

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

### PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD ("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF UP TO 51% EQUITY INTEREST IN JETA GARDENS WATERFORD TRUST ("JGWT") FOR A TOTAL CASH CONSIDERATION OF UP TO RM19,000,000 ("PROPOSED ACQUISITION")

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This announcement is dated 22 September 2010.

#### 1. INTRODUCTION

The Board of Directors of KPJ ("**Board**") wishes to announce that the Company's wholly-owned subsidiary, KPJSB, has on 22 September 2010, entered into a conditional Subscription Deed ("**Deed**") for the acquisition of up to 367,605 new ordinary units in JGWT (representing up to 51% equity interest in JGWT) and up to 3,308,415 10-year convertible notes convertible into new ordinary units in JGWT ("**Convertible Notes**") to be undertaken in two (2) tranches for a total cash consideration of up to RM19,000,000 ("**Purchase Consideration**") ("**Proposed Acquisition**").

Upon the completion of the Proposed Acquisition, JGWT will become a 51% subsidiary of KPJSB.

#### 2. BACKGROUND INFORMATION OF JGWT

JGWT is a trust domiciled in Australia. Jeta Gardens (Qld) Pty Ltd acts as the trustee to JGWT. JGWT is primarily involved in the operation of a retirement village. Its wholly-owned subsidiary, Jeta Gardens Aged Care Waterford Trust ("**JGACWT**"), is primarily involved in the operation of an aged care facility.

JGWT is the owner of the aged care facility with 108 beds, 23 units of retirement villas and 32 units of apartments known as "Jeta Gardens". Jeta Gardens is located on 64 acres of land at 27 Clarendon Avenue, Bethania and 86 Albert Street, Waterford, Queensland, Australia.

As at 31 August 2010, the total number of ordinary units in JGWT in issue was 353,189 and the total number of Convertible Notes in issue was 3,178,675.

The Convertible Notes confer the right to receive interest in the absolute discretion of the trustee, are redeemable on the 10<sup>th</sup> anniversary of their issue or at such earlier date as the trustee determines, and automatically convert to ordinary units should JGWT list its units on an exchange.

JGWT registered an audited loss after tax of Australian Dollars ("**AUD**")3,136,254 and net liabilities of AUD1,844,733 for the financial year ended 30 June 2009. Including the revaluation of the abovementioned 64 acres of land, JGWT's net assets as at 30 June 2009 shall increase by approximately AUD15 million.

### 3. DETAILS OF THE PROPOSED ACQUISITION

#### 3.1 Salient Terms of the Deed

##### 3.1.1 First Tranche Issue and Second Tranche Issue

On 22 September 2010, KPJSB entered into a conditional Subscription Deed ("**Deed**") with Jeta Gardens (Qld) Pty Ltd, acting as the trustee to JGWT, for the Proposed Acquisition. The acquisition shall be undertaken in two (2) tranches as follows:-

- (i) The first tranche shall consist of the issuance of 91,901 new units in JGWT and 827,104 Convertible Notes for the total consideration of AUD equivalent to RM4,750,000, at the exchange rate prevalent on the date of payment ("**First Tranche Issue**"); and
- (ii) The second tranche shall consist of the issuance of 275,704 new units in JGWT and 2,481,311 Convertible Notes for the total consideration of AUD equivalent to RM14,250,000, at the exchange rate prevalent on the date of payment ("**Second Tranche Issue**").

The First Tranche Issue represents approximately 21% interest of the enlarged JGWT unit holders' capital. Upon the completion of the Second Tranche Issue, KPJSB's interest in JGWT shall collectively represent approximately 51% interest of the enlarged JGWT unit holders' capital.

The First Tranche Issue date shall be on or before the seventh (7<sup>th</sup>) day after the satisfaction of the conditions precedent contained in Section 3.1.3.1 below ("**First Tranche Issue Date**"). The aforesaid conditions precedent is to be fulfilled within six (6) months of the date of the Deed ("**Approval Period**"). In addition, the parties to the Deed may mutually agree to extend the Approval Period for another three (3) months.

The Second Tranche Issue date shall be the later of: (a) fourteen (14) days after satisfaction of the conditions precedent contained in Section 3.1.3 below within the Approval Period; and (b) 31 December 2010 ("**Second Tranche Issue Date**").

### **3.1.2 The settlement of the Purchase Consideration**

#### **3.1.2.1 First Tranche Issue**

KPJSB shall pay a deposit equal to the purchase consideration for the First Tranche Issue ("**Deposit**") into an interest bearing escrow account or any account as agreed in writing between the parties on 22 September 2010 or any other dates as may be agreed between the parties to the Deed.

- (a) If the conditions precedent contained in Section 3.1.3.1 below is satisfied within the Approval Period:-
  - (i) the deposit will be utilised in full to satisfy the purchase consideration for the First Tranche Issue on the First Tranche Issue Date; and
  - (ii) interest earned on the deposit will be paid equally to JGWT and KPJSB.
- (b) If the conditions precedent contained in Section 3.1.3.1 below is not satisfied within the Approval Period:-
  - (i) the deposit will be repaid to KPJSB; and
  - (ii) interest earned on the deposit will be paid KPJSB.

#### **3.1.2.2 Second Tranche Issue**

The purchase consideration for the Second Tranche Issue shall be paid in full on the Second Tranche Issue Date.

### **3.1.3. Conditions Precedent of the Deed**

3.1.3.1 The First Tranche Issue and the Second Tranche Issue, are subject to and conditional upon the following:-

- (i) the Treasurer of the Commonwealth of Australia:-
  - (a) ceasing to be empowered under the Foreign Acquisitions and Takeovers Act 1975 (Cth) to prohibit the First Tranche Issue and the Second Tranche Issue to KPJ; or
  - (b) giving notice in writing of a decision that the Commonwealth Government has no objection to the First Tranche Issue and the Second Tranche Issue to KPJ and that notice is either free from conditions or subject to conditions that are acceptable to KPJSB in their absolute discretion; and
- (ii) KPJ obtaining and/or fulfilling all approvals required under prevailing laws of Malaysia in respect of the intended subscription (if any) and KPJSB giving written notice that its due diligence has been completed to its satisfaction.

- 3.1.3.2 The Second Tranche Issue, is subject to and conditional upon all approvals being obtained for the acquisition of JGWT's real property assets by Al-'Aqar KPJ REIT.
- 3.1.3.3 The parties must jointly and severally:-
- (i) use their best endeavors to ensure that the conditions in Section 3.1.3.1 above are fulfilled as soon as reasonably practicable; and
  - (ii) execute and deliver all documents and instruments and do all other things as may be necessary or desirable to carry out their obligations under Section 3.1.3.1 above.
- 3.1.3.4 If the conditions specified in Section 3.1.3.1 above are not fulfilled on or before the First Tranche Issue Date or the Second Tranche Issue Date (as applicable) then and only in that event does this Deed terminate and be of no further effect.

In the event the necessary approval(s) for the Proposed Acquisition is not obtained by any parties within six months of the execution of this Agreement (Approval Period), both parties agree to extend the Approval Period for another three months or any other period to be mutually agreed in writing.

### **3.2 Basis and Justification of Arriving at the Purchase Consideration**

The purchase consideration for the Proposed Acquisition of up to RM19,000,000 was arrived at on a willing buyer willing seller basis after taking into account of the earnings potential to KPJ and its subsidiaries ("KPJ Group").

### **3.3 Particulars of Liabilities, Contingent Liabilities and Guarantees to be Assumed**

There is no assumption of liabilities, contingent liabilities and guarantees to be assumed by KPJSB arising from the Proposed Acquisition.

### **3.4 Source of Funding**

The purchase consideration for the Proposed Acquisition is financed from internally generated funds of KPJ group.

## **4. RISK FACTORS**

The Board does not foresee any material risk pursuant to the Proposed Acquisition except for the inherent risk factors associated with the healthcare and healthcare related industry, of which KPJ Group is already involved in and JGWT's obligation to comply with the Australian requirements for its business continuity. KPJ would use its best endeavor to address/mitigate/manage the risks and requirements.

However, no assurance can be given that any adverse development in JGWT and/or the exchange rate between AUD and RM will not materially affect the business, prospects and/or future financial performance of KPJ Group.

**5. RATIONALE FOR THE PROPOSED ACQUISITION**

The Proposed Acquisition will enable KPJ Group to expand its business in healthcare and healthcare related services to a location where private healthcare and healthcare related services are in demand.

In addition, the Proposed Acquisition will also enable KPJ Group to expand its existing customer base and further establish itself as one of the leading healthcare and healthcare related services providers in the Asia-Pacific region.

**6. PROSPECTS OF THE AGED CARE SECTOR**

The demand for aged care services in Australia has been good over the last few years. More aging population in Australia is seeking better aged care services. The highly regulated aged care and retirement village laws in Australia coupled with the increasing demand for aged care services and retirement homes has contributed to the growth in the usage of the aged care and retirement village facilities. The trend is expected to grow further due to the increase in the aging population in Australia. Considering that the location of Jeta Gardens aged care and retirement village is in the sunshine coast of Queensland, Australia, the demand for these facilities is expected to be favourable.

In view of the above factors, KPJ Group believes that the prospects of the aged care and the retirement village industry remain positive.

**7. FINANCIAL EFFECTS**

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.

**8. HIGHEST PERCENTAGE RATIO APPLICABLE**

The highest percentage ratio applicable to the Proposed Acquisition is 4.1% pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

**9. APPROVAL REQUIRED**

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

**10. ESTIMATED TIMEFRAME FOR COMPLETION**

The Board expects to complete the Proposed Acquisition by the 1<sup>st</sup> quarter of 2011.

**11. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

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.

**12. DIRECTORS' STATEMENT**

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

**13. DOCUMENTS FOR INSPECTION**

A copy of the Deed 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 two (2) weeks commencing from the date of this announcement.