

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

PROPOSED ACQUISITION OF A PIECE OF LAND IN JOHOR BAHRU BY PASIR GUDANG SPECIALIST HOSPITAL SDN BHD (Company No.: 876830-H) (“PGSH”), A WHOLLY-OWNED SUBSIDIARY OF KPJ, FROM JOHOR CORPORATION (“JCorp”) – (“PROPOSED ACQUISITION”)

1. INTRODUCTION

The Board of Directors of KPJ (“the Board”) wishes to announce that the Company’s wholly-owned subsidiary PGSH entered into a Sale and Purchase Agreement (“SPA”) with JCorp for the proposed acquisition of a piece of land in Johor Bahru.

PGSH owns and operates a specialist hospital in Johor Bahru known as KPJ Puteri Specialist Hospital (“KPJ Puteri”).

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Background information on the Proposed Acquisition

JCorp is the registered owner of the land held under HS(D) 494098, PTB 20539 Bandar Johor Bahru, Daerah Johor Bahru, Negeri Johor which is a 99-year leasehold land expiring 21 June 2110, with a land area of approximately 6,700 square metres (1.655 acres) located at Off Jalan Tun Abdul Razak (Susur 5), Johor Bahru (“the Land” or “the said Land”).

On 31 July 2017, JCorp issued a Letter of Offer to PGSH whereby it agreed to sell the Land to PGSH on an “as is where is” basis with vacant possession, for a total cash consideration before GST of RM12,060,000 only (“Purchase Price”). The Letter of Offer was duly accepted by PGSH on 13 September 2017.

The Land sits adjacent to the piece of land where KPJ Puteri hospital is located on presently and is subject to, inter-alia, the following conditions and restrictions:-

- (a) Category of land use: “Bangunan”
- (b) “Tanah ini hendaklah digunakan untuk Hospital Swasta, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan”
- (c) “Tanah yang dikurniakan ini tidak boleh dijual, dicagar, digadai, dipajak atau dipindah, ilik dengan apa cara sekalipun, termasuk dengan cara menggunakan segala surat perjanjian yang bertujuan untuk melepaskan/menjual tanah ini, tanpa kebenaran Pihak Berkuasa Negeri”

2.2 Basis and justification for arriving at the Purchase Price

The Purchase Price of RM12,060,000 was agreed between the parties on a “willing buyer-willing seller” basis. PGSH commissioned an independent professional valuation on the Land in April 2017, where it was valued at RM12,100,000. The Purchase Price represents a discount of RM40,000 or approximately 0.3% below the market value of the said Land.

2.3 Salient Terms of the SPA

The salient terms of the SPA are as follows:-

2.3.1 Mode of Payment

- (i) earnest deposit totalling RM1,081,377 or 9% of the Purchase Price was paid in 2 instalments by PGSH on 10 April 2017 and 5 May 2017;
- (ii) further deposit totalling RM124,623 or 1% of the Purchase Price was paid on 15 September 2017;
- (iii) a final payment totalling RM10,854,000 or 90% of the Purchase Price will be payable within 3 months from the date of the SPA (“Completion Date”).

2.3.2 Conditions Subsequent

The Parties to the SPA agreed that the following approvals be obtained by JCorp from the Relevant Authorities within 6 months of the Completion Date:-

- (i) approval from the Ministry of Finance Department (“MOF Approval”) for the disposal of the Land to PGSH, pursuant to Incorporation (State Legislatures Competency) Act 1962. The MOF Approval was obtained on 9 June 2017;
- (ii) approval for the transfer of the Land to PGSH from the Relevant Authorities; and
- (iii) any other approval as required under any law.

2.4 Source of Funding

The Proposed Acquisition will be funded through a combination of internally generated funds and bank borrowing.

2.5 Information on the Parties

(a) PGSH

PGSH is a wholly owned subsidiary of KPJ and incorporated in Malaysia under the Companies Act 1965, Malaysia and having its registered address at Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor.

(b) JCorp

JCorp is a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995) and having its registered address at Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor.

3. RATIONALE FOR THE PROPOSED ACQUISITION

KPJ views the signing of the SPA as beneficial to PGSH and KPJ Group as a whole for the following reasons:

- (a) The Proposed Acquisition is in line with the objective of KPJ Group 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; and
- (b) To cater for the needs of patients of KPJ Puteri and the surrounding areas, in order to meet the demand for quality private healthcare.

4. RISKS IN RELATION TO THE PROPOSED ACQUISITION

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

5. EFFECT OF THE PROPOSED ACQUISITION

The Proposed Acquisition is not expected to have a material effect on the earnings of KPJ for the financial year ending 31 December 2017.

6. APPROVALS REQUIRED

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

7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

Save as disclosed below, none of the Directors, substantial shareholders of KPJ and/or persons connected to the Directors and/or substantial shareholders has any direct or indirect interest in the Proposal:-

7.1 Directors

Dato Kamaruzzaman bin Abu Kassim, Dato' Amiruddin Abdul Satar, Zulkifli bin Ibrahim and Mohd Sahir bin Rahmat who are directors of KPJ, are deemed to be interested in the Proposed Acquisition by virtue of them being the directors of KPJ and senior management of JCorp ("Interested Directors").

7.2 Major Shareholders

JCorp is a major shareholder of KPJ holding direct and indirect interest of 44.09% equity interest in KPJ as at 31 October 2017.

8. DIRECTORS' OPINION

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

9. DOCUMENTS FOR INSPECTION

The SPA will be made available for inspection at the registered office of KPJ at Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor during normal business hours from Sunday to Thursday (except public holidays) for a period of three (3) months from the date of this Announcement.