

## KPJ HEALTHCARE BERHAD (“KPJHB” OR “COMPANY”)

### PROPOSED RENOVATION WORK

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This announcement is dated 10 June 2024 (“**Announcement**”).

#### 1. INTRODUCTION

The Board of Directors of KPJHB (“**Board**”) wishes to announce that Bandar Dato Onn Specialist Hospital Sdn Bhd, an indirect wholly-owned subsidiary of KPJHB had on 10 June 2024 issued a letter of acceptance (“**LOA**”) to Tg. Langsung Development Sdn. Bhd. (“**TLDSB**”), a 100% owned subsidiary of TPM Technopark Sdn. Bhd. (“**TTSB**”), which in turn is an indirect subsidiary of Johor Corporation (“**JCorp**”) for the renovation of floors 8 and 9 (“**Wards**”) at KPJ Bandar Dato’ Onn Specialist Hospital (“**KPJ BDOSH**”) (“**Proposed Renovation Work**”) for a contract sum of RM18.3 million (“**Contract Sum**”).

The Proposed Renovation Work is a related party transaction pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) by virtue of the interests of the Interested Directors and Interested Major Shareholder as detailed in Section 7 of this Announcement.

#### 2. PROPOSED RENOVATION WORK

The Proposed Renovation Work comprises the renovation of new ward level 8 for 30 beds of approximately 22,900 square feet (“**sq. ft.**”) and new ward level 9 for 30 beds of approximately 22,900 sq. ft. These facilitate the expansion from 90 beds to 150 beds. KPJ BDOSH is KPJHB’s 26<sup>th</sup> hospital which began operation in February 2019. The hospital is located in Taman Bukit Mutiara, Johor Bahru, Johor.

##### 2.1 Information on TLDSB

TLDSB was incorporated in Malaysia on 24 March 1995 and is principally involved in construction activities.

As at 31 May 2024, being the latest practicable date (“**LPD**”) of this Announcement, the issued share capital of TLDSB is RM5,000,000.00 comprising of 5,000,000 ordinary shares.

As at LPD, the directors of TLDSB are Mohd Taufik Bin Esa, Mohd Zaki Bin Abdullah and Ahmad Fadzli Bin Zainudin. The shareholder of TLDSB is TTSB (100%).

##### 2.2 Information on JCorp

JCorp is a body corporate established on 18 May 1968 under the Johor Corporation Enactment 1968 (amended vide Enactment No. 5, 1995) as the principal development institution to drive socioeconomic growth in Johor. JCorp carries out investment holding activities, while its subsidiaries, associated companies and jointly controlled entities are principally involved in plantation and agrobusiness, healthcare and wellness services, real estate and infrastructure, quick service restaurants and investment holding.

As at LPD, the directors of JCorp are as follows:

<b>Name</b>	<b>Position</b>
YAB Dato' Onn Hafiz Bin Ghazi	Menteri Besar Johor and Chairman
YBhg Tan Sri Dato' Sri Dr. Ismail Bin Haji Bakar	Deputy Chairman
YBhg Datuk Syed Mohamed Bin Syed Ibrahim	President and Chief Executive
YB Tan Sri Dato' Dr. Haji Azmi Bin Rohani	State Secretary of Johor and Board of Director
YB Dato' Amir Bin Nasruddin	State Legal Advisor of Johor and Board of Director
YB Dato' Haji Mohammed Ridha Bin Dato' Haji Abd Kadir	State Financial Officer of Johor and Board of Director
YBhg Datuk Johan Bin Mahmood Merican	Secretary General of Treasury, Ministry of Finance and Board of Director
YBhg Dato' Nor Azmie Bin Diron	Secretary General of the Ministry of Economy and Board of Director
YBhg Dato' Hairil Yahri Bin Yaacob	Secretary General of the Ministry of Investment, Trade and Industry and Board of Director
YBhg Datuk Nor Azri Bin Zulfakar	Board of Director
YBhg Dato' Sr. Hisham Bin Jafrey	Board of Director

### 2.3 Basis and Justification for the Contract Sum

The selection of TLDSB as the successful bidder for the Proposed Renovation Work at RM18.3 million demonstrates a commitment to secure the most economically advantageous contract for a fast-tracked project with a 5-month completion period. The price quoted by TLDSB of RM18.3 million represents the most cost-effective commercial proposal that falls within an acceptable range comparable to industrial norms and complies with the tender requirements and specifications.

### 2.4 Salient Terms of the LOA

For the purposes of this Section, the term "Employer" shall mean KPJ BDOSH and the term "Contractor" shall mean TLDSB.

<b>No</b>	<b>Term</b>	<b>Description</b>
1	Contractor	TLDSB
2	Works	Renovation of Wards at KPJ BDOSH
3	Contract Sum	RM18.3 million only
4	Commencement Date (Duration)	10 June 2024 (5 months)
5	Date of Site Possession	10 June 2024

No	Term	Description
6	Performance Bond	The Contractor shall undertake to obtain and deliver to the Superintending Officer (“S.O”) the Performance Bond amounting to RM915,000.00 (being 5% of the Contract Sum) in the form of bank guarantee issued by an approved licensed bank incorporated in Malaysia, which shall be valid until 3 months after the issuance of the Certificate of Practical Completion within 30 days from the Date of Site Possession. Any failure to furnish the Performance Bond within the aforesaid 30 days period, or to maintain the validity of the Performance Bond until 3 months after the issuance of the Certificate of Practical Completion, then without prejudice to any other rights and remedies which the Employer may possess, the Employer shall be entitled to withhold or deduct an amount equal to the amount of the Performance Bond from any payment due to the Contractor.
7	Retention Sum	Retention Sum of 10% shall be retained from each of progress claims up to a maximum of RM915,000.00 (being 5% of the Contract Sum) until the issuance of the Certificate of Final Account.
8	Liquidated Ascertained Damages (“LAD”)	RM5,000.00 per calendar day for any delay or failure to complete and hand over the Works within the stipulated Date of Completion or any approved extended date.
9	Date of Completion	10 November 2024

### 3. RATIONALE FOR THE PROPOSED RENOVATION WORK

KPJ BDOSH is currently operating at 80% capacity thus limiting potential future growth for the hospital. The Proposed Renovation Work will increase the current number of beds from 90 beds to 150 beds allowing KPJ BDOSH to cater to more patients demands which is expected to result in positive financial performance moving forward.

In addition, the new wards would continue KPJ BDOSH’s current customer experience objective by increasing the number of single bedded wards available in the hospital. The Proposed Renovation Work is in line with KPJ BDOSH’s interest in targeting health tourism as well as expanding into a new geographical market.

### 4. RISKS RELATING TO THE PROPOSED RENOVATION WORK

The completion of the Proposed Renovation Work is subject to the execution of TLDSB to complete the renovation within the stipulated timeframe. The delay or non-completion of the Proposed Renovation Work may result in a delay of the opening of the new wards for operation resulting in the loss of income and potential additional cost to KPJHB.

Should a delay or non-completion occur, KPJHB may not be able to realise the benefits arising from the Proposed Renovation Work and would expose KPJHB to higher additional expenses to complete the Proposed Renovation Work. Nevertheless, the Management of KPJ BDOSH will take reasonable steps to ensure that the Proposed Renovation Work is completed in a timely manner.

## **5. EFFECTS OF THE PROPOSED RENOVATION WORK**

### **5.1 Share capital and substantial shareholder's shareholdings**

The Proposed Renovation Work will not have any effect on the share capital as well as substantial shareholders' shareholdings in KPJHB as the Proposed Renovation Work does not involve issuance of shares in KPJHB.

### **5.2 Net Asset ("NA"), NA per share and gearing**

The Proposed Renovation Work is not expected to have any material effect on the NA, NA per share and gearing of KPJHB.

### **5.3 Earnings and earnings per share ("EPS")**

The Proposed Renovation Work is not expected to have any material effect on the EPS of KPJHB.

## **6. APPROVALS REQUIRED**

The Proposed Renovation Work is not subject to the approval of the shareholders of KPJHB and/or the relevant government authorities.

The completion of the Proposed Renovation Work is not conditional upon any other proposals undertaken or to be undertaken by KPJHB.

## **7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED**

Save as disclosed below, none of the Directors, major shareholders of the Company and/or persons connected to them have any interest, either direct or indirect, in the Proposed Renovation Work:-

### **7.1 Interested Directors' Interest**

The directors who are deemed interested in the Proposed Renovation Work are as follows:-

- (i) Tan Sri Dato' Sri Dr. Ismail Bin Haji Bakar, the Non-Independent Non-Executive Chairman of KPJHB, is a person connected to JCorp by virtue of him being the Deputy Chairman of JCorp;
- (ii) Rozaini Bin Mohd Sani is a Non-Independent Non-Executive Director of KPJHB and also a senior management of JCorp;
- (iii) Shamsul Anuar Bin Abdul Majid is a Non-Independent Non-Executive Director of KPJHB and also a senior management of JCorp; and
- (iv) Datuk Md Arif Bin Mahmood, the former Non-Independent Non-Executive Chairman of KPJHB who had resigned on 1 April 2024, was a Board representative of JCorp in KPJHB prior to his resignation,

(collectively referred to as "**Interested Directors**").

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and decisions at the meetings of Tender Committee, Audit Committee and Board, as the case may be, relating to the Proposed Renovation Work.

As at LPD, save for Datuk Md Arif Bin Mahmood who holds 60,000 ordinary shares in KPJHB, the other Interested Directors do not have any shareholdings in KPJHB.

## 7.2 Interested Major Shareholder's Interest

The direct and indirect shareholdings of the major shareholder in KPJHB who is deemed interested in the Proposed Renovation Work as at LPD are as follows:-

	Direct		Indirect	
	No. of shares	%	No. of shares	%
	'000		'000	
JCorp	1,565,053	35.86	398,622	9.13

### Note:-

- (i) *Deemed interested by virtue of its shareholdings in Kulim (Malaysia) Berhad, JCorp Capital Solutions Sdn. Bhd., Johor Land Berhad and Waqaf An-Nur Corporation Berhad pursuant to Section 8(4) of the Companies Act 2016.*

The Interested Directors and Interested Major Shareholder are collectively referred to as "**Interested Parties**".

## 8. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of KPJHB (save for Rozaini Bin Mohd Sani), after having considered all aspects of the Proposed Renovation Work, including the rationale and financial effects of the Proposed Renovation Work, is of the opinion that the Proposed Renovation Work is fair, reasonable and on normal commercial terms and is in the best interests of the Company and not detrimental to the interest of the minority shareholders.

## 9. DIRECTORS' STATEMENT

The Board, save for the Interested Directors after having considered all aspects of the Proposed Renovation Work, including the rationale and financial effects of the Proposed Renovation Work, is of the opinion that the Proposed Renovation Work is in the best interests of the Company.

## 10. TRANSACTION ENTERED INTO WITH JCORP AND ITS SUBSIDIARIES ("JCORP GROUP") FOR THE PRECEDING 12 MONTHS

Save for the Proposed Renovation Work and the following, there were no other transactions (excluding transactions in the ordinary course of business) entered into between KPJ Group with the same related party for the 12 months preceding the date of this Announcement:-

- (i) On 13 February 2024, KPJHB announced that Rawang Specialist Hospital Sdn. Bhd. ("**RSH**"), an indirect wholly-owned subsidiary of KPJHB had on 9 February 2024 issued a LOA to JLG & BP Design Sdn. Bhd., a 60% owned subsidiary of Damansara Assets Sdn. Bhd. ("**DASB**"), which in turn is an indirect subsidiary of JCorp for the renovation work of 1 suite of approximately 6,800 sq. ft. ("**Royal Suite**") and 6 suites of collectively approximately 8,000 sq. ft. (collectively, "**Presidential Suites**") at Damansara Specialist Hospital 2 ("**DSH2**") ("**DSH2 Renovation Works**") for a contract value of RM15.90 million.

Subsequent to the completion of the DSH2 Renovation Works, RSH intends to enter into a sub-tenancy agreement with JCorp, the major shareholder of KPJHB, to sub-tenant Royal Suite of DSH2 to JCorp.

- (ii) On 13 December 2023, KPJHB announced that Jeta Gardens (Qld) Pty Ltd and its wholly-owned subsidiary, Jeta Gardens Aged Care (Qld) Pty Ltd (collectively, “**Vendors**”) had on 12 December 2023, entered into a conditional business sale and purchase agreement with DPG Services Pty Ltd (“**Business Sale Agreement**”), for the disposal of its aged care business (including its selected existing assets and liabilities) for a net cash payment of AUD0.700 million. Simultaneous with the Business Sale Agreement, Al-`Aqar Australia Pty Ltd (“**AAA**”), a wholly-owned subsidiary of Al-`Aqar Healthcare REIT (“**AA**”) has also entered into a land sale agreement with Principal Healthcare Finance Pty Ltd, as trustee for the Principal Healthcare Finance Trust and DPG Services Pty Ltd to acquire the land and property where the Vendors operate the aged care business.

AAA is a wholly owned subsidiary of AA. AA is managed by Damansara REIT Managers Sdn Bhd (“**DRMSB**”) which is a wholly-owned subsidiary of DASB, which in turn is a wholly-owned subsidiary of JCorp.

- (iii) On 27 June 2023, KPJHB announced that 4 of its subsidiaries proposed to enter into separate lease renewal agreements with AmanahRaya Trustees Berhad, being the trustee for and on behalf of AA and DRMSB (a wholly-owned subsidiary of DASB, which in turn is a wholly-owned subsidiary of JCorp), being the manager of AA to renew the lease of the KPJ Kajang Specialist Hospital (“**KJG**”), KPJ Perdana Specialist Hospital (“**PDN**”), KPJ Sentosa KL Specialist Hospital (“**SeKL**”) and Kuantan Care & Wellness Centre (“**KTN**”) and shall also include their respective fixtures and fittings as detailed in the lease renewal agreements. Please refer to the Circular to Shareholders of KPJHB dated 31 July 2023 for further details of the rent formulas of the KJG, PDN, SeKL and KTN. The transaction was approved by KPJHB’s shareholders in its Extraordinary General Meeting held on 22 August 2023 and was completed on 25 August 2023. The lease renewal agreements commenced on 1 October 2023.

## 11. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable for the Proposed Renovation Work pursuant to Paragraph 10.02(g) of the Listing Requirements is 0.77%.

As at the date of this Announcement, the aggregate percentage ratio applicable to the Proposed Renovation Work within the period of 12 months immediately preceding from 10 June 2024 is 3.88%.

## 12. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSED RENOVATION WORK

Barring any unforeseen circumstances, the Proposed Renovation Work is expected to be completed by 10 November 2024.

## 13. DOCUMENTS AVAILABLE FOR INSPECTION

The LOA will be made available for inspection at the registered office of KPJHB at Level 13, Menara KPJ, 238, Jalan Tun Razak, 50400 Kuala Lumpur during normal office hours from Mondays to Fridays (except on public holidays) for a period of three (3) months from the date of this Announcement.