

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

- **PROPOSED ACQUISITION BY PASIR GUDANG SPECIALIST HOSPITAL SDN BHD ("PGSHSB"), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF A 3.247-ACRE LEASEHOLD LAND FOR A TOTAL CASH CONSIDERATION OF RM7,070,000 ("PROPOSED ACQUISITION")**
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This announcement is dated 31 March 2010.

1. INTRODUCTION

The Board of Directors of KPJ ("Board") wishes to announce that PGSHSB, which is a wholly-owned subsidiary of KPJ, had on 31 March 2010 entered into a conditional Sale and Purchase Agreement ("SPA") with Johor Land Berhad ("JLand" or the "Vendor"), and Johor Corporation ("JCorp" or the "Landowner") for the acquisition of a 3.247-acre leasehold land within the a parcel of land known as Block D held under HS(D) 478087, PTD204781, Mukim Plentong, District of Johor Bahru, Johor ("Land") for a total cash consideration of RM7,070,000 ("Purchase Consideration").

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Information on the Land

The registered owner of the Land is JCorp.

The Land, situated within Block D of Taman Bukit Dahlia, has a 99-year lease (expiring on 28 December 2108) and is held under title no. HS(D) 478087, PTD204781 Mukim of Plentong, District of Johor Bahru, Johor with a land area of approximately 3.247 acres. The category of the Land is "Commercial".

The Land is currently vacant and proposed to be acquired as part of the future expansion plan of KPJ. Upon completion of the Proposed Acquisition, the Land will be developed for use as a private specialist hospital. It is expected that development on the Land will commence in the fourth (4th) quarter of 2010 and be completed by the end of 2012. The development cost, estimated at RM54 million, is expected to be financed by internally generated funds of KPJ and its subsidiaries ("KPJ Group") and/or bank borrowings.

The audited net book value ("NBV") of the Land as at 31 December 2009 is RM2,364,000.

The original cost of investment of the Land made by JLand was RM800,192 which was incurred on 26 October 1995.

2.2 Salient Terms of the SPA

- (a) The Vendor and the Landowner have agreed to sell and PGSHSB has agreed to purchase the Land free from all encumbrances subject to the conditions in the SPA.
- (b) The Vendor confirms that it has obtained the Development Order for the construction of a hospital building on the Land and therefore, the Purchaser shall submit on behalf of PGSHSB the application for the building plan approval. In the event that the building plan approval is not obtained, the Vendor agrees that PGSHSB shall be entitled by one (1) month notice in writing to the Vendor to terminate the SPA whereby the Vendor shall within fourteen (14) days of such notice refund or cause to be refunded all monies paid by PGSHSB towards the Purchase Consideration of the Land and other

monies incurred by PGSHSB in respect of the submission and the process in obtaining the building plan approval together with all costs incurred by PGSHSB in relation to the preliminary works and construction of the hospital building on the Land (including but not limited to the piling costs).

2.3 Basis and Justification of Arriving at the Purchase Consideration

The Purchase Consideration for the Land was arrived at on a "willing buyer willing seller" basis, after taking into consideration the market value of the Land as valued by C H Williams Talhar & Wong, an independent firm of professional valuers, in its valuation certificate addressed to JLand dated 28 August 2009.

The Purchase Consideration shall be satisfied entirely by cash.

2.4 Settlement of Purchase Consideration

The Purchase Consideration for the Land of RM7,070,000 shall be settled in the following manner:-

	RM
Upon acceptance of the offer (equivalent to 1% of the Purchase Consideration) (paid on 23 November 2009)	70,700
Upon execution of the SPA (equivalent to 9% of the Purchase Consideration)	636,300
Within 6 months from the date of the SPA (equivalent to 90% of the Purchase Consideration)	6,363,000
	<hr/> <u>7,070,000</u> <hr/>

2.5 Sources of Funding

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

2.6 Encumbrances

The Land to be acquired is free from any encumbrances.

2.7 Liabilities to be Assumed

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

3. INFORMATION ON JLAND

JLand was incorporated in Malaysia under the Companies Act, 1965 on 13 July 1972 under the name Syarikat Pembinaan Johor Bhd. It subsequently changed its name to Johor Land Berhad on 5 April 1990 and reconvert to a private limited company on 16 April 1993 as Johor Land Sdn Bhd. The company was reconverted back to a public limited company on 13 July 1995 and assumed its present name.

JLand was listed on the Main Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) on 31 December 1996. Subsequently, it was de-listed from the official list of Bursa Securities on 21 July 2009. JLand is a subsidiary of JCorp.

The authorised share capital of JLand as at 1 March 2010 is RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each, of which RM452,000,000 comprising 452,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

JLand is principally involved in housing development and investment holdings whilst its subsidiaries and associated company are principally involved in property development and manufacturing/sale of rubber products respectively.

As at 1 March 2010, the directors of JLand are as follows:-

A.F.M. Shafiqul Hafiz
Lukman bin Abu Bakar
Abdul Malek bin Talib
Yusof bin Rahmat

4. INFORMATION ON JCORP

JCorp is a body corporate established under the Johor Corporation Enactment No. 4 of 1968 (as amended by Enactment No. 5 of 1995). JCorp is principally an investment holding entity and its subsidiaries are principally involved in Palm Oil and Oleochemicals, Specialist Healthcare Services, Property Development, Food Related Activities and Intrapreneur Venture. The Corporation's other principal business venture include Industrial Property Development, Intrapreneur Business Development, Unit Trusts and Fund Management, Commercial Property Management and the Hospitality Business.

JCorp is a state government agency, and hence, has no shareholders.

As at 31 December 2009, the directors of JCorp are as follows:-

YAB Dato' Haji Abdul Ghani bin Othman
YBhg Tan Sri Dato' Muhammad Ali bin Hashim
YBhg Tan Sri Dato' Abdullah bin Ayub
YB Datuk Haji Ahmad Zahri bin Jamil
YB Dato' Haji Abd Latiff bin Yusof
YB Datuk Abdul Rahman Putra bin Dato' Haji Taha
YB Datin Paduka Zainon binti Hj. Yusof
YBhg Tan Sri Dato' Abdul Rahman bin Mamat
YBhg Dato' Dr Ali bin Hamsa
YBhg Datuk Dr Rahamat Bivi binti Yusoff
YBhg Datuk Dr Haris bin Salleh

5. PROSPECTS OF THE LAND AND THE HEALTHCARE INDUSTRY

The demand for private healthcare has been positive over the last few years. More people are seeking better medical care and services, particularly among the 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 in the usage of the services of the private hospitals in Malaysia. Under the Ninth Malaysia Plan, efforts will be undertaken to consolidate healthcare services, enhance human resource development and optimise resource allocation. Improvements in the delivery system will be undertaken with greater involvement of the private sector and non-governmental organisations.

In view of the above factors, KPJ Group believes that the prospects of the healthcare industry remain promising.

6. RISKS IN RELATION TO THE PROPOSED ACQUISITION

Upon completion of the Proposed Acquisition, the KPJ Group will develop the Land as a private specialist hospital. 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 close monitoring of the progress of the development project and taking prompt corrective actions, if required.

7. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the 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.

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 2010.

8.3 Net Assets

The Proposed Acquisition is not expected to 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 relevant consents and regulatory approvals being obtained by JLand, JCorp and/or PGSHSB in order to effect the completion of the Proposed Acquisition.

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

10. ESTIMATED TIMEFRAME FOR COMPLETION

KPJ expects to complete the Proposed Acquisition by the third (3rd) quarter of 2010.

11. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the directors or major shareholders of KPJ or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition:-

11.1 Major Shareholder

JCorp is a major shareholder of the Company holding directly 264,898,180 ordinary shares of RM0.50 each in the Company representing 50.02% of the equity interest in the Company as at [date]. JCorp also has an indirect interest of 1,015,875 ordinary shares of RM0.50 each in the Company representing 0.19% of the equity interest in the Company as at 1 March 2010.

JCorp is also a substantial shareholder of JLand, with a direct shareholding of 87.12% and indirect shareholding of 11.68% of the equity interest in JLand respectively. As such, JCorp is deemed interested in the Proposed Acquisition.

11.2 Directors

Tan Sri Dato' Muhammad Ali bin Hashim, Datin Paduka Siti Sa'diah binti Sh Bakir and Tn. Hj. Rozan Bin Mohd Sa'at, (collectively referred to as "Interested Directors") who are directors of the Company, are also senior management of JCorp.

The Interested Directors are deemed interested in the Proposed Acquisition by virtue of them being persons connected to JCorp.

Accordingly, the Interested Directors have abstained and will continue to abstain from all Board deliberations and voting.

12. DIRECTORS' STATEMENT

Having considered all aspects of the Proposed Acquisition, the Board (save for the Interested Directors) is of the opinion that the Proposed Acquisition is in the best interests of KPJ and its shareholders.

13. AUDIT COMMITTEE'S STATEMENT

After having considered all aspects of the Proposed Acquisition, the Audit Committee of the Company ("Audit Committee") is of the opinion that the Proposed Acquisition is in the best interest of the Company, fair, reasonable and on normal commercial terms and not detrimental to the interest of the minority shareholders of the Company. In forming its view, the Audit Committee has not sought any independent advice.

14. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Proposed Acquisition is [1.22%] pursuant to paragraph 10.02(g) of the Listing Requirements of Bursa Securities for the Main Market.

15. PAST TOTAL AMOUNT TRANSACTED

There was no transaction between the Company and JLand and/or JCorp for the preceding twelve (12) months.

16. 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.