KPJ HEALTHCARE BERHAD ("KPJ" OR "COMPANY")

PROPOSED SALE AND LEASEBACK

This announcement is dated 2 September 2022 ("**Announcement**").

1. INTRODUCTION

On behalf of the Board of Directors ("**Board**") of KPJ Healthcare Berhad ("**KPJ**"), AmInvestment Bank Berhad ("**AmInvestment Bank**"), wishes to announce that KPJ, through its wholly owned subsidiaries listed below ("**Subsidiaries**"), had on 2 September 2022 entered into respective conditional sale and purchase agreements ("**SPAs**") with AmanahRaya Trustees Berhad ("**ART**"), being the trustee of Al-`Aqar Healthcare REIT ("**Al-`Aqar**") ("**Trustee**" or "**Purchaser**"), for the sale of the following Properties (as defined herein) to Al-`Aqar for a total consideration of RM192.0 million ("**Sale Consideration**") ("**Proposed Sale**"):-

Subsidiaries	**Hospital**	**Properties to be disposed**	**Consideration**
			(RM'000)
Pasir Gudang Specialist Hospital Sdn. Bhd.	KPJ Pasir Gudang Specialist Hospital ("**PGSH**") Property	Land and Building	93,000
Penang Specialist Hospital Sdn. Bhd.	TMC Health Centre ("**TMC**") Building	Building only	14,300
Maharani Specialist Hospital Sdn. Bhd.	KPJ Seremban Specialist Hospital ("**SSH**") Building	Building only	84,700
	Total		**192,000**

(Collectively, the hospitals are referred to as "**Properties**" and Subsidiaries are referred to as "**Vendors**" or "**Lessees**"). The details of the Properties are detailed in Section 2.1 of the Announcement.

As a condition to the Proposed Sale, each Subsidiary will enter into a lease agreement with the Trustee (acting on behalf of Al-`Aqar), and Damansara REIT Managers Sdn Berhad, being the manager of Al-`Aqar ("**DRMSB**" or "**Manager**")), for the lease of the Properties back to the respective Subsidiaries ("**Lease Agreements**") upon the terms and conditions agreed between the aforesaid parties ("**Proposed Leaseback**").

The Proposed Sale and Proposed Leaseback are inter-conditional and are collectively referred to as "**Proposed Sale and Leaseback**".

2. PROPOSED SALE

The Proposed Sale entails the sale of the Properties for a Sale Consideration of RM192.0million, to be satisfied via a combination of cash of RM167.0 million and allotment and issuance of 20,500,669 new units in Al-`Aqar ("**Al-`Aqar Units**" or "**Units**") ("**Consideration Units**") at an issue price of RM1.22 per Consideration Unit amounting to RM25.0 million in the following manner:-

		%	RM' million
(i)	Cash consideration	87.0	167.0
(ii)	Allotment and issuance of Consideration Units	13.0	25.0
	Total	**100.0**	**192.0**

A detailed breakdown of the Sale Consideration is set out below:-

		Settlement of Sale Consideration					
		Cash	Consideration Units				Balance
Properties	Vendors			Issue Price	No of Units	Deposit (5%)	Consideration (95%)
		RM'mil	RM'mil	RM	'mil	RM'mil	RM'mil
PGSH Property	Pasir Gudang Specialist Hospital Sdn. Bhd.	67.99	25.01	1.22	20.50	4.65	88.35
SSH Building	Maharani Specialist Hospital Sdn. Bhd.	84.70	-	-	-	4.24	80.46
TMC Building	Penang Specialist Hospital Sdn. Bhd.	14.30	-	-	-	0.72	13.58
Total Sale Consideration		**166.99**	**25.01**			**9.61**	**182.39**

The Sale Consideration shall be payable as follows:-

(i) The deposit of 5% of the sale consideration for each of the Properties shall be paid to Point Zone (M) Sdn Bhd, a wholly owned subsidiary of KPJ ("**Point Zone**"), upon the execution of the SPAs.

(ii) The balance consideration of 95% of the sale consideration for each of the Properties shall be satisfied on or before the expiry of 3 months from the date the SPAs becoming unconditional. The Consideration Units of 20.50 million units shall be issued to KPJ and the balance cash consideration shall be paid to Point Zone on the completion date.

The salient terms of the SPA are disclosed in **Appendix I** of this announcement.

2.1 Information on the Properties

The details of the Properties are as follows:-

	PGSH	SSH	TMC
Description	• Entire Hospital and Land • An 8-storey private medical centre building, a double storey mechanical & electrical ("**M&E**") building, a single storey pump house building and 3 units of single storey refuse chambers	• New Building erected on Al-Aqar's Land • An 8-storey private consultant block, an annexed 6-storey private medical centre with a ground floor car park, a double storey M&E building, a single storey medical gas storage building and a single storey refuse chamber building	• New Building erected on Al-Aqar's Land • A 4-storey private ambulatory care centre, M&E building accommodating a main switch board room, a generator set room, a telephone room and a metre room as well as a medical gas building

	PGSH	SSH	TMC
Address	PTD 204781 (New Lot 198635), Jalan Persiaran Dahlia 2, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor Darul Takzim.	Lot 6219 & 6220, Jalan Toman 1, Kemayan Square, 70200 Seremban, Negeri Sembilan Darul Khusus	T/K PT 1106, Medan Taiping, 34000 Taiping, Perak Darul Ridzuan.
Existing use	Private hospital	Private hospital	Private ambulatory care centre
Category of land use	Building	Building	Building
Express condition(s)	(i) This land shall be used for a private hospital, constructed in accordance with the plan approved by the relevant Local Authority (ii) All impurities and pollution resulting from this activity must be channelled/ disposed to places that have been designated by the Relevant Authority (iii) All policies and conditions that have been implemented and enforced from time to time by the Relevant Authority shall be adhered	This land shall be used for private hospitals building only	Commercial – Shop Building
Tenure	99-year leasehold interest expiring on 28 December 2108	Interest in Perpetuity	99-year leasehold interest expiring on 25 July 2088
Age of Building	9.48 years	3.49 years	3.70 years
Gross floor area (sq. ft.)	203,280.10	207,161.14	31,513.28

	PGSH	SSH	TMC
Occupancy Rate	100% occupied for the hospital operation	100% occupied for the hospital operation	100% occupied for the hospital operation
Net Book Value @ 31 December 2021 (RM'mil)	78.8	82.9	12.4
Market Value* (RM'mil)	92.6	84.5	14.3
Date of investment	18 April 2013	17 July 2018	13 September 2018
Original cost of investment (RM'mil)	80.3	84.6	12.4
Encumbrances	Nil	Nil	Nil

(Source: KPJ Management)

*Note *: The market value as ascribed by Messrs Cheston International (KL) Sdn Bhd, the Independent Valuer based on the valuation report as at 14 July 2022.*

2.2 Information on the Purchaser

Information on Al-Aqar

Al-`Aqar was established in Malaysia under the principal deed dated 27 June 2006, amended by the supplementary deed dated 14 May 2009, 27 January 2011 and 9 November 2011, amended and restated by the Restated Deed dated 31 July 2013 and further amended and restated by the Second Restated Deed dated 25 November 2019, which includes any amendment(s) and variation(s) thereof and addition(s) thereto and any other instrument(s) executed supplemental thereto or in substitution thereof from time to time and which was duly registered with the Securities Commission Malaysia on 10 January 2020, entered into between DRMSB and ART and the persons who are for the time being registered as holders of the Al-`Aqar Units. Al-`Aqar is listed on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") since 10 August 2006.

Al-`Aqar is a real estate investment trust with an existing fund size of 735,985,088 Units. The investment objective of Al-`Aqar is to own and invest in Syariah-compliant healthcare related real estate and real estate-related assets whether directly or indirectly through the ownership of single-purposes companies whose principal assets comprise real estate.

As at 18 August 2022 being the latest practicable date prior to this Announcement ("**LPD**"), the manager and substantial unitholders of Al-`Aqar are as follows:-

The management company of Al-`Aqar is DRMSB. The Manager was incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016 under the name of Ultimate Benchmark Sdn Bhd on 8 December 2005 and assumed its present name on 15 March 2006. The issued and fully paid up share capital of the Manager as at 18 August 2022 is RM1.0 million. DRMSB is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, which in turn is a wholly-owned subsidiary of Johor Corporation ("**JCorp**").

Directors of DRMSB

Name	Position
Dato' Mohd Redza Shah Bin Abdul Wahid	Independent Non-Executive Chairman
Wan Azman Bin Ismail	Chief Executive Officer
Dato' Wan Kamaruzaman Bin Wan Ahmad	Independent Non-Executive Director
Abdullah Bin Abu Samah	Independent Non-Executive Director
Datuk Hashim Bin Wahir	Independent Non-Executive Director
Datuk Sr Akmal Bin Ahmad	Non-Independent Non-Executive Director
Dato' Salehuddin Bin Hassan	Non-Independent Non-Executive Director
Shamsul Anuar Bin Abdul Majid	Non-Independent Non-Executive Director

Substantial unitholders of Al-`Aqar

	Unitholdings			
	Direct		Indirect	
Name	No. of Units		No. of Units	
	('000)	%	('000)	%
JCorp	-	-	269,248	[(i)]36.6
KPJ	-	-	269,075	[(ii)]36.6
Lembaga Tabung Haji	105,532	14.3	-	-
Employees Provident Fund	83,228	11.3	-	-
Kumpulan Wang Persaraan (Diperbadankan)	65,391	8.9	-	-
Pusat Pakar Tawakal Sdn Bhd	54,649	7.4	-	-
Amanah Saham Bumiputera	46,000	6.3	-	-

Notes:-

(i) Deemed Interested by virtue of interest in KPJ Healthcare Berhad and Johor Ventures Sdn. Bhd. under Section 8 of the Companies Act 2016

*(ii) Deemed Interested by virtue of interest as several unitholders of Al-`Aqar are part of the KPJ, its subsidiaries and its associated companies ("**KPJ Group**").*

For more information on Al-`Aqar, please refer to http://www.alaqar.com.my.

2.3 Information on KPJ

KPJ was listed on the Main Market of Bursa Securities on 29 November 1994. Since its introduction as the first private specialist hospital in Johor in 1981, KPJ has grown to be one of the region's leading private healthcare providers. KPJ has a network of 29 hospitals in Malaysia, 2 hospitals in Indonesia, 1 hospital in Thailand, 1 hospital in Bangladesh and 4 senior and assisted living care facilities in Kuala Lumpur, Sarawak, Pahang and Australia. With more than 1,451 medical consultants on board, KPJ treats more than 2.9 million patients annually. Its education arm KPJ Healthcare University College offers more than 38 programmes from Foundation to PhD ensuring KPJ has a ready pool of experienced and well-trained talent to support its expansion strategies. KPJ has been a constituent of the Bursa Malaysia FTSE4Good Index since 2016.

As at LPD, KPJ's share capital is RM3.83 billion comprising of 4.33 billion ordinary shares.

As at LPD, the directors and substantial shareholders of KPJ are as follows:-

Directors of KPJ

Name	Position
Datuk Mohd Arif Bin Mahmood	Non-Independent Non-Executive Chairman
Dato' Mohd Shukrie Bin Mohd Salleh	Managing Director
Dato' Mohd Redza Shah Bin Abdul Wahid	Independent Non-Executive Director
Mohamed Ridza bin Mohamed Abdulla	Independent Non-Executive Director
Khairuddin Bin Jaflus	Independent Non-Executive Director
Hisham Bin Zainal Mokhtar	Independent Non-Executive Director
Lee Lai Fan	Independent Non-Executive Director
Shamsul Anuar Bin Abdul Majid	Non-Independent Non-Executive Director
Rozaini Bin Mohd Sani	Non-Independent Non-Executive Director
Prof Dato' Dr. Azizi Bin Haji Omar	Non-Independent Non-Executive Director
Annie Binti Rosle	Non-Independent Non-Executive Director

Substantial shareholders of KPJ

	Shareholdings			
	Direct		Indirect	
Name	No. of shares		No. of shares	
	('000)	%	('000)	%
JCorp	1,545,916	35.58	417,760	9.63
Employees Provident Fund	551,465	12.70	-	-
Waqaf An-Nur Corporation Berhad	308,356	7.10	-	-
Kumpulan Wang Persaraan (Disperbadankan)	238,643	5.49	-	-

For more information on KPJ Group, please refer to https://kpj.listedcompany.com/profile.html

2.4 Basis and justification for the Sale Consideration

The Sale Consideration for the Proposed Sale was arrived at on a "willing buyer-willing seller" basis after taking into consideration the market value of the Properties amounting to RM191.4 million, as ascribed by Messrs Cheston International (KL) Sdn Bhd, the Independent Valuer, vide the valuation report dated 14 July 2022.

The valuation for the Properties has been carried out by using the following methods:-

Hospital	Market value (RM'mil)	Valuation method
PGSH	92.6	Primary: Income Approach by Profits Method (Discounted Cash Flow (DCF)) Secondary: Cost Approach
TMC	14.3	Depreciated Replacement Cost Method
SSH	84.5	Depreciated Replacement Cost Method

(Source: Cheston's valuation report dated 14 July 2022)

2.5 Basis and justification for the issue price of the Consideration Units

The issue price of RM1.22 per Consideration Unit was based on the 5-day volume weighted average market price ("**VWAP**") of the Al-`Aqar Units up to and including 1 September 2022, being the date prior to the execution of the SPA. The issue price of RM1.22 represents the following:-

		Consideration Unit Issue Price over NAV per Unit	
	(RM)	(RM)	(%)
Audited Net Assets Value ("**NAV**") per Unit as at 31 December 2021	1.28	(0.06)	(4.7%)
Unaudited NAV per Unit as at 30 June 2022	1.30	(0.08)	(6.2%)

	Unit price	Consideration Unit Issue Price discount to Al-`Aqar Unit price	
	(RM)	(RM)	(%)
(i) Closing price on 18 August 2022, being the LPD	1.21	0.01	0.8
(ii) volume weighted average market price ("**VWAP**") of Al-`Aqar Units up to and including 1 September 2022:-			
- 5-day	1.22	-	-
- 1-month	1.22	-	-
- 3-month	1.20	0.02	1.7%
- 6-month	1.19	0.03	2.5%
- 12-month	1.17	0.05	4.3%

KPJ has no immediate intention to sell the Consideration Units received pursuant to the completion of the Proposed Sale. Nevertheless, the sale of Consideration Units is subject to periodic review by the Board from time to time.

2.6 Ranking of the Consideration Units

The Consideration Units shall, upon allotment and issuance, be of the same class and carry the same rights with the then existing Al-`Aqar Units in issue, save and except that the holder(s) of such Consideration Units shall not be entitled to any distributions, rights, allotments and/or other distribution that may be declared, made or paid to the unitholders of Al-`Aqar, for which the relevant entitlement date is prior to the date of allotment and issuance of the Consideration Units.

2.7 Listing of and quotation for the Consideration Units

An application by Al-`Aqar will be made to Bursa Securities for the listing of and quotation for the Consideration Units on the Main Market of Bursa Securities.

2.8 Assumption of liabilities

There will be no liabilities, including contingent liabilities and guarantees, remaining with KPJ in relation to the Properties pursuant to the Proposed Sale. There is no guarantee given by KPJ to Al-`Aqar pursuant to the Proposed Sale.

3.0 Utilisation of proceeds

The cash proceeds arising from the Proposed Sale of RM167.0 million is proposed to be utilised in the following manner:-

Details of utilisation	Notes	Expected utilisation timeframe from Completion Date	Amount
			RM'000
Repayment of sukuk	(i)	Within 12 months	90,000
Repayment of bank facility	(ii)	Within 12 months	45,000
Investment in expansion of hospitals	(iii)	Within 12 months	24,898
General working capital	(iv)	Within 3 months	5,002
Estimated expenses for the Proposed Sale and Leaseback	(v)	Within 1 months	2,100
Total			**167,000**

***Notes**:-*

(i) The proceeds earmarked for partial repayment of Sukuk due of RM90 million.

(ii) The proceeds for repayment of bank facilities are for the early repayment of a banking facility. The interest savings is expected to be RM1.76 million a year based on interest rate of 3.9% per annum..

(iii) The proceeds earmarked for investment in expansion of hospitals are intended to be utilised for hospital expansion which includes, but not limited to, funding of renovation, expansion works, purchase of medical equipment and other miscellaneous development.

(iv) The proceeds earmarked for the general working capital are intended to be utilised for the hospital day to day operation expenses.

(v) The estimated expenses for the Proposed Sale and Leaseback include, amongst others, expenses relating to stamp duties, fees for solicitor, valuer and principal adviser.

4. PROPOSED LEASEBACK

The Trustee (representing Al-`Aqar), shall enter into Lease Agreements with the Subsidiaries and the Manager, wherein Al-`Aqar shall grant the lease of the Properties to the Subsidiaries subject to the terms and conditions of the Lease Agreements to be agreed upon and to be entered into between the aforesaid parties.

The salient terms of the Lease Agreements are disclosed in **Appendix II** of this announcement.

4.1 Basis and justification in arriving at the Rental Rate

The gross rental of the first year of the initial term is 5.75% x market value of the Properties. The net rental is estimated to be 5.23%. The Rental Rate was arrived at after taking into consideration of, amongst others, the following:-

(i) the net property yields of commercial properties acquired by Malaysian real estate investment trusts which ranges from 3.16% to 6.28% between 2020 and 2022; and

(ii) the Independent Valuer observed that based on their analysis of the latest net rental yield of the investment properties comprising UOA Corporate Tower, The Pinnacle Sunway and Menara Guoco, the rental yields range from 5.0% to 6.3% whilst the net yields of IGB Commercial REIT which was launched in April 2021 ranged between 3.16% to 5.47%.

In light of the above, taking into consideration of the current state of the Malaysian economy and property market which have been impacted by, amongst others, the COVID-19 pandemic, the Independent Valuer is of the view that the fair net rental yields of the Properties are within 5.0% to 6.0%.

The 2% incremental increase per annum for every Year 2 & Year 3 of the rental term was arrived at after taking into consideration, the average of the 10-year consumer price index year-on-year movement of approximately 2.2% (excluding year 2020 which is a negative). (Source: Bloomberg)

5. RATIONALE

The Proposed Sale and Leaseback will enable KPJ Group to unlock the value of the Properties and realise an estimated gain on sale (after taking into consideration the impact from the Proposed Leaseback of the Properties) of approximately RM3.82 million upon completion of the Proposed Sale and Leaseback.

Furthermore, the cash proceeds from the Proposed Sale would be utilised for the purpose as detailed in Section 3.0.

6. RISKS RELATING TO THE PROPOSED SALE AND LEASEBACK

The Proposed Sale and Leaseback is affected by the completion of the Conditions Precedent as set out in Appendix I and II of this Announcement. There is no assurance that the Conditions Precedent can be completed within the stipulated time in the SPAs and in the event of non-fulfilment of the Conditions Precedent within the stipulated time period, the relevant SPAs may be terminated.

Save for the above completion risk, the Board of KPJ is not aware of any risk factors arising from the Proposed Sale and Leaseback which could materially or adversely affect the financial and operating conditions of KPJ.

7. EFFECTS OF THE PROPOSED SALE AND LEASEBACK

7.1 Share capital and substantial shareholder's shareholdings

The Proposed Sale and Leaseback will not have any effect on the share capital as well as substantial shareholders' shareholdings in KPJ as the Proposed Sale and Leaseback does not involve issuance of shares in KPJ.

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

For illustration purposes and subject to KPJ auditor's confirmation, based on the audited consolidated financial statements of KPJ for the financial year ending ("**FY**") 2021, assuming that the Proposed Sale and Leaseback had been effected on the last day of the financial year, the financial impact to the NA and NA per share and gearing of KPJ for FY 2021 are as follows:-

	Audited as at 31 December 2021	**After the Proposed Sale and Leaseback**
	RM'000	**RM'000**
Share Capital	959,521	959,521
Reserves	1,331,219	(i)1,332,938
Less: Treasury Shares	(155,310)	(155,310)
NA attributable to shareholders	2,135,430	2,137,149
Non-controlling interests	115,078	115,078
Total equity	**2,250,508**	**2,252,227**
No of KPJ Shares ('000)	4,326,852	4,326,852
NA per KPJ Share (RM)	0.49	0.49
Total borrowings(ii)	1,828,464	(iii)1,693,464
Gearing (times)	0.86	0.79

Notes:-

(i) *After taking into consideration the gain on sale of the Properties of RM3.82 million and after deducting the estimated expenses for the Proposed Sale and Leaseback of RM2.10 million.*

(ii) *Excluding lease liabilities.*

(iii) *After repayment of Sukuk and banking facility amounting to RM135.0 million from the proceeds of the Proposed Sale.*

7.3 Earnings and earnings per share ("EPS")

For illustration purposes and subject to KPJ auditor's confirmation, based on the audited consolidated financial statements of KPJ for FY 2021, assuming the Proposed Sale and Leaseback was completed at the beginning of the financial year, the financial effects of the Proposed Sale and Leaseback on the earnings and EPS of KPJ are as follows:-

Proforma Effects	**Audited FY 2021 RM'000**
Profit attributable to owners of the Company	51,033
Add: Interest for repayment of bank borrowing and Sukuk[(i)]	6,720
Add: Gain on sale of Properties[(ii)]	3,819
Add: Estimated yearly distribution income from the Al-`Aqar units received from the Proposed Sale and Leaseback[(iii)]	1,344
Add: Existing depreciation on the buildings to be disposed	3,248
Add: Expenses that will be borne by Al-`Aqar instead of KPJ upon commencement of the lease	1,295
(Less): Depreciation and finance charge (MFRS 16 - lease impact)	(13,960)
(Less): Estimated expenses in relation to the Proposed Sale and Leaseback[(iv)]	(2,100)
Pro forma profit	**51,399**
No. of Shares (excluding treasury shares) ('000)	4,326,852
Existing basic/diluted EPS (sen)[(v)]	1.19/1.16
Proforma basic/diluted EPS (sen)[(v)]	1.20/1.16

Notes:-

(i) The interest takes into consideration the following:-

(a) early repayment of banking facilities amounting to RM45 million at 3.9% per annum; and

(b) repayment of Sukuk due amounting to RM90 million based on the weightage average profit rate of 5.52%.

(ii) After taking into consideration the impact from the leaseback of the properties;

(iii) Assuming receiving distribution of RM0.065 from Al-`Aqar after taking into consideration Al-`Aqar distribution for FY2021 of RM57.4 million divided by the enlarged no. of units after the Proposed Sale and Leaseback and Al-`Aqar's proposed placement.

(iv) The estimated expenses include, amongst others, expenses relating to fees for solicitor, valuer and principal adviser.

(v) Based on weighted average number of ordinary shares in issue of 4.29 billion.

8. APPROVALS REQUIRED

The Proposed Sale and Leaseback is subject to the following approvals:-

(i) the approval of the shareholders of KPJ at an extraordinary general meeting ("**EGM**") to be convened for the Proposed Sale and Leaseback;

(ii) the approval of the unitholders of Al-`Aqar at its EGM to be convened for the Proposed Sale and Leaseback; and

(iii) all such other consents and regulatory and/or governmental approvals required to be obtained by the Subsidiaries and/or KPJ and the Trustee, on behalf of Al-`Aqar in order to effect the completion of the Proposed Sale and Leaseback, as the case may be.

The completion of the Proposed Sale and Leaseback is not conditional upon any other proposals undertaken or to be undertaken by KPJ

9. INTERESTS FROM 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 Sale and Leaseback.

9.1 Interested Directors' Interest

The directors who are deemed interested in the Proposed Sale and Leaseback are as follows:-

(i) Datuk Md Arif bin Mahmood, the Non-Independent Non-Executive Chairman of KPJ, is a person connected to JCorp by virtue of him being a Board representative of JCorp in KPJ;

(ii) Dato' Mohd Redza Shah Abdul Wahid, is a Senior Independent Non-Executive Director of KPJ and also an Independent Non-Executive Chairman of DRMSB, the manager of Al-`Aqar;

(iii) Rozaini Mohd Sani is a Non-Independent Non-Executive Director of KPJ and also a senior management of JCorp; and

(iv) Shamsul Anuar Abdul Majid is a Non-Independent Non-Executive Director of KPJ, a Non-Independent Non-Executive Director of DRMSB 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 decision at the Board meetings relating to the Proposed Sale and Leaseback. The Interested Directors will also abstain from the voting in respect of their direct and indirect shareholdings in KPJ on any resolutions in relation to the Proposed Sale and Leaseback 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 resolutions pertaining to the Proposed Sale and Leaseback to be tabled at the forthcoming EGM of KPJ.

As at LPD, save for Datuk Md Arif bin Mahmood who holds 30,000 ordinary shares in KPJ, the other Interested Directors do not have any shareholdings in KPJ.

9.2 Interested Major Shareholders' Interest

The direct and indirect shareholdings of the major shareholder in KPJ who is deemed interested in the Proposed Sale and Leaseback as at LPD are as follows:-

	Direct	Indirect		
	No. of shares	**%**	**No. of shares**	**%**
	'000		'000	
JCorp	1,545,916	35.58	417,760	(i)9.63

Note:-

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

DRMSB is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, which in turn is a wholly-owned subsidiary of JCorp. As such, JCorp is deemed interested in the Proposed Sale and Leaseback ("**Interested Major Shareholder**").

Accordingly, JCorp shall abstain from voting in respect of its direct and indirect shareholdings in KPJ on the resolutions pertaining to the Proposed Sale and Leaseback to be tabled at the forthcoming EGM. 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 resolutions pertaining to the Proposed Sale and Leaseback to be tabled at the forthcoming EGM.

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

10. AUDIT COMMITTEE' STATEMENT

The audit committee of KPJ (save for Dato' Mohd Redza Shah Abdul Wahid), after having considered all aspects of the Proposed Sale and Leaseback, including the rationale and financial effects of the Proposed Sale and Leaseback, valuation of the Properties as ascribed by the independent valuer as well as the preliminary views of the independent adviser for the Proposed Sale and Leaseback, is of the opinion that the Proposed Sale and Leaseback is 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.

11. DIRECTORS' STATEMENT

The Board, save for the Interested Directors, after having considered all aspects of the Proposed Sale and Leaseback, including the rationale and financial effects of the Proposed Sale and Leaseback, valuation of the Properties as ascribed by the Independent Valuer as well as the preliminary views of the independent adviser for the Proposed Sale and Leaseback, is of the opinion that the Proposed Sale and Leaseback is in the best interests of the Company.

12. TRANSACTION ENTERED INTO WITH AL-`AQAR FOR THE PRECEDING 12 MONTHS

Save for a rental revision on a property located in Australia that was announced on 15 October 2021, there were no transactions (excluding transactions in the ordinary course of business) entered into between KPJ and Al-`Aqar for the preceding 12 months from the date of this Announcement.

13. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable for the Proposed Sale and Leaseback pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") is 10.41% (including the percentage ratio of the rental revision on the property located in Australia which was announced on 15 October 2021).

14. ADVISER

AmInvestment Bank has been appointed as the Principal Adviser for the Proposed Sale and Leaseback.

The Proposed Sale and Leaseback is deemed as a related party transaction pursuant to the Listing Requirements. In view of the interest of the Interested Parties in the Proposed Sale and Leaseback, the Board had appointed BDO Capital Consultants Sdn Bhd as the independent adviser to undertake the following:-

(i) comment as to whether the Proposed Sale and Leaseback are:-

  (a) fair and reasonable so far as the non-interested shareholders of KPJ are concerned; and

  (b) to the detriment of the non-interested shareholders of KPJ, and set out the reasons for such opinion, the key assumptions made and the factors taken into consideration in forming that opinion;

(ii) advise the non-interested directors of the Company and the non-interested shareholders of KPJ on the Proposed Sale and Leaseback, and whether the non-interested shareholders of KPJ should vote in favour of the Proposed Sale and Leaseback; and

(iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in relation to items (i) and (ii) above.

15. APPLICATION TO THE AUTHORITIES

The circular to the shareholders of KPJ for the Proposed Sale and Leaseback is expected to be submitted to Bursa Securities within 2 months from the date of this Announcement.

16. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSED SALE AND LEASEBACK

Barring any unforeseen circumstances and subject to the fulfilment of the Conditions Precedent, the Proposed Sale and Leaseback is expected to be completed in the 4th quarter of the year 2022.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The SPAs, Lease Agreements, valuation report and valuation certificate will be made available for inspection at the registered office of KPJ 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 3 months from the date of this Announcement.

APPENDIX I: SALIENT TERMS OF THE SPA

The salient terms of the SPA are as follows:-

Sale consideration

(i) In relation to PGSH SPA, the deposit which is 5% of the sale consideration amounting to RM4,650,000.00 shall be paid upon the execution of the PGSH SPA and the balance sale consideration which is 95% of the sale consideration amounting to RM88,350,000.00 comprising of a combination of cash and Consideration Units shall be satisfied on or before the expiry of 3 months from the date the PGSH SPA becoming unconditional.

(ii) In relation to TMC SPA, the deposit which is 5% of the sale consideration amounting to RM715,000-00 shall be paid upon the execution of the TMC SPA and the balance sale consideration which is 95% of sale consideration amounting to RM13,585,000.00 shall be satisfied on or before the expiry of 3 months from the date the TMC SPA becoming unconditional.

(iii) In relation to SSH SPA, the deposit which is 5% of the sale consideration amounting to RM4,235,000-00 shall be paid upon the execution of the SSH SPA and the balance sale consideration which is95% of sale consideration amounting to RM80,408,250.00 shall be satisfied on or before the expiry of 3 months from the date the SSH SPA becoming unconditional.

Conditions Precedent

(i) The SPAs for the Properties are conditional on the following:-

(a) Approval from the board of directors and shareholders of KPJ and relevant Vendor for Proposed Sale and Leaseback of each relevant Property;

(b) Approval from and notification to the appropriate authorities which include, amongst others, Bursa Securities;

(c) Approval from the board of directors of the Trustee and Manager and the unitholders of Al-`Aqar;

(d) Approval from the existing financiers, creditors or lenders of Al-`Aqar (if any);

(e) The letter of offer or letter of commitment in relation to the financing of the relevant Property has been issued by the Purchaser's financier and accepted by the Purchaser or Al-`Aqar's special purpose vehicle company which will be used for the purposes of such financing;

(f) Certificate of Completion and Compliance of the Properties has been duly obtained;

(g) in relation to PGSH, the receipt of a registrable memorandum of transfer with the relevant stamp duty office endorsement on the same as being exempted from the payment of stamp duly pursuant to Stamp Duty (Exemption) (No. 4) Order 2004;

(h) Execution of the Lease Agreements in escrow and the relevant documents to give effect to the Lease Agreements; and

(i) Confirmation by solicitors certifying that the conditions precedent are satisfied,

(collectively referred to as "**Conditions Precedent**").

(ii) The time period for fulfillment of all Conditions Precedent is six (6) months from the date of the SPAs or any extension thereof agreed between the parties of the SPAs.

(iii) The completion date is within three (3) months from the date that the SPAs become unconditional.

(iv) In the event, the SPAs are not completed by the completion date, the SPAs would be extended for an additional three (3) months from completion date.

Events of default

(i) Events of default by the Vendors and consequences under the SPAs:-

In the event that:

1) there is a default by the Vendor to complete the sale of the Property in accordance with the terms and conditions of the SPA; or

2) the Vendor fails, neglects or refuses to perform or comply with any of its obligations on its part herein to be performed under the SPAs in any material respect and where remediable, fails to remedy the same within 14 business days from the date of a written notice from the Purchaser requiring the same to be remedied; or

3) any representation, warranty or undertaking of the Vendor is not true or accurate or is not complied with in any material respect, or

4) an encumbrancer takes possession of, or a trustee, receiver or similar officer is appointed in respect of, all or any substantial part of the business or assets of the Vendor; or

5) the Vendor becomes insolvent; or

6) (a) any party takes any action or any legal proceedings are started or other steps taken for the Vendor to be adjudicated or found insolvent, (b) the winding-up, dissolution of the Vendor either by an order of a court of competent jurisdiction or by way of voluntary winding-up save and except to effect a reorganisation of the business of the Vendor (c) the appointment of a liquidator, trustee receiver or similar officer of the Vendor over the whole or any part of the Vendor's or any of its respective undertaking(s), concession, rights or revenues other than a winding-up of the Vendor for the purpose of amalgamation or reconstruction;

at any time prior to the completion of the SPAs, then subject always to the Purchaser having observed and fulfilled the provisions of this Agreement required on its part to be observed or performed, the Purchaser shall give to the Vendor a 45 business days' notice or such later period as the parties may mutually agree in writing to rectify the alleged breach or default as stipulated in the said notice. For the avoidance of doubt, no remedy period is to be given to the Vendor in respect of any breach referred to under items (4) to (6) above. In the event that the Vendor fails to rectify the alleged breach or default within the said 45 business days or such later period as the parties may mutually agree to in writing, the Purchaser shall be entitled at the Purchaser's sole and absolute discretion to do either of the following (by notice in writing to the Vendor):-

(a) to require specific performance of the SPA; or

(b) to claim damages for the breach of the SPA by the Vendor; or

(c) to terminate the SPA by notice in writing to the Vendor and the parties shall within 14 business days of receipt by the Vendor of such written notice do the following at the Vendor's own cost and expense:

(i) the Vendor shall refund to the Purchaser all monies received by the Vendor under the SPA (save for any late payment compensation which shall be paid by the Purchaser) free of interest;

(ii) the Vendor pays to the Purchaser an amount equivalent to the deposit as liquidated damages failing which the Vendor shall pay the Purchaser damages on the aforesaid money calculated at the rate of eight per centum (8%) per annum on a daily basis commencing from the expiry of the aforesaid 14 business days until the date of the actual payment;

(iii) the Purchaser shall return and procure the purchaser's solicitors to return all documents received by the Purchaser and/or the purchaser's solicitors pursuant to the SPAs, to the Vendor in their original state and condition (fair wear and tear excepted);

(iv) the Vendor shall return all documents received by the Vendor pursuant to the SPAs, to the Purchaser in their original state and condition (fair wear and tear excepted);

(v) the Purchaser shall withdraw the private caveat over the Property, if the same has been entered into **(this is applicable to PGSH SPA only)**; and

(vi) the Purchaser shall re-deliver the possession of the Property to the Vendor, if the same has been duly delivered to the Purchaser pursuant to the SPAs in its original state and condition.

Thereafter, the SPA shall become null and void and be of no further effect and neither party thereto shall have any further claims action or proceedings against the other in respect of or arising out of the SPA, save and except for any claim arising from any antecedent breach and as provided in the SPA.

(ii) Events of default by the Purchaser and consequences under the SPAs:-

In the event that:

1) the Purchaser shall fail to satisfy the sale consideration or any part thereof or to complete the sale and purchase of the Property in accordance with the terms and conditions of the SPA; or

2) the Purchaser fails, neglects or refuses to perform or comply with any of its obligations on its part herein to be performed under the SPA in any material respect and where remediable, fails to remedy the same within 14 business days from the date of a written notice from the Vendor requiring the same to be remedied; or

3) any representation, warranty or undertaking of the Purchaser is not true or accurate or is not complied with in any material respect, or

4) an encumbrancer takes possession of, or a trustee, receiver or similar officer is appointed in respect of, all or any substantial part of the business or assets of the Purchaser; or

5) the Purchaser becomes insolvent;

6) the Purchaser is unable to pay its debts as they fall due, stops or suspends payment of all or a material part of its debts, begins negotiations or takes any proceeding or other steps with a view to readjustment, rescheduling or deferral of all of its borrowed money (or of any part of its borrowings/financing facilities which it will or might otherwise be unable to pay when due) or proposes to make a general assignment or an arrangement or composition with or for the benefit of its creditors or a moratorium is agreed or declared in respect of or affecting all or a part of the borrowings/financing facilities of the Purchaser **(this is applicable to PGSH SPA only)**; or

7) (a) any party takes any action or any legal proceedings are started or other steps taken for the Purchaser to be adjudicated or found insolvent, (b) the winding-up, dissolution of the Purchaser either by an order of a Court of competent jurisdiction or by way of voluntary winding-up save and except to effect a reorganisation of the business of the Purchaser (c) the appointment of a liquidator, trustee receiver or similar officer of the Purchaser over the whole or any part of the Purchaser's or any of its respective undertaking(s), concession, rights or revenues other than a winding-up of the Purchaser for the purpose of amalgamation or reconstruction; or

8) the commencement of any proceedings pursuant to Section 366 of the Companies Act, 2016 in relation to the Purchaser (except for the purpose of and followed by reconstruction, amalgamation or reorganisation which does not in the opinion of the other party have a material adverse effect);

then subject always to the Vendor having observed and fulfilled the provisions of the SPA required on its part to be observed or performed, the Vendor shall give to the Purchaser 45 business days' notice or such later period as the parties may mutually agree to in writing to rectify the alleged breach or default as stipulated in the said notice. For the avoidance of doubt, no remedy period is to be given to the Purchaser in respect of any breach referred to under items (4) to (7) above. In the event that the Purchaser fails to rectify the alleged breach or default within the said 45 business days or such later period as the parties may mutually agree to in writing, the Vendor shall be entitled at the Vendor's sole and absolute discretion to do either of the following (by notice in writing to the Purchaser):-

(a) to require specific performance of the SPA; or

(b) to claim damages for the breach of the SPA by the Purchaser; or

(c) to terminate the SPAs by notice in writing to the Purchaser and the parties shall within 14 business days of receipt by the Purchaser of such written notice do the following at the Purchaser's own cost and expense:

    (aa) the Vendor shall refund to the Purchaser all monies (save and except for the deposit which shall be forfeited by the Vendor as the agreed liquidated damages) received by the Vendor under the SPA (save for any late payment compensation which shall be paid by Purchaser) free of interest;

    (bb) the Purchaser shall return and procure the purchaser's solicitors to return all documents received by the Purchaser and/or the purchaser's solicitors pursuant to the SPA, to the Vendor in their original state and condition (fair wear and tear excepted);

(cc) the Vendor shall return all documents received by the Vendor pursuant to the SPA, to the Purchaser in their original state and condition (fair wear and tear excepted);

(dd) the Purchaser shall withdraw the private caveat over the Property, if the same has been entered into **(this is applicable to PGSH SPA only)**; and

(ee) the Purchaser shall re-deliver the possession of the Property to the Vendor, if the same has been duly delivered to the Purchaser pursuant to the SPA in its original state and condition.

Thereafter, the SPA shall become null and void and be of no further effect and neither party thereto shall have any further claims action or proceedings against the other in respect of or arising out of the SPA, save and except for any claim arising from any antecedent breach and as provided in the SPA.

APPENDIX II: SALIENT TERMS OF THE LEASE AGREEMENTS

The salient terms of the Lease Agreements are as follows:-

(i) The Vendors will respectively enter into a Lease Agreement with ART ("**Lessor**") as follows:-

(a) Pasir Gudang Specialist Hospital Sdn. Bhd. to enter into a lease agreement for the lease of PGSH for a period of 15 years commencing from the date of completion of Proposed Sale of PGSH with an option to renew for another 15 years (at the discretion of the Lessor);

(b) Penang Specialist Hospital Sdn. Bhd. to enter into a lease agreement for the lease of TMC for a period commencing from the date of completion of Proposed Sale of TMC to 30 April 2024 with an option to renew for another 15 years (at the discretion of the Lessor); and

(c) Maharani Specialist Hospital Sdn. Bhd. to enter into a lease agreement for the lease of SSH for a period commencing from the date of completion of Proposed Sale of SSH to 13 October 2024 with an option to renew for another 15 years (at the discretion of the Lessor),

(the period of the respective lease agreements is referred to as "**Contractual Term**").

(ii) The Lessor and the Lessees agree that the Properties shall be used strictly for the purpose of operating a healthcare facility which operation and usage shall not be contrary to Shariah principles.

Conditions Precedent

(i) The Lease Agreement is conditional upon the fulfilment of the following conditions:-

(a) the approval of the shareholders of the Lessee's ultimate holding company, KPJ, being obtained in respect of the Proposed Leaseback;

(b) the approval of the unitholders of Al-`Aqar being obtained in respect of the Proposed Leaseback; and

(c) the completion of the SPAs.

Rent

(i) The rent shall be denominated in Ringgit ("**RM**") and the formula for determination of the rent in the Lease Agreements are as follows:-

PGSH

(a) Rent formula

First Rental Term	Rent Formula
1st year	5.75% per annum x the sale consideration of PGSH ("**Base Rent**").
2nd & 3rd year	2% incremental increase x the rent for the preceding year.

(b) Rent review formula

The rent for every succeeding rental term shall be calculated based on the following formula:-

Succeeding Rental Terms	Rent Review Formula
1st year of every succeeding rental term (Years 4, 7, 10 and 13)	5.75% per annum x Open Market Value of the Properties at the point of review, subject to:- (a) A minimum rent of the Base Rent; and (b) any adjustment to the rent shall not be more than 2.0% incremental increase over the rent for the preceding year.
2nd & 3rd year of every succeeding rental term (Years 5, 6, 8, 9, 11, 12, 14, 15)	2% incremental increase over the rent for the preceding year.

<u>SSH</u>

Rental Term	Rent Formula
1st year (from the date of completion of the Proposed Sale of SSH until 13 October 2023)	5.75% per annum x the sale consideration of SSH
2nd year (from 14 October 2023 until 13 October 2024)	2% incremental increase x the rent for the preceding year.

<u>TMC</u>

Rental Term	Rent Formula
1st year (from the date of completion of the Proposed Sale of TMC until 30 April 2023)	5.75% per annum x the sale consideration of TMC
2nd year (1 May 2023 from until 30 April 2024)	2% incremental increase x the rent for the preceding year.

(ii) The security deposit is equivalent to 2 times prevailing monthly rent to be paid to the Lessor and retained on trust by the Trustee throughout the Contractual Term.

(iii) The Lessor shall during the Contractual Term inter alia:-

(a) pay for all rates, taxes, assessments, duties, charges, impositions, levies and outgoings which in relation to the Properties;

(b) pay for quit rent and assessment of the Properties;

(c) maintain takaful coverage in respect of the Properties and the Lessor's fixtures and fittings, equipment and machinery in the Properties against fire and allied perils;

(d) appoint and pay to the maintenance manager for the maintenance and management services rendered by the maintenance manager; and

(e) be responsible to make good any structural repairs and works necessary to maintain the external and internal structure of the Properties or total replacement of the Lessor's fixtures and fittings attached to the Properties.

(iv) The Lessees shall during the Contractual Term inter alia bear and pay or otherwise be responsible for all costs of all services and maintenance charges (where applicable) including without limitation services charges, utility charges, statutory payments (save for quit rent and assessments), and/or any other payments/ costs related to the Properties that the Lessees are responsible for during the Contractual Term.

(v) The Lessees shall be given first right of refusal, should the Lessor intend to sell the Properties, by way of written notice from the Lessor to sell the Properties at the prevailing/open market value, to which notice the Lessees shall reply within 60 calendar days thereof.

Expansion and New Development

(i) The right for Expansion. Expansion means the construction, renovations and/or refurbishment works within and/or attached Properties, undertaken by the Lessor or Lessees for the purposes of expansion of its business operations resulting:

(a) in the increase of the gross floor area of Properties; and

(b) in the increase of rent pursuant to the Lease Agreement.

The Lessor shall bear the development costs and expenses for, and related to the Expansion ("**Expansion Costs**") and shall be solely responsible to procure the financing for the Expansion.

Notwithstanding the above, subject to the agreement between the parties and in accordance with the Lease Agreement, the Lessees shall have the option to undertake the Expansion and shall bear the Expansion Costs, and the parties agree that the Expansion Costs shall be reimbursed by the Lessor to the Lessees ("**Expansion Reimbursement Costs**") in accordance with the Lease Agreement.

If the expansion results in an increase in the gross floor area, the increase in the monthly rent shall be computed as follows:

Formula: (the rental rate to be agreed between the parties x Expansion Reimbursement Costs or Expansion Costs, as the case may be)/12 calendar months.

(ii) The right for New Development. New Development means the planning, design, and construction of building(s), carpark and/or other structures on the land where the Properties are situated or any part thereof complete with inter alia the interior design, the landscape and the infrastructures related thereto.

The Lessor shall have the option to undertake the New Development and bear the development costs and expenses for, and related to the New Development ("**New Development Costs**") and shall be solely responsible to procure the financing for the New Development.

Notwithstanding the above, subject to the agreement between the parties and in accordance with the Lease Agreement, the Lessees shall have the option to undertake the New Development and bear the New Development Costs, and the parties agree that the New Development shall be acquired by the Lessor from the Lessees in accordance with the Lease Agreement.

The new rent for the New Development shall be governed by the terms and conditions of the new lease agreement or supplemental lease agreement to be entered into between the Lessees, the Lessor and the Manager for the lease of the New Development.

Events of default and Termination

The following are the events of default by the Lessees and consequences under the Lease Agreements:-

(a) a failure or refusal on the part of the Lessee:

(aa) to pay the monthly rent for 2 consecutive calendar months under the terms of the Lease Agreement on the day such payment is required to be made under the terms of the Lease Agreement (whether the same shall have been formally demanded or not); or

(bb) to pay any sum (other than the rent) due under the terms of the Lease Agreement on the day such payment is required to be made under the terms of the Lease Agreement (whether the same shall have been formally demanded or not); or

(cc) to duly observe or perform any of the covenants and conditions and/or agreements of the Lessee contained in the Lease Agreement of which is not capable of being remedied or if capable of being remedied such breach is not remedied by the Lessee within a period of 30 calendar days from the date after receipt of written notice thereof from the Lessor to the Lessee requesting action to remedy the same; or

(b) the Lessee is in breach of any agreement which has a material adverse effect on the business and/or operations of the Lessee and which affects its ability to fulfil its obligations under the Lease Agreement; or

(c) the Lessee shall suffer or do any act or thing whereby the Lessor's and/or the Manager's rights shall or may be prejudiced; or

(d) a judgment is obtained by the Lessee for the purpose of section 466 of the Companies Act 2016 and as such, the Lessee is deemed to be unable to pay its debts as they fall due or suspends or threatens to suspend making payments (whether of principal or other payments) with respect to all or any class of its debts, or any other event set out in section 465 of the Companies Act 2016 occurs or the Lessee commences negotiations or takes or institutes proceedings whether under law or otherwise with a view to obtaining a restraining order against creditors under any law or for adjustment or deferment or compromise or rescheduling of its indebtedness or any part thereof or enters into or makes a general assignment or arrangement or composition with or for the benefit of its creditors or declares a moratorium on the repayment of its indebtedness or part thereof or any creditor of the Lessee assumes management of the Lessee and in the case of any of the events aforementioned, the financial condition of the Lessee or the ability of the Lessee to perform its obligation under the Lease Agreements is materially and adversely affected; or

(e) a petition is presented or an order is made or a resolution is passed or any other action or step is taken by the Lessee for the winding up of the Lessee or a liquidator or trustee or receiver or receiver and manager is appointed over the whole or any part of the assets or rights or revenues or undertaking of the Lessee and the same is not discharged, withdrawn, set aside or discontinued within 30 calendar days; or

(f) the Lessee is unable to pay its debt within the meaning of the Companies Act 2016 which inability may have a material adverse effect;

In the event that the events of default has occurred and is continuing, the Lessor shall be at liberty to take any one or more of the following remedies without being responsible or liable for any loss, damage or expense caused to the Lessee as a consequence of such action:-

(a) serve a forfeiture notice upon the Lessee pursuant to Section 235 of the National Land Code and it is hereby mutually agreed and deemed that the period stipulated in the forfeiture notice shall be 30 calendar days for the occurrence of the event set out in the paragraph above, and where the breach has not been remedied within the stipulated time of 30 calendar days, to re-enter upon the Property or any part thereof in the name of the whole, and thereupon the Lease Agreements shall absolutely terminate;

(b) to claim for the monthly rent and all other sums due and payable as stipulated in the Lease Agreements;

(c) the Lessor shall be entitled to utilise the security deposits pursuant to the Lease Agreement towards payment or reduction of all sums payable by the Lessee under the Lease Agreement without prejudice to the Lessee's liability for any shortfall;

(d) (i) the Lessee shall be liable to pay the Lessor a sum equivalent to the rent for the unexpired period of the Contractual Term as liquidated damages for the loss of rent suffered by the Lessor resulting from termination of the Lease Agreement due to an event of default;

(ii) Notwithstanding the paragraph (d)(i) above, the Lessee shall have an option to source for a replacement lessee or tenant approved by the Lessor for the unexpired period of the Contractual Term (or any part thereof) at such rental and upon such terms and conditions acceptable to the Lessor, and the Lessor shall take all reasonable efforts to lease or let the Property to any other lessees or tenants.

In the event that the Lessor or the Lessee is able to lease or let the Property to any other lessees and tenants at such rental and upon such terms and conditions acceptable to the Lessor, the Lessee shall compensate the Lessor in lump sum for the deficiency between the originally scheduled rent under the Lease Agreement and the rent received or to be received from the other lessees or tenants of the Property for the unexpired period of the Contractual Term. Upon receipt of the first monthly rental of the Property from such replacement lessees and tenants, and save for any antecedent breach of the Lease Agreement, any balance of sum received pursuant to paragraph (d)(i) above shall be returned by the Lessor to the Lessee within 60 calendar days or any other period as agreed between the parties in writing; or

(e) to sue and take any other action that the Lessor deems fit (including remedy of specific performance against the Lessee) to recover all moneys due and owing to the Lessor and the costs and expenses incurred by the Lessor including legal fees (on a solicitor-client basis and on full indemnity basis) of all such actions taken shall be borne by the Lessee.