KPJ HEALTHCARE BERHAD ("KPJ" OR THE "COMPANY")

PROPOSED JOINT VENTURE BETWEEN KUMPULAN PERUBATAN (JOHOR) SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF KPJ, AND YAYASAN ISLAM PERLIS

This announcement is dated 11 July 2011.

1. INTRODUCTION

The Board of Directors of KPJ ("**Board**") wishes to announce that the Company's wholly-owned subsidiary, Kumpulan Perubatan (Johor) Sdn Bhd ("**KPJSB**"), had on 11 July 2011 signed a Joint Venture Agreement ("**JVA**") with Yayasan Islam Perlis ("**YIP**") for the purpose of designing, developing, building, completing, owning and subsequently operating from a hospital building to be known as "KPJ Perlis Specialist Hospital" ("**Proposed JV**").

2. DETAILS OF THE PROPOSED JV

2.1 Information on the Proposed JV

The Proposed JV shall operate through a joint venture company ("**JVC**") under the name of Perlis Specialist Hospital Sdn Bhd, of which KPJSB will hold 60% equity interest while YIP will hold the remaining 40% equity interest.

Pursuant to the JVA, YIP shall transfer the Land (as defined in Section 2.4) with vacant possession for the building of the proposed KPJ Perlis Specialist Hospital whilst KPJSB shall provide the technical and management services for the construction of the hospital building and shall use its best endeavour to assist YIP in matters relating to the construction and completion of the hospital building.

KPJ shall be appointed as the manager for the operation, administration and management of the JVC of which the management agreement shall be executed later.

2.2 Salient terms of the JVA

The JVC will be established under the name of Perlis Specialist Hospital Sdn Bhd. The JVC will be engaged in the business of designing, developing, building, completing, owning and subsequently operating from a hospital building which shall be known as KPJ Perlis Specialist Hospital. The JVC shall commence and be fully engaged in the business within two (2) years of its incorporation.

(i) Share Capital of JVC

The JVC shall have an initial authorised share capital of 25,000,000 ordinary shares of RM1.00 each ("**JVC Shares**") and an initial issued share capital of two (2) Shares.

Upon the successful transfer of the Land from YIP to JVC, the parties shall subscribe to the JVC Shares as follow:-

(1) YIP shall subscribe and be allotted with 6,500,000 JVC Shares payable in consideration for the transfer of the Land to JVC; and

(2) KPJSB shall subscribe and be allotted with 9,750,000 JVC Shares payable in cash.

Subsequent increases in JVC's share capital shall be based on its requirements from time to time. As at to date there are no plans to increase the initial paid-up share capital.

However, the percentage shareholding in the JVC shall be and shall remain as 60% to be held by KPJSB and 40% to be held by YIP.

(ii) Conditions Precedent of the JVA

The JVA is subject to the fulfilment of, inter-alia, the following conditions precedent within ninety (90) days from the date of the JVA or such extended date as the parties may mutually agree:-

(i) The approval of the board of directors KPJSB and YIP; and

(ii) The approval from the Ministry of Health of Malaysia ("**MOH**") for the setting up of a private healthcare facility.

(iii) Composition of the Board of Director of JVC

The board of directors of JVC shall comprise of at least five (5) directors, of which three (3) persons shall be nominated by KPJSB and two (2) persons nominated by YIP. From among the three (3) persons nominated as directors by KPJSB, one (1) shall be appointed as chairman of the JVC and one (1) shall be appointed as executive director of the JVC.

(iv) Future Funding of JVC

The funding required by the JVC for the purpose of the business or any working capital requirement shall be provided in the following manners:-

(a) by way of loans or other financial assistance from financial institutions or other third parties;

(b) out of the profits generated by the JVC;

(c) in the event of the board of directors of JVC being unable to procure loans or financial assistance as Section 2.2(iv)(a), by way of loans from shareholders to the JVC in proportion to their shareholding in the JVC; and

(d) in the event of the board of directors of JVC being unable to procure loans or financial assistance as Section 2.2(iv)(a) and 2.2(iv)(c), by way of share capital subscribed for by the shareholders in proportion to their shareholding in the JVC.

As at the date of this announcement, KPJSB do not foresee any additional financial commitment to be raised in relation to the Proposed JV apart from the RM9.75 million for the subscription of the JVC Shares as described in Section 2.2 (i) above.

2.3 Source of Funding

The subscription price of RM9,750,000 for the 9,750,000 JVC Shares as described in Section 2.2 (i) above will be financed via internally generated funds of the KPJ Group.

2.4 Information on the Land

The Land refers to the leasehold lands held under PM1239 Lot 2550 and PM1241 Lot 2575, Mukim Seriab, Kangar, Perlis measuring 2,613 square metres and 14,907 square metres respectively, with total measurement of 4.329 acres ("**Land**"). YIP is the registered owner of the Land.

2.5 Information on YIP

YIP, a corporate body established under the Perlis Islamic Foundation Enactment (No. 4 Year 1987). YIP is principally an investment holding entity and its subsidiaries are principally involved in Islamic education. The registered office of YIP is at 29-31, Jalan Sena Indah, Taman Sena Indah, 01000 Kangar, Perlis.

3. RATIONALE FOR THE PROPOSED JV

The Company views the Proposed JV between KPJSB and YIP as beneficial for the following reasons:

(a) The Proposed JV is in line with KPJ and its subsidiaries ("**KPJ Group**") objective to increase its network of hospitals to locations where private healthcare is in demand, enlarge the customer base as well as other areas of healthcare services.

(b) The Proposed JV shall leverage on KPJ and YIP's capabilities to successfully operate as a private hospital.

(c) The Proposed JV shall lower KPJ's initial start up cost, i.e. cost of land and construction cost of hospital building, and lower maintenance spend.

4. PROSPECTS OF PRIVATE HEALTHCARE INDUSTRY IN MALAYSIA

The healthcare industry has become a powerful engine for economic growth in Malaysia due to demographic shifts. Currently, the sector contributes RM15 billion to Malaysia's Gross National Income (GNI).

The government aims to grow three subsectors of healthcare, namely pharmaceuticals, health travel and medical technology products with the objective to migrate from primarily a lower-value product strategy to a more comprehensive product, services and asset strategy.

The government targets to generate RM35 billion incremental GNI contribution to reach RM50 billion by 2020. The Healthcare National Key Economic Areas (NKEA) is also targeting to welcome 1 million health travelers and conduct 1,000 clinical trials, all of which will create approximately 181,000 new jobs.

Given the ambitious target to grow the healthcare sector and treble its contribution to GNI, the sector will require RM23 billion cumulatively from 2011 to 2020 to fund growth. Ninety-nine (99) percent of this sum will be funded by the private sector and only one (1) percent of this sum is publicly funded.

In Malaysia, where the Government is striving to achieve developed economy status by 2020, the services sector is seen as the main driver of growth. The services sector is expected to expand by 3.6% in 2010 and within this sector, the Government has identified healthcare travel as one of the potential services subsectors to generate national economic growth.

(Source: official website of PEMANDU at www.pemandu.gov.my)

In view of the above, KPJ Group believes that the prospects of the healthcare industry as well as the Proposed JV to be promising.

5. RISKS IN RELATION TO THE PROPOSED JV

The Board does not foresee any material risk pursuant to the Proposed JV except for the inherent risk factors associated with healthcare industry, of which the KPJ Group is already involved in.

6. EFFECTS OF THE PROPOSED JV

6.1 Share Capital and Substantial Shareholders' Shareholding

The Proposed JV will not have any effect on the share capital and substantial shareholders' shareholding of KPJ.

6.2 Earnings

The Proposed JV will not have any material financial impact on KPJ's earnings in the current financial year but is expected to contribute positively in the future.

6.3 Net Assets and Gearing

The Proposed JV will not have any material financial impact on KPJ's net assets and gearing.

7. APPROVALS REQUIRED

Save for the approval from the MOH for the setting up of the private healthcare facility, the Proposed JV is not subject to the approval of other relevant authorities and the shareholders of KPJ.

The submission to the MOH is expected to be made within one (1) month from the date of this announcement.

8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors and/or major shareholders of KPJ and/or persons connected with them have any direct or indirect interest in the Proposed JV.

9. DIRECTORS' OPINION

The Board of Directors of KPJ, having considered all the relevant factors in respect of the Proposed JV is of the opinion that the Proposed JV is in the best interest of the Company and will be beneficial to the business of the KPJ Group.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the conditions precedent of the Proposed JV are expected to be fulfilled and completed by the second (2^{nd}) half of 2011.

11. PERCENTAGE RATIOS

The highest percentage ratio applicable to the Proposed JV as per Paragraph 10.02(g) Chapter 10 of the Listing Requirements is the value of equity interest invested, compared with the net assets of the KPJ which amounts to approximately 1.13% based on the latest consolidated financial statements of the KPJ as at FYE 31 December 2010.

12. DOCUMENTS FOR INSPECTION

The JVA will be made available for inspection at the registered office of KPJ at Suite 12B, Tingkat 12, Menara Ansar, No. 65, Jalan Trus, 80000 Johor Bahru, Johor during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this Announcement.