

QUERIES FROM MINORITY SHAREHOLDER WATCHDOG GROUP (“MSWG”), EMPLOYEES PROVIDENT FUND (“EPF”) AND PERMODALAN NASIONAL BERHAD (“PNB”)

QUERIES FROM MSWG

Q1: What is Jeta Gardens’ financial position for FY2022?

Answers:

Based on the unaudited financial statements for FYE 2022, Jeta Gardens recorded loss before taxation of AUD6.97 million (equivalent to RM21.03 million). As at 31 December 2022, the shareholders fund is at a deficit of AUD31.9 million (equivalent to RM96.2 million) with total accumulated losses amounted to AUD42.6 million (equivalent to RM128.5 million).

Q2: Will the funds raised from the disposal of the lands be sufficient to address Jeta Gardens’ immediate financial needs and support its long-term growth, or will additional funding be necessary in the near future?

Answers:

The disposal will provide a much needed cash flows to Jeta Gardens’ immediate needs for its working capital purposes. Jeta Gardens may require additional funding in the future, if needed.

Q3: How does the value of the lands being disposed of compared to their potential future value, and could holding onto them be more beneficial in the long run?

Answers:

We acknowledge that the Land value may appreciate over time. However, the disposal is to address the immediate needs to raise working capital and repayment of borrowings.

Q4: Are there any potential drawbacks to the disposal of the lands? For example, could the sale of the lands negatively impact Jeta Gardens’ ability to develop more retirement and aged care facilities in the future?

Answers:

Currently, we have no plan for future expansion as we are re-evaluating our investment in Jeta Gardens.

QUERIES FROM EPF

Q1: Could KPJ provide additional information on the basis of the previous valuation of AUD6.5m conducted for the purposes of the FYE2020 financial statements?

Answers:

The previous valuation was undertaken using the comparable method by CBRE Valuation & Advisory, a professional valuer.

Q2: Can Cheston International (KL) Sdn Bhd (“Cheston”), the independent land valuer, explain in detail the rationale of valuing the Lands which are zoned as Recreation and Open Space at 30% of the value of the developable portion of the Lands? In addition, can Cheston provide evidence to support that its valuation assumptions are consistent with international standards and the current property market in Australia?

Answers:

The valuation has been prepared in accordance with Asset Valuation Guidelines issued by the Securities Commission Malaysia, Australian Property Institute (API) Standards and International Valuation Standards.

The Valuer has adopted a rate of AUD\$148.28 per sq. m. for the developable area and AUD\$44.48 per sq. m. (about 30% of AUD\$148.28 per sq. m.) for the area affected by Flood Hazard resulting in a blended rate of AUD\$59.44 per sq. m. Please refer to the two (2) additional sale evidences below which falls within the Flood Hazard Overlay in the nearby Lands:-

	Jeta Gardens Lands	Additional Comparable 1	Additional Comparable 2
Size (s.m.)	109,361	74,300	48,800
Developable	15%	60 – 70%	20%
Flood Hazard	85%	30 – 40%	80%
Location		Bayes Road, Logan Reserve (about 6 km to the south-west of the Lands)	Bayes Road, Logan Reserve (about 7 km to the south-west of the Lands)
Valuation (AUD per sq.m.)			
- Developable Land	148.28	N/A	N/A
- Flood Hazard Land	44.84		
- Blended	59.44	67.97	51.23

The blended rate adopted in respect of the Subject Property of AUD\$59.44 per sq. m. falls between the additional comparables. Thus, 30% of developable portion value assigned to the flood hazard land is fair and reasonable.

Q3: Please disclose the sale and marketing process of the Lands, including whether it was conducted through an open tender process? Please clarify the channels that were used to advertise the sale process.

Answers:

The sale process of the land disposal are as follows:

1. Appointment of property and real estate agent, Ray White Commercial (Queensland) and Ray White Special Project (an established real estate agent in Australia)
2. Launched a Public Expressions of Interest Campaign, a sale process that invited all interested parties to submit their offers by a set date.
3. Advertisement via digital marketing such as newspapers and real estate portals websites.
4. Issuance of Information memorandum (IM) to interested parties.
5. Due diligence process.
6. Selection of buyer.

Q4: Please provide the identities of the entities that submitted the final offers for the Lands and their offer price?

Answers:

1. Company A: AUD1.5 million
2. Company B: AUD5.9 million
3. JLand: AUD6.5 million

Due to confidentiality reasons, we are unable to provide the identities of the entities submitted the final offers.

Q5: We note that the disposal will see a cash balance of AUD3.96m or RM11.96m channeled as working capital to Jeta Gardens. However, considering the Lands are part of the Master Plan Development 2010 of the Jeta Gardens Aged Care and Retirement Village, how would the disposal affect the future prospects of Jeta Gardens?

Answers:

This question has been answered in question 4 of queries from MSWG.

Q6: We note that the potential flooding area also overlaps with the current developed area adjacent to the land (please refer to the figure labeled Property Report Logan Planning Scheme 2015 v8.1 – Flooding Plan on page 51 of the circular). How are these areas developed despite being located in a flood prone area?

Answers:

The developed portions which fall under the Flood Hazard Overlay of adjacent lands were noted to be mostly developed prior to 2015. It could be developed by raising the level with major cut and fill, construction of flood prevention embankment/flood walls which is subject to substantial additional cost.

QUERIES FROM PNB

Q1: Why did the Company decide to proceed with the disposal of the lands despite the low valuation and bids received from the bidders considering the effects to KPJ are expected to be minimal? The value of the land in 2010 was AUD5.6 million and it had just increased by 16% for the last 13 years with a CAGR of 1.15%. Was this the expected growth rate for land in Bethania?

Answers:

1. The disposal will provide a much needed cash flows to Jeta Gardens' immediate needs for its working capital purposes. Jeta Gardens may require additional funding in the future, if needed.
2. It is believe that the lower growth rate for the Lands over the past 13 years was primarily driven by challenging growth in the retirement village market. Additionally, the Lands are located within major Flood Hazard Overlay which restricts its potential growth and further affects its marketability significantly.

Q2: Can you share the details of the other 2 bidders?

Answers:

This question has been answered in question 4 of queries from EPF.

Q3: What was the marketing approach taken for the sale of the lands? Was it done via an Open tender?

Answers:

This question has been answered in question 3 of queries from EPF.

Q4: KPJ will dispose the assets with loss attributable of RM205,000. What is KPJ's view on this loss on disposal?

Answers:

We are of the view that despite the loss of RM205k, the disposal is necessary for Jeta Gardens to meet its immediate working capital needs, while we re-evaluate our investment in Jeta Gardens.