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If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has not perused Part A of this Circular, as they fall under the category of Exempt Circulars pursuant to Practice Note No. 18 of the Listing Requirements of Bursa Securities. Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



KPJ HEALTHCARE BERHAD

(Company No. 247079-M)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

PART B

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

IN CONJUNCTION WITH THE SPECIAL BUSINESS AT THE TWENTY-THIRD ANNUAL GENERAL MEETING

The Notice of the Twenty-Third (23rd) Annual General Meeting ("**AGM**") of KPJ to be held at the Permata Ballroom, Level B2, The Puteri Pacific Hotel, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor, on Thursday, 19 May 2016 at 12.30 p.m. together with the Form of Proxy are set out in our 2015 Annual Report.

A member entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to attend and vote on his/her behalf. The Form of Proxy should be lodged at the Registered Office of the Company at Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor not less than forty-eight (48) hours before the time of the AGM. The last day and time for lodging the Form of Proxy is on Tuesday, 17 May 2016 at 12.30 p.m. The lodgement of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Tuesday, 17 May 2016 at 12.30 p.m.

Date and time of AGM : Thursday, 19 May 2016 at 12.30 p.m.

DEFINITIONS

For the purpose of this document, except where the context otherwise requires, the following definitions shall apply throughout this document:-

| | |
|---------------------------------|--|
| Act | : The Companies Act, 1965, as amended from time to time and any re-enactment thereof |
| AGM | : Annual General Meeting |
| Annual Report | : The annual report of KPJ for FYE 31 December 2015 |
| Board | : The Board of Directors of KPJ |
| Bursa Securities | : Bursa Malaysia Securities Berhad (635998-W) |
| Code | : Malaysian Code on Take-Overs and Mergers, 2010, as amended from time to time and any re-enactment thereof |
| CMSA | : Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof |
| Director | : Shall have the same meaning given in Section 2(1) of the CMSA, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director or chief executive officer of the listed issuer, its subsidiary or holding company |
| EPS | : Earnings per Share |
| ESOS | : Employee share option scheme of KPJ, being the scheme for the granting of ESOS Options to eligible employees (including Executive Directors and Non-Executive Directors of KPJ) of the KPJ Group to subscribe for new KPJ Shares pursuant to terms and conditions of the by-laws |
| ESOS Option(s) | : Options offered to eligible employees of KPJ Group to subscribe for the new KPJ Shares pursuant to the ESOS |
| FYE(s) | : Financial year(s) ended / ending, as the case may be |
| JCorp | : Johor Corporation, a body corporate established under the Johor Corporation Enactment No.4, 1968 (as amended under Enactment No. 5, 1995) |
| KPJ or the Company | : KPJ Healthcare Berhad (247079-M) |
| KPJ Group or the Group | : KPJ and its subsidiary companies |
| KPJ Share(s) or Share(s) | : Ordinary share(s) of RM0.50 each in KPJ |
| Listing Requirements | : Main Market Listing Requirements of Bursa Securities |
| LPD | : 31 March 2016, being the latest practicable date prior to the printing of the Circular |
| Maximum Scenario | : Assuming that all of the Outstanding Warrants and 30,501,864 ESOS Options are exercised |

DEFINITIONS (CONT'D)

| | |
|--------------------------------|---|
| Major Shareholder | : Any person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of the share, or the aggregate of the nominal amounts of those shares, is:- (i) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or (ii) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of KPJ or any other company which is its subsidiary or holding company. For the purpose of this definition, "interests in shares" has the meaning given in Section 6A of the Act. |
| Minimum Scenario | : Assuming that none of the Outstanding Warrants and 30,501,864 ESOS Options are exercised |
| NA | : Net assets |
| Outstanding Warrants | : 86,575,494 outstanding warrants as at LPD which were issued on 29 January 2014 by KPJ with each warrant convertible into one (1) Share at an exercise price of RM4.01 per Share. |
| PAT | : Profit after taxation |
| PBT | : Profit before taxation |
| Proposed Share Buy-Back | : Proposed purchase by the Company of its own shares of up to ten percent (10%) of its enlarged issued and paid-up share capital |
| Proposed RRPT Mandate | : Proposed renewal of shareholders' mandate for RRPT |
| Related Party / (ies) | : A director, major shareholder and/or person(s) connected with such director or major shareholder as defined under the Listing Requirements |
| RM and sen | : Ringgit Malaysia and sen respectively |
| RRPT | : Recurrent related party transactions of a revenue or trading nature which are necessary for the day-to day operations of the Group and which are in the ordinary course of business of the Group |
| SC | : Securities Commission Malaysia |
| Treasury Shares | : The treasury shares held by KPJ |

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and/or neuter gender, and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment or guidelines is a reference to that enactment or guidelines as for the time being amended or re-enacted or guidelines. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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PART A

**SHARE BUY-BACK STATEMENT IN RELATION TO THE
PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**



KPJ HEALTHCARE BERHAD

(Company No. 247079-M)

(Incorporated in Malaysia under the Companies Act, 1965)

SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (“SHARE BUY-BACK STATEMENT”)

1. INTRODUCTION

At the Twenty-Second (22nd) AGM of the Company held on 28 May 2015, the shareholders of KPJ had, inter-alia, approved the renewal of the authority granted to the Company to purchase up to ten per cent (10%) of its enlarged issued and paid-up share capital of the Company.

In accordance with the Listing Requirements, the aforesaid authority is subject to annual renewal and will lapse at the conclusion of the forthcoming AGM, unless renewed by the shareholders of KPJ.

On 4 April 2016, the Board announced that the Company is proposing to renew the authority granted to the Company by its shareholders to purchase up to ten per cent (10%) of its enlarged issued and paid-up share capital.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION FOR THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION PERTAINING THERETO TO BE TABLED AS A SPECIAL BUSINESS AT THE FORTHCOMING AGM.

SHAREHOLDERS ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS SHARE BUY-BACK STATEMENT BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY TO BE TABLED AT THE FORTHCOMING AGM.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK

2.1 Quantum and Funding

The Board is proposing to seek a renewal of mandate from the shareholders to purchase up to ten per cent (10%) of its issued and paid-up share capital of KPJ at any point in time subject to the compliance with the provisions of the Act and the requirements of Bursa Securities and/or any other relevant authorities.

For illustration purposes, the maximum number of Shares that may be purchased under the Proposed Share Buy-Back based on the existing issued and paid-up share capital as at LPD and assuming full exercise of all Outstanding Warrants and 30,501,864 outstanding ESOS Options are as follows:-

| | No. of Shares |
|---|---------------------------|
| Issued and paid-up share capital as at LPD (including Treasury Shares) | 1,056,277,247 |
| Assuming full exercise of all Outstanding Warrants | 86,575,494 |
| Assuming full exercise of 30,501,864 ESOS Options ^(a) | <u>30,501,864</u> |
| Enlarged issued and paid up share capital | 1,173,354,605 |
| 10% of the enlarged issued and paid-up share capital | 117,335,460 |
| Less: Treasury Shares held as at LPD | <u>(15,590,000)</u> |
| Maximum number of Shares that may be purchased pursuant to the Proposed Share Buy-Back | <u>101,745,460</u> |

Note:-

(a) 30,501,864 ESOS Options are exercisable as at LPD. Each ESOS Option is exercisable into one (1) KPJ Share at an exercise price of RM3.64 each.

The purchase of the Shares by the Company from the open market on Bursa Securities will be made through stockbroker(s) to be appointed by the Company.

Pursuant to the Listing Requirements, the maximum amount of funds to be utilised for any purchase of its own Shares should not exceed the aggregate of the retained profits and/or share premium of the Company. The retained profits and share premium of the Company based on the latest audited balance sheet of the Company as at 31 December 2015 are RM70.59 million and RM147.83 million respectively.

The Proposed Share Buy-Back will be financed through internally generated funds and/or external borrowings, the proportion of which will depend on the quantum of the purchase consideration as well as the availability of the internally generated funds and/or external borrowings at the time of the purchase(s). The actual number of KPJ Shares to be purchased will depend on the market conditions, the share market sentiments, the sufficiency of retained profits and share premium as well as the availability of the financial resources available to the Company.

In the event the Company decides to utilise external borrowings to finance the Proposed Share Buy-Back, it will ensure that it has sufficient financial capability to repay the external borrowings and that the external borrowings will not have any material impact on the cash flow of the Company.

2.2 Effective Period

The Proposed Share Buy-Back, if approved by the shareholders at the forthcoming AGM of KPJ, will be effective immediately from the passing of the ordinary resolution for the Proposed Share Buy-Back and shall continue to be in force until: -

- (a) the conclusion of the next AGM of the Company at which time the authority will lapse unless renewed by ordinary resolution, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (c) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurring first.

2.3 Treatment of Shares Purchased by KPJ

The Shares purchased by the Company will be dealt with by the Directors in accordance with Section 67A of the Act, in the following manner:-

- (a) cancel the Shares so purchased; or
- (b) retain the Shares so purchased as Treasury Shares and held by the Company; or
- (c) retain part of the Shares so purchased as Treasury Shares and cancel the remainder; or
- (d) distribute all or part of the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

In the event the Company wishes to purchase its own Shares, the Company is required to lodge a declaration of solvency to Bursa Securities and release an immediate announcement on the day the purchase is made.

An appropriate announcement will also be made to Bursa Securities in respect of the intention of the Board whether to retain the Shares so purchased as Treasury Shares or cancel them or both.

While the purchased Shares are held as Treasury Shares, the rights attached to them in relation to voting, dividends and participation in any other distributions or otherwise are suspended and the Treasury Shares shall not be taken into account in calculating the number or percentage of Shares or of a class of Shares, in the Company for any purposes including substantial shareholdings, take-overs, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

2.4 Pricing

Pursuant to Paragraph 12.17 of the Listing Requirements, the Company shall purchase its own Shares on Bursa Securities at a price which is not more than fifteen per cent (15%) above the weighted average market price of the Company's Shares for the five (5) market days immediately before the purchase.

In addition, pursuant to Paragraph 12.18 of the Listing Requirements, in the case of a re-sale of Treasury Shares, the Company may only re-sell the purchased Shares held as Treasury Shares on Bursa Securities at:-

- (a) a price which is not less than the weighted average market price for the Shares for the five (5) market days immediately before the re-sale; or
- (b) a discounted price of not more than five per cent (5%) to the weighted average market price for the Shares for the five (5) market days immediately before the re-sale provided that:-
 - (i) the re-sale takes place not earlier than thirty (30) days from the date of purchase; and
 - (ii) the re-sale price is not less than the cost of purchase of the Shares being resold.

2.5 Public Shareholding Spread

As at LPD, the Company's public shareholding spread stood at 55.25% comprising of 4,461 public shareholders holding 574,986,172 Shares.

Assuming that the Company purchases up to a maximum of 90,037,724 Shares from the public shareholders, representing up to 10% of the enlarged issued and paid up share capital as at the LPD (less Treasury Shares), assuming none of the Outstanding Warrants and 30,501,864 ESOS Options are exercised, and that all Treasury Shares purchased are cancelled, the public shareholding spread will be approximately 51.01%.

The Directors will ensure that the Company complies with the public shareholding spread requirement and will not buy back the Shares if the purchase results in the Company not meeting the public shareholding spread requirement.

2.6 Purchase and Re-sale Made in the Previous Twelve (12) Months

Shareholders of KPJ should refer to Compliance Information on page 210 of the 2015 Annual Report which was despatched on 27 April 2016 for information on any purchase, re-sale and cancellation of shares in the previous twelve (12) months up to 31 December 2015.

3. RATIONALE / POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back, if implemented, may potentially benefit the Company in the following ways:-

- (a) the Proposed Share Buy-Back enables the Company to utilise its financial resources to purchase the Shares when the Shares are undervalued, which in turn would stabilise the supply and demand of the Shares and thereby, supporting the fundamental value of its Shares;
- (b) all other things being equal, the Proposed Share Buy-Back will result in a lower number of Shares being used for the purpose of computing EPS, if the Shares purchased are subsequently cancelled or are held as Treasury Shares. Therefore, the Proposed Share Buy-Back will enhance the EPS of the Company, which in turn is expected to have a positive impact on the market price of the Shares; and
- (c) if the Shares so purchased are kept as Treasury Shares, the Company may have the opportunity to realise capital gains if these are resold on Bursa Securities at price(s) higher than their purchase price(s). Alternatively, the Shares so purchased may be distributed as share dividends to reward the shareholders of the Company.

However, the Proposed Share Buy-Back, if implemented, would reduce the financial resources of the Group. This may result in the Group's foregoing future investment opportunities and/or any income that may be derived from alternative uses of such funds.

The financial resources of the Group may increase pursuant to the re-sale of the purchased Shares held as Treasury Shares at prices higher than the purchase price. In that regard, the Company would buy back the Shares only after the Board has given due consideration to the potential impact on the Group's earnings and financial position and the Board is of the opinion that it will be in the interest of the Company and minority shareholders to do so.

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4. EFFECTS OF THE PROPOSED SHARE BUY-BACK

Pursuant to the Company's ESOS, 30,501,864 ESOS Options are exercisable as at the LPD. Each ESOS Option is exercisable into one (1) KPJ Share at an exercise price of RM3.64 each.

4.1 Share Capital

The effect of the Proposed Share Buy-Back on the share capital of the Company will depend on the treatment of the Shares purchased, whether such Shares purchased are cancelled, retained as Treasury Shares, resold on the open market or distributed as share dividends.

The Proposed Share Buy-Back will result in the reduction of the issued and paid up share capital of the Company if all Shares purchased are cancelled as shown below:-

Minimum Scenario : Representing the scenario assuming that none of the Outstanding Warrants and 30,501,864 ESOS Options are exercised

Maximum Scenario : Representing the scenario assuming that all of the 86,575,494 Outstanding Warrants and 30,501,864 ESOS Options are exercised

| <u>Issued and Paid-up Share Capital</u> | <u>Minimum Scenario No. of Shares</u> | <u>Maximum Scenario No. of Shares</u> |
|---|---|---|
| Existing as at LPD (including Treasury Shares) | 1,056,277,247 | 1,056,277,247 |
| Assuming full exercise of Outstanding Warrants and ESOS Options | - | 117,077,358 |
| Enlarged issued and paid-up share capital | 1,056,277,247 | 1,173,354,605 |
| Assuming cancellation of Shares purchased under the Proposed Share Buy-Back | (90,037,724) ^(a) | (101,745,460) ^(a) |
| Assuming the cancellation of the Treasury Shares held as at LPD | (15,590,000) | (15,590,000) |
| Upon completion of the Proposed Share Buy-Back | 950,649,523 | 1,056,019,145 |

Note:-

^(a) Being 10% of the issued and paid up share capital less 15,590,000 Treasury Shares held by the Company as at LPD.

However, the Proposed Share Buy-Back will have no effect on the issued and paid-up share capital of the Company if all the Shares purchased are retained as Treasury Shares, re-sold on the open market or distributed as share dividends.

4.2 NA

The effect of the Proposed Share Buy-Back on the consolidated NA per Share will depend on the number of Shares purchased, the effective funding costs to finance the purchase of the Shares and the treatment of the Shares so purchased by the Company.

The Proposed Share Buy-Back is likely to reduce the consolidated NA per Share at the time of purchase if the purchase price exceeds the consolidated NA per Share and conversely will increase the consolidated NA per Share at the time of purchase if the purchase price is less than the consolidated NA per Share.

Should the Shares purchased under the Proposed Share Buy-Back be held as Treasury Shares and later resold, the consolidated NA per Share will increase if the Company realises a gain from the resale, and vice versa.

4.3 Working Capital

The Proposed Share Buy-Back will reduce the cash flow and financial resources available for working capital depending on the purchase price and the number of the Shares purchased.

However, the cash flow position and financial resources of the Company will be restored if the purchased Shares are resold at least at the purchase price.

4.4 Earnings

The effect of the Proposed Share Buy-Back on the earnings and EPS of the Group is dependent on the purchase price(s) of the Shares, the number of Shares purchased, and the effective funding cost or loss in interest income to the Group, or the opportunity cost in relation to other investment opportunities.

On the assumption that the Shares so purchased are treated as Treasury Shares and subsequently resold, the extent of the effect on earnings of the KPJ Group will depend on the actual selling price, the number of Treasury Shares resold and the effective gain or interest saving arising.

4.5 Dividends

The Proposed Share Buy-Back is not expected to have any impact on the policy of the Board in recommending dividends to the shareholders of the Company. However, as stated in Section 3(c) above, the Board may distribute future dividends in the form of the Treasury Shares purchased pursuant to the Proposed Share Buy-Back.

5. IMPLICATIONS RELATING TO THE CODE

In the event that the Proposed Share Buy-Back results in any major shareholder and/or persons acting in concert with him/her holding more than 33% of the voting shares of the Company, pursuant to the Code, the affected major shareholder and/or persons acting in concert with him/her will be obliged to make a mandatory offer for the remaining Shares not held by him/her.

In the event the Proposed Share Buy-Back results in any major shareholder and/or persons acting in concert with him/her who already holds more than 33% but less than 50% of the voting shares of the Company increasing by more than 2% in any six (6) months period, pursuant to the Code, the affected major shareholder and/or persons acting in concert with him/her will be obliged to make a mandatory offer for the remaining Shares not held by him/her.

It is not the intention of the Company to cause any shareholders to trigger an obligation to undertake a mandatory general offer under the Code and the Company will be mindful of the above implications of the Code in making any purchase of its own Shares pursuant to the Proposed Share Buy-Back.

However, the affected major shareholder and/or persons acting in concert with him/her may apply for a waiver from the SC under the Paragraph 24 of Practice Note 9 of the Code.

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6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the directors or substantial shareholders of the Company or persons connected with them has any interest, direct or indirect, in the Proposed Share Buy-Back. The percentage shareholdings of directors and substantial shareholders will however increase as a consequence of the Proposed Share Buy-Back.

The proforma effects of the Proposed Share Buy-Back on the directors and substantial shareholders' shareholdings in the Company based on the Register of Directors and Register of Substantial Shareholders as at LPD respectively, assuming all Shares purchased are not purchased from its substantial shareholders and are cancelled, are as follows:-

Minimum Scenario

| | (I) As at LPD | | | | (II) After Proposed Share Buy-Back | | | |
|--|------------------|------------------|---------------------------|------------------|---------------------------------------|------------------|---------------------------|------------------|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of Shares | % ^(a) | No. of Shares | % ^(a) | No. of Shares | % ^(a) | No. of Shares | % ^(a) |
| Substantial Shareholders | | | | | | | | |
| JCorp | 365,965,136 | 35.17 | 97,855,694 ^(b) | 9.40 | 365,965,136 | 38.50 | 97,855,694 ^(b) | 10.29 |
| Waqaf An-Nur Corporation Berhad | 76,143,909 | 7.32 | - | - | 76,143,909 | 8.01 | - | - |
| Employees Provident Fund Board | 127,905,495 | 12.29 | - | - | 127,905,495 | 13.45 | - | - |
| Directors | | | | | | | | |
| Dato' Kamaruzzaman Abu Kassim | - | - | - | - | - | - | - | - |
| Dato' Amiruddin Abdul Satar | 6,266 | * | - | - | 6,266 | * | - | - |
| Tan Sri Datin Paduka Siti Sa'diah Sh Bakir | 1,147,124 | 0.11 | 13,083 ^(c) | * | 1,147,124 | 0.12 | 13,083 ^(c) | * |
| Zainah Mustafa | - | - | - | - | - | - | - | - |
| Dr Yoong Fook Ngian ^(d) | 346,666 | 0.03 | - | - | 346,666 | 0.04 | - | - |
| Dr Kok Chin Leong | 249,100 | 0.02 | - | - | 249,100 | 0.03 | - | - |
| Datuk Azzat Kamaludin | 94,000 | 0.01 | - | - | 94,000 | 0.01 | - | - |
| Ahamad Mohamad | 1,125 | * | - | - | 1,125 | * | - | - |
| Aminuddin Dawam | 11,197 | * | - | - | 11,197 | * | - | - |
| Zulkifli Ibrahim | - | - | - | - | - | - | - | - |
| Prof Dato' Dr Azizi Haji Omar | - | - | - | - | - | - | - | - |

Notes:

- * Negligible
- (a) Based on the total issued and paid-up capital of KPJ (excluding treasury shares)
- (b) Deemed interested by virtue of its shareholdings in RHB Nominees (Tempatan) Sdn Bhd, Waqaf An-Nur Corporation Berhad, Kulim (Malaysia) Berhad, Johor Ventures Sdn Bhd and Maybank Nominees (Tempatan) Sdn Bhd for AmanahRaya Investment Management Sdn Bhd for Johor Land Berhad pursuant to Section 6A of Act.
- (c) Deemed interested by virtue of her daughter, Amy Nadzlina Binti Mohamed's shareholdings in KPJ pursuant to Section 6A of Act
- (d) Held via Maybank Nominees (Tempatan) Sdn Bhd - A/C Yoong Fook Ngian

Maximum Scenario

| | (I) As at LPD | | | (II) After (I) and assuming full exercise of Outstanding Warrants and ESOS Options | | | (III) After (II) and Proposed Share Buy-Back | | |
|---|----------------------------|------------------------------|-------|--|------------------------------|-------|---|------------------------------|-------|
| | Direct No. of Shares | Indirect No. of Shares | % (a) | Direct No. of Shares | Indirect No. of Shares | % (a) | Direct No. of Shares | Indirect No. of Shares | % (a) |
| | | | | | | | | | |
| Substantial Shareholders | | | | | | | | | |
| JCorp | 365,965,136 | 97,855,694 ^(b) | 9.40 | 384,384,630 | 129,348,584 ^(b) | 11.17 | 384,384,630 | 129,348,584 ^(b) | 12.25 |
| Waqaf An-Nur Corporation Berhad | 76,143,909 | - | - | 78,146,253 | - | - | 78,146,253 | - | - |
| Employee Provident Fund Board | 127,905,495 | - | - | 127,905,495 | - | - | 127,905,495 | - | - |
| | | | | | | | | | |
| Directors | | | | | | | | | |
| Dato' Kamaruzzaman Abu Kassim | - | - | - | - | - | - | - | - | - |
| Dato' Amiruddin Abdul Satar | 6,266 | - | - | 506,798 | - | - | 506,798 | - | - |
| Tan Sri Datin Paduka Siti Sa'diah Sh Bakir | 1,147,124 | 13,083 ^(c) | * | 1,456,622 | 14,749 ^(c) | * | 1,456,622 | 14,749 ^(c) | * |
| Zainah Mustafa | - | - | - | 200,000 | - | - | 200,000 | - | - |
| Dr Yoong Fook Ngjan ^(d) | 346,666 | - | - | 546,698 | - | - | 546,698 | - | - |
| Dr Kok Chin Leong | 249,100 | - | - | 470,300 | - | - | 470,300 | - | - |
| Datuk Azzat Kamaludin | 94,000 | - | - | 302,000 | - | - | 302,000 | - | - |
| Ahamad Mohamad | 1,125 | - | - | 1,125 | - | - | 1,125 | - | - |
| Aminuddin Dawam | 11,197 | - | - | 211,197 | - | - | 211,197 | - | - |
| Zulkifli Ibrahim | - | - | - | - | - | - | - | - | - |
| Prof Dato' Dr Azizi Haji Omar | - | - | - | 82,500 | - | - | 82,500 | - | - |

Notes:-

* *Negligible*

- (a) *Based on the total issued and paid-up capital of KPJ (excluding treasury shares)*
- (b) *Deemed interested by virtue of its shareholdings in RHB Nominees (Tempatan) Sdn Bhd, Waqaf An-Nur Corporation Berhad, Kulim (Malaysia) Berhad, Johor Ventures Sdn Bhd and Maybank Nominees (Tempatan) Sdn Bhd for AmanahRaya Investment Management Sdn Bhd for Johor Land Berhad pursuant to Section 6A of Act.*
- (c) *Deemed interested by virtue of her daughter, Amy Nadzlina Binti Mohamed's shareholdings in KPJ pursuant to Section 6A of Act.*
- (d) *Held via Maybank Nominees (Tempatan) Sdn Bhd - A/C Yoong Fook Ngian*

7. APPROVALS REQUIRED

The renewal of the authority for the Proposed Share Buy-Back is subject to and conditional upon approvals being obtained from the following:-

- (a) the shareholders of the Company; and
- (b) any other relevant parties or regulatory authorities, where applicable.

8. DIRECTORS' RECOMMENDATION

The Board is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company, and therefore recommends that you vote in favour of the resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

9. AGM

The AGM, (the notice of which is set out in KPJ's 2015 Annual Report and an extract of which is also enclosed in this Circular), will be held at the Permata Ballroom, Level B2, The Puteri Pacific Hotel, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on Thursday, 19 May 2016 at 12.30 p.m. for the purpose of considering, and if thought fit, passing the resolution to give effect to the Proposed Share Buy-Back.

If you are unable to attend and vote in person at the AGM, you may complete and return the Form of Proxy in enclosed in the 2015 Annual Report accordance with the instructions therein as soon as possible and in any event so as to arrive at the Registered Office of the Company at Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor at least forty-eight (48) hours before the time set for the AGM. The lodging of a Form of Proxy does not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

This statement is dated 27 April 2016.

PART B

**LETTER TO THE SHAREHOLDERS OF KPJ IN RELATION TO THE
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR
RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE
OR TRADING NATURE**



KPJ HEALTHCARE BERHAD

(Company No. 247079-M)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Level 11
Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor

27 April 2016

Board of Directors:

| | |
|--|---|
| Dato' Kamaruzzaman Abu Kassim | <i>(Non-Executive Chairman)</i> |
| Dato' Amiruddin Abdul Satar | <i>(President/Managing Director)</i> |
| Aminudin Dawam | <i>(Executive Director)</i> |
| Tan Sri Datin Paduka Siti Sa'diah Sh Bakir | <i>(Independent Non-Executive Director)</i> |
| Zainah Mustafa | <i>(Independent Non-Executive Director)</i> |
| Datuk Azzat Kamaludin | <i>(Independent Non-Executive Director)</i> |
| Dr Yoong Fook Ngian | <i>(Independent Non-Executive Director)</i> |
| Dr Kok Chin Leong | <i>(Independent Non-Executive Director)</i> |
| Prof Dato' Dr Azizi Haji Omar | <i>(Independent Non-Executive Director)</i> |
| Ahamad Mohamad | <i>(Non-Independent Non-Executive Director)</i> |
| Zulkifli Ibrahim | <i>(Non-Independent Non-Executive Director)</i> |

To: The Shareholders of KPJ

Dear Sir/Madam,

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RRPT MANDATE")

1. INTRODUCTION

At the Twenty-Second (22nd) AGM of the Company held on 28 May 2015, the Company obtained a general mandate from its shareholders for the Company and/or its subsidiaries to enter into recurrent related party transactions with Related Parties that are necessary for the day-to-day operations in the ordinary course of business carried out on normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public.

In accordance with the Listing Requirements, the aforesaid authority is subject to annual renewal and will lapse at the conclusion of the forthcoming AGM, unless renewed by the shareholders of KPJ.

On 4 April 2016, the Company announced that it will be seeking its shareholders' approval for a renewal of the general mandate in relation to RRPT in line with Paragraph 10.09 of the Listing Requirements.

THE PURPOSE OF PART B OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSED RRPT MANDATE AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION PERTAINING THERETO TO BE TABLED AT A SPECIAL BUSINESS AT THE FORTHCOMING AGM.

SHAREHOLDERS ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART B OF THIS CIRCULAR BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED RRPT MANDATE TO BE TABLED AT THE FORTHCOMING AGM.

2 PROPOSED RRPT MANDATE

2.1 Details of the Proposed RRPT Mandate

The Company proposes to seek a renewal of general mandate from the shareholders for the Company and/or its subsidiaries to enter into arrangements or transactions with the Related Parties, which are necessary for the day-to-day operations of the Group and are based on normal commercial terms that are not more favourable to the Related Parties than those generally made available to the public.

2.2 Principal Activities of the Group

KPJ is principally an investment holding company while the principal activities of its subsidiaries include the operation of specialist hospitals, trading of pharmaceutical and consumer healthcare products, provision of pathology and laboratory services and a private nursing university college. Details of the subsidiaries and associates of the Company as of LPD are set out below:-

| Name of company | Group effective equity interest % | Principal activities |
|---|-----------------------------------|--|
| Johor Specialist Hospital Sdn Bhd ("JSHSB") | 100 | Operating as a specialist hospital |
| Ipoh Specialist Hospital Sdn Bhd ("ISHSB") | 98 | Operating as a specialist hospital |
| Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") | 100 | Management and investment holding company for medical sector |
| Puteri Specialist Hospital (Johor) Sdn Bhd | 100 | Operating as a specialist hospital |
| Tawakal Holdings Sdn Bhd ("THSB") | 100 | Investment holding |
| Point Zone (M) Sdn Bhd | 100 | Providing treasury management to the companies within the group. |
| <u>Subsidiary of JSHSB</u> | | |
| Bandar Dato Onn Specialist Hospital Sdn Bhd ("BDOSHSB") | 100 | To be operating as an international specialist hospital |
| <u>Subsidiary of KPJSB</u> | | |
| Ampang Puteri Specialist Hospital Sdn Bhd | 100 | Operating as a specialist hospital |
| Kuantan Specialist Hospital Sdn Bhd | 100 | Operating as a specialist hospital |

| Name of company | Group effective equity interest % | Principal activities |
|---|-----------------------------------|---|
| <u>Subsidiary of KPJSB - cont'd</u> | | |
| Bukit Mertajam Specialist Hospital Sdn Bhd | 100 | Dormant |
| Perdana Specialist Hospital Sdn Bhd | 61 | Operating as a specialist hospital |
| Damansara Specialist Hospital Sdn Bhd | 100 | Operating as a specialist hospital |
| Seremban Specialist Hospital Sdn Bhd ("SSHSB") | 100 | Operating as a specialist hospital |
| Bayan Baru Specialist Hospital Sdn Bhd | 55 | Dormant |
| Bandar Baru Klang Specialist Hospital Sdn Bhd | 100 | Operating as a specialist hospital |
| Sterile Services Sdn Bhd | 100 | Providing sterile services |
| Kuching Specialist Hospital Sdn Bhd | 70 | Operating as a specialist hospital |
| Kota Kinabalu Specialist Hospital Sdn Bhd | 97 | Operating as a specialist hospital |
| Selangor Specialist Hospital Sdn Bhd ("SigSHSB") | 60 | Operating as a specialist hospital |
| Sentosa Medical Centre Sdn Bhd | 100 | Operating as a specialist hospital |
| Kajang Specialist Hospital Sdn Bhd | 100 | Operating as a specialist hospital |
| Teraju Farma Sdn Bhd | 75 | Distribution of medical and pharmaceutical products |
| Puteri Nursing College Sdn Bhd | 100 | Operating a private university college of nursing and allied health |
| Lablink (M) Sdn Bhd | 100 | Pathology and laboratory services |
| Diaper Technology Industries Sdn Bhd | 94 | Providing information technology related services and rental of software |
| Pharmaserv Alliances Sdn Bhd ("PASB") | 100 | Marketing and distribution of medical and pharmaceutical products |
| Freewell Sdn Bhd | 80 | Dormant |
| Pharmacare Surgical Technologies (M) Sdn Bhd | 100 | Dormant |
| Maharani Specialist Hospital Sdn Bhd | 100 | Operating as a specialist hospital |
| PharmaCARE Sdn Bhd ("Pharmacare") | 100 | Providing human resource, training services and rental of human resource information system |
| Fabricare Laundry Sdn Bhd | 95 | Providing business of laundry services |
| KPJ Medik TV Sdn Bhd | 100 | Dormant |
| PT Khasanah Putera Jakarta Medica ("PT KPJ Medica") | 75 | Operating as a specialist hospital |
| PT Khidmat Perawatan Jasa Medika ("PT KPJ Medika") | 80 | Operating as a specialist hospital |

| Name of company | Group effective equity interest % | Principal activities |
|---|-----------------------------------|--|
| Subsidiary of KPJSB - cont'd | | |
| Taiping Medical Centre Sdn Bhd | 100 | Operating as a specialist hospital |
| Penang Specialist Hospital Sdn Bhd ("PgSHSB") | 100 | Operating as a specialist hospital |
| Pusat Pakar Kluang Utama Sdn Bhd | 100 | Operating as a specialist hospital |
| Pasir Gudang Specialist Hospital Sdn Bhd | 100 | Operating as a specialist hospital |
| Sibu Medical Centre Corporation Sdn Bhd | 100 | Operating as a specialist hospital |
| Healthcare IT Solutions Sdn Bhd | 70 | Providing healthcare information technology services |
| Skop Yakin (M) Sdn Bhd | 89 | General merchandise |
| Pahang Specialist Hospital Sdn Bhd | 70 | To be operating as a specialist hospital |
| SMC Healthcare Sdn Bhd ("SMCHSB") | 100 | Operating as a specialist hospital |
| KPJ Eyecare Specialist Sdn Bhd | 100 | Providing medical and consultancy services |
| Jeta Gardens (Qld) Pty Ltd ("JGPL") | 57 | Providing retirement village and aged care services |
| Renal-Link Sentosa Sdn Bhd | 100 | Dormant |
| Sibu Geriatric Health & Nursing Centre Sdn Bhd | 100 | Providing aged care services |
| Perlis Specialist Hospital Sdn Bhd | 60 | To be operating as a specialist hospital |
| KPJ Education Services Sdn Bhd | 100 | Dormant |
| Advanced Healthcare Solution Sdn Bhd | 100 | Providing healthcare information system services |
| Miri Specialist Hospital Sdn Bhd (formally known as Bima Galeksi Sdn Bhd) | 70 | To be operating as a specialist hospital |
| Energy Excellent Sdn Bhd | 100 | To be operating as a specialist hospital |
| Rawang Specialist Hospital Sdn Bhd | 100 | Operating as a specialist hospital |
| Massive Hybrid Sdn Bhd | 100 | To be operating as a specialist hospital |
| BDC Specialist Hospital Sdn Bhd | 100 | To be operating as a specialist hospital |
| KPJ Dhaka (Pte) Ltd | 100 | Providing management services to hospital |
| UTM KPJ Specialist Hospital Sdn Bhd | 100 | To be operating as a specialist hospital |
| Pride Outlet Sdn Bhd | 75 | Providing maintenance services for medical equipment |
| Crossborder Aim (M) Sdn Bhd | 100 | Investment Holding |

| Name of company | Group effective equity interest % | Principal activities |
|--|-----------------------------------|---|
| Crossborder Hall (M) Sdn Bhd | 100 | Investment Holding |
| PT Al-Aqar Bumi Serpong Damai | 100 | Operating as a building management company |
| PT Al-Aqar Permata Hijau | 100 | Operating as a building management company |
| <u>Subsidiary of ISHSB</u> | | |
| Sri Manjung Specialist Centre Sdn Bhd | 100 | Operating as a specialist hospital |
| <u>Subsidiary of SlgSHSB</u> | | |
| Hospital Pusrawi SMC Sdn Bhd | 51 | Operating as a hospital |
| <u>Subsidiary of Pharmacare</u> | | |
| Open Access Sdn Bhd | 100 | Dormant |
| <u>Subsidiary of THSB</u> | | |
| Pusat Pakar Tawakal Sdn Bhd ("PPTSB") | 100 | Operating as a specialist hospital |
| <u>Subsidiary of PASB</u> | | |
| FP Marketing (S) Pte Ltd | 100 | Dormant |
| Medical Supplies (Sarawak) Sdn Bhd | 75 | Distributor of pharmaceutical products |
| Malaysian Institute of Healthcare Management Sdn Bhd | 75 | Dormant |
| <u>Subsidiary of SMCHSB</u> | | |
| Amity Development Sdn Bhd | 100 | Dormant |
| <u>Subsidiary of JGPL</u> | | |
| Jeta Gardens Aged Care (Qld) Pty Ltd | 100 | Operates and manages an aged care facility |
| Jeta Gardens Management (Qld) Pty Ltd | 100 | Providing management to an aged care facility |
| <u>Associate of KPJ</u> | | |
| Al-Aqar Healthcare REIT | 45 | Real estate investment trust |
| <u>Associate of KPJSB</u> | | |
| Kedah Medical Centre Sdn Bhd | 46 | Operating as a specialist hospital |
| Hospital Penawar Sdn Bhd ("HPSB") | 30 | Operating as a specialist hospital |
| Healthcare Technical Services Sdn Bhd | 30 | Project management and engineering maintenance services for specialist hospital |
| Vejthani Public Company Limited | 23 | Operating as an international specialist hospital |

2.3 Classes of RRPT for the Proposed RRPT Mandate

The Proposed RRPT Mandate applies to the following classes of Related Parties:-

| Nature of RRPT | Transacting Party | Classes of Related Party and Nature of Interest |
|---|--|---|
| Rental income for renting of land for car park | Metro Parking (M) Sdn Bhd (" MPSB "), a 100%-owned subsidiary of Damansara Realty Berhad, (" DBhd "), of which JCorp is a major shareholder of DBhd via its direct and indirect shareholdings of 3.45% and 10.75% ⁽¹⁾ respectively in DBhd. | <p><u>Major Shareholder:-</u></p> <ul style="list-style-type: none"> ▪ JCorp <p>KPJ is a 44.57% associate company of JCorp as at LPD.</p> |
| Rental payable for renting of retirement village building and aged care facility in Australia | Al-'Aqar Healthcare REIT (" Al-'Aqar "), a listed trust fund managed by Damansara REIT Managers Sdn Berhad, a wholly-owned subsidiary of Damansara Assets Sdn Bhd (" DASB "), which in turn is a wholly-owned subsidiary of JCorp. | <p><u>Directors:-</u></p> <ul style="list-style-type: none"> ▪ Dato' Kamaruzzaman Abu Kassim ▪ Dato' Amiruddin Abdul Satar ▪ Ahamad Mohamad ▪ Zulkifli Ibrahim ▪ Aminudin Dawam |
| Housekeeping contract fees payable | HC Duraclean Sdn Bhd (" HCD "), a 75%-owned subsidiary of DBhd, of which JCorp is a major shareholder of DBhd via its direct and indirect shareholdings of 3.45% and 10.75% ⁽¹⁾ respectively in DBhd. | <p>Dato' Kamaruzzaman Abu Kassim, Dato' Amiruddin Abdul Satar, Ahamad Mohamad, Zulkifli Ibrahim and Aminudin Dawam are deemed as persons connected to JCorp by virtue of them being Directors of the Company nominated by JCorp and being part of the senior management of JCorp.</p> |
| Registrar fees payable | Pro Corporate Management Services Sdn Bhd (" PCMS "), a wholly-owned subsidiary of JCorp Hotels and Resorts Sdn Bhd (" JCorp Hotels "), which in turn is a wholly-owned subsidiary company of JCorp. | |
| Secretarial fees payable | JCorp | |
| Security services fees payable | Teraju Fokus Sdn Bhd (" TFSB "), a 30% associated company of JCorp. | |
| Fees payable for both project management services for the construction of hospital buildings and maintenance of non-medical equipment such as lifts and fire fighting equipment | Healthcare Technical Services Sdn Bhd (" HTS "), a 70%-owned subsidiary of DBhd, of which JCorp is a major shareholder of DBhd via its direct and indirect shareholdings of 3.45% and 10.75% ⁽¹⁾ respectively in DBhd. | |

| Nature of RRPT | Transacting Party | Classes of Related Party and Nature of Interest |
|---|--|---|
| Fees payable for project management and maintenance of lab premises | TMR Urusharta (M) Sdn Bhd ("TMRU"), a 75%-owned subsidiary of DBhd, of which JCorp is a major shareholder of DBhd via its direct and indirect shareholdings of 3.45% and 10.75% ⁽¹⁾ respectively in DBhd. | |
| Insurance coverage payable | MIT Insurance Brokers Sdn Bhd ("MIT") is a 75%-subsidiary of Sindora Berhad, which in turn is a wholly-owned subsidiary of Kulim (M) Berhad, which in turn is a 65.57% subsidiary of JCorp. | |
| Building management service fees payable for Menara 238 in Kuala Lumpur | DASB is a wholly-owned subsidiary of JCorp. | |

Note:-

- (1) *Indirect interest by JCorp's interest in Kulim (Malaysia) Berhad and Sindora Berhad pursuant to Section 6A of Act.*

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2.4 Nature of RRPT for the Proposed RRPT Mandate

Shareholders' approval is sought for the Proposed RRPT Mandate on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company with any of the following classes of Related Parties:-

| Transacting Party | Nature of RRPT | Estimated aggregate value during the validity of the mandate ^(a) (RM'000) | Estimated aggregate value as disclosed in the preceding year's circular to shareholders dated 5 May 2015 "Estimated Value" (RM'000) | Actual value transacted from 28 May 2015 (date existing mandate was obtained) up to the LPD "Actual Value" (RM'000) | Frequency of transactions |
|-------------------|---|---|---|---|---------------------------|
| Al-Aqar | Rental payable for renting of retirement village building and aged care facility in Australia | 11,500 | 8,330 | 9,149 | Monthly |
| JCorp | Secretarial fees payable | 385 | 200 | 198 | Monthly |
| PCMS | Registrar fees payable | 250 | 500 | 300 | Monthly |
| HTS | Fees payable for project management and maintenance of non-medical equipment | 9,913 | 9,795 | 9,700 | Contract basis |
| MIT | Insurance Coverage | 5,000 | 5,325 | 3,737 | Contract basis |
| HCD | Housekeeping contract fees payable | 14,271 | 13,841 | 13,212 | Monthly |
| DASB | Building management service fees payable | 1,331 | 1,416 | 1,272 | Monthly |
| MPSB | Rental income for renting of land for car park | 3,000 | 1,815 | 1,810 | Monthly |
| TFSB | Security services fees payable | 5,372 | 5,462 | 5,077 | Monthly |
| TMRU | Fees payable for project management and maintenance of lab premises payable | 139 | 139 | 135 | Contract basis |
| Total | | 51,161 | 46,823 | 44,590 | |

Note:-

(a) However, the said values are merely estimates for the period from the forthcoming AGM to the next AGM and are subject to changes.

2.5 Basis of estimates

The abovementioned estimated value in respect of each transaction referred to in Section 2.4 above are based on prevailing prices obtained from the Related Parties which are reasonably market-competitive prices and are derived from the sums incurred or received during the past years, based on the normal level of transactions entered into by the Group. The estimated amounts are further based on the assumptions that current level of operations will continue and all external conditions remain constant.

The rental sum in respect of the land rented out for car park was arrived at based on the going market rate for the properties at the time the tenancy agreement was executed. The rental paid for the retirement village building and aged care facility was decided after taking into consideration, inter-alia, cash flows from the retirement village and aged care facility as well as the prevailing interest rate in Australia.

2.6 Details of the sums due and owing to KPJ by its Related Parties pursuant to a RRPT which exceeded the credit terms as at FYE 31 December 2015.

There is no amount due and owing to KPJ by its related parties which has exceeded the credit terms imposed by KPJ on them pursuant to the RRPT.

2.7 Review procedures in relation to RRPT

The Company has established the following internal control systems to ensure that the RRPT are undertaken on an arm's length basis and on normal commercial terms consistent with the Group's usual business practices and policies, which are no more favourable to the interested parties than those extended to third parties/public and are not to the detriment of the minority shareholders:

- (a) in determining the pricing for the RRPT, the Group transacts at the prevailing market rates/prices for services or products, on the service or product providers' usual commercial terms, and otherwise in accordance with applicable industry norms. Other than pricing, the level of service, quality of products and other factors are also considered;
- (b) at least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities. In the event that quotation or comparative pricing from unrelated third party cannot be obtained, the transaction price will be determined by the Group based on that offered by/to other unrelated third parties for the same or substantially similar type of transaction to ensure that the RRPT is not detrimental to the Group;
- (c) all RRPT of value below RM1,000,000 must be reviewed and approved by the EXCO (Executive Committee comprising fifteen members namely, the Managing Director, Executive Director, Vice President I & II and the Senior Managers of the Company). Where the value exceeds RM1,000,000, the RRPT will be available to the Audit Committee for its review and approval;
- (d) if any Director has a direct or indirect interest in any particular transaction, he or she will have to abstain from any deliberation and also voting in respect of the said transaction. If a member of the Audit Committee is interested in any transactions, that member shall abstain from voting in any matter relating to any decision to be taken by the Audit Committee with respect to such transactions;

- (e) proper records shall be maintained to capture all RRPT entered into pursuant to the shareholders' mandate to ensure accurate disclosure thereof. Disclosure shall be made in the Annual Report of the Company of the aggregate value of transactions conducted in accordance with the given mandate;
- (f) the Audit Committee shall have overall responsibility for the determination of the review procedures;
- (g) the Audit Committee shall review the relevant RRPT and the existing procedures to ascertain that they have been complied with; and
- (h) if during the review, the Audit Committee is of the view that the abovementioned procedures are no longer sufficient to ensure that the RRPT undertaken on an arm's length basis and on normal commercial terms that are not more favourable to the Related Party than those normally available to the public, the Audit Committee shall have the discretion to request for additional procedures to be imposed on all the RRPT. In that event, such procedures may be implemented without the approval of the shareholders, provided that they are more stringent than the existing procedures.

2.8 Audit Committee Statement

The Audit Committee has seen and reviewed the procedures set out in Section 2.7 above and is of the view that the procedures are sufficient to ensure that the RRPT are not more favourable to the interested parties than those generally available to the public and are not to the detriment of the minority shareholders.

The Group has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner. The Audit Committee reviews these procedures on an annual basis.

2.9 Disclosure in Annual Report

A disclosure will be made in the Company's Annual Report pursuant to the Proposed RRPT Mandate and in the annual reports of the Company for the subsequent years that the Proposed RRPT Mandate continues to be in force in accordance with applicable accounting standards and Listing Requirements, which requires a breakdown of the aggregate value of the recurrent related party transactions made during the financial year, based on, amongst others, the following information:-

- (a) the type of RRPT made; and
- (b) the names of the Related Parties involved in each type of RRPT made and their relationship with the Company.

3. RATIONALE FOR THE PROPOSED RRPT MANDATE

The Proposed RRPT Mandate will eliminate the need to convene separate general meetings on each occasion to seek shareholders' prior approval for the entry by the Group into such transactions. This will reduce the associated expenses, improve administrative efficiency and allow manpower, resources and time to be better channelled towards achieving other corporate objectives.

The RRPT entered into by the Group are intended to meet business needs at the best possible terms. It also enhances the ability of the Group to explore beneficial business opportunities and promote cross-selling between the Group and the JCorp group of companies.

4. VALIDITY PERIOD FOR THE PROPOSED RRPT MANDATE

The Proposed RRPT Mandate, if approved at the forthcoming AGM, will continue to be in force until:-

- (a) the conclusion of the next AGM of the Company, at which time it will lapse, unless renewed by a resolution passed at the meeting;
 - (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in a general meeting,
- whichever is earlier.

5. EFFECTS OF THE PROPOSED RRPT MANDATE

The Proposed RRPT Mandate will not have any effects on the issued and paid-up share capital of the Company, substantial shareholders' shareholdings in the Company, NA per share, gearing, EPS and dividend of the Group.

Nevertheless, the Proposed RRPT Mandate is in relation to transactions which relate to the KPJ Group's day to day operation and hence, it will impact KPJ Group's financial performance.

6. APPROVALS REQUIRED

The Proposed RRPT Mandate is subject to and conditional upon approval being obtained from the shareholders of the Company at the forthcoming AGM.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save and except as disclosed below, none of the other Directors, major shareholders and persons connected to them, have any interests, direct or indirect in the Proposed RRPT Mandate:-

(a) Major Shareholders' Interest

JCorp ("**Interested Major Shareholder**") will abstain from voting in respect of its direct and indirect interests in the Company on the resolution pertaining to the Proposed RRPT Mandate at the forthcoming AGM. JCorp has undertaken to ensure that persons connected with it shall abstain from voting on the resolution pertaining to the Proposed RRPT Mandate at the forthcoming AGM in respect of their direct or indirect interests in the Company.

(b) Directors' Interests

Dato' Kamaruzzaman Abu Kassim, Dato' Amiruddin Abdul Satar, Ahamad Mohamad, Zulkifli Ibrahim and Aminudin Dawam (collectively referred to as "**Interested Directors**") are deemed interested in the Proposed RRPT Mandate by virtue of them being Directors of the Company nominated by JCorp and persons being part of the senior management of JCorp.

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberations and voting on the Proposed RRPT Mandate at all Board meetings. They will also abstain from voting in respect of their direct and indirect interests, if any, on the resolution pertaining to the Proposed RRPT Mandate at the forthcoming AGM.

In addition, the Interested Directors have undertaken to ensure that persons connected with them shall abstain from voting on the resolution pertaining to the Proposed RRPT Mandate at the forthcoming AGM in respect of their direct and indirect interests in the Company.

The direct and indirect shareholdings of the Interested Directors and Interested Major Shareholder in the Company as at LPD are as follows:-

| | ←-----Direct-----→ | | ←-----Indirect-----→ | |
|--|--------------------|-------|---------------------------|------|
| | No. of Shares | % (a) | No. of Shares | %(a) |
| <u>Interested Major Shareholder</u> | | | | |
| JCorp | 365,965,136 | 35.17 | 97,855,694 ^(b) | 9.40 |
| <u>Interested Directors</u> | | | | |
| Dato' Kamaruzzaman Abu Kassim | - | - | - | - |
| Amiruddin Abdul Satar | 6,266 | * | - | - |
| Aminudin Dawam | 11,197 | * | - | - |
| Ahamad Mohamad | 1,125 | * | - | - |
| Zulkifli Ibrahim | - | - | - | - |

Notes:-

* *Negligible*

(a) *Based on the total issued and paid-up capital of KPJ (excluding treasury shares)*

(b) *Deemed interested by virtue of its shareholdings in RHB Nominees (Tempatan) Sdn Bhd, Waqaf An-Nur Corporation Berhad, Kulim (Malaysia) Berhad, Johor Ventures Sdn Bhd and Maybank Nominees (Tempatan) Sdn Bhd for AmanahRaya Investment Management Sdn Bhd for Johor Land Berhad pursuant to Section 6A of Act.*

8. DIRECTORS' RECOMMENDATION

The Board (save for the Interested Directors mentioned above), having considered all aspects of the Proposed RRPT Mandate, is of the opinion that the Proposed RRPT Mandate is in the best and long term interests of KPJ Group and its shareholders.

Accordingly, the Board (save for the Interested Directors), recommends that you vote in favour of the ordinary resolution pertaining to the Proposed RRPT Mandate to be tabled at the forthcoming AGM.

9. AGM

The AGM, (the notice of which is set out in KPJ's 2015 Annual Report and an extract of which is also enclosed in this Circular), will be held at the Permata Ballroom, Level B2, The Puteri Pacific Hotel, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on Thursday, 19 May 2016 at 12.30 p.m. for the purpose of considering, and if thought fit, passing the resolution to give effect to the Proposed RRPT Mandate.

If you are unable to attend and vote in person at the AGM, you may complete and return the Form of Proxy enclosed in the 2015 Annual Report in accordance with the instructions therein as soon as possible and in any event so as to arrive at the Registered Office of the Company at Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor at least forty-eight (48) hours before the time set for the AGM. The lodging of a Form of Proxy does not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

10. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendix for further information.

Yours faithfully,
For and on behalf of the Board of Directors
KPJ HEALTHCARE BERHAD

ZAINAH MUSTAFA
Independent Non-Executive Director

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APPENDIX I – FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board which individually and collectively accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and, to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would, make any statement herein misleading.

2. MATERIAL CONTRACTS

Save as disclosed below, the KPJ Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business), during the two (2) years preceding the LPD:-

- (a) the Sale and Purchase Agreement dated 3 October 2014 ("**KPJUC Land SPA**") entered between Puteri Nursing College Sdn Bhd ("**PNCSB**"), an indirect wholly-owned subsidiary of KPJ, and AmanahRaya Trustees Berhad ("**Trustee**"), on behalf of Al-'Aqar Healthcare REIT ("**Al-'Aqar**"), to dispose two (2) parcels of freehold lands held under the following title particulars:-

(aa) GRN 211810 Lot No 33003; and

(bb) HS(D) 18971 PT No 8;

both situated in Bandar Baru Kota Sri Mas, Daerah Seremban, in the State of Negeri Sembilan ("**KPJUC Land**") together with an academic block, two (2) TNB sub-stations and a hostel block with a refuse storage chamber erected thereon for a total disposal consideration of RM77.8 million ("**KPJUC Land Disposal**") upon the terms and conditions of the KPJUC Land SPA. As at the LPD, the KPJUC Land Disposal has been completed;

- (b) the Memorandum of Understanding ("**MOU**") dated 16 October 2014 entered between KPJSB with Pelaburan Hartanah Berhad ("**PHB**") and Nadayu Properties Berhad ("**NPB**") for the proposed development and leasing of a purpose-built hospital building to be known as the "KPJ Damansara Specialist Hospital II" by PHB to KPJSB upon the terms and conditions of the MOU ("**KPJ Damansara II Proposed Development**"). As at the LPD, the KPJ Damansara II Proposed Development is still ongoing;

- (c) the Sale and Purchase Agreement dated 18 March 2015 ("**SSH Land SPA**") entered between Seremban Specialist Hospital Sdn Bhd ("**SSHSB**") and AmanahRaya Trustees Berhad ("**Trustee**"), on behalf of Al-'Aqar Healthcare REIT ("**Al-'Aqar**"), to dispose all that piece of freehold land held under HS(D) 218451, PT 2466, Pekan Bukit Kepayang, District of Seremban, in the State of Negeri Sembilan ("**SSH Land**") together with a car park operation building, a TNB sub-station, a medical gas tank; and a refuse chamber (collectively, the "**Facilities**") erected thereon for a total disposal consideration of RM4.25 million upon the terms and conditions of the SSH Land SPA ("**SSH Land Disposal**"). As at the LPD, the SSH Land Disposal has been completed;

- (d) the Share Sale Agreement dated 31 March 2015 entered between KPJSB with AmanahRaya Trustees Berhad, being the trustee for Al-'Aqar for the acquisition by KPJSB of the entire equity interests in Crossborder Hall (M) Sdn Bhd and Crossborder Aim (M) Sdn Bhd, wholly-owned subsidiaries of Al-'Aqar ("**Crossborder Shares**"), for a total cash consideration of RM4.718 million ("**Crossborder SSA**") upon the terms and conditions of the Crossborder SSA ("**Crossborder Acquisition**"). As at the LPD, the Crossborder Acquisition has been completed; and

APPENDIX I – FURTHER INFORMATION (CONT'D)

- (e) the Supplemental Sale and Purchase Agreement dated 10 April 2015 entered between SSHSB and AmanahRaya Trustees Berhad ("**Trustee**"), on behalf of Al-'Aqar Healthcare REIT ("**Al-'Aqar**"), to vary the terms of the SSH Land SPA wherein the parties have agreed to exclude the Facilities from the sale and purchase transaction involving the SSH Land ("**SSH Land Supplemental SPA**") while all other terms and conditions for the SSH Land Disposal remain unchanged. As at the LPD, the SSH Land Disposal has been completed.
- (f) the Sale and Purchase Agreement dated 19 November 2015 entered between KPJSB and Coronade Properties Sdn Bhd (formerly known as Arab Asia Properties Sdn Bhd ("**Coronade**")) for the proposed acquisition by KPJSB of commercial parcel(s) representing approximately 125,000 square feet in gross floor area in a multi storey building ("**Proposed KPJSB Property**") to be erected on part of a piece of land held under Master Title HS(D) 401452 PTB 21602, Bandar Johor Bahru, Daerah Johor Bahru, Johor measuring approximately 2.5589 hectares (approximately 6.323 acres) in area and will be part of a mixed commercial development provisionally known as "Coronation Square" for RM90,000,000.

As at LPD the acquisition of the Proposed KPJSB Property is still ongoing.

- (g) KPJSB had on 9 December 2015 entered into the following agreements with Dinamik Serimas Sdn Bhd ("**DSSB**") and Pelaburan Hartanah Berhad ("**PHB**") for the proposed development and renting of a hospital building to be known as "KPJ Damansara Specialist Hospital II" ("**Proposed Hospital**") ("**Proposed Hospital Development**"):-
- (i) the Agreement to Rent dated 9 December 2015 ("**Agreement to Rent**") entered between KPJSB, Dinamik Serimas Sdn Bhd and Pelaburan Hartanah Berhad for the proposed development of the Proposed Hospital on parts of all those pieces of land owned by DSSB, measuring approximately 2.95 acres ("**Portion of Lands**") and the Portions of Land are held under Geran Mukim 1609 Lot 3124, Geran Mukim 1621 Lot 3126, Geran Mukim 1610 Lot 3128, Geran Mukim 3227 Lot 3130, Geran Mukim 3229 Lot 3131 and Geran Mukim 10 Lot 3132 all situated in the Mukim of Batu, Tempat Segambut, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur, ("**Lands**") and upon completion of the proposed development, the renting of the Proposed Hospital by KPJSB;
- ("Portion of Lands" and "Proposed Hospital" are collectively referred to as "**Demised Premises**")
- (ii) the Tenancy Agreement dated 9 December 2015 entered between DSSB and KPJSB, for the tenancy of the Demised Premises by KPJSB upon completion and handing over of the Proposed Hospital to KPJ
- (iii) the Novation of Tenancy Agreement dated 9 December 2015 entered between DSSB, PHB and KPJSB, for the novation of DSSB's rights, obligations and covenants under the Tenancy Agreement to PHB upon completion of a separate sale and purchase agreement dated 9 December 2015 ("**SPA**") entered between Nadayu Properties Berhad and PHB, wherein PHB had purchased two pieces of land together with the Proposed Hospital constructed on the Portion of Lands on the terms and conditions contained in the SPA.

(The "SPA" and the "Agreement To Rent" are inter- conditional)

As at the LPD, the Proposed Hospital Development is still ongoing.

APPENDIX I – FURTHER INFORMATION (CONT'D)

3. MATERIAL LITIGATION

As at LPD, there are no material litigations, claims or arbitration, either as a plaintiff or a defendant, which will have a material and/or adverse effect on the financial position or business of our Group and our Board is not aware of any proceedings pending or threatened against our Group or of any fact which is likely to give rise to any proceedings which may materially and/or adversely affect the position or business of our Group.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of KPJ following the date of this Circular from Mondays to Fridays (except public holidays) during business hours up to the date of the AGM:-

- (a) the Memorandum and Articles of Association of KPJ;
- (b) the audited consolidated financial statements of the KPJ Group for the past two (2) FYE 31 December 2014 and 2015; and
- (c) the material contracts referred to in Section 2 above.

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KPJ HEALTHCARE BERHAD

(Company No. 247079-M)

(Incorporated in Malaysia under the Companies Act, 1965)

EXTRACT OF NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Third (23rd) Annual General Meeting (“**AGM**”) of KPJ Healthcare Berhad (“**KPJ**” or the “**Company**”) will be held at the Permata Ballroom, Level B2, The Puteri Pacific Hotel, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor, on Thursday, 19 May 2016 at 12.30 p.m. for the purpose of transacting the following businesses:-

As Special Business

ORDINARY RESOLUTION 3

PROPOSED RENEWAL OF THE SHARE BUY-BACK AUTHORITY (“PROPOSED SHARE BUY-BACK”)

“**THAT**, subject to Section 67A of the Companies Act, 1965 (“**Act**”), Part IIIA of the Companies Regulations 1966, the provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements (“**Listing Requirements**”) of the Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and any other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised, to make purchase(s) of ordinary shares of RM0.50 each in the Company’s issued and paid-up capital on Bursa Securities subject to the following:-

- (a) The maximum number of shares which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company for the time being subject to the restriction that the issued and paid-up capital of the Company does not fall below the applicable minimum share capital requirement of the Listing Requirements;
- (b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits and the share premium account of the Company; and
- (c) Upon completion of the purchase by the Company of its own shares, the Directors of the Company are authorised to deal with the shares so bought-back in their absolute discretion in any of the following manner:-
 - (i) cancel the shares so purchased; or
 - (ii) retain the shares so purchased as treasury shares and held by the Company; or
 - (iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or
 - (iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the authority conferred by this resolution shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company at which such resolution was passed, at which time the authority will lapse unless renewed by ordinary resolution passed at the AGM either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the Listing Requirements of Bursa Securities or any other relevant authorities.

AND THAT the Directors of the Company be and are authorised to take all such steps to implement, finalise and give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, revaluations and/or amendments as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements and the guidelines issued by Bursa Securities and any other relevant authorities." (See Note h)

(Resolution 14)

ORDINARY RESOLUTION 4

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

"THAT subject always to the provisions of the Act, the Memorandum and Articles of Association of the Company, the Listing Requirements or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries, to renew the shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading nature, and to enter into and give effect to the specified Recurrent Related Party Transactions;

all with the particulars of which are set out in Part B of the Circular to Shareholders dated 27 April 2016 ("**Circular**") with the Related Parties as described in the Circular, provided that such transactions are:-

- (a) recurrent transactions of a revenue or trading nature;
- (b) necessary for the day-to-day operations of the Company and/or its subsidiaries;
- (c) carried out in the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which those generally available to the public; and
- (d) not detrimental to the minority shareholders of the Company;

AND THAT such authority shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following this AGM, at which time the authority will lapse unless by a resolution passed at the AGM, such authority is renewed; or
- (b) the expiration of the period within which the next AGM after the date that is required to be held pursuant to Section 143(1) of the Companies Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Companies Act); or

- (c) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting;

whichever is earlier;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or give effect to the Proposed Shareholders' Mandate." (See Note i)

(Resolution 15)

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 23rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 58 of the Company's Articles of Association and Paragraph 7.16 of the Listing Requirements to issue a General Meeting Record of Depositors ("**ROD**") as at 12 May 2016. Depositors whose names appear on the ROD as at 12 May 2016 are entitled to attend, speak and vote at the said meeting.

**By Order of the Board,
KPJ HEALTHCARE BERHAD**

**SALMAH BINTI HJ ABD WAHAB (LS 0002140)
HANA BINTI AB RAHIM @ ALI, ACIS (MAICSA 7064336)**
Secretaries

Johor Bahru
27 April 2016

Notes:-

Proxy

- a. *A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of Companies Act, 1965 need not be complied with.*
- b. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, under its common seal or in other manner approved by its Board of Directors.*
- c. *Where a member of the Company is an Authorised Nominee as defined under the Central Depositories Act 1991, he may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
- d. *Any alteration made in this form should be initialed by the person who signs it.*
- e. *The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the registered office of the Company at: KPJ HEALTHCARE BERHAD, Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

EXPLANATORY NOTES ON SPECIAL BUSINESS:

- h. The proposed Resolution 14 if passed will enable the Company to utilise any of its surplus financial resources to purchase its own shares from the market.
- i. The proposed Resolution 15 if passed is primarily to authorise the Company and/its unlisted subsidiaries to enter into arrangements or transactions with Related Parties, particulars of which are set out in the Circular to Shareholders dated 27 April 2016 circulated together with this Annual Report, which are necessary for the day-to-day operations of the Group and are based on normal commercial terms that are not more favourable to the Related Parties than those generally made to the public.