

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

MEMORANDUM OF UNDERSTANDING BETWEEN KUMPULAN PERUBATAN (JOHOR) SDN BHD, PELABURAN HARTANAH BERHAD AND NADAYU PROPERTIES BERHAD

1. INTRODUCTION

The Board of Directors of KPJ (“Board”) wishes to announce that the Company’s wholly-owned subsidiary company, Kumpulan Perubatan (Johor) Sdn Bhd (“KPJSB”), had on 16 October 2014 signed a Memorandum of Understanding (“MOU”) with Pelaburan Hartanah Berhad (“PHB”) and Nadayu Properties Berhad (“NPB”) for the proposed development and leasing of a purpose-built hospital building to be known as the “KPJ Damansara Specialist Hospital II” by PHB to KPJSB.

2. DETAILS OF THE MOU

2.1 Information on the MOU

The MOU sets out the principal terms which shall form the basis of the parties’ negotiations in respect of the terms of the agreements concerning the proposed sale and purchase of the Land (as defined herein), and the development and lease of the Demised Premises (as defined herein).

The Parties shall execute three (3) agreements, namely Sale and Purchase Agreement (“SPA”), the Agreement to Lease (“ATL”) and Lease Agreement (“LA”) (collectively known as “Definitive Agreements”).

2.2 Information on the Land

The Land refers to all those pieces of lands held under Geran Mukim 1609 Lot 3124, Geran Mukim 1621 Lot 3131 and Geran Mukim 1610 Lot 3128, Geran Mukim 3227 Lot 3130, Geran Mukim 3229 Lot 3131 and Geran Mukim 10 Lot 3132, all in the Mukim of Batu, Tempat Segambut, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur having a gross area of approximately 6.176 acres.

Dinamik Serimas Sdn Bhd (Company No: 925944-M)(“DSSB”) is the registered proprietor of all those pieces of lands. NPB shall procure an unconditional and irrevocable Power of Attorney from DSSB granting NPB the power to deal with the Land including but not limited to sell and transfer the Land and execute all necessary documents on behalf of DSSB to effect any dealings with the Land, in a form and substance that is agreeable to PHB.

The Demised Premises is located on a portion of the Land with a gross area measuring approximately 2.95 acres (“Portion”).

2.3 Salient terms of the MOU

(i) Principal Terms of the MOU

NPB shall develop at its own cost and handover a three-hundred (300) bedded nine (9) storey hospital building with a built up area of 459,000 square feet and six hundred thirty six (636) car parking bays and all infrastructures which is located on the Portion (“Demised Premises”) complete with the Certificate of Completion and Compliance (“CCC”) to PHB within thirty six (36) months from the date of the Definitive Agreements.

PHB shall execute the SPA with NPB and DSSB for the purchase of the Land, inclusive of the Demised Premises and thereafter to lease the Demised Premises to KPJ.

Simultaneously, KPJ will execute the ATL and LA annexed to it with PHB to lease the Demised Premises for the period of fifteen (15) years with an option to renew for another fifteen (15) years.

2.4 Information on KPJ

KPJSB is a wholly owned subsidiary of KPJ and was incorporated on 8 June 1988 under the Companies Act 1965, Malaysia with an authorised share capital of RM100,000,000.00 divided into 100,000,000 ordinary shares of RM1.00 each and the current issued and paid-up share capital of KPJSB is RM90,000,000.00 comprising of 90,000,000 ordinary shares of RM1.00 each. KPJSB is involved in the business of the provision of healthcare services in Malaysia and internationally and has the necessary expertise in the areas of providing administration, financial, general management and other services related to the running and operation of private specialist hospitals.

2.5 Information on PHB

PHB is a wholly owned subsidiary of Yayasan Amanah Hartanah Bumiputera. It is principally an investment holding company engaged in property investment and development venture.

2.6 Information on NPB

NPB was incorporated in Malaysia in 1976. The business address is at Level 5, Menara Standard Chartered, No. 30, Jalan Sultan Ismail, 50250 Kuala Lumpur. NPB is primarily involved in the business of property development.

3. RATIONALE FOR THE MOU

The Company views the MOU between KPJSB, PHB and NPB as beneficial for the following reasons:

- (a) The MOU is in line with KPJ and its subsidiaries (“KPJ Group”) objective 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.
- (b) To cater for the needs of the patients residing within the vicinity of Damansara – Sungai Buloh and surrounding areas in order to meet the demand for quality private healthcare.
- (c) To promote the medical tourism market which provides higher returns that will boost the economy of the country as well as uplifting the vision and mission of KPJ.

4. RISKS IN RELATION TO THE MOU

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

5. EFFECT OF THE MOU

As the cost of transaction is not finalised as at the date the MOU is signed, the effect of the transaction to Earnings, Net Assets and Gearing cannot be determined. The appropriate disclosure will be made when the Definitive Agreements are executed.

6. APPROVALS REQUIRED

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

7. DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTEREST

None of the Directors and/or major shareholders of KPJ and/or persons connected with them have any direct or indirect interest in the MOU.

8. DIRECTORS' OPINION

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

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Definitive Agreements shall be executed within six (6) months from the date of the execution of MOU and therefore, this MOU shall lapse thereafter.

10. DOCUMENTS FOR INSPECTION

The MOU will be made available for inspection at the registered office of KPJ at Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor during normal business hours from Sunday to Thursday (except public holidays) for a period of three (3) months from the date of this Announcement.

This announcement is dated 16 October 2014.