

## KPJ HEALTHCARE BERHAD ("KPJ")

PROPOSED DISPOSAL BY PUTERI SPECIALIST HOSPITAL (JOHOR) SDN BHD, A SUBSIDIARY OF KPJ OF TWO (2) PIECES OF LANDS, BOTH SITUATED IN THE TOWN OF JOHOR BAHRU, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR TO AL-'AQAR HEALTHCARE REIT ("AL-'AQAR") FOR A TOTAL CONSIDERATION OF RM3,590,000.00 TO BE FULLY SATISFIED IN CASH ("PROPOSED DISPOSAL")

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### 1. INTRODUCTION

The Board of Directors of KPJ ("**Board**") wishes to announce that its subsidiary, Puteri Specialist Hospital (Johor) Sdn Bhd ("**PSHSB**" or "**Vendor**") had on 8 August 2012, entered into a sale and purchase agreement with Al-'Aqar, represented by its trustee, AmanahRaya Trustees Berhad ("**Trustee**") to dispose of their entire interest in two (2) pieces of lands both situated in the town of Johor Bahru, District of Johor Bahru, State of Johor ("**SPA**") for a total consideration of RM3,590,000.00 ("**Disposal Consideration**").

### 2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal shall entail PSHSB disposing two (2) pieces of lands, of which the title particulars are as follows:-

- (i) PN 2406, Lot No 5219 ("**Lot 5219**") and
- (ii) PN 3273, Lot No 5221 ("**Lot 5221**"),

both situated in the Town of Johor Bahru, District of Johor Bahru, State of Johor and bearing a postal address of Lorong 1, Off Jalan Sentosa, Kampung Dato Onn, 80000 Johor Bahru, Johor.

Lot 5219 and Lot 5221 are collectively referred to as the "**PSHSB Lands**".

The registered and beneficial owner of the PSHSB Lands is PSHSB.

PSHSB is planning to develop a six (6) - storey additional hospital building ("**Additional Hospital Building**") on the PSHSB Lands and on part of the piece of land already owned by Al-'Aqar held under the title particulars HS(D) 372199 Lot PTB 21513, situated in the Township of Johor Bahru, District of Johor Bahru, State of Johor ("**Al-'Aqar Land**" or "**Lot PTB 21513**") ("**Proposed Development**"). The PSHSB Lands are situated next to the Al-'Aqar Land, on which Puteri Specialist Hospital is erected on.

PSHSB had submitted the development plan, including the building plan ("**Development Plan**") of the Proposed Development to Majlis Bandaraya Johor Bahru ("**MBJB**") for its approval. MBJB had on 15 August 2011, approved the Development Plan, subject to, among others the following condition:-

*"to present evidence of approval in respect of change of condition and amalgamation of land from the Johor Bahru District Land Office before approval can be given to the plan ("**Condition**")"*

In view of the above Condition, the Al-'Aqar Land and the PSHSB Lands need to be amalgamated. It is proposed that Al-'Aqar acquire the PSHSB Lands in view that Al-'Aqar already owns the Al-'Aqar Land and that the Proposed Development will also be done on part of the Al-'Aqar Land.

## 2.1 Information on PSHSB Lands

Lot 5219 is currently zoned for commercial use. The site is erected with an old single-storey detached house ("Bungalow") which is currently being used by PSHSB as a temporary office and storage space for medical records. Upon the completion of the Proposed Disposal, the Bungalow will be demolished to facilitate the Proposed Development. In view thereof, Lot 5219 is deemed a vacant land.

Lot 5221 is a parcel of commercial development land which is currently being used as parking compound for the staff members of Puteri Specialist Hospital.

Other pertinent information in respect of the PSHSB Lands is set out as below:-

Description	Lot 5219	Lot 5221
Title Number:	PN 2406	PN 3273
Tenure:	Leasehold	Leasehold
Expiry date of lease:	31 December 2053	31 December 2053
Land Area:	16,945 sq feet	15,219 sq feet
Date of Investment:	31 May 2007	30 August 2008
Cost of investment:	RM1,950,000	RM1,100,000
Market Value ("MV") <sup>(a)</sup> :	RM1,950,000	RM1,640,000
Disposal Consideration:	RM1,950,000	RM1,640,000
Net Book Value ("NBV") as at 31 December 2011 (audited):	RM1,086,912	RM969,408
Chargee:	Nil	Nil
Encumbrances:	Nil	Nil

### **Note:-**

(a) *The MV of the PSHSB Lands is based on the valuation performed by Messrs, Raine & Home International Zaki + Partners SdnBhd ("Independent Valuer") as at 2 May 2012, being the valuation date. The method of valuation used is the comparison method ("Comparison Method").*

## 2.2 Liabilities to be assumed by Al-`Aqar

There are no liabilities to be assumed by Al-`Aqar pursuant to the Proposed Disposal.

## **2.3 Salient Terms of SPA**

### **2.3.1 Encumbrances**

The PSHSB Lands are sold free from all encumbrances with vacant possession and subject always to whatsoever restrictions in interest and condition whether express or implied on the issue document of title to the PSHSB Lands at the Disposal Consideration.

The PSHSB Lands are sold on "as-is where is" basis and if there is any encumbrances existing over or in relation to the then such encumbrances (other than those created by Al-'Aqar) shall be removed by and at the expense of the Vendor.

### **2.3.2 Settlement of the Disposal Consideration**

The Disposal Consideration shall be satisfied by cash as the full and final satisfaction of the Disposal Consideration by Al-'Aqar on the completion of the SPA ("**Completion Date**").

In the event Al-'Aqar is unable to pay the Disposal Consideration or any part thereof within the Completion Date, the Vendor shall grant an extension of time not exceeding one (1) month from the Completion Date ("**Extended Completion Date**") to Al-'Aqar to make the payment of the Disposal Consideration or any part thereof remaining unpaid.

### **2.3.3 Conditions Precedent**

The sale of the PSHSB Lands shall be conditional upon the fulfilment of the following conditions ("**Conditions Precedents**"):-

- (i) the approval from the Trustee's board of directors resolution for the purchase of the PSHSB Lands on behalf of Al-'Aqar;
- (ii) the approval from the Vendor's board of directors for the disposal of the PSHSB Lands;
- (iii) the approval of the shareholders of KPJ for the proposed disposal of the PSHSB Lands to Al-'Aqar at an extraordinary general meeting ("**EGM**") to be convened;
- (iv) the completion of the transfer of the PSHSB Lands into the Al-'Aqar's name and that the title for the PSHSB Lands evidencing the transfer has been issued by the land office; and
- (v) the successful amalgamation of the PSHSB Lands and the Al-'Aqar Land into one (1) single individual title.

The Conditions Precedent shall be completed within three (3) months from the date of the SPA ("**Conditional Period**") with an automatic extension of a further three (3) months thereafter ("**Extended Conditional Period**").

### **2.3.4 Purchase of the Proposed Development**

Al-'Aqar agrees and undertakes to purchase from the Vendor the Additional Hospital Building upon its completion based on the valuation to be conducted by an independent valuer or an independent quantity surveyor



appointed by Al-`Aqar; subject to relevant authorities' approvals (if required) and the terms and conditions

## **2.4 Tentative Salient Terms of the lease agreement**

Pursuant to the SPA, Al-`Aqar and the Vendor agree that as soon as the Proposed Disposal is completed, the Vendor will enter into a lease agreement with Al-`Aqar, represented by its Trustee and DRMSB.

Tentative salient terms of the lease agreement are as follows:-

- (i) The lease rental for the PSHSB Lands shall be based on the prevailing lease rental rate charged on the Puteri Specialist Hospital as stated in the lease agreement for the Puteri Specialist Hospital dated 30 December 2009 ("**Lease Agreement**"). For information, the existing lease rental rate on the Puteri Specialist Hospital for the year 2012 is 7.07% per annum.
- (ii) The lease rental on the PSHSB Lands will be payable to Al-`Aqar from the date Al-`Aqar becomes the beneficial owner of the PSHSB Lands until the completion of the Proposed Development and up until such time that the Additional Hospital Building is acquired by Al-`Aqar.
- (iii) Upon completion of the Proposed Development, the lease rental for the Puteri Specialist Hospital will be revised to take into consideration the new Additional Hospital Building, subject to the terms and conditions of the lease agreement to be entered into between the Trustee, DRMSB and PSHSB.

## **2.5 Details of the Proposed Development**

Currently, PSHSB and Al-`Aqar have yet to enter into a development agreement pertaining to the Proposed Development.

The construction of the Proposed Development is estimated to be completed in the second (2<sup>nd</sup>) quarter of 2015.

## **2.6 Basis and Justification of Arriving at the Disposal Consideration**

The Disposal Consideration for the Proposed Disposal was arrived at after taking into consideration the MV of the PSHSB Lands of RM3,590,000.00 as valued by the Independent Valuer vide its valuation report dated 2 May 2012.

The valuations for the PSHSB Lands have been carried out using the Comparison Method.

## **2.7 Information on Al-`Aqar**

Al-`Aqar, a Malaysian-based real estate and investment trust, was established on 28 June 2006 as Al-`Aqar KPJ REIT, pursuant to the execution of a Trust Deed dated 27 June 2006 between DRMSB and the Trustee. It was listed on the Main Board of Bursa Malaysia on 10 August 2006. Subsequently on 19 August 2011, it changed its name to Al-`Aqar Healthcare REIT.

Al-`Aqar was initially formed to own and invest in Syariah acceptable healthcare and healthcare related properties which comprised of KPJ Ampang Puteri Specialist Hospital Building, KPJ Damansara Specialist Hospital Building, KPJ Johor Specialist Hospital Building, KPJ Ipoh Specialist Hospital Building, Puteri Specialist Hospital Building and KPJ Selangor Specialist Hospital Building, among others.

### **3. RATIONALE FOR THE PROPOSED DISPOSAL**

The Proposed Disposal and thereafter the Proposed Development are to facilitate the expansion of the Puteri Specialist Hospital. It will also allow KPJ and its subsidiaries ("KPJ Group") to unlock the value and realise its investment in the PSHSB Lands.

The Proposed Disposal will result in a cash inflow for the KPJ Group of RM3.59 million.

### **4. RISKS IN RELATION TO THE PROPOSED DISPOSAL**

It is expected that the Proposed Disposal will not have any material risk to KPJ.

### **5. UTILISATION OF PROCEEDS FROM THE PROPOSED DISPOSAL**

The net cash proceeds from the Proposed Disposal amounting to RM3.59 million would be utilised principally for working capital purposes and is expected to be fully utilised in 1 month.

### **6. EFFECTS OF THE PROPOSED DISPOSAL**

#### **6.1 Share Capital and Substantial Shareholders' Shareholdings**

The Proposed Disposal will not have any effect on the issued and paid up share capital as well as substantial shareholders' shareholding in KPJ.

#### **6.2 Net assets ("NA") per share and Gearing**

The Proposed Disposal will not have any material effect on the NA per share and gearing of KPJ Group.

#### **6.3 Earnings**

The Proposed Disposal is not expected to have any material effect on the earnings of KPJ Group for the financial year ending 31 December 2012.

The expected gain to the KPJ Group from the Proposed Disposal is approximately RM1,533,680 resulting in an improvement in the EPS of KPJ from 5.81 to 6.08 based on 616.897 million ordinary shares at RM0.50 each in KPJ ("KPJ Shares") in issue as at 31 March 2012.

### **7. APPROVALS REQUIRED**

The Proposed Disposal is subject to the approval from the shareholders of KPJ vide the forthcoming EGM of KPJ.

### **8. PERCENTAGE RATIOS**

The highest percentage ratios applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements amount to 0.40%.

The highest aggregate percentage ratio for transactions with JCorp and its group of companies for the twelve (12) months preceding the date of this announcement is 7.20%.



## 9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, none of the Directors and major shareholders of the KPJ and persons connected with them who have any interest, direct or indirect, in the Proposed Disposal.

### 9.1 Major Shareholders

The Manager is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, which in turn is a wholly-owned subsidiary of Johor Corporation ("JCorp")

KPJ is a 38.49% owned subsidiary of JCorp. As such, JCorp is deemed interested in the Proposed Disposal.

Accordingly, JCorp shall abstain from voting in respect of its direct and indirect shareholdings in KPJ on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM of KPJ. In addition, JCorp will ensure that persons connected to JCorp, if any, abstain from voting in respect of their direct and indirect shareholdings in KPJ on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

### 9.2 Directors

Tuan Haji Kamaruzzaman Bin Abu Kassim, Datin Paduka Siti Sa'adiyah Binti Sh Bakir, and Tuan Haji Abd Razak Bin Haron (collectively referred to as the "**Interested Directors**") are deemed interested in the Proposed Disposal by virtue of them being persons connected to JCorp and KPJ.

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and decision at the Board meetings relating to the Proposed Disposal. The Interested Directors will also abstain from the voting in respect of their direct and indirect shareholdings in KPJ on any resolution in relation to the Proposed Disposal at the forthcoming EGM of KPJ and shall undertake to ensure that persons connected to them shall abstain from voting in respect of their direct and/or indirect interests on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM of KPJ.

## 10. TRANSACTED AMOUNT FOR THE PRECEDING 12 MONTHS

Save as disclosed below, there is no other transaction with JCorp and its group of companies for the twelve (12) months preceding the date of this announcement.

- (i) disposal of Jeta Gardens Aged Care Facility and Jeta Gardens Retirement Village by Jeta Garden Waterford Trust, a subsidiary of KPJ, for a total consideration of RM131,909,000, on 30 November 2011;
- (ii) disposal of 15,369 redeemable preference shares of RM0.01 each in Intrapreneur Development Sdn Bhd by KPJSB to JCorp for a total cash consideration of RM1,536,900.00 on 30 January 2012;
- (iii) acquisition by KPJSB of eight (8) units of service apartments located in Pulau Tioman, Pahang ("Condotels") from JCorp Hotels and Resorts Sdn Bhd ("JCorp Hotels"), a subsidiary of JCorp for a total cash consideration of RM1,934,880.00 on 8 February 2012;

- (iv) appointment of JCorp Hotels by KPJSB to manage the eight (8) units of Condotel vide a Management Agreement on 7 June 2012;
- (v) acquisition by KPJSB from JCorp of eighty percent (80%) equity interest in PT Khidmat Perawatan Jasa Medika for a total cash consideration of RM15,840,000.00 on 9 July 2012; and
- (vi) acquisition by Renalcare Perubatan (M) Sdn Bhd, a subsidiary of KPJ, of a parcel of vacant commercial land held under HS(D) 50129, Lot No PTD 163189, Mukim of Tebrau, District of Johor Bahru, Johor Darul Takzim ("BDO Land") from JCorp (as the registered proprietor of the BDO Land) and Johor Land Berhad, a subsidiary of JCorp (as the vendor of the BDO Land), for a total cash consideration of RM45,000,000.00 on 23 July 2012.

#### **11. DIRECTORS' STATEMENT**

The Board of Directors, save for the Interested Directors, of KPJ having considered the rationale for the Proposed Disposal, and after careful deliberation, is of the opinion that the Proposed Disposal are fair, reasonable and on normal commercial terms and it is in the best interests of the KPJ Group and its shareholders and not detrimental to the interest of the minority shareholders.

The Board of Directors has appointed Affin Investment Bank Berhad as the Independent Adviser for the Proposed Disposal to advise the non-interested directors and shareholders of KPJ on the fairness and reasonableness of the Proposed Disposal.

Accordingly, they recommend that you vote in favour of the ordinary resolution to be tabled at the forthcoming EGM.

#### **12. AUDIT COMMITTEE**

The Audit Committee having considered all aspects of the Proposed Disposal, is of the opinion that the Proposed Disposal is fair, reasonable and on normal commercial terms and it is in the best interest of KPJ and not detrimental to the interest of the minority shareholders. The Disposal Consideration is based on the market value of the PSHSB Lands as per the valuation report prepared by the Independent Valuer.

#### **13. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by second (2<sup>nd</sup>) quarter of 2013.

#### **14. DOCUMENT AVAILABLE FOR INSPECTION**

A copy of the sale and purchase agreement in relation to the Proposed Disposal dated 8 August 2012 as well as the valuation report dated 2 May 2012 will be made available for inspection at the registered office of KPJ at Suite 12B, Level 12, Menara Ansar, No. 65, Jalan Trus, 80000 Johor Bahru, Johor from Monday to Friday between 9.00 a.m. to 5.00 p.m. (except public holidays) for a period of one (1) month from the date of this Announcement.

This Announcement is dated 8 August 2012.