

Care for **Life**

PASSION INNOVATION TRUST

INTEGRATED REPORT 2018



KEM HEALTHCARE COMPANY

www.kemhospitality.com



PASSION

We always go the extra mile to give our best and constantly make a difference in all that we do. It is a philosophy ingrained in every level of our organisation. We are focused on our inherent values and compassionate care to continuously maintain a patient-centered environment.





INNOVATION

We will continuously leverage on the innovative use of technology and our modern state-of-the-art facilities to deliver exceptional health care, superior treatment plans and the best diagnosis to all our patients.





TRUST

We take great pride in forging solid relationships with our patients and the communities we serve. We fully nurture the trust earned by providing undivided attention and care supported by our exceptional capabilities, vast experience and efficient expertise as we are dedicated and committed in being the preferred provider of healthcare services.



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KPJ HEALTHCARE BERHAD / INTEGRATED REPORT 2019

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>> OUR VISION

THE PREFERRED HEALTHCARE PROVIDER

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

>> OUR MISSION

DELIVER QUALITY HEALTHCARE SERVICES

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

>> OUR CORE VALUES

VALUES THAT GUIDE US

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



Ensuring
Safety



Delivering
Service with
Courtesy



Performing
Duties with
Integrity



Exercising
Professionalism
at All Times



Striving for
Continuous
Improvement

RATIONALE

We at KPJ Healthcare will remain steadfast in our belief that with passion the impossible becomes possible. It ignites our purpose to go beyond all limitations, to perform beyond the ordinary and ultimately achieve the extraordinary. With sincerity in executing all tasks, we forge trusting relationships and create value for all our stakeholders. We are constantly innovating our offerings to exceed all expectations and realise our vision to be the preferred healthcare provider.

KPJ Healthcare is committed in delivering "Care for Life" in all aspects of our operations.

ABOUT THIS REPORT



THIS YEAR WE CONTINUE OUR INTEGRATED REPORTING JOURNEY. THIS REPORT HIGHLIGHTS OUR VALUE CREATION MODEL, WHICH IS ALIGNED TO OUR SIX CAPITALS AND LINKED TO OUR SEVEN STRATEGIC THRUSTS AND MATERIAL MATTERS THAT ARE ALL CRUCIAL TO KPJ'S SUSTAINABLE LONG-TERM GROWTH.

THIS REPORT IS PREPARED IN ACCORDANCE WITH THE GUIDELINES OF BURSA MALAYSIA'S MAIN BOARD LISTING REQUIREMENTS.



REPORTING SUITE

KPJ Healthcare's (KPJ or The Group) maiden Integrated Report was introduced for the financial year 2018. It detailed our commitment to transparency as a comprehensive suite of reports, comprising the 2019 Integrated Report (IR), Sustainability Report (SR) and Financial Report, which are available in both hardcopy and online. All documents are available for download from KPJ Healthcare Berhad's website at <https://www.kpjhealth.com.my>.

REPORTING SCOPE AND BOUNDARY

This IR extends beyond financial reporting and includes non-financial performance opportunities, risks and outcomes attributable to, or associated with, our key stakeholders, which have a significant influence on our ability to create value.

The 2019 Integrated Report covers the period from 1 January to 31 December 2019 and builds on our previous publications. The report covers the primary activities of the Group, key business areas, our operations in Malaysia, Indonesia, Thailand, Bangladesh and Australia.

REPORTING FRAMEWORKS

This report complies with prevailing regulations and is in accordance with the International <IR>

Framework by The International Integrated Reporting Council (IIRC). We apply and take into account the amendments to the Listing Requirements relating to Corporate Governance (GC) announced on the 29 November 2017 pursuant to the implementation of the Companies Act 2016 (CA 2016) and the launch of the new Malaysian Code on Corporate Governance released in 2017 (MCCG 2017) from the Securities Commission on 26 April 2017.

The financial position of the Group and of the Company is prepared in accordance with the Malaysian Financial Reporting Standards, International Reporting Standards and the requirements of the CA 2016 for the financial year ended, 31 December 2019.

Meanwhile, our non-financial information is reported against the new GRI Sustainability Reporting Standards (GRI Standards) and the information provided serves as a progress report on the implementation of 15 of the 17 United Nations Sustainability Development Goals (UN SDGs), to which we had identified our roles, actions and contribution towards the UN SDGs. These SDGs are referred to in our standalone Sustainability Report (SR) in a relevant and meaningful manner.

ASSURANCE

Our Annual Financial Statements (FS) have been audited, as fully disclosed in the Statutory Annual Financial Report 2019. At present, we are looking forward for the external assurance of our Sustainability Report. However, as we have begun with our IR journey, we envisage that external assurance could be part of the process moving forward. This includes processes from our IR this year which contains both financial and non-financial indicators.

MATERIALITY AND FORWARD-LOOKING STATEMENTS

Materiality

We have conducted our materiality assessment in previous years, in line with Bursa Malaysia's listing requirements. As we revisited our material matters, we have linked them with Our Six Capitals. This underlines the relationship between our ability to create impact and the areas in which we have targeted.

NAVIGATING THIS REPORT

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

OUR SIX CAPITALS			OUR SEVEN STRATEGIC THRUSTS			
 Financial Capital	 Manufactured Capital	 Natural Capital	 Capacity Building	 Enriched Customer Relationships	 Innovation @ The Core	 New Niches
 Human Capital	 Intellectual Capital	 Social And Relationship Capital	 Talent Management	 Business Process Improvement	 Sustainable Value For Stakeholders	

Forward-Looking Statements

This report contains forward-looking statements on KPJ Healthcare Berhad's future direction, strategies and growth opportunities. However, due to the nature of our business which operates in an ever changing environment, the results of both the financial and non-financial performance might differ from those reflected in the forward-looking statements.

FEEDBACK

Our reporting process is intended to move beyond compliance to general meaningful and inclusive engagement with our stakeholders. This is aligned with our desire to incorporate a culture of accountability and trust so as to further strengthen our relationships with our stakeholders. Should you have any comments and feedback, on this report, kindly contact our Investor Relations Unit at ir@kpjhealth.com.my.

APPROVAL BY THE BOARD

The Board has applied its collective mind in preparing and presenting the KPJ IR, as guided by the International <IR> Framework by The International Integrated Reporting Council (IIRC). The Board acknowledges its responsibility in ensuring the integrity of this report, through good governance, practices and internal reporting procedures. The Integrated Report 2019 suite has been approved by our Board.

Dato' Yusli Mohamed Yusoff

Chairman
KPJ Healthcare Berhad

Dato' Amiruddin Abdul Satar

President and Managing Director
KPJ Healthcare Berhad

REPORTING SUITE	INTEGRATED REPORT	SUSTAINABILITY REPORT	FINANCIAL REPORT
DISCLOSURE	<ul style="list-style-type: none"> Management Discussion and Analysis Corporate Governance Overview Audit Committee Report Statement on Risk Management and Internal Control (SORMIC) Medical Advisory Committee Report 	<ul style="list-style-type: none"> Reporting and Scope Boundaries Sustainability Material Matters and Stakeholder Management Management Approach 	<ul style="list-style-type: none"> Directors' Report Notes to FS Independent Auditor's Report
REPORTING FRAMEWORK	<ul style="list-style-type: none"> Malaysian Code on Corporate Governance 2017 (MCCG 2017) Bursa Malaysia Securities Berhad Listing Requirement (BMLR) International IR Framework Companies Act 2016 (CA 2016) 	<ul style="list-style-type: none"> GRI Standards ESG Rating Measurement Criteria BMLR 	<ul style="list-style-type: none"> Malaysian Financial Reporting Standards (MFRS) and International Financial Reporting Standards (IFRS) CA 2016 BMLR

AT A GLANCE



HOSPITALS



- 28** Malaysia
- 2** Indonesia
- 1** Bangladesh
- 1** Thailand

** Accredited Hospitals - 19 MSQH
4 JCI*

EDUCATION



Malaysia

1

University College
(3 branches)

Bangladesh

1

Nursing College

SENIOR & ASSISTED LIVING CARE



Malaysia

4

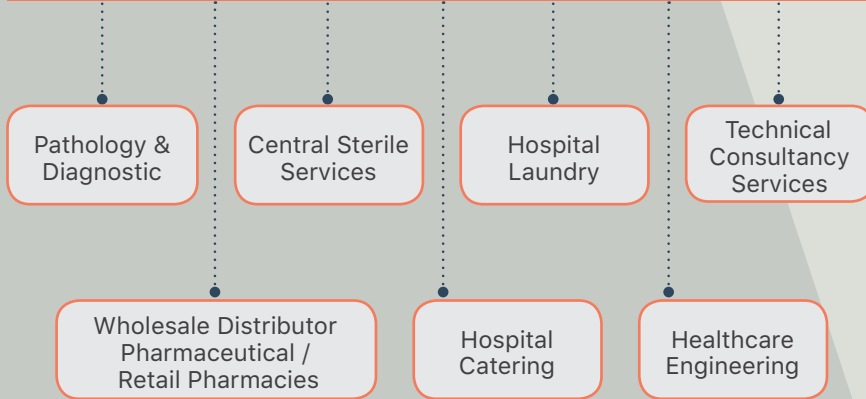
Australia

1

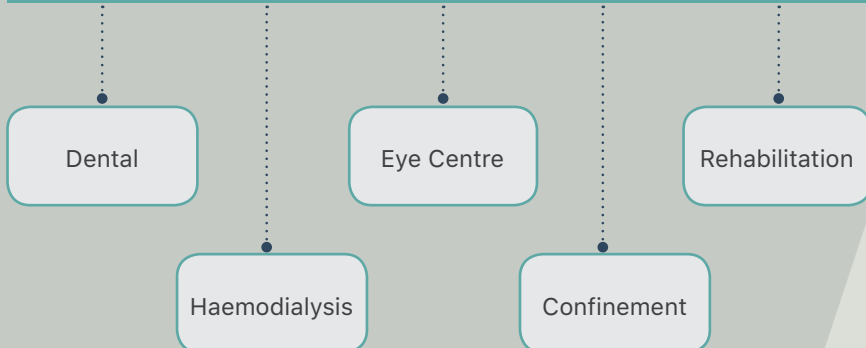
By Malaysian Society for Quality in Health (MSQH)
By Joint Commission International (JCI)



Ancillary Services



Ambulatory Care & Wellness



EMPLOYEES	
TOTAL	15,264
Malaysia	14,433
Indonesia	410
Bangladesh	421

MEDICAL CONSULTANTS	
TOTAL	1,259
Malaysia	1,105
Indonesia	122
Bangladesh	32



OUTPATIENTS INPATIENTS

TOTAL
2,902,555 | 331,483

Malaysia
2,629,878 | 315,182

Indonesia
130,184 | 9,693

Bangladesh
142,493 | 6,608



OPERATING BEDS

TOTAL > 3,436

Malaysia > 3,200

Indonesia > 156

Bangladesh > 80



OCCUPANCY RATE

Malaysia > 67%

Indonesia > 54%

Bangladesh > 60%

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* Year end 2019

ABOUT KPJ HEALTHCARE BERHAD

What We Do...



KPJ HAS A RESILIENT BUSINESS MODEL, DRAWN FROM OUR 39 YEARS' EXPERIENCE IN THE MALAYSIAN PRIVATE HEALTHCARE INDUSTRY. OUR VALUE ECOSYSTEM CENTRES ON MANAGING A NETWORK OF SPECIALIST HOSPITALS, SUPPORTED BY STRATEGIC INVESTMENTS IN A DIVERSIFIED PORTFOLIO. WE ARE IN A POSITION TO CREATE SUSTAINABLE LONG-TERM VALUE FOR ALL OUR STAKEHOLDERS.



KPJ'S VALUE ECOSYSTEM

HOSPITAL OPERATIONS



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

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

CLINICAL OPERATIONS



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

DIAGNOSTIC SERVICES



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

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AMBULATORY CARE



The provision of outpatient services include the following:

- KPJ KL Dental Specialist Centre
- KPJ KL Rehabilitation Centre
- Haemodialysis services
- Consultant clinical specialists
- KPJ Centre For Sight (Eye Centre)
- KPJ Wellness & Lifestyle Programme

NEW HOSPITAL DEVELOPMENT



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

SENIOR & ASSISTED LIVING CARE



This segment provides both short and long term care for individuals who need support in their daily activities. These services are provided at our 4 Senior and Assisted Living Centres in Malaysia and one in Australia.

EDUCATION



- KPJ Healthcare University College (KPJUC) provides a wide range of medical and healthcare qualifications.
- Malaysian College of Hospitality & Management (MCHM) trains professionals in Culinary Arts, Hotel Tourism and Restaurant Management.

ANCILLARY SERVICES



Ensure the smooth operations of our network of hospitals through:

- Supply-distribution value chain
- Reducing dependencies on outsourced third party vendors and supplies
- Intrapreneur Companies
- Pharmaceutical Companies
- Sterilisation of Surgical Equipment

HEALTH TOURISM

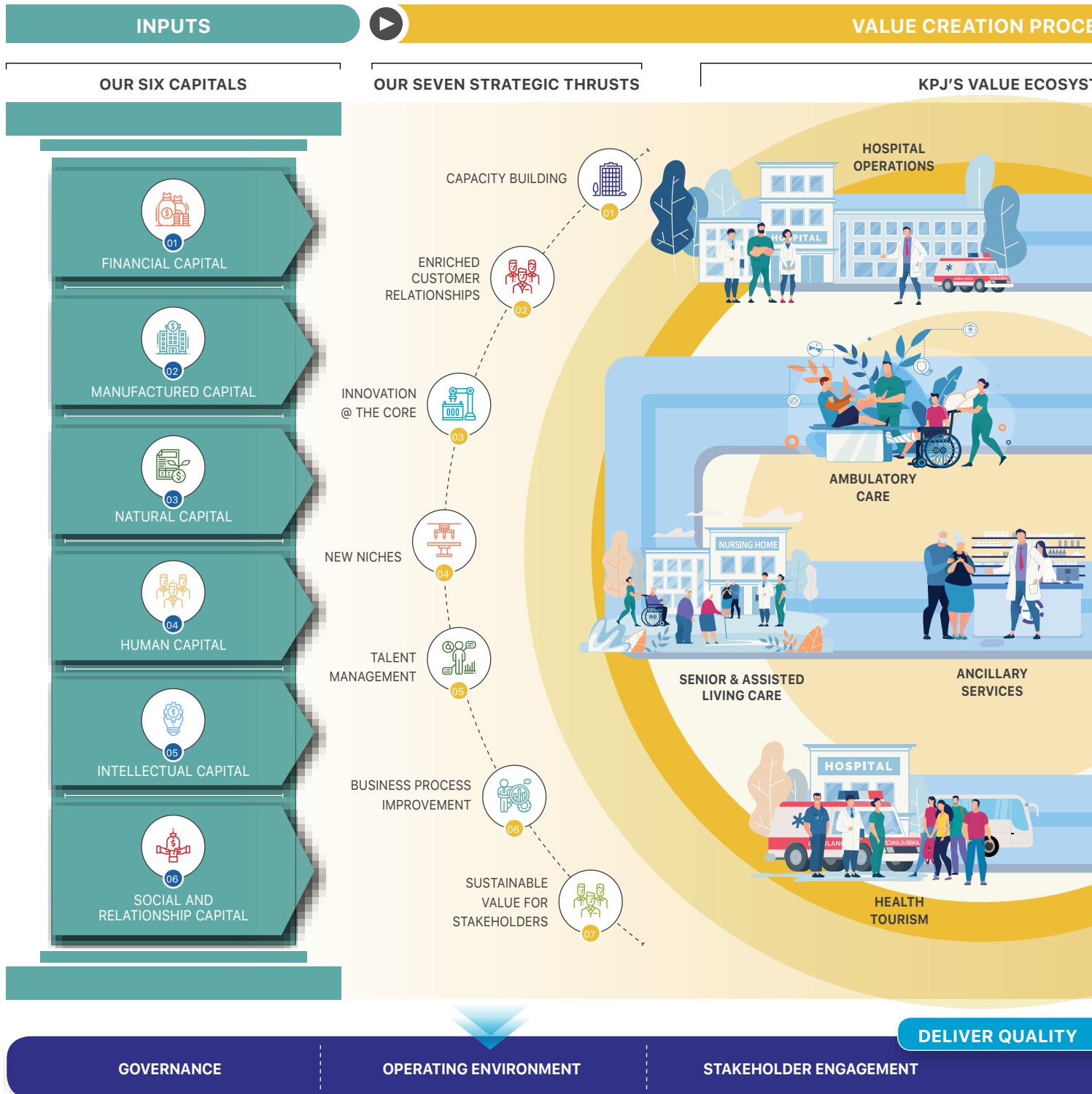


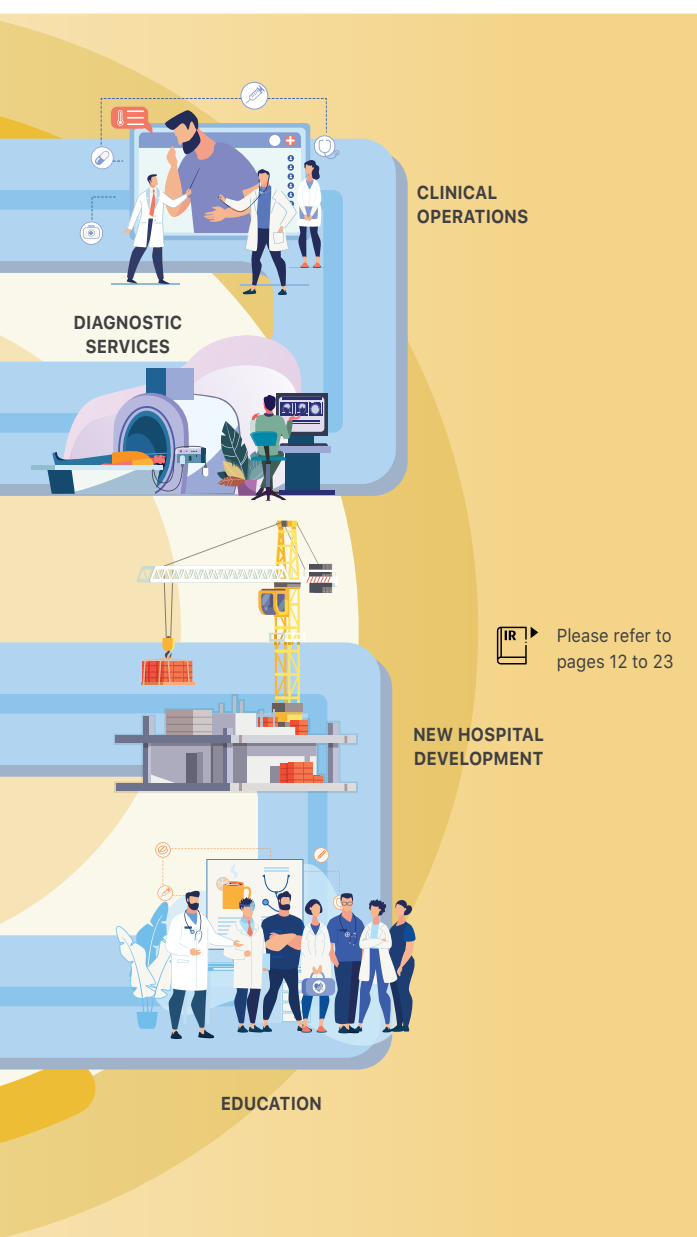
Positioning KPJ as the preferred provider among international health tourists, aimed at:

- Increasing Group revenue and patient volumes by venturing into new markets like Vietnam, Brunei and China
- Boosting KPJ brand regionally and internationally
- Enhancing international patients' healthcare experience
- Promoting Malaysia as a preferred healthcare destination with our extensive network of hospitals nationwide

HOW WE CREATE VALUE

KPJ's value creation model is premised on our philosophy of growing our business sustainably, and is aligned with our mission TO BE THE PREFERRED HEALTHCARE PROVIDER. In creating sustainable long-term value for our stakeholders, our activities are focused on generating and obtaining outcomes that fulfil the following parameters, which are in turn crucial on driving our long-term value creation.





OUTCOMES AND VALUE CREATED

SUSTAINABLE HEALTHCARE

CONTINUOUS GROWTH IN HEALTHCARE INDUSTRY
We strengthen our position as Malaysia's preferred healthcare service provider by delivering sustainable and high quality care, which translates to profitability and socially-beneficial outcomes, guided by effective risk management strategies

SUPER CUSTOMER SERVICE

Understanding that customers need increasingly positive Return on Experience (ROE), KPJ has structured frameworks and systems in place that generate consistently high customer service, measured through industry-accepted benchmarks.

DELIVER THE BEST POSSIBLE CLINICAL OUTCOMES

Adhering to a strong Clinical Governance Framework, KPJ hospitals put patient safety as our top priority. We meet both internationally and locally recognised benchmarks, including certification and accreditation standards.

LEVERAGE ON TECHNOLOGY AND INNOVATION FOR QUALITY CARE

Equipping our network of hospitals with the latest medical facilities and equipment, as well as investing in healthcare innovation and technology

ENSURE UPGRADING OF EMPLOYEES' SKILLS AND KNOWLEDGE

To ensure the sustainable development of medical and non-medical professional talents and to enhance our Group's knowledge and expertise in healthcare services

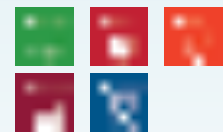
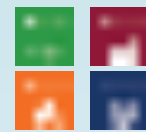
TAKE ENVIRONMENT PROTECTION SERIOUSLY

Environmental and social responsibility are key to our business culture. KPJ deliberately implements scalable measures to minimise our carbon footprint on the environment

PROTECT THE SOCIO ECONOMIC ENVIRONMENT OF OUR STAKEHOLDERS

Communicate in a responsible, sensible and sustainable manner, as a respected member of the community

UN SDGs



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VALUE CREATION

CONTINUOUS GROWTH IN HEALTHCARE INDUSTRY

REVENUE GROWTH

6%

RM billion

3.6

2018: RM3.4 bil

SUPER CUSTOMER SERVICE

PATIENT SATISFACTION INDEX

88.1%

2018: 87.0%

LEVERAGE ON TECHNOLOGY AND INNOVATION FOR QUALITY CARE

IT INVESTMENT

RM million

3.5

2018: RM6.4 mil

DELIVER THE BEST POSSIBLE CLINICAL OUTCOMES

CLINICAL SURVEY

90.1%

2018: 92.1%

ATION 2019

ENSURE UPGRADING
OF EMPLOYEES'
SKILLS AND
KNOWLEDGE

STAFF TRAINING
AND DEVELOPMENT
PROGRAMMES

RM million

10.9

2018: RM11.1 mil

TAKE ENVIRONMENT
PROTECTION
SERIOUSLY

REDUCTION IN GHG
EMISSIONS

per square foot (sq ft) -
Electricity Consumption

4.8%

2018: 4.6%

PROTECT THE
SOCIO ECONOMIC
ENVIRONMENT OF
OUR STAKEHOLDERS

COMMUNITY
INVESTMENT

RM million

10.3

2018: RM13.2 mil

DIVIDEND TO
SHAREHOLDERS

RM million

86.0

2018: RM84.7 mil

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OUR SIX CAPITALS



FINANCIAL CAPITAL

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

TRADE-OFFS

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

LINK TO OUR SEVEN STRATEGIC THRUSTS



LINK TO MATERIAL MATTERS

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

KEY INPUTS

Market Capitalisation (Bil)



Capital Expenditure (Mil)



Cash Used In Investing Activities (Mil)



Debt/Equity Ratio



Total Borrowings (Current And Non-Current) (Bil)



ACTIVITIES AND PROCESSES

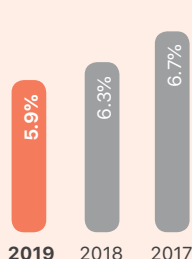
- Funding the development of new hospitals to expand our hospital network
- Funding the expansion of existing hospitals to cater to increased market demand
- Funding for new equipment
- Funding for research and development (R&D) and innovation activities
- Cost optimisation programme to reduce maintenance costs
- Appropriate management of debt and equity
- Effectively and efficiently manage the liquidity of the Group to ensure a strong balance sheet

KEY OUTPUTS

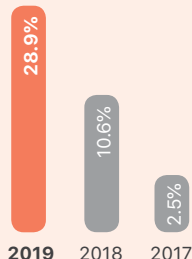
Net Profit (Mil)



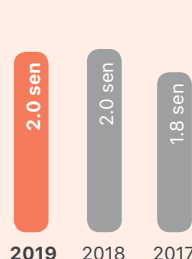
Revenue Growth (%)



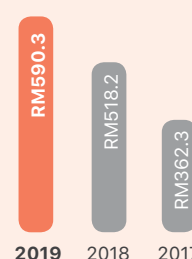
EBITDA Growth (%)



Dividend Payout Per Share (Sen)



Cash Generated From Operations (Mil)



For more information on our financial performance, please refer to our Chief Financial officer's Review on pages 68 to 72 of this Integrated Report.



MANUFACTURED CAPITAL

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

TRADE-OFFS

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

LINK TO OUR SEVEN STRATEGIC THRUSTS



LINK TO MATERIAL MATTERS

- Government Regulations

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REGIONAL HEALTHCARE FACILITIES COMPRISING HOSPITALS, SENIOR & ASSISTED LIVING CARE CENTRES AND UNIVERSITY COLLEGE

HOSPITALS

Malaysia



Indonesia



Thailand



Bangladesh



EDUCATION

Malaysia

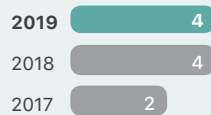


Dhaka



SENIOR & ASSISTED LIVING CARE CENTRES

Malaysia



Australia



KEY INPUTS

01

93

Operation
theatres

02

180

Intensive
Care Units

High Tech System for Diagnostic Imaging

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

High Tech System for Cancer Treatment

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

Basic Imaging with Advance Technology

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

Special Diagnostic Services

- Heart Lung Machine
- Lasik



MANUFACTURED CAPITAL

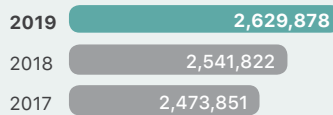
ACTIVITIES AND PROCESSES

- Transformation from Private Owned Cloud to Managed Private Owned Cloud. This involves on a range of built IT infrastructure on Enterprise model instead of an On Premise model to achieve Shared Service
- Enabling the hardware of the Core System to integrate with Industry 4.0 initiatives such as Autonomous Robotics, Big Data and Cloud Computing
- Upgrading operational efficiency
- Focused investments in building new hospitals and expanding capacities of existing hospitals in 2019
- Expanded our retail pharmacy business through both physical outlets and an online e-commerce website for Healthshoppe based in KPJ Hospitals
- Expanded retail pharmacy presence through the new JX Pharmacy brand, located outside hospitals
- Increased capacity of hospitals in Malaysia following the opening of three new hospitals in 2019:
 - KPJ Bandar Dato' Onn: 30 beds, 10 services, 16 specialist consultants
 - KPJ Miri: 26 beds, 10 services, 11 specialist consultants
 - KPJ Batu Pahat: 25 beds, 9 services, 16 specialist consultants
- Increase in the number of beds of existing hospitals in 2019, with:
 - KPJ Seremban: 48 beds
 - KPJ Penang: 9 beds
 - KPJ Johor: 5 beds
 - KPJ Perlis: 15 beds
- Expanded hospital services by the following means:
 - Launched comprehensive private radiotherapy and oncology centre in KPJ Sabah
- Expanded our regional presence via the launch of info Centre in Vietnam, Indonesia

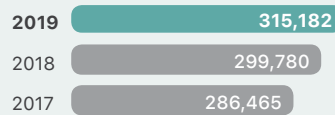
INCREASED OPERATIONAL EFFICIENCY AND SYNERGIES WITHIN OUR NETWORK OF HOSPITALS

Malaysia

Outpatients



Inpatients



Average Bed Occupancy Rate (%)

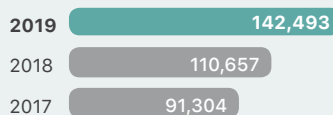


(Operating Beds)



Bangladesh

Outpatients



Inpatients



Average Bed Occupancy Rate (%)



Operating Beds





MANUFACTURED CAPITAL

Indonesia

Outpatients - RSMPPH



Inpatients - RSMPPH



Beds - RSMPPH



Average Bed Occupancy Rate (%) - RSMPPH



Outpatients - RSMBSD



Inpatients - RSMBSD



Beds - RSMBSD

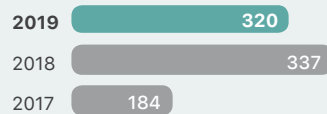


Average Bed Occupancy Rate (%) - RSMBSD



RESIDENTS AT SENIOR & ASSISTED LIVING CARE CENTRES

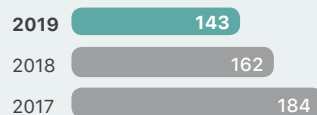
Sibu Geriatric Health and Nursing Centre



Kuantan Wellness Centre



Jeta Gardens, Australia



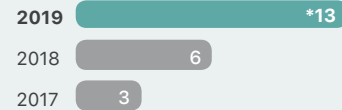
KPJ Tawakkal KL Health Centre



Damai Wellness Centre



KPJ HEALTHSHOPPE AND JX PHARMACY OUTLETS



* and 1 online

OUTCOMES



For more information, please refer to our Operational Review on page 78 to 99 of this Integrated Report.

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NATURAL CAPITAL

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

TRADE-OFFS

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

LINK TO OUR SEVEN STRATEGIC THRUSTS



LINK TO MATERIAL MATTERS

- Cost of Healthcare Services

KEY INPUTS	Average Electricity Consumption Per Square Foot (sq ft) (kWh)			Average Water Consumed Per Employee (m ₃)			Average Hazardous Waste Generated Per Patient (kg)		
	2019	23.48		2019	117		2019	0.53	
	2018	24.24		2018	106		2018	0.54	
	2017	25.12		2017	111		2017	0.49	
	achieved target not more than 27.69 kWh per sq ft			increased to from the target of not more than 111 m ₃ Per employee			achieved target of not more than 0.5 kg per patient		

ACTIVITIES AND PROCESSES

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

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

KEY OUTPUTS	GHG Emission per patient served (CO ₂) - Hazardous Waste			GHG Emission per employee (CO ₂) - Water Consumption			GHG emission per square foot (sq ft) (CO ₂) - Electricity Consumption		
	2019	0.64		2019	490.58		2019	16.09	
	2018	0.64		2018	443.31		2018	16.62	
	2017	0.59		2017	466.94		2017	17.43	



HUMAN CAPITAL

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

TRADE-OFFS

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

LINK TO OUR SEVEN STRATEGIC THRUSTS



LINK TO MATERIAL MATTERS

- Managing and Retaining Talent

KEY INPUTS

A Diverse Workforce

Total staff in Group



Total staff in hospitals (Malaysia)



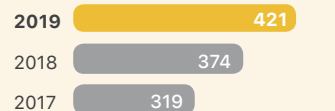
Total staff in hospitals (Indonesia)



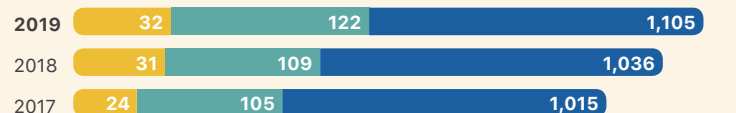
No. of trained nurses



Total staff in hospitals (Bangladesh)



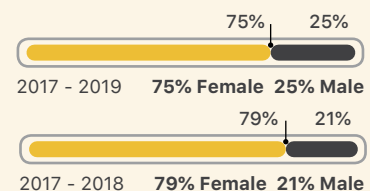
Consultants



Investment in Training and Development (Mil)



Male:Female Gender Diversity Ratio



ACTIVITIES AND PROCESSES

- Competitive and fair remuneration packages
- Fair employment practices e.g. non-discriminatory
- Investing in our employees' career development, including skillset training and leadership development initiatives
- Establishment and review of succession planning to identify and guide internal talent to become leaders in the organisation
- Education sponsorship opportunities for nurses in the Post-Basic Nursing Programme at KPJ Healthcare University College (KPJUC) as well as externally to discuss latest treatments and industry trends
- Develop and organise annual

healthcare conferences/workshops of national and industry standards. In 2019, there were medical consultants and healthcare professionals (including nurses) that participated in KPJ Healthcare Conference

- Occupational health and safety management systems
- Employee engagement initiatives such as:
 - Activities conducted by the Sports and Recreational Clubs
 - Annual events such as Family Day and Sports Carnivals
 - Employee engagement programmes within our CSR initiatives
- Work-life balance initiatives such as
 - Flexible working hours

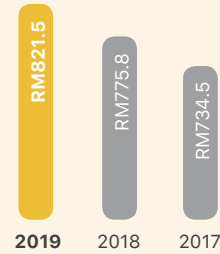
- Onsite crèches for our staff members' children with breastfeeding rooms which are open 24/7 to accommodate nurses working on shifts
- Promoting healthy living lifestyle amongst our employees through voluntary wellness and health initiatives such as the Body Mass Index (BMI) programme
- Time off during working hours to attend to urgent personal matters
- Special parking bays for pregnant employees
- Employee Share Option Scheme (ESOS) for employees
- Comprehensive benefits and welfare for all employees
- Workforce transformation policies
- Diversity and Inclusion Policy



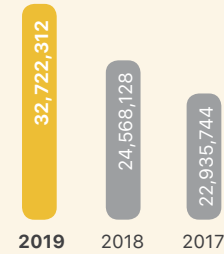
HUMAN CAPITAL

KEY OUTPUTS

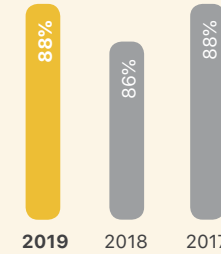
Employee Benefit Costs (Mil)



Total Man Hours Worked (Hours)



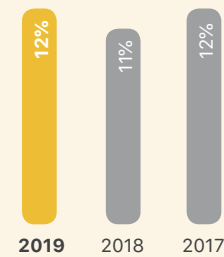
Staff Retention Rate (%)



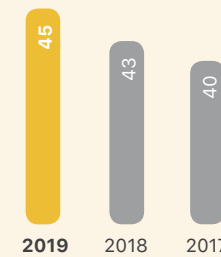
ESOS Expenses (Mil)



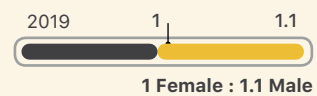
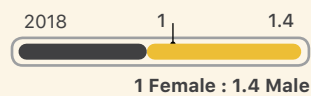
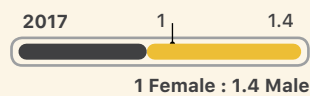
Staff Attrition Rate (%)



Average Training Hours Per Employee (Hours)



Ratio of Basic Salary and Remuneration of Women to Men



For more information on our employees, please refer to the Materiality People – 2 to Materiality People – 7 in the Social Section of our Sustainability Report.



INTELLECTUAL CAPITAL

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

TRADE-OFFS

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

LINK TO OUR SEVEN STRATEGIC THRUSTS



LINK TO MATERIAL MATTERS

- Quality of Service Standards
- Government Regulations

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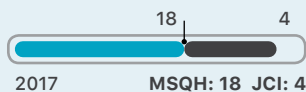
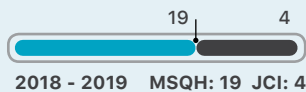
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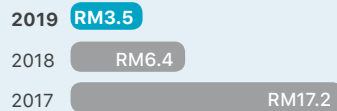
KEY INPUTS

Hospital Certification, Accreditation and Standards



More details on our Certification, Accreditation and Standards can be found within our Materiality Economic 5 - Certification, Accreditation and Standards our Sustainability Report.

IT Investment (Mil)



No. of Hospitals Integrated with KPJ Online Booking System



ACTIVITIES AND PROCESSES

- Clinical Services introduced new services in line with new technology or meeting customers' expectations and endeavour to provide a safe healing environment. These were some of the new services initiated and in progress:
 - Nursing Shared Governance
 - Clinical Pharmacy Services in KPJ Hospitals
 - Acute Stroke Centre
 - Remote Health Diagnostic and Monitoring System (RHDMS)
- Continued with digitisation initiatives via KCIS2 and HITS2 migration, to second generation Cloud Computing
- Doctors and nurses using KCIS2 and HITS2 which incorporate more details, enabling effective patient follow up, monitoring and tracking
- Improvements in technology and processes that deliver more integrated information within the Group, with an emphasis on information security
- Implemented a new Data Centre to prepare for the Group's consolidated Cloud Computing within our hospital network
- Cyber security and IT Risk Assessment actions were undertaken to prepare for ISO 27001
- Most hospitals continued monitoring and renewing their certifications, including:
 - Joint Commission International (JCI),
 - Malaysian Society for Quality in Health (MSQH), Integrated Management System (IMS) - ISO 9001, ISO 14001 and Occupational Health and Safety (OHSAS) 18001, Baby Friendly Hospital Initiatives (BFHI) and Quality Environment/5S.
 - As at January 2020, KPJ accounted for 31% of the MSQH accredited and 33% of JCI accredited of private hospital in Malaysia
- In-house nursing and healthcare dashboard
- Comprehensive Clinical Governance policies, structure and management in place
- Masters and PhD Programmes
- Academic Healthcare Centre (AHC) initiative as a collaborative platform for KPJUC academics and KPJ hospital clinical professionals to provide hands on skills training for KPJUC students
- The biennial KPJ Quality Convention has been the platform for employees to showcase innovative projects that can effectively improve operations. In 2019, more than 30 projects competed in the Convention and 6 digital projects were identified for possible implementation throughout the Group

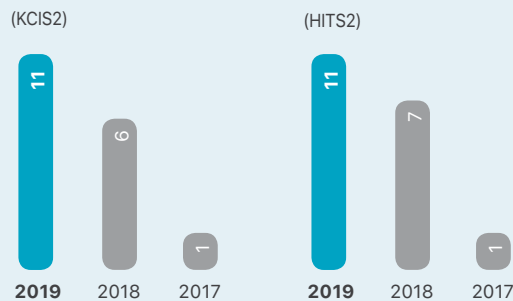


INTELLECTUAL CAPITAL

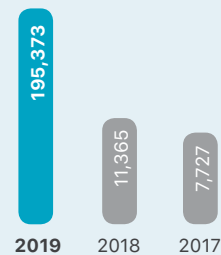
Specialists Trained at KPJUC

PROGRAMMES	AS AT 2019
PHD IN NURSING	3
MASTER OF OTORHINOLARYNGOLOGY (HEAD AND NECK SURGERY)	5
MASTER OF SCIENCE IN PHARMACEUTICAL TECHNOLOGY	2
MASTER OF PHYSIOTHERAPY	4
MASTER IN RADIOLOGY	4
MASTER OF NURSING SCIENCE	5

Total No. of Hospitals Migration to KCIS2 and HITS2



Total Number of KPJ Online Appointments



No. of KPJUC Graduates Recruited



Average of Innovation Received Per Hospital



Number of Certification

	2019
JCI	4
MSQH - Hospital	19
MSQH - KWAN	8
MSQH - Dental Clinic	1
ISO 9001:2015	1
BFHI	13
Planetree	2
PDPA	28
mQuit	8
IMS (KPJ's Integrated Management System)	20



For more information on our digital healthcare innovations, technology and cyber security enhancements, KPJUC, as well as accreditations and certifications, please refer to Materiality Economic 3, 4 and 6 within the Economic section of our Sustainability Report.



SOCIAL & RELATIONSHIP CAPITAL

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

TRADE-OFFS

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

LINK TO OUR SEVEN STRATEGIC THRUSTS



LINK TO MATERIAL MATTERS

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

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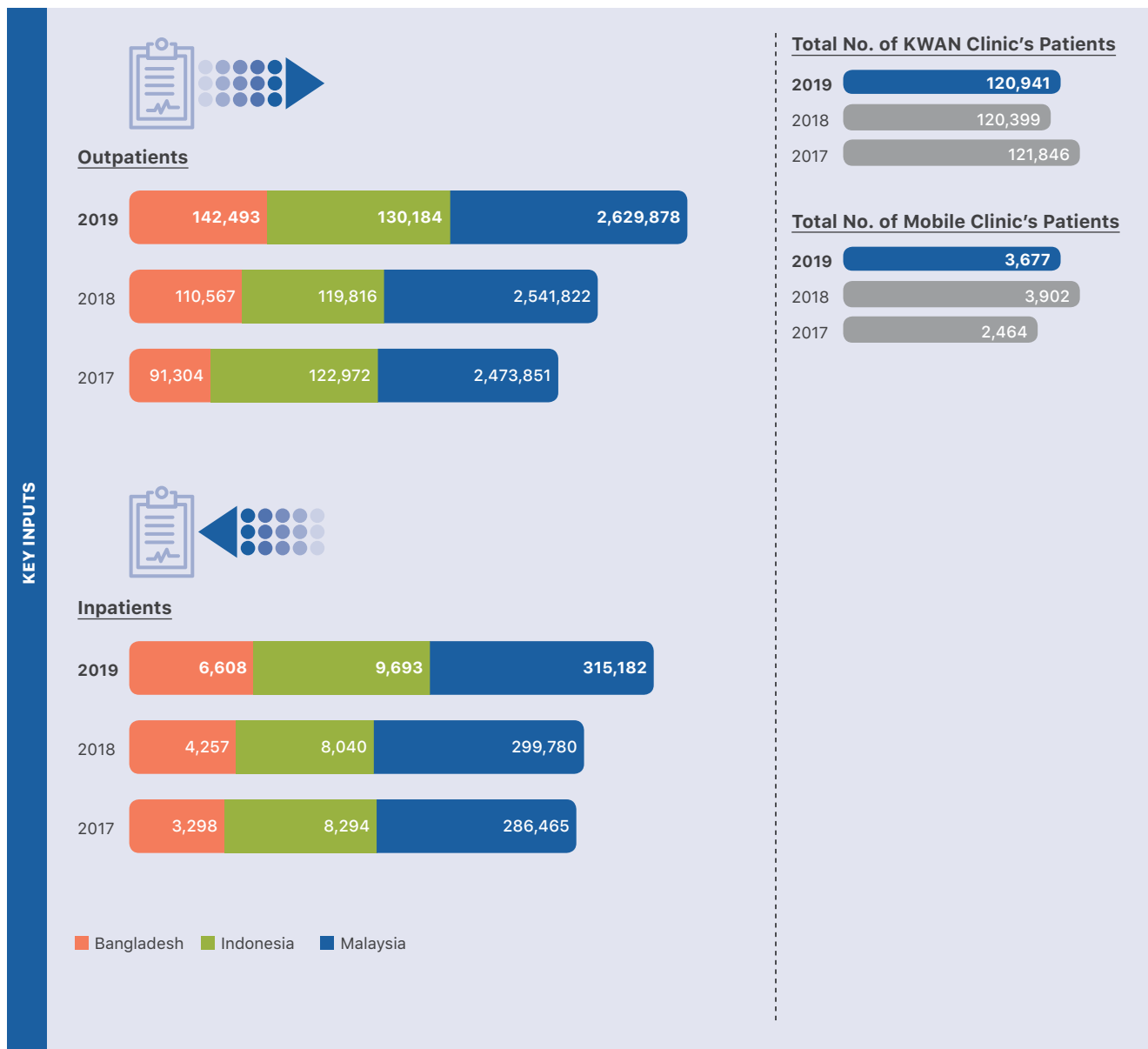
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SOCIAL & RELATIONSHIP CAPITAL

ACTIVITIES AND PROCESSES

For our Patients

- Increased focus on KPJ Brand through specially designed onground and online campaigns
- KPJ's Customer Service Tools are:
 - KPJ Service Quality Coach
 - Customer service workshops
 - SQM Mentoring Programme
 - Standard People Practice (SPP)
 - Planetree project focusing on person centered care
 - KPJ Care Card Loyalty Programme
- Integrated SQM Portal comprising the following elements:
 - Patient Communication Management System (PCMS)
 - SQM External Survey
 - Service initiative system
- Planned Preventative Maintenance (PPM)
- Ongoing commitment to reduce admission and discharge waiting times

For the Government

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

For our Intermediaries

- Conducting regular engagements with our intermediaries
- Sustaining a Corporate Client Management function for our intermediaries
- Implemented the Hospital Alliances Services (HAS) portal for the Electronic Pre-Authorization Form (E-PAF) by Prudential Assurance Malaysia Berhad (PAMB)

For Our Suppliers

- All suppliers required to adhere to the Corporate Integrity Agreement (CIA) and the KPJ Safety & Health standards

For our Vendors and Suppliers

- Efficient and streamlined procurement processes and policies
- Regular meetings with suppliers
- Fair contract negotiations with suppliers and vendors
- Assessment process with regards to suppliers and vendors
- All suppliers, vendors and other related third parties are expected to sign the Corporate Integrity Agreement (CIA)

For Accreditation and Industry Bodies

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

For the Community

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

For our Investors and Shareholders

- Investor relations presentations
- Corporate website
- Analyst meetings
- General Meetings – AGM and EGM
- Participation in investor roadshows and conferences



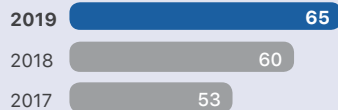
SOCIAL & RELATIONSHIP CAPITAL

KEY OUTPUTS

Customer Satisfaction Index



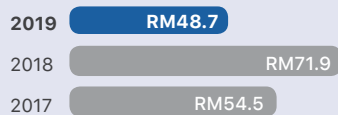
Service Quality Coaches



No. of Hospitals with Baby Hatches



Tax Distribution to Government/ Approved Agencies (Mil)



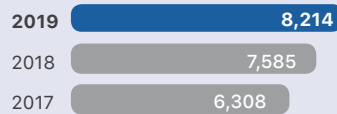
Total No. of Staff Trained in Customer Service



Total Investment in Community Outreach Programmes (Mil)



CIA Execution by Vendors and Suppliers



Klinik Waqaf An-Nur

Clinics Operating As Dialysis Centres



Clinics Operating As Dialysis Centres



Clinics With MSQH Certification



Mobile Clinics



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

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GROUP STRATEGY

THE FOUNDATION OF KPJ'S GROUP STRATEGY IS BUILT UPON THE LONG-TERM GOAL OF OUR BUSINESS, THAT IS TO PROVIDE QUALITY HEALTHCARE FOR ALL OUR PATIENTS. WE ENDEAVOUR TO MAXIMISE RETURNS FOR OUR SHAREHOLDERS' INVESTMENTS AND THAT OF OUR STAKEHOLDERS' THROUGH LONG TERM VALUE CREATION.

AS SUCH, OUR SEVEN THRUSTS ARE GUIDED BY OUR CORPORATE IDENTITY, VALUES, VISION AND MISSION, AND ARE IMPLEMENTED THROUGH VARIOUS INITIATIVES TO FURTHER DEVELOP OUR SIX CAPITALS WITHIN OUR BUSINESS MODEL.

OUR GROUP TAGLINE:

CARE FOR LIFE

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

OUR VISION :

THE PREFERRED HEALTHCARE PROVIDER

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

OUR FIVE

CORE VALUES

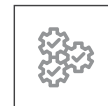
We are guided by our Core Values which underpin our dedication to "Care for Life". It is our hope that through these five core values, we can maintain and grow KPJ's patient-centered healthcare services.



Ensuring
Safety



Delivering
Service with
Courtesy



Performing
Duties with
Integrity



Exercising
Professionalism
at All Times



Striving for
Continuous
Improvement

OUR MISSION :

DELIVER QUALITY HEALTHCARE SERVICES

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



OUR SEVEN STRATEGIC THRUSTS

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



CAPACITY BUILDING
Strategic investments and enhancements in project development.



ENRICHED CUSTOMER RELATIONSHIPS
Employ strategic measures aimed at strengthening the KPJ brand, built on a patient-centric culture.



INNOVATION @ THE CORE
Embedding a Culture of Innovation throughout the Group, ensuring KPJ keeps abreast with industry trends.



NEW NICHEs
Explore new and potential opportunities, to grow the business in the medium to long term.



TALENT MANAGEMENT
Focus on nurturing dependable and high integrity talents who are capable of driving positive performance, contributing to KPJ's sustainable growth.



BUSINESS PROCESS IMPROVEMENT
Continuously improving our processes and systems to improve performance.



SUSTAINABLE VALUE FOR STAKEHOLDERS
Ensuring long-term growth, in order to provide stakeholders with high returns, contributing to sustainable positive relationship.

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STRATEGIC RESPONSE

FOR THE YEAR 2019, WE IDENTIFIED FOCUS AREAS THAT DRIVE OUR SEVEN STRATEGIC THRUSTS. FULL AND COMPLETE DETAIL OF OUR ACTIVITIES AND RESULTS CAN BE FOUND IN THE SECTION ENTITLED "HOW WE CREATE VALUE", PAGES 8 to 23 AND IN SECTION "OPERATIONAL VIEW", PAGE 78 to 99.

STRATEGIC THRUST/TERM	OUR STRATEGIC FOCUS IN 2019	TARGETS FOR 2019	ACHIEVEMENTS IN 2019
CAPACITY BUILDING  CONTINUOUS EXPANSION	Continuous Growth in Healthcare Industry New hospitals in greenfield and brownfield locations will be built throughout Malaysia parallel to the strategy to expand our hospital networks	On time completion of hospitals projects	Achieved Completion of greenfield projects:- - KPJ Bandar Dato' Onn in February 2019 - KPJ Batu Pahat in September 2019 - KPJ Miri in December 2019 Additional capacity from hospital expansion
SUPERIOR CUSTOMER SERVICE  CONTINUOUS IMPROVEMENT	Superior Customer Service Focusing on providing patient centric benefits in our Clinical Operations via: <ul style="list-style-type: none"> • Patient initiatives • Nursing initiatives • Consultants initiatives Continuous development on our strong service culture by focusing on: <ul style="list-style-type: none"> • Talent • Service deliveries • Culture Intensive Marketing on Social Media In reaching out to our target markets, we identify segmented marketing activities to our customers through the social media platforms	To obtain Patient Satisfaction Index of 85% rate and above	Achieved 88.1% of Patient Satisfaction Index
INNOVATION @ THE CORE  SHORT TO MEDIUM	Leveraging on Technology and Innovation for Quality Care Maximise the use of technology to meet patients' expectation and to improve clinical outcomes.	Integrate patient services to KPJ's online platform	Achieved Implementation of Remote Health Diagnostics and Monitoring System (RHDMS), Automated Dispensing Machines (ADM) for medication distribution and online booking system.

STRATEGIC THRUST/TERM	OUR STRATEGIC FOCUS IN 2019	TARGETS FOR 2019	ACHIEVEMENTS IN 2019
NEW NICHES  04 SHORT TO MEDIUM	Continuous Growth in Healthcare Industry Expanding our footprint by tapping into the local community segment Continue driving growth in Health Tourism by strengthening the KPJ brand in Indonesia, especially new market such as Java Island. In the same time exploring the new market in other regions such as China, Myanmar, Vietnam, Middle Eastern, Somalia and Bangladesh	Two Additional Operational Business 15% growth in health tourism	Achieved - JX Pharmacy; Three outlets i.e Bangi, Shah Alam and Damansara - KPJ Healthshoppe: 11 outlets at KPJ's hospitals Not Achieved Revenue and visits increased by 5% and 7% respectively
TALENT MANAGEMENT  05 CONTINUOUS IMPROVEMENT	Continue to create employment opportunities for future generations KPJ Healthcare University College acts as a source in training and nurturing talents of future professionals	Commencement of Academic Health Centre (AHC) and to be the first private hospital in Malaysia to adopt this AHC concept New programmes introduced To maintain secured employment Ability to produce	Achieved AHC in August 2019 Introduce five new programmes for further improvement in managing quality Secured employment for 71% of KPJUC Graduates from 2017-2019 Produced first batch of three graduates PhDs in Nursing and four graduates in Master of Radiology
BUSINESS IMPROVEMENT  06 CONTINUOUS IMPROVEMENT	Successful Migration to KCIS2 and HITS2 Ongoing migration of hospital systems to KCIS2 and HITS2 Take the Environment Protection Seriously Demonstrate our commitment to climate change according to the laws or act	HITS2 – 28 hospitals KCIS2 – 28 hospitals Energy used ≤ 27.69 kWh per sq ft Water utilised ≤ 111m3 per employee Hazardous waste ≤ 0.5 kg per patient	In Progress HITS2 – 11 hospitals KCIS2 – 11 hospitals Achieved Energy used at 23.48 kWh per sq ft Hazardous waste at 0.53 kg per patient Not Achieved Water utilised at 117m3 per employee
SUSTAINABLE VALUE FOR STAKEHOLDERS  07 LONG TERM RELATIONSHIP	Protect the Socio Economic Environment of Our Stakeholders Aiming to conduct and operate in a responsible and sustainable manner, as a valued member of the regional community Our objective was to offer return on investment to our stakeholders	Target > RM5 million spend on CSR activities and programmes To maintain a dividend pay-out ratio of not less than 30% of our profit after tax	Achieved Spent RM10.3 million Dividend per share of 2 sen, with total of RM 86.0 million in dividend payments, representing 38% dividend payout ratio

OUR BUSINESS ENVIRONMENT

WITH NUMEROUS GEOPOLITICAL CHALLENGES STEMMING FROM THE CHANGES IN THE WORLD AROUND US, KPJ FOCUSED ON BOTH SUSTAINABILITY AND INNOVATION, IN ORDER TO ASCERTAIN LONG TERM GROWTH.

Shifting geopolitical landscape, digitalization and demographic changes are some of the global trends that impact the demand for our healthcare services. In addition other global megatrends are also expected to govern market conditions for the global healthcare industry in the next few years. Our response to the ever-evolving market trends and regulatory factors will help us invest in carefully selected capital projects that deliver satisfactory returns, while also minimising risk to the business.

In 2019, the following factors produced the most significant impact on our operational landscape.

KEY HIGHLIGHTS

MALAYSIA RANKED



as world's best healthcare in 2019

ASIA PACIFIC ECONOMY

According to the International Monetary Fund, the Covid-19 pandemic is projected to cause the global economy to contract sharply by -3% in 2020. This projection is worse than that for the 2008-2009 Financial Crisis. The IMF, however, is more optimistic for 2021, when it estimates global growth at 5.8% on the assumption that the pandemic fades in the second half of 2020, containment effort are gradually scaled back and customer and investor confidence restored.

The economic fallout from the pandemic is expected to cause acute shocks in specific sectors. As such, policymakers need to implement targeted fiscal, monetary, and financial market measures to support affected households and businesses. The fiscal response has been swift and substantial in many advanced economies and emerging markets such as Australia, France, Germany, Italy, Japan, China, Indonesia and South Africa.

In Malaysia, the Government announced a direct fiscal injection of RM25b on 28 March 2020 to ease the burden of struggling businesses. A RM4.5b fund has been set up specifically for SMEs as well as a social financial programme that provides initial capital for micro entrepreneurs through zakat and matched with micro-financing repayments at affordable rates. Industries affected by the lockdown such as hotels, tour operators and ports have been given exemptions and deferred monthly loan repayments until next year.

In the latest briefing on 3 April 2020, Bank Negara (Malaysia's Central Bank) has reassessed the current GDP forecast of -2% to +0.5% for 2020. However, this can only be confirmed when the impact of the pandemic on the economy becomes clearer in Q2, 2020.

IMPACT ON KPJ, AND ACTIONS TAKEN

The implementation of the Movement Control Order (MCO) from March 18 saw the dwindling of patient numbers since only urgent surgeries were scheduled to minimise the risk of Covid-19 infection. Other impacts include a fall in foreign patient numbers and delays in the completion of new hospital projects and ACC outlets.

To ensure continuous patient care, KPJ introduced online consultation via secure online video meeting applications and free home delivery services for medicines. For patients who cannot be diagnosed online, KPJ offered home consultations and/or free transportation for patients to travel to their nearest hospital.

GLOBAL HEALTHCARE

In 2019-23, global healthcare spending is expected to rise at a CAGR of 5%, with the largest increase in annual healthcare spending lead by the Middle East/ Africa (7.4%), followed by Asia (7.1%). Global healthcare spending is expected to remain at 10.2% of GDP.

Despite uncertainties, stakeholders can chart their strategy and way forward by studying historic and current drivers of change, including a growing and aging population, infrastructure investments, technological advancements, higher labour costs amidst workforce shortages, evolving care models, rising prevalence of chronic diseases, and the expansion of health care systems in developing

markets. Ideally, the healthcare sector should shift their focus from treatment, to prevention and early intervention.

For years, the world's public and private health systems have been affected by global financial challenges, and the situation continued in 2019. This naturally made "value" an important consideration in healthcare payment reform. Digital giants and digital-first health solution disruptors are showing that there are more user-friendly and easier ways to conduct healthcare transactions.

Care model innovation is expected to be an important focal point in 2019 and beyond, as patients are no longer passive participants in their healthcare. They are demanding convenience, access, transparency, and personalized products and services. Therefore, it is crucial for healthcare providers to understand their patients and their needs and requirements.

Digital transformation has been progressing in healthcare. With digital finding traction, the healthcare systems will move from traditional data management (merely storing data) to extracting insights. This is a big area for growth in the coming years, despite the various challenges in migrating from outdated legacy platforms to new systems that cater to the needs of caregivers and patients, etc. However, in the ecosystem of constantly evolving business needs and scenarios, cybersecurity will continue to remain a prime concern.

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ASIA PACIFIC HEALTHCARE

In 2019, the growth of smart hospitals and developments in the home care segment and medical tourism has led to a forecasted growth of 7.2% for the Asia-Pacific (APAC) healthcare market.

In line with this growth trend, the demand for innovative healthcare programmes, technology, as well as drugs and medical devices based on advanced technology, has increased. Supportive government regulations and policies are instrumental for growth, and provided a major boost for projected market growth in the APAC healthcare industry.

Frost & Sullivan estimated that the Asia-Pacific healthcare market would be worth USD486.72 billion in 2019. However, healthcare challenges such as improving access and affordability of new technology require creative and innovative solutions from all industry stakeholders.

Emerging trends present growth opportunities for healthcare industry stakeholders, including pharmaceuticals, diagnostics, medical technology manufacturers, digital health vendors and healthcare service providers.

To harness the available opportunities, industry players must consider support for new business models, development of secure interoperable technology platforms, policy innovation, and the evolving role of consumers in healthcare.

Digital health is here to stay. Digital technology is dramatically changing healthcare as we know it, especially in the Asia Pacific, enabling improvements in the quality of drugs and medical devices. It also improves access to information and care as well as financial, clinical and operational workflows across all healthcare segments.

In the Asia Pacific region, KPJ operates primarily in Indonesia, Bangladesh and Australia. The operations we have in these three countries account for 3.6% of our revenue in 2019.

MALAYSIAN HEALTHCARE

In Malaysia, healthcare developments were largely mirrored by the 2020 budget. One of the most impactful Budget outcomes was the RM30.6 billion allocation for the Health Ministry. This constitutes a robust 6.6% increase compared to the previous year. The Malaysian Government is also committed to support the local medical device industry by setting aside RM227 million in a bid to encourage local producers to upgrade equipment and tools used in public clinics and hospitals, based on a minimum allocation of 30%. A further RM1.6 billion will be allocated to build new hospitals and upgrade existing ones.

According to the Mercer Marsh Benefits 2019 Medical Trends Around the World report, medical costs in 2019 surged by an average of 10.4% compared to the global average of 9.7%. In Malaysia, that figure rose to 13.4%. Insurers rightfully predicted this figure to

rise to about 10.3% in Asia and 13.6% in Malaysia. The numbers are expected to continue its ascend in 2020, according to Hervé Balzano, Mercer Marsh Benefits International Leader as rising medical costs show no signs of abating. In 2020, medical inflation will either remain constant or increase.

Supplier-driven reasons behind the constant rise are attributed to high cost pharmaceuticals and biologics (29%), new diagnostics and procedures (23%), and overprescribing of low-value health tests and procedures (18%). This is consistent with the underlying reasons behind Malaysia's rising medical costs, one of which is due to a bigger, older and sicker population consuming more healthcare. However, according to the Malaysian Department of Statistics, spending on health decreased to 1.3% compared to spending on food (+2.4%), utilities (+1.9%), alcohol/ tobacco (+2.3%) and communications (+2.1%). It is possible that natural and organic rise of healthcare costs may be indirectly correlated to increased spending levels for Malaysia as an upper-middle-income country.

This will be especially propitious to KPJ as the Group is one of the listed operators to benefit from the country being promoted as a major medical tourist destination in the region. 2 million international healthcare tourists are expected to arrive through our doors, up from the estimated 1.5 million in 2019. This will no doubt help KPJ cement a higher rate of both inpatient traffic and revenue per inpatient across our home markets.



DIGITALIZATION IN HEALTHCARE

Today, digital technology can be found in all parts of the healthcare value chain. Mobile use has driven the digital development in recent years and is being increasingly integrated into healthcare, both as a source of information and as a key tool in decision-making processes. Automation in the healthcare sector is primarily being achieved through the introduction of IT systems for processes and functions. An increasing number of products are also being connected in order to gather data and improve diagnostics, among other things. This demographic trend places demands on effective solutions that enable a shift from traditional reactive care to proactive care. Digitalisation, innovations in medical technology and other digital topics remained prominent in 2019. Global trends are moving towards incorporating technology in healthcare, and many digital transformation trends are occurring, which are intended to increase the quality of healthcare services while providing added benefits to patients.

These include Telehealth, Cloud Computing, Telemedicine, Cashless Transaction and Wearables. Private healthcare providers to leverage on the continuous development of IT infrastructure and medical technology in order to improve healthcare diagnostics and outcomes into the future, as part of our strategies to remain competitive for the long term.

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Malaysia's efforts to maintain high standards in its healthcare has yielded outstanding success. In 2019, Malaysia was named as the "Best Healthcare in the World Category" of the 2019 International Living Annual Global Retirement Index.

On the global healthcare travel stage, Malaysia Healthcare Travel Council (MHTC) won the International Medical Travel Journal (IMTJ) Medical Travel Awards 2019, and also Asia Pacific Healthcare & Medical Tourism Awards 2019. Besides that, MHTC also won the IMTJ Medical Travel Awards 2019 in Health and medical tourism: Cluster of the Year.

Private healthcare providers have also won numerous awards over the years, a testament to the dedication and commitment towards excellence by the country's healthcare players. For example, KPJ won Healthcare Asia Awards 2019 for Employee Engagement of the Year.

Malaysia has become a top destination for medical tourists seeking quality healthcare treatments abroad at competitive prices, particularly in South East Asia. Our top-notch private hospitals, ambulatory care centres and other private healthcare facilities are known for providing top quality, safe and effective treatments in comfortable surroundings with ease of access and affordable prices.

Exponential advances and interoperability in digital technologies are helping clinicians deliver health care services in ways that consumers prefer to receive them.

MORE CARE AT A LOWER COST

The global trend of population growth combined with longer life expectancy means that the number of elderly people in the world will rise sharply. We can also see a clear increase in lifestyle-related diseases, such as obesity and various types of cardiovascular diseases. According to the World Health Organization (WHO), the percentage of bariatric adults in the US increased from 25% to 34% in 2000-2014. Healthcare spend will increase considerably for society and this trend is generating continued growth in demand for acute and elderly care-related services and products

TRANSITION FROM ACUTE TO LONG-TERM CARE

With a growing population and an expanding proportion of elderly people, further demands are being placed on healthcare providers to deliver more care with fewer resources. The average total cost of a bed in an acute care unit is often significantly higher compared to a bed in a long-term care facility. To reduce costs, healthcare providers strive to reduce the patients' medical care time in acute care units. As a result, patients who require care over a longer period are increasingly being moved to long-term care facilities and home care, where the cost per day and per patient is significantly lower.

COMPETITIVE LANDSCAPE

In Malaysia, where KPJ generates most of its revenue, we operate in a highly competitive environment, in direct competition with other large private hospital networks, as well as smaller private clinics.

While KPJ currently leads the market with a 19% market share in the private healthcare sector, we continue to innovate and enhance our services, while continuously growing our capacity to serve a growing number of patients.

95%

OF OUR REVENUE

generated from our healthcare operations in Malaysia



STAKEHOLDER MANAGEMENT

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KPJ's stakeholders in the healthcare system are diverse and integrally involved. Inter-relationship among the stakeholders in the healthcare system is complex and would substantially be affected by the reforms to the system.

Our report on KPJ's stakeholder ecosystem will detail out the links between them and also the processes in which we adapt, innovate and refine the system in our mission to offer the patient-centric medical services. It also reflects KPJ's efforts to balance between meeting the needs of the evolving healthcare industry landscape and creating added value for our patients and customers.

The report also details how KPJ managed stakeholder expectations during health issues or emergencies. The Covid-19 pandemic, for example, is the major crisis that has impacted our stakeholders since the beginning of 2020. Every individual stakeholder - for example the Government, MOH and front liners/employees, suppliers - are directly or indirectly affected by this pandemic.

As a homegrown provider of healthcare services, KPJ undertook measures to support the Ministry of Health's (MOH) efforts to flatten the Covid-19 curve. We also held active conversations with suppliers and patients to manage potential disruptions or challenges in acquiring consumable items (PPE) and drug delivery.

To show our support in beating Covid-19 together, we collaborated with our sister company in Johor Corporation (JCorp) i.e. QSR Brands (M) Holdings Bhd to contribute food to MOH front liners and the underprivileged in our community. These efforts could reduce their burden and help them stay positive in facing the challenging situation.

Our 2019/2020 chart below showcases the interrelated groups mentioned above and how they influence the dynamics of KPJ's business. All stakeholders have duties and responsibilities.

OUR STAKEHOLDER ECOSYSTEM



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PATIENTS

Stakeholder Relevance	<p>Patients are the cornerstone of KPJ's business and we place emphasis on enhancing the quality of life of our patients by providing comprehensive high-quality healthcare services.</p> <p>KPJ strives to be the most trusted provider of healthcare services in Malaysia.</p>	
	METHODS OF ENGAGEMENT <ul style="list-style-type: none"> • Customer Satisfaction Survey • Corporate and hospitals' websites • Comprehensive integrated social media presence • Health-related information magazines • Health Awareness Days • Service Brochures with hospital information 	FREQUENCY <ul style="list-style-type: none"> • Quarterly • Ongoing • Quarterly • Quarterly • According to the World Health Organisation's (WHO) calendar • Ongoing
Key Feedback/ Expectations	<ul style="list-style-type: none"> • Delivery of quality healthcare and services • Respecting the needs and satisfaction levels of patient • Best possible clinical outcomes • World class facilities and technology 	<ul style="list-style-type: none"> • Patient experience within KPJ's hospital environment • Respecting the needs and satisfaction • Health awareness and information • Patient and family engagement during the recovery process
KPJ's Response to Stakeholder Expectation	<ul style="list-style-type: none"> • Standardised Customer Satisfaction Index (CSI), to enable comparative measurement of patient system satisfaction among KPJ's hospitals and benchmark them with previous years' achievements • The quality and safety of patient care is material for KPJ. Among the list of safety statistics and data collected to measure outcomes are: <ol style="list-style-type: none"> i. Clinical Indicators & Performance/ Outcomes ii. Infection Control iii. Mortality & Morbidity 	<ul style="list-style-type: none"> • KPJ contributes towards a sustainable healthcare through improved patient access and maximising the use of latest technology in patient care to maintain patients' loyalty • Encourage hospitals to initiate activities to increase patients' satisfaction such as voluntary programmes • Education information for raising patient/public awareness updated via media social platforms and at the hospitals (e.g Covid-19) • Provide efficient medicine supply systems (i.e. medication delivery service) and testing (i.e. drive through) to ensure uninterrupted availability and accessibility of essentials medicine and special test(health service support during MCO)
Impact and Link to Strategic Thrusts	Impact on Strategy <p>Concerns raised can impact KPJ's ability to offer quality healthcare services and best clinical outcomes. It also affects our ability to create sustainable long-term value for our stakeholders.</p>	Link to Strategic Thrusts <div>   </div>



EMPLOYEES & CONSULTANTS

Stakeholder Relevance	<p>15,264 employees (which include 7,029 nurses and 2,047 allied health professionals) and 1,105 consultants are valuable human capital and their trust and respect are vital to KPJ's success. We listen and respond to their needs and concerns through effective communication.</p> <p>KPJ invests in our employees' welfare and programmes as the preferred employer of choice.</p> <p>KPJ communicates and invests in a marketing strategy for new packages and services, including sub-speciality and procedures, new medication and technology offered by our consultants.</p>	
	METHODS OF ENGAGEMENT <ul style="list-style-type: none"> • Town hall meetings such as our Corporate Address-PEDOMAN • Employee performance review • Staff wellness and recognition programmes • Talent Management Day • Employee Engagement Survey 	FREQUENCY <ul style="list-style-type: none"> • Twice a year • Annually
Key Feedback/ Expectations	<ul style="list-style-type: none"> • Training and development of employees • Recognition and competitive remuneration • Ethical leadership • Fair and equitable benefits • Recruitment and retention of skilled staff 	<ul style="list-style-type: none"> • Provide positive workplace culture and a safe work environment • Address the shortage of key medical staff • Consultants' engagement with public • Address the long waiting time for patients due to ineffective process
KPJ's Response to Stakeholder Expectation	<ul style="list-style-type: none"> • Fair and equitable employee benefits and welfare provision • Every employee is committed to ethical behaviour as set out in the Group's Code of Ethics and Business Conduct • Safety at the Workplace • The Group aims to minimise KPJ's environmental impact and guides employees in the identification and management of all risks and opportunities through our sustainability awareness program • Provide opportunity and involvement of the consultants in hospitals' activities to educate the public 	<ul style="list-style-type: none"> • Provide well-trained staff, latest equipment and updated systems with KCIS2 and HITS2 • Provide well-trained staff with Disaster & Management Plan, Clinical Related (Code Blue, Code Pink) • All KPJ Group staff have been briefed on safety procedures, uninterrupted supplies and availability of enhanced PPE as precautionary measures against Covid-19. • KPJ conducts Innovative & Creative Circle (ICC) annually, as a platform for innovation to ease the patient's journey in their dealing with KPJ hospitals such as waiting time
Impact and Link to Strategic Thrusts	Impact on Strategy Our employees and consultants expectations are related to KPJ providing them a safe, motivating and rewarding work environment and workplace. It is important that the Management continues promoting a positive working environment at all times.	
		Link to Strategic Thrusts <div> </div>

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INVESTORS & SHAREHOLDERS

Stakeholder Relevance	<p>KPJ's primary objective is to create value for our shareholders as the owners and providers of equity capital to the business. The Group is accountable to its stakeholders, and reports to shareholders and the public by effectively providing communications on our operational and financial performance.</p>	
	<p>METHODS OF ENGAGEMENT</p> <ul style="list-style-type: none"> Financial Results Investor Relations Presentations which are available on the website at https://kpj.listedcompany.com/slides.html Corporate website Analyst meetings - small group meeting, one-on-one meeting, conference calls General Meetings (Annual General Meeting/ Extraordinary General Meeting) Participation in Investor Roadshows/ Conferences 	<p>FREQUENCY</p> <ul style="list-style-type: none"> Quarterly/Annually Ongoing On request basis Annually
Key Feedback/ Expectations	<ul style="list-style-type: none"> Continued growth and financial sustainability Clear and transparent reporting Good Corporate Governance KPJ's Strategy to recover fully after the pandemic 	
KPJ's Response to Stakeholder Expectation	<ul style="list-style-type: none"> Consistent financial and non-financial performance Timely reporting of results, data and statistics pertaining to operational and financial performance <ul style="list-style-type: none"> Maintaining an effective IR activities by leveraging the technology through the Covid-19 Pandemic Guide investors look into the future and gaining trust to the management team Active communication in updating business performance and responding to the impact (e.g Disease pattern such as Covid-19, new regulations, merger and acquisition, etc) 	<ul style="list-style-type: none"> Transparent disclosure of corporate responsibility, integrity and accountability as enshrined in Malaysian Code on Corporate Governance 2017 Transparent disclosure of Environmental, Social and Governance (ESG) in corporate reporting as required by FTSE4Good Bursa Malaysia Index, the globally recognised index launched by the FTSE Group.
Impact and Link to Strategic Thrusts	<p>Impact on Strategy</p> <p>Our investors and shareholders are linked to our shareholder wealth creation agenda.</p>	<p>Link to Strategic Thrusts</p> 



GOVERNMENT & REGULATORS

Stakeholder Relevance	<p>Our business model relies on full compliance to all applicable laws and regulations. The Group engages with various government bodies on a continuous basis. Key government regulators include the Ministry of Health (MOH), Department of Occupational Safety and Health (DOSH) Department of Environment (DOE), BOMBA, Ministry of Human Resources (MOHR), Ministry of Higher Education (MOHE) and Malaysia Medical Council (MMC)</p>	
	METHODS OF ENGAGEMENT <ul style="list-style-type: none"> • Licence applications • Inspection of facilities • Active engagement on healthcare legislation/ regulation • Representation on government bodies – Dean of School of Nursing KPJUC is appointed as a member of the Malaysian Nursing Boards • Private-Partner Partnership Program with Government 	FREQUENCY <ul style="list-style-type: none"> • Annual meetings for licence renewal • For every new application • Quarterly meetings by the representatives
Key Feedback/ Expectations	<ul style="list-style-type: none"> • Impacted by cost of private healthcare • Enforcement to improve on patient safety via the Malaysian Patient Safety Goals • Addressing training needs and skills shortage • Regulatory reforms relating to hospital planning • Allowed participation of private hospitals in the provision of public facilities 	
KPJ's Response to Stakeholder Expectation	<ul style="list-style-type: none"> • KPJ's adherence to regulatory requirements and strategic response to the healthcare market and commitment to manage environmental impact is embedded into our Group's management and operations, and cascaded down to all business units • KPJ via APHM contributing equipment, staff and consultants during the pandemic Covid-19 	
Impact and Link to Strategic Thrusts	Impact on Strategy <p>The Government and regulators bear an impact upon our ability to offer quality healthcare services and our accountability in our stewardship of natural resources.</p>	Link to Strategic Thrusts <div>      </div>

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INTERMEDIARIES

Stakeholder Relevance	<p>All players in healthcare funding, such as employers, third party administrators, insurance companies and managed care organisations remain the Group's largest client base. Other than that, we also engage with media, insurance and takaful brokers, commercial and investment bankers</p>	
	METHODS OF ENGAGEMENT <ul style="list-style-type: none"> • Regular meetings regarding possible cost • Contract negotiations and renewal • Update on promotions and value added services • Panelship agreement • Quarterly results announcements • Media releases/Media Announcements • Quarterly briefings • Media appreciation 	FREQUENCY <ul style="list-style-type: none"> • Weekly/monthly/ quarterly/annually meetings
Key Feedback/ Expectations	<ul style="list-style-type: none"> • Clinical quality and healthcare delivery improvements • High quality of services rendered in hospitals to garner high patient satisfaction levels • The reasonable price/cost of healthcare in private hospitals especially in medical treatment packages and services • Revised contracts, agreement and arrange panelship for new KPJ hospitals with major corporate clients • News and write up about KPJ hospitals management 	
KPJ's Response to Stakeholder Expectation	<ul style="list-style-type: none"> • Corporate Client Management is a fundamental part of our Customer Service philosophy, particularly in relation to intermediaries and their activities and performance • In terms of quality and patient safety, KPJ shares and discusses relevant information to address healthcare intermediaries' concerns • We constantly monitor all related news regarding KPJ on various platforms • Provide accurate, truthful information-something that will be of interest to media's readership 	
Impact and Link to Strategic Thrusts	Impact on Strategy <p>Our relationship with large part of intermediaries affect the Group's ability to offer a wide range of healthcare packages and services as well as influence customer demand.</p>	Link to Strategic Thrusts <div>  01  02  04  06  07 </div>



ACCREDITATION BODIES & INDUSTRY ASSOCIATIONS

Stakeholder Relevance	<p>MSQH is an accreditation body promoting continuous quality improvements and safety in the Malaysian healthcare industry. As at January 2020, there were 62 accredited private hospitals in Malaysia. KPJ accounts for 31% of the accredited private hospitals in Malaysia, with 19 of our hospitals having MSQH accreditation.</p> <p>Four of our hospitals are JCI accredited. Out of a total of 11 JCI accredited private hospitals in Malaysia, 33% are KPJ hospitals. KPJ is also a member of the Association of Private Hospitals in Malaysia (APHM), which plays an important role in raising the standards of medical care in the country.</p> <p>Other key industry associations are National Specialist Register (NSR), Malaysia Medical Association (MMA) and Malaysia Healthcare Travel Council (MHTC)</p>
	<div> <div> METHODS OF ENGAGEMENT <ul style="list-style-type: none"> Membership of the following bodies: KPJ's Management serve as a President and Treasurer in MSQH and APHM KPJ Medical Director and Senior Management serve as Board members in APHM KPJ Chief Nursing Officer serves as Nursing Committee Member in APHM KPJ's Board Member and a few consultants serve as Specialty Subcommittee Medicine of Respiratory Medicine in National Specialist Register (NSR) Participation in conferences </div> <div> FREQUENCY <ul style="list-style-type: none"> Annually – MSQH's AGM Annually – APHM Conference Meetings with the representatives and others </div> </div>
Key Feedback/ Expectations	<ul style="list-style-type: none"> KPJ Policy emphasis on accreditation based on industry standards are communicated through APHM and MSQH vis-à-vis MOH, MOF, etc Participation in Public-Private Partnership program via APHM
KPJ's Response to Stakeholder Expectation	<ul style="list-style-type: none"> KPJ complied with the MSQH 5th Edition Accreditation Standard in relation to hospital accreditation KPJ's involvement via its hospitals to support initiatives done by APHM
Impact and Link to Strategic Thrusts	<div> <div> Impact on Strategy <p>The management and operations of industry certified and accredited hospitals affect our ability to generate the sustainable and long-term growth of our network of hospitals within the healthcare industry.</p> </div> <div> Link to Strategic Thrusts <div>     </div> </div> </div>

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SUPPLIERS

Stakeholder Relevance

In order to deliver high quality healthcare services, we are dependent on a large and diverse range of suppliers such as medical and non-medical suppliers.

KPJ relies on our vendors and suppliers to deliver products and services of the highest quality in line with internal, regulatory and accreditation agency standards.

Our list of suppliers contains medical equipment distributors, medicine, technology vendors, developers or contractors, including waste management contractors, consultants and agencies.

METHODS OF ENGAGEMENT

- Regular Meetings with medical and non-medical suppliers
- Tender, bidding, quotation and contract negotiation
- Product demonstrations and evaluations
- Trainings and collaboration in events
- Procurement process

FREQUENCY

- Weekly, monthly, quarterly and annually

Key Feedback/ Expectations

- Compliance with applicable regulatory requirements and quality standards
- Availability of products and services and ability to provide continuous support
- Fair and transparent negotiations
- Active communications during the critical short of supplies
- Supply chain practices

KPJ's Response to Stakeholder Expectation

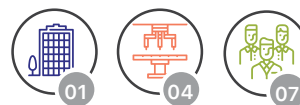
- The Group is focused on streamlining and centralising our procurement processes to improve on efficiency and cost effectiveness
- The procedure for the selection of suppliers/contractors is based on consistency in promoting sustainable development, being environmentally friendly and concerns regarding corporate reputation.
- Formal procurement processes include selection by criteria applied regarding tenders, contracting and preferred supplier agreement
- Overall responsibility for clinicians lies within the Clinical Governance Framework
- Contracted vendors and suppliers for medical and non-medical products are required to adhere to KPJ's Corporate Integrity Agreement (CIA) and the KPJ Safety, Health and Environmental Policy
- Reporting performance and monitoring to improve efficiency throughout the supply chain

Impact and Link to Strategic Thrusts

Impact on Strategy



Our suppliers are a key enabler in achieving our objective to offer quality healthcare services.

Link to Strategic Thrusts





LOCAL COMMUNITIES

Stakeholder Relevance	<p>KPJ is committed to a sustainable long-term engagement through the Klinik Waqaf Al-Nur (KWAN) clinics with the communities.</p> <p>We practice an engagement policy of mutual understanding, trust and reliability to our patients family or caregivers, employees' family, owners and tenants at our premises as well as our KPJUC students.</p> <p>Apart of our staff, we appreciate all of MOH's front liners that fight Covid-19 nationwide.</p>	
	METHODS OF ENGAGEMENT <ul style="list-style-type: none"> • KWAN either as Static or Mobile Clinics • Baby Hatches at the hospitals • Partnership CSR programme • Environmental programme 	FREQUENCY <ul style="list-style-type: none"> • Daily activities
Key Feedback/ Expectations	<ul style="list-style-type: none"> • Health awareness • Affordable and accessible healthcare • Development of communities with solidarity, social welfare, health and safety • Students have a higher expectation of job security 	
KPJ's Response to Stakeholder Expectation	<ul style="list-style-type: none"> • Continuous investments in identified community engagement programmes, in line with World Health Organisation's promotions and initiatives • Expanding reach of social healthcare services targeting urban poor and rural areas at all time • In order to serve quality healthcare and services to our communities, 8 of KWAN clinics are MSQH accredited • KPJUC conducts in-campus interviews for working placements as per our hospitals' requirements and assisting future graduates for job opportunity at the other private hospitals and other employers • Contribution of KPJ medical consultants who serve on a pro bono basis to serve non-Covid 19 patients that referred by MOH 	
Impact and Link to Strategic Thrusts	Impact on Strategy <p>Our engagements with local communities provide a platform for us to showcase our good corporate citizenship practices.</p>	Link to Strategic Thrusts <div>   </div>

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



MATERIAL MATTERS

KPJ TAKES INTO ACCOUNT A RANGE OF INTERNAL AND EXTERNAL FACTORS WHICH IN TURN IMPACT IN IDENTIFYING MATERIAL MATTERS, OUR LONG-TERM VALUE CREATION. THESE INCLUDE OUR EXTERNAL OPERATING ENVIRONMENT, STRATEGIES, STAKEHOLDER EXPECTATIONS AND KEY RISKS AND OPPORTUNITIES.

Any matters which have a direct or indirect influence on KPJ's capacity in the creation, preservation and growth of our financial, economic, environmental and social value are considered to be material. For more information on our business environment, please refer from pages 28 to 32.

More details on our group strategy can be found on pages 26 and 27, while details of our stakeholders can be found on pages 33 to 41 and our key risks and opportunities on page 49. We also look into the Covid-19's impacts on our materiality matters as explained as below.

MATERIAL MATTERS	FACTORS	AFFECTED STAKEHOLDER GROUPS	LINK TO STRATEGIC THRUSTS	LINK TO KEY RISKS & OPPORTUNITIES
Cost of Healthcare Services 	<ul style="list-style-type: none"> Exchange rate uncertainties of Ringgit Malaysia affect cost of imported items like drugs, surgical items and medical equipment The disruption of supply chain will lead to the price hikes from scarcity of supplies globally for healthcare essentials Staff costs inflation due to shortages of experienced specialised healthcare professionals and competition from other operators Efficient and vigorous cost optimisation measures to manage direct costs and operating overheads; procurement policies designed to obtain from the best sources at lowest prices possible; investing the technology and in energy efficient appliances to optimise energy consumption. Since private healthcare services are priced based on "cost plus" model, optimal cost management will promote an efficient and competitive pricing framework 	<ul style="list-style-type: none"> Patients, Intermediaries Government & Regulators Accreditation Bodies & Industry Associations Investors & Shareholders Local Community 	   	<ul style="list-style-type: none"> Ensuring availability of key medical staff & consultants Clinical care
Managing and Retaining Talent 	<ul style="list-style-type: none"> Shortage of experienced specialised nurses and specialist consultants due to competition from other hospital operators Competitive remuneration packages and benefits to attract and retain the right talent Conducive working environment and culture to promote healthy work life balance 	<ul style="list-style-type: none"> Employees & Consultants Investors & Shareholders 		<ul style="list-style-type: none"> Ensuring availability of key medical staff

MATERIAL MATTERS	FACTORS	AFFECTED STAKEHOLDER GROUPS	LINK TO STRATEGIC THRUSTS	LINK TO KEY RISKS & OPPORTUNITIES
Government Regulations 	<ul style="list-style-type: none"> • Strict licensing regime under the Private Healthcare Facilities and Services Act 1998 • Cost of compliance with stringent regulations on licensing of hospital facilities, staffing ratio, quality standards, security of medical records, occupational safety & health 	<ul style="list-style-type: none"> • Government & Regulators • Intermediaries • Patients • Employees & Consultants • Investors & Shareholders 	      	<ul style="list-style-type: none"> • Government Policy & Compliance with laws, regulations and other applicable requirements
Quality of Service Standards 	<ul style="list-style-type: none"> • Patient-centric, qualified and experienced healthcare professionals • Strict adherence to government regulations, accreditation standards and KPJ Clinical Governance Framework 	<ul style="list-style-type: none"> • Patients • Intermediaries • Employees & Consultants • Investors & Shareholders 	   	<ul style="list-style-type: none"> • Clinical care • Compliance with accreditation requirements • Ensuring availability of Key Medical staff & Consultants • Insurance Management
Funders for Healthcare Services 	<ul style="list-style-type: none"> • Intermediaries like private insurance companies, managed care organisations and corporate employers contribute around 70% of hospitals revenue, however due to the prolonged Covid-19 impact is anticipated to reduce corporate spending. • Patients with medical insurance cards or undertaking letters from employers are able to be treated at any KPJ hospital nationwide • Collectively, these intermediaries have strong bargaining power on how much KPJ can charge for services, hence influencing KPJ revenue and market share 	<ul style="list-style-type: none"> • Patients • Employees & Consultants • Investors & Shareholders • Intermediaries 	   	<ul style="list-style-type: none"> • Clinical Care • Integrity & Ethics

KEY RISKS & OPPORTUNITIES

TO ADD TO OUR VALUE CREATION JOURNEY, KPJ PERSISTENTLY MONITORS AND ASSESSES PREVAILING AND FUTURE RISKS IN THE HEALTHCARE SECTOR, IN ORDER TO IDENTIFY CURRENT EMERGING OPPORTUNITIES. THIS IS PART OF OUR METICULOUS RISK IDENTIFICATION AND MANAGEMENT PROCESS.

RISK DESCRIPTION	IMPACT OF RISK ON KPJ	HOW WE MANAGE THE RISK
01 Ensuring Availability of Key Medical Staff & Consultants		
Growing demand for private healthcare services could potentially lead to a shortage of suitably qualified and experienced staff to provide patient centric care to our customers.	<p>In order to ensure profitable growth in line with KPJ's long-term strategies, the expansion of KPJ's network of hospitals and the upgrading of existing hospitals require additional suitably qualified staff to cater to growing needs.</p> <p>The retirement of senior doctors may also jeopardise the continuity of the talent pool in certain sub specialities.</p>	<ul style="list-style-type: none"> KPJ focuses on staff retention, and pursues various training and productivity strategies to widen staff career opportunities to serve the Group. To ensure a strong talent pipeline, KPJ has KPJUC that conducts various medical and healthcare courses from certificates to PhD level. Our wide network of hospitals that are equipped with international standard facilities and equipment is a strong pull factor for specialist doctors to join the Group. KPJ's robust Clinical Governance Framework that promotes clinical safety and excellence offers a strong safety net for healthcare professionals. Continued investment in appropriate skills development and offering a succession plan programme and reward strategy to retain our talents and professionals.
02 Clinical Care		
Delivering high quality, customer focused healthcare services to provide for market needs and expectations.	Failure to provide high quality patient centric care may lead to negative media comments and patients dissatisfaction that will affect KPJ's reputation and drive away customers.	<ul style="list-style-type: none"> Medical Advisory Committee (MAC) as the apex clinical committee overseeing KPJ's Clinical Governance Framework and guidelines for sound and ethical medical practices. The MAC has various sub-committees within its purview namely Clinical Governance Policy Committee, Clinical Governance Action Committee, Clinical Ethics Committee and Research & Development Committee. Clinical Risk Management Committee (CRMC) to review and oversee the effectiveness of the clinical ERM framework, with all major clinical risks and incidents related to patient and staff safety presented to CRMC. KPJ Patient Safety Goals under the purview of the MAC are designed to ensure all KPJ hospitals are offering patients the best care possible. The analysis of trends of clinical outcomes are monitored and act as reference to mitigate any risk that relates to clinical and infectious disease.
03 Government Policy & Compliance with laws, regulations and other applicable requirements		
KPJ operates in a highly regulated environment which includes laws passed by the Malaysian Government pertaining to private healthcare facilities such as the Private Healthcare Facilities and Services Act 1998 (Act 586) and Occupational Safety and Health 1994 (Act 514).	Failure to comply to laws and regulations could result in KPJ being subject to patient claims, fines, penalties, damage to reputation, suspension from the treatment of patients, loss of operating licence or accreditation which would result in the Group not being able to operate one or more of its hospitals thus causing a reduction in earnings.	<ul style="list-style-type: none"> KPJ continues to strengthen its ERM framework and associated policies and procedures to ensure risks are mitigated as far as possible. KPJ has in place significant Clinical Care processes and policies overseen by MAC and CRMC to ensure continuous compliance with existing laws, rules and regulations. KPJ continuously engages with the Ministry of Health Malaysia to remain up to date on any potential changes in Government Policy. In 2019, the Health Minister had announced that the Cabinet has approved the drug price controls and the Ministry of Health, together with the Ministry of Domestic Trade and Consumer Affairs (KPDNHEP), will work to gazette the regulations under the Price Control and Anti-Profiteering Act 2011 (Act 723).

KEY ACHIEVEMENTS/ ACTIVITIES IN 2019 TO MITIGATE RISKS

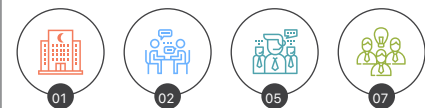
LINK TO MATERIAL MATTERS & OUR SEVEN STRATEGIC THRUSTS

- Five new programmes were introduced in 2019, namely:
 1. Postgraduate in Internal Medicine
 2. Bachelor of Medical Imaging (Flexi Mode)
 3. Bachelor of Nursing (Flexi Mode)
 4. Diploma in Healthcare Management
 5. Post Basic in Perioperative Nursing
- KPJUC conducted three in-campus interviews for working placements as per our hospitals' requirements.
- Talent Management services conducted interviews for placement and increased our clinical staff by 8% in 2019.
- 69 new resident consultants of various specialties joined the Group in 2019.

Material Matters

- Managing and Retaining Talent

Strategic Thrusts



- Clinical Governance Policy Committee approved ten new policies and seven were also updated.
- Clinical surveys were conducted on 25 hospitals covering 14 service areas.

Material Matters

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

Strategic Thrusts

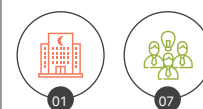


- Continuously engage with MOH to remain up to date on any potential changes in Government regulations and policies.
- Ensured all non-compliance issues were complied with prior to renewal of operating licences.
- Embarked on the implementation of ISO 45001 (Occupational Health & Safety Management System).
- KPJ had formed a Task Force Committee to understand and keep abreast of the development and implementation plans from the Ministry's plan to regulate drug prices, engage with authorities and policy makers of KPJ's stand in matters may impact the Group, estimate risk & financial impact to the group performance and propose measures to mitigate/reocer from the potential revenue loss.

Material Matters

- Government Regulations

Strategic Thrusts



RISK DESCRIPTION	IMPACT OF RISK ON KPJ	HOW WE MANAGE THE RISK
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04 Integrity & Ethics

Expectations for employees of the Group to adhere to the highest standards of ethical conduct and values, and to avoid conflict of interest in any ongoing or potential business dealings in the Group with various suppliers and service providers.

Non-compliance could affect KPJ's reputation in the marketplace, thus diluting its brand value and market appeal.

- Staff reaffirm their commitment to KPJ through the Staff Integrity Pledge Ceremony.
- Employees to report any misconduct or unethical behaviour by any staff member directly to the President and Managing Director.
- Comprehensive Whistle-Blowing Policy covering three tiers of whistle-blowing reporting line ie , President and Managing Director, Chairman of the Audit Committee, and Chairman of the Board.
- KPJ is a signatory to the "Malaysian Corporate Integrity Pledge" since 2011.
- No Gifts and Entertainment Policy applicable to all staff.
- Asset Declaration Policy applicable to staff of Manager grade and above.
- Tender Evaluation Committee is responsible for evaluating all tenders for purchases, award of contracts and appointment of project development consultants/ advisors and makes its recommendation to the Building & Tender Board Committee.
- KPJ is moving towards obtaining the ISO 37001:2016 Anti Bribery Management System ('ABMS') certification by September 2020, as part of the Group's preparation to manage the corporate liability risks that may face in its business, in order to meet the requirements of Section 17A Malaysian Anti-Corruption Commission Act 2009 that will come into force on 1st Jun 2020.

05 Compliance with Accreditation Requirements

KPJ's hospital accreditations are obtained from internationally acknowledged bodies, namely the Malaysian Society for Quality in Health (MSQH) and the Joint Commission International (JCI), which puts its hospitals on par with international hospital accreditation standards.

It is necessary to maintain KPJ's hospital accreditations in order to remain a leader in the marketplace, thus ensuring its reputation as the healthcare provider of choice.

- Maintaining national and international accreditation to remain a leader in the healthcare sector and to support health tourism initiatives.
- All hospitals with the MSQH and JCI accreditations have to undergo stringent surveillance audits by the respective surveyors and audit teams to ensure compliance with accreditation standards and requirements before accreditation certification can be renewed, usually every three years.

06 Insurance Management

KPJ, as with other healthcare companies, is sometimes subjected to legal actions alleging negligence, malpractice and other claims.

Any legal action could potentially lead to the payment of damages and significant legal costs.

- KPJ has in place adequate insurance coverage on its major assets and to protect against potential liability arising from its operations.
- All specialists, medical officers and other healthcare professionals of KPJ Group are covered by Medical Malpractice Insurance to mitigate against medico-legal risks in the course of performing their duties.

KEY ACHIEVEMENTS/ ACTIVITIES IN 2019 TO MITIGATE RISKS

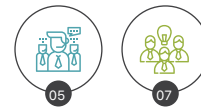
LINK TO MATERIAL MATTERS & OUR SEVEN STRATEGIC THRUSTS

- Declaration of Asset extended to all staff.
- Declaration of Integrity Pact by all tenderers prior to their tender submission.
- Continuously ensuring that all staff reaffirm their commitment through the staff Integrity Pledge Ceremony during PEDOMAN and e-integrity pledge via Employee Self Service (ESS) system.
- In 2019, 629 new vendors and suppliers have signed the Corporate Integrity Agreement (CIA) with KPJ. To date, a total of 8,214 vendors and suppliers have signed the CIA.
- Signing of 'Borang Peradaban' declaration for all staff on a yearly basis to encourage employees to report any misconduct or unethical behaviour committed by anyone within the Group.
- Covered all Integrity Talk/Roadshow except for KPJ Klang, KPJ Sabah & Sterile Services in 2019.
- In-line with the National Anti-Corruption Plan 2019 – 2023 launched by the Government in January 2019, four (4) officers from KPJ had certified as Certified Integrity Officer (CeIO), a programme in collaboration with JCorp and Malaysian Anti-Corruption Commission (MACC) focusing in managing the business integrity and its components.
- In 2019, the Tender Evaluation Committee conducted 9 meetings evaluating all tenders for purchases, award of contracts and appointment of project development consultants/advisors, thereafter making its recommendation to the Development and Procurement Committee.

Material Matters

- Managing and Retaining Talent
- Quality of Service Standards
- Funders for Healthcare Services

Strategic Thrusts



- All hospitals are certified with IMS Certification that includes ISO 9001:2015 Quality Management System, OSHAS 18000:2007, ISO 14000:2015 Environmental Management System and ISO 22000:2018 Food Safety Management System.
- All hospitals are moving towards the conversion from ISO 18001:2007 OSHAS to ISO 45001:2018 Occupational Safety and Health Management System.
- 19 hospitals are MSQH accredited, while 4 are JCI accredited.
- 8 KWAN clinics are MSQH accredited.
- 2 of our hospitals, namely KPJ Ampang Puteri and KPJ Damansara were certified with the Gold-Level Excellence in Person-Centred Care from Planetree International, the first and only in Asia Pacific region.
- 13 of our hospitals were certified with Baby Friendly Hospital Initiatives (BFHI).

Material Matters

- Government Regulations
- Quality of Service Standards

Strategic Thrusts



- Renewal of insurance policies for the period of coverage from 1 January 2020 until 31 December 2020. Prior to the renewal, we undertook a comprehensive risk review of the Group's insurance needs, taking into account changes in the operating environment as well as assets and liabilities.

Material Matters

- Quality of Service Standards

Strategic Thrusts



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RISK DESCRIPTION	IMPACT OF RISK ON KPJ	HOW WE MANAGE THE RISK
Cybersecurity		
KPJ's IT platform supports a number of management, administrative and clinical processes which are crucial for the smooth operations of the Group.	KPJ's business could be disrupted if its information systems fail or if its databases are breached, destroyed or damaged.	<ul style="list-style-type: none">• Dedicated team of IT Security professionals to protect KPJ's IT Infrastructure and Systems.• KPJ IT Security team has put in place the following security system, policies and procedures:-<ul style="list-style-type: none">- Patch Management to ensure all servers and end user devices are fully updated to the latest security patches.- Robust security access policies and procedures in accordance to User Access Matrix which defines the User Access Rights and Privileges.- Tighter Enforcement of access privilege control, remote access control and USB control.• User awareness and cybersecurity vigilance.
Readiness to Respond to Major Internal or External Incidents		
During an emergency or an internal or external disaster, KPJ has to respond in a timely manner to critical incidents.	Failure to respond in a measured manner and ensure smooth hospital operations despite the emergency or internal or external disaster would lead to the disruption of hospital operations. This would cascade down to impact the Group's reputation in the marketplace, and affect its future profitability.	<ul style="list-style-type: none">• KPJ has a Business Continuity Management (BCM) Plan in place to ensure that critical business processes can be maintained or restored in the event of a major internal or external incident including managing environmental impact.• KPJ has adopted the requirements of the Private Healthcare Facilities and Services Act 1998 (Act 586), Occupational Safety and Health 1994 (Act 514), Environmental Quality Act 1974 JCI and MSQH in formulating the BCM.
Framework for Management of Risk		
KPJ faces various risks in its ongoing regional operations which need to be assessed, evaluated and mitigated in a timely manner and reported.	The establishment of clear structures of risk assessment and management that KPJ faces in its regional operations is necessary to ensure that risks are dealt with effectively to minimise its impact on KPJ's operations and profitability.	<ul style="list-style-type: none">• Risk management activities are coordinated through a risk reporting and escalation framework known as "Incident Reporting & Root Cause Analysis" via Q-Radar portal.• The Group adopts with the KPJ Risk Management Guideline (adopting ISO 31000:2018). The guidelines were developed to enable all Hospitals within the Group to identify, assess, monitor and where necessary to make decisions in order to take actions to address and communicate the risks. A common template will enable efficient benchmarking, exchange of information and ideas to address risks while allowing for audits to be performed coherently across the hospitals.

KEY ACHIEVEMENTS/ ACTIVITIES IN 2019 TO MITIGATE RISKS

LINK TO MATERIAL MATTERS & STRATEGIC THRUSTS

- Implemented new User Access Matrix (UAM) at all hospitals to enhance systems access security.
- Regular IT Security Bulletins and IT Security Workshops to all staff to create awareness and enhance cybersecurity vigilance.
- Constant 24 x 7 monitoring of security infrastructure by Security Operation Centre.
- Security enforcement for Users' and Administrator's Access & Privilege control, Remote Access.
- Connection control, KPJ Domain Control for all Desktop and Notebook, and USB Devices Control.

Material Matters

- Quality of Service Standards

Strategic Thrusts



- In 2019, a total of 28 Fire Safety Training & Drill and Disaster, Emergency Training & Drill (internal and external) were conducted in the Group.
- In December 2019, flash flood incident was happened in KPJ Ampang Puteri but there were no evacuation of patients took place. Code yellow (internal disaster) was declared to initiate disaster protocol. The incident was successfully managed by the hospital Emergency Response Team.
- Revision of Disaster Preparedness and Emergency Management Manual by 8 hospitals in 2019 with new identified code for Bomb Threat (Code Black).
- KPJ had formed a Task Force Committee on Covid-19 to document the protocols for handling Covid-19 outbreak/pandemic based on MOH Guidelines 2019 Novel Coronavirus Covid-19.

Material Matters

- Government Regulations
- Quality of Service Standards

Strategic Thrusts



- In March 2019, The Group issued the 2019 KPJ Risk Management Guidelines to all its hospitals, which was formulated based on ISO31000:2018 Risk Management. The new Guidelines superseded the old guidelines which were based on the Australian/New Zealand Standard 4360/1990 Risk Management and HB 228/2001 Guidelines for Managing Risks in Healthcare.
- Appointment of Risk Officers at all hospitals to coordinate and monitor the implementation of risk management activities across all operations.
- In November 2019, Risk, Compliance & Investor Relations conducted a meeting with all Risk Officers. Key areas discussed during the meeting includes Hospital's KPI, sharing of common findings of major incident report and overview on corporate, integrated and sustainability reporting.

Material Matters

- Quality of Service Standards

Strategic Thrusts



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STATEMENT FROM OUR CHAIRMAN





DEAR SHAREHOLDERS AND STAKEHOLDERS OF KPJ,

IT IS A PRIVILEGE FOR ME TO DELIVER THIS STATEMENT IN MY
FIRST YEAR AS CHAIRMAN OF KPJ HEALTHCARE BERHAD (KPJ)
FOR KPJ'S INTEGRATED REPORT 2019.



**DATO' YUSLI
MOHAMED YUSOFF**

CHAIRMAN

We were able to show positive growth amidst a very challenging year, reflecting our strong capabilities as Malaysia's leading provider of private healthcare services. Among the key driving factors of KPJ's success has been our ability to provide quality patient care with passion and professionalism.

Our hospitals did well last year and their performance was further complemented by commendable growth in other segments of KPJ's business. Together we created a strong and diversified base upon which KPJ can build its sustainable future.

You may review details of KPJ's milestones throughout year 2019 that are contained in the President & Managing Director's Statement on pages 56 to 67, while elaborations of the Financial Results are given in the Chief Financial Officer's Review on pages 68 to 72.

DECLARED DIVIDENDS OF

2.0 SEN

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

COMMUNITY OUTREACH PROGRAMME

RM10.3
MILLION

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The future, however, will have a different set of norms. In 2020, the Coronavirus pandemic has taken the world by storm. Spreading quickly, it is leaving much disruption in its wake.

In today's new norm, change has truly become the only constant.

The pandemic clearly demonstrates the vulnerability of our interconnected businesses and communities. The virus is changing the way we interact with others. It is forcing us to re-examine value-creation processes, re-evaluate connections. Resilience and innovation are therefore increasingly vital today and for many years to come.

I assure you that KPJ has taken immediate action to counter these issues and still create more value for our shareholders and patients during this period. We are confident that the organisation is well equipped to face the current landscape.

THE YEAR 2019

During the year under review, the world was facing much uncertainty. On a macro level, the global economy faced headwinds from the US-China trade tension, rising threats of trade barriers, lingering uncertainties over political tensions in many parts of the world including in the Middle East.

The International Monetary Fund (IMF) anticipates the global economy to contract sharply by as much as -3% percent in 2020; much worse than the forecast during the 2008-09 financial crisis. Domestically, our economy saw slower growth and weaker corporate earnings, dampening the already low investor sentiment. Accordingly, investment and demand for consumer durables were subdued across markets as firms and households refrained from major, long range spending.

Bank Negara Malaysia revised its 2020 GDP forecast to be between -2% to 0.5%. The Malaysian Institute of Economic Research (MIER) cautioned that the world could enter into a de-globalisation process resulting from Covid-19, leading changes to traditional trading patterns. The Malaysian Economic Monitor in December 2019 reported that Malaysia's weakening trade and investment activity, amid challenging external conditions, underscores the need to improve private sector confidence and strengthen investment competitiveness.

The healthcare sector was not exempted. Industry competition for market share intensified across all sectors, while advances in technology triggered market disruptions.

A RESILIENT HEALTHCARE INDUSTRY

Despite the innumerable challenges, the Malaysian healthcare industry had a strong start and was expected to have a stellar finish by the end of 2019, as consumer demand for quality healthcare services remained high. The range of services was also expanding, from the primary hospital-based care to ultimately encompass various other niches. Industry drivers included the country's increasing upper middle-class and longevity of its population.

In early 2019, Malaysia was recognised as having the best healthcare in the healthcare category of International Living's 2019 Global Retirement Index, based on the affordability and health professionals training standards.

On the international front, Malaysia is also reaching out to health tourists, to promote the Malaysia Year of Healthcare Travel 2020 (MYHT 2020) campaign which seeks to reinforce Malaysia in the world's consciousness as a reputable, global healthcare travel destination.

UPHOLDING OF GOVERNANCE

Our priority as a business entity is to generate sustainable returns to induce high levels of consumer and investor confidence, benefiting both our long-term longevity as well as that of the nation.

Nevertheless, as the Preferred Provider of Healthcare Services, KPJ goes beyond just that. Our goal for healthcare services starts and ends with the patient. We have taken many steps towards this ultimate goal, including:

- **Putting Patients First**

In a very short span of time, COVID-19 has overwhelmed lives and livelihoods of communities around the globe. As a service provider, our main focus will always be on Customer Experience (CX). Even during this situation, KPJ will continue keeping our customers' interests at the centre of all our decisions.

We work closely with our stakeholders at various levels and through a myriad of channels to arrive at one outcome – patient safety and satisfaction. Keeping a pulse on changing customer preferences and adjusting patient journeys are undoubtedly the order of the day, to ensure we cater to our clientele's requirements.



Integrity Officers were specifically trained and provided skills to oversee compliance in good governance for KPJ's Anti Bribery Management System

• Increasing our reach

The competitive landscapes in our core markets are constantly evolving, with an increased number of players. Against this backdrop of tougher competition, KPJ stayed the course and continued to invest in new hospitals primarily greenfield projects. In 2019, three new specialist hospitals commenced operations, namely KPJ Bandar Dato' Onn and KPJ Batu Pahat in Johor, as well as KPJ Miri in Sarawak.

- **Enhancing Care Delivery Model**
Healthcare services in the future are expected to revolve around sustaining wellness, rather than seeking to treat and cure illness. This is expected to cause disruption, leading to a healthcare market that requires new capabilities for providers to effectively stay relevant.

Our goal is to minimise bottlenecks that delay the adoption of change, ultimately opening the way for technology solutions to reach the target audiences. Such a shift would involve large scale investments in training, procurement and new quality standards that are made possible via advanced digital technology. This was evident during the Movement Control Order (MCO) which took place nationwide during the early months of Year 2020.

• Emphasis on Corporate Governance

Parallel to 'Integrity' being KPJ's third Core Value, KPJ stands firm in our decision to protect the rights of stakeholders while also preventing unethical practices. Our effective approach in meeting and responding to our shareholders and investing public continued to be transparent and prompt.

15,264

PEOPLE

represent the public persona of the Group

The company applauds the decision by the Malaysian Government to introduce Section 17A of the Malaysian Anti-Corruption Commission Act 2009, which comes into force on June 1, 2020. The provision creates a new strict liability for commercial organisations, in order to ensure that adequate procedures are in place to foster a corruption-free business environment.

Our Anti-Bribery Management System (ABMS) policy was implemented in February 2020. Subsequently, the Group developed 10 ABMS Standard Operating Procedures that will be subject to the ISO 37001 (Anti Bribery Management System) certification audit in August 2020. Pursuant to that, KPJ appointed the Group's first Chief Integrity Officer (CIO). The new CIO, who has a strong and extensive audit background, will implement various policies and strategies to improve governance, corporate ethics and integrity systems in the Group.

Apart from the ABMS, KPJ will always conduct our affairs in a manner consistent with the highest ethical and professional standards. We will also consistently show respect for each other, our customers, business partners, suppliers, shareholders, the authorities and the communities we operate in.

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BOARD OVERSIGHT

The rapidly evolving business world presents both risks and opportunities, many of them unprecedented. In keeping with industry trends, KPJ has explored in detail various operational, commercial, geopolitical, environmental and financial strategies.

We firmly believe in the importance of maintaining the right mix of attributes and skills on the Board to meet the changing needs of the business over time.

The early months of year 2020 saw several changes taking place in the Boardroom. Joining me as an Independent Non-Executive Director (INED) are Datuk Mohd Radzif Bin Mohd Yunus, Dato' Dr Ngun Kok Weng, Encik Mohamed Ridza bin Mohamed Abdulla, Dato' Mohd

Redza Shah bin Abdul Wahid, Dato' Dr Sivamohan a/l S.Namasivayam, and Encik Khairuddin bin Jaflus. Our appointments represent the highest number of Independent Non-Executive Directors (INEDs) to appointed onto the KPJ Board.

In addition, KPJ also appointed 3 new Non-Independent Non-Executive Directors (NINEDs), i.e. Dato' Seri (Dr.) Mohamed Azahari bin Mohamed Kamil, Encik Rozaini bin Mohd. Sani, and Encik Shamsul Anuar bin Abdul Majid.

In line with the changes to the Board, we also reviewed, restructured and changed the memberships of several Board Committees. The changes included the Nomination and Remuneration Committee (NRC), the Development and Procurement Committee (DPC), Employee Share Option

Scheme (ESOS) Committee, the Investment Committee (IC), the Audit Committee (AC) and the Risk and Governance Committee (RGC). Details are contained in the Corporate Governance Review section of this report, from pages 141 to 146.

I also take this opportunity to express our appreciation to the former Chairman of KPJ Healthcare, Dato' Kamaruzzaman bin Abu Kassim. Our heartfelt thanks also go to Directors who have resigned from the Board. They are Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir, Encik Zulkifli bin Ibrahim, Encik Aminudin bin Dawam, Puan Jasimah binti Hassan, Encik Mohd. Sahir Rahmat, Dato' Dr Zaki Morad bin Mohamad Zaher, Dato' Dr Bajit Kor a/p Teja Singh, Dato' Muthanna bin Abdullah and Encik Wan Azman bin Ismail.

AWARDS & ACCOLADES

During the year, KPJ received many industry awards and accolades. I am pleased to share that KPJ Ipoh Specialist Hospital has gained the prestigious Prime Minister's Award which is part of the Anugerah Kecemerlangan Industri (AKI) 2018. This is a national recognition of KPJ Ipoh's outstanding performance as a Malaysian organisation in competition against industry peers in both local and international markets. As a winner, KPJ Ipoh complements the vision of the Ministry of International Trade and Industry (MITI) to make Malaysia the preferred investment destination globally. The PM's Award was one of two major awards received by KPJ Ipoh, with the second milestone being the Asian Hospital Management Awards 2019.

The Group was also recognised with the Global Health & Travel Awards with the spotlight on KPJ Tawakkal KL Specialist Hospital as the "Orthopaedic Services Provider of The Year (Asia Pacific)". This speaks volume about KPJ Tawakkal KL's capacity and capabilities as a centre for Orthopaedics, both for the domestic and international markets.

Another major feather in KPJ's cap was being awarded the Platinum Award as one of Reader's Digest Most Trusted Brands. It was based on a survey conducted by the Reader's Digest among consumers, proving KPJ's ability to attain consumer trust and loyalty. The KPJ Group has topped the list in the Healthcare Services sector since 2012, although our ranking has actually risen in the last 2 years i.e. in 2018 and 2019 to Platinum.



ACKNOWLEDGEMENTS

On behalf of the Board, I would thank all our stakeholders for their loyal support and cooperation, which has been instrumental towards transforming KPJ into an international-class healthcare provider.

To our shareholders, our heartfelt gratitude for their sustained belief in our value creation abilities and for continuing this journey with us. As we move into 2020, we wish to reiterate our promise to generate greater value creation across our entire ecosystem of stakeholders.

We would also like to express our heartfelt gratitude to the various state governments as well as the Federal Government, along with the Ministry of Health and other health regulators and accreditation bodies, along with our vendors and suppliers for their ongoing support of our mission to provide patient centric healthcare solutions and treatments.

Our sincere appreciation goes to our consultants, medical officers, nurses and all other medical and non-medical professionals. We thank them for their unwavering dedication and commitment in carrying out their daily roles and responsibilities. It is through their efforts that the KPJ brand remains at the forefront of the healthcare industry.

As for our customers and patients, we thank them from the bottom of our hearts for their continued trust and faith in our quality healthcare delivery.

On a personal note, I would like to extend my appreciation to my colleagues on the Board for their steadfast commitment in steering KPJ forward towards the realisation of our strategic goals by sharing their insights, wisdom and expertise.

DATO' YUSLI MOHAMED YUSOFF

Chairman
KPJ Healthcare Berhad

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REVIEW FROM PRESIDENT & MANAGING DIRECTOR

DEAR SHAREHOLDERS,

I am pleased to table the 2019 KPJ Healthcare Berhad's Integrated Report, my seventh as President and Managing Director since 2013. Throughout this journey, the plan has always been to continuously improve KPJ's year-on-year performance, actively expand capacity and identify new niches of healthcare services.

The year under review was an exciting and eventful year for KPJ that was dominated by changes and new dynamic processes in a fiercely competitive environment. This situation inspired our strategies in moving forward, resulting in three broad themes, namely Passion, Innovation and Trust.

Passion reflects KPJ's unyielding determination to provide quality care for our patients and customers.

Innovation represents our effort to embrace continuous improvement. Even as we approach our fourth decade in business, KPJ is still sufficiently agile to adapt to industry changes.

Trust is the heartfelt and sincere care we feel for all stakeholders, no matter where we operate. It speaks of our emphasis on integrity and keeping up with the promises.

YEAR 2019 UNDER REVIEW

Our core businesses continued to deliver strong income growth with the Group revenue increased to RM3.6 billion, a 6% growth from RM3.3 billion reported in year 2018. This growth was driven primarily by the increase in patient volume, especially for our Malaysian operations.

In line with the revenue growth, EBITDA in 2019 was at RM640.6 million, a 29% increase compared to RM497.0 million in the previous year.

Profit before tax (PBT) for the year was also higher at RM275.4 million, an increase of 7% from RM258.1 million in 2018.



DATO' AMIRUDDIN ABDUL SATAR
PRESIDENT & MANAGING DIRECTOR

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GROUP'S CAPACITY BUILDING

The prospect in healthcare sector in Malaysia is still very good. Surely, we made good progress in 2019 as demand continues to grow in line with Malaysian positive economic growth. In keeping with the expanding market size, KPJ will continue to expand our capacity to maintain our leadership position in Malaysia.

• Opening of new hospitals

Year 2019 saw KPJ opening 3 greenfield hospitals in one year, namely KPJ Bandar Dato' Onn and KPJ Batu Pahat in Johor and KPJ Miri in Sarawak.

KPJ Bandar Dato' Onn (KPJ BDO), located in the Bandar Dato' Onn township within the Iskandar Development Region in Johor, commenced operations on 19 February 2019. Starting with 6 Centres of Excellence in heart disease, orthopaedics, oncology, cancer, women and child care, cosmetic care and geriatrics, KPJ BDO has subsequently expanded into a full-fledged specialist hospital with more services including neurosurgery, otorhinolaryngology, and urology. KPJ BDO is equipped with international standard services and facilities to attract health tourism patients primarily from Indonesia due to its direct connectivity to Johor. Meanwhile, KPJ Batu Pahat

Specialist Hospital, which opened its doors to the public on 18 September 2019, is the seventh KPJ hospital in the Southern region. The 90-bedded, seven storey hospital has a team of 11 resident consultants.

The third hospital to open in 2019 was KPJ Miri Specialist Hospital (KPJ Miri), which commenced operations on 21 December 2019. Located within the commercial hub of Bandar Baru Permyjaya, this is KPJ's third hospital in Sarawak. The seven-storey specialist hospital aims to provide a full range of services for the growing populations of Miri, as well as neighbouring Brunei and Indonesia.

• Expansion of existing specialist hospitals

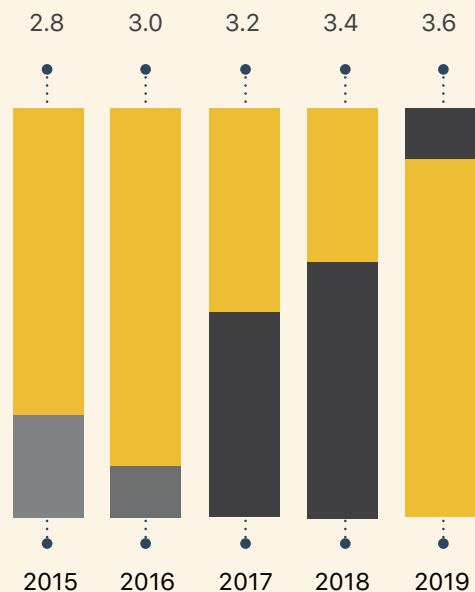
KPJ Ampang Puteri Specialist Hospital (KPJ Ampang Puteri), one of the Group's largest hospitals, completed the expansion of its new block in 2019. Located adjacent to the original building, the new block has a capacity for more than 140 beds and houses among others, a full suite oncology centre. The hospital also has the latest PET-CT scan technology in non-invasive imaging as well as a radiotherapy centre which will both contribute significantly to the treatment of cancer patients. With this opening, KPJ now has five cancer centres throughout the country.



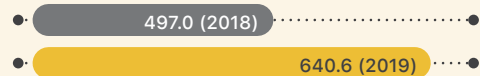
THE INCREASED HOSPITAL CAPACITY IN RECENT YEARS LED TO AN EBITDA GROWTH OF 29% IN 2019.



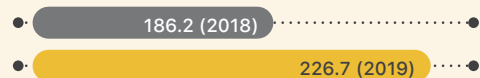
5 YEARS REVENUE (RM BIL)



EBITDA (RM MIL)



NET PROFIT (RM MIL)





KPJ Batu Pahat Specialist Hospital

KPJ Seremban Specialist Hospital added a new block which commenced operations in September 2019. Two new wards were added, increasing its bed capacity by another 48 beds. This transformed KPJ Seremban into the largest private hospital in the state of Negeri Sembilan, with a total of 199 beds. Other new facilities include the addition of 34 new dialysis chairs for the benefit of patients living in and around Seremban.

A further milestone was reached by KPJ Perlis in the north. In 2018, the hospital made history when it became the state's first private specialist hospital. In 2019, after just one year in operations, KPJ Perlis achieved another breakthrough, when it was granted approval by the Ministry of Health (MOH) to add more inpatient beds, bringing the total to 36 beds.

Change of another nature was also taking place in the Klang Valley.

The iconic KPJ Tawakkal was the second hospital to be part of the KPJ Family back in 1984. In early 2020, it officially changed its name to KPJ Tawakkal KL Specialist Hospital. This move was specially undertaken to emphasise on KPJ Tawakkal KL's link to the nation's capitol city, Kuala Lumpur. From its base in KL, KPJ Tawakkal KL has been able to reach out to patients from within the Klang Valley as well as be a reference hospital to many other parts of the country and the world.

KPJ OVERSEAS

In addition to our 28 hospitals in Malaysia, we have two other hospitals in Jakarta, Indonesia and one more in Dhaka, Bangladesh. Hospitals in Indonesia, Rumah Sakit Permata Hijau (RSMPH) and Rumah Sakit Bumi Serpong Damai (RSMBSD) in Jakarta recorded double-digit growth arising from increased numbers of patients at both hospitals. This was mainly due to the increase in their number of consultants, effective marketing activities and the introduction of new treatment packages.

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RSMBSD's revenue increased by as much as 39% from RM21.4 million in 2018 to RM29.7 million in 2019. A key driving factor was the increase in activities. Another reason was the growing number of patients during the year under review, where inpatient numbers grew 39% to 4,155 people with a Bed Occupancy Rate (BOR) of 46%, while outpatient numbers grew 17% to 79,253 people.

For RSMPH, revenue rose 23% to RM27.2 million. Overall, inpatient numbers grew 10% year on year, while outpatient numbers registered a slight decrease by 2% year on year.

In Bangladesh, the Sheikh Fazilatunnessa Mujib Memorial KPJ Specialised Hospital & Nursing College (SFMMKSH & NC) in Dhaka saw a 55.9% increase in inpatient numbers to 6,608 patients, compared to 4,239 in 2018. The number of outpatients increased 25.3%, to 142,493 from 113,742 in 2018.

HEALTH TOURISM

Year 2019 saw KPJ recording our highest ever revenue from health tourism. It grew 7% year on year, from RM140.4 million in 2018 to RM150.3 million in 2019. The number of visits increased by 5%, from 158,711 to 166,671.

The top five disciplines which attract Health Travellers are Orthopaedics, Cardiology, General Surgery, Gastroenterology, Respiratory and General Surgery. In 2019, KPJ promoted five more packages namely, speech language therapy, bariatric, endoscopy, total hip & total knee replacement surgery, and health screening.

Our largest health tourism market is Indonesia, both in terms of revenue and number of visits. In the financial year 2019, revenue contribution from the Indonesian market was RM 73.7 million compared to the previous year's RM60.1 million. The visits from the Indonesian market also showed positive growth by 12%, from 52,250 visits to 58,261 visits.

To strengthen our marketing strategy in Indonesia, KPJ opened several new information centres in Indonesia, i.e. in Medan, Padang, Batam, Tanjung Balai, Tanjung Pinang, Jakarta, Surabaya and Pekanbaru. KPJ also has the support of numerous health tourism agents. This cohesive network on both sides of the border assist Indonesian health tourists in ensuring trouble-free travel arrangements to KPJ hospitals.

China, a global economic superpower, is KPJ's second largest health tourism market in term market value. We were able to record a growth of 18% year on

year, from RM5.93 million in 2018 to RM6.99 million in 2019. Most of them were health travelers, i.e. tourists traveling to Malaysia specifically for medical treatment i.e. 56%, whereas 44% were expatriates and students who are living in Malaysia.

ENGAGEMENT WITH STAKEHOLDERS

As KPJ continues to deliver on our strategic priorities, we continue investing in our social and relationship capital. The basis of our relationships is formed by the capital that is made up of the organisation's shared values, commitments and knowledge.

Our goal in this initiative is to foster positive and sustainable connections that are built on mutual trust and cooperation with all stakeholders, including but not limited to regulators, patients, customers, employees, communities, investors and the media. We are committed to uphold and protect the trust we have earned over the years.



KPJ welcoming delegates from China to our Head Office



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• Engagement with Patients and Customers

Patients are at the crux of our communication channels and we are continuously upgrading standards of care to meet the increasing expectations of customers. KPJ views frontliner-patient interactions as a central pillar of our service. KPJ builds, advocates, reviews, retrain and monitors the Standard People Practice (SPP) skills of our people, in order to consistently deliver their personal best customer service.

As part of our proactive approach to reach our patients during MCO, our doctors are encouraged to provide consultations online. It takes customer innovation to a higher level, allowing KPJ to rollout remote care and improve patient engagement via remote monitoring. KPJ teleconsultation service will not only benefit patients within the hospital localities but also help us reach patients who live in different states and our health tourists as well.

Understanding the difficulties faced by some patients and customers to obtain their top up medicine, especially during the MCO, KPJ's Groupwide Medication Home Delivery Service was introduced for customers to top up on their medicines. Delivery charges is waived during this lockdown period, as we want to ensure our patients will be able to continue having their medicines, even during any challenging period.

• Contributing to Nation's Healthcare Industry

In 2019, KPJ held our 22nd Healthcare Conference themed "Enhancing Outcomes In The New Era Of Healthcare", attended by more than 600 medical professionals from across the nation. It is imperative to recognise that KPJ's annual Conference has, for many years, brought together minds from the public and private healthcare services to network as well as exchange ideas on the latest

developments in medicine and patient-centred care. This, in many ways, speaks volumes of KPJ's ability to be a game-changer in Malaysia's healthcare services.

Further value was added by KPJ Group's efforts to reach out to General Practitioners (GPs) through our first-ever series of GP Medical Updates. Held at three separate locations, namely Kuala Lumpur, Ipoh and Johor Bahru, the Updates functioned as a bridge between KPJ specialists and GPs. KPJ medical consultants were able to use these sessions to share their knowledge with the GPs, for the benefit of patients nationwide.

• Nation-building during Covid-19 Pandemic

The Movement Control Order (MCO) that took effect in March 2020 saw KPJ fast-tracking its digital services to deliver healthcare remotely during the MCO, in line with government initiatives to cut down movement during the Covid-19 pandemic.

Apart from internal relationships, we have never forgotten our role and responsibility to the nation. As a homegrown entity, KPJ supports efforts by the Ministry of Health (MOH) and other national agencies to boost Malaysian healthcare services for the benefit of our population.

When the country's public hospitals were relegated as the centralised Covid-19 treatment centres, KPJ came together with other private healthcare service providers to provide medical and logistic support. Since early 2020, KPJ Group's hospitals contributed ventilators to the MOH hospitals for the treatment of Covid-19 positive patients. In addition, we allocated more than 200 inpatient beds in our hospitals to take in non-Covid patients decanted from the MOH hospitals. KPJ Klang Specialist Hospital (KPJ Klang) carried out pro bono surgeries for six (6) oncology patients from the MOH.

16 of KPJ's hospitals across Malaysia apportioned 130 dialysis chairs to provide slots for non-Covid-19 patients undergoing dialysis. Patients requiring dialysis would be referred by the respective MOH hospitals to the selected private hospital with vacant slots.



In addition, in March 2020, KPJ's laboratory business, Lablink (M) Sdn Bhd, was one of the seven private laboratories officially appointed by the Ministry of Health (MOH) to run Covid-19 RT-PCR (Reverse Transcription Polymerase Chain Reaction) tests at real-time for the nation. During the battle against Covid-19, the staff would have to go through about 1,000 samples each day from our own hospitals, general hospitals as well as other external organisations.

Lablink is the first lab in Malaysia to be certified with Bio-Safety Level 3 (BSL3) facilities which allows testing of highly infectious diseases according to World Health Organisation (WHO) standards. Lablink is also equipped to handle airborne diseases, such as tuberculosis at its TB reference lab.

We also reached out to counterparts at MOH hospitals who selflessly provided 24-hour care to Covid-positive patients. KPJ collaborated with QSR Brands (M) Holdings Berhad to distribute Pizza Hut pizzas and KFC meals to the said frontliners. This is in addition to the provision of same meals to the police, the army and the underprivileged.

- Improving Our Environment**
 Beyond community health-related initiatives, KPJ made conscious and deliberate efforts to protect environmental health, based on the belief that our surroundings have a direct impact on human beings' quality of life. One major breakthrough during the year under review was the KPJ Zero Single Use Plastic Bag Campaign. In line with Malaysia's Roadmap Towards Zero Single Use Plastic 2018 – 2030, our goal was to reduce the amount of plastic waste generated at our offices and hospitals, for a cleaner and healthier environment.

Initiated by the KPJ Head Office, the message was spread to and shared with KPJ's hospitals nationwide. Efforts include distributing medicine in paper bags at the pharmacy, reducing the usage of single use plastic materials in its dietary services, and replacing bottled mineral water with water dispensers and paper cups. All hospitals in the Group have also been assigned to adopt a Pasar Tani or Pasar Malam, to generate a social awareness among the community on the danger of single use plastic.

• **Engagement with the Underprivileged in the Community**

KPJ Group's flagship CSR project Klink Waqaf An-Nur (KWAN) provides affordable healthcare to the public at RM5 per visit. There are now 19 KWAN clinics and five mobile clinics to serve the urban and rural poor. Eight of our KWAN clinics are MSQH accredited. As at end 2019, a total of 124,618 patients visited our KWAN clinics nationwide.

INNOVATION AT THE CORE

Innovation in healthcare is limitless, from the introduction of new medical technology, to improved operational processes that create additional value to stakeholders, and even in communication and community involvement.

• **Investment in Medical Technology**

In 2019, KPJ invested in cloud storage technology, health information system as well as doctor-patient communication platforms, especially teleconsultation.



Our efforts to bring in new medical technology have been unyielding. One such effort is the exploration of robotic total knee replacement surgery (TKR). During a traditional knee replacement procedure, damaged tissue in the knee is removed and replaced with an artificial joint. Technology assists the procedure in other ways, too. Before surgery, a CT scan is used to create a 3D model of the patient's knee, allowing surgeons to place the implant more accurately. During the operation, the robotic arm uses data from the 3D model to create a predefined space for the surgeon to work in, preventing them from accidentally damaging the surrounding tissue.

3D technology is not new to KPJ. We have been at the forefront of the nation's 3-dimension (3D) medical technology, primarily for orthodontic procedures. At the KPJ Tawakkal Health Centre's Dental Specialist Centre, the maxillofacial surgeon uses 3D technology for high precision surgery involving customised 3D-printed implants that reduce the need for corrective follow-up procedures.

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Offering drive-through facilities to test for Covid-19

• Investment in Operations

Another form of innovation is the change in procedures when required. An example of this is the steps KPJ undertook to ensure patients and customers continue receiving quality care despite the challenges of Covid-19 experience. We stepped up to the plate to bring care to patients, even when it was difficult for patients to come to hospitals due to the MCO or concerns about the risk of infection.

KPJ was one of the first healthcare providers to offer drive-through Covid-19 tests, which made it easier for patients to undertake the tests.

Other value-added changes introduced were improvements to our doctor-patient communication platforms, focusing on telemedicine. The objective is to make it easier for patients to obtain care without leaving the comfort of their own homes. KPJ embarked on a teleconsultation service enabling our consultants are able to engage with patients via remote monitoring. KPJ teleconsultation service benefits patients within the hospital localities as well as patients who live in different states and health tourists.

Another important milestone was the introduction of contactless online payment systems, namely collaboration with JomPay and DuitNow QR. DuitNow QR is an extension of the DuitNow service, which allows Bank customers to transfer money instantly and securely on a 24/7 basis over mobile banking channels. Through DuitNow QR's interoperability, any compliant QR Code can take payments from any participating Banks and e-Wallets. Patients would be able to make advance bookings online, where

payments are made by scanning the DuitNow QR Code via payment kiosk, website, mobile app, Instagram or Facebook.

• Intensifying KPJ's Digital Presence

Digital marketing has helped the healthcare industry evolve. It has been debated that patient experience is no longer just about health outcomes, but also about the service providers values, services and transparency in communication. Research shows 77% percent of patients conduct an online search before making a medical appointment.

Therefore, in a highly competitive market, our digital strategy is to humanise the KPJ brand where the public can reach and interact with us, to prove that KPJ is trustworthy and can be relied upon. KPJ has upgraded our corporate website while establishing and enhancing several multi-lingual social media pages for our health tourism patients.

In addition, KPJ took its role as a healthcare information provider very seriously and has actively produced more than 60 health videos for public consumption, all available through our digital platforms. These internally-produced videos serve as public service announcements and audiovisual reference for stakeholders nationwide.

A STRONG TALENT MANAGEMENT PLATFORM

KPJ strongly believes in a twin focused Talent Management strategy. The first focus is to create a strong team dedicated to competency-building and self-improvement. The second focus is to empower and facilitate employees as they serve patients and customers.

• Enhancing Staff Competency

This encompasses having both the right skill sets as well as intellectual capital. KPJ's Group Talent Management developed a technical competency model and competency dictionary for the Talent Management/HR job family. At the same time, the competency requirements were also mapped to job levels. This initiative allows employees in the Talent Management job family to be assessed in terms of their HR technical knowledge, skills, behaviour and performance. It provides an objective and transparent assessment framework that will also assist in identifying development and training interventions more accurately.

The same model and framework are used as a template for other technical job families. Workshops were conducted for Nursing, Pharmacy and Service Quality Management groups. This will later be expanded to other job families such as Legal, Finance, Marketing and others.

With a focus on staff retention and performance, KPJ introduced personal coaching. One of the Klang Valley hospitals that piloted the initiative has a very positive encouraging result and has decided to continue on a permanent basis. This form of coaching is applied to address the issue of stress at the workplace as it becomes a more common modern-day affliction among the workforce. A plan is being formulated to develop a pool of trained coaches and expand the reach to all hospitals and companies within the group.

We continue to develop and strengthen our leadership and talent pipeline by having our identified key talent undergo structured leadership programmes, including talent assessment by appointed consultants. Development interventions are then identified to prepare them for future leadership roles.

The year also saw the implementation of the Group Talent Management system that centralised all payroll processes of KPJ Group of Hospitals and Companies at the headquarters. This system provides for shared services and is part of continuous improvements to administrative processes. With centralisation, the issue of process duplication can be avoided. Payroll staff at hospitals and companies have now been redeployed, to focus on employee engagement and contribute towards the overall improvement of service quality.

• Contributing to Healthcare Talents Across the Industry

As a homegrown entity, KPJ's care and concern for healthcare professionals extend beyond the boundaries of our own Group. We proactively contribute to the development and management of talent in the nation's healthcare sector, as a whole. In February 2020, KPJ became the first private healthcare services provider in the country to participate in the "National Fatigue Management Awareness" campaign among healthcare workers. This campaign was jointly organised by Malaysian Society for Occupational Health (MSOSH) and Islamic Medical Association of Malaysia (IMAM).

Our involvement drove the message that proper strategies need to be in place, in order to counter work-related fatigue among hospital staff. As the employer of more than 14,000 staff members, most of whom are frontliners throughout our hospitals, KPJ takes staff needs very seriously. We see managing staff fatigue as a direct contribution to staff loyalty, productivity and motivation. Sufficient fatigue management would also reduce possible risks of staff injuries and burn out. It would also be a significant factor in lowering the risk of human errors or negligence while delivering care.

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NEW BUSINESS MODELS

The management regularly reviews existing business models to ensure we remain relevant, efficient and cost effective. One of the outcomes is the introduction of hub (integrated hospitals) and spoke (satellite medical facilities) operations that provide niche services.

• Hub and Spoke Model for Niche Services

Over the past few years, KPJ has established a few hub-and-spoke operations. Among the “spoke” services is the establishment of ambulatory care centres to provide outpatient treatment at locations where there is no KPJ hospital. When patients need to be hospitalised, they are referred to the nearest KPJ hospital.

In 2019, KPJ have identified three new ambulatory care centres in the Klang Valley. By end 2020, we plan to have seven ambulatory care facilities nationwide, to act as feeders for our hub hospitals.

Another “spoke” service is Senior and Assisted Living Care Centre, an initiative launched in 2011. It provides care services in a home like atmosphere for senior citizens and invalids. Encouraged by the response to our first centre, we have since launched four Senior and Assisted Living Care centres. They are the Sibü Geriatric Health and Nursing Centre in Sarawak; KPJ Tawakal Health Centre in Kuala Lumpur; Kuantan Wellness Centre in Pahang; and Damai Wellness Centre in Kota Kinabalu, Sabah.

The other “spoke” service is confinement care. In 2018, we launched our first Confinement Care Centre at Damai Wellness Centre in Kota Kinabalu, Sabah. The centre provides personalised care to new mothers and their babies, when they are discharged from hospital after childbirth.

Damai Wellness Centre also offers physiotherapy and rehabilitation services. It is the only private hospital appointed by the PERKESO to provide stay-in rehabilitation services for those insured under PERKESO’s “Return to Work” programme.



In 2020, we plan to relocate Damai Wellness Center to larger premises. This will see bed numbers increase from 21 beds to 33 beds. We will also be doubling the number of After Birth Care Suites (at the Confinement Care Centre Facility), from 12 to 24 suites.

• Expanding our Retail Pharmacy Business

KPJ launched its first retail JX Pharmacy store in 2018 in Bandar Baru Bangi. In 2019, the retail pharmacy chain expanded to three stores. We will be continuing with our pharmacy chain expansion, and target to have 10 JX Pharmacy stores by the end of 2020. Besides JX Pharmacy stores, KPJ also dispenses medicines at hospitals and online.



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FUTURE OUTLOOK

We are confident that our resilient and sustainable business model, founded on our 39 years of experience in the Malaysian private healthcare industry, will help us overcome challenges while we continue to seize opportunities on the horizon. As we enter 2020, we are committed to building on our relationships with our various stakeholders, to continue creating long-term value.

To counter these, we will be vigorously pursuing our existing growth strategies, by expanding our footprint further, responding to market needs and trends, and developing new products and markets.

ACKNOWLEDGEMENTS

I would like to take this opportunity to extend my deepest gratitude to the Board of Directors, both past and present, for leading us to our goal to be the preferred and trusted private healthcare provider. To our dedicated employees and passionate consultants in Malaysia, Indonesia and Bangladesh, thank you for your sterling work ethic and contribution towards providing our customers with excellent healthcare services.

We also extend our sincere appreciation to our investors and shareholders, for their sustained faith in our Group's performance. To the Government and healthcare regulators, as well as the media, partners, suppliers and NGOs, thank you for your continuous support. Most importantly, to our patients and customers, we deeply value the trust you have placed in us, in allowing KPJ to serve you with our quality healthcare.



DATO' AMIRUDDIN ABDUL SATAR

President & Managing Director
KPJ Healthcare Berhad

CHIEF FINANCIAL OFFICER'S REVIEW





“

IN 2019, KPJ GROUP CONTINUED ITS MOMENTUM OF DELIVERING A STRONG YEAR ON YEAR PERFORMANCE, POSTING A RECORD REVENUE OF RM3.6 BILLION. THE CONSISTENCY OF OUR RECORD BREAKING PERFORMANCE CAN BE ATTRIBUTED TO OUR STRATEGIC AND INNOVATIVE EFFORTS ON COST OPTIMISATION TO ENHANCE VALUE.

”



**NORHAIZAM
MOHAMMAD** ACMA, CGMA
VICE PRESIDENT
GROUP FINANCE &
INVESTOR RELATIONS SERVICES

REVENUE	GROSS PROFIT	EBITDA	PAT
 6% 2019 : RM3.6 BILLION 2018 : RM3.4 billion	 10% 2019 : RM1.1 BILLION 2018 : RM1.0 billion	 29% 2019 : RM640.6 MILLION 2018 : RM497.0 million	 22% 2019 : RM226.7 MILLION 2018 : RM186.2 million

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KPJ has adopted a two-pronged approach to deliver consistent strong results. One is the strict cost discipline that focuses on improvements in operational efficiencies and the dilution of the effects of cost escalation. The other is sustained growth, which focuses on the continuous investments to expand our patient base and diversify the services offered by our healthcare facilities via enhancement and improvement of technology and digital. Our concerted efforts to propel growth through innovative efforts has enabled the Group to enhance its financial value and translates into strong return on investment for our shareholders.

Our network of 28 specialist hospitals in Malaysia saw a sharp rise in hospital beds and patient numbers in 2019. The number of hospital beds increased mainly arising from the opening of new hospitals, KPJ Bandar Dato' Onn Specialist Hospital, KPJ Batu Pahat Specialist Hospital and KPJ Miri Specialist Hospital, and the opening of new block in KPJ Seremban Specialist Hospital.

Our international operations and support services rebounded in 2019, after a flat performance in 2018. International operations' revenue

grew by 10% with contributions mainly from our Indonesia segment. Where additional beds were added to expand the current capacity.

Beginning 1 January 2019, the Group adopted the new accounting standard, MFRS 16 "Leases" on a simplified retrospective transition method. Under this method, the 2018 comparative information is not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. A key change arising from MFRS 16 is that the lease rental expense now replaced with depreciation and interest from lease liabilities expense under finance cost. Assets and liabilities have also increased by the amount of discounted cash flows of future lease rental payments being added in our Statement of Financial Position in the form of Right of Use and Lease Liabilities.

This year, the Group is reporting normalised results from continuing operations which have been adjusted for one-off transaction-related in the current and prior financial years to better reflect the Group's operational performance.

FINANCIAL PERFORMANCE IN 2019

Revenue

The Group posted a record RM3.6 billion in revenue contributed by our hospital and healthcare operations, medical tourism and international operations.

Our hospital and healthcare operations saw a 6% increase in revenue to RM3.5 billion (2018: RM3.3 billion). Revenue from hospital services continued to be the major revenue stream, accounting for 97% of the total revenue mix in 2019. Included in the hospital revenue are hospitals services, sale of pharmaceutical and drugs, laboratory fees and other clinical services provided to our inpatients.

Other income

Other income comprises mainly rental income and gain on fair value of investment properties. In 2019, we recorded RM21.7 million (2018: RM30.8 million), largely consists of rental income of RM16.2 million (2018: RM12.1 million) and gain on fair value of investment properties of RM1.8 million (2018: RM10.9 million).

Administrative expenses

The year saw a marked increase in activities mainly from the opening of 3 new hospitals as mentioned above, resulting in corresponding increase in administrative expenses, particularly employee benefit costs and repair and maintenance expenses. The impact was softened by the adoption of MFRS 16 "Leases" that eliminated lease rental expenses from administrative expenses and replaced by depreciation and interest from lease liabilities under finance costs.

EBITDA

In line with higher revenue, EBITDA grew by 29% to RM640.6 million (2018: RM497.0 million). Apart from the revenue growth, the favourable EBITDA was also contribute by the adoption of MFRS 16 which eliminated lease rental expenses and replaced by depreciation and interest from lease liabilities under finance costs.

Net finance costs

Net finance costs increased by 79% to RM145.0 million in 2019 (2018: RM81.1 million). The significant increase in financing cost was due to the recognition of interest cost from lease liabilities arising from adoption of MFRS 16, as mentioned above.

Taxation

The Group recorded significant savings in terms of its tax expense with an effective tax rate of 18% in 2019 (2018: 28%). The effective tax rate was lower than the established statutory rate of 24% due to the recognition of tax credits arising from Investment Tax Allowance (ITA), for which the Group obtained the approval from the regulator in the last quarter of 2019.

The tax benefits arising from ITA is an incentive given for expenditure incurred for hospital expansion and new developments in line with promoting Malaysia Healthcare Tourism. This specific incentive was given under the Health Tourism industry, where we work closely with Malaysian Investment Development Authority (MIDA), Ministry of Health (MOH), Inland Revenue Board (IRB) and Malaysia Healthcare Travel Council (MHTC) in ensuring the group maximised its tax benefits whilst continuing to contribute to Malaysia's economic growth.

FINANCIAL POSITION AS AT 31 DECEMBER 2019

Total assets

The Group's total assets grew 25% to RM6.0 billion as at 31 December 2019 (2018: RM4.8 billion). The increase of RM168.3 million in property, plant and equipment was mainly arising from our investment in the new hospital developments and expansion of existing hospitals and additional RM1.1 billion arising from the recognition of right-of-use of assets for the first time following the adoption of MFRS 16.

The adoption of MFRS16 resulted to significant increase in deferred tax assets derived from leases totalling to RM73.4 million.

Total liabilities

Total liabilities grew 44% to RM3.9 billion as at 31 December 2019 (2018: RM2.7 billion). The notably high increase was mainly due to the recognition of lease liabilities amounting to RM1.2 billion following the adoption of MFRS 16. Despite the significant increase in our investment in assets, we remain efficient in managing our borrowing as total borrowings for year remain at the same level as 2018.

Liquidity and Cash Flows

We closed the year with a cash and cash equivalents balance of RM268.4 million (2018: RM404.2 million).

Net cash generated by operations rose 14% to RM590.3 million, due to profit improvement and operating efficiencies, especially improved debtors' turnover days to 40 days, 4 days faster than 44 days applicable in 2018.

Cash flow from operations improved to RM685.6 million (2018: RM625.2 million). This is the result of RM275.4 million of profit before tax (2018: RM258.1 million) and RM328.6 million of non-cash expenses and other adjustments (2018: RM200.6 million). Net cash inflow from movements in working capital for the year was RM81.6 million (2018: RM166.5 million).

Cash investments is a testament of our continuous efforts to sustain existing and new revenue streams. In 2019, cash generated from investments stood at RM444.7 million (2018: RM453.9 million). There was also an inflow of cash in the form of dividends from associates, namely, Al-'Aqar Healthcare REIT, amounting to RM21.1 million (2018: RM29.3 million).

Investment returns were used to finance new property, plant and equipment amounting to RM397.4 million (2018: RM380.3 million) and increase deposits at licensed banks with maturity of more than three months amounting to RM74.4 million (2018: RM110.0 million).

Cash utilised for financing activities stood at RM310.0 million (2018: RM140.8 million). The cash inflows from financing activities were from issuance of shares through warrants and ESOS amounting to RM38.7 million (2018: RM115.0 million), government incentive grants under the Unit Kerjasama Awam Swasta (UKAS) was received for the development of KPJ Bandar Dato' Onn Specialist Hospitals amounting to RM10.4 million (2018: RMNil) and less drawdown of borrowings amounting to RM52.3 million (2018: RM347.6 million).

TOTAL ASSETS

 **25%**

2019 : RM6.0 BILLION

2018 : RM4.8 billion

TOTAL LIABILITIES

 **44%**

2019 : RM3.9 BILLION

2018 : RM2.7 billion

CASH FLOW GENERATED FROM
OPERATING ACTIVITIES
 **14%**

2019 : RM590.3 MILLION

2018 : RM518.2 million

CASH FLOW USED IN INVESTING
ACTIVITIES
 **2%**

2019 : RM444.7 MILLION

2018 : RM453.9 million

CASH FLOW (USED IN) /
GENERATED FROM FINANCING
ACTIVITIES
 **>100%**

2019 : (RM310.0) MILLION

2018 : RM140.8 million

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Cash outflows were mainly for four payments of interim dividend to our shareholders amounting to RM86.2 million (2018: RM63.1 million), repurchased of 47.1 million ordinary shares from the open market amounting to RM44.0 million (2018: RM55.9 million) and the payment of lease liabilities amounting to RM110.3 million.

CAPITAL MANAGEMENT

The Group believes that sound capital and financial management practices are essential to its continued sustainability. The Group defines capital as shareholder funds and borrowings. The Group's capital management approach is focused on maintaining strong credit ratings and healthy capital ratios in order to support our business while optimising returns to our shareholders and comply with our financial covenants.

We also remain vigilant in keeping our strong financial indicators, and maintaining our debt ratios within the headroom guidance of 0.93 Total Borrowings/Total Shareholders' Fund to preserve KPJ's investment-grade credit standing, as well as capacity to fund our expansion either through existing unutilised financing facilities and new borrowings.

The Group's bank borrowings contain customary restrictive financial and operating covenants. The covenants do not materially affect the Group's financial or operating flexibility. As of 31 December 2019, the Group was in compliance with all of its significant debt covenants.

With our sound financial position, we are in good stead to navigate the business through any opportunities and challenges that 2020 may bring, and beyond.

RETURNS TO SHAREHOLDERS

The KPJ Group has continued to reward its shareholders in appreciation of their support. For 2019, the stable performance of the Group had enabled the Board of Directors to declare a total dividend of 2.0 sen per share, which amounted to a total dividend pay-out of RM86.0 million (2018: RM84.7 million), representing 38% of the Group's net profit for 2019.

The Group does not have a dividend policy however dividend was paid consistently at every quarter for 40 consecutive quarter, after taking into account the underlying earnings and available funding of the Group, while retaining sufficient capital to fund ongoing operations and growth projects, as well as manage gearing to acceptable levels. This signify our continuous commitment to our shareholders for their continuous support.

We endeavour to achieve a good balance between cash requirements for our business and dividend pay-out to our shareholders. Due consideration is given to ensure our dividend pay-out is within the benchmark of our industry peers and sustains future pay-outs.

Dividends are paid upon the approval of the Board, out of funds made available for such distribution. The actual amount and timing of payments will depend on our cash balance, retained earnings and other expected obligations as deemed appropriate by the Board. The Board has been consistently dedicated in rewarding our shareholders with quarterly dividends of not lower than 30% of net profit.

GOING FORWARD

As we move into the new financial year, we are committed to making the best use of the resources available to our Group to deliver quality healthcare services and sustain our leadership as the preferred healthcare provider. While we move ahead to execute our business strategy that has been put in place in sustaining the business and meeting the expectations of our shareholders, the emergence of Covid-19 pandemic has created business and social uncertainty. During this uncertainty period, the Group will continue to remain optimistic and will amplify its innovative efforts over the business strategies to sustain its performance and continuously add values to the shareholders.



NORHAIZAM MOHAMMAD

Vice President
Group Finance &
Investor Relations Services

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KPJ Healthcare Berhad

2019

2019 (RM'000)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year End 2019
Revenue	880,988	860,269	919,104	944,003	3,604,364
Gross profit	273,349	257,295	300,659	278,951	1,110,254
Operating profit	94,118	90,919	92,492	98,944	376,473
Finance income	2,020	3,415	4,258	4,513	14,206
Finance costs					
- Borrowings	(25,275)	(23,238)	(21,161)	(19,860)	(89,534)
- Lease liabilities	(15,750)	(15,933)	(15,843)	(22,105)	(69,631)
Finance costs - net	(39,005)	(35,756)	(32,746)	(37,452)	(144,959)
Share of results of associates, net of tax	8,897	8,203	9,937	16,842	43,879
Profit before tax	64,010	63,366	69,683	78,334	275,393
Tax	(20,686)	(19,499)	(20,965)	12,454	(48,696)
Profit for the financial year	43,324	43,867	48,718	90,788	226,697
Profit for the financial year attributable to:					
Owners of the Company	39,127	41,827	46,413	84,001	211,368
Non-controlling interests	4,197	2,040	2,305	6,787	15,329
	43,324	43,867	48,718	90,788	226,697
Basic EPS (sen)	0.91	0.96	1.11	1.97	4.95

2018 (RM'000)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year End 2018
Revenue	837,802	816,098	835,161	876,547	3,365,608
Gross profit	255,501	245,340	259,113	276,372	1,036,326
Operating profit	70,634	72,332	73,998	80,505	297,469
Finance income	1,020	3,161	2,059	3,826	10,066
Finance costs					
- Borrowings	(20,694)	(22,879)	(22,186)	(25,389)	(91,148)
Finance costs - net	(19,674)	(19,718)	(20,127)	(21,563)	(81,082)
Share of results of associates, net of tax	9,331	6,799	7,352	18,188	41,670
Profit before tax	60,291	59,413	61,223	77,130	258,057
Tax	(14,805)	(14,837)	(20,136)	(22,094)	(71,872)
Profit for the financial year	45,486	44,576	41,087	55,036	186,185
Profit for the financial year attributable to:					
Owners of the Company	42,483	42,336	41,301	53,324	179,444
Non-controlling interests	3,003	2,240	(214)	1,712	6,741
	45,486	44,576	41,087	55,036	186,185
Basic EPS (sen)	0.97	0.96	0.95	1.24	4.12

5-YEARS FINANCIAL PERFORMANCE

STATEMENTS OF COMPREHENSIVE INCOME

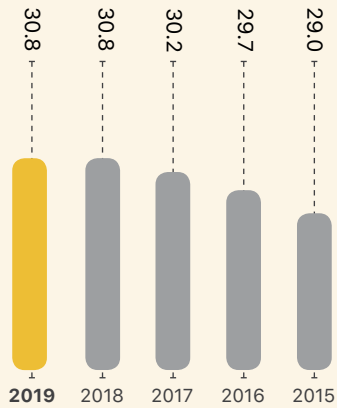
GROUP (RM'000)	2015	2016	2017	2018	2019
Revenue	2,847,593	3,021,094	3,234,814	3,365,608	3,604,364
Gross profit	826,371	898,032	976,930	1,036,326	1,110,254
Operating profit	218,556	239,556	250,138	297,469	376,473
Finance income	13,731	16,298	13,948	10,066	14,206
Finance costs					
- Borrowings	(64,157)	(83,137)	(82,260)	(91,148)	(89,534)
- Lease liabilities	-	-	-	-	(69,631)
Share of results of associates, net of tax	39,198	33,647	39,540	41,670	43,879
Profit before tax	207,328	206,364	221,366	258,057	275,393
Tax	(62,199)	(50,489)	(54,456)	(71,872)	(48,696)
Profit for the financial year	145,129	155,875	166,910	186,185	226,697
Profit for the financial year attributable to:					
Owners of the Company	135,330	149,195	161,914	179,444	211,368
Non-controlling interests	9,799	6,680	4,996	6,741	15,329
	145,129	155,875	166,910	186,185	226,697

STATEMENTS OF FINANCIAL POSITION

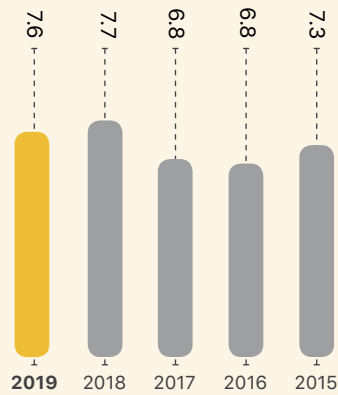
GROUP (RM'000)	2015	2016	2017	2018	2019
Non-current assets	2,891,302	2,939,602	3,154,999	3,473,895	4,806,348
Current assets	1,024,280	995,897	905,082	1,142,446	1,179,499
Assets held for sale	-	-	173,827	176,528	-
Current liabilities	(1,091,287)	(928,938)	(1,069,140)	(1,067,380)	(1,197,933)
Non-current liabilities	(1,264,270)	(1,321,832)	(1,349,557)	(1,588,786)	(2,738,650)
TOTAL	1,560,025	1,684,729	1,815,211	2,136,703	2,049,264
Share capital	527,246	531,784	736,069	860,295	906,743
Less: Treasury shares	(54,777)	(54,777)	(55,411)	(111,319)	(155,310)
Reserves	999,114	1,118,081	1,046,137	1,234,924	1,141,392
Shareholders' funds	1,471,583	1,595,088	1,726,795	1,983,900	1,892,825
Non-controlling interests	88,442	89,641	88,416	152,803	156,439
TOTAL	1,560,025	1,684,729	1,815,211	2,136,703	2,049,264

5-YEARS FINANCIAL PERFORMANCE

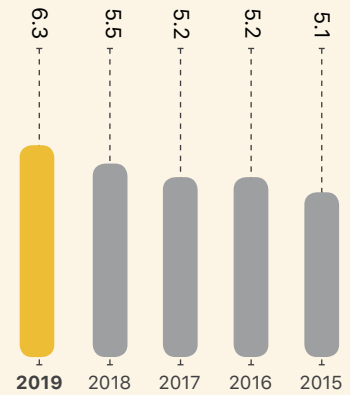
GROSS PROFIT MARGIN (%)



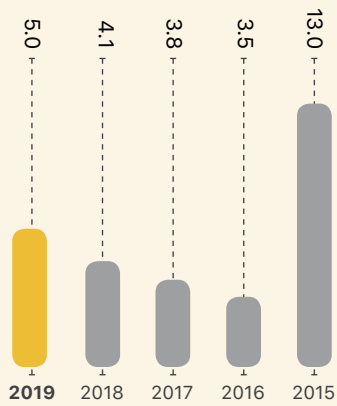
PROFIT BEFORE TAX MARGIN (%)



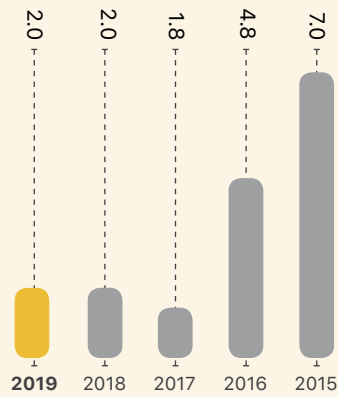
NET PROFIT MARGIN (%)



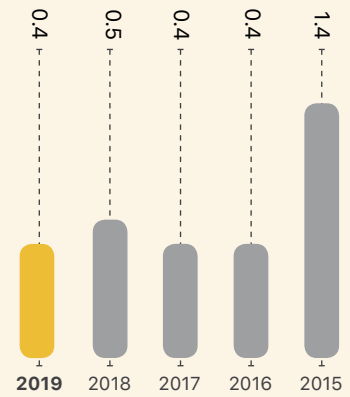
EARNINGS PER SHARE (SEN)



DIVIDEND PER SHARE (SEN)



NET ASSET PER SHARE (RM)



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STATEMENT OF VALUE ADDED

VALUE DISTRIBUTION

The value that KPJ Healthcare Berhad creates for its stakeholders can either be in the form of financial return or in non financial or intangible forms.

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

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

	2019	2018
	RM'000	RM'000
Revenue	3,604,364	3,365,608
Purchase of goods and services	(2,203,494)	(2,164,324)
Value added by the Group	1,400,870	1,201,284
Other income	21,652	30,830
Finance income	14,206	10,066
Finance costs		
- Borrowings	(89,534)	(91,148)
- Lease liabilities	(69,631)	-
Share of results of associates, net of tax	43,879	41,670
Value added available for distribution	1,321,442	1,192,702
Distribution		
To Employees:	821,135	775,513
To Government/Approved agencies:	48,696	71,872
To Shareholders:		
Dividend	86,019	84,681
Non-controlling interests	15,329	6,741
Community investment	10,346	13,244
Retained for re-investment	224,914	159,132
Retained for future growth	115,003	81,519
Total distribution	1,321,442	1,192,702
Number of employees at the year end	15,264	14,145
Value added per employee (RM'000)	92	85
Wealth created per employee (RM'000)	87	84
Number of shares at year end ('000 units)	4,439,197	4,399,148
Value added per share (RM)	0.32	0.27
Wealth created per share (RM)	0.30	0.27



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KPJ Ampang Puteri Specialist Hospital (New block)

OPERATIONAL REVIEW



IN 2019, KPJ DELIVERED RESILIENT EARNINGS AND CASH FLOW PERFORMANCE AGAINST A BACKDROP OF CONTINUED FOCUS ON OUR SEVEN STRATEGIC THRUSTS, DRIVEN TO CREATE VALUE FOR OUR SHAREHOLDERS AND STAKEHOLDERS.



KPJ continues our commitment towards providing high-quality services to the communities around us and our responsibility to provide safe, reliable and timely care. Our results demonstrate our team's dedication to caring for our community, which has been achieved as the demand for health services continues to grow whilst delivering continuous improvement and innovation. This is evident with the Group's continued success within our regional footprint of Indonesia, Bangladesh, Thailand and Australia.

We continue to let our strong fundamentals and value-added propositions be the core drivers behind our resilient business model. This drives us forward to pole position as we maintain our market-leading advantageous standpoint as the leading healthcare provider in Malaysia while turning our vision of being "The Preferred Healthcare Provider", into a reality.

Information on our healthcare value ecosystem can be found within the About KPJ section on pages 6 to 9 of this IR. To understand how Our Six Capitals became the pillars of value in 2019, please refer to the How We Create Value section on pages 8 and 9 of this IR. Our activities within our different business segments for the year were conducted with the intent of driving through our seven strategic thrusts. Details of Our Seven Strategic Thrusts can be found within the Group Strategy section on pages 24 and 25 of this IR. To discover our progress on all sustainability-related developments within the Economic, Environmental and Social segments, refer to our standalone Sustainability Report.

HOSPITAL NETWORK DEVELOPMENT

2019, saw our renewed vigour and focus on our vision of providing world-class health services by expanding our market presence and increasing our network of hospitals to fulfill market demand. As we stay ahead of competitors, we kept our sights firmly on the end goal as well as an abundance of opportunities within the private healthcare sector in Malaysia – all the while leveraging on our world-class capabilities, market resilience, brand recognition as well as high-quality medical treatments and services rendered.

The opening of three new hospitals namely KPJ Bandar Dato' Onn (operations commenced in February 2019 with a total of 30 beds), KPJ Batu Pahat (operations commenced October 2019 with a total of 29 beds) and KPJ Miri (operations commenced December 2019) saw the Group expanding our leading-edge healthcare network to 28 are currently under various stage of construction.


Another four hospitals in the pipeline which will be adding another 250 beds by 2023.

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CLINICAL AND HOSPITAL OPERATIONS

PERFORMANCE HIGHLIGHTS 2019

	2019	2018	Var (%)
OUTPATIENTS			
Malaysia	2,629,878	2,541,822	3.5
Indonesia	130,184	119,816	8.7
Bangladesh	142,493	110,657	28.8
INPATIENTS			
Malaysia	315,182	299,780	5.1
Indonesia	9,693	8,040	20.6
Bangladesh	6,608	4,257	55.2
CONSULTANTS			
Malaysia	1,105	1,036	6.7
Indonesia	122	106	15.1
Bangladesh	32	39	(17.9)
BEDS			
Malaysia	3,200	3,107	3.0
Indonesia	156	156	-
Bangladesh	80	50	60.0

MALAYSIA				
Revenue	Profit Before Tax	EBITDA	Deliveries	Surgeries
RM3.4 billion	RM309.4 million	RM619.6 million	 4.6%	 2.3%

- During the year under review, sees an increase of 3% bed capacity (93 additional beds), attributed to the new additions to our networks of hospitals namely KPJ Bandar Dato' Onn, KPJ Batu Pahat and KPJ Miri which commenced operations in 2019. Further to that, expansion of our existing hospitals, KPJ Seremban with the new block added another 48 beds also contributed to this increase.

Going forward, we continue to focus on improving operational efficiency for our group of hospitals through:

- Improvement of business processes:
- Monitor, assess and review the group hospitals performances and efficiency, analyse gaps and identify improvement plans and initiatives.
- The implementation of best practices standards
- Continue to review and standardize policy and procedures.
- Embracing innovations, technology and digital transformation initiatives.
- Collaborate with third parties to maintain quality database and data collection initiative for internal use.



KPJ Miri Specialist Hospital

INDONESIA				
Revenue	Profit Before Tax	EBITDA	Deliveries	Surgeries
RM56.9 million	(RM9.8) million	RM9.8 million	 9.9%	 8.4%



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For 2019, the Indonesian hospitals had shown favourable performance. The strategies taken for the year that contributed to the improved performance were:

- Further expand on the niche services such as Orthopaedic, Ophthalmology, Nephrology, Cardiac and O&G services.
- Addition of specialists to increase outpatient clinic utilisation for disciplines such as Vascular Surgery, Urology, O&G, Cardiology, Pulmonology, Orthopaedic, Neurology and Dentistry. This is also important to ensure the hospitals can offer a wide range of clinical services at all times. For 2019, there is a total of 16 new consultants joining, making the total consultants to be 122 this year. This contributes to the increase in number of outpatient and inpatient.
- Additional of seven dialysis machines for Rumah Sakit Medika Bumi Serpong Damai (RSMBSD), making the total operating machines to 23. This contributed to the increase in number of dialysis cases by 27% from 11,397 cases in 2018 to 14,509 in 2019.
- The introduction of new service - Cardiac Catheterization Lab (Cathlab) in Rumah Sakit Medika Permata Hijau (RSM PH) in October 2019 which brought 13 cases of Angiography and PCI cases for the year. In total, there are 321 cathlab cases for year 2019 from both hospitals.
- Continue to expand the existing market base - be it from corporate & insurance, BPJS and cash-paying patients. The hospitals have added 28 prominent corporate and insurance companies in the panel during the year; 13 for RSM PH and 15 for RSMBSD such as Yayasan Sasmita Jaya, PT WKA, PT. Asuransi Allianz Life Indonesia, PT. Graha Pusri Medika/COB BPJS, YKKBI (Yayasan Kesejahteraan Karyawan Bank Indonesia), Mandiri Inhealth Insurance and Yayasan Kesehatan Garuda Indonesia (Yankesga).
- Collaborate with other hospitals and healthcare facilities to get case referrals (either BPJS or insurance cases) for investigation for insurance and BPJS cases.



Rumah Sakit Medika Bumi Serpong Damai

BANGLADESH				
Revenue	Profit Before Tax	EBITDA	Deliveries	Surgeries
RM20.1 million	(RM2.3) million	(RM0.5) million	 17.7%	 31.2%

- Recruited four new consultants to increase clinic utilisation and services availability including a new service, the Oral Maxillofacial Services
- Began installing Picture Archiving Communication System (PACS) in December 2019
- Started renovation on an expansion of outpatient clinics to accommodate new and additional consultants
- Developed its own Patient Management System (PMS) to manage all its clinical information electronically
- Increased bed capacity from 50 to 80 beds



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



DIAGNOSTIC SERVICES

PATHOLOGY SERVICES - LABLINK (M) SDN BHD

Revenue	Profit Before Tax	EBITDA
RM102.2 million	RM26.0 million	RM26.5 million

- Lablink provides laboratory / pathology services to the KPJ Group. It manages the pathology laboratories in KPJ's network of hospitals. Lablink also conducts clinical tests for more than 100 non-KPJ institutions (including hospitals under the Ministry of Health and University Hospitals) as well as general practitioners' clinics across Malaysia.
- Lablink is the first lab in Malaysia to be certified with Bio-Safety Level 3 (BSL3) facilities which allows testing of highly infectious diseases (according to World Health Organization (WHO) standards).
- Lablink is equipped to handle airborne diseases, such as tuberculosis (TB) culture and sensitivity testing at its TB Reference Laboratory.
- In March 2018, Lablink entered into a strategic partnership to grow its pathology / diagnostic services with Quadria Capital in order to achieve and sustain long-term growth in the region.
- In 2019, Lablink recorded revenue growth of 17% from RM87.7 million to RM102.2 million. Correspondingly, EBITDA increased by 45% from RM18.3 million to RM26.5 million.
- In March 2020, Lablink was one of the private laboratories listed by the Ministry of Health (MOH) to perform COVID-19 rRT-PCR (i.e. real-time reverse transcription polymerase chain reaction) by testing specimens received from hospitals: both from walk-in members of the public as well as hospital inpatients.
- During the year under review, Lablink expanded its testing menu with 13 new tests bringing the total test available of 3,419.

- Lablink has in place the medical laboratory accreditation ISO 15189 to ensure that the highest standard of quality is maintained.
- Lablink, through its highly qualified staff and the usage of well-maintained instrumentations, provides clients with quality meaningful results.
- Lablink Laboratory Information System (LIS) facilitates seamless online viewing of patient's results which allows timely reference and retrieval by consultants for their diagnosis and treatment decisions,
- Lablink's diagnostics philosophy is to provide Rapid, Accurate, Actionable and Comprehensive (RAAC-diagnostics).



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PANDEMIC COVID-19

- Lablink is one of the private laboratories listed by the Ministry of Health (MOH) to perform COVID-19 rRT-PCR (real-time, reverse transcription, polymerase chain reaction) by testing specimens received from hospitals: both from walk-in members of the public as well as hospital in-patients. Lablink offers Covid-19 rRT-PCR test, a one-step, nucleic acid amplification methodology, for the detection of three target genes related and specific for SAR-CoV-2 virus, which include the Sarbecovirus envelope protein gene (E-gene), nucleocapsid protein gene (N-gene), and RNA-dependent RNA polymerase gene (RdRp-gene). The results of COVID-19 confirmation can be generated within 24-72 hours, by using existing methodology, and can be shortened by exploring technologies such as on-site, rapid POCT-PCR (point-of-care-testing polymerase chain reaction).
 - The KPJ-Group of Hospitals classified Covid-19 rRT-PCR test according to urgent (result within 24 hours) and routine (beyond 24 hours). The COVID-19 testing capacity has been ramped up and Lablink has been able to test and report about 1,500-3,000 samples in a day in May 2020. The total number of samples, as at the end of May 2020 was in excess of 70,000; of which the KPJ-Group of Hospitals Nationwide contributed to almost 75% of the tests while the balance was from non-KPJ hospitals and the Ministry of Health.
 - Since COVID-19 involves dealing with a NOVEL virus, safety is the main challenge as no definitive therapy for Covid-19 is yet established and vaccine is not available. Lablink ensures safety at the workplace by strictly implementing, administrative control, personal protective equipment, and engineering control.
- Challenges that encountered by Lab Scientist:
We are dealing with a NOVEL virus. Safety is the main issue as no definitive therapy for Covid-19 being established, and vaccine is not available. Lablink ensure safety at workplace by implementing the following;
- Administrative control**
 - Standard operating procedures (SOPs) in compliance with the laboratory standard and requirements of WHO Biosafety 2004 {3rd edition} and Malaysian Biosafety and Biosecurity Guidelines 2015 being established at Lablink.
 - Personal Protective Equipment (PPE)**
 - Lablink's Clinical Lab Scientists (CLSs) strictly comply with PPE requirement as prescribed.
 - Engineering Control**
 - Lablink is equipped with a state-of-the-art molecular diagnostics facility. Initial processing which includes viral de-activation of all specimens, extraction of nucleic acid, and molecular mixing are conducted in a negative pressure laboratory, by using additional equipment known as biological safety cabinet class 2 (BSC-A2). Master-mix preparation is conducted in a super-clean, RNA- and DNA-free, positive pressure laboratory. Amplification and detection of Covid-19 RNA is conducted in a dedicated negative pressure laboratory.

BIOMEDICAL AND COMMISSIONING SERVICES

KPJ's Biomedical and Commissioning Services provide a comprehensive range of technical and administrative services relating to the hospitals' medical equipment. This is to ensure that equipment and system used in patient care are operational, safe and properly configured to meet the mission of the healthcare. In 2019, we have spent RM21.4 million of the new equipment installation at our new hospitals.

Malaysia currently imports around 95% of the medical device for its consumption (Medical Device Authority Malaysia, 2013). All medical equipment suppliers in Malaysia are subject to Medical Device Authority Act 738. As our major equipment suppliers are based in Klang Valley therefore the shipping cost will be incurred to our hospitals in Sabah and Sarawak. We also need to have a proper coordination with suppliers to arrange for testing and commissioning of their equipment due to the distance.

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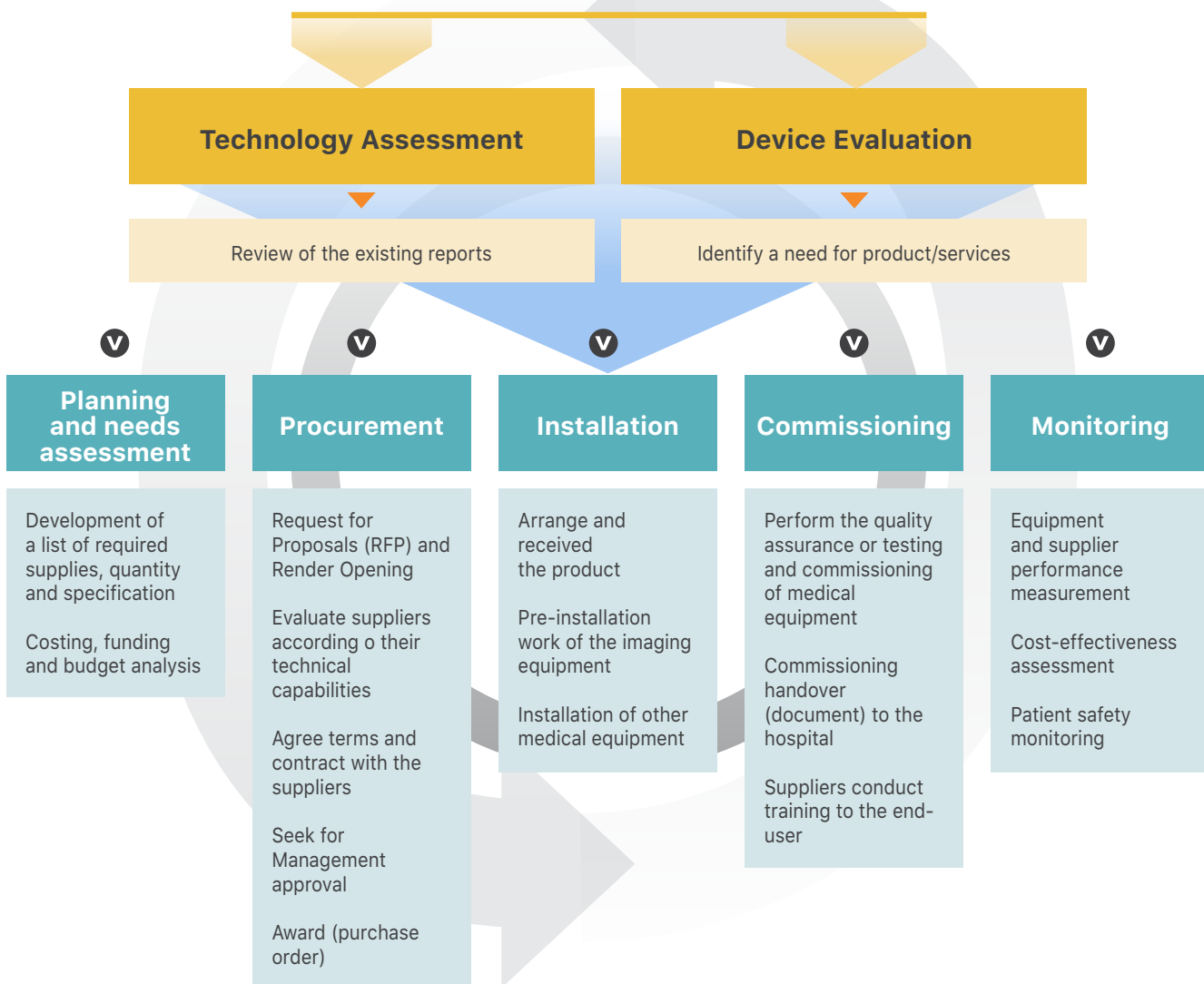
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SUMMARY FLOW CHART OF PROCUREMENT PROCEDURES



AMBULATORY CARE AND WELLNESS



CONFINEMENT CENTRE

AFTER BIRTH CARE (ABC) @ KPJ DAMAI CARE & WELLNESS CENTRE

After Birth Care



33%

- We launched the ABC in Kota Kinabalu in November 2018 which provides new mothers who have been recently discharged with personalized care for them and their babies in the comfort of their home. We will expand our suites from 12 to 22 in 2020. As at December 2019 we have served a total of 72 mothers and 73 babies.

MOM & BABY CARE @ KPJ KUANTAN CARE AND WELLNESS CENTRE

The centre was opened in August 2019

- We opened our Mom & Baby Care in August 2019 which provides a comfortable place for mothers during their confinement period.



EYE CENTRE

KPJ CENTER FOR SIGHT (EYE CENTRE)

Revenue

RM16.1
million

Cataract Surgery



2%

Lasik



2%

Other Eye Surgeries



(1%)

Total Surgeries



2.3%

- Eye Care Specialist is a Comprehensive center of discipline ranging from myopia to corneal services.
- The total number of cataract surgery and Lasik have increase by 2% compared to 2018. Other type of eye surgeries recorded a slight decrease by 1% .
- Nevertheless, the number of customers coming to KL branch only, for the advanced laser eye surgery technique, using ReLEx® (Refractive Lenticule Extraction) SMILE (Small Incision Lenticule Extraction), to treat short-nearsightedness and astigmatism , has showed an increase of 11% compared to 2018. This treatment is available in only a few laser eye surgery centres in Malaysia which include KPJ Eyecare Specialist Centre in KL.
- As responsible eye care professionals, we often do outreach programs to create public awareness. As such, we will continue to support the World Sight Day where free cataract surgeries were performed

on elderly recipients from various NGO Homes and Senior Care Facilities. Meanwhile, we are also supportive of the government's initiative in subsidizing lens for the B40 group.

- Our operations is not without challenges. The recent drug price hike had impacted us though in a small way. Further to that, we face intense competition from the mushrooming single specialty ophthalmology ambulatory care centre operated by entrepreneurship doctor and also we constantly face shortages of experienced consultants.

Going forward, we continue to enhance our branding through various available platforms as well exploring advance technologies in lens as well as innovative surgical procedures that will yield better results and outcome for our patients.



DENTAL SPECIALIST CENTRE

KPJ DENTAL KL SPECIALIST HOSPITAL

Dental Care Treatment



2%

- KPJ KL Dental Specialist Centre has been awarded 2019 Dental Services Provider of the year in Asia Pacific in April 2019 by the Global Health & Travel (GHT).
- Located at the strategic location in the heart of Kuala Lumpur, provides eight highly-skilled dentists whose expertise cover every speciality in dental health, including implantology, endodontics, prosthodontics, periodontics, orthodontics and oral surgery.
- Offer attractive personalised package to student, twin package and credit card instalment plan.
- In 2019, there were 21 community outreach and corporate clients engagement which benefited to 705 participants. Other than awareness program, we also provide free dental screening for 367 participants.



REHABILITATION CENTRE

KPJ TAWAKKAL KL HEALTH CENTRE

Physiotherapy & Occupational Therapy



33%

- We focus on intensive and interactive neurological or Stroke rehabilitation programs for chronic and acute neurological or stroke clients with all levels of disability. In 2019, 80% of our cases were physiotherapy.
- Our certified personnel include a rehabilitation physician, physiotherapists, occupational therapists & speech therapists, who will ensure the patients achieve the highest possible physical and functional independence and able to integrate with the community as permissible within the limits of anatomical, physiological and environment limitations.
- The services cover Neurological Rehabilitation, Paediatric Rehabilitation, Amputee Rehabilitation, Orthopaedic Rehabilitation and Work Assessment & Work Hardening.

KPJ DAMAI CARE & WELLNESS CENTRE (DWC)

Physiotherapy & Occupational Therapy



27%

- We opened our DWC's rehab services which provide treatments which are integral to the recovery from surgery, stroke and physical injury in November 2018. Due to an increase number of patients, we have extended the services from 6pm to 9pm on weekdays in January 2019.
- DWC has been appointed as one of the panel centres in May 2018 by PERKESO under their Return to Work (RTW) programme for rehabilitation services which tries to eliminate as many negative consequences as possible such as loss of production for employees, personal disappointment and loss of self-esteem for employees and high compensation costs for SOCSO. In January 2019, the centre was appointed as the only panel in Sabah to provide hostel facilities for outstation patients undergoing the RTW programme.

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KPJ Kuantan Care and Wellness Centre

The centre was opened in April 2019

- We have opened our rehabilitation centre last year which offers physiotherapy services, occupational therapy services and gym. The centre received 1,474 patients since it commenced in April 2019.



HAEMODIALYSIS SERVICES

KPJ Tawakkal KL Health Centre KPJ Kuantan Care and Wellness Centre

Kuala Lumpur



5%

Kuantan



15%

- Our Dialysis Services with full medical and resuscitation support and offer the modern Haemodialysis and Haemodiafiltration services for patient. Patient will be assessed regularly by our Consultant Nephrologists.
- We also provide private room (1 room per patient) for patients who value privacy as well as the Hepatitis B & C Isolation Room.



Confinement Centre at KPJ Damai Wellness Centre



Senior & Assisted Living Care at KPJ Tawakkal KL Health Centre



SENIOR & ASSISTED LIVING CARE

* Revenue RM51.9 million	* Profit Before Tax (RM7.9) million	* EBITDA RM5.3 million
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Centre	Occupancy	No. of Beds	No of residents	Average length of stay
Jeta Gardens Australia	80%	178	143	30 (months)
KPJ Tawakal KL Health Centre (THC)	75%	42	391	39.5 (days)
Sibu Geriatric Centre	95%	28	320	30.4 (days)
Kuantan Wellness Centre	63%	20	202	22.9 (days)
KPJ Damai Care & Wellness Centre	48%	21	154	23.9 (days)

- The market for Senior Living Care is constantly evolving. As the population ages, demand for senior living care increases, hence it is estimated that by 2030, approximately 49,000 senior citizens will be in need of senior living facilities operated by the private sector. These group of seniors are mainly from the T20 and M40 income group, that can afford senior care facilities. On top of that, the Government is aggressively attracting foreigners to "retire" in Malaysia, hence, this is another market which private senior care operators can tap on.
- In the Malaysian context, KPJ's targets the T20 and upper B40 income as the most likely to afford to pay package price at our Aged Care Centre.
- Further to that, KPJ might consider venturing into home care services to compliment our Senior Living Care business in Malaysia.

- Meanwhile, over in Australia, Jeta Gardens business had been impacted negatively by the Aged Care Royal Commission hearings. Besides that, of late, there had been an increasing number of home care packages which lead to a drop in occupancy from January 2019. To counter this, Jeta Gardens will ramp up its suite of marketing initiatives in order to call to attention the serene and desirable lifestyle at their Retirement Village.
- We have identified the business model and potential locations for future expansion of the Senior Living Care business though detailed planning is necessary for us to make the Senior Living Care as part of KPJ's core business going forward.

* Jeta Gardens Australia

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ANCILLARY SERVICES



TECHNICAL CONSULTANCY SERVICES

HEALTHCARE TECHNICAL SERVICES (HTS)

Revenue

RM7.3
million

PPM Services



33%

- HTS, our multi-disciplinary consulting arm had fared well with its growing portfolio both in Malaysia and abroad with its footprints in Poland, Saudi Arabia, Bangladesh, Indonesia, Laos and more recently Papua New Guinea.
- In 2019, HTS oversaw 20 projects encompassing hospital planning, project management, equipping and commissioning all over Malaysia. 11 projects have been completed successfully while the rest remain in development and design stages. All efforts to ramp up completion rate has been implemented.
- HTS also performs as a Maintenance Manager for our 20 hospitals under Al-'Aqar Healthcare REIT. As at 2019, they have provided Planned Preventive Maintenance (PPM) services to the hospitals and conducted more than 1,500 activities that covers the listed asset such as air conditioning system, cold and hot water supply. The activities increase by 33% from the previous year.



HEALTHCARE ENGINEERING SERVICES

MEDICAL DEVICES AND EQUIPMENT - PRIDE OUTLET SDN BHD (POSB)

Revenue

RM1.0
million

PPM services



16%

POSB supplies quality maintenance services, bio-medical products and imaging equipments for KPJ network of hospitals.

Its core services include:

- POSB has a team of competent engineers and testers to perform preventive maintenance services on biomedical, laboratory and radiology equipments.
- Rental of Medical Equipment.
- Troubleshooting and Repair.
- Outsourcing of Biomedical Maintenance allows you to outsource your biomedical maintenance fully or partially.
- Consultancy Services, backed by 20 years of experience in procuring, delivering, installation, commissioning, training and handing over of biomedical equipment. Experienced with managing more than 43,000 items.

- We acknowledge the availability of testers and analysis during critical maintenance work, therefore we invested heavily in them.

Some of the initiatives that is in planning going forward include:

- We will continue to enhance the maintenance service offering to existing and new KPJ hospitals.
- Increased focus on external private healthcare service providers.
- Continued provision of sales and maintenance for imaging equipment.
- Authorised Representative (Country Representative) for Neusoft Medical Systems Co Ltd, China for its CT Scan Systems.
- Authorised Distributor for DRGEM Korea for Digital Radiography/ X-Ray Systems.



HOSPITAL CATERING

TOTAL MEAL SOLUTION SDN BHD (TMS)

Revenue

RM11.8

million

Total Meal Served



18%

- There are nine internal outlets and four external outlets with five of its certified halal by JAKIM:
 - TMS Central Kitchen
 - TMS Klang
 - TMS Seremban
 - TMS Pusrawi
 - TMS Pahang
- We have completed our Central Production Plan (CCP) in Bukit Raja, Klang, complied with Hazard Analysis and Critical Control Points (HACCP) guidelines last year to care our business demand.
- As the food to be provided suitable to meet dietary needs of different patients, all dishes and menus are analysed for nutritional content by our dietician. We have conducted our menu revision every six months at all outlets.
- The food is served with suitable temperature and 100% of the meal delivered directly to patients within stipulated time. This contributed to 85% of Patient Satisfaction Index.
- In order to improve our business processes, we are utilising IT system to reduce operation cost on patient and purchase ordering.

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HOSPITAL LAUNDRY

FABRICARE LAUNDRY SDN BHD (FLSB)

Revenue

RM3.6

million

During the year under review, the company discontinued government contract due to the escalating cost of manpower and diesel price for boiler. Furthermore, price review was refused from the government hospital's concession company.

- We will continue to invest in linen supply with the aim of increasing revenue by 15% and in turn adding revenue to our financial coffers bringing positive impact on our financial capital.
- Embark on total linen management solution for new KPJ hospitals and other private hospitals which can impact both our manufactured and financial capital.
- Considering implementation of batch washer which reduce energy by 8% and water by 12% respectively, thus reducing impact on our natural capital.
- We constantly provided training and professional development to our staff which include guidelines of Linen and Laundry, and through investing in training is translated into improved human and intellectual capital.

- Meanwhile, the planned development of customer-based or social platforms to share issues and information on LLL will see an improved social and relationship capital.

Moving forward, plans are in the pipeline include:

- In line with our expansion plan, we are still looking for potential partners to accelerate the relocation of our current operation plant as well as investments for newer machineries and equipments.
- The company is strengthening its healthcare laundry segment as a core business whilst enhancing our Linen Rental Segment to other private hospitals as well as considering offering complimentary services such as tailoring and mending services.





WHOLESALE & DISTRIBUTION OF PHARMACEUTICAL & MEDICAL PRODUCTS

PHARMASERV ALLIANCES SDN BHD (PASB)

Revenue

RM451.1
million

Profit Before Tax

RM16.8
million

EBITDA

RM19.2
million

- Established in 2001, PASB is KPJ's centralised wholesaler and distributor of pharmaceutical, medical disposables and other hospital related products. Its clients are the KPJ network of hospitals and companies, as well as external clients within the government sector and other healthcare sector players.
- By employing volumetric purchases, PASB is able to achieve profitable growth and retain a competitive edge by transferring cost savings to customers.
- Over the years, it has recorded consistent growth in revenue and profitability. In 2019, its revenue increased to RM451.1 million, from RM423.4 million in 2018.
- Total Sales of vaccine in 2019 increased by 15% to RM6.8 million compared to previous year. This includes vaccinations for children and adults.
- In May 2019, the Health Minister had announced that the Cabinet has approved the drug price controls and the Ministry of Health, together with the Ministry of Domestic Trade and Consumer Affairs (KPDNHEP), will work to gazette the regulations under the Price Control and Anti-Profitteering Act 2011 (Act 723).
- MOH will use external reference pricing to benchmark drug prices in Malaysia against prices in certain countries so that local drug prices do not exceed the benchmark. The countries that will be referenced have not been disclosed.
- The ceiling prices that will be imposed are as follows:-
 - Maximum Wholesale Price (MWP) – based on external reference pricing
 - Maximum Retail Price (MRP) – based on Regressive Mark-Up on MWP
- KPJ had formed a Task Force Committee to understand and keep abreast of the development and implementation plans from the Ministry's plan to regulate drug prices, engage with authorities and policy makers of KPJ's stand in matters that may impact the Group, estimate risk & financial impact to the group performance and propose measures to mitigate/recover from the potential revenue loss
- PASB will continue exercising stringent responsibility in providing high quality healthcare and drugs to end users while ensuring it remains affordable.



Supply Chain

- In PASB, all the activities that related to pharmaceuticals and medical product such as storing, handling, distributions, labelling and packaging, traceability and re-calling are governed by the Pharmaceutical Services Division of the MOH. This is to ensure the Good Distribution Practices are followed.
- We will do our due diligence and follow the internal policy on bulk purchase, tendering process and contract pricing to secure good prices for patients. Drugs shortages may cause an adverse impact from an economic, clinical and humanistic standpoint. Long lead time delivery and drugs shortages threaten healthcare quality and clinical outcomes.
- Moving forward, we will continue to collaborate with suppliers while taking care to predict situational contingency plans to reduce short supply incidences.
- We engage local supplies to insulate a business from the risk and challenges that may arise from procuring from abroad. By appointing locals, we will have a greater control in our operational activities and reduce of supply chain cost especially in shipment and warehouse. Other than that, we have more flexibility in time management and helps the environment in term of reducing carbon emission and energy use.

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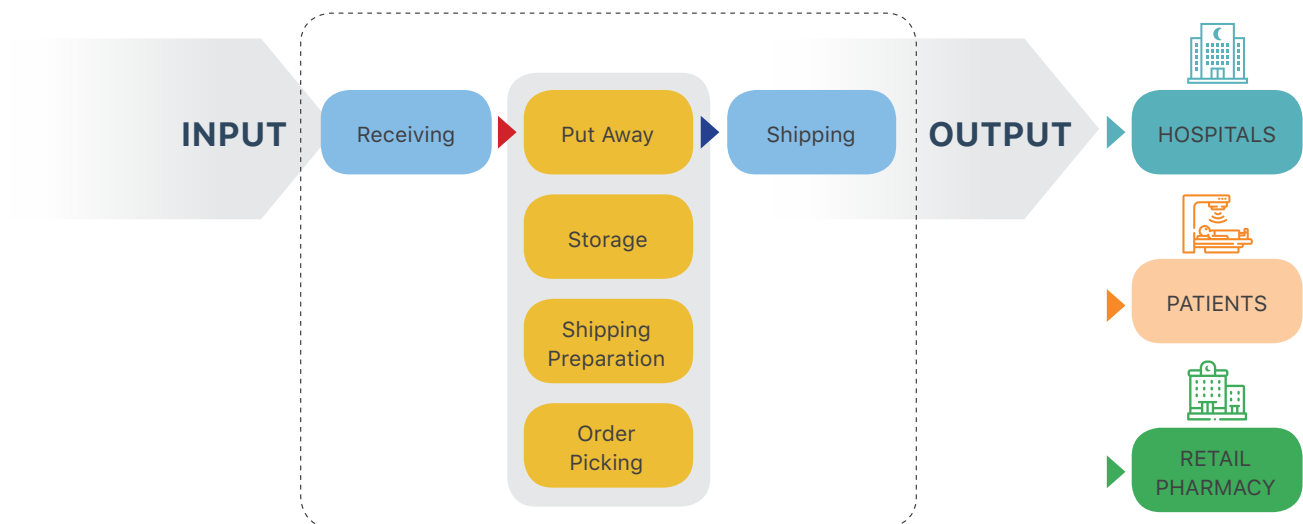
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Challenges

- Due to the influenza pandemic that occurred early January 2020, we faced a shortage of influenza vaccines supplies. Fortunately, supplies were acquired from abroad via import permit and the entire process was sped up with the National Pharmaceutical Regulatory Agency's (NPRA) assistance.
- After the declaration of Covid-19 outbreak a pandemic by WHO in March 2020, it threaten our supply chain and spark a shortage crisis. Although the situation was under control, the spread of the coronavirus resulted in the closure of pharmaceutical factories in China and India. We work together with the hospitals to develop strategies that identify and extend Personal Protective Equipment (PPE) supplies to be available when needed most.

TERAJU FARMA SDN BHD (TFSB)	
Revenue RM89.4 million	<ul style="list-style-type: none"> TFSB is involved in wholesale supply of pharmaceuticals and healthcare-related products to the public and private medical sector. In 2019, TFSB recorded a revenue of RM89.4 million, an increase of 23% from 2018 despite challenges from launching of new products in the market and price competition.
Profit Before Tax RM2.1 million	TFSB will also be focusing on the enhancement of its IT systems and working closely with its business partners to penetrate new customer markets in relevant healthcare sectors.
EBITDA RM1.9 million	



RETAIL PHARMACY

KPJ HEALTHSHOPPE SDN BHD AND JX PHARMACY SDN BHD	
Revenue RM3.5 million	<ul style="list-style-type: none"> There are currently 10 retail KPJ Healthshoppe outlets located in Klang Valley, Johor, Ipoh, Negeri Sembilan and Pahang with 1 online store outlet while 3 full-fledge retail pharmacy known as JX Pharmacy opened in Bangi, Shah Alam and Kota Damansara. To address the current population trends and increase of ageing patients, the outlets will be offering elderly friendly functional nutrition and medical devices. With rate of obesity-related conditions on the rise, we will also disseminate more effective weight-loss management steps by performing basic assessments such as BMI, blood glucose and cholesterol monitoring and dietary consultation. JX Pharmacy will provide a stable platform for patients to get vital medicine based on their rights to obtain prescriptions from prescriber. This will allow us to offer competitive medicine prices once price control mechanism have been implemented.





STERILISATION OF SURGICAL INSTRUMENT

STERILE SERVICES SDN BHD (SSSB)		
<p>Revenue</p> <p>RM4.7 million</p>	<ul style="list-style-type: none"> Quality patient care can only be successfully achieved if the surgical instruments used to treat patients are clinically clean. Through SSSB, we are providing efficient and consistent services to Central Sterile Services Department (CSSD) customers in conformance with the international quality standards. We have a CSSD centre located in Rawang which provides expert high quality sterile supply administration and customer service, allowing our customers to focus on their core competencies and other strategic initiatives. The sterilised surgical instruments are returned to hospitals within 24 hours to ensure there will be no shortages in surgical instruments. The centre is the first of its kind in South East Asia, and provides services for the sterilisation of surgical instruments from both public and private hospitals in the Klang Valley and Selangor, resulting in cost savings and greater efficiency. We are looking into developing strategic partnership with medical devices manufacturer as the main supplier for all our medical supplies, while we will be their appointed agent for procurement of medical devices will certainly impact both our manufactured and financial capitals. 	<p>Going forward, the company will implement the following:</p> <ul style="list-style-type: none"> We are looking at putting in place the Quality Assurance and a safe supply chain system. Obtain compliance for Decontamination and Reprocessing of Medical Devices for Healthcare Facilities standards. Ensure compliance and certification international standards in sterilization processes for EN ISO 13485:2016 and EN ISO 17665:2006. Adhere to Good Distribution Practice for Medical. Continued education and training for staff on proper usage of PPE, Occupational Health and Safety (OHS) and prevention of cross contamination. Plans to diversity our services to provide procurement services of medical devices to hospitals. In line with our expansion plan, SSSB will be relocated to a new site. Consolidation and standardization of hospital medical devices or surgical sets.

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EDUCATION


KPJ HEALTHCARE UNIVERSITY COLLEGE SDN BHD (KPJUC)

Revenue	Program	
RM36.0 million	38	2,192 GRADUATES

- Since its inception 29 years ago, KPJUC has achieved many significant milestones by offering various new home-grown programmes for PhD, Master and Bachelor degrees. At present, KPJUC offers a total of 36 academic programmes. It has started enrolling postgraduate students in PhD and Master of Nursing, Master of Pharmacy, Master of Pharmaceutical Technology and Master of Physiotherapy since 2013. A key achievement in 2019 was KPJUC producing its first three PhD graduates in Nursing.
- On top of that, KPJUC is the only private higher institution in Malaysia to be given the privilege of offering the Postgraduate Medical Specialist programmes. Apart from Master of Otorhinolaryngology – Head and Neck Surgery (ORL), KPJUC has also offered programmes such as Master of Radiology, Master of General Surgery and Master of Orthopaedic and Master of Science in Pharmaceutical Technology (SPT) programmes. In 2018, we have produced two SPT graduates and followed by four graduates of Master of Radiology in 2019.

KPJUC is privileged to have the support of KPJ consultants and healthcare professionals from 28 specialist hospitals for the clinical training for its students. This enables KPJUC to produce quality healthcare professionals for the country. As such as the number of offerings planned for 2020, going forward are as follows:

- Among the programmes in the pipeline i.e. MBA in Healthcare Management catering to those working in healthcare services to pursue their study in Master Programme to be introduced in July 2020.
- New home-grown programme in KPJIC Penang i.e. Diploma in Operating Department Practice (DODP) to be launched in July 2020 expected to contribute solid revenue stream to branch.
- Focus on part time programme i.e. Bachelor in Physiotherapy and Bachelor in Business Management that cater working adult.
- MOU signing with International universities ie Universitas Syiah Kuala (USK), Aceh and Universitas Fort De Kock (UFDK), Indonesia aimed at student or lecturer exchange and research collaboration.
- Exploring micro credential programme that enable working adult to join the programme in flexible mode and awarded with academic qualification. This is expected to be implemented in mid-2020.

 For full details on our various measure in our Malaysian education arm, please refer to Materiality Economic 4 – Nurturing Future Medical Professionals of our Sustainability Report.



MALAYSIAN COLLEGE OF HOSPITALITY & MANAGEMENT (MCHM)

Program

5

48 GRADUATES

- MCHM located in Johor Bahru, offers six courses that are highly demanded by the flourishing hospitality industry and preparing them for the real working experience via corporate internship programmes in collaboration with KPJ Healthcare Berhad and its group of companies.
- MCHM programmes is students' placement in reputable hotels and restaurants where practical skills are enhanced and given enormous values in real-life situations. Our programmes are well structured and highly recognised by the industry.

SHEIKH FAZILATUNNESSA MUJIB KPJ NURSING COLLEGE (SFMKNC)

Program

2

79 GRADUATES

- Since the establishment of the Sheikh Fazilatunnessa Mujib Memorial KPJ Nursing College in April 2015, the college had a total of 264 students enrolled in the Basic and Post Basic Bachelor of Science in Nursing Programmes in 2019.
- On 18 September 2019, our first graduation ceremony for 79 students from the first batch of both Basic and Post Basic BSc Nursing programs was inaugurated by Her Excellency the Honorable Prime Minister of the People's Republic of Bangladesh
- The first batch Of 22 graduates from Bachelor of Science in Nursing secured employment at our Bangladeshi hospital.

DIGITALISATION

KPJ INFORMATION TECHNOLOGY SERVICES

HITS2	KCIS2	Integrated Online Appointment System	Ratio Personal Computer (PC) to Staff
11 Hospitals	11 Hospitals	18 Hospitals	1:1.8 PC Staff

- Information and Communication Technology (ICT) continues to evolve in the Industry 4.0 Evolution focusing on several project initiatives as follows:
- Migrate into Cloud Computing by installing Hospital Information System with the core applications of HIT2 (Financial) and KCIS2(Clinical).
- Despite the challenge of trying to achieve integration of 28 hospitals in 2019, we benefited from a learning curve where we changed from native to cloud computing applications for the platform to be ready for integration between KPJ hospitals to improve services engagement between the Management, Care Providers and Customers (Patients).
- HITS2 and KCIS2 remains as applications to protect patients' medical data while extending more efficient services to patients. Hence, migrating cloud computing require an improved and centralised managed private cloud services to reduce system downtime to less than an hour for better engagement for doctors and nurses who utilizes the core applications to serve patients.
- Enabled further value creation of services through payment kiosks to improve payment using credit card facilities as the faster turnaround in waiting time improves patient experience.
- Big Data Analytics and Artificial Intelligence will help achieve a more in-depth understanding of our patients needs and improve hospital settings as well as performance for better quality of care.
- By moving into cloud and cloud computing, enabled the platform as shased services in compiling medical data to initiate Big Data Analytics and improve the use of Artificial Intelligence as the next move.

Standardise processes and policies as follows:

- Procurement – standardised purchase order and authorisation limits.
- Review of supplier, selection criteria and processes.
- User Access Matrix -reviewed and standardised for integrated system HITS2 and KCIS2.

- Inventory Management – reviewed and standardised unit of measurement and charging unit, deactivate unutilised old and non-standard codes from the system.
- Standard coding system – reduced leakages.
- Corporate Information Technology Services is part of KPJ's success story to achieve ISO 9011 to comply with quality and governance to ensure standardisation and best practice in the entire KPJ Group of hospitals and companies.
- Corporate IT services continued to prepare for ISO 27001 to ensure Cybersecurity and Data Protection compliance to reduce Cyber Security and IT risks, with a target to achieve ISO 27001 certification in 2020.
- Centralised monitoring system and behavioural analytics to identify unknown intrusion and internal and external cyber attack as well as establish internal control policy to ensure there are proper actions to be carried out when there are emergency situations.

Moving forward, we look to further build our capacities in the following areas:

- Continue with implementation of HITS 2 and KCIS 2 Cloud Computing at Group-wide level.
- Managed Private Cloud.
- Obtain the ISO 9001 and ISO 27001 certifications.
- KPJHQ, Hospitals and Companies Assets Hygiene.
- Cyber Security Risk Points.

For enhanced customer relationship management:

- HITS2 and KCIS2.
- Customer Relationship Management (CRM).
- Internet of Things (IoT).
- Electronic Master Data Management (Initial Assessment).

To continue exploring new MedTech and Industry 4.0 technology applications in the healthcare sector via:

- Artificial Intelligence.
- Telemedicine.
- Wearable Devices (IoT).

HEALTH TOURISM

Revenue

▲
5%

No. of visits

▲
7%

- In FY 2019, the overall performance of KPJ's Health Tourism sector recorded an increase of 7% year-on-year, from RM140.4 million in 2018 to RM 150.3 million in 2019. This correlates with the increased number of Health Tourist visits, from 158,811 visits in 2018 to 166,671 visits in 2019, i.e. an increase by 5%.
- 72% of the total Health Tourism Revenue was derived from Health Travellers whereas 28% was from Expatriates who are living in Malaysia.
- 49% of KPJ's Health Tourism patients in FY19 were from Indonesia, with the majority of the patients coming from Riau Island (Batam, Tanjung Pinang and Tanjung Balai), Kalimantan (Pontianak and Sengkawang), Sumatera Island (Banda Aceh, Medan, Padang and Pekanbaru) and Jakarta on the Java Island.
- Other countries contributing to the growth in Health Tourism numbers came from China, India, Bangladesh and Somalia.
- Several health packages were introduced as part of KPJ's overall strategy to attract new health tourists to Malaysia for specific treatments. Among the Health Tourism packages created in FY19 were Paket Wisata, Total Knee Replacement, OGDS, Speech Therapy and Bariatric Surgery.
- To strengthen KPJ's brand internationally, the Group's strategic marketing framework included the setting up of information centres in Indonesia, Somalia and Uzbekistan.
- KPJ Group has continued to engage with and serve expatriate communities through onground and online events.
- Due to the high demand for social media, KPJHB has created several FB Pages with multi-language for the purpose to disseminate information to the potential target market. As at Dec 2019, KPJ has FB Pages in Bahasa Indonesia, Arabic, Bangladesh and Chinese.
- In FY19, dedicated International Patient Centres (IPCs) were set up in KPJ Hospitals. The IPCs provide facilities and amenities such as arrangements of transport and accommodation for health tourists.
- Information Centres were established abroad to capture a bigger market share and attract health tourism patients from their provinces and countries. The Info Centres are located in :
 - Indonesia : 16
 - Bangladesh : 1
 - Somaliland : 1
 - Uzbekistan : 1



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