

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

**PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ OF THE BALANCE OF 49% EQUITY INTEREST IN SMC HEALTHCARE SDN BHD ("SMCH") EQUIVALENT TO 39,200,000 ORDINARY SHARES OF RM1.00 EACH FROM SABAH MEDICAL CENTRE SDN BHD ("SMC") FOR A TOTAL CASH CONSIDERATION OF RM54,880,000.00 ("PROPOSED ACQUISITION")**

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This announcement is dated 1 August 2012.

**1. INTRODUCTION**

The Board of Directors of KPJ ("Board") wishes to announce that KPJSB, which is a wholly-owned subsidiary of KPJ, had on 1 August 2012 entered into a conditional Share Sale Agreement ("SSA") with SMC for the acquisition of the balance of 49% of equity interest in SMCH equivalent to 39,200,000 ordinary shares of RM1.00 each ("Sale Shares") from SMC for a cash consideration of RM54,880,000.00 ("Purchase Consideration"). With the completion of the Proposed Acquisition, SMCH shall be a wholly-owned subsidiary of KPJSB.

**2. DETAILS OF THE PROPOSED ACQUISITION**

**2.1 Information on SMC**

SMC was incorporated on 24 December 1982 under the Companies Act, 1965. The principal business of SMC is the provision of the medical and healthcare services. The authorised share capital of SMC is RM90,000,000.00 comprising of 90,000,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital of SMC is RM80,013,654.00 comprising of 80,013,654 ordinary shares of RM1.00 each.

The other shareholder of SMC is KPJSB with 40,800,000 ordinary shares of RM1.00 each which forms 51% of equity interest in SMCH.

**2.2 Information on KPJ**

KPJSB is a wholly owned subsidiary of KPJ and was incorporated on 8 June 1988 with an authorised share capital of RM100,000,000.00 divided into 100,000,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital of KPJSB is RM90,000,000.00 comprising of 90,000,000 ordinary shares of RM1.00 each. KPJSB is involved in the business of the provision of healthcare services in Malaysia and internationally and has the necessary expertise in the areas of providing administration, financial, general management and other services related to the running and operation of private specialist hospitals.

**2.3 Information on SMCH**

SMCH was incorporated on 15 December 2009 under Companies Act, 1965. The principal business of SMCH is the provision of medical and healthcare services. The authorised share capital of SMCH is RM100,000,000.00 comprising of 100,000,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital of SMCH is RM80,000,000.00 comprising of 80,000,000 ordinary shares of RM1.00 each.

## **2.4 Salient Terms of the SSA**

### **2.4.1 Conditions Precedent**

- (i) **The SSA is conditional upon the following ("Conditions Precedent"):-**
- a) SMC obtaining the approval from its Board of Directors and shareholders for the disposal of the Sale Shares; and
  - b) KPJSB obtaining the approval from its Board of Directors for the acquisition of the Sale Shares.

**The SSA shall cease to be conditional upon the date when the Conditions Precedent have been fulfilled ("Unconditional Date").**

- (iii) In the event the Conditions Precedent are not fulfilled within three (3) months of the date of the SSA (or such further extended period as may be agreed to by the Parties), then the SSA shall become null and void and be of no further effect whatsoever and neither party shall have any claim against the other hereunder. The Deposit (as hereinafter defined) and any other monies paid by KPJSB to SMC shall then be refunded to KPJSB free from interest.
- (iv) The Conditions Precedent are inserted for the benefit of KPJSB and may be waived by KPJSB in the whole with or without terms or conditions.

### **2.4.2 Basis and Justification of arriving at the Purchase Consideration**

The Purchase Consideration for the Proposed Acquisition was arrived at on a "willing buyer willing seller" basis and is not subject to adjustment.

### **2.4.3 Settlement of the Purchase Consideration**

The Purchase Consideration shall be satisfied at the following times and in the following manner:-

- (i) upon the execution of the SSA, KPJ shall pay a sum of Ringgit Malaysia Five Million Four Hundred and Eighty Eight Thousand (RM5,488,000.00) Only representing ten percent (10%) of the Purchase Consideration ("Deposit") to Messrs. Abdul Raman Saad & Associates ("Stakeholders") who shall hold the same as stakeholders in an interest bearing account and who are authorised to release the same (together with any interest earned) by way of cashier order or bank draft made payable to the Vendor on the Unconditional Date; and
- (ii) on the Completion Date, KPJ shall pay a sum of Ringgit Malaysia Forty Nine Million Three Hundred and Ninety Two Thousand (RM49,392,000.00) Only representing ninety percent (90%) of the Purchase Consideration by way of cashier order or bank draft made payable to the Vendor.

#### **2.4.4 Sources of Funding**

The Purchase Consideration shall be financed from internally generated funds of the KPJ Group.

#### **2.4.5 Liabilities to be assumed by KPJSB**

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

#### **2.4.6 Encumbrances**

The Sale Shares are to be acquired free from any encumbrances.

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

The Proposed Acquisition would enable KPJ Group 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 healthcare service provider in Malaysia.

### **4. PROSPECTS OF THE HEALTHCARE INDUSTRY AND THE PROPOSED ACQUISITION**

The demand for private healthcare has been good over the last few years. More people are seeking better medical care and services especially among urban dwellers. The growing affluence of the Malaysian population and their increasing demand for better healthcare services as well as the Malaysian Government's national effort to promote health tourism has contributed to the growth in the usage of private hospitals in Malaysia. Under the Ninth Malaysia Plan, efforts will be undertaken to consolidate healthcare services, enhance human resource development and optimize resource allocation. Improvements in the delivery system will be undertaken with greater involvement of the private sector and non-governmental organizations.

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

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

The effects of the Proposed Acquisition are as follows:-

#### **5.1 Share Capital and Shareholding Structure**

The Proposed Acquisition will not have any effect on the share capital and shareholding structure of KPJ.

#### **5.2 Earnings per Share ("EPS")**

The Proposed Acquisition is not expected to have a material effect on the EPS of the KPJ Group for the financial year ending 31 December 2012.



**5.3 Net Assets**

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

**5.4 Gearing**

The Proposed Acquisition is not expected to have any material effect on the gearing position of the KPJ Group.

**5.5 Dividend**

The Proposed Acquisition is not expected to have any material effect on the dividend policy of KPJ.

**6. APPROVALS REQUIRED**

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

**7. ESTIMATED TIMEFRAME FOR COMPLETION**

KPJ expects to complete the Proposed Acquisition by the third quarter of 2012.

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

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

**9. DIRECTORS' STATEMENT**

Having considered all aspects of the Proposed Acquisition, the Board is of the opinion that the Proposed Acquisition is in the best interests of the KPJ Group.

**10. HIGHEST PERCENTAGE RATIO APPLICABLE**

The highest percentage ratio applicable to the Proposed Acquisition is [6.15%] pursuant to paragraph 10.02(g) of the Listing Requirements of Bursa Malaysia Securities Berhad for the Main Market.

**11. DOCUMENTS FOR INSPECTION**

A copy of the SSA is available for inspection by the shareholders of KPJ at the Registered Office of KPJ at Suite 12B, Tingkat 12, Menara Ansar, No. 65, Jalan Trus, 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.