

KPJ HEALTHCARE BERHAD (“KPJ” OR THE “COMPANY”)

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

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 27 September 2013 signed a Joint Venture Agreement (“**JVA**”) with UTM Holdings Sdn Bhd (“**UTM Holdings**”) for the purpose of designing, developing, building, completing and owning, and subsequently operating a private hospital on a portion of the leasehold land held under HSD 46692, Lot No, PTD No 95180, Mukim Kulajaya, Johor (“**Land**”) (“**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**”), of which KPJSB will hold 60% equity interest while UTM Holdings will hold the remaining 40% equity interest.

Pursuant to the JVA, UTM Holdings shall lease the Land from Universiti Teknologi Malaysia (“**UTM**”) and sub-lease a portion of the Land (“**Subdivided Land**”) to JVC including all rights and interests attached to it for a period of thirty (30) years with an option for a further lease of thirty (30) years vide a sub-lease agreement (“**Sub-Lease Agreement**”) whilst KPJSB shall provide the technical and management services for the construction of the hospital building and shall use its best endeavour to assist the JVC in obtaining the planning approval in relation to 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 name of the JVC shall be a name to be mutually agreed by the Parties and as may be approved by the Companies Commission of Malaysia.

The JVC will be engaged in the business of designing, developing, building, completing, owning and subsequently operating from a hospital building (“**Building**”). The JVC shall commence and be fully engaged in the Business within two (2) years from the date the last of the conditions precedent to the JVA have been fulfilled and/or waived by the Parties to the JVA (“**Effective Date**”).

(i) Share Capital of JVC

The JVC shall have an initial authorised share capital of 100,000 ordinary shares of RM1.00 each (“**JVC Shares**”) and an initial issued share capital of two (2) JVC Shares.

Within thirty (30) days from Effective Date, the parties shall subscribe to the JVC Shares as follow:-

- (1) UTM Holdings shall subscribe and be allotted with 11,980,000 JVC Shares payable in consideration for the transfer of the Land to JVC; and
- (2) KPJSB shall subscribe and be allotted with 17,970,000 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 remain as 60% to be held by KPJSB and 40% to be held by UTM Holdings.

(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 of KPJSB;
- (ii) The approval of the board of directors of UTM Holdings authorising the:
 - a) Subscription of shares by UTM Holdings of 40% of the equity of the JVC;
 - b) Entry of UTM Holdings into the Lease Agreement with UTM;
 - c) Entry of UTM Holdings into the Sub-Lease Agreement with JVC;
 - d) The appointment of two (2) representatives of UTM Holdings as Directors.

(iii) Composition of the Board of Director of JVC

The board of directors of JVC shall comprise of at least six (6) directors, of which three (3) persons shall be nominated by KPJSB, two (2) persons nominated by UTM Holdings and one (1) individual whom shall be the Medical Director ("Medical director") of JVC.

From among the three (3) persons nominated as directors by KPJSB, one (1) shall be appointed as Executive Director of the JVC and another one (1) shall be appointed as Chairman 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) by way of loans from shareholders to the JVC in proportion to their shareholding in the JVC in the event that the board of directors is unable to procure loans or financial assistance as stated in 2.2(iv)(a) above; and
- (d) by way of share capital subscribed for by the shareholders in proportion to their shareholding in the JVC in the event that the board of directors and shareholders are unable to procure loans or financial assistance as stated in 2.2(iv)(a) and/or (c) above.

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 RM17.97 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 RM17,970,000 for the 17,970,000 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 Subdivided Land

The Subdivided Land refers to a portion of the leasehold land held under HSD 46692, Lot No, PTD 95180, Mukim Kulai, Daerah Kulajaya, Johor measuring 2,428.7 acres. UTM is the registered owner of the Land.

2.5 Information on UTM Holdings

UTM Holdings is a company incorporated in Malaysia under the Companies Act 1965 and having its registered office at 11-01, Jalan Dato' Jaafar 1, Johor Bahru, Johor.

UTM Holdings is a wholly-owned subsidiary and the commercial arm of UTM, a leading innovation driven and entrepreneurial research university in engineering, science and technology with a mission to lead in the development of creative and innovative human capital and advanced technologies that will contribute to the nation's wealth creation.

2.6 Information on the Hospital Building

The new hospital building will have a multi-discipline services and the first phase will be equipped with 150 beds costing RM128 million comprising land, building and medical equipment. The hospital building will have a maximum capacity of 500 beds.

3. RATIONALE FOR THE PROPOSED JV

The Company views the Proposed JV between KPJSB and UTM Holdings 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 through its project ‘Private Public Partnership’ (‘PPP’) shall leverage on KPJ and UTM Holdings’ capabilities in healthcare and education; to lead in the private teaching hospital area in Malaysia. The partnership shall offer training ground opportunities for its technical staff.

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 (3) 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.

(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. LIABILITIES TO BE ASSUMED BY KPJ AND KPJSB

There are no liabilities, including contingent liabilities and guarantees, to be assumed by KPJ and KPJSB pursuant to the Proposed JV.

7. EFFECTS OF THE PROPOSED JV

7.1 Share Capital and Substantial Shareholders' Shareholding

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

7.2 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.

7.3 Net Assets and Gearing

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

8. APPROVALS REQUIRED

Proposed JV is not subject to the approval of other relevant authorities and the shareholders of KPJ.

9. 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.

10. 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.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the JVC shall commence and be fully engaged in the Business within two (2) years from the Effective Date.

12. 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 KPJ which amounts to approximately 1.63% based on the latest consolidated financial statements of KPJ as at FYE 31 December 2012.

13. 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

This announcement is dated 27 September 2013.