitals.

KPJ Group's bed capacity increased from 2,912 in 2015 to 2,929 in 2016. The increase was partly due to the relocation of Kuantan Specialist Hospital (KSH) to the new hospital building at KPJ Pahang Specialist Hospital. The average bed occupancy rate was 66.2%, compared to 68% in 2015, partly due to economic uncertainty and market sentiments.

Nonetheless, KPJ is cognisant of the fact that Malaysia's needs for healthcare services will continue to grow fueled by factors like the expanding middle class, income growth, the ageing population and rising incidences of chronic diseases.

Despite ongoing competition and challenging economic environment, KPJ continued with its growth and capacity expansion plans.

In 2016, KPJ Ipoh Specialist Hospital launched a new intensive care unit (ICU) complex in February. Its ICU capacity can now accommodate up to 14 individual private rooms including two (2) for isolation cases, and another two (2) specially allocated for neonatal ICU cases, thereby enhancing the patient's level of comfort, privacy, and reducing risk of infection transmission.

KPJ Rawang and KPJ Tawakkal Specialist Hospitals, both in Kuala Lumpur, are currently undergoing infrastructure upgrades and capacity expansion. They are anticipated to add a further 230 beds.

The Group has also invested RM1.29 billion to add a further seven (7) hospitals to its network over the next three to four years.



OUR PRESENCE IN THE REGION

While the Malaysian operations is our dominant focus and main revenue generator, KPJ is growing our hospitals abroad. We now have four (4) hospitals – two (2) are in Indonesia; one (1) in Thailand and the fourth in Bangladesh.

Indonesia:

Rumah Sakit Medika Permata Hijau (RSMPH) and Rumah Sakit Medika Bumi Serpong Damai (RSMBSD)

The Indonesian operations is the biggest contributor to our regional books. Together, both hospitals in 2016 registered a total number of outpatient admissions at 118,951, while inpatient admissions were 9,091.

• Rumah Sakit Medika Bumi Serpong Damai (RSMBSD) recorded the following highlights in 2016:

- **Winner of the Trauma Centre Award 2016** from BPJS Ketenagakerjaan¹ for its excellence service in 2016. RSMBSD, which represented the province of Banten, was among the 11 hospital recipients throughout Indonesia that received this award.
- **Launch of the Kidney-Hypertension & Diabetic Clinic** on 15 March. The clinic was officiated by the Wakil Walikota Tangerang Selatan. With the addition of eight (8) dialysis machines creating a total capacity of 18 machines, the hospital has been able to cater to an increased number of dialysis cases, with an average of 688 cases per month.



- Tripartite collaboration between KPJ and two Japanese partners to set up an oncology centre in RSMBSD

KPJ signed an Memorandum of Understanding (MoU) with Japanese-based Sojitz Corp and Capital Medica Co Ltd, to set up a USD12million oncology centre in RSMBSD. The collaboration will facilitate the sharing and transfer of medical technology and know-how between Japan, Malaysia, and Indonesia, while benefiting KPJ doctors and medical professionals serving the Indonesian public.

Sojitz is an investment company with a worldwide network comprising over 500 group of companies with operations in more than 50 countries. Capital Medica is Japan's leading hospital and nursing home operator actively providing management and operation know-how of hospitals and elderly care facilities overseas, especially in Asian countries.

• Rumah Sakit Medika Permata Hijau (RSMPH)

RSMPH is committed towards delivering continued quality healthcare services to its customers. RSMPH is in the process of obtained a certification of accreditation from the Komite Akreditasi Rumah Sakit Indonesia (KARS)². Towards this, an initial survey has been done with the final results expected in early 2017.

Thailand:

Vejthani Hospital, Bangkok

In December 2012, KPJ acquired a 23.4% stake in the Bangkok-based Vejthani Hospital. This foreign venture is renowned in the region for its Orthopaedic treatment facilities. During the year, with a drop in medical tourism mainly from the Arab market following the decline in oil prices, the 193-bed hospital served a smaller number of patients. In 2016, the hospital registered 273,118 outpatients and 8,422 inpatients compared to more than 300,349 outpatients and 8,914 inpatients in 2015.

Bangladesh:

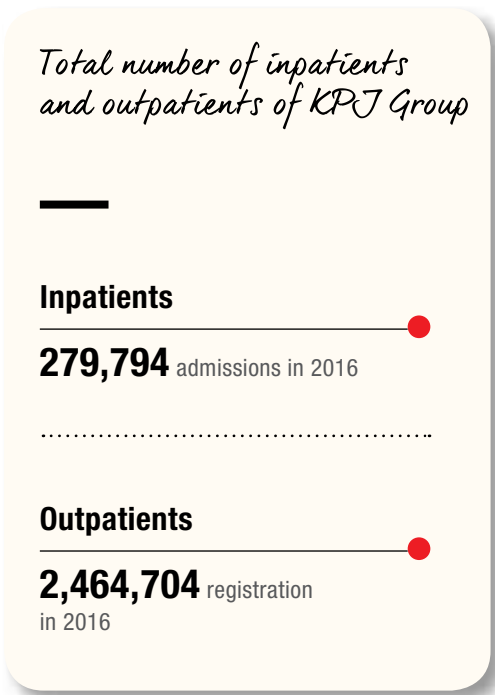
Sheikh Fazilatunnessa Mujib Memorial KPJ Specialized Hospital & Nursing College, Dhaka (SFMM).

The hospital operations continue to grow year-on-year since its commencement in 2014. In 2016, the hospital bed capacity increased from 50 to 80 beds, while the professional team grew to 260 staff from 220 in 2015, supported by 17 residents and 5 visiting consultants.

A notable highlight is the tremendous growth in both inpatient and outpatient numbers. Inpatient recorded a 120% increase with 1,954 admissions in 2016, while outpatient clocked in a 236% growth with 46,252 registrations in 2016. This has been in part supported by the introduction of new services like the CT Scan, MRI, Haemodialysis, and special facilities like the guest house, special nursery, blood bank and cafeteria.

As part of its service enhancement, five (5) specialists from KPJ's Malaysia hospitals visited SFMM to share their expertise and render specialist services on a visiting basis. Among the specialties brought to SFMM were Orthopaedic, Spine, Oncology, Orthology & Neuro Orthology and Urology.

SFMM also introduced new quality initiatives with the implementation of Integrated Management System (IMS) and activation of the Hospital Information system (HITS) and Laboratory Information System to further enhance the efficiency of its operations.



¹ National Manpower Security Agency, under the Indonesian government Indonesia.
² The Commission on Accreditation of Hospitals is an accreditation body for hospitals looking to improve their quality of care and patient safety.



“ In 2016, 92% of the KPJ network (23 hospitals) have been certified with Integrated Management System (comprising ISO 9001, ISO 14001 & OHSAS 18001). ”

Similarly, 23 hospitals are certified with ISO 14001 Environment Management System standards for environmental-friendly practices in the hospital including recycling, energy saving, paperless systems. The Group has adopted the 5S philosophy (that promotes a safe and friendly work environment, a commitment to improve Quality and Productivity, building teamwork and overall continuous improvement) and within the network, 24 hospitals have received the 5S certification by MPC. KPJ’s disaster preparedness module is in place with an established trained emergency rescue team, and the hospitals regularly conduct fire and disaster drills.

EXPANDING THE MEDICAL AND PROFESSIONAL TEAM

Towards enhancing and assuring the quality and provision of our patient-first business model, Care for Life, KPJ grew its medical and healthcare team, across different specialties and clinical services. The Group has 704 resident consultants, with 418 sessional and visiting consultants, increasing the total medical team to 1,122 in 2016, over 1,088 in

2015. The top five (5) major medical disciplines were internal medicine (141 consultants), anaesthesiology (82), obstetrics & gynaecology (84), paediatrics (69) and orthopaedic surgery (76). There were 44 new specialists who joined the team in 2016.

OPERATIONAL EFFECTIVENESS AND EFFICIENCIES SUPPORT THE PATIENTS’ WELL-BEING

KPJ continuously reviews and upgrades its internal quality standards. We view these improvements integral to supporting the Group in maintaining its pole position in the market, against ongoing challenges in the marketplace including rising competition in the private hospital sector, rising cost of living and costs of medical treatment and supplies.

Enhancements in service delivery – value-added/friendlier services

In 2016, KPJ rolled out its fully integrated online appointment system, providing patients the convenience to set their own appointments through their laptop or handheld device. Similarly, customers now have the option to set their health checks and consultation during their free time/non-working hours. The Group initiated a pilot roll-out of extended consultation hours with selected clinics now staying open later in the evenings at selected hospitals. Similarly, selected technical testing functions like Diagnostic Imaging, Lab and Physiotherapy service provide extended service hours, thereby providing patients with greater access to KPJ services.

Leveraging social media platforms, there is greater facilitation for knowledge sharing and medical discourse between doctors, patients, and employees, through organising of various education seminar and workshops, group meetings, public health talks/forums, access to medical journals and articles.

Enhanced patient safety and clinical outcomes

In upholding safety and service quality, KPJ continuously runs quality assurance programmes, monitoring of clinical indicators, incident reporting, root cause analysis and risk management, as well as reviewing technology systems and promoting information technology (IT) utilisation to enhance patient safety and clinical outcomes.



Operational and system efficiency improvements

All the hospitals are fully supported with the Hospital Information System (HITS) and 17 hospitals have fully implemented KPJ's Clinical Information System (KCIS). In 2016, the upgrading exercise for both HITS and KCIS was initiated. New features have been incorporated to further enhance the efficiency of both systems. The upgraded KCIS version 2.0 has been completed and was rolled out at KPJ Kajang whereby the upgrading of HITS is still on-going. The upgraded systems will be rolled out at all the KPJ hospitals in stages in the near future.

The integration of KCIS and the Electronic Medical Record (EMR) system has been completed and rolled out to eight (8) hospitals. This system digitises and centralises patient records for easier retrieval access, and more efficient medical record maintenance.

From a back-end perspective, medical equipment, assets and computer systems are now better managed through the *Asset Management System* solutions which allows better tracking with preventive and corrective maintenance of these equipment, in enhancing patients' safety. Likewise, materials and medications inventory process have been made more efficient with better stock optimisation and movement between warehouse and wards, to reduce wastage and over-stocking.

In helping the Group manage its risks, the *E-incident Reporting & Risk Management System (Q-Radar)* that connects the entire KPJ hospital network allows the Group to aggregate trends around adverse events, develop best practices using high-reliability principles and rapidly disseminate information and education across the Group.

Other operational process improvements seen in 2016 include the revamp and reorganisation of Admission, Discharge, Billing and Credit Control, for better patient experience while the hospital enhances their management over debt; Central Coding of Trade Debtors; the completion of User Access Matrix (UAM); and the implementation of a Standard Privilege Card for KPJ Group.

On the clinical front, the integration of KCIS with Lablink AntibioGram now allows sharing the profile of bacteria's susceptibility/resistance pattern to a panel of antibiotics with the clinicians. This digitisation helps to improve patient's outcome during their diagnosis and treatment.

DEPLOYING THE LATEST MEDICAL TECHNOLOGIES, SERVICES AND SPECIALTIES

Just as it reviews and enhances its medical and information systems, KPJ also continuously strives to provides its patients with the latest cutting-edge technology in medical facilities and specialties in providing the best care possible. Special services and packages are also offered, taking cues from the needs, health trends and customer feedback. During the year, KPJ introduced and expanded its services at these hospitals:

- KPJ Ampang Puteri Specialist Hospital – skin laser treatment
- KPJ Damansara Specialist Hospital – Weight Management Centre; laparoscopic mini bypass, sleeve & balloon specialty
- KPJ Johor Specialist Hospital – PET CT scanning, and oncology services
- KPJ Ipoh Specialist Hospital – NICU and neonatology
- KPJ Klang Specialist Hospital – Microdissectomy; Intradiscal Electrothermal Annuloplasty (IDET) and nucleoplasty
- KPJ Pahang Specialist Hospital – Occupational Medical Screening
- KPJ Selangor Specialist Hospital – Femilift treatment
- KPJ Sentosa KL Specialist Hospital – Mother and baby care centre; maternity retreat programme services at home
- KPJ Tawakkal Specialist Hospital, KPJ Tawakkal Health Centre – Rehabilitation Recovery Packages; dental implants and full mouth rehabilitation treatment
- KPJ Tawakkal Health Centre – ambulatory care services

MOVING FORWARD

KPJ will maintain on course with our long term strategy in providing the smooth running of our hospital network's operations. We will continue reviewing and revise processes and systems, to be cost-effective and operationally-efficient, leveraging on technology and listening to our patients and customers. Cognisant of ongoing dynamic changes, we will monitor and analyse the surrounding environment, community, market and disease trends to guide our strategic plans, and adapt decisions where necessary.



KPJ will maintain on course with our long term strategy in providing the smooth running of our hospital network's operations.



NEW HOSPITAL DEVELOPMENT

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KPJ maintains its commitment to strengthen and expand its hospital network and services, in that every state across Malaysia will have access to high quality private healthcare services.

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KPJ continued its expansion momentum in 2016, with a series of hospital openings and groundbreaking ceremonies. KPJ also upgraded, renovated and expanded existing hospitals.

New hospital opened:



KPJ Pahang Specialist Hospital;

Expansion projects:



KPJ Bandar Maharani Specialist Hospital (Phase 2);
KPJ Tawakkal Specialist Hospital, Kuala Lumpur;
KPJ Rawang Specialist Hospital, Rawang;
KPJ Selangor Specialist Hospital, Shah Alam;
KPJ Seremban Specialist Hospital, Seremban;
KPJ Ampang Puteri Specialist Hospital, Ampang;
KPJ Puteri Specialist Hospital, Johor Bahru

Upcoming projects:



KPJ Bandar Dato' Onn, Johor Bahru;
KPJ BDC Specialist Hospital, Kuching;
KPJ Miri Specialist Hospital, Miri;
KPJ Damansara 2 Specialist Hospital, Selangor;
KPJ Batu Pahat Specialist Hospital, Batu Pahat;
KPJ Kluang Specialist Hospital, Kluang;
Medical Tower, Ibrahim International Business District, Johor Bahru

3rd Party Collaborations with Foreign Partners:



RSMBSD and Japanese providers, i.e. Sojitz Corporation and Capital Medica;
KPJ Tawakkal Health Centre with Sebaran Hospital and DK Medical
Centre of Korea;
KPJ & Daejeon Wellness Hospital of Korea

OPENING OF NEW HOSPITAL AND HEALTHCARE CENTRE

KPJ Pahang Specialist Hospital opened its doors in May 2016, and marks as the 26th hospital to join the KPJ network. The RM110 million hospital is the first in Pahang to offer a full-service cardiology facility. The 11-storey hospital that started construction in 2012, commenced operations in May 2016, and was officiated in October 2016 by Pemangku Raja Pahang, KDYTM Tengku Abdullah Sultan Haji Ahmad Shah, witnessed by the Chief Minister, YAB Dato' Sri Haji Adnan bin Haji Yaakob.

The hospital houses 200 beds, and offers end-to-end suite of treatment care. This includes angiogram and angioplasty surgery, a Cathererisation Lab with 1.5 Tesla Magnetic Resonance Imaging (MRI) and Computer Tomography (CT) scan. The hospital is manned by a 360-strong team including 30 medical specialists across a range of clinical and medical specialties including orthopaedic, traumatology, neurosurgery, ear, throat and nose (ENT), radiology, ophthalmology, obstetrics and gynaecology, and paediatric.

EXPANSION PROJECTS

The year under review saw a completion of 3 expansion projects, with another 4 projects underway.

Phase 2 of KPJ Bandar Maharani Specialist Hospital, located in Muar, Johor, was completed and officiated in October 2016 by DYMM Raja Zarith Sofiah binti Almarhum Sultan Idris Shah, Permaisuri Johor. The 25th hospital in the network, and the 5th in Johor state, had its capacity grow from 30 beds when it initially commenced operations in 2014. Under the recent expansion, RM7 million was invested in Royal and Premier Wards, bringing the total to 71 beds at the hospital. KPJ Bandar Maharani

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KPJ has grown to a household healthcare name of repute among the rakyat (of Malaysia). A testament to its success, its stature is one now where no city can be considered developed until and unless it has a KPJ hospital available within the city's infrastructure.

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DYMM Raja Zarith Sofiah
binti Almarhum Sultan Idris Shah,
Permaisuri Johor

During the launch of KPJ Bandar Maharani Specialist Hospital, 30 October 2016

is in the midst of adding its 3rd Operation Theatre, to be completed in 2017. The hospital has 17 medical consultants, of which 12 are resident consultants and 5 are visiting consultants.

One of KPJ's pioneer hospitals in Kuala Lumpur, **KPJ Tawakkal Specialist Hospital** is currently undergoing expansion works to further develop a land area of 43,541 sq ft adjacent to the hospital and add a further 150 beds to its current 200-bed operating capacity. The built-up area for the hospital expansion is 278,752 sq ft while the built-up area for carpark expansion is 160,824 sq ft, at an approved

budget of RM125.2 million. The expansion works are targeted to be completed by December 2020.

KPJ Rawang Specialist Hospital (KPJ Rawang) servicing the growing Rawang township and its surrounding areas has completed its renovation of its Level 4, Level 5, Haemodialysis Centre and the Kitchen Area, at a general cost of RM13.1 million. The total area for renovation is 40,675.7 sq ft. This will add on bed capacity by 80 beds, with 40 beds to be housed on level 4 and the remaining 40 in level 5.



Upcoming New Hospital

KPJ Bandar Dato' Onn Specialist Hospital, Johor Bahru

The total land development stands at 8.35 acres, with Phase 1 of the hospital building having 150 beds.

KPJ Batu Pahat Specialist Hospital, Batu Pahat

The proposed project will have a 7-storey building to house 90 beds.

The healthcare sector is generally a resilient sector given the nature of its offering that is required even during weak market conditions. The long-term industry potential to sustain despite an external climate of global volatility, allows KPJ to plan well ahead to meet ongoing and increasing consumer demand for private healthcare services. KPJ continued its expansion momentum into 2016 to cater to Malaysians seeking premier healthcare and medical treatment. Demand is also amplified from healthcare tourism with overseas consumers opting to travel in search for better value for high quality and the latest service offerings in healthcare, in which Malaysia is a prime choice. KPJ is in a solid position to cater to these needs and continue building new hospitals which we equip and staff through an ongoing and sustainable talent pool of qualified and accredited doctors and nurses, many of which are readily available through our very own KPJUC stream.

NEW AND UPCOMING HOSPITAL PROJECTS

During the year under review, KPJ undertook several hospital development initiatives, including via collaborations with 3rd parties.

Southern region

KPJ has finalised construction of its upcoming **KPJ Bandar Dato' Onn Specialist Hospital** in Johor Bahru. The RM184.3 million facility, targeted for completion with Certificate of Completion and Compliance by the fourth quarter of 2017, is progressing well with construction works ahead by 6%, at 47% of the completion stage, at the end of December 2016. The total land development stands at 8.35 acres. Phase 1 of the hospital building having 150 beds of which 90 will be fitted on a built-up area of 278,759 sq ft, with the remaining 60 beds are vacant, standing on 65,190 sq ft. The car park built-up area will take up 156,691 sq ft.

KPJ is also looking to set up another new hospital, **KPJ Batu Pahat Specialist Hospital** in Johor. The proposed project cost is estimated at RM69.7 million. There will be a 7-storey building to house 90 beds. Plans are being drawn up for further deliberation and approvals by the relevant parties.

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KPJ Miri Specialist Hospital caters to a total of 180 beds upon completion will stand on total land area of 4.0 acres.

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East Malaysia

As previously reported in last year's annual report, two new hospitals are under construction in Sarawak, **KPJ Miri Specialist Hospital, Miri**, and **KPJ BDC Specialist Hospital, Kuching**.

KPJ Miri Specialist Hospital is expected to have a total of 180 beds upon completion. It will stand on a total land area of 4.0 acres, Phase 1 which is estimated to cost RM91 million with 96 beds (61 fitted, with 35 vacant) is progressing well. KPJ Miri Specialist Hospital will be the second KPJ hospital project in Sarawak, targeted to be completed by March 2018. The hospital project is located in Bandar Baru Permyjaya, Miri, Sarawak. The built-up area for hospital was originally 157,500 sq ftm, which was revised to 126,069 sq ft (109,896 sq ft fitted and 17,000 sq ft vacant). The carpark will be on an open surface parking. The Approved Budget for this project is RM39 million.

KPJ BDC Specialist Kuching, built at an approved budget of RM118.3 million, is being developed on 4.74 acres. The hospital build-up comes to 255,000 sq ft where 239,000 sq ft will be allocated to 114 fitted beds with the remaining 16,000 sq ft to 36 vacant beds. The car park built-up area covers 107,000 sq ft. Project is expected to be completed by the 2nd Quarter of 2017.

KPJ Perlis Specialist Hospital, has rescheduled its target completion and opening until 3rd Quarter of 2017.

KPJ is also exploring a **new approach** that will help minimise initial capital on the design, build and lease of new hospital projects. KPJ Melaka Specialist Hospital and KPJ Kota Bayuemas Specialist Hospital will follow suit.





Regional expansion

As outlined under Business Review: Hospital Operations – Regional Markets ; the engagement of KPJ with the two (2) companies from Japan¹ to set up an oncology centre in KPJ Indonesia’s Rumah Sakit Medika Bumi Serpong Damai (RSMBSD), is a creative international collaboration to further seeding our presence in the overseas market.

We have similarly signed a Memorandum of Agreement (MoA) and several Memorandum of Understanding (MoU) with Korean companies in Seoul, Korea, on 23 September 2016 for future collaborations which will allow us to leverage South Korea’s technical know-how and expertise.

The MOA was with Barun Development Co. (Sebarun Hospital) for the establishment of a Spine Centre, while the MoU were with DK Medical Center (DKMC) for Plastic & Reconstructive Surgery and Daejeon Wellness Hospital (DWH) for a Specialised Wellness Centre. Both the Spine Centre and Plastic & Reconstructive Surgery will be established in KPJ Tawakkal Health Centre (THC), while the wellness centre in Johor Bahru and Kuala Lumpur.

LOOKING FORWARD

In view of laying the pipeline for long term future growth, KPJ does not intend to halt or slow down, and will continue to actively pursue its domestic development and expansion plans. On the international front, while that is currently a secondary generator, KPJ is steadily exploring opportunities to offer consultancy and hospital management services while sourcing for suitable partners that will provide solid leverage and credibility for collaboration in establishing our footprint in selected countries.

¹ Sojitz Corp and Capital Medica Co Ltd, to set up a USD12million oncology centre in RSMBSD.



AMBULATORY CARE

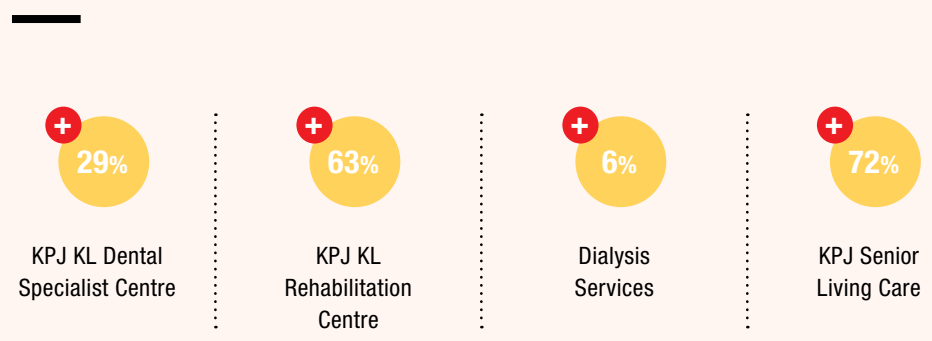
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KPJ's ambulatory or outpatient medical care services continues to record strong positive growth across all its specialty operations – KPJ KL Dental Specialist Centre, KPJ KL Rehabilitation Centre, KPJ Senior Living Care, haemodialysis service, and consultant clinical specialties. ”






Revenue Growth



Overall, THC continues to record positive growth, with a significant year-on-year gross operating revenue growth of RM3.0 million, or 32% over 2015, due to the increase in new and repeat patient numbers.

KPJ KL Dental Specialist Centre increased its revenue by 29% in 2016 compared to 2015, while KPJ KL Rehabilitation Centre registered an increase of 63% revenue growth, and 6% revenue increase from the Dialysis Services. KPJ Senior Living Care recorded a significant 72% increase in its revenue.

 [cross-reference to Business Review: Senior Living Care].

In our commitment to continuously improve our patients' experience, the company has refurbished the KPJ KL Dental Specialist Centre's waiting area, providing a cosy and warm ambience that will help quell the usual anxiety and flutter of nervousness that comes before meeting the dentist. The dental centre has also begun to extend free Digital Dental Screening for KPJ corporate clients, a value-added service to create heightened awareness on the importance of dental & oral health.

As for KPJ's KL Rehabilitation Centre, the focus in 2016 has been on Back Care Education. A common condition with about 80% of Malaysia's population facing back pain due to hectic and stressful lifestyles, the Centre has introduced a new package 'Back Pain Management' to help patients with remedial understanding of good back care, improvement of posture, diet and lifestyle, and various treatments available.

Over at the Dialysis Centre, the area has been fitted out with new cabinets for patients' additional ease and security of personal belongings storage during their visiting sessions.

Testament to THC's medical care with a heart, many of THC patients are long term and repeat visitors. The Centre hosts ongoing activities and seasonal celebrations with patients, during World Health Day, World Oral Health Day, Hari Warga Emas Kebangsaan (Senior Citizens Day) and World Kidney Day. Over at the KL nursing home, personalised celebrations like birthdays and anniversaries are held for KPJ SLC residents.

As part of its ongoing efforts to create further awareness of its ambulatory services, THC will continue to host educational talks, seminars and workshops, as well as ongoing promotional screenings for the public. It will also continue to engage patients with the local communities through its corporate social responsibility (CSR) efforts. With its ongoing focus on Patient Safety, THC will continue to run training, education and awareness workshops for its consultants, clinical staff, support service, Allied Health, as well as patients, their relatives, and the general public. Disaster preparedness exercises like fire drills, code blue drill with realistic simulations are run regularly to facilitate improvement of teamwork and communication during any untoward crisis.

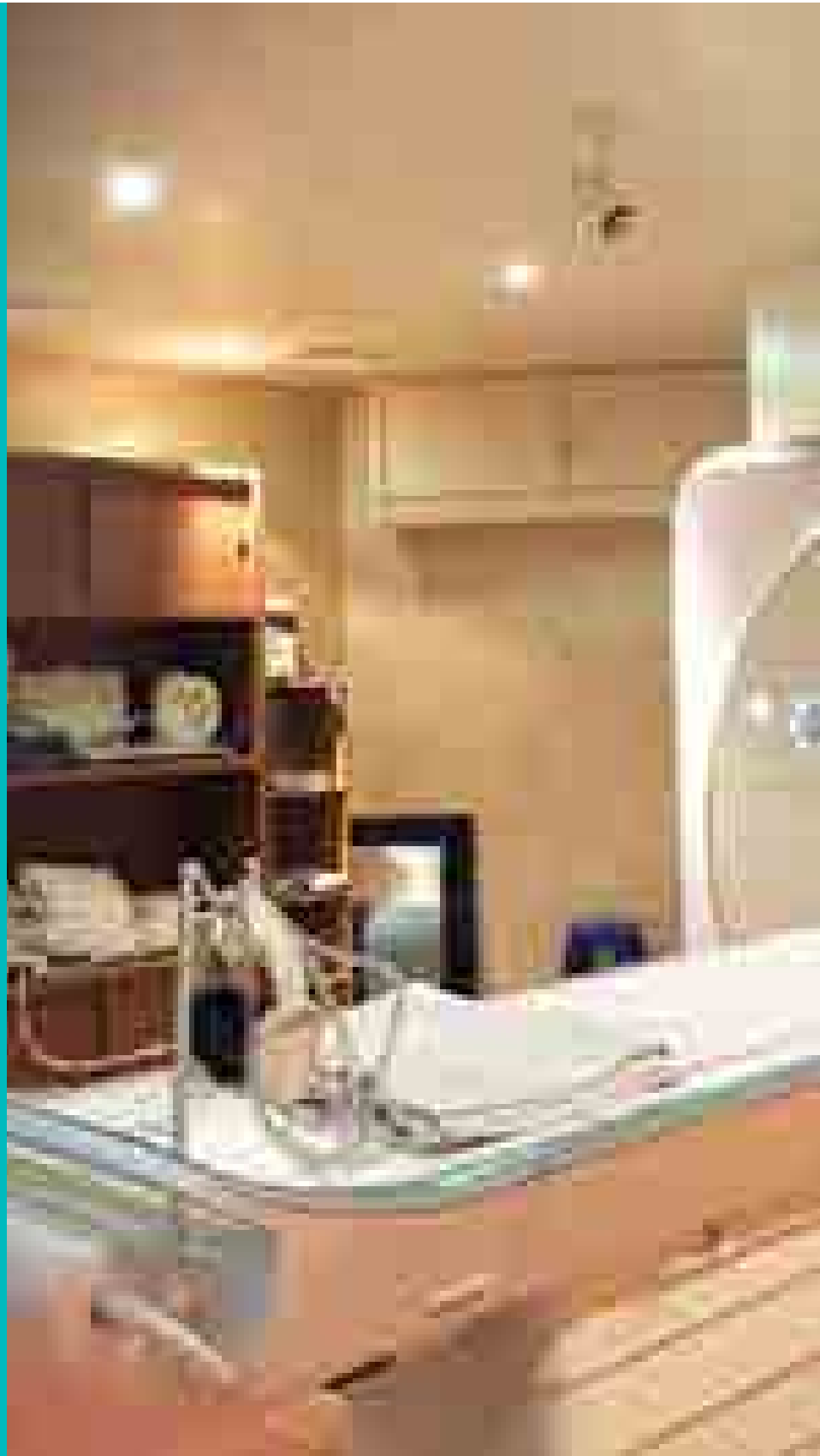


BIOMEDICAL SERVICES

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The advancement of healthcare continues to be at the forefront of many new discoveries. Today, its ongoing evolution and transformative acceleration is largely driven by the current era of technology and digital explosion. These changes spearhead the spirit of innovation at KPJ and being one of the leading innovator in healthcare in Malaysia, we continue to push new boundaries in medical technology, and continuous improvement in our healthcare delivery system and quality of services.

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OUR MEDICAL EQUIPMENT TECHNOLOGY UPGRADE IN 2016

Magnetic Resonance Imaging (MRI)

KPJ continues to upgrade its MRI systems to bring about faster imaging examination to improve the comfort level for patients, allowing better flexibility for examination, is more cost effective, and able to accommodate a higher number of patient screening. Following on from 2015, KPJ expanded the usage of its latest MRI system to more hospitals within its network. In 2016, KPJ Sentosa Specialist, Kuala Lumpur, was fitted with the Magnetom Aera, 24 Channel. The new system is light and easy to manoeuvre, and is designed to minimise movement of, thereby reducing discomfort for the patient. This system conveys patients to the MRI suite without the need for repositioning, where the it docks over the MRI system's couch, so patients stay on the table during the entire imaging process.

The speed of obtaining the image is quicker, while the quality of the imaging is enhanced, made possible by the advanced magnetic system that creates a highly homogenous static magnetic field, while the advanced shield gradient coil generates uniformed gradient parameters.

The upgrade of this MRI system has reduced the overall time required for examinations, improving the clarity of imaging, while being more cost-efficient for the hospital and environmental-friendly with an overall reduction of 68% in use of energy consumption.

Over in Sarawak KPJ has installed another state-of-the-art MRI system, the Hitachi Airis Vento 0.3T model, thus rendering the KPJ Sibul Specialist Hospital the only private hospital with MRI services for the Sibul community.

This award-winning system is the most advanced mid-field MRI system available yet cost-efficient in terms of providing whole-body MRI scanning. With powerful gradients, this MRI system performs an unlimited variety of advanced imaging techniques, including those previously associated exclusively with high-field MRI (e.g. fat-saturation/CHES). A user-friendly system, it enables smooth and efficient patient examinations, thereby maximising patient friendliness and comfort.



The upgrade to this MRI system has reduced 68% in use of energy consumption.

Fully Digitised Angiography System

Following the installation in KPJ Rawang Specialist Hospital, KPJ Ampang Puteri Specialist Hospital has been equipped with a Fully Digitised Angiography System, with the Artiz Q Pure model. The model is deemed to be a visionary breakthrough in X-ray generation and detection for interventional imaging in enhancing performance and precision. This latest technology in cardiac and interventional specialisation procedure supports clear Fluoroscopy and Radiography, enabling patient examination and treatment to proceed smoothly with a high level of safety. This increases the safety, and comfort level for catheterisation examinations and treatment.

LOOKING FORWARD

Apart from installing and upgrading its systems and equipment with the cutting-edge technology, KPJ also continues to explore new products and services leveraging technological and digital breakthroughs. In progress is its ongoing research and testing in the area of 3D printing where doctors can operate on a maxillofacial patient and restore the face structure by fixing a past repaired mandible bone based on 3D printing technology. It is also exploring the adoption of a cancer-related decision support system that could help doctors to quickly diagnose and treat the cancer cases at par with latest progressive treatment solutions available at top cancer institutes around the world. KPJ looks forward in coming years to share conclusive results of these innovative breakthroughs at the end of the research and development stage.



SENIOR LIVING CARE

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As Malaysia's moves towards becoming an ageing population by 2021¹, professional senior living and nursing care will increasingly be a default lifestyle requirement. Offering these services since 2007, KPJ is well attuned to the needs of this customer segment with customised packages at its senior living facilities in Malaysia (2), and the third in Australia.

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**KUALA LUMPUR, MALAYSIA –
KPJ SENIOR LIVING CARE (SLC)**

One of the value-added services offered in KPJ Tawakkal Health Centre, SLC is currently operating at close to maximum capacity. Many of THC's patients, are long term and short term patients. The year 2016 recorded gross operating revenue of RM1.9 million an increase of 72% compared to 2015.

Our SLC team comprises a doctor-in-charge, unit managers, registered nurses and carers providing 24-7 onsite care. Nursing care includes assistance with daily living activities such as bathing, grooming, hygiene care and dressing. Given that SLC also cares for post-operation and recovering stroke patients, the team also provides higher level of care such as regular positioning to prevent pressure sores, wound management, ryles tube feeding and administration of drugs and insulin.

SLC patients are occupied with daily activities including exercise and morning walks, physical games and board games, arts and craft that keep residents physically fit and mentally alert. Synonymous with KPJ's DNA where patients are treated as part of KPJ's family unit, patients' birthday and anniversary occasions are a vibrant affair celebrated together with their family member and KPJ staff.

In 2016, there was an upgrade of the rooftop garden to further enhance the green scenery and cosy outdoor environment for SLC and other patients. Ongoing efforts will include raising awareness for quality aged care and wellbeing through education material (collaterals and articles) and public talks.

**SIBU, SARAWAK - LOVE CARE CENTRE,
A GERIATRIC HEALTH AND NURSING CENTRE**

Since becoming part of the KPJ network in 2011, the Love Care Centre located adjacent to the KPJ Sibu Specialist Hospital, continues to provide professional geriatric or specialised healthcare for the elderly, to some 317 patients in 2016. The Centre which is KPJ's first full-geriatric care centre is managed by a team of 18 personnel comprising specialist consultants and healthcare professionals fully trained in the care of elderly persons.

**BRISBANE, AUSTRALIA –
JETA GARDENS**

Well reviewed as a premier aged care and retirement resort, KPJ's Jeta Gardens since its establishment in 2007, continues to offer residents quality accommodation, dining, recreational facilities on an extensive 34 acres of landscaped grounds with wheel chair and walker friendly walkways. The retirement village currently consists of 65 independent living units of which 33 units are villa-styled with the other 32 being apartment units, and residential aged care with a current capacity of 178 beds. There are future plans to increase the accommodation capacity with a further 12 villas in 2017.

Inclusive of an ensuite, each 25 sq m residential aged care room is tastefully furnished to provide security, comfort with electrical-operated and controlled beds to ensure residents enjoy restful sleep.

The village is manned by a team of 230 employees, offering personalised support for those in need including dementia, palliative and respite care. Assigned multicultural staff are available on every shift to cater to each resident's linguistic needs.

In 2016, Jeta Garden successfully obtained a Certificate of Accreditation as an Aged Care Facility up to 2019. The Jade extension, the new residential aged care building which was launched in 2015, is fully operational and recently won the Brisbane Housing & Construction Awards in 2016. Jeta Gardens also provides personalised home care services to 20 clients in the comfort of their homes, and will be looking to further expand its Home Care service with new packages come 2017.

The Australian facility has been doing well, growing by some 35 % over the last 3 years. Revenue recorded in 2016 increased to a total of AUD17.3 million.

¹ According to the Singapore-based Asia Pacific Risk Centre (APRC), reference in 'A barometer on Malaysia's healthcare system – are we doomed to fail?', Malaysiakini, 23 September 2016



MEDICAL TOURISM

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Brimming with potential, healthcare tourism is no longer a term limited to just the healthcare sector. Given its multiplier effects to the economy, sectors across the marketplace apart from healthcare including transport, retail, commercial care and hospitality also stand to benefit from increased healthcare tourism. ”





*Healthcare tourism is estimated to generate **RM9.6 billion** in revenue and **RM4.3 billion** in gross national income and will create **5,300 jobs** for 300 medical professionals by 2020¹.*

Under Malaysia's 12 National Key Economic Areas (NKEAs), healthcare tourism is estimated to generate RM9.6 billion in revenue and RM4.3 billion in gross national income and will create 5,300 jobs for 300 medical professionals by 2020¹. Some 1.9 million foreign patients are expected to visit annually by 2020. In 2016 alone, 882,000 medical tourism travellers visited Malaysia. With a network of 25, specialist hospitals across the country, KPJ's footprint is able to leverage the Government's own healthcare tourism efforts.

LEVERAGING ON THE POTENTIAL OF HEALTHCARE TOURISM – 2016 HIGHLIGHTS

As one of Malaysia's largest healthcare service providers, KPJ has initiated long term strategies and machinery to fully leverage the potential of medical tourism in the coming future years. Currently, this business segment accounts for a small but steadily growing contribution to the Group's overall revenue. KPJ is targeting for this business segment to reach more than 10% revenue line by 2020 as it continues to intensively promote and expands its network of hospitals and facilities across the country. At present, it recorded over RM124.2 million an increment of 8% in revenue with 155,052 visits by foreign patients compared to 140,231 visits during the previous year.

New target markets

The growth has been due to various on-the-ground marketing and social activities conducted internationally and domestically throughout 2016 including KPJ's overseas exhibitions; health awareness talks with expatriate communities, embassies and international schools; receiving referrals from foreign doctors and health coordinators; as well as leveraging social media (Facebook and Instagram) to promote KPJ with 12 Centres of Excellence covering key niche services – Advanced Laparoscopy / Bariatric; Cardiac; Dental Centre; Eye Care Centre; IVF Centre; Oncology; Orthopaedic; Paediatrics; Reconstructive and Plastic Surgery; Rehabilitation & Physiotherapy; and Senior Living Care amongst others.

¹ Economic Transformation Programme: The Roadmap for Malaysia; Chapter 16 – Healthcare



The markets with tremendous increase this year came from Bangladesh (23%), Kazakhstan and Uzbekistan (35%). This was supported by inbound media familiarisation trips. KPJ hosted representatives from the Kazakhstan Ministry of Health, together with three (3) Kazakhstan media, at KPJ Ampang Puteri Specialist Hospital in March 2016, to explore collaboration opportunities.

In addition to the markets of Africa and South East Asia, KPJ in 2016 managed to capture a new target market, Tuvalu region, an island in the South Pacific Ocean. This was the result of KPJ's public sector-private partnership with the Tuvalu's Ministry of Health. Under the Tuvalu Medical Treatment Scheme (TMTS), Tuvaluan patients are now increasingly referred to KPJ in Malaysia. This is a win-win collaboration as the rising cost of treatments and non-medical related items are a deterrent for Tuvalu to send their patients to the usual countries - Taiwan, Fiji, New Zealand and Australia.

Enhanced value-added services


KPJ has opened another two (2) International Patient Centres (IPC), in KPJ Ampang Puteri Specialist Hospital and KPJ Damansara Specialist Hospital, bringing the total number of IPC to five (5) hospitals (KPJ Tawakkal Specialist Hospital, KPJ Penang Specialist Hospital and KPJ Johor Specialist Hospital.)

Hospital development – new openings and upgraded infrastructure in State-focused healthcare hubs

- Sabah – KPJ Sabah Specialist Hospital which opened in May 2016, is the only private hospital in the state to provide focused specialties in Cardiac; Eye care; Gynae-oncology; Hemaetology; Neuro-surgery; Oncology; Plastic surgery; Vitreo-retinal surgery; Non-invasive surgery, etc. The local state government acknowledges that KPJ Sabah Specialist Hospital quality and state-

of-the-art healthcare treatments can help the State's aspirations to attract health tourists from neighbouring locations of Brunei, Indonesia, Philippines.

- Pahang – KPJ Pahang Specialist Hospital in Tanjung Lumpur, Kuantan bodes well with the state being known as a retirement haven and a potential attraction for overseas patients looking to retire in Malaysia. The state has lauded the opening of the resort-like 11-storey hospital with sea-fronting views, comprehensive facilities, world-class equipment with focus in Cardiac treatments, Hematology, Orthopaedic, etc. It is also the first and only private hospital to offer full cardio check up plus angiogram and angioplasty support.

 [read more about its facilities under Business Review: New Hospital Development]

- Johor – is looking to develop the state as the next leading medical tourism destination in Asean, based on the South Korean model, to generate new revenue sources rather than solely depending on touristdollars from the shopping and entertainment segments. KPJ's MOU with leading Korean private medical centre, DK Medical Centre, to provide plastic and reconstructive surgery services in the future to KPJ Johor Specialist Hospital will help boost the state's efforts.

Credibility and reputation

Accreditation is key, as aside from medical expertise, overseas patients selecting a hospital will factor in the hospital's quality of care and track record and credibility. This is paramount to KPJ, which has a full suite of some 84 accreditations across its hospitals, an increase from 78 in 2015. This includes four (4) hospitals accredited by the Joint Commission International (JCI), the gold standard in healthcare management, while 18 hospitals have received certification from the Malaysian Society for Quality in Health (MSQH), and many more.

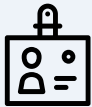
In 2016, KPJ also won the following awards:

- *2016 Frost & Sullivan Asia Pacific Healthcare and Tourism Awards* : KPJ won for Hospital of the Year.
- *2016 GHT Consumer Choice Awards* : KPJ won for the Orthopaedics Service Provider.
- *Human Resource HR Vendors of the Year Award 2016 Gold Award*: KPJ won for Best Corporate Healthcare Provider.



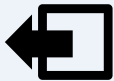
ONGOING STRATEGY AND INITIATIVES

KPJ will continue to deploy its ongoing long term strategy in building and expanding its healthcare tourism segment, leveraging six points of outreach – professional referral marketing; internet marketing; external and internal marketing; branding and public relations.



PROFESSIONAL REFERRAL MARKETING

- Reliable and continuing stream of inbound patient referrals from other medical, dental or other professional sources.
- Our hospitals have a GP Program between our Specialists and the GPs. This has been on-going for many years at the hospital level.



EXTERNAL MARKETING

- To reach prospective patients through advertising in in-flight magazines, such as Selamta for Ethiopia Airlines, Wings of Oman, Fireflyz, Tiger Tales to reach neighbouring countries like Indonesia, Vietnam, Myanmar and India Sub Continents.



BRANDING

- Strategic partnerships with companies such as Pfizer, National Kidney Foundation, International Schools/Universities, Chambers of Commerce namely EUMCCI, Australia, British, Arab; Embassies and High Commissioners; together with co-brand promotions and sponsorships help to build KPJ brand recall.



INTERNET MARKETING

- We have identified revamping KPJ Website with different language options to reach out to the target market segments.



INTERNAL MARKETING

- Distribution scale of 50,000 copies of KPJ's Care for Life monthly newsletter.



PUBLIC RELATIONS

- Generating positive and ongoing media coverage in mainstream and digital media outlets.

It is also critical that KPJ maintains its accredited status and track record, which is a key decision factor for overseas patients deciding on a hospital. KPJ currently enjoys 'gold status in healthcare management, having been accredited by the Joint Commission International (JCI). Facilities once thought innovative have now become commonplace, such as concierge services to transport patients from the airport to the hospital. Thus KPJ will continue to innovate and introduce new services as part of its packages.

Other future initiatives being explored include chartering Air Ambulance (private chartered airplane), for neighbouring and Asia Pacific countries, especially Indo-China, Indonesia, and the Australian market. We can also look at new smart partnerships with retail outlets that interface with high volume of foreign visitors such as airlines, shopping malls, airports and train stations; while targeting non-traditional new market segments not typically on the radar of other Malaysian hospitals such as those from non-English speaking countries like Tuvalu, Vietnam and Myanmar.



ANCILLARY SERVICES

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As an integrated healthcare service provider, KPJ's ancillary business units help ensure that KPJ operations run smoothly, with little to minimal disruptions in its supply-distribution value chain, by reducing the dependency on outsourced third party vendors and supplies.

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To-date, 23 subsidiaries are currently supporting the overall KPJ network on various facets including laboratory testing, sterilisation services, pharmaceutical as well as stationery bulk purchasing, supply and distribution, and healthcare IT solution services. Other ancillary services for ophthalmology, and a wellness lifestyle programme round off the Group's holistic suite of services to its customers.

LABORATORY SERVICES: LABLINK (M) SDN BHD

ABOUT LABLINK
<ul style="list-style-type: none"> Established 1989; 28 years track record.
<ul style="list-style-type: none"> Equipped with state-of-the-art world class equipment and technology <ul style="list-style-type: none"> TB Diagnostic Laboratory offering microscopy, culture, sensitivity and molecular testing of Mycobacterium. Haematology, biochemistry, microbiology, histopathology, cytopathology, allergies and immunoassay testing.
<ul style="list-style-type: none"> Malaysia's first private laboratory certified with Bio-Safety Level 3 (BSL3) facilities which allows testing of highly-infectious diseases according to WHO standard.
<ul style="list-style-type: none"> Manages 23 hospital laboratories, including KPJ's entire 23-hospital network suite; 3 external non-KPJ hospitals; general practitioners' clinics across Malaysia.

KEY HIGHLIGHTS 2016:	
<ul style="list-style-type: none"> Scale: Largest chain of private hospital laboratories in Malaysia. 	<ul style="list-style-type: none"> Valued-added services: Mobile Laboratory provides door-to-door health screening for corporate clients and patients with physical disability or limited mobility.
<ul style="list-style-type: none"> Accreditation: In progress to achieve the Medical Laboratory Accreditation (MS ISO 15189) for international recognition of laboratory excellence in lab tests and professional practice through quality standards. 	<ul style="list-style-type: none"> Revenue increase 2016: 12% to RM73.5 million
<ul style="list-style-type: none"> Increased staff strength and expertise: Total manpower 391 staff in 2016 (6% increase from 2015) comprising 300 allied health professionals + 9 experienced consultant pathologists. 	<ul style="list-style-type: none"> New business development via specimen collection centres: 36% growth @RM2.3 million
<ul style="list-style-type: none"> Innovation: Lablink On The Go (LOTG) mobile application allows doctors to access patients' report via mobile device (iOS/ Android). 	

The centralisation of laboratory services under a one-stop solution like Lablink, benefits the KPJ Group in standardising systems and methods used, enabling cost-efficient bulk purchasing, and comparison of results among the laboratories. The Lablink Laboratory Information System (LIS) facilitates online transfer of all results for quicker ease of reference and retrieval by doctors for technical and professional consultation.

Moving forward, Lablink will continue to enhance its facilities and services to ensure quality services are delivered to its customers including other medical laboratories, healthcare providers and communities, in line with KPJ's aspiration to be the preferred healthcare provider in the country.

*Sterilisation Services:
Centralised Sterilisation
Service Centre (CSSC)*

KEY HIGHLIGHTS 2016:

- **Revenue 2016:**
15% increase to RM2.6 million over 2015
- **Performance growth** in number of sets sterilised
 - ** Surgical sets – 28,543
(22% improvement from 2015)
 - ** Supplementary items – 34,068
(17% improvement from 2015)

A critical component in ensuring conformation to international healthcare standards, the sterilisation of surgical instruments for the entire KPJ Group is undertaken by a centralised body, Centralised Sterilisation Service Centre (CSSC), based in Rawang. The centre ensures and maintains a uniform standard level of quality within all hospitals. The centralisation also creates operational cost-efficiencies relating to the management, supply, collection and delivery of sterile goods to hospitals within the KPJ network.

With a track record of five (5) years in the sector, CSSC continues to gain prominence as a leader in independent sterilisation and decontamination services sub-sector. Operations at CSSC are benchmarked against international quality standards – ISO 9001:2008; ISO 13485:2012, and ISO 17665-1:2006.

In 2016, CSSC collaborated with Radicare to service government hospitals in the Klang Valley and the East Coast region, during an autoclave breakdown at their hospitals. Surgical-based companies like Zuellig-Pharma, BBraun, Johnson & Johnson, have also begun to send their sets for sterilisation at CSSC.

CSSC will continue to serve KPJ with quality centralised sterilisation services. Growing its market reach, it will also target ongoing collaboration ventures with hospital support service providers like Radicare, Medivest, and UEM Adgenta (Faber) to service government hospitals in the Klang Valley, East; Southern; and Northern region, respectively during autoclave breakdowns. The centre is also new business development opportunities to provide their services to other private hospitals in the Klang Valley.

*Centralised Purchasing
and Distribution:
Pharmaserv Alliances
Sdn Bhd (PASB)*

KEY HIGHLIGHTS 2016:

- **Revenue 2016:**
5.75% increase to RM386 million over 2015

As the central procurement arm of pharmaceuticals and medical disposable items for the KPJ Group and its subsidiary companies, PASB is committed to ensure competitive and efficient cost pricing is delivered to the entire network, despite any challenging market conditions be it currency fluctuations or disruption of supplies that may affect the pricing cost structure.

Being one of the largest buyers in the country by virtue of KPJ Group's volume, PASB is able to pass on cost savings from the bulk purchasing to the network.

As part of its ongoing efforts in maintaining excellence in quality of its system and processes, PASB continues to maintain Integrated Management System (IMS) certification, of ISO 9001:2015, ISO 14001:2015 - Environmental Management Systems, and OHSAS 18001:2007

- Occupational Health and Safety Management focusing on risk management, quality, health and safety of people and environment.

In 2016, PASB has also worked towards implementing a bar code scanning system at its warehouse in efforts to increase the level of efficiency in its stocks inventory management and facilitation of internal processes. As part of its commitment to the Group, it will continue to look at improving its supply chain efficiency by providing differentiation in customer service, ensuring optimal inventory levels and increasing distribution operations efficiency. PASB stays abreast on rapid changes in technologies and applications to deliver the best service and pass on cost savings to the Group which will ultimately benefit KPJ patients.



KPJ Eye Care:



KEY HIGHLIGHTS 2016:

- **Revenue:** Grew 15% to RM13.1 million in 2016 (from RM11.4 million in 2015)
- **Number of patients:**
 - Daypatient – grew 6% with 2,267 cases in 2016
 - Outpatient – increased by 1% to 18,828 cases in 2016
- **Number of cataract cases:** Grew 12% to 1,101 cases in 2016

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 minimal invasive laser technique (Lasik Reflex Smile) to cornea and vitreo-retinal surgery, glaucoma treatment, cataract removal with premium lens implants, oculoplastic surgery and paediatric ophthalmology.

CFS currently has three (3) centres – Rawang, Petaling Jaya and Kuala Lumpur, with its latest centre housed in THC equipped with the latest femtosecond laser vision correction technology using Beyond Lasik ReLEx SMILE. Providing both inpatient and outpatient day-care facilities, CFS in 2016 treated over 18,000 patients and performed over 2,200 procedures. A nominal but growing segment of its cases came from health tourism, which doubled in 2016 to 421 cases from 16 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 screenings to the general public and corporates, co-branded bank promotional packages tie-ups, and roadshows.



INTRAPRENEUR COMPANIES

In cultivating a spirit of innovation and helping our staff grow along with the Group, KPJ's 'intrapreneurship' approach has resulted in several entrepreneurial ventures over the last few years in the areas of stationery and printing supplies (Skop Yakin), pharmaceuticals (Teraju Farma), healthcare engineering services (POSB) and healthcare IT solutions (HITSSB).

HEALTHCARE ENGINEERING SERVICES: PRIDE OUTLET SDN BHD (POSB)

One of the latest intrapreneur companies to be set up is Pride Outlet Sdn Bhd (POSB). The company was established in 2014 and provides planned preventive maintenance services for non-imaging medical devices in hospitals within the KPJ network. POSB staff strength has increased by 40% since inception, and in 2016, ran with a team of 7, including 5 qualified biomedical engineers.

POSB currently covers all KPJ hospitals in Central region, and in 2016 conducted over 3,200 planned preventive maintenance services, resulting in savings of up to 25% to the hospitals.

Only into its second year of operations, POSB is still ironing teething issues and securing its financial footing to break even its investment and costs, amidst the onslaught of the recent economic market conditions. It nonetheless recorded a net loss of RM172,348 in 2016, a 47% improvement over 2015.

Towards solidifying its operations and financial performance in 2017 and beyond, POSB has outlined an aggressive strategy to tap new market growth and expand its current product range. PRIDE plans to introduce standardised pricing structure for biomed equipment planned preventive maintenance (PPM) rate and expand its services to KPJ hospital network in Northern and Southern regions. This would provide a deeper evaluation of each hospital maintenance cost under POSB, thereby highlighting gaps for address.

POSB and the KPJ Group remain positive on the future and viability of the business in contributing towards reducing the Group's operating costs.

*Healthcare IT Solutions:
Healthcare IT Solution Sdn Bhd (HITSSB)*



KEY HIGHLIGHTS 2016:

- Currently managing 31 hospitals and subsidiaries within the KPJ Group network
- Implemented upgraded version of Hospital Information System 'HITS2.0' at newest hospital – KPJ Pahang Specialist Hospital
- Debuted new business venture – advertisements via external LED billboard at THC



An intrapreneur creation of KPJ, Healthcare IT Solutions Sdn Bhd (HITSSB) manages the entire IT network and system of the KPJ Group and its subsidiaries. This is a critical component to maintaining operational and communication efficiency for the entire network. HITSSB actively reviews its systems and upgrades to strengthen the Group's centralised IT infrastructure and hardware framework, and to optimise KPJ's investment in technology.

The business has grown from strength to strength since it was first established in 29 March 2009, and as of October 2016, has become responsible for managing 31 KPJ hospitals and its subsidiaries, including the newly opened KPJ Pahang Specialist Hospital.

In 2016, HITSSB achieved several milestones:

- Pilot implementation of the Hospital Information System, 'HIT2.0', in KPJ Pahang Specialist Hospital. This web-based system was developed using Microsoft's technology, the Silverlight platform that is hosted on the Cloud environment, with direct accessibility to users without the need of third party intervention.

- Rolled out new business venture – digital advertising billboard. The first LED 16'(W) x 22'(H) billboard is located on the top of the THC building, and is available for advertising placements by KPJ, its subsidiaries, as well as from external parties.

On the back of these new initiatives, HITSSB recorded profit before tax of RM2.1 million a 1% decrease over 2015. Total revenue came in at RM5.9 million, a decrease of 18% compared to year 2015, which was mainly due to a revision of its annual maintenance and support cost charges to the hospitals, moving from number of license beds to charging based on number of operational beds, as well as a slight reduction in external revenue.

Into 2017, HITSSB will gather feedback and review the new system upgrade, HITS2.0, with a further roll-out to four (4) more hospitals in the network. The company will also drive extensive marketing for its LED billboard and add more billboards as it drives this segment of the business.



STATIONERY AND PRINTING MATERIALS: SKOP YAKIN (M) SDN BHD

Skop Yakin is into its eighth year of operations, and has steadily recorded year on year revenue growth. In 2016, total revenue spiked by 100% as compared to 2015.

Skop Yakin started out as a small venture initially to service KPJ Perdana Specialist Hospital, Kelantan; and quickly expanded to cover the entire KPJ network across the different states. The business provides the Group with cost-effective supply of stationery and printing materials primarily for promotional collaterals (hospital brochures, leaflets, banners and buntings), hospital and office administrative documents (forms, letterheads, etc).

Starting mid-2016, Skop Yakin has widened the scope of their core business into event planning and management. It will further expand its coverage beyond the KPJ Group to other third party clients, as well as extending its product range to include premium and collateral items.

PHARMACEUTICALS: TERAJU FARMA SDN BHD (TFSB)

Another fledgling venture, TFSB is involved in wholesale supply of pharmaceuticals and healthcare – related products to the public and private medical sector. It aims to eventually become a preferred partner and distributor of healthcare products. TFSB’s capability to source health-related products competitively will help towards supporting its growth venture.

In 2016, the business registered revenue of RM58 million, a 4.4% decrease from 2015 due to budget and capex tightening in the public sector hospitals.

TFSB has recently obtained the Establishment License from the Medical Device Authority to act as a distributor for medical devices, further to the certification and implementation of Good Distribution Practice for Medical Devices (GDPMD) requirements. This is in tandem with its strategy to work closely with business partners to introduce new product features and offer value-added service, while exploring new business developments towards ensuring the sustainability of the business.

HOSPITAL CATERING: TOTAL MEAL SOLUTION SDN BHD (TMSSB)

For the year under review, TMSSB registered total revenue of RM2.0 million. It also registered an accumulated profit of RM108,000, a significant turn-around from 2015’s net loss of RM16,000.

TMSSB started as a small venture in 2013, then under the name Central Kitchen, to supply in-patient meals to KPJ Klang Specialist Hospital. It quickly expanded its coverage to KPJ Rawang Specialist Hospital a year later. Since then, the venture has undergone a rebranding with a name change to operate as Total Meal Solution Sdn Bhd in 2016.

Wellness and Lifestyle Programme

KEY HIGHLIGHTS 2016:

- 8-year record success
- 20,000 subscribers nationwide
- 16 participating KPJ hospitals
- 2016: 12% growth year-on-year
- Launched new package ‘Ruby’ with extensive health screening items

KPJ’s Wellness & Lifestyle Programme aptly supports discerning Malaysians who embrace a healthier lifestyle regime. The power of the programme shows in the membership volume that has grown to more than 19,000 subscribers nationwide across the 16 participating KPJ hospitals, since it was first launched in March 2008. Another telling feature to the success of the programme is that subscribers have upgraded their membership for a long term period, and word of mouth recommendations they have shared with their family and friends, that have also led to referral sign-ups.

Since July 2016, the programme recorded a significant rise by 12% compared to the same period in 2015. We attribute the spike to the addition of health awareness roadshow held in schools across Sabah.

In keeping the programme fresh and relevant, KPJ has introduced a new package named ‘Ruby’ that offers extensive health screening items. This is in response to rising costs of medical care, and growing awareness among the younger generation to the importance of doing regular health screening checks in maintaining good health.

We believe the programme will continue to grow in tandem with a growing healthier and fit lifestyle trend among Malaysians.



EDUCATION

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Healthcare services and healthcare education are intertwined and rely heavily on each other.

”





The foresight that a steady stream of qualified and well-trained medical personnel would be integral to supporting KPJ's vision to be the preferred healthcare service provider, led to the establishment of KPJ Healthcare University College (KPJUC) on 1 April 1991. With 25 years of good of unsurpassed academic track record, KPJUC has to-date produced approximately 8,713 graduates, contributing to the nation's human capital requirement of nurses, allied healthcare professionals and specialist doctors.

The education arm continues to register dynamic growth with a strong reputation as a premier medical university college with total revenue of RM45 million per annum. Today, KPJ's education arm has three (3) campuses (KL, Johor, Penang) where it offers 38 healthcare programmes ranging from Certificate to Foundation to PhD. In 2016, it has 2,536 students, a 10% year-on-year growth over 2015.

KPJUC graduates enjoy almost 100% employability where upon graduation, they are placed out within the KPJ hospital network. A significant benefit students receive is the holistic learning experience where 50% of their education programme is allocated to hands-on learning and training onsite within the hospital network. It is in part why KPJUC graduates are also equally sought after at public and private hospitals, reinforcing the demand for the quality of KPJUC talents.

Another foresight was the need to train and produce world-class nursing staff. KPJ recognised the correlation nursing has on hospital services, and in 1991, was the first in Malaysia to set up a nursing college, Puteri Nursing College (PNC), offering a 3-year Diploma in Nursing programme. Today, it has produced more than 5,000 skilled nurses, and has contributed to elevating and transforming the nursing profession in Malaysia.

In 2011, KPJUC became the first private education institution to be approved by the Malaysian Ministry of Higher Education (MOHE) to conduct medical specialists training programmes.

2016 HIGHLIGHTS

The year 2016 saw KPJUC achieving many significant milestones.

KPJUC's first medical specialist programme, Master of Otorhinolaryngology (Head & Neck Surgery), which commenced in 2012, has recently graduated its first cohort in December 2016.

On 1 May 2016, it also successfully acquired¹ KFCH International College (KFCHIC), a private institution based in Johor, well known for producing quality talents in the hospitality industry. This strategic acquisition is part of KPJUC's long term plan to expand its education offerings in further strengthening itself and positioning itself competitively within the private education institution sector.

The Dean for its School of Nursing, Associate Professor Dr Hamidah Hassan, has also appointed to the Malaysian Nursing Board in 2016. Her appointment underscores the credibility of KPJUC in producing quality nursing graduates/skilled resources for the country, and the Board's trust and confidence in KPJUC.

KPJUC places high priority on research and development (R&D). Its radius of collaboration in R&D, publications and supervision, extend from KPJ Group of hospitals and companies, as well as to strong alliances with national and international counterparts. It also continues to actively organise key academic conferences and workshops. Currently there are 50 ongoing research programmes, 46 new studies, and 23 completed research.

In 2016, it signed up with:

- Golden Age Solution Private Limited, Australia, to develop several curriculums focusing on aged-care programmes (in support of KPJ's Senior Living Care services); and
- Universiti Teknikal Malaysia Melaka (UTeM) to collaborate on R&D on medical imaging advancements.

¹ Under its trading company, PNC

Significant milestones: KPJUC

- Pioneer medical university college in Malaysia
- 25 years track record
- 38 programmes – from Certificate to PhD
- 1st private nursing college in Malaysia, and 1st to be accredited by the Malaysian Qualification Agency (MQA) – for its Diploma in Nursing Programme
- 100% success rate in passing the Nursing Board Terminal Examination
- 1st private education institution to be approved by MOHE to offer Postgraduates Medical Specialist
- 2016 – graduation of the 1st cohort in Master of Otorhinolaryngology – Head and Neck Surgery
- Appointment of Dean of School of Nursing to the Malaysian Nursing Board

KPJUC's role in nation building

- Contributing to the nation's human capital requirement of nurses, allied healthcare professionals and specialist doctors
- Enhancing the quality of Malaysia's healthcare education industry by introducing new accredited healthcare programmes to meet needs of evolving industry
- Contributing to Malaysia's niche positioning as a preferred hub for Healthcare Services and Healthcare Education Excellence
- Job creation and job placement, with new opportunities for local talents, including medical specialists

ACADEMIC PROGRAMME OFFERINGS

KPJUC currently offers 38 healthcare programmes, ranging from Certificate to Foundation to PhD, across its three (3) campuses in KL, Johor and Penang.

KPJUC ACROSS 3 CAMPUSES		
NO.	PROGRAMME	INTAKE
SCHOOL OF MEDICINE		
1	Master of Otorhinolaryngology - Head and Neck Surgery	2 – Jun / Dec
2	Master of Paediatrics	2 – Jun / Dec
3	Master of Radiology	2 – Jun / Dec
4	Master of General Surgery	2 – Jun / Dec
5	Master of Orthopaedic	2 – Jun / Dec
SCHOOL OF PHARMACY		
6	Master of Sciences in Pharmaceutical Technology (Research)	3 – Feb / Jun / Sep
7	Bachelor of Pharmacy (Hons)	1 – Sep
8	Bachelor of Pharmaceutical with Health Sciences (Hons)	2 – Feb / Sep
9	Diploma in Pharmacy (Nilai) Diploma in Pharmacy (Penang)	3 – Feb / May / Sep 2 – Jun / Sept
SCHOOL OF NURSING		
10	Doctor of Philosophy in Nursing	3 – Feb / Jun / Sep
11	Master of Nursing Science (Research)	3 – Feb / Jun / Sep
12	Bachelor of Science in Nursing (Hons)	1 – Sep
13	Certificate in Renal Nursing (Nilai) Certificate in Renal Nursing (JB)	2 – Apr / Sep 2 – Apr / Sep
14	Certificate in Paediatric Nursing	2 – Apr / Sep
15	Professional Certificate in Critical Care Nursing	1 – Jan
16	Professional Certificate in Education & Teaching for Nursing Professionals	1 – Apr
17	Professional Certificate in Gerontology Nursing	1 – Jun
18	Post Basic Certificate in Orthopaedic Nursing (JB)	1 – Dec
19	Advanced Diploma in Midwifery Nursing	1 – Oct
20	Diploma in Nursing (Nilai) Diploma in Nursing (JB)	3 – Feb / May / Sep 2 – Jun / Sep
21	Certificate in Aged Health Care	2 – Feb / Jun
22	Certificate in Basic Patient Care Course for Healthcare Assistant (JB)	2 – Feb / Jul
23	Certificate in Dialysis Technician	1 – Sep
24	Certificate in Obstetric Care Assistant	1 – Sep


ACADEMIC PROGRAMME OFFERINGS (CONTINUED)

KPJUC currently offers 38 healthcare programmes, ranging from Certificate to Foundation to PhD, across its three (3) campuses in KL, Johor and Penang.

KPJUC ACROSS 3 CAMPUSES		
NO.	PROGRAMME	INTAKE
SCHOOL OF HEALTH SCIENCES		
25	Master of Physiotherapy (Research)	3 – Feb / Jun / Sep
26	Bachelor of Medical Imaging (Hons)	2 – May / Sep
27	Bachelor of Physiotherapy (Hons)	2 – May / Sep
28	Diploma in Medical Imaging	3 – Feb / May / Sep
29	Diploma in Physiotherapy	3 – Feb / May / Sep
30	Diploma of Higher Education in Operating Department Practise (in collaboration with Liverpool John Moores University, UK) (Penang)	1 – Sep
SCHOOL OF BUSINESS AND MANAGEMENT		
31	Diploma in Health Information Management	1 – May
32	Certificate in Health Information Management	1 – May
SCHOOL OF BEHAVIOURAL SCIENCE AND HUMANITIES		
33	Bachelor in Strategic and Corporate Communication (Hons)	2 – Jun / Sep
34	Foundation in Science	2 – May / Sep

KPJUC ACROSS 3 CAMPUSES		
NO.	PROGRAMMES (APPROVED IN 2016, TO BE OFFERED IN 2017)	INTAKE
SCHOOL OF PHARMACY		
1	Advanced Diploma in Aseptic Services	1 – Sep
SCHOOL OF HEALTH SCIENCES		
2	Bachelor of Occupational Health Therapy (Hons)	1 – Sep
SCHOOL OF BUSINESS AND MANAGEMENT		
3	Bachelor in Business Management (Hons)	1 – Sep
SCHOOL OF BEHAVIOURAL SCIENCE AND HUMANITIES		
4	Bachelor of Psychology (Hons)	2 – Feb / Sep

With the recent acquisition of KFCHIC, KPJUC has branched out into hospitality and business management education, offering nine (9) programmes through KFCHIC in Johor.

KFCHIC		
NO.	PROGRAMME	INTAKE
1	Diploma in Tourism Management	3 – Mar/ Jul/ Sep
2	Diploma in Event Management	3 – Mar/ Jul/ Sep
3	Diploma in Business Administration	3 – Mar/ Jul/ Sep
4	Diploma in Halal Management and Food Safety	3 – Mar/ Jul/ Sep
5	Diploma in Food Science and Technology	3 – Mar/ Jul/ Sep
6	Diploma in Early Childhood Education	3 – Mar/ Jul/ Sep
7	Diploma in Culinary Arts	3 – Mar/ Jul/ Sep
8	Diploma in Hotel Management	3 – Mar/ Jul/ Sep
9	Diploma in Restaurant Management	3 – Mar/ Jul/ Sep



KPJUC STUDENTS: 2016

KPJUC continues to contribute significantly to the industry's growing need for highly qualified trained and skilled medical and healthcare professionals. To-date, it has produced 8,713 graduates since 1991.

In 2016, its student population grew 10% to total 2,536 students.

NO.	SCHOOL OF MEDICINE	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
1	Master of Otorhinolaryngology – Head and Neck Surgery	7	7
2	Master of Radiology	6	5
3	Master of Paediatric	0	0
4	Master of General Surgery	3	2
5	Master of Orthopaedic	4	3
	Total	20	17

NO.	SCHOOL OF NURSING	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
1	Doctor of Philosophy In Nursing	4	4
2	Master of Nursing Science	9	10
3	B.Sc. (Hons) International Nursing (University of Hertfordshire)	0	6
4	Bachelor of Science In Nursing (Hons)	21	12
5	Diploma in Nursing	555	490
6	Certificate in Aged Health Carer	0	0
7	Certificate in Renal Nursing	20	0
8	Certificate in Paediatric Nursing	20	20
9	Prof. Certificate In Education & Teaching For Nursing Professionals	0	0
10	Advanced Diploma in Midwifery	7	15



NO.	SCHOOL OF NURSING	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
11	Advanced Diploma in Peri-Operative Nursing	0	0
12	Professional Certificate in Critical Care Nursing	0	0
13	Professional Certificate in Gerontology Nursing	0	0
14	Diploma in Nursing (JB)	308	308
15	Post-Basic Certificate in Orthopedic Nursing (JB)	10	0
16	Post-Basic Certificate in Renal Nursing (JB)	0	10
17	Certificate in Teaching Methodology for Nurses (JB)	0	0
18	Basic Care Course for Healthcare Assistant/ Care Givers (JB)	39	0
19	Basic Care Course for Healthcare Assistant/ Care Givers (Penang)	36	0
Total		1,030	875

NO.	SCHOOL OF PHARMACY	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
1	Master of Pharmacy (<i>Programme phased out in 2016</i>)	0	0
2	Master of Science In Pharmaceutical Technology	3	3
3	Bachelor of Pharmaceutical Science with Health Sciences (Hons)	164	132
4	Bachelor of Pharmacy (Hons)	115	84
5	Diploma in Pharmacy	323	357
6	Diploma in Pharmacy (Penang)	157	180
Total		762	756

NO.	SCHOOL OF HEALTH SCIENCES	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
1	Master of Physiotherapy	5	2
2	Master of Medical Imaging (<i>Programme phased out in 2016</i>)	0	0
3	Bachelor of Physiotherapy	83	54
4	Bachelor of Medical Imaging	35	36
5	Diploma in Physiotherapy	288	242
6	Diploma in Medical Imaging	164	136
7	Diploma in Higher Education in Operating Dept. Practice (Penang)	57	90
Total		632	560

NO.	SCHOOL OF BUSINESS & MANAGEMENT	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
1	Diploma In Health Information Management	61	60
Total		61	60

NO.	SCHOOL OF BEHAVIOURAL SCIENCE & HUMANITIES	NO. OF STUDENTS 2016	NO. OF STUDENTS 2015
1	Bachelor of Arts (Hons) Strategic & Corporate Communication	10	10
2	Foundation In Science	22	20
Total		32	30
Grand Total		2,536	2,298

KPJUC ALUMNI

Towards the end of 2016, KPJUC has produced 8,586 number of alumni.

NO.	SCHOOL	NILAI	JOHOR BAHRU	PENANG	TOTAL
1	Medicine	2	0	0	2
2	Nursing	5,787	681	38	6,506
3	Pharmacy	674	0	0	674
4	Health Sciences				
	• Medical Imaging	379	0	0	379
	• Physiotherapy	467	0	0	467
	• Operation Department Practice	202	0	65	267
5	Business & Management	233	0	0	233
6	Behavioural Science & Humanities	58	0	0	58
	Total	7,802	681	103	8,586

RESEARCH AND DEVELOPMENT (R&D)

R&D is a critical component for any education institution, and hospital service provider. KPJUC currently has 50 on-going research programmes, 46 new studies, and 23 completed research.

NO.	SCHOOL	ONGOING RESEARCH	NEW RESEARCH	RESEARCH COMPLETED	PAPER PUBLICATION	CONFERENCE/ WORKSHOP PRESENTATION
1	Medicine	5	0	3	13	11
2	Pharmacy	10	39	3	9	14
3	Nursing	1	3	13	5	3
4	Health Sciences – Medical Imaging	16	0	1	4	8
5	Health Sciences – Physiotherapy	13	2	3	5	12
6	Business and Management	1	1	0	0	6
7	Behavioural Science and Humanities	4	1	0	2	5
	Total	50	46	23	38	59



KPJUC STRATEGIC COLLABORATIONS THROUGH THE YEARS

Since 1994, KPJUC has actively explored strategic collaborations with reputable local and foreign universities and companies.

1994	University of South Australia (UniSA)	Produced 239 Critical Care Nurses, 96 graduates in Teaching and Education and 256 graduates in Healthcare Management and Leadership.
1997	Liverpool John Moores University, United Kingdom (LJMU)	Developed the Operating Theatre Practice programmes. Produced 153 trained theatre practitioners.
2007	University of Hertfordshire, United Kingdom	Developed a BSc. (Hons) International Nursing programme.
2011	Universiti Kebangsaan Malaysia (UKM)	Developed five (5) specialist medical programmes: Master of Otorhinolaryngology – Head and Neck Surgery, Master of Paediatric, Master of Radiology, Master of General Surgery and Master of Orthopaedics.
2016	Golden Age Solution Private Limited, Australia	Developing several curriculums focusing on aged-care programmes
	Universiti Teknikal Malaysia Melaka (UTeM)	R&D on medical imaging programmes

COMMUNITY OUTREACH

KPJUC students are instilled with an attitude of caring, perseverance, adaptability, versatility and selflessness. In 2016, KPJUC, together with students and staff, ran the following community outreach initiatives as part of their ongoing community work that the less fortunate and those-in-need are supported with proper healthcare advice, services and assistance.

- Community service and disaster relief effort to victims affected by flood
- Charity concert to raise funds for cataract patients in Bangladesh
- Charity “Khatan Perdana” to underprivileged children and Rohingya refugees (a collaboration with several NGOs nationwide)
- Nationwide free health screening & public talks (through its KPJUC Kembara Jalanan)
- Free health screening visits to special community groups, including old folks home, women shelters around KL and Selangor; selected Felda settlements around Malaysia
- Free health screening visits with community service at selected Perkampungan Orang Asli
- Charity events during Ramadhan around Malaysia
- Activities and events with homeless centres around KL and Selangor

Key Initiatives



“

WE LIKEN OUR SQM TO AN ECG MACHINE, WHERE IT MONITORS AND TRACKS THE SATISFACTION PULSE OF OUR PATIENTS, AGAINST THE DELIVERY STANDARDS OF THE COMPANY.

”

CUSTOMER SERVICE

Service Quality Management

In line with our value proposition Care for Life where patients are our key priority, our entire operations revolve around ensuring we deliver top-notch service in both quality healthcare and excellent customer service to patients and their families. From the onset of KPJ's early years, we started putting in place strategic measures to embed and cultivate this service mindset through our culture and innovation. Over the years, we continually enhance, refine and improve it via our Service Quality Management (SQM) division.

Through achieving service level agreements (SLAs) targets, and introducing new measures, our service quality continues to differentiate us in the market. Results speak volumes. KPJ's Customer Satisfaction Survey score improved to 86.1% in 2016, from 85.1% in 2015. KPJ was also named 2016 Frost & Sullivan Malaysia Hospital of the Year. These are just a few highlights from our 2016 results, the details of which are fully outlined under the 'Economic' initiative¹ in the Sustainability section on pages 89 to 90.

¹ KPJ's sustainability and value creation are classified under 'Economic', 'Environmental', 'Social' impact as per the GRI framework.

Corporate Client Management

Our Group Corporate Client Management (CCM) initiative was established in 2004 when we started capitalising on new market segments to support our revenue stream. Industry regulation had employers providing healthcare coverage as part of their benefit to employees, while many consumers themselves also decided to purchase personal insurance coverage to mitigate against the increasing rate of healthcare inflation. The CCM function is centralised at the Group-level and manages end-to-end from strategic partnerships to client servicing to improving operational integration with insurance providers and third party administrators. The majority of KPJ corporate clients are situated in the Klang Valley.

In 2016, total corporate client accounts comprising companies, financial institutions, government agencies, insurance, managed care organisations (MCOs), listed companies and others, drew in RM1.9 billion, against total Group revenue of RM3.0 billion. This was an increase of 6.29% over 2015, an indication to the growth potential from our corporate client segment. Overall, corporate accounts contribute some 65% towards total revenue, with 'cash payers' ie individual patients who pay on their own and in cash comes up to 30%, with miscellaneous accounts picking up the remaining 5%.



Within this, the insurance and MCOs segment tend to be the most lucrative, contributing a revenue increase of 9.14% and 5.29% respectively.

These results can be attributed to our robust CCM initiatives that continue to build strategic partnerships and good relationships with the corporate clients. In 2016, the CCM team conducted a total of 1,800 visits, an effective tool to engage directly with the clients and to develop further business opportunities. As a value-add, the team also runs health screening activities with key clients such as physical tests by physiotherapists, vision care tests, occupational, safety and health screenings, breast cancer awareness with mammogram screening, for their employees. This year, more than 1,600 CCM guests attended KPJ's annual corporate 'Hari Raya' open house.

TALENT MANAGEMENT

KPJ stands where it is today on the passion, dedication and strength of our people. Just as we prioritise our patients at the heart of our business, similarly, we appreciate and value our employees as the heartbeat of KPJ. As the main driver of our growth, we continue to invest in our employees' welfare and programmes as a preferred employer of choice:

- Fair and equitable benefits and welfare provisions
- Development growth through training and career programmes
- Engaging employees, encouraging a 'speak up' culture
- Cultivating a positive workplace culture and environment, facilitating work-life balance
- Creating a safe workplace
- Promoting diversity and inclusivity values in the workplace

Specific to this section will cover operational initiatives KPJ has undertaken to develop our employees, their benefits and welfare provisions, and how we continue to engage with them. To complement these initiatives, KPJ also outlines specific social impact value we drive for our employees through facilitating work-life balance, providing for a safe workplace, and promoting diversity and inclusivity culture, which are covered under the Sustainability section on pages 103 to 104.

2016: Talent Management highlights at a glance

- **Total workforce** grew **3%** to **12,635** employees – support the Group's expansion plans
 - New hires for the year – **1,988**
 - Professional manpower* increased by 4% to **5,619** employees, to maintain optimal 4:1 manpower-to-bed ratio
- **Talent Management Open Day** at all KPJ hospitals
- **80** Gen Y employees – opportunity to engage with senior management (Head of departments)
- **625** employees signed up to KPJ's new Living Well programme (introduced in 2016)

- Attrition level fell to **13%**

* professional manpower consists of Medical Officers, Nurses and Allied Health employees

Integrity Awareness Survey

An Integrity Awareness Survey was rolled out to all KPJ hospitals and companies on 20 July 2016 and ended on 8 August 2016. The exercise received a high response rate of 81% (from a total of 1,685 respondents). The objective of the survey was to measure employees' awareness, understanding and knowledge on corporate integrity.

The survey result summary showed:

- 70% or 1,251 respondents indicated that they understand the policies and procedures in their employee E-Handbook.
- There was a 95.5% favourable response to attend training and awareness talks related to integrity practices and procedures at KPJ.
- A favourable response of 97.4% show that employees are familiar with KPJ values and they understand the expected behaviors in relation to integrity at the workplace.

Employee's development growth: Training and Career Management

We take pride in providing training and development opportunities that enable our people to advance professionally in their medical fields or to venture into new career areas such as management. In 2016, KPJ invested a total of RM10.3 million, a 24% increase compared to RM8.29 million in 2015, on various employee training and development programmes, to maximise their potential.

A prime example is KPJ's Operations Manager programme, a comprehensive, hands-on management and leadership training to groom future hospital CEOs. The programme is open to employees from various backgrounds, such as Medical Officers, Nurses, Allied Health as well as Accountants, HR, etc. As KPJ is a firm subscriber of internal development, this programme provides an avenue by which employees can climb up the corporate ladder.

Key Initiatives

The Group has made it mandatory for each staff to undergo at least 30 hours of training per year, and is measured as part of their Key Performance Indicator performance. Training on work related areas such as customer services, fire safety and corporate culture are done either internally or through external moderators. In 2016, employees received an average of 47 hours of training, exceeding the mandatory 30 hours of training per year. The Group's total Human Resource Development Fund (HRDF) utilisation stood at 88% for the Group compared to 89% the previous year with the addition of a new hospital subscribing to the scheme.

We ensure that all employees, regardless of level, has the opportunity to take up training and development. A noteworthy significance was 4,693 employees at the non-executives level received training, a 90% increase compared to 2015.

EMPLOYEE BENEFITS AND WELFARE

Employees are rewarded based on their contributions and level of productivity towards the Group's objectives. In addition to competitive salaries and benefits we offer our full-time employees the following benefits:

- Annual medical screening for employees aged 45 and above.
- Increase in employer EPF contribution: In 2015 we increased the employer EPF contribution up to a maximum of 15% for employees who have been with us for at least four years.
- Employee Share Option Scheme (ESOS): Employees that have been employed for at least three years in Executive category and beyond are eligible for the scheme. A total of 95 million shares have been allocated for the scheme. Employees in Executive Assistant category will be given cash consideration every year over a 5-year period (2015-2019).
- Study support for employees' children – hospitals sponsors the tuition fees and provide allowances for employee's children that wish to pursue an education in healthcare-related programmes at KPJ Healthcare University College. The student is then provided a placement in the hospital upon graduation.

An interesting observation is that the overall take-up rate for parental leave is still low even though it has increased slightly over 2015. In 2016, only 64 male employees (entitled to 2 days) out of 1,027 employees utilised the provision, while 864 female employees (entitled to 60 days) out of a pool of 4,527, applied for the parental leave.

As an extension from the KPJ Wellness@work campaign (for customers), KPJ in 2016 introduced a version of the programme for its employees. The 'Living Well' programme will help assist employees who are diagnosed with lifestyle critical illness (diabetes, hypertension, etc) or has high BMI (Pre-Obese to Obese I – III). Through such an intervention, employees can gain knowledge about their health status and are empowered to make better lifestyle decisions. The programme has met with favourable response, and has 625 employees signed up thus far.

CORPORATE INTEGRITY

In accordance with KPJ's Corporate Integrity pledge, we have taken strides forward in ensuring that integrity, ethical practices, compliance and adherence to good corporate governance practises are inculcated in all our dealings with both internal and external parties.

Every employee at KPJ is committed to ethical behaviour set out in the Group's Code of Ethics and Business Conduct. New employees take an oath of the "Service Pledge" declaration at our annual staff assembly or "Pedoman" (Perhimpunan, Dialog dan Anugerah Tahunan Anggota Pekerja) held in the hospitals. Subsequently, all employees are to acknowledge e-integrity pledge in the Employee Self Service (ESS) portal. All hospitals and companies within the Group are requested to sign an integrity pledge with their suppliers, contractors and other related third parties.

Employees are encouraged to report any misconduct or unethical behaviour committed by any staff directly to the Managing Director of the Group through the Borang Peradaban declaration, which is an employee grievance form that is escalated directly to the Managing Director. We have a comprehensive Whistleblowing Policy that ensures that concerns can be aired without fear of retaliation.

We have been a signatory to the Malaysian Corporate Integrity Pledge since 2011. Our No Gifts and Entertainment Policy is applicable to all staff and the Asset Declaration policy applies to employees on Manager grade and above.

Group Talent Management upholds this value through our development of HR policies and procedures, monitoring compliance and creating leaders who exemplify personal credibility and integrity.

To support this, Group TM recently carried out an HR Audit at all KPJ hospitals and companies in Malaysia to review the implementation of TM policies & procedures, ensure compliance with legal requirements, and to implement best practices.