

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

PROPOSED DISPOSAL OF:

- (i) 75% EQUITY INTEREST IN PT KPJ MEDICA (“KPJM”) BY KUMPULAN PERUBATAN (JOHOR) SDN BHD (“KPJSB”), A WHOLLY-OWNED SUBSIDIARY OF KPJ; AND
- (ii) 100% EQUITY INTEREST IN PT AL-AQAR BUMI SERPONG DAMAI (“AABSD”) BY CROSSBORDER AIM (M) SDN BHD (“CAMSB”) AND CROSSBORDER HALL (M) SDN BHD (“CHMSB”), WHOLLY-OWNED SUBSIDIARIES OF KPJ, TO PT NUSAUTAMA MEDICALINDO (“PTNM”)

FOR A TOTAL CONSIDERATION WHICH WILL BE DETERMINED BASED ON AN ENTERPRISE VALUE OF RINGGIT MALAYSIA 150.2 MILLION

COLLECTIVELY REFERRED TO AS “PROPOSED DISPOSAL”

This announcement is dated 1 March 2023

1. INTRODUCTION

The Board of Directors of KPJ (“**Board**”) wishes to announce that the Company through its subsidiaries, KPJSB, CAMSB and CHMSB had, on 1 March 2023, entered into a Share Sale Agreement (“**SSA**”) with PTNM for the Proposed Disposal of its Indonesian hospital operations and facilities relating to KPJM.

2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal involves the sale by KPJSB of its 75% stake in KPJM, as well as the sale by CAMSB and CHMSB’s 100% stake of AABSD to PTNM at a provisional purchase price of Indonesian Rupiah equivalent of Ringgit Malaysia 13,663,488, subject to adjustment based on closing cash, closing debt and closing working capital. The total consideration will be determined based on an enterprise value of RM150.2 million.

The SSA also provides for the sale of 25% stake in KPJM by Tn. Irfan Jasri (“**IJ**”), a remaining shareholder and commissioner of KPJM. The Proposed Disposal will result in PTNM being the 100% equity shareholder of both KPJM and AABSD.

A 10% signing deposit on the Enterprise Value has been paid upon the signing of the SSA.

The estimated total amount to be received by KPJ Group is satisfied as follows:

	Amount
	RM(‘000)
Cash Consideration of Provisional Purchase Price	13,663
Repayment of Shareholder’s Loan*	143,066
Total	<u>156,730</u>

*Shareholder’s Loan means the loan from KPJSB to KPJM and AABSD.

2.1 Background information

KPJM is an operating entity which manages and runs a 200-bed specialist hospital in BSD City Greater Jakarta Indonesia known as Rumah Sakit Medika Bumi Serpong Damai.

AABSD is the land and building owner which leases its assets to KPJM to operate its specialist hospital business.

The unaudited financial information for both KPJM and AABSD for the financial year ending 31 December 2022 are as follows:-

KPJM	RM('000)
Net Loss attributable to KPJM	8,399
Net Liabilities	(68,104)
AABSD	
Net Loss attributable to AABSD	7,740
Net Assets	1,952

KPJM

Registered company name of KPJM is PT KPJ Medica, and is registered under the Business Registration Number of 8120017290663. KPJM is a 200-bed specialist hospital where it's registered office address is Jl. Letnan Soetopo, Kavling Komersil III-A No 7 Sektor III BSD, Tangerang, Prop. Banten.

The company was incorporated in Jakarta on 1 September 1997 and the number of issued shares is 8,925,100 shares whereby KPJSB owns 6,693,825 shares and IJ owns 2,231,275 shares.

Members of the Board of Directors:

- (i) Ariesza Noor (Malaysia): President Director
- (ii) Nor Azlina Binti Jemain (Malaysia): Director
- (iii) Dr. Muhammad Zachrudin Habie, Sp.Pk, MARS (Indonesia): Director

Members of the Board of Commissioners:

- (i) Norhaizam Binti Mohammad (Malaysia): President Commissioner
- (ii) Irfan Jasri (Indonesia): Commissioner
- (iii) Dato' Mohamad Farid Bin Salim (Malaysia): Commissioner

AABSD

Registered company name of AABSD is PT Al-Aqar Bumi Serpong Damai, and is registered under the Business Registration Number of 0295010200286. AABSD is the land and building owner of the hospital and KPJM runs it's hospital. Registered Business Address of the company is Jl. Letnan Sutopo Kav. Kom 111A No.7 BSD City, South Tangerang, Banten.

The company was incorporated in Tangerang on 22 October 2010 and the number of issued shares is 4,000,000 shares whereby CAMSB owns 2,000,000 shares and CHMSB 2,000,000 shares.

Members of the Board of Directors and Board of Commissioners

- (i) Ariesza Noor (Malaysia): President Director
- (ii) Irfan Jasri (Indonesia): Director
- (iii) Norherienda Binti Abdul Kadir (Malaysia): Director
- (iv) Nor Azlina Binti Jemain (Malaysia): Commissioner

2.2 Basis and justification for arriving at the Disposal Price

KPJ engaged an independent financial advisor to conduct a valuation and determine the implied business values of the companies for the Proposed Disposal in April 2022. The implied business value over revenue multiple for the companies was estimated to be between 2.5x-3.1x. This was used as a basis to justify and cross reference any offers received by prospective buyers. 7 interested entities participated in the due diligence process and PTNM's offer was shortlisted for negotiation and accepted by KPJ on the basis that it was the highest offer whereby the implied business value over revenue >3.5x.

The Disposal Price was agreed between the parties on a "willing buyer-willing seller" basis. It was derived based on adjustments made to the Enterprise Value, taking into account the cash, debt and debt-like items as at the cut-off date agreed by both parties.

The table below summarises how the Disposal Price is derived:

	IDR in millions			RM in millions		
	KPJM	AABSD	Total	KPJM	AABSD	Total
Enterprise Value	302,100	197,900	500,000	90.7	59.4	150.2
Cash	30,314	12,312	42,626	9.1	3.7	12.8
Debt	311,526	164,885	476,411	93.6	49.5	143.1
Debt-like Items	20,715	0	20,715	6.2	0	6.2
Disposal Price	172	45,327	45,499	0.1	13.6	13.7

Note: The exchange rate used is IDR/MYR 3,330, based on the 3-month average of the noon middle rates published on BNM website on 14 October 2022

2.3 Salient Terms of the SSA

For the purpose of this Section, the term "Sellers" shall collectively mean KPJSB, CAMSB, CHMSB, the term "Purchaser" shall mean PTNM, and the "Target Companies" shall mean collectively KPJM and AABSD.

2.3.1 Sale and Purchase of the Shares

- (i) The Sellers agree to sell, and the Purchasers agree to purchase all of the issued shares of the Target Companies, being 8,925,100 shares of KPJM and 4,000,000 shares of AABSD ("Sale Shares") for a total provisional purchase price of the Indonesian Rupiah equivalent of Ringgit Malaysia 13,663,488, subject to an adjustment amount based on closing cash, closing debt and closing working capital.
- (ii) Each of the Sellers agrees to sell the Sale Shares in each of the respective Target Companies to PTNM based on the proportions and allocation of the purchase price as set out below:

Shareholder	Target Company	Sale Shares	Allocation of Purchase Price in the deed of share transfer
KUMPULAN PERUBATAN (JOHOR) SDN BHD (Company No. 198801003611 (170968-A)) Address: Level 13, Menara KPJ, 238 Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan, Malaysia	KPJM	6,693,825 (75%)	IDR equivalent of RM38,790

TN. IRFAN JASRI (Identification No. 1371032712650005)	KPJM	2.231.275 (25%)	IDR equivalent of RM12,930
CROSSBORDER AIM (M) SDN BHD (Company No. 200901036913 (880042-W)) Address: Level 13, Menara KPJ, 238 Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan, Malaysia	AABSD	2,000,000 (50%)	IDR equivalent of RM6,805,884
CROSSBORDER HALL (M) SDN BHD (Company No. 200901036909 ((880038-X)) Address: Level 13, Menara KPJ, 238 Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan, Malaysia	AABSD	2,000,000 (50%)	IDR equivalent of RM6,805,884

2.3.2 Consideration

The Proposed Disposal will be undertaken for a cash consideration that is based on a total debt free and cash free price in respect of the Target Companies. The total initial cash consideration under the SSA is **RM 13,663,488** (“**Provisional Purchase Price**”) attributable to each Target Company as follows:

- (i) KPJM: IDR equivalent of RM 51,720
- (ii) AABSD: IDR equivalent of RM 13,611,768

The Provisional Purchase Price will be subject to adjustments as set out in the SSA (“**Purchase Price**”). Such adjustments will take into account either excess or shortfall amounts relating to debt, cash and working capital to be calculated based on the closing balance sheet statements prepared within sixty (60) days of the closing date stated in the SSA.

It is also agreed between the Sellers and the Purchaser that the loans and other indebtedness of the Target Companies shall be repaid in full and in accordance to the arrangement stated out in the transaction agreements.

2.3.3 Timing of Payments

- (i) On the date of the signing of the SSA, a deposit amounting to IDR50,000,000,000 (“**Deposit**”) in cash was deposited with an escrow agent by PTNM. The Deposit is considered a part of the Provisional Purchase Price. The payment of the Provisional Purchase Price shall take place on the last business day of the same or next calendar month on which the conditions precedent are fulfilled or waived as the case may be (“**Closing Date**”). The Sellers and the Purchaser will jointly instruct on the release of the Deposit from the escrow agent to either the accounts of the Sellers or the Purchaser on the Closing Date, depending on whether the Provisional Purchase Price is less than or has exceeded the Deposit amount.
- (ii) The payment of any adjustment amount shall be made within ten (10) business days of an agreed final closing statement between the parties, and in accordance with the terms and conditions set out in the SSA.
- (iii) The payment of the Shareholder’s Loan shall be paid within five (5) business days from the closing date.

2.3.4 Conditions Precedent

The SSA is subject to the following conditions precedent:-

- (i) delivery by the Sellers of the relevant corporate approvals of the Target Companies relating to entry into the transaction contemplated under the SSA, waivers of shareholders’ pre-emption rights, resignation and appointment of directors and commissioners, amendment of Target Companies’ articles of associations and approval for an increase of paid-up share capital of the Target Companies for the issuance of new shares which shall be fully subscribed-to by the Purchaser;
- (ii) delivery of evidence by the Sellers that relevant newspaper, and employee announcements in accordance with Indonesian company law have been made, including a statement that no third-party objections have been made, or that any such third-party objections have been resolved; and
- (iii) delivery by the Sellers of a deed of termination and revocation relating to shareholders’ arrangements made with IJ.

2.4 Information on the Parties

Seller

(i) **KPJSB**

KPJSB is a company incorporated in Malaysia under the Companies Act 1965 on 23 August 1989, and having its registered address at Level 13 Menara KPJ, 238 Jalan Tun Razak, 50400 Kuala Lumpur. KPJSB’s stated nature of business is management and investment holding company for the medical sector. KPJSB is a wholly-owned subsidiary of KPJ which holds 100% of the paid-up and issued share capital of the company.

The director’s of KPJSB are:-

- a) Norhaizam Binti Mohammad
- b) Dato’ Mohamad Farid Bin Salim
- c) Dr. Nik Fawaz Bin Nik Abdul Aziz
- d) Ariesza Noor
- e) Norherienda Bt Abdul Kadir

(ii) CAMSB

CAMSB was incorporated in Malaysia under the Companies Act 2016 on 20 November 2011 and has its registered address at Level 13 Menara KPJ, 238 Jalan Tun Razak, 50400 Kuala Lumpur. CAMSB's stated nature of business is investment holding. CAMSB is a wholly-owned subsidiary of KPJ via KPJSB, which holds 100% of the paid-up and issued share capital of CAMSB.

The director's of CAMSB are ;

- a) Ariesza Noor (Chairman)
- b) Dr. Nik Fawaz Bin Nik Abdul Aziz
- c) Abdul Halim Bin Mahalil

(iii) CHMSB

CHMSB was incorporated in Malaysia under the Companies Act 2016 on 20 November 2011 and has its registered address at Level 13 Menara KPJ, 238 Jalan Tun Razak, 50400 Kuala Lumpur. CHMSB's stated nature of business is investment holding. CHMSB is a wholly-owned subsidiary of KPJ via KPJSB which holds 100% of the paid-up and issued share capital of CHMSB.

The director's of CHMSB are:

- a) Ariesza Noor (Chairman)
- b) Dr. Nik Fawaz Bin Nik Abdul Aziz
- c) Abdul Halim Bin Mahalil

(iv) IJ

Mr Irfan Jasri is an Indonesian citizen having his residential address at Jl. Kartini 1, No.2, Padang, West Sumatra, Indonesia.

He is currently a Commissioner of KPJM.

Buyer

PTNM

PTNM was incorporated in Indonesia as a private limited company on 4 February 1994 under the laws of Indonesia. PTNM's principal activities include establishment and operation of private hospitals.

The commissioners of PTNM are:

- (i) Chan Boon Kheng;
- (ii) Kam Wai Peng;
- (iii) Sutomo Kasiman; and
- (iv) Supriyantoro.

The directors of PTNM are:

- (i) Naveen Kumar Mantha;
- (ii) Chandra Wuisantono; and
- (iii) Nelton Tjakra.

None of the commissioners and directors of PTNM hold any shares in PTNM.

PTNM's shares are owned by Universal Medicare Pte Ltd ("**UMPL**") and PT Perdana Asia Medika ("**PTPAM**"), holding 88.4% and 11.6% respectively. U MPL was incorporated in Singapore as a private limited company on 22 November 2000 under the laws of Singapore. U MPL operates as a holding company. PTPAM was incorporated in Indonesia as a private limited company on 20 July 2020 under the laws of Indonesia. PTPAM's principal activities are management consulting services including advisory assistance and guidance of operations of various management functions.

UMPL and PTPAM are both subsidiaries of Columbia Asia Healthcare Sdn Bhd ("**CAH**"). CAH was incorporated in Malaysia as a private limited company on 23 March 1994 under the laws of Malaysia. CAH operates as a holding company.

2.5 Utilisation of proceeds

The cash proceeds received from the Proposed Disposals will be utilised towards general corporate purposes (including, amongst others, debt repayment, capital expenditure, working capital and estimated expenses for the Proposed Disposal) over the next 12 months after completion of the Proposed Disposals. The details of the utilisation of the proceeds have not been determined at this juncture and the allocation of proceeds to fund each category is depending on the funding requirements of KPJ and its subsidiaries ("**KPJ Group**" or "**the Group**") at any relevant time.

2.6 Original Cost of Investment

KPJ's original cost of investment in KPJM and AABSD are as follows:-

<u>Entities</u>	<u>Cost of Investment</u> (RM'000)
KPJM	6,866
AABSD	12,186

2.7 Liabilities to be assumed

Save for the liabilities arising from the SSA, KPJ will not assume any liabilities, including contingent liabilities and guarantees, arising from the Proposed Disposal.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal is part of the restructuring of KPJ hospital operations in Indonesia and have been necessitated by the challenging business environment, licencing and regulatory requirements imposed on foreign operators like KPJ.

The Proposed Disposal marks the exit by KPJ from operating specialist hospitals in Indonesia to enable KPJ to realign its strategies and focus in managing specialist healthcare facilities in Malaysia.

4. RISKS IN RELATION TO THE PROPOSED DISPOSAL

The risk related to the Proposed Disposal is typical to any commercial contract and these include breaches or non-compliance of the obligations under the SSA.

The completion of the Proposed Disposal is conditional upon fulfilment of the Conditions Precedent in the SSA. In the event that the Conditions Precedent are not fulfilled, the Proposed Disposal may be delayed or terminated. Notwithstanding the above, KPJ will use its best endeavour to ensure that every effort is made to comply with the terms of SSA so that the Proposed Disposal will be completed in accordance with the terms and conditions of the SSA.

5. EFFECTS OF THE PROPOSED DISPOSAL

5.1 Share capital and substantial shareholder's shareholdings

The Proposed Disposal will not have any effect on the share capital and substantial shareholders' shareholding in KPJ as the Proposed Disposal does not involve issuance of shares in KPJ.

5.2 Net Assets ("NA"), NA per share and gearing

For illustrative purposes only, based on the audited consolidated financial statements of KPJ for the financial year ending ("FY") 31 December 2022 ("FY 2022") and subject to auditor's confirmation, assuming that the Proposed Disposal was effected on the last day of the financial year, the financial impact to the NA, NA per share and gearing of KPJ for FY 2022 are as follows:-

	Audited	Unaudited
	FY 2022	After the Proposed Disposal
	(RM'000)	(RM'000)
Share capital	976,329	976,329
Treasury shares	(155,310)	(155,310)
Retained earnings	1,130,052	⁽ⁱ⁾ 1,194,599
Other reserves	276,189	⁽ⁱⁱ⁾ 267,320
Equity attributable to owners of the Company	2,227,260	2,282,938
Non-controlling interests	126,958	143,984
Total equity	<u>2,354,218</u>	<u>2,426,922</u>
No. of shares in issue ('000)	4,505,528	4,505,528
NA per share attributable to owners of the Company (RM)	0.49	0.51
Total borrowings (RM'000) ⁽ⁱⁱⁱ⁾	1,887,178	1,887,178
Gearing (times)	0.85	0.83

Notes:

- (i) After taking into consideration the gain on disposal of approximately RM60.0 million, estimated expenses for the Proposed Disposal of approximately RM4.3 million, reclassification from revaluation reserve and forex reserve of approximately RM8.9 million.
- (ii) Includes effects of reclassification of foreign exchange and revaluation reserves of RM8.9 million to retained earnings.
- (iii) Total borrowings excluding the Target Companies' debt as it has been disclosed as part of liabilities associated with assets held for sale in the FY 2022 audited financial statements.

5.3 Earnings and Earnings Per Share (“EPS”)

For illustration purposes, based on the audited consolidated financial statements of KPJ for FY 2022 and subject to auditor’s confirmation, assuming the Proposed Disposal was completed at the beginning of the financial year, the financial effects of the Proposed Disposal on the earnings and EPS of KPJ are as follows:-

	Audited FY 2022	Unaudited After the Proposed Disposal
Profit attributable to owners of the Company from continuing operations (RM’000)	171,992	228,318
Weighted average number of shares in issue (‘000)	4,341,403	4,341,403
Basic EPS (sen)	3.96	5.26

6. APPROVALS REQUIRED

Pursuant to the Main Market Listing Requirements of Bursa Securities, the highest percentage ratio applicable to the Proposed Disposal is 6.38%, calculated based on the Enterprise Value of RM150.2 million against the audited net assets of KPJ of RM2,354.2 as at 31 December 2022. As such, the Proposed Disposal does not require the approval of shareholders of KPJ.

7. INTEREST OF DIRECTORS, MAJOR SHARHOLDERS AND PERSONS CONNECTED

None of the Directors, Major Shareholders and/or persons connected with them have any direct or indirect interest in the Proposed Disposal.

8. DIRECTORS’ STATEMENT

The Board having considered all the relevant factors in respect of the Proposed Disposal is of the opinion that the Proposed Disposal is in the best interest of the Company and will be beneficial to the business of KPJ Group.

9. ESTIMATED TIME FRAME FOR COMPLETION

Barring unforeseen circumstance, the Proposed Disposal is expected to be completed by Q2 2023.

10. DOCUMENTS FOR INSPECTION

The SSA will be made available for inspection at the registered office of KPJ at Level 13, Menara KPJ, No. 238 Jalan Tun Razak, 50400 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this Announcement.