



# **KPJ HEALTHCARE BERHAD**

(247079-M)

(A Member of Johor Corporation Group)

## **ANNOUNCEMENT TO BURSA MALAYSIA**

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

**PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD (“KPJSB”), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF ALL THAT PARCEL OF LAND HELD UNDER GERAN 52130 LOT 405 SEKSYEN 87A, BANDAR KUALA LUMPUR, DAERAH KUALA LUMPUR, NEGERI WILAYAH PERSEKUTUAN KL TOGETHER WITH A MULTI-STOREY OFFICE BUILDING ERECTED THEREON KNOWN AS MENARA 238 (“PROPERTY”) FROM DANAHARTA HARTANAH SDN BHD (“DHSB”) FOR A TOTAL CASH CONSIDERATION OF RM206,000,000.00 (“PROPOSED ACQUISITION”)**

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This announcement is dated 17 October 2013.

#### **1. INTRODUCTION**

KPJSB and DHSB had entered into a tenancy agreement on 11 September 2012 (“Tenancy Agreement”) whereby DHSB had granted upon KPJSB the option to purchase the Property.

The Board hereby wishes to announce that KPJSB has now exercised its option to purchase and therefore, entered into a conditional sale and purchase agreement (“SPA”) with DHSB on 16 October 2013 pursuant to the Proposed Acquisition.

#### **2. DETAILS OF THE PROPOSED ACQUISITION**

##### **2.1 Information on the Property**

DHSB is the registered owner of all that parcel of freehold land held under GRN 52130 Lot 405 Seksyen 87A, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur together with a multi-storey office building erected thereon known as Menara 238 and bearing the postal address of No. 238, Jalan Tun Razak, Kuala Lumpur.

The Property was formerly known as Menara Marinara and had undergone massive refurbishment exercise whereby the entire premise was converted from office, commercial and apartment use into commercial and office use.

The Property is divided into several segments, namely ground floor showrooms, enterprise floor, corporate floors, recreational floor and parking area (basement and podium).

Other pertinent information in respect of the Property is set out below:-

<b>Land Area</b>	2.05 acres
<b>Land Use</b>	Building
<b>Registered Owner</b>	Danaharta Hartanah Sdn Bhd
<b>Existing Structural Features</b>	36-storey building
<b>Age of Building</b>	15 years
<b>Rental Rate</b>	RM3.00 to RM5.00 per sq ft
<b>Occupancy Rate</b>	20% (inclusive of the existing tenancy by KPJSB of 74,750 sq ft)
<b>Lettable Area for Letting</b>	344,000 sq ft (70% of total lettable area)
<b>Area identified to be occupied by KPJ and its subsidiaries</b>	146,000 sq ft (30% of total lettable area)
<b>Express Condition</b>	“Tanah ini hendaklah digunakan hanya untuk bangunan perdagangan bagi tujuan pejabat sahaja”
<b>Encumbrances</b>	Subject a caveat lodged by Marina binti Mohd Yusoff on 30 November 2012 vide Presentation No. 20151/2012
<b>Tenure</b>	Freehold

Based on the certificate of valuation preceding valuation report dated 12 March 2013 from Messr CH William Talhar & Wong (“Valuation Certificate from CH Williams”), an independent firm of registered valuers appointed by KPJSB, the Market Value of the Property is RM220,000,000.00.

## **2.2 Information on the Parties**

### **2.2.1 KPJSB**

KPJSB is a company incorporated in Malaysia and having its registered office at Suite 12B, Level 12, Menara Ansar, No. 65 Jalan Trus, 80000 Johor Bahru, Johor and business address at Level 12, Menara 238, No: 238, Jalan Tun Razak, 50400 Kuala Lumpur.

KPJSB is a wholly-owned subsidiary of KPJ and was incorporated on 8 June 1988 with an authorized share capital of RM100,000,000 divided into 100,000,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital of KPJSB is RM90,000,000 comprising of 90,000,000 ordinary shares of RM1.00 each.

The principal activities of the Company are investment holding, provision of management services to subsidiaries, and provision of health screening services. The principal activities of the subsidiaries are mainly the operation of specialist hospitals.

### **2.2.2 DHSB**

DHSB is a company incorporated in Malaysia and having its registered office at 7th Floor, Bangunan Setia 1, 15 Lorong Dungun, Bukit Damansara, 50480 Kuala Lumpur.

DHSB is a wholly-owned subsidiary of Pengurusan Danaharta Nasional Berhad and was incorporated on 2 November 1998 with an authorized share capital of RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital of DHSB is RM1,000,000 comprising of 1,000,000 ordinary shares of RM1.00 each.

DHSB was established by the Government of Malaysia to act as the national asset management company. Its prime objectives are to re-energize the Malaysian financial sector by buying non-performing loans (NPLs) from financial institutions and therefore maximizing their recovery value.

## **2.3 Salient Terms of the SPA**

The Proposed Acquisition shall be subject to, inter-alia, the following terms and conditions of the SPA:-

### **2.3.1 Basis of Sale**

- (a) The Property is sold:-
  - (i) free from encumbrances;
  - (ii) without vacant possession and subject to the existing tenancies;
  - (iii) subject to all conditions of title categories of land use and restrictions in interest and implied conditions now or hereafter imposed upon, relating to or affecting the Property or to which the Property is subject;
  - (iv) subject to all schemes or proposed schemes now or hereafter affecting the Property by any governmental authorities;

- (v) subject to existing maintenance contracts relating to the Property and KPJSB shall be required to assume and take over all such agreements;
- (vi) on an “as is where is” basis and “willing buyer willing seller” basis.

### **2.3.2 Purchase Consideration and Mode of payment**

The total purchase consideration for the Property is Ringgit Malaysia Two Hundred and Six Million (RM206,000,000.00) only (“Purchase Consideration”).

The Parties therefore agreed that the Purchase Consideration shall be payable by KPJSB to DHSB in the following manner:-

#### **(a) Deposit**

The deposit for the Purchase Consideration is Ringgit Malaysia Twenty Million and Six Hundred Thousand (RM20,600,000.00) only being ten per centum (10%) of the Purchase Consideration (“Deposit”) which has been paid and/or shall be due and payable as follows:-

- (i) The Parties acknowledged that KPJSB had, prior to the execution of the SPA, paid to DHSB a sum of Ringgit Malaysia Five Million Seven Hundred Thousand (RM5,700,000.00) only as earnest deposit and part payment towards the account of the Deposit and Purchase Price.
- (ii) The Parties further acknowledged that the sum of Ringgit One Million Eight Hundred Ninety Three Thousand and Three (RM1,893,003.00) only which was part of the security and utilities deposit paid pursuant to the Tenancy Agreement shall be treated as part of the Deposit.
- (iii) Therefore, the remaining sum of Ringgit Malaysia Thirteen Million Six Thousand Nine Hundred Ninety Seven (RM13,006,997.00) only shall be due and payable upon the execution of the SPA as full payment of the Deposit. The Parties acknowledged that the sum of Ringgit Malaysia Thirteen Million Six Thousand Nine Hundred Ninety Seven (RM13,006,997.00) only has been duly paid by KPJSB to DHSB on 16 October 2013.

#### **(b) Balance Purchase Price**

Ringgit Malaysia One Hundred Eighty Five Million and Four Hundred Thousand (RM185,400,000.00) only (“Balance Purchase Price”) being ninety per centum (90%) of the Purchase Price shall be due and payable on or before the Completion Date (as defined in the SPA).

### 2.3.3 Condition Precedent

The Proposed Acquisition shall be subject to, inter alia, the following condition being obtained or fulfilled within nine (9) months from the date of the SPA (“Condition Precedent”):-

- (i) the removal or withdrawal of the private caveat which has been lodged against the Property vide presentation no. 20151/2012 on 30<sup>th</sup> November 2012.

### 2.3.4 Completion Date

The completion date of the SPA shall be the date falling ninety (90) days from the date of the SPA or one (1) month from the fulfillment of the Condition Precedent, whichever is later (“Completion Date”).

## 2.4 Basis and Justification of Arriving at the Purchase Consideration

The Purchase Consideration was arrived at after taking into consideration the market value of the Property of Ringgit Malaysia Two Hundred and Twenty Million (RM220,000,000.00) only (“Market Value”) as per the Valuation Certificate from CH Williams.

## 2.5 Source of Funding

The Purchase Consideration shall be financed from a combination of internally generated funds and external borrowings of KPJ Group. The details are as follows:-

Source of Funding	RM	%
Internally Generated Funds	41,000,000	20%
External Borrowings	164,800,000	80%

## 3. RATIONALE FOR THE PROPOSED ACQUISITION

KPJ opined that the Purchase Consideration is reasonable and affordable. The Company also views that it has the capacity to manage and turn the Property into a revenue center on its own through its strategy of attracting the right tenants hence maximizing its rental income. Currently, the corporate office of KPJ is housed in the Property occupying an area of 74,750 square feet which is equivalent to approximately 15.0% of the total lettable area of the Property.

KPJ plans to move all non-revenue generating services that are occupying KPJ hospitals to the Property, giving the hospitals opportunity to utilize more spaces to generate more revenue. Menara 238, with its features and capacity, suits all the purposes outlined by KPJ.

#### **4. PROSPECT AND FUTURE PLANS OF THE PROPERTY**

The Proposed Acquisition will be the catalyst for KPJ's future expansion with regards to its strength and niche in the private healthcare industry in Malaysia. This Property will be the center off all its healthcare activities throughout the country. It will serve as the headquarters and a center of excellence for services relating to the industry. In line with the demand of the well-being of health, strategically KPJ will establish a wellness center at the Property comprising aesthetic, alternative medicine, physiotherapy, rehabilitation, day care, laboratory and radiology services. Looking at the KPJ's ever-expanding IT function, KPJ is keen to utilize part of the Property as a one-stop center of excellence for IT, hosting newly established data and call centers to cater for nationwide demand. In the long run, there is potential for the Property to be injected into REIT and thus allowing KPJ to enjoy capital gain.

#### **5. RISKS IN RELATION TO THE PROPOSED ACQUISITION**

##### **5.1 Completion of the SPA**

The completion of the SPA is subject to the fulfillment of the Condition Precedent. There can be no assurance that the Proposed Acquisition can be completed within the timeframe set out in the SPA. Further, the private caveat could be re-entered of which the SPA may be terminated by either parties.

##### **5.2 Compulsory acquisition by the Government**

The Malaysian or State Government has the power to compulsorily acquire any real property in Malaysia pursuant to the provisions of the applicable legislation including the Land Acquisition Act 1960. In such event, the amount of compensation to be awarded is based on the fair market value of the real property and is assessed on the basis prescribed in the Land Acquisition Act 1960 and other relevant laws. If the Property is acquired compulsorily by the Malaysian Government at a point in time when the market value of the Property is lower than the Purchase Price, the compulsory acquisition could adversely affect the financial results of the Group and/or the future expansion of the Group. In the SPA, it is agreed that If DHSB receives any notice of the exercise or proposed exercise of any rights or the taking of any steps under the Land Acquisition Act 1960 by the acquiring authority before payment of the Balance Purchase Price or the presentation of the Transfer of the Property at the land registry for registration, whichever is earlier, DHSB shall notify KPJSB whereupon KPJSB shall be entitled within seven (7) business days from the date of the notice by DHSB, elect either to proceed with the purchase of the Property or to terminate the SPA.

#### **6. EFFECTS OF THE PROPOSED ACQUISITION**

##### **6.1 Share capital & Substantial Shareholders' Shareholdings**

The Proposed Acquisition will not have any effect on the issued and paid up share capital as well as substantial shareholders' shareholdings in KPJ.

## 6.2 Net Assets (“NA”) per share & Gearing

For illustration purposes only, the proforma effects of the Proposed Acquisition on the consolidated NA, NA per share and gearing of KPJ based on the latest audited consolidated financial statements of KPJ for the year ended 31 December 2012 are as follows:

	Audited as at 31.12.2012 (RM'000)	Proforma 31.12.2012 (RM'000)
Share capital	323,091	323,091
Share premium	147,288	147,288
Merger reserve	(3,367)	(3,367)
Exchange reserve	(25)	(25)
Revaluation reserve	50,415	50,415
Warrants reserve	-	-
Retained earnings	518,546	515,546
Treasury Shares	(23)	(23)
<b>Shareholders' equity/ NA</b>	<b>1,035,925</b>	<b>1,032,925</b>
Non-controlling interest	67,528	67,528
<b>Total equity</b>	<b>1,103,453</b>	<b>1,100,453</b>
No. of KPJ Shares ('000)	646,172	646,172
<b>NA per KPJ Share (RM)</b>	<b>1.60</b>	<b>1.60</b>
Borrowings	592,096	756,896
<b>Gearing (times)</b>	<b>0.54</b>	<b>0.69</b>

	(RM'000)
SPA consideration	206,000
Internal fund (20%)	41,200
Borrowing (80%)	164,800

## 6.3 Earnings

The Proposed Acquisition is not expected to have any material effect on the earnings of KPJ Group for the financial year ending 31 December 2013.

## 7. ESTIMATED TIMEFRAME FOR COMPLETION

KPJ expects to complete the Proposed Acquisition by the early third quarter of 2014.

## 8. APPROVALS REQUIRED

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

**9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

None of the directors or major shareholders of KPJ or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition.

**10. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposed Acquisition including the rationale, prospects of the Property and the financial aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the KPJ Group.

**11. PERCENTAGE RATIOS UNDER THE MAIN MARKET LISTING REQUIREMENT**

The highest percentage ratios applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements amounts to 19.89% based on the latest audited financial statements of KPJ for the financial year ended 31 December 2012.

**12. DOCUMENT AVAILABLE FOR INSPECTION**

The SPA is 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 17 October 2013.