



KPJ HEALTHCARE BERHAD

(247079-M)

(A Member of Johor Corporation Group)

ANNOUNCEMENT TO BURSA MALAYSIA

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

PROPOSED ACQUISITION BY KUMPULAN PERUBATAN (JOHOR) SDN BHD (“KPJSB”), A WHOLLY-OWNED SUBSIDIARY OF KPJ, OF ONE HUNDRED PERCENT (100%) EQUITY IN BDC SPECIALIST HOSPITAL SDN BHD (COMPANY NO: 124793-K) (“BDCSHSB”) FOR A TOTAL CASH CONSIDERATION OF RM16,516,144.00 (“PROPOSED ACQUISITION”)

1. INTRODUCTION

The Board of Directors of KPJ (“Board”) wishes to announce that KPJSB, a wholly-owned subsidiary of KPJ, had on 6 November 2013 entered into a conditional Share Sale Agreement (“SSA”) with Usaha Cendera Sdn Bhd (formerly known as Usaha Cendera Cerah Sdn Bhd) (Company No: 119902-W) (“Vendor”) on for the acquisition of 2 ordinary shares of RM1.00 each in BDCSHSB (“Sale Shares”) which is equivalent to 100% of the equity of BDCSHSB for a total cash consideration of RM16,516,144.00.

BDCSHSB is the registered owner of all that parcel of leasehold land described as Lot 18807 Block 11 Muara Tebas Land District located at Stampin, Kuching, Sarawak measuring approximately 1.918 hectares (“Land”). Henry Butcher in their valuation report dated 11 December 2012 (“Valuation Report”) has valued the Land based on the market value of RM16,590,000.00.

Upon the completion of the Proposed Acquisition, BDCSHSB will be a wholly-owned subsidiary of KPJSB.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Information on BDCSHSB

BDCSHSB is a company incorporated in Malaysia with its registered address at No 2 & 3, Setia Commercial Centre, Jalan Setia Raja, 93350 Kuching, Sarawak. BDCSHSB was incorporated on 13 August 1984 and its principal activity is to be engaged in the business of specialist medical practices and operation of a specialist hospital.

The authorised share capital of BDCSHSB is RM100,000.00 comprising of 100,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital of BDCSHSB is RM2 comprising of 2 ordinary shares at RM1.00 each.

The Vendor is the registered and beneficial owner of the Sale Shares.

The Directors of BDCSHSB as at the date of this announcement is Datuk Ngeng Eng Cheng and Mr Lee Chiak Choong.

2.2 Information on KPJSB

KPJSB is a wholly owned subsidiary of KPJ and was incorporated on 8 June 1988 under the Companies Act 1965, Malaysia with an authorised share capital of RM100,000,000.00 divided into 100,000,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital of KPJSB is RM90,000,000.00 comprising of 90,000,000 ordinary shares of RM1.00 each.

KPJSB is involved in the business of the provision of healthcare services in Malaysia and internationally and has the necessary expertise in the areas of providing administration, financial, general management and other services related to the running and operation of private specialist hospitals.

The Directors of KPJSB as at the date of this announcement is Tuan Haji Amiruddin Bin Abdul Satar, Puan Jasimah Binti Hassan and Encik Mohd Sahir Bin Rahmat.

2.3 Information on the Vendor

The Vendor is a company registered and incorporated in Malaysia under the Companies Act 1965 Malaysia on 18 May 1984 and duly licensed under the Housing Developers (Control and Licensing) Ordinance 1993 and having its registered address at No: 2 & 3, Lot 15827 & 15828, Block 11, Setia Commercial Centre, Jalan Setia Raja, 93350 Kuching, Sarawak.

The Vendor is in the business of property development and construction. The authorised share capital of the Vendor is RM5,000,000.00 comprising of 5,000,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital of the Vendor is RM4,400,000.00 comprising of 4,400,000 ordinary shares of RM1.00 each.

The Directors of BDCSHSB as at the date of this announcement is Datuk Ngeng Eng Cheng, Mr Lee Chiak Choong and Encik Polit Bin Hamzah.

3. SALIENT TERMS AND CONDITIONS OF THE SSA

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

3.1. Agreement for Sale and Purchase of Sale Shares

The Vendor shall sell and KPJSB shall purchase the Sale Shares comprising of one hundred percent (100%) of the issued and paid up share capital of BDCSHSB

which shall be sold by the Vendor and purchased by KPJSB free from all liens, charges, pledges and encumbrances but with all rights of whatsoever nature now or hereafter attaching to them and subject to the terms and conditions of the SSA.

3.2 Conditions Precedent

The SSA shall be conditional upon the following conditions:-

- (a) the Vendor obtaining the approval of its board of directors and shareholders (if necessary) for the disposal of the Sale Shares;
- (b) KPJSB obtaining the approval of its board of directors and shareholders (if necessary) for the purchase of the Sale Shares;
- (c) BDCSHSB obtaining the approval of its board of directors and shareholders (if necessary) for the transfer of the Sale Shares from the Vendor to KPJSB; and
- (d) the Vendor providing a letter of undertaking that it shall indemnify and at all times keep KPJSB indemnified against any tax liability or taxation assessable or recoverable on or from the respective Company to the extent of its tax liability in relation to the Company prior to the Completion Date (as defined hereinafter), including but not limited to any real property gains tax and corporate tax.

(hereinafter collectively referred to as the “**Conditions Precedent**”)

3.3 Purchase Price

KPJSB shall pay the sum of RM16,516,144.00 only ("Purchase Price") in the manner and proportion as mentioned in item 3.4 below.

3.4 Settlement of the Purchase Price

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

- (i) A sum equivalent to ten percent (10%) of the Purchase Price or Ringgit Malaysia One Million Six Hundred Fifty One Thousand Six Hundred Fourteen and Sen Forty (RM1,651,614.40) Only (“Deposit”) has been paid on 1 August 2013, the receipt of which the Vendor hereby acknowledged;
- (ii) Upon the execution of this SSA, a further sum of Ringgit Malaysia One Million Six Hundred Fifty One Thousand Six Hundred Fourteen and Sen Forty (RM1,651,614.40) Only which is equivalent to ten percent (10%) of the Purchase Price (“Balance Purchase Price I”) shall be due and payable by the Purchaser to the Vendor; and
- (iii) The balance of eighty percent (80%) of the Purchase Price which is equivalent to Ringgit Malaysia Thirteen Million Two Hundred Twelve

Thousand Nine Hundred Fifteen and Sen Twenty (RM13,212,915.20) (“Balance Purchase Price II”) Only is payable within within thirty (30) days from the date of this Agreement or thirty (30) days from the Unconditional Date (whichever is the later) or such period as may be mutually extended by the Parties in writing (“Completion Date”).

3.5 Basis and Justification of arriving at Purchase Price

The Purchase Price for the Proposed Acquisition was derived based on the market value of the Land as per the Valuation Report.

3.6 Sources of Funding

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

3.7 Liabilities to be assumed by the KPJ Group

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

3.8 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. It will also strategically enhance KPJ's hospital capacity namely Kuching Specialist Hospital which its current bed utilization rate has reached its optimum level. BDCSHSB will serve as an extension to KPJ's Kuching Specialist Hospital in order to cater for the ever increasing demand from its customers. KPJ also opined that the Purchase Price reflects reasonably the market value of BDCSHSB and the said Land.

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 organisations.

6. RISKS IN RELATION TO THE PROPOSED ACQUISITION

Compulsory acquisition by the Government

The Malaysian Government has the power to compulsorily acquire any Property in Malaysia pursuant to the provisions of the applicable legislation including the Property Acquisition Act 1960. In such event, the amount of compensation to be awarded is based on the fair market value of the property and is assessed on the basis prescribed in the Property Acquisition Act 1960 and other relevant laws. If the Property is acquired compulsorily by the Malaysian Government at a point in time when the market value of the Property is lower than the Purchase Price, the compulsory acquisition could adversely affect the financial results of the Group and/or the future expansion of the Group to build a specialist hospital on the Property.

7. EFFECTS OF THE PROPOSED ACQUISITION

The effects of the Proposed Acquisition are as follows:

7.1 Share Capital and Shareholding Structure

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

7.2 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 2013.

7.3 Net Assets

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

7.4 Gearing

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

7.5 Dividend

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

8. APPROVALS REQUIRED

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

9. ESTIMATED TIMEFRAME FOR COMPLETION

KPJ expects to complete the Proposed Acquisition within the final quarter of 2013.

10. 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.

11. 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.

12. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Proposed Acquisition is **1.59%** pursuant to paragraph 10.02(g) of the Listing Requirements of Bursa Malaysia Securities Berhad for the Main Market.

13. 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 6 November 2013.