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

PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF UP TO 80% EQUITY INTEREST IN PT KHIDMAT PERAWATAN JASA MEDIKA ("PT KPJ MEDIKA") FOR A TOTAL CASH CONSIDERATION OF RM15,840,000 ("PROPOSED ACQUISITION")

The terms used herein, unless the content otherwise stated, bear the same meaning as defined in the announcement dated 23 March 2012 in relation to the Proposed Acquisition.

We refer to the announcement dated 23 March 2012 in relation to the Proposed Acquisition.

The Board of Directors of KPJ ("**Board**") wishes to announce that, KPJSB has entered into a conditional sale of shares agreement ("**SSA**") with Johor Corporation ("**JCorp**"), a major shareholder of KPJ, on 9 July 2012 in relation to the Proposed Acquisition.

The salient terms and conditions of the SSA are set out in **Section 1** of this announcement.

1. SALIENT TERMS AND CONDITIONS OF THE SSA

An extract of the salient terms and conditions of the SSA is as follows:

1.1 Mode of payment of Purchase Consideration

JCorp agrees to sell to KPJSB and KPJSB agrees to purchase from JCorp its entire holding in PT KPJ Medika of 16,000 ordinary shares of Rp1,000,000 each ("**Sale Shares**") or equivalent to 80% equity in PT KPJ Medika, free from all claims, charges, liens, encumbrances and equities together with all rights attached thereto, including all retained profits and all dividends and distributions declared paid or made in respect thereof on and after the date of the SSA for the consideration stated below.

The parties have agreed that the purchase consideration for the Sale Shares is RM15,840,000, which is equivalent to RM990.00 per one (1) unit of the Sale Shares ("**Purchase Consideration**") shall be paid in cash by KPJSB to JCorp in the following manner:

(a) fifty percent (50%) of the Purchase Consideration amounting to RM7,920,000 ("**Deposit**") is payable upon the acceptance of the letter of offer dated 27 February 2012 ("**Offer Letter**"). JCorp acknowledges that the Deposit has been paid by KPJSB to JCorp on 22 March 2012; and

(b) balance of fifty percent (50%) of the Purchase Consideration amounting to RM7,920,000 shall be due and payable on the Completion Date ("**Balance Purchase Consideration**").

JCorp agrees that the settlement of the Purchase Consideration in the manner set out above shall be full and final settlement of the Purchase Consideration for the transfer of the Sale Shares to KPJSB.

1.2 Conditions Precedent

The sale, purchase and transfer of the Sale Shares by JCorp to KPJSB are conditional upon the fulfillment of the following conditions precedent ("**Conditions Precedent**"):

(i) a Board of Directors' resolution being passed at a Board of Directors' meeting of JCorp approving the proposed sale of the Sale Shares to KPJSB;

(ii) a Board of Directors' and Shareholders' resolution being passed at a Board of Directors' meeting and a general meeting of KPJSB and the Company, respectively, approving the Proposed Acquisition;

(iii) a Board of Directors' resolution being passed at a Board of Director's meeting of PT KPJ Medika approving the Proposed Acquisition;

(iv) JCorp obtaining the approval from the Capital Investment Coordinating Board (Badan Koordinasi Penanaman Modal) of Indonesia for the Proposed Acquisition;

(v) JCorp obtaining the acknowledgement from the Indonesian Minister of Law and Human Rights (Departmen Hukum dan Hak Asasi Manusia) of the Proposed Acquisition; and

(vi) any and/or all such other consents and regulatory and/or governmental approvals required to be obtained by JCorp, KPJSB, the Company and/or PT KPJ Medika, in order to effect the completion of the transactions contemplated have been obtained.

1.3 Completion

Completion of the sale and purchase of the Sale Shares shall take place at the office of JCorp or at such other place as may be mutually agreed by the Parties, fourteen (14) Business Days from the last date of the fulfillment and/or waiver by KPJSB or JCorp, as the case may be, of the Conditions Precedent applicable to the relevant party or such other date as may be agreed upon by the Parties ("**Completion Date**").

1.4 Default

(a) In the event that KPJSB:

(i) fails to observe or comply with any of the terms and conditions of the SSA; or

(ii) fails to proceed with the purchase of the Sale Shares in the manner set out in the SSA,

and JCorp is not in breach of any provision, warranty, undertaking or term of the SSA, JCorp shall be entitled to:

(i) take action for specific performance; or alternatively; or

(ii) to terminate the SSA forthwith by notice in writing to KPJSB to that effect and the following consequences shall ensue, namely:

- an amount equal to ten percent (10%) of the Purchase Consideration shall be forfeited by JCorp absolutely;

- any remainder of payment towards the Purchase Consideration duly paid by KPJSB to JCorp shall be refunded to KPJSB, free of interest; and

- thereafter the SSA shall become null and void.

(b) In the event that JCorp:

(i) fails to observe or comply with any of the terms and conditions of the SSA; or

(ii) fails to proceed with the sale of the Sale Shares in the manner set out in the SSA,

and KPJSB is not in breach of any provision, warranty, undertaking or term of the SSA, KPJSB shall be entitled to:

(i) commence proceedings against JCorp for specific performance of its obligations under the SSA; or alternatively; or

(ii) to forthwith terminate the SSA by notice in writing to JCorp to that effect and the following consequence shall ensure, namely:

- JCorp shall forthwith refund all payments made by KPJSB towards the Purchase Consideration;

- JCorp shall pay to KPJSB an amount equal to ten percent (10%) of the Purchase Consideration to KPJSB; and

- thereafter the SSA shall become null and void.

2. RISK FACTORS

2.1 Completion of the SSA

The completion of the SSA is conditional upon all the Conditions Precedent as stated in the SSA being fulfilled and/or waived as the case maybe. There can be no assurance that the Proposed Acquisition can be completed within the timeframe set out in the SSA or that the Proposed Acquisition will not be exposed to risks such as the inability to obtain the approvals from the relevant parties and/or authorities and/or inability to comply with the conditions imposed by the relevant authorities, if any. Nevertheless, KPJ will take and continue to take all reasonable steps to ensure satisfaction and/or waiver of the Conditions Precedent, as the case may be, to ensure completion of the Proposed Acquisition.

2.2 Business Risk

The Proposed Acquisition will not materially change the business risks of KPJ and its subsidiaries ("**KPJ Group**") as it would still be exposed to the same business, operational, financial and investment risks inherent in the private healthcare services sector. These risks include, but not limited to, changes in general economic conditions, government regulations, inflation and changes in business conditions such as, deterioration in prevailing market conditions, labour supply, increase in operational costs, availability of professionally trained medical specialists, the increase or decrease in the affordability of the consumers for private healthcare services, compliance and regulatory costs and potential of third party liability from negligence arising from the provision of their services and dispensation of drugs.

Although the KPJ Group seeks to limit these risks through, inter-alia, careful planning and monitoring of staff, provision of continuous training to upgrade the skills of the medical professionals and support staff, securing adequate and proper cover of insurable risks for third party negligence and prudent financial policy, there can be no assurance that these pre-emptive measures would avoid, and any change in any of these factors would not have any material impact on the business and financial performance of KPJ Group.

2.3 Foreign exchange rate risk

KPJ's investment in PT KPJ Medika would increase its exposure to fluctuations in foreign exchange rates. There can be no assurance that any fluctuations in foreign exchange rates specifically on the Indonesian Rupiah, will not adversely affect the consolidated financial results of KPJ.

3. OVERVIEW OF INDONESIAN ECONOMY AND THE PROSPECTS OF PT KPJ MEDIKA

3.1 Indonesian Economy

In the midst of the ongoing global economic upheaval, Indonesia's economy remained strong and showed improved performance. Economic growth in 2011 continued to keep up with increasing trend and reached 6.5%, the highest over the last decade, coupled with low inflation rate - in term of Consumer Price Index - of 3.79%. The inflation rate is below the inflation target of 5% ±1%, thereby helping to accelerate disinflation process towards the much lower long-term target, a level that is at par with the inflation level of Indonesia's trading partner countries. The high level of economic growth was contributed by the strength of export performance in the midst of the global economic downturn and increasing investments. The quality of economic growth also improved as reflected in the decline in the poverty and unemployment. On spatial terms, higher economic growth and declining inflation occurred in almost all regions in Indonesia. Compared to other neighboring countries, in the midst of slower economic growth in emerging market economies including the ASEAN countries, Indonesia's economy, in contrast, showed a notable growth. As for the inflation which over the last decade was among the highest in the region, the inflation rate was similar to those of other countries in the region.

The domestic economy's resilience was reflected in the increase in exports amidst global economic slowdown and strong domestic demand. A number of factors have contributed to Indonesia's strong exports. First, the diversification of export destinations to the emerging market Asia such as China and India whose economic growth were still relatively high supported by domestic demand that continued to be strong. Secondly, the characteristic of export commodities to those countries -dominated by energy and food commodities - that were not significantly affected by shrinking volume in global trade. From a domestic perspective, Indonesia's economic resilience was also supported by several factors. Firstly, strong consumption that was supported by improving purchasing power in line with the growth of per capita income, particularly the upper middle income segment of the population. Secondly, the increase in the number of people categorized within the productive age, as well as employments in formal sector. Thirdly, increasing source of economic growth within regions thereby resulting in ever more equitable economic growth. Fourth, strong consumption was responded by an increase of investment which will expand capacity of domestic economy.

The economic resilience and improved economic outlook has enhanced foreign investors' confidence and accordingly drove the Foreign Direct Investment ("**FDI**") to play an increasingly important role. In 2011, share of FDI in the structure of capital inflow was significantly increased compared to the share in previous year with sharp growth increase in mining and manufacture sectors. Increasing role of FDI was able to continuously support strong Balance of Payments performance in the midst of declining capital inflow in particular foreign portfolio investments due to rising global uncertainty in the second half of 2011. Along with strong export performance, the development of FDI produced a relatively substantial Indonesia's Balance of Payment surplus and increased foreign exchange reserves thereby buffering impact of any external shocks. Consistent with strong Indonesia's Balance of Payment performance in 2011, rupiah exchange rate was relatively stable and tended to strengthen against US dollar. This was in line with regional currencies movements. Overall, the rupiah exchange rate in 2011 experienced a slight appreciation of 3.56%, despite the weakening trend experienced in the second half of 2011.

Indonesia's economy in 2012 is expected to remain strong and grow within the range of 6.3% - 6.7%. The crisis in Europe and the US is expected to continue, however, its impact on the domestic economy's performance is expected to be fairly limited. Domestic demand is expected to remain strong in line with investment's increasing role. This investment growth will also be supported by higher FDI, wherein Indonesia's Balance of Payments is expected to continue posting a large surplus hence supporting exchange rate stability. In the meantime, inflation will remain manageable within a target range of 4.5% ± 1%, which is in line with aggregate level of demand that is well below its potential output, declining international commodity prices, and well anchored inflation expectations. Economic capacity and productivity will continue to improve in accordance with sustaining structural improvements. As a result, Indonesia's economy is likely to be stimulated to achieve faster growth in the medium term with preserved macroeconomic stability and inflation aimed at its medium term target of 4% ± 1% in 2015. Nevertheless, Indonesia's economy is expected to continue to face a number of challenges in the years to come which could bring economic growth to the lower limit of the projected range.

(Source: 2011 Economic Report on Indonesia - Indonesia's Economic Resilience Amid Global Economic Uncertainty, Bank Indonesia)

3.2 Prospects of PT KPJ MEDIKA

The Board is optimistic on the prospects of PT KPJ Medika driven by the predictable risks involved in managing a private specialist hospital in Indonesia of which is known beforehand given the experience of KPJ has had in managing PT KPJ Medika over the past 15 years. Contributing to this optimism, the Board is of the view that the operation of PT KPJ Medika is supported by the strong and prudent approach of financial management of the KPJ Group, which has been improving over the years.

Premised on the strategy for continued growth, the Board is of the view that the Proposed Acquisition is to the best interest of the shareholders of KPJ and the earnings of the KPJ Group.

4. EFFECTS OF THE PROPOSED ACQUISITION

4.1 Share capital and shareholdings of substantial shareholders

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

4.2 Net Assets ("NA"), NA per share and gearing

In view of the intended means of funding for the Proposed Acquisition, the Proposed Acquisition is not expected to have any effect on KPJ's consolidated NA, NA per share and gearing of the KPJ Group.

4.3 Earnings and earnings per share ("EPS")

The Proposed Acquisition is not expected to have any material impact on KPJ Group's earnings and EPS for the financial year ending 31 December 2012.

Going forward, upon completion of the Proposed Acquisition, the potential profit contribution from PT KPJ Medika is expected to enhance the earnings and the EPS of KPJ Group in the future.

5. PERCENTAGE RATIOS UNDER THE MMLR

Pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. ("**MMLR**"), the highest percentage ratio applicable to the Proposed Acquisition is 6.98%, based on the latest audited financial statements of KPJ for the FYE 31 December 2011.

6. RELATED PARTY TRANSACTION

The Proposed Acquisition is a related party transaction pursuant to Paragraph 10.08(2) of the MMLR in view of the interests of JCorp, the interested major shareholder and the interested directors of the Company i.e. Tuan Haji Kamaruzzaman Bin Abu Kassim, Datin Paduka Siti Sa'diah binti Sh Bakir, Tuan Haji Ahamad Bin Mohamad, Tuan Haji Abd Razak Bin Haron and Tuan Haji Rozan Bin Mohd Sa'at, who are also the senior management of JCorp.

Accordingly, AFFIN Investment Bank Berhad ("**AFFIN Investment**") has been appointed to act as the independent adviser ("**Independent Adviser**") to comment as to whether the Proposed Acquisition is fair and reasonable, whether the Proposed Acquisition is detrimental to the non-interested shareholders of KPJ, whether the non-interested shareholders of KPJ should vote in favour of the resolution pertaining to the Proposed Acquisition and take all reasonable steps to satisfy itself that it has reasonable basis to make the aforementioned comments and advice.

7. STATEMENT BY THE AUDIT COMMITTEE

Based on the Offer received from JCorp on 27 February 2012 and duly accepted by KPJSB on 23 March 2012, the audit committee of the Company **("Audit Committee")** is of the view that the Proposed Acquisition:

(i) is fair, reasonable and on normal commercial terms;

(ii) is in the best interest of KPJ; and

(iii) is not detrimental to the interests of the non-interested shareholders of KPJ.

The Audit Committee, after having considered all aspects of the Proposed Acquisition including but not limited to the salient terms and conditions of the SSA and the prospects and effects of the Proposed Acquisition, has sought the advice from AFFIN Investment as the Independent Adviser.

8. ESTIMATED TIMEFRAME FOR COMPLETION OF PROPOSED ACQUISITION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by fourth quarter of 2012.

9. DOCUMENT AVAILABLE FOR INSPECTION

The SSA 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 9 July 2012.