

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

- (I) PROPOSED RENOVATION WORKS; AND
- (II) PROPOSED SUB-TENANCY

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

This announcement is dated 13 February 2024. (“**Announcement**”).

1. INTRODUCTION

The Board of Directors of KPJHB (“**Board**”) wishes to announce that Rawang Specialist Hospital Sdn. Bhd. (“**RSH**”), an indirect wholly-owned subsidiary of KPJHB had on 9 February 2024 issued a letter of acceptance (“**LOA**”) to JLG & BP Design Sdn. Bhd. (“**JLGBP**”), a 60% owned subsidiary of Damansara Assets Sdn. Bhd. (“**DASB**”), which in turn is an indirect subsidiary of Johor Corporation (“**JCorp**”) for the renovation work of one (1) suite of approximately 6,800 sq. ft. (“**Royal Suite**”) and six (6) suites of collectively approximately 8,000 sq. ft. (collectively “**Presidential Suites**”) at Damansara Specialist Hospital 2 (“**DSH2**”) (“**Renovation Work**”) (“**Proposed Renovation Works**”) for a contract value of RM15.90 million (“**Contract Value**”).

KPJHB, via RSH had previously entered into a tenancy agreement with Pelaburan Hartanah Berhad (“**PHB**”) for the tenancy of DSH2 for a period of 15 years with the option to renew for another 15 years. PHB is the owner of the hospital building (DSH2) and the initial tenancy agreement between RSH and PHB is until 31 December 2036. Pursuant to the Proposed Renovation Works, JLGBP will undertake the Renovation Work of one (1) floor on Level 9 of the East Wing at DSH2.

Subsequent to the completion of the Proposed 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 (“**Proposed Sub-tenancy**”).

The Proposed Renovation Works and Proposed Sub-tenancy are inter-conditional and are collectively referred to as “**Proposals**”.

The Proposals are 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 8 of this Announcement.

2. PROPOSED RENOVATION WORKS

The Renovation Work entails the renovation work of Royal Suite and Presidential Suites on Level 9 of the East Wing at DSH2. DSH2 is KPJHB’s 29th hospital, which began operation in September 2022. The hospital is located in Bukit Lanjan, Kuala Lumpur and consisting of 3 intensive care unit (ICU) beds and 60 ward beds.

2.1 Information on JLGBP

JLGBP was incorporated in Malaysia on 7 March 2023 and is principally involved in the activities of interior decoration.

As at 31 January 2024, being the latest practicable date of this Announcement (“**LPD**”), the issued share capital of JLGBP is RM750,000.00 comprising 750,000 ordinary shares.

As at LPD, the directors of JLGBP are Zamri bin Yusof, Teh Kok Hong and Mohd Zaki bin Abdullah.

As at LPD, the shareholders of JLGBP are DASB (60%) and Black Point Medini Sdn. Bhd. (40%).

2.2 Basis and justification for the Contract Value

The contract value for the Renovation Work of RM15.90 million was arrived at after considering that the quotation by JLGBP of RM15.90 million has been verified as reasonable and acceptable based on prevailing current market price by an independent quantity surveyor, S&H Quantity Surveyors Sdn. Bhd.

2.3 Salient Terms of the LOA

For the purposes of this Section, the term “Employer” shall mean RSH and the term “Contractor” shall mean JLGBP.

(i) Works

The Employer accepts the Contractor’s proposal to design and build (inclusive of renovation and interior design works) of Level 9, East Wing of DSH2 to incorporate Royal Suite and Presidential Suites (“**Works**”).

(ii) Consideration

The consideration agreed for the Works is RM15.90 million only.

(iii) Commencement Date and Duration

The Works shall commence on 9 February 2024 with the handing over of the site possession on the same date (“**Date of Site Possession**”) and completed on 30 September 2024 (“**Date of Completion**”).

(iv) Liquidated Ascertained Damages (“**LAD**”)

The LAD of RM3,722.00 per day is imposed for any delay or failure to complete and hand over the Works within the stipulated Date of Completion or any approved extended date.

3. PROPOSED SUB-TENANCY

KPJHB intends to sub-tenant to JCorp the completed Royal Suite at DSH2 upon completion of the Renovation Work (“**Sub-tenancy Agreement**”) from 1 October 2024 until 30 January 2029.

3.1 Salient terms of the Sub-tenancy Agreement

For the purposes of this Section, the term “Tenant” shall mean RSH and the term “Sub-Tenant” shall mean JCorp.

The salient terms of the Sub-tenancy Agreement are as follows:-

(i) Term

A sub-tenancy of Level 9, East Wing of the DSH2 to JCorp from 1 October 2024 or any later date to be mutually agreed between the Tenant and the Sub-Tenant until 30 January 2029.

(ii) Rental

Rental of RM111,666.00 per month and to be paid on or before the 7th day of each month. JCorp shall pay RSH late payment charges of five percent (5%) per annum on any sums of the monthly rental remaining unpaid calculated from the day following the due date until the date of actual payment.

(iii) Deposits

The Deposits shall be as follows:

- i. Security Deposit –RM223,332.00 only; and
- ii. Utility Deposit –RM111,666.00 only.

(iv) Compensation

The Sub-Tenant shall be entitled to a compensation of RM3,722.00 per day from the Tenant for each day after 1 October 2024 until the actual Commencement Date.

3.2 Basis and justification in arriving at the rental rate

The gross rental rate of 6.50% of the construction of Royal Suite was negotiated and agreed between RSH and JCorp after taking into consideration of, amongst others, the following:-

- (i) The gross rental rate of 6.25% for KPJHB's recent lease renewal with Al-Aqar Healthcare REIT ("**AA**"); and
- (ii) The gross property yield of commercial properties acquired / to be acquired by all Malaysian real estate investment trusts listed on Bursa Securities ("**Listed REITs**") from year 2022 up to the 31 July 2023, which ranges from 5.28% to 9.98% (Source: Listed REITs' circulars on www.bursamalaysia.com).

3.3 Information on JCorp

JCorp was incorporated in Malaysia in 1968 under Johor Corporation Enactment No.4, 1968 as amended by Enactment No. 5, 1995 and is principally involved in oil palm plantation, property development and management, and investment holding.

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

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

4. RATIONALE

4.1 Proposed Renovation Works

To cater to all patients, in addition to the existing wards, DSH2 is proposing to undertake Proposed Renovation Works of Level 9 of its East Wing to support its strategic focus of offering premium healthcare experience which include, but not limited to the following:-

- (i) Upgraded room facilities with larger room size, dedicated living rooms, pantry and separate rooms for patients, family members and caretakers;
- (ii) Personalised holistic services such as nursing care, butler service, VIP meal;
- (iii) Differentiated room amenities and entertainment; and
- (iv) SMART wards technology.

4.2 Proposed Sub-tenancy

The sub-tenant of Royal Suite to JCorp would give DSH2 a steady flow of income from 1 October 2024 until 30 January 2029. After the expiry of the sub-tenancy, DSH2 would open the Royal Suite to the public which is in line with the strategic rationale for the Proposed Renovation Works.

5. RISKS RELATING TO THE PROPOSALS

Should there be any delay or non-completion occur of the Proposed Renovation Works, KPJHB may not be able to realise the benefits arising from the Proposals and would expose KPJHB to higher additional expenses to complete the Renovation Work. This would result in loss of income and potential additional cost to KPJHB. Nevertheless, KPJHB Group will take reasonable steps to ensure that the Renovation Work is completed in a timely manner.

6. EFFECTS OF THE PROPOSALS

6.1 Share capital and substantial shareholder's shareholdings

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

6.2 Net Asset ("NA"), NA per share and gearing

The Proposals are not expected to have any material effect on the NA, NA per share and gearing of KPJHB.

6.3 Earnings and earnings per share ("EPS")

The Proposals are not expected to have any material effect on the EPS of KPJHB.

7. APPROVALS REQUIRED

The Proposals are not subject to the approval of the shareholders of KPJHB and/or the relevant government authorities.

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

8. 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 Proposals.

8.1 Interested Directors' Interest

The directors who are deemed interested in the Proposals are as follows:-

- (i) Datuk Md Arif bin Mahmood, the Non-Independent Non-Executive Chairman of KPJHB, is a person connected to JCorp by virtue of him being a Board representative of JCorp in KPJHB;
- (ii) Rozaini bin Mohd Sani is a Non-Independent Non-Executive Director of KPJHB, a senior management of JCorp and also a Director of DASB, the holding company of JLGBP and a subsidiary of JCorp; and
- (iii) Shamsul Anuar bin Abdul Majid is a Non-Independent Non-Executive Director of KPJHB and also a senior management of JCorp,

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

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

Khairuddin bin Jaflus is an Independent Non-Executive Director of KPJHB and also an Independent Non-Executive Director of JLand Group Sdn. Bhd., a wholly-owned subsidiary of JCorp, on a voluntary basis, had abstained and will continue to abstain from all deliberations at the Audit Committee and Board meetings, as the case may be, relating to the Proposals.

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.

8.2 Interested Major Shareholders' Interest

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

	Direct		Indirect	
	No. of shares '000	%	No. of shares '000	%
JCorp	1,565,052	35.86	398,622	⁽ⁱ⁾ 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**”.

9. AUDIT COMMITTEE’S STATEMENT

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

10. DIRECTORS’ STATEMENT

The Board, save for the Interested Directors and Khairuddin bin Jaflus, after having considered all aspects of the Proposals, including the rationale and financial effects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company.

11. TRANSACTION ENTERED INTO WITH JCORP FOR THE PRECEDING 12 MONTHS

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

- (i) 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 cared 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 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.

- (ii) 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 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.

12. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable for the Proposals pursuant to Paragraph 10.02(g) of the Listing Requirements are 3.11%, of which the percentage ratio for Proposed Renovation Works and Proposed Sub-tenancy are 0.71% and 0.26% respectively. This includes the percentage ratio of the disposal as disclosed in Section 11(i) above of 2.14%.

13. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSALS

Barring any unforeseen circumstances, the Proposals are expected to be completed by the 2nd quarter of the year 2024.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The LOA and Sub-tenancy Agreement 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.