

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

### PROPOSED ACQUISITION BY IPOH SPECIALIST HOSPITAL SDN BHD (“ISH”), A SUBSIDIARY OF KPJ, OF 100% EQUITY IN SRI MANJUNG SPECIALIST CENTRE SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM14,250,000.00 (“PROPOSED ACQUISITION”)

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This announcement is dated 12 September 2012.

#### 1. INTRODUCTION

The Board of Directors of KPJ (“Board”) wishes to announce that ISH has entered into a conditional Share Sale Agreement (“SSA”) with Dr Lee Min Chuang and Yeat Soo Sing (“Vendors”) on 12 September 2012 for the acquisition of 100% equity interest in Sri Manjung Specialist Centre Sdn Bhd equivalent to the total of 900,000 ordinary shares of RM1.00 each (“Sale Shares”) for a total cash consideration of RM14,250,000.00 (“Purchase Price”). With the completion of the Proposed Acquisition, Sri Manjung Specialist Centre Sdn Bhd will be a wholly-owned subsidiary of ISH.

#### 2. DETAILS OF THE PROPOSED ACQUISITION

##### Information on SMSC

Sri Manjung Specialist Centre Sdn Bhd (Company No: 554977-M) (“SMSC”) is a company incorporated in Malaysia with its registered address at 6A, 1<sup>st</sup> Floor, Taman Arasu, Jalan Raja Omar, 32000 Sitiawan, Perak Darul Ridzuan. SMSC is principally engaged in specialist medical practices and operation of specialist hospital. SMSC owns and operates the “Sri Manjung Specialist Centre” which is located at Lot 14777, Jalan Lumut, 32000 Sitiawan, Perak Darul Ridzuan.

The authorised share capital of SMSC is RM1,000,000.00 comprising of 1,000,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital of SMSC is RM900,000 comprising of 900,000 ordinary shares at RM1.00 each.

##### 2.2 Information on ISH

ISH was incorporated on 25 May 1978 under the name Medical Associates Sdn Bhd which was later changed to its present name on 5 October 2007. The principle business of ISH is the provision of medical and other healthcare services. The authorised share capital of ISH is RM10,000,000.00 comprising of 10,000,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital of ISH is RM9,000,000.00 comprising of 9,000,000 ordinary shares of RM1.00 each.

##### 2.3 Information on the Vendors

The vendors for the Sale Shares are as follows:-

Name	Address	Nationality	No of Shares	Percentage of Shareholding
Dr Lee Min Chuang	Lot 34533, Kampung Bintang 32000 Sitiawan Perak Darul Ridzuan	Malaysian	450,000	50.0
Yeat Soo Ing	18 Taman Tok Perdana 32000 Sitiawan Perak Darul Ridzuan	Malaysian	450,000	50.0

### 3. SALIENT TERMS AND CONDITIONS OF THE SSA

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

#### 3.1 Conditions Precedent

3.1.1 The SSA shall be conditional upon the following conditions:-

- (i) The successful transfer of Lot No: 43186 from Dr Lee Min Chuang to SMSC free of encumbrances with the land use being maintained as "Business – Private Hospital" at the purchase price of Ringgit Malaysia Three Million (RM3,000,000.00) Only ("**Purchase Price for Lot No. PT 43186**"); and
- (ii) SMSC and Dr Lee Min Chuang entering into a sale and purchase agreement for the disposal of Lot No: 14778 by Dr Lee Min Chuang to SMSC with the purchase price being Ringgit Malaysia Three Million (RM3,000,000.00) Only ("**Purchase Price for Lot No: 14778**").

(hereinafter collectively referred to as the "**Conditions Precedent**")

3.1.2 The following condition ("**Condition Subsequent**") shall be fulfilled by the Vendors no later than twelve months from the date of this Agreement ("**Cut Off Date**"):-

- (i) The Vendors shall procure for the successful transfer of Lot No: PT 14778 from Dr Lee Min Chuang to the SMSC free of encumbrances with the land use being "Business – Private Hospital".

In the event that the Condition Subsequent is not fulfilled by the Vendors within the Cut Off Date, the Vendors are granted an automatic extension of time of three (3) months thereof ("**Extended Cut Off Date**").

3.1.3 The Vendors hereto undertake and covenant to procure the execution of all documents, do all acts and things and take all steps as may be necessary to secure the fulfillment of the Conditions Precedent and Condition Subsequent.

3.1.4 This Agreement shall cease to be unconditional upon the date when the Conditions Precedent has been fulfilled. ("**Unconditional Date**")

#### 3.2 Completion

3.2.1 The completion of this Agreement shall take place on or before the Completion Date at the registered office of SMSC or such other venue as may be mutually agreed upon by the Parties, whereupon the Vendors shall deliver or cause to be delivered the following documents to ISH in exchange of the Purchase Price:-

- (a) the original share certificates to the Sale of Shares;
- (b) the valid and registrable memoranda of transfer of the Sale Shares duly executed by the Vendors in favour of ISH;
- (c) the resolution of the directors of SMSC approving:-
  - (i) the transfer of the Sale Shares in favour of ISH; and
  - (ii) the appointment of ISH's nominee(s) as director(s) of SMSC which shall take effect on the Completion Date. ISH

shall provide the names and particulars of its nominees to the Vendors or SMSC at least seven (7) days before the Completion Date;

- (d) the resignation letters of all existing directors and, if required by KPJ, the company secretary of SMSC without compensation, damages, claims or any payment whatsoever, which shall take effect on the Completion Date;
- (e) All the statutory and account books of SMSC, the common seal, invoices, records, and other documents relating to the SMSC and its business;
- (f) All documents of title, if any, pertaining to the assets of the SMSC and all the necessary authorizations as shall be necessary so as to enable ISH to obtain physical possession of the of the assets of SMSC.

### **3.3 Settlement of the Purchase Price**

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

- (i) Upon the execution of this Agreement, ISH shall pay a deposit equivalent to ten percent (10%) of the Purchase Price amounting to RM1,425,000.00 to Messrs. Abdul Raman Saad & Associates 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 orders or bank drafts made payable to each of the Vendors on the date the Unconditional Date.
- (ii) The balance of the Purchase Price, the sum of RM9,825,000.00 representing seventy percent (70%) of the Purchase Price shall be paid by ISH to SMSC on the Completion Date by way of cashier orders or bank drafts made payable to the Vendors.
- (iii) Upon the completion of the Condition Subsequent, ISH shall pay the remaining twenty percent (20%) of the Purchase Price amounting to RM3,000,000.00 by way of cashier orders or bank drafts made payable to the Vendors.

### **3.4 Basis and Justification of arriving at Purchase Price**

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

### **3.5 Sources of Funding**

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

### **3.6 Liabilities to be assumed by KPJ and ISH**

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

### **3.7 Encumbrances**

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

#### **4. 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.

#### **5. 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 resources development and optimize resource allocation. Improvements in the delivery system will be undertaken with greater involvement of the private sector and non-governmental organizations.

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

The effects of the Proposed Acquisition are as follows:

##### **6.1 Share Capital and Shareholding Structure**

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

##### **6.2 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.

##### **6.3 Net Assets**

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

##### **6.4 Gearing**

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

##### **6.5 Dividend**

The Proposed Acquisition will not have any material effect on the dividend policy of the KPJ Group.

#### **7. APPROVALS REQUIRED**

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

#### **8. ESTIMATED TIMEFRAME FOR COMPLETION**

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

**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**

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

**11. HIGHEST PERCENTAGE RATIO APPLICABLE**

The highest percentage ratio applicable to the Proposed Acquisition is 1.6% pursuant to paragraph 10.02(g) of the Listing Requirements of Bursa Malaysia Securities Berhad for the Main Market.

**12. 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 12 September 2012.**