

## KPJ HEALTHCARE BERHAD ("KPJ" OR THE "COMPANY")

**PROPOSED ACQUISITION BY PAHANG SPECIALIST HOSPITAL SDN BHD (FORMERLY KNOWN AS EVOLUSI SPEKTRA (M) SDN BHD) ("PSHSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF A 3.12-ACRE LEASEHOLD LAND FOR A TOTAL CONSIDERATION OF RM3,756,750 TO BE SATISFIED VIA ISSUANCE OF 3,756,750 ORDINARY SHARES OF RM1.00 EACH IN PSHSB ("PSHSB SHARE") ("PROPOSED ACQUISITION")**

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This announcement is dated 22 June 2011.

We refer to the announcement dated 20 July 2009 in relation to the Proposed Joint Venture ("**Earlier Announcement**").

Unless otherwise stated, the defined terms used throughout this announcement shall have the same meaning as defined in the Earlier Announcement.

### 1. INTRODUCTION

The Board wishes to announce that the Company's wholly-owned subsidiary, PSHSB, has on 22 June 2011, entered into a conditional Sale and Purchase Agreement ("**SPA**") with Pasdec Corporation Sdn Bhd ("**PCSB**" or "**Vendor**") for the acquisition of a 3.12-acre leasehold land ("**Land**") within a parcel of land held under H.S.(M) 65652 Lot No. PT 83065 Mukim Kuala Kuantan, District of Kuala Kuantan, Kuantan, Pahang ("**Master Title**") for a total consideration of RM3,756,750 ("**Purchase Consideration**") to be satisfied via issuance of 3,756,750 PSHSB Shares ("**Consideration Shares**").

KPJSB had earlier, on 20 July 2009, entered into a JVA with PCSB to set up a JV Co for the purpose of developing a hospital building on the Land. PSHSB was incorporated on 4 November 2009 as the JV Co pursuant to the JVA.

Pursuant to the JVA, PCSB had agreed to dispose and transfer the Land to the JV Co in exchange for the Purchase Consideration within one (1) year from the date of execution of the JVA or such later period as may be agreed upon by KPJSB ("**Disposal Period**") with the grant of an extension of an additional period of one (1) year to PCSB in the event the Land could not be transferred to the JV Co within the Disposal Period ("**Extended Disposal Period**").

### 2. DETAILS OF THE PROPOSED ACQUISITION

#### 2.1 Information on the Land

The registered owner of the Land is PCSB.

The Land has a 99-year lease (expiring on 17 April 2106) and is within a parcel of land held under title no. H.S.(M) 65652 Lot No. PT 83065 Mukim Kuala Kuantan, District of Kuala Kuantan, Kuantan, Pahang. The land area of the Master Title is approximately 6.20 acres. The category of land use of the Master Title is 'Building'.

The Land is currently vacant and proposed to be acquired as part of the future expansion plan of KPJ. Upon completion of the Proposed Acquisition, the Land will be developed for use as a private specialist hospital. The development of the Land is expected to commence in the first (1<sup>st</sup>) quarter of 2012 and be completed by the end of 2013.

The development costs of the proposed private specialist hospital, estimated at RM50 million, is expected to be financed by internally generated funds of KPJ and its subsidiaries ("**KPJ Group**") and/or bank borrowings.

The audited net book value ("NBV") of the Land as at 31 December 2010 is RM2,250,266.

## **2.2 Information on PCSB**

PCSB was incorporated in Malaysia under the Companies Act, 1965 on 8 February 1980 under the name of Pasdec Corporation Sdn Bhd. As at the date of this announcement, PCSB is a wholly-owned subsidiary of PASDEC.

The authorised share capital of PCSB as at the date of this announcement is RM30,000,000.00 comprising 30,000,000 ordinary shares of RM1.00 each, of which RM17,541,707 comprising 17,541,707 ordinary shares of RM1.00 each have been issued and fully paid-up.

PCSB is principally involved in property development and project management.

## **2.3 Information on PSHSB**

PSHSB was incorporated in Malaysia under the Companies Act, 1965 on 4 November 2009 under the name of Evolusi Spektra (M) Sdn Bhd and changed to its existing name on 8 July 2010. As at the date of this announcement, PSHSB is currently a wholly-owned subsidiary of KPJ.

The authorised share capital of PSHSB as at date of announcement is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM2.00 comprising 2 ordinary shares of RM1.00 each have been issued and fully paid-up.

Pursuant to the JVA, KPJSB shall subscribe and be allotted 8,765,750 PSHSB Shares at an issue price of RM1.00 each payable by way of cash upon issuance of the Consideration Shares to PCSB. Resultantly, KPJSB and PCSB will hold approximately 70% equity stake and 30% equity stake in PSHSB respectively.

PSHSB is currently dormant and is intended to own and lease the hospital building in the Land in future.

## **2.4 Salient terms of the SPA**

### **2.4.1 Terms and Conditions of the SPA**

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

- (a) The Vendor hereby agrees to sell and PSHSB has agreed to purchase the Land free from all encumbrances, on an "as is where is" basis, with vacant possession subject to the terms and conditions of the SPA; and
- (b) The Vendor agrees to apply and procure the partitioning of the Master Title in accordance with the area specified in the SPA and the issuance of a separate individual title to the Land.

#### **2.4.2 Conditions Precedent**

The Proposed Acquisition shall be subject to, inter alia, the following conditions being obtained or fulfilled ("**Conditions Precedent**"):-

- (a) the approval of the Board of Directors of PSHSB for the purchase of the Land from the Vendor; and
- (b) the approval of the Board of Directors of the Vendor for the disposal of the Land to PSHSB.

The SPA shall become unconditional upon the date when Conditions Precedent as specified above have been obtained or waived by PSHSB, as the case may be.

#### **2.4.3 Basis and justification of arriving at the Purchase Consideration**

The Purchase Consideration of RM3,756,750 was arrived at on a "willing buyer willing seller" basis and is based on the rate of RM27.64 per square feet.

#### **2.4.4 Settlement of the Purchase Consideration**

As disclosed in the Earlier Announcement, the Purchase Consideration is to be satisfied wholly via issuance of the Consideration Shares.

PSHSB shall issue and allot the Consideration Shares within one (1)-month of the successful presentation of documents relating to the partitioning of the Land in favour of PSHSB. The date of which the Consideration Shares are issued and allotted to the Vendor shall be referred to as "**Completion Date**".

#### **2.4.5 Ranking of Consideration Shares**

The Consideration Shares shall be issued free from all encumbrances and shall rank *pari passu* in all respects with the existing issued and fully-paid up ordinary shares of PSHSB.

#### **2.4.6 Listing Status of the Consideration Shares**

The Consideration Shares shall not be listed on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

#### **2.4.7 Liabilities to be assumed by PSHSB**

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

#### **2.4.8 Encumbrances**

The Land is to be acquired free from any encumbrances.

### **3. RATIONALE FOR THE PROPOSED ACQUISITION**

The Proposed Acquisition is pursuant to a JVA to establish a JV Co to develop and own a private specialist hospital on the Land as disclosed in the Earlier Announcement.

The Proposed Acquisition is also in line with KPJ Group's objective to expand its network of hospitals to locations where private healthcare is in demand, enlarge the customer base and further establish itself as a key service provider in Malaysia.

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

Upon completion of the Proposed Acquisition, the KPJ Group will develop and own a private specialist hospital on the Land. The timely completion of the development project is dependent on various factors, such as the satisfactory performance of building contractors who are appointed to complete the development project as well as obtaining the relevant approvals as scheduled. The KPJ Group seeks to limit these risks by closely monitoring the progress of the development project and taking prompt corrective actions, if required.

### **5. PROSPECTS OF THE LAND AND THE HEALTHCARE INDUSTRY**

The healthcare industry has become a powerful engine for economic growth in Malaysia due to demographic shifts. Malaysia's spending on healthcare, at 5 percent of GDP, is above our regional peers, and public spending is a disproportionate contributor to healthcare costs. Currently, the sector contributes RM15 billion to Malaysia's Gross National Income (GNI).

The government aims to grow three subsectors of healthcare, namely pharmaceuticals, health travel and medical technology products with the objective to migrate from primarily a lower-value product strategy to a more comprehensive product, services and asset strategy.

The government targets to generate RM35 billion incremental GNI contribution to reach RM50 billion by 2020. The Healthcare National Key Economic Areas (NKEA) is also targeting to welcome 1 million health travelers and conduct 1,000 clinical trials, all of which will create approximately 181,000 new jobs.

Given the ambitious target to grow the healthcare sector and treble its contribution to GNI, the sector will require RM23 billion cumulatively from 2011 to 2020 to fund growth. Ninety-nine (99) percent of this sum will be funded by the private sector and only one (1) percent of this sum is publicly funded.

*(Source: official website of PEMANDU at [www.pemandu.gov.my](http://www.pemandu.gov.my))*

In view of the above, KPJ Group believes that the prospects of the healthcare industry remain promising.

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

The Proposed Acquisition will not have any material impact on the earnings, gearing and net assets per share of the KPJ Group for the current financial year.

The Proposed Acquisition also will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of KPJ.

**7. APPROVALS REQUIRED**

The Proposed Acquisition is not subject to the approvals of any regulatory authority and/or the shareholders of KPJ.

**8. ESTIMATED TIMEFRAME FOR SUBMISSIONS OF APPLICATIONS TO RELEVANT AUTHORITIES**

The application to the relevant authorities for the transfer and partitioning of the Land and the issuance of the individual title for the Land as disclosed in Section 2.4.1(a) and Section 2.4.1(b) are estimated to be submitted by the third quarter of 2011.

**9. ESTIMATED TIMEFRAME FOR COMPLETION**

The Proposed Acquisition is expected to be completed by the third (3<sup>rd</sup>) quarter of 2011.

**10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

None of the Directors and/or Major Shareholders of the Company and/or persons connected with such Directors or Major Shareholders have any interest, direct or indirect in the Proposed Acquisition.

**11. DIRECTORS' STATEMENT**

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

**12. HIGHEST PERCENTAGE RATIO APPLICABLE**

The highest percentage ratio applicable to the Proposed Acquisition is 0.49% pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities.

**13. DEPARTURE FROM THE EQUITY GUIDELINES OF SECURITIES COMMISSION ("SC") ("SC GUIDELINES")**

To the best of the knowledge of the Board, the Proposed Acquisition does not depart from the SC Guidelines. The Proposed Acquisition does not require the approval of the SC.

**14. DOCUMENTS FOR INSPECTION**

A copy of the SPA and the JVA is available for inspection by the shareholders of KPJ at the Registered Office of KPJ at Level 2, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor, during normal office hours from Mondays to Fridays (except public holidays) for a period of three (3) months commencing from the date of this announcement.