

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

**PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN. BHD. ("KPJSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF BANDAR BARU KLANG MEDICAL CENTRE BUILDING FROM GREENBELT VIEW SDN. BHD. ("VENDOR") FOR A CASH CONSIDERATION OF RM38,000,000 ("PROPOSED ACQUISITION")**

This announcement is dated 29 July 2009.

**1 INTRODUCTION**

The Board of Directors of KPJ ("Board") wishes to announce that the Company's wholly-owned subsidiary, KPJSB, had on 29 July 2009 entered into a conditional Sale and Purchase Agreement ("SPA") with the Vendor for the proposed acquisition of a partially completed building ("Bandar Baru Klang Medical Centre Building") for a cash consideration of RM38,000,000 ("Purchase Consideration").

**2 INFORMATION ON BANDAR BARU KLANG MEDICAL CENTRE BUILDING**

**2.1 Details of the Property**

Bandar Baru Klang Medical Centre Building is a partially completed six (6) level purpose-built private specialist hospital building together with two (2) levels of basement carpark erected on a leasehold land held under Pajakan Mukim 648, Lot No. 31870, Mukim of Kapar, District of Klang, State of Selangor ("Land"). The "Bandar Baru Klang Medical Centre Building" and the "Land" shall collectively be referred to as the "Property". The construction of the Bandar Baru Klang Medical Centre Building has ceased since 1998.

The registered owner of the Property is the Vendor.

Pertinent information of the development of the Property is set out below:-

<b>Existing and Proposed use of the Property</b>	The partially completed Bandar Baru Klang Medical Centre Building is currently vacant and upon the completion of its construction, it shall be operated as a private specialist hospital
<b>Land Area</b>	10,906 square metres
<b>Age of Bandar Baru Klang Medical Centre Building</b>	Approximately 11 years old The construction of the partially completed Bandar Baru Klang Medical Centre Building has ceased since 1998
<b>Tenure of the Land</b>	Leasehold, 99 years expiring on 8 May 2093
<b>Gross Floor Development Area of the Bandar Baru Klang Medical Centre Building</b>	33,000 square metres
<b>Encumbrances</b>	First legal charge created on 11 July 1997 in favour of Oriental Bank Berhad (now known as "EON Bank Berhad") vide the Presentation No. 4702/1997 Jil 422 Fol 73.

The construction of the Bandar Baru Klang Medical Centre Building has ceased since 1998. Upon completion of the Proposed Acquisition, the Property will be developed for use as a private specialist hospital. The estimated further development cost on the Property is approximately RM70 million. The development of the Property is expected to commence immediately upon completion of the Proposed Acquisition and is expected to be completed by 2011. The development of the Property is expected to be financed by internally generated funds and/or bank borrowings. KPJSB will seek approval from the Ministry of Health of Malaysia ("MOH") for the Property to be operated as a private healthcare facility.

The original cost, date of investment and net book value of the Property were not made available by the Vendor to KPJSB.

## 2.2 Basis of Arriving at the Purchase Consideration

The Purchase Consideration for the Proposed Acquisition was arrived at on a willing buyer willing seller basis, after taking into consideration, amongst others, the existing status and in house valuation of the development of the Property.

The Purchase Consideration for the Proposed Acquisition is to be entirely satisfied by cash.

## 2.3 The Settlement of the Purchase Price

The Purchase Consideration for the Property is Ringgit Malaysia Thirty Eight Million (RM38,000,000) only to be settled by cash in the following manner:-

Upon acceptance of the offer (equivalent to 2% of Purchase Consideration)	RM 760,000
Upon execution of the SPA (equivalent to 8% of Purchase Consideration)	3,040,000
Not more than 14 days after 3 months from the date when the last of the conditions precedent set out in the SPA have been obtained and/or waived by the KPJSB ("Completion Date").	34,200,000
	<u>38,000,000</u>

## 2.4 Source of Funding

The purchase consideration for the Proposed Acquisition will be financed from internally generated funds of KPJ and its subsidiaries ("KPJ Group").

## 2.5 Encumbrances

The property is to be acquired free from any encumbrances.

## 2.6 Liabilities to be assumed

There are no liabilities to be assumed by the KPJ Group arising from the Proposed Acquisition.

### 3 INFORMATION ON THE VENDOR

The Vendor was incorporated on 7 May 1994 under the Companies Act, 1965. The Vendor is currently dormant. The authorised share capital of the Vendor is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital of the Vendor is 2,000,002 comprising 2,000,002 ordinary shares of RM1.00 each.

### 4 PROPOSED ACQUISITION

#### 4.1 Salient Terms of the SPA

The salient terms of the SPA are as follows:-

- (i) The Vendor agrees to sell and KPJSB agrees to purchase the Property free from encumbrances, restraints or caveats save as otherwise disclosed or stated herein and "as is where is basis" but subject to whatever restriction in interest and conditions whether expressed or implied in the Title Deed affecting the Property and subject to the terms and conditions hereinafter contained;
- (ii) The Vendor declares and the KPJSB hereby acknowledges, agrees and accepts that there is an existing litigation proceeding by the EON Bank Berhad, the existing chargee of the Property ("Existing Chargee"), against the Vendor. Thus, the approval of the Existing Chargee would be required for the Vendor to sell and transfer the Property to the KPJSB.
- (iii) KPJSB and the Vendor agree and authorise the Vendor's solicitor to utilise the whole or portion of the Purchase Consideration as may be necessary to pay to the Existing Chargee the redemption sum in order to obtain and secure the release of the discharge documents together with the original Title Deed of the Property. KPJSB shall hereafter at its sole discretion continue to develop and complete the construction of the Property.
- (iv) The Proposed Acquisition shall be subject to, inter alia, the following conditions being obtained or fulfilled within three (3) months from the date of the SPA or any extended period mutually agreed by all parties involved:-
  - (a) conditional upon KPJSB obtaining the approval from the State Authority for the transfer of the Property by the Vendor in favour of the KPJSB;
  - (b) the approval or letter of non-objection from the Foreign Investment Committee of Malaysia ("FIC") for the purchase of the Property ("FIC Approval") which shall be obtained by KPJSB at its own cost and expense;
  - (c) KPJSB shall seek the approval from the MOH for the Property to be operated as a private healthcare facility at its own cost and expense with the assistance of the Vendor; and
  - (d) receipt of the letter of consent or non-objection letter from the Existing Chargee consenting to the transfer of the Property in favour of KPJSB which shall be procured by the Vendor and is required in connection with the application for the State Authority approval.

In the event that the State Authority and/or any relevant authorities impose conditions and/or impose variations to the terms and conditions of the SPA on the Vendor and/or KPJSB then the SPA shall be terminated unless the condition(s) and/or variations imposed shall be acceptable to the affected party ("Affected Party").

Any Affected Party who finds the condition(s) and/or variations unacceptable may, if it desires, appeal or request the other party who made the application to appeal to the relevant authorities for the revision or removal of the conditions and/or variations, within fourteen (14) days of receipt of notification from such authority(ies) or the other party, as the case may be, failing which the conditions and/or variations shall be deemed to have been accepted by the parties. In the event of such an appeal, the parties shall inform each other whether they accept the decision upon the appeal within fourteen (14) days of receipt of the same from the relevant authority(ies) or the other party, as the case may be, failing which the results of the appeal shall be deemed to have been accepted.

In the event that all or any of the conditions precedent have not been obtained or waived for any reasons whatsoever after 3 months from the date of the SPA, as the case may be, either party may terminate this SPA by giving seven (7) days notice.

## **5 PROSPECTS OF THE HEALTHCARE INDUSTRY AND THE PROPERTY**

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.

## **6 RISKS IN RELATION TO THE PROPERTY**

The Board does not foresee any material risk pursuant to the Proposed Acquisition except for the inherent risk factors associated with healthcare industry, of which the KPJ Group is already involved in, and will be addressed as part of the KPJ Group's ordinary course of business.

## **7 RATIONALE FOR THE PROPOSED ACQUISITION**

The Proposed Acquisition is in line with the KPJ Group's objective to increase its network of hospitals to locations where private healthcare is in demand.

## **8 EFFECTS OF THE PROPOSED ACQUISITION**

The effects of the Proposed Acquisition are as follows:-

### **8.1 Share Capital and Shareholding Structure**

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

### **8.2 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 2009.

**8.3 Net Assets**

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

**8.4 Gearing**

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

**8.5 Dividend**

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

**9 APPROVALS REQUIRED**

The Proposed Acquisition is subject to the approval of the following:-

- (a) FIC; and
- (b) All such other consents and regulatory and/or governmental approvals required to be obtained by the Vendor and/or KPJSB in order to effect the completion of the Proposed Acquisition.

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

KPJSB is expected to submit an application to the FIC within three (3) month from the date of this announcement.

**10 ESTIMATED TIMEFRAME FOR COMPLETION**

KPJ expects to complete the Proposed Acquisition by the end of 2009.

**11 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

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

**12 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.

**13 DEPARTURE FROM THE SECURITIES COMMISSION'S POLICIES AND GUIDELINES ON THE OFFERING OF EQUITY AND EQUITY-LINKED SECURITIES ("SC GUIDELINES")**

To the best knowledge and belief of the Board, there are no departures from the SC Guidelines in connection with the Proposed Acquisition.

#### **14 DOCUMENTS FOR INSPECTION**

A copy of the SPA is available for inspection by the shareholders of KPJ at the Registered Office of KPJ at Level 2, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, 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.