

KPJ HEALTHCARE BERHAD

Registration No. 199201015575 (247079-M)

MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF KPJ HEALTHCARE BERHAD (“KPJ” OR THE “COMPANY”) HELD VIRTUALLY VIA TIIH ONLINE WEBSITE AT [HTTPS://TIIH.ONLINE](https://tiih.online) OR [HTTPS://TIIH.COM.MY](https://tiih.com.my) (DOMAIN REGISTRATION NUMBER WITH MYNIC: D1A282781) ON 12 DECEMBER 2022 AT 2:30 P.M.

ATTENDANCE VIA VIDEO CONFERENCING

DIRECTORS:	Datuk Md Arif Bin Mahmood (Chairman) Dato' Mohd Redza Shah Bin Abdul Wahid (Senior Independent Non-Executive Director) Encik Khairuddin Bin Jaflus (Independent Non-Executive Director) Encik Mohamed Ridza Bin Mohamed Abdulla (Independent Non-Executive Director) Ms Lee Lai Fan (Independent Non-Executive Director) Encik Shamsul Anuar Bin Abdul Majid (Non-Independent Non-Executive Director) Encik Rozaini Bin Mohd Sani (Non-Independent Non-Executive Director) Prof Dato' Dr Azizi Bin Haji Omar (Non-Independent Non-Executive Director) Puan Annie Binti Rosle (Non-Independent, Non-Executive Director)
SENIOR MANAGEMENT:	Puan Norhaizam Binti Mohammad (Officer In Charge) Dato' Mohd Farid Bin Salim (Covering Chief Operating Officer) Puan Ariesza Noor (Chief Corporate Officer)
SHAREHOLDERS & PROXIES	As per Annexure 1
COMPANY SECRETARY	Puan Hana Binti Ab Rahim
INDEPENDENT MODERATOR (BY INVITATION)	Mr Krishman Varges (KPMG Management & Risk Consulting Sdn Bhd)
OTHERS (BY INVITATION)	Ms Tan Keng Lin, AmlInvestment Bank Berhad (Principal Adviser) Mr Eng Cha Lun, BDO Capital Consultants Sdn Bhd (Independent Adviser)

1. CHAIRMAN'S WELCOME ADDRESS

- 1.1 Datuk Md Arif Bin Mahmood presided as the Chairman (hereinafter referred to as "Datuk Chairman") and welcomed shareholders and all those present to the Extraordinary General Meeting ("EGM" or "Meeting") of KPJ.

2. MODE OF CONDUCT FOR THE EGM

- 2.1 Datuk Chairman proceeded to brief all participants that the virtual EGM would be conducted using the remote participation and voting facilities of TIH Online, Malaysia website. The Directors, senior management, advisers, poll administrators, scrutineer, shareholders, proxies and corporate representatives are joining the EGM remotely from different locations.
- 2.2 Datuk Chairman then clarified that the virtual EGM is recorded for the Company's retention and safe keeping. Datuk Chairman informed shareholders, proxies and all others participating in the EGM to refrain from taking any images, audio or visual recording as well as reproduction in any form.
- 2.3 Datuk Chairman went on to introduce the Board of Directors, key Management personnel and others in attendance at the EGM.

3. QUORUM

- 3.1 Datuk Chairman called upon the Company Secretary to confirm the presence of a quorum. The Company Secretary went on to confirm that in accordance with Rule 61.1 of the Constitution of the Company, the quorum for the EGM was present.
- 3.2 As the requisite quorum was present, the Chairman went on to call the EGM to order.

4. NOTICE OF MEETING

- 4.1 Datuk Chairman briefed that the Notice of the EGM setting out the agendas and the text of the proposed resolutions was sent out to all shareholders of the Company as well as published on the Company's website and the national edition of the New Straits Times on 22 November 2022. The Notice was sent to all shareholders together with the Circular to Shareholders in relation to the Proposed Sale and Leaseback. The Notice was taken as read.

5. SEQUENCE OF MEETING

- 5.1 Datuk Chairman apprised the EGM attendees of the proposed sequence of matters to be discussed throughout the meeting, as follows:
- Tabling of the summary report on the proxy forms received;
 - Playing the video recording of the remote poll voting procedures;
 - Presentation on the Proposed Sale and Leaseback by the Principal and the Independent Advisers;
 - Presentation of the Minority Shareholders Watch Group's Question and Answer by the Officer in Charge;
 - Tabling of the 2 proposed resolutions set out in the EGM Notice;

- Question & Answer session by the Officer in Charge;
- Poll voting session; and
- Announcement of the poll results.

6. PROXY

- 6.1 Datuk Chairman called upon the Company Secretary to report on the number of proxy forms received. Accordingly, the Company Secretary elucidated that 170 valid proxy forms were received from shareholders, representing 83.4% of the total number of issued shares of KPJ.
- 6.2 The Company Secretary added that holders of 691,811,413 ordinary shares, equating to 15.93% of the total number of issued shares of the Company have appointed Datuk Chairman to be their proxy.

7. GENERAL INSTRUCTIONS ON MEETING PROCEDURES

- 7.1 Datuk Chairman briefed shareholders that all the proposed resolutions to be tabled at the EGM are to be voted by poll in accordance with paragraph 8.29A(1) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("**MMLR**").
- 7.2 Datuk Chairman added that the remote poll voting session would take place via TIIH Online and that online poll voting had commenced since the start of the EGM at 2:30 p.m.
- 7.3 Datuk Chairman apprised attendees that in addition to the facilitation accorded by TIIH, an independent scrutineer, namely Scrutineer Solutions Sdn Bhd ("**Scrutineer Solutions**") had been appointed to verify the votes cast as well as the poll results. Datuk Chairman went on add that in the spirit of good governance and to uphold the central tenets of objectivity and independence, the Question & Answer session will be facilitated by an independent moderator namely, KPMG Management & Risk Consulting Sdn Bhd ("**KPMG MRC**").
- 7.4 Datuk Chairman clarified that KPJ will attempt to answer all questions posed by shareholders. Datuk Chairman went on to clarify that should there be any questions the Company is unable to answer, the responses to the questions will be published on KPJ's website as soon as possible upon the conclusion of the EGM.
- 7.5 A short video by TIIH was then played to demonstrate to the shareholders, corporate representatives and proxies who were present at the EGM on the remote polling procedures via TIIH Online.

8. PRESENTATION ON PROPOSED SALE & LEASEBACK

- 8.1 Datuk Chairman proceed to invite Ms Tan Keng Lin, the Principal Adviser from Am Investment Bank Berhad, followed by Mr Eng Cha Lu, the Independent Adviser from BDO Capital Consultants Sdn Bhd to give presentation on the Proposed Sale and Leaseback.

- 8.2 Ms Tan Keng Lin iterated that the Proposed Sale and Leaseback is deemed to be a related party transaction by virtue of the interest of major shareholder and directors of KPJ as detailed in Section 9 of Part A of the circular dated 22 November 2022 (“Circular”). BDO Capital Consultants Sdn Bhd has been appointed as the independent adviser for the Proposed Sale and Leaseback and Cheston International (KL) Sdn Bhd was appointed the independent valuer for the Proposed Sale and Leaseback.
- 8.3 Ms Tan Keng Lin presented the overview of the Proposed Sale and Leaseback which included a summary of the 3 concerned properties, the breakdown and justification for the sale consideration, the rental formula of the lease including bases and justifications as well as the effects of the Proposed Sale and Leaseback in terms of earnings and earnings per share.
- 8.4 Mr Eng Cha Lu subsequently outlined an evaluation and rationale of the Proposed Sale and Leaseback. On the whole, BDO opined that based on the information available till the last practicable date, the Proposed Sale and Leaseback is fair, reasonable and not detrimental to the interest of the non-interested shareholders of KPJ. Shareholders were recommended to vote in favour of the ordinary resolutions pertaining to the Proposed Sale and Leaseback.
- 8.5 Datuk Chairman thanked Ms Tan Keng Lin and Mr Eng Cha Lu for their presentations.

9. PRESENTATION BY OFFICER IN CHARGE

- 9.1 Datuk Chairman went on to call upon Puan Norhaizam Mohammad, the Officer in Charge to respond to the queries received on 5 December 2022 from Minority Shareholders Watch Group (“MSWG”).

Question 1: KPJ's FY2021 earnings would have increased by RM1.17 million from RM51.03 million to an estimated RM52.20 million, assuming the proposed sale and leaseback were completed at the beginning of FY2021 (as illustrated on page 17 of the Circular). The increase, however, includes non-recurring items: the gain on sale of properties of RM3.82 million and estimated expenses in relation to the proposals of RM2.10 million.

Factoring out the one-off gains and expenses, the proposals seem to have a negative effect on KPJ's core earnings over the longer term. Please share your thoughts on this.

Response:

For information, the lease of the hospitals is for a period of 15 years and lease interest would gradually reduce over the years thus improving KPJ's earnings over the long term, in line with the applicable accounting treatment. The illustration in page 17 of the Circular is a pro forma effect for only the first year of the Proposed Sale and Leaseback which does not consider the long-term impact of the Proposed Sale and Leaseback.

Question 2: The rental for the first year is about RM11 million based on the gross rental rate of 5.75% multiplied by the value of the properties of RM192 million. The net rental is about RM10 million a year based on an estimated 5.23% net rental rate (after deducting direct expenses including assessment, takaful, maintenance and quit rent to be borne by Al-`Aqar). The rental is also subjected to a 2% incremental increase per annum. The rental expenses will be offset by:-

- (i) Savings of RM4.97 million a year from the repayment of sukuk amounting to RM90 million, based on the weightage average profit rate of 5.52%.
- (ii) Savings of RM1.76 million a year from the early repayment of banking facilities amounting to RM45 million at 3.9% per annum.
- (iii) An estimated distribution income of RM1.33 million from Al-`Aqar units to be received (worth RM25 million). Assuming a 6.5 sen distribution per unit and an issue price of RM1.22, the distribution yield is 5.33%.

(a) The total savings and distribution income would amount to about RM8 million, which does not fully offset the RM10 million in net rental expenses. Please give your views on how the proposed sale and leaseback will have an impact on KPJ's cash flows.

(b) Of the total cash proceeds of RM167 million, only 15% is proposed to be utilised for investment in hospital expansion, while the balance is mostly towards repayment of sukuk and bank borrowings (which doesn't seem to result in much cost savings considering the net rental rate is 5.23% vs. the 5.52% rate of the sukuk and 3.9% rate of the bank borrowings).

Why wasn't more allocated towards investment in hospital expansion? Shouldn't the objective of a sale and leaseback be to redeploy capital into areas that generate higher returns or create advantageous cost savings?

Response:

KPJ will continuously invest in its hospital expansions via internally generated funds and/or external financing facilities. As hospital expansions are planned and implemented over a period of time, at this juncture, for cash flow and borrowing cost management purposes, the proceeds have been prioritised to partially retire KPJ's older sukuk maturing in 2023 and its banking facilities. The repayment of KPJ's maturing sukuk allows for KPJ to progressively phase out the old sukuk programme. KPJ had in 2022 successfully established a RM3.0 billion perpetual sukuk facility that provides an avenue for financing of KPJ's future investment in hospital expansions, should the need arise.

Prior to undertaking any sale and leaseback of its hospital, KPJ would conduct a feasibility study on the respective hospitals to ensure that the lease rental would not negatively impact the operations of the hospitals. KPJ had assessed the financial impact on each hospital involved in the Proposed Sale and Leaseback and determined that the lease payment would not have any material negative impact on the operations of the respective hospitals.

Additionally, in view of the rising interest rate environment, KPJ is of the opinion that the sale and leaseback at a net rental yield of 5.23% is beneficial to the Group as the lease is long-term (15 years) as opposed to a conventional financing.

- 9.2 Puan Norhaizam concluded her presentation and returned the floor back to Datuk Chairman.

10. ORDINARY RESOLUTIONS

Agenda 1: Proposed Sale

Agenda 2: Proposed Leaseback

- 10.1 Datuk Chairman relinquished his position as the Chairman of the Meeting since he was the party concerned. The company secretary, Puan Hana Ab Rahim was appointed to take the EGM attendees through the proposed resolutions.
- 10.2 Puan Hana Ab Rahim presented Ordinary Resolution 1 which is on the Proposed Sale of Properties by the subsidiaries of KPJ namely Pasir Gudang Specialist Hospital Sdn Bhd, Penang Specialist Hospital Sdn Bhd and Maharani Specialist Hospital Sdn Bhd to Amanahraya Trustees Berhad (For and on Behalf of Al-Aqar Healthcare REIT as the Trustee).
- 10.3 The Company Secretary informed EGM attendees that Ordinary Resolution 2 is on the Proposed Leaseback of the subsidiaries of KPJ namely Pasir Gudang Specialist Hospital Sdn Bhd, Penang Specialist Hospital Sdn Bhd and Maharani Specialist Hospital Sdn Bhd from Amanahraya Trustees Berhad (For and On Behalf of Al-Aqar Healthcare REIT as the Trustee)
- 10.4 Puan Hana also pointed out that Johor Corporation, being the Interested Major Shareholder, and YBhg Datuk Md Arif bin Mahmood, Encik Rozaini bin Mohd Sani, Encik Shamsul Anuar bin Abdul Majid and YBhg Dato' Mohd Redza Shah bin Abdul Wahid, being the Interested Directors, as well as persons connected to the Interested Major Shareholder and the Interested Directors, are deemed interested in the Proposed Sale and Leaseback. In view of this, the Interested Directors have abstained and/or will continue to abstain from deliberating and voting on the Proposed Sale and Leaseback. The Interested Major Shareholder and the persons connected to the interested Major Shareholder and the Interested Directors are also to abstain from deliberating and voting on the Proposed Sale and Leaseback.
- 10.5 Puan Hana proceed to put the motion to vote, to take place following the Question & Answer session, before passing the chairmanship of the EGM back to Datuk Chairman.

11. QUESTION & ANSWER SESSION

- 11.1 Datuk Chairman opened the Question & Answer session to the floor. He remarked that the Board and Management will attempt to answer as many live questions received as possible. The Chairman added that any questions posed that remained unanswered would be responded to and subsequently published on the Company's website as soon as possible after the conclusion of the EGM.

- 11.2 Datuk Chairman apprised EGM attendees that KPJ did not received any question prior to the EGM.
- 11.3 Datuk Chairman clarified that KPMG MRC, being the duly appointed independent moderator, had objectively streamed the questions received. Datuk Chairman proceeded to invite Mr Krishman Vargas to present questions received during the course of the EGM and directed it to the Officer in Charge, Puan Norhaizam for KPJ's responses as follows:

Question 1: Is there any provision of door gifts for attendees of this EGM?

Response: As per the administrative guide for shareholders issued on 22 Nov 2022, no door gift will be given to the attendees of this EGM.

Question 2: How much did KPJ spend on this virtual EGM?

Response: Our virtual EGM is a more effective platform in terms of costs and we spent less than what we would normally spend for a physical one. Total cost for this EGM is within the region of RM50k, covering costs of virtual platform, scrutineers, independent moderator function & AV set up.

Question 3: Will the Company be rewarding its Shareholders (in terms of dividends) from the proceeds of the sale?

Response: As outlined in Section 3 of the Circular, the proceeds raised from the sale are intended for the repayment of KPJ's financing facilities as well as for the expansion of KPJ's hospitals.

Question 4: In the long-term, how much cost savings will KPJ benefit from the lease back (in terms of maintenance costs, etc.)?

Response: In line with KPJ's asset light strategy, the sale and leaseback of its properties would provide an additional source of funds for KPJ to invest in its business network for long term growth. This will also enable KPJ Group to unlock the value of the properties and realize an estimated gain on sale of approximately RM3.82 million, as disclosed in Section 4 of the Circular.

As disclosed in Section 2.2.2 of the Circular, the direct expenses of the Properties which include, assessment, takaful, maintenance and quit rent will be borne by the Lessor. Currently, KPJ is paying RM 1.3 million for the abovementioned expenses, this amount will be borne by the Lessor upon the completion of the Proposed Sale and Leaseback.

Question 5: Were all the board members present for the EGM today?

Response: Encik Hisham Zainal Mokhtar is absent with apologies from this EGM. All the other directors are present today.

Question 6: Why was the video for the EGM broadcast not streaming well at the onset?

Response: Our apologies if the video streaming wasn't as smooth. At the EGM venue, everything appeared to be smooth. We will investigate what went wrong, if any, and take the necessary steps to prevent a recurrence for future meetings.

11.4 Having obtained confirmation from the independent moderator that all moderated questions have been addressed, Datuk Chairman declared the closure of the Question & Answer session. He reiterated that any unaddressed questions will be dealt with via written responses on the website.

12. POLL VOTING SESSION

12.1 Datuk Chairman reminded EGM attendees that online poll voting had been opened since the start of the EGM at 2.30 p.m. and for those shareholders who had yet to cast their votes to do so within the next 5 minutes.

12.2 Following the elapsed 5 minutes, the Chairman declared that online poll voting had closed and that the EGM would be adjourned for the vote counting process by the poll administrator as well as verification by the scrutineer. Resumption of EGM proceedings would take place after 15 minutes whereby announcement of the voting results would be announced.

13. ANNOUNCEMENT OF POLL RESULTS

13.1 After the 15 minutes, Datuk Chairman called for the EGM proceedings to resume. Datuk Chairman informed attendees that he has received the verified poll results from Scrutineer Solutions, the duly appointed scrutineer which was then displayed on the screen for attendees.

13.2 Datuk Chairman proceeded to declare that all resolutions tabled at the EGM as carried. The results of the poll are set out below:

Resolution	For		Against		Total	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ordinary Resolution 1	1,662,669,385	99.9984	26,507	0.0016	1,662,695,892	100.0000
Ordinary Resolution 2	1,652,386,897	99.9985	24,007	0.0015	1,652,410,904	100.0000

14. CLOSURE OF MEETING

14.1 Datuk Chairman proceeded to record his appreciation to the Board, Management, KPJ staff, advisers and shareholders for their attendance, participation and continuous support to KPJ Group. With that, Datuk Chairman declared the EGM proceedings closed.

The meeting ended at 4.00 p.m.

15. UNANSWERED QUESTIONS RECEIVED AFTER THE CLOSURE OF THE QUESTION & ANSWER SESSION

- 15.1 The following questions were received after the cut-off time for the Question & Answer session, prior to the end of the EGM. As such, these unanswered questions during the EGM shall be produced below with written responses.

Question 1: Kindly explain why a director was not present at the EGM?

Response:

En Hisham has a prior commitment that he could not back out from, for this EGM.

6 January 2023

Confirmed on _____

Confirmed by,



(DATUK MD ARIF BIN MAHMOOD)
Chairman

Prepared by



(HANA BINTI AB RAHIM)
Company Secretary