

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

PROPOSED ACQUISITION BY PHARMASERV ALLIANCES SDN BHD (“PASB” OR “PURCHASER”), A WHOLLY-OWNED SUBSIDIARY OF KUMPULAN PERUBATAN (JOHOR) SDN BHD (“KPJSB”) OF A 3 STOREY OFFICE BUILDING TOGETHER WITH A SINGLE STOREY WAREHOUSE (“PROPERTY”) FROM LEWRE INTERNATIONAL SDN BHD (“LEWRE” OR “VENDOR”) FOR A TOTAL PURCHASE CONSIDERATION OF RM14,200,000.00 (“PROPOSED ACQUISITION”)

This announcement is dated 1 June 2012.

The Board of Directors of KPJ (“**Board**”) is pleased to announce that KPJ’s wholly-owned subsidiary, namely PASB, had on 1 June 2012 entered into sale and purchase agreement (“SPA”) with LEWRE for the purchase of the Property (“Proposed Acquisition”) from LEWRE for a total purchase consideration of RM14,200,000.00 (“Purchase Consideration”) to be fully settled in cash.

1. DETAILS OF THE PROPOSED ACQUISITIONS

1.1 Information on the Purchaser

PASB was incorporated on 25 February 1965 under the Companies Act, 1965. The Purchaser’s main activity is to market and distribute pharmaceutical and medical products.

The authorised share capital of PASB is RM9,000,000 comprising of 9,000,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital of PASB is RM8,000,000 comprising of 8,000,000 ordinary shares of RM1.00 each.

1.2 Information on the Vendor

LEWRE was incorporated on 22 September 1987 under the Companies Act, 1965. The principal activities of LEWRE are the manufacturing of shoes.

The authorised share capital of LEWRE is RM10,000,000.00 comprising of 10,000,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital is RM4,000,000.00 comprising of 4,000,000 ordinary shares of RM1.00 only.

The shareholders of LEWRE are Dato’ Lew Fong Voon and Datin In Kwee Chin each holding 99.99% and 0.01% equity interest, respectively.

1.3 Information on the Property

The Property is located at GM525, Lot 55327, Mukim Damansara, Batu 3, Lebuhraya Persekutuan, Petaling, Selangor.

The registered owner of the Property is the Vendor.

Pertinent information of the development of the Property is set out below:-

Land Area	5,223 square metres
Tenure of the Land	Freehold
Encumbrances	Charges created on 4 November 2011 in favour of United Overseas Bank Berhad vide the Presentations No 7143/2011, No 7144/2011, No 7145/2011, No 7146/2011, No 7147/2011.
Net Book Value	RM7,767,000.00

1.4 Basis of arriving at the Purchase Consideration

The Purchase Consideration for the Proposed Acquisition was determined on a "willing-buyer willing-seller basis" after taking into consideration the current market value of the Property as appraised by the independent valuer, Nilai Harta Consultant Sdn Bhd.

On 4 April 2012, Nilai Harta Consultant Sdn Bhd, being the independent valuer, had assessed and confirmed the market value of the Property to be RM13,000,000.00 using the approach methods of valuation based on the date of valuation of the said Property.

The Purchase Consideration represents a premium of RM1,200,000 or approximately 9% to the current market value of the Property as appraised by Nilai Harta Consultant Sdn Bhd.

The Purchase Consideration is justified after taking into consideration, amongst others, management's best estimates of the net worth based on their current state of physical condition and location of the aforesaid Property and rationale for the Proposed Acquisition.

2. SPA

2.1 Salient Terms of the SPA

The salient terms of the SPA as follows:-

- (a) LEWRE has agreed to sell and PASB has agreed to purchase the said Property together with the fixtures and fittings therein free from all encumbrances on an as is where is basis and with vacant possession but subject to all conditions of title whether express or implied, and the category of land use contained in the document of title to the said Property upon the terms and conditions in the SPA.
- (b) Part of the Property is occupied by LEWRE ("Area A") whilst another part ("Area B") has been let out to a tenant, Tohoku-Wada Industries Sdn Bhd ("Tenant"), pursuant to a tenancy agreement dated 1 July 2011. The Tenant shall vacate Area B not later than 16 January 2013 ("Area B Due Delivery Date"). The Proposed Acquisition shall be subject to the said tenancy agreement.
- (c) In the event that PASB have paid in full the Purchase Price within the stipulated time in the SPA, the following shall ensue:-
 - (i) that LEWRE shall deliver vacant possession of Part A within 5 business days of balance Purchase Price ("Area A Due Delivery Date"). However, in the event that LEWRE is unable to deliver vacant possession by the Area A Due D Delivery Date, LEWRE shall be granted an extended period of stay subject to it writing to PASB prior to the end of the Area A Due Delivery Date of the date when Area A will be delivered with vacant possession provided always that the extended period does not exceed 120 days from the date of the SPA.
 - (ii) that the parties shall share the monthly rental payable by the Tenant equally provided that vacant possession of Area A has been delivered by LEWRE to PASB;
 - (iii) that LEWRE shall bear all the costs and expense in evicting the Tenant in the event the Tenant fails to move out by the Area B Due Delivery Date and shall use its best endeavor to assist PASB in this respect;
 - (iv) that LEWRE shall be responsible at its own costs and expense to reinstate or cause to be reinstated the Area B to its original state and condition prior to the grant of the tenancy to the Tenant; and

- (v) that PASB shall be responsible at its own costs and expense to provide the general security and major maintenance and repair of Area B as currently being provided by the Vendor under the tenancy provided that vacant possession of Area A has been delivered by the Vendor to the Purchaser.

2.2 Payment of the Purchase Consideration

The Purchase Consideration shall be paid in the following manner:

	<u>RM</u>
Earnest Deposit (equivalent to 2% of Purchase Consideration)	284,000.00
Deposit (equivalent to 8% of Purchase Consideration) upon execution of SPA	1,136,000
Balance Purchase Price (equivalent to 90% of Purchase Consideration)	12,780,000
	<hr/> <hr/> 14,200,000

3. SOURCE OF FUNDING

The Balance Purchase Price shall be financed from bank borrowings, of which the details cannot be ascertained at this juncture.

4. LIABILITIES TO BE ASSUMED

There are no liabilities, including contingent liabilities and guarantees, to be assumed by PASB pursuant to the Proposed Acquisition

5. RATIONALE

Whilst KPJ and its group of companies ("KPJ Group" or the "Group") continue to focus on its core businesses in the healthcare industry, the Group also strives to grow its pharmaceutical division which can provide recurring income and positive cash flow to the Group in the future.

The Property is strategic to KPJ Group in its plans to develop and expand the pharmaceutical business.

In view of the above, the Proposed Acquisition are expected to contribute positively to the Group's revenue and earnings in the future.

6. RISK FACTORS

6.1 Valuation of the subject properties

The valuations by Nilai Harta Consultant Sdn Bhd on the said Property was based on certain assumptions, which can be subjective and differ materially from the actual measures of the market such as the respective relative market positions, competitive strengths, location and physical conditions of the respective properties. Therefore, the appraised value of the respective properties may not be an accurate indication of, and does not guarantee the sale price at the said value at present or in the future.

6.2 Area B not vacated by the Area B Due Delivery Date

The Proposed Acquisition is subject to the tenancy agreement between LEWRE and the Tenant and the Tenant is to vacate Area B by the Area B Due Delivery Date. If the Tenant does not vacate Area B by the said date, PASB shall have to evict the Tenant in order to get full use of the Property.

7. INDUSTRY OVERVIEW, PROSPECTS AND FUTURE PLANS

7.1 Overview and outlook of Malaysian economy and the service industry

Malaysia's GDP growth remained resilient at 4.7% (Q4 2011: 5.2%) led by the favourable performance of the services and manufacturing sectors, and supported by robust construction activity. Driven by private sector activities, domestic demand recorded a strong growth of 9.6% (Q4 2011: 10.4%). The main factors that contributed to higher consumer spending included steady income from favourable employment conditions, and stable commodity prices. .

The services sector expanded further by 5% (Q4 2011: 6.6%), accounting for 54% of GDP (Q4 2011: 55%). Growth was led by the final services group, which increased 5.7% (Q4 2011: 5.5%) with favourable expansion across most sub-sectors. The other services sub-sector grew 4.3% (Q4 2011: 2.5%) driven by higher private health and education activities.

On the domestic front, the Malaysian economy is expected to sustain its growth momentum in the next two quarters of 2012. This is reflected by the Leading Index, which grew by an average of 1.4% from October 2011 to March 2012. On the demand side, growth is expected to emanate from private consumption and high investment activities. On the supply side, growth will be supported by continued expansion in the services and manufacturing sectors.

(Source: Quarterly Update on the Malaysian Economy – 1st Quarter 2012, Ministry of Finance)

8. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITIONS

8.1 Share Capital and Shareholdings of Substantial Shareholder

The Proposed Acquisitions will not have any effect on issued and paid-up share capital and substantial shareholders' shareholding of KPJ as the Purchase Consideration for the Proposed Acquisitions shall be fully satisfied *via* cash and does not involve any issuance of new ordinary shares in KPJ.

8.2 Earnings

The Proposed Acquisitions are not expected to have any material impact on KPJ Group's earnings and earnings per share ("EPS") for the financial year ending 31 December 2012. However, the potential profit contribution arising from the Property and is expected to enhance the earnings and the EPS of KPJ Group in the future.

8.3 Net Assets

The Proposed Acquisition will not have any material effect on the net assets of the KPJ Group.

8.4 Gearing

The Proposed Acquisition is expected to increase the gearing ratio of the KPJ Group from 0.4 to 0.46 .

9. APPROVALS REQUIRED

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

10. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Acquisitions, is of the opinion that the Proposed Acquisitions are in the best interest of the Company.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisitions are expected to be completed within the third quarter of 2012.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The Building SPA and the letters from the valuers dated 4 April 2012 are available for inspection at the registered office of the Company at Suite 12B, Level 12, Menara Ansar, No. 65, Jalan Trus, 80000 Johor Bahru, Johor during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 1 June 2012.