

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

PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN. BHD. ("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF LAND MEASURING AN AGGREGATE AREA OF 1.8397 HECTARES FOR A TOTAL CASH CONSIDERATION OF RM23,762,400 ("PURCHASE CONSIDERATION") ("PROPOSED ACQUISITION")

1. INTRODUCTION

The Board of Directors of KPJ ("**Board**") wishes to announce that the Company's wholly-owned subsidiary, KPJSB, had on 11 November 2011, entered into a Sale and Purchase agreement ("**SPA**") with Sazean Development Sdn. Bhd. ("**Sazean**" or "**Vendor**") to acquire four (4) plots of land with an aggregate area of approximately 1.8397 hectares ("**Lands**") for a total cash consideration of RM23,762,400.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Information on Sazean

Sazean was incorporated in Malaysia under the Companies Act, 1965 on 16th June 2006 under the name of Sazean Development Sdn Bhd.

The authorised share capital of Sazean as at date of announcement is RM10.0 million comprising 10.0 million ordinary shares of RM1.00 each of which RM7.8 million comprising 7.8 million ordinary shares of RM1.00 each have been issued and fully paid-up.

Sazean is principally involved in property development.

Based on the Register of Substantial Shareholders, the substantial shareholders of Sazean and their shareholdings as at the date of the announcement are as follows:-

| | Shareholdings | | | |
|-------------------------|---------------|------|---------------|---|
| | Direct | | Indirect | |
| | No. Of Shares | % | No. Of Shares | % |
| Sazean Holdings Sdn Bhd | 7,800,000 | 100% | - | - |

The Directors of Sazean as at the date of the announcement are Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir and Encik Meor Zed Zulkifli Bin Abdul Kadir.

2.2 Information on the Lands

The registered owner of the Lands is Sazean.

The Lands consist of four (4) plots of freehold land located at:-

- (i) HSD 135779 PT No. 129221 Mukim of Klang District of Klang State of Selangor measuring approximately 0.437 hectares with the category of land use as agricultural land;
- (ii) HSD 135781 PT No.129223 Mukim of Klang District of Klang State of Selangor measuring approximately 0.437 hectares with the category of land use as agricultural land;

- (iii) HSD 135782 PT No.129224 Mukim of Klang District of Klang State of Selangor measuring approximately 0.5287 hectares with the category of land use as agricultural land; and
- (iv) HSD 135780 PT No.129222 Mukim of Klang District of Klang State of Selangor measuring approximately 0.437 hectares with the category of land use as agricultural land.

The Lands are measured at a total area of 1.8397 hectares and are situated adjacent to or within a mixed development being undertaken by Sazean known as the "Sazean Business Park". Sazean shall, at its own costs, make an application to convert the category land of use of the Lands from agricultural land to building/commercial (specialist hospital) which is part of the conditions precedent of the SPA as detailed in Section 2.3.2 of this announcement.

The Lands are currently charged to Bank Kerjasama Rakyat Malaysia Berhad ("**Existing Chargee**") vide Charge Presentation No. 9987/2011 registered on 14 February 2011 ("**Existing Charge**") and are currently subjected to amalgamation exercise undertaken by Sazean.

The Lands are currently vacant. KPJSB intends to develop and construct a specialist hospital on the Lands ("**Hospital**"). The development of the Lands is expected to commence upon the completion of the Proposed Acquisition and be completed twenty-four (24) months thereafter.

The development costs of the Lands are within the range of RM110.0 million to RM120.0 million whilst the construction costs of the Hospital is estimated at RM80.0 million. The aggregate of the aforesaid costs are expected to be financed by internally generated funds of KPJ and its subsidiaries ("**KPJ Group**").

2.3 Salient terms of the SPA

2.3.1 Terms and Conditions of the SPA

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

- (i) The Vendor hereby agrees to sell and KPJSB has agreed to purchase the Lands free from all encumbrances having the status of freehold land with vacant possession subject to the terms and conditions of the SPA;

2.3.2 Conditions Precedent

- (i) The Vendor shall, at its own cost and expense, apply and obtain from the relevant land office/registry and state authority ("**State Authority**") the approval for the conversion of category of the Lands from agriculture to building/commercial (specialist hospital) ("**Conversion Approval**") within 180 days from the date of the SPA ("**Conditional Period**");
- (ii) In the event that the Conversion Approval is not obtained within the Conditional Period, the parties to the SPA agree to provide a further extension of time of another ninety (90) days or any other period to be mutually agreed by the parties ("**Extended Conditional Date**") to obtain the Conversion Approval;

- (iii) If the Conversion Approval is not obtained within the Conditional Period and Extended Conditional Period, either party shall be entitled to terminate the SPA.

The SPA shall be deemed null and void, upon which the Vendor shall refund to KPJSB an amount of RM2,376,240 which is equivalent to ten per centum (10%) of the Purchase Consideration duly paid upon execution of the SPA ("**Deposit**") free of interest;

- (iv) If the Conversion Approval is obtained but conditional upon fulfillment by the Vendor of certain requirements of the State Authority, the Vendor shall comply with the aforesaid requirements within thirty (30) business days from the date of the Conversion Approval; and
- (v) The SPA shall be unconditional upon receipt by the Vendor of the Conversion Approval ("**Unconditional Date**").

2.3.3 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration was arrived at on at "willing buyer willing seller" basis after taking into account the market value of the Lands of RM24 million (at approximately RM121 per square foot) as appraised by C H Williams Talhar & Wong, an independent firm of registered valuers in its valuation report dated 3 November 2011. The valuation was derived using the market value method of valuation on the assumption that the Lands have been amalgamated and issued with 'building' category of land use for commercial use with the necessary conversion premium and other relevant statutory fees have been fully paid.

2.3.4 Settlement of the Purchase Consideration

The Purchase Consideration shall be settled in cash in the following manner:-

- (i) Upon the execution of the SPA, KPJSB shall pay the Deposit of RM2,376,240, which represents ten per centum (10%) of the Purchase Consideration to the Vendor; and
- (ii) The remaining balance of the Purchase Consideration of RM21,386,160 ("**Balance Purchase Consideration**"), which represents ninety per centum (90%) of the Purchase Consideration, shall be paid within ninety (90) days from the Unconditional Date ("**Completion Period**").

2.3.5 Sources of Funding

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

2.3.6 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.

2.3.7 Encumbrances

The Lands shall be acquired free from any encumbrances.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is 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 specialist hospital on the Lands. 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 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)

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 ended ("FYE") 31 December 2011 as the Proposed Acquisition is expected to be completed by the fourth (4th) quarter of 2012.

The Proposed Acquisition also will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of KPJ as the Purchase Consideration is to be satisfied wholly in cash.

7. APPROVALS REQUIRED

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

8. ESTIMATED TIMEFRAME FOR SUBMISSIONS OF APPLICATIONS TO RELEVANT AUTHORITIES

The Proposed Acquisition is not subject to any approval from the relevant authorities. However, as disclosed in Section 2.3.2 of this announcement, the SPA has provided that the Vendor shall submit its application to the relevant authorities for the Conversion Approval within 30 business days from the date of the SPA.

9. ESTIMATED TIMEFRAME FOR COMPLETION

The Proposed Acquisition is expected to be completed by the fourth (4th) quarter of 2012.

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, 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 3.09% 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")

The Proposed Acquisition does not require the approval of the SC.

14. DOCUMENTS FOR INSPECTION

A copy of the DBL Agreement is available for inspection by the shareholders of KPJ at the Registered Office of KPJ at Suite 12B, Level 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.

This announcement is dated 11 November 2011.