

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

### **PROPOSED SUBSCRIPTION AND SHARE PURCHASE AGREEMENT (“SSPA”) BETWEEN LABLINK (M) SDN BHD (COMPANY NO.: 179433-H), KL KAPPA SDN BHD (“COMPANY NO.: 1259916-V”) AND KUMPULAN PERUBATAN (JOHOR) SDN BHD (“COMPANY NO.: 170968-A) (“PROPOSAL”)**

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We refer to the announcement dated 23 January 2018.

#### **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”) and KPJSB’s wholly owned subsidiary Lablink (M) Sdn Bhd (“Lablink”), had on 23 January 2018 entered into a SSPA with KL Kappa Sdn Bhd (“KL Kappa” or “Investor”) for the subscription of new shares in Lablink by KL Kappa and for the purchase of some existing shares in Lablink by KL Kappa from KPJSB.

#### **2. DETAILS OF THE PROPOSAL**

##### **2.1 Background**

The proposed SSPA marks the beginning of the partnership between KPJ and Quadria Capital to grow Lablink’s pathology and diagnostics businesses in Malaysia and explore new growth markets in Southeast Asia to become the region’s leader in pathology and diagnostics services.

The SSPA involves the proposed issuance of new shares in Lablink to KL Kappa and the selling of existing Lablink shares by KPJSB to KL Kappa that will collectively result in KL Kappa having a 49% stake in Lablink’s enlarged share capital, with the remaining 51% held by KPJSB.

##### **2.2 Salient Terms of the SSPA**

The SSPA, inter alia, provides for the following:-

###### **2.2.1 Subscription of New Shares in Lablink and Sale of Lablink Shares by KPJSB to KL Kappa**

- (a) Subject to the adjustment mechanism contained in the SSPA, KL Kappa shall subscribe for new Lablink shares (“Subscription Shares”) and purchase existing Lablink shares from KPJSB (“Sale Shares”) for a total cash consideration of RM119,920,226 (“SSPA Consideration”).

- (b) The adjustment mechanism provides for adjustment to the SSPA Consideration if the estimated and unaudited net debt position of Lablink as at 31 December 2017 differs from the actual net debt position as contained in Lablink's 2017 audited financial statement by more than the agreed limit.
- 2.2.2 As is customary in transactions of this nature, applicable from 31 December 2017 until the Initial Completion, the SSPA inter-alia provides for restrictions on the part of KPJ in relation to Lablink, from declaring any dividend or any distribution or transfer of cash or assets, making changes to the share or loan capital, creating new encumbrances, liabilities, guarantees or securities, giving waiver or discount to any member of the KPJ Group except in the ordinary course of business.
- 2.2.3 The Subscription Shares and Sale Shares shall be completed simultaneously, and shall rank pari passu in all respects with the existing Lablink shares in issue.
- 2.2.4 Lablink undertakes to KL Kappa that the proceeds received from the allotment and issue of the Subscription Shares shall be used solely to fund the growth and expansion of Lablink's business in accordance with the agreed business plan and as working capital for its operations.
- 2.2.5 The Initial Completion of the SSPA shall take place before 5pm on the 30<sup>th</sup> business day following and conditional upon the satisfaction or waiver of the conditions as outlined in the SSPA or on such other day as may be mutually agreed by the Parties.
- 2.2.6 The Initial Completion, amongst others, is subject to and conditional upon all relevant internal and external consents or approvals being obtained by all parties; compliance by Lablink and KPJ with all the covenants and agreements contained in the SSPA which are required to be performed by or complied with on or prior to the date of Initial Completion and the delivery to KL Kappa of a completion certificate to be signed by Lablink and KPJ, dated after the fulfilment of all the conditions as stated in the SSPA.
- 2.2.7 At Initial Completion, Lablink shall deliver to KL Kappa, amongst others, evidence in writing of satisfactions of all closing conditions stated in the SSPA; certified true copies of all relevant board and shareholder approvals and reconstitution of the Board of Lablink as per the agreed terms.

2.2.8 On Initial Completion and against compliance by Lablink with the provisions of 2.2.7 above, KL Kappa shall deliver:-

- (a) payment of the SSPA Consideration to Lablink and KPJ; and
- (b) the shareholders' agreement duly executed by KL Kappa.

2.2.9 The SSPA and any contractual obligation arising out of or in connection with the SSPA shall be governed by and construed in accordance with the laws of Malaysia.

## **2.3 Information of the Parties**

### **(a) KPJSB**

KPJSB is a wholly owned subsidiary of KPJ and was incorporated on 8 June 1988 under the Companies Act 1965, Malaysia.

KPJSB is involved in the business of the provision of healthcare services in Malaysia and internationally and has the necessary expertise in the areas of providing administration, financial, general management and other services related to the running and operation of private specialist hospitals.

### **(b) Lablink**

Lablink is a wholly owned subsidiary of KPJSB and was incorporated on 8 March 1989 under the Companies Act 1965, Malaysia.

It is involved in the business of providing pathology and diagnostic services to KPJ group of hospitals and other healthcare providers in Malaysia.

### **(c) KL Kappa**

KL Kappa is a company incorporated in Malaysia on 13 December 2017 under the Companies Act 2016, Malaysia. Its registered office is at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur.

It is advised by Quadria Capital Investment Management Pte Ltd, a Singapore company regulated by the Monetary Authority of Singapore. Quadria Capital manages Quadria Capital Fund L.P. and other funds with assets under management exceeding US\$ 1.5 billion and investments in 18 companies across the Asia-Pacific region.

### **3. RATIONALE FOR THE PROPOSAL**

KPJ views the SSPA as beneficial to KPJ and Lablink for the following reasons:

- (a) The Proposal is in line with the objective of KPJ Group to expand the pathology and diagnostics businesses of Lablink to locations where private healthcare is in demand;
- (b) The Proposal will provide opportunities for KPJ Group, in strategic partnership with Quadria Capital, to aggressively venture into new growth markets in the Southeast Asia region; and
- (c) The Proposal will drive Lablink's mission to be the leading pathology group in Southeast Asia and enhance shareholders value.

### **4. RISKS IN RELATION TO THE PROPOSAL**

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

### **5. EFFECT OF THE PROPOSAL**

The Proposal is not expected to have a material effect on the earnings of KPJ for the financial year ending 31 December 2018.

### **6. APPROVALS REQUIRED**

This Proposal is not subject to the approval of other relevant authorities or the shareholders of KPJ.

### **7. 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 Proposal.

### **8. DIRECTORS' OPINION**

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