

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

PROPOSED LEASING OF A HOSPITAL BUILDING BY PASIR GUDANG SPECIALIST HOSPITAL SDN BHD (COMPANY NO.: 876830-H) (“PGSH”), A WHOLLY-OWNED SUBSIDIARY OF KPJ FROM JOHOR LAND BERHAD (COMPANY NO.: 12379-K) (“JLand”) AND AMANAHRAYA TRUSTEES BERHAD (COMPANY NO.: 766894-T) (“ATB” or “REIT TRUSTEE”) – (“PROPOSAL”)

We refer to the Announcement dated 26 August 2019.

1. INTRODUCTION

The Board of Directors of KPJ (“Board”) wishes to announce that the Company’s wholly-owned subsidiary company, Pasir Gudang Specialist Hospital Sdn Bhd (Company No. 876830-H) (“PGSH” or “Lessee”), had on 26 August 2019, entered into a Lease Agreement (“LA”) with Johor Land Berhad (Company No. 12379-K) (“JLand” or “Lessor”) and AmanahRaya Trustees Berhad (Company No.: 766894-T) (“ATB” or “REIT Trustee”) for the proposed leasing of a hospital building and the land to be known as “KPJ Batu Pahat Specialist Hospital” subject to the terms and conditions as contained in the LA.

2. DETAILS OF THE PROPOSAL

2.1 Background

KPJ via its wholly-owned subsidiary Puteri Specialist Hospital (Johor) Sdn Bhd (PSH”) had, on 17 October 2016, signed an Agreement To Lease (“ATL”) with JLand in respect of the development of a hospital building to be known as KPJ Batu Pahat Specialist Hospital (“BPSH”). On 18 May 2018, PSH had assigned all its rights under the ATL to PGSH.

By a Sale and Purchase Agreement (“SPA”) executed on the same date of the LA, made between JLand and the REIT Trustee, JLand has agreed to sell and the REIT Trustee has agreed to purchase the land together with the hospital building known as BPSH. Upon the completion of the SPA, JLand shall assign and novate all of its rights and obligations as the Lessor to the REIT Trustee.

2.2 Information on BPSH

BPSH is a seven (7) storey purpose-built 90-bed hospital building with a built-up area measuring 157,500 square feet together with 162 car parking bays with a built up area of 21,797.10 square feet, with a postal address of No. 1, Jalan Mutiara Gading Utama 1, Taman Mutiara Gading, 83000 Batu Pahat, Johor.

2.3 Salient Terms of the LA

- a) Principal Lease Period is for a period of six (6) years commencing from the date of notice to be issued by the Lessor within 14 days from the issuance of the Certificate of Completion and Compliance to the Lessee to take vacant possession of BPSH (“Commencement Date”);
- b) The Lease Consideration will be RM4,789,620.38 per annum (or RM399,135.03 per month), calculated on a Triple Net Lease basis with the monthly lease:-
 - i. Triple Net Lease means a lease of a property where the Lessee agrees to pay all quit rent and assessment taxes, takaful (save for fire takaful on the hospital building) and maintenance on the property.
 - ii. The Lease Consideration shall be reviewed based on a 10% incremental after the expiry of each successive three (3) year term;
 - iii. Both PGSH and JLand agree that the Commitment Fee as provided in the Agreement To Lease be converted as the Security and Utilities Deposits of 3 months’ and 1 month’s Lease Consideration respectively and Advance Lease Consideration of 2 months’ Lease Consideration.
 - iv. Lease Consideration-free fit out period of 3 months commencing from the Commencement Date
- c) Permitted use as a hospital only, including all uses which are Syariah compliant and reasonably ancillary to/associated with the business of a licensed hospital; and
- d) Extended Lease Period of eight (8) successive three (3) year terms which shall be automatically renewed and commence from the expiry of the Principle Lease Period on the same terms and conditions, subject to the increase in the Lease Consideration as mentioned in b) ii above.

2.4 Information on the Parties

(a) PGSH

PGSH is a wholly owned subsidiary of KPJ, incorporated in Malaysia and having its registered address at Level 11, Menara JCorp, No. 249 Jalan Tun Razak, 50400 Kuala Lumpur.

(b) JLand

JLand is a member of Johor Corporation Group of Companies, incorporated in Malaysia and having its registered address at Level 16, Menara KOMTAR, Johor Bahru City Center, 80000 Johor Bahru.

(c) ATB

ATB is a company acting solely in its capacity as trustee for and on behalf of Al-'Aqar Healthcare REIT, incorporated in Malaysia and having its registered office at Tingkat 11, Wisma AmanahRaya No. 2 Jalan Ampang, 50508 Kuala Lumpur.

3. RATIONALE FOR THE PROPOSAL

KPJ views the signing of the LA as beneficial to KPJ and its subsidiaries ("KPJ Group") for the following reasons:

- (a) The Proposal is in line with the objective of KPJ Group to increase its network of hospitals to locations where private healthcare is in demand, enlarge the customer base as well as other areas of healthcare services; and
- (b) To cater for the needs of patients residing within the vicinity of Batu Pahat and the surrounding areas, in order to meet the demand for quality private healthcare.

4. RISKS IN RELATION TO THE PROPOSAL

The Board does not foresee any material risk pursuant to the Proposal except for the inherent risk factors associated with the healthcare industry, of which the KPJ Group is already involved in.

5. EFFECT OF THE PROPOSAL

The Proposal is not expected to have a material effect on the earnings of KPJ for the financial year ending 31 December 2019.

6. APPROVALS REQUIRED

This Proposal is not subject to the approval of other relevant authorities and the shareholders of KPJ.

7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

Save as disclosed below, none of the Directors, substantial shareholders of KPJ and/or persons connected to the Directors and/or substantial shareholders has any direct or indirect interest in the Proposal:-

7.1 Directors

Dato Kamaruzzaman bin Abu Kassim, Zulkifli bin Ibrahim and Mohd Sahir bin Rahmat, who are directors of KPJ, are deemed to be interested in the Proposal by virtue of them being the directors and senior management of JCorp and are also directors of JLand ("Interested Directors").

7.2 Major Shareholders

JCorp is a major shareholder of KPJ holding direct and indirect interest of 45.5% equity interest in KPJ as at 31 July 2019.

JLand is a wholly-owned subsidiary of JCorp.

8. DIRECTORS' OPINION

The Board, save for the Interested Directors, having considered all the relevant factors in respect of the Proposal is of the opinion that the Proposal is in the best interest of the Company and will be beneficial to the business of the KPJ Group.

9. DOCUMENTS FOR INSPECTION

The LA will be made available for inspection at the registered office of KPJ at Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru during normal business hours from Sunday to Thursday (except public holidays) for a period of three (3) months from the date of this Announcement.