

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

**PROPOSED JOINT VENTURE BETWEEN KUMPULAN PERUBATAN (JOHOR) SDN BHD (“KPJSB”),
A WHOLLY-OWNED SUBSIDIARY OF KPJ AND PASDEC CORPORATION SDN BHD (“PCSB”), A
WHOLLY-OWNED SUBSIDIARY OF PASDEC HOLDINGS BERHAD (“PASDEC”) (“PROPOSED
JOINT VENTURE”)**

This announcement is dated 20 July 2009.

1. INTRODUCTION

The Board of Directors of KPJ (“**Board**”) wishes to announce that KPJSB had, on 20 July 2009 entered into a Joint Venture Agreement incorporating the Shareholders’ Agreement (“**JVA**”) with PCSB to set up a joint venture company (“**JV Co**”), for the purpose of developing a hospital building on a leasehold land measuring approximately 3.12 acres held under H.S. (M) 6562 Lot No. PT 83065 at Tanjung Lumpur District of Kuala Kuantan, Kuantan Pahang (“**Land**”). The name of the JV Co will be announced at a later date once the JV Co has been incorporated,

2. THE PROPOSED JOINT VENTURE

2.1 The JV Co

2.1.1 Nature of JV Co

The JV Co shall pursue and engage in the following businesses:-

- a. Design, build and complete the hospital building on the Land;
- b. Upon completion of the hospital building, to lease the hospital building to KPJ or its nominee; and
- c. Any other business relating or incidental to or compatible with the above or any other business as may be agreed upon by the KPJ and PCSB.

The JV Co shall have an initial authorised share capital of RM25 million comprising of 25 million ordinary shares of RM1.00 each (“**Share**”) and an initial issued and paid-up share capital of RM2 comprising of 2 Shares.

Pursuant to the terms of the JVA, the share capital of the JV Company shall be increased to RM12,522,500 comprising of 12,522,500 Shares.

Equity participation in the JV Company shall be in accordance with the following ratio:-

<u>Party</u>	<u>Equity Structure</u>
KPJSB	70%
PCSB	30%

2.1.2 Funding Requirement

PCSB shall dispose the Land to the JV Co and in return shall be granted Shares in the JV Co equivalent to the value of the Land of RM3,756,750.

PCSB shall subscribe and shall be allotted 3,756,750 Shares in JV Co at an issue price of RM1.00 each payable in consideration for the disposal of the Land.

KPJ shall subscribe and shall be allotted 8,765,750 Shares in JV Co at an issue price of RM1.00 each payable by way of cash. The source of funds for the subscription of shares by KPJ will be financed through its internally-generated funds.

2.2 Salient Terms of the JVA

The condition precedents to the effectiveness of the JVA are, amongst others, as follow:-

- a) Approval of the Board and the shareholders of the Parties (if necessary) at a duly authorised meeting of the Board or a general meeting; and
- b) The approval from the Ministry of Health of Malaysia (“MOH”) for the setting up of a private healthcare facility.

In the event that the approvals or conditions as mentioned above are not obtained or achieved within ninety (90) days from the date of execution of the JVA or such extended period mutually agreed between the Parties, the JVA shall cease to have effect and become null and void and neither Party shall have any claim against the other.

The Parties shall as soon as practicable upon the fulfilment of the above conditions precedent procure the incorporation of the JV Co.

3. BACKGROUND INFORMATION ON PCSB

PCSB, a wholly owned subsidiary of PASDEC, is principally involved in the business of property development and project management.

PCSB was incorporated in Malaysia on 8 February 1980 as a private limited company under the Companies Act, 1965.

PCSB is involved in the business of property development and project management. Its registered address is at 14th Floor, Menara Teruntum, Jalan Mahkota, 25000 Kuantan, Pahang.

As at the date of this announcement, PCSB has an authorised share capital of RM30,000,000 comprising 30,000,000 Shares, of which 17,541,707 Shares have been issued and are fully paid-up.

4. RATIONALE FOR THE PROPOSED JOINT VENTURE

The Proposed Joint Venture combines both parties' respective resources and expertise for their mutual benefit to the development of a private hospital building in Kuantan, Pahang. Upon completion, KPJ and/or its subsidiary companies ("KPJ Group") will be able to expand its business and operation of providing healthcare and its related services in Kuantan, Pahang.

5. PROSPECTS OF THE JOINT VENTURE COMPANY

Based on the synergistic values arising from the Proposed Joint Venture, the Board expects the JV Co to contribute positively to the future earnings of the KPJ Group, by developing the purpose-built private hospital according to the requirement of the KPJ and to be leased back to KPJ Group upon its completion.

6. RISK FACTORS

The Board is not aware of any risk factors arising from the Proposed Joint Venture other than the normal market and global economic risks as well as the inherent risks in the healthcare industry.

7. EFFECTS OF THE PROPOSED JOINT VENTURE

The effects of the Proposed Joint Venture are as follows:-

7.1 Share Capital and Substantial Shareholders' Shareholding Structure

The Proposed Joint Venture will not have any effect on the issued and paid-up share capital of KPJ, and the shareholdings of its substantial shareholders in KPJ as the Proposed Joint Venture does not involve any issuance of new shares in KPJ.

7.2 Earnings and Earnings per Share

The JV Co is not expected to have any effect on the earnings and earnings per share of KPJ for the financial year ended 31 December 2009.

Barring unforeseen circumstances, the Board believes that the Proposed Joint Venture is expected to contribute positively to the earnings of the KPJ Group in the future.

7.3 Net Assets Per Share

The Proposed Joint Venture will not have any material effect on the net assets per share of the KPJ Group.

7.4 Gearing

The Proposed Joint Venture is not expected to have any material effect on the gearing position of the KPJ Group.

8. APPROVALS REQUIRED

The Proposed Joint Venture is not subject to the approval of the shareholders of KPJ.

However, the Proposed Joint Venture is conditional upon the approval from the MOH for the setting up of a private healthcare facility.

9. ESTIMATED TIMEFRAME FOR COMPLETION

KPJ expects to complete the Proposed Joint Venture by 2011.

10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the directors and/or major shareholders of KPJ or persons connected with them have any interest, direct or indirect, in the Proposed Joint Venture.

11. DIRECTORS' STATEMENT

Having considered all aspects of the Proposed Joint Venture, the Board is of the opinion that the Proposed Joint Venture is in the best interests of the KPJ Group in the long term.

12. DEPARTURE FROM THE GUIDELINES ON THE OFFERING OF EQUITY AND EQUITY-LINKED SECURITIES OF THE SECURITIES COMMISSION ("SC GUIDELINES")

To the best knowledge and belief of the Board, there are no departures from the SC Guidelines in connection with the Proposed Joint Venture.

13. DOCUMENTS FOR INSPECTION

A copy of the JVA is available for inspection by the shareholders of KPJ at the Registered Office of KPJ at Level 2, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim 80000 Johor Bahru, during normal office hours from Mondays to Fridays (except public holidays) for a period of three (3) months commencing from the date of this announcement.