

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

- (I) PROPOSED SALE AND LEASEBACK; AND**
- (II) PROPOSED LEASE RENEWAL**

**(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)**

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This announcement is dated 27 March 2025 (“**Announcement**”).

**1. INTRODUCTION**

On behalf of the board of directors of KPJ (“**Board**”), AmlInvestment Bank Berhad (“**AmlInvestment Bank**”) wishes to announce that KPJ, through its wholly owned subsidiaries listed in Section 2.1 of this Announcement (“**Subject Subsidiaries**” or either one (1) of them, “**Subject Subsidiary**”), had on 27 March 2025 entered into two (2) separate conditional sale and purchase agreements (“**SPAs**”) with AmanahRaya Trustees Berhad, being the trustee for Al-`Aqar Healthcare REIT (“**Al-`Aqar**”) (“**ART**” or “**Trustee**” or “**Purchaser**”), for the sale of the Disposal Properties (as defined in Section 2.1 of this Announcement) to Al-`Aqar for a total consideration of RM241 million (“**Sale Consideration**”) (“**Proposed Sale**”).

As a condition to the Proposed Sale, each of the Subject Subsidiary will enter into a lease agreement with the Trustee (acting on behalf of Al-`Aqar), and JLG REIT Managers Sdn. Bhd (formerly known as Damansara REIT Managers Sdn. Berhad), being the manager of Al-`Aqar (“**JLGRM**” or “**Manager**”), for the lease of the Disposal Properties as detailed in Section 2.1 of this Announcement, back to the respective Subject Subsidiaries (“**Proposed Leaseback**”) upon the terms and conditions of the lease agreement as agreed between the aforesaid parties (“**Lease Agreements for Proposed Leaseback**”).

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

KPJ also, through its wholly owned subsidiaries listed in Section 4.1 of this Announcement (“**Lease Renewal Subsidiaries**”), proposes to enter into four (4) separate lease renewal agreements with the Trustee (“**Lessor**”) and JLGRM (“**Proposed Lease Renewal**”), to renew the lease of the Lease Renewal Properties (as defined in Section 4.1 of this Announcement) upon the terms and conditions agreed between the aforesaid parties (“**Lease Agreements for Proposed Lease Renewal**”).

The Proposed Sale and Leaseback and Proposed Lease Renewal are collectively referred to as “**Proposals**”.

The Proposals are related party transactions pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) by virtue of the interest of the Directors and the major shareholders of the Company as detailed in Section 12 of this Announcement.

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## 2. PROPOSED SALE AND LEASEBACK

### 2.1 Details of the Proposed Sale

KPJ, through its Subject Subsidiaries, had entered into the SPAs with ART for the sale of the following Disposal Properties (as defined herein):-

| Subject Subsidiaries                                   | Hospital                                       | Disposal Properties                                    | Breakdown of Sale Consideration (RM'000) |
|--------------------------------------------------------|------------------------------------------------|--------------------------------------------------------|------------------------------------------|
| Ampang Puteri Specialist Hospital Sdn. Bhd. ("APSHSB") | KPJ Ampang Puteri Specialist Hospital ("APSH") | New building only <sup>(i)</sup> ("APSH New Building") | 131,000                                  |
| Penang Specialist Hospital Sdn. Bhd. ("PSHSB")         | KPJ Penang Specialist Hospital ("PSH")         | New building only <sup>(i)</sup> ("PSH New Building")  | 110,000                                  |
|                                                        | <b>Total</b>                                   |                                                        | <b>241,000</b>                           |

**Note:-**

- (i) For purposes of clarity, the land(s) on which the Disposal Properties are erected on are currently owned by ART, being the trustee of Al-`Aqar. The Proposed Sale only entails the sale of the beneficial ownership of the Disposal Properties and the Disposal Properties shall be vested and passed to the Purchaser without the necessity of execution of any further transfer instruments.

(Collectively, the properties listed above namely APSH New Building and PSH New Building are to be sold to Al-`Aqar are referred to as "Disposal Properties" and individually, "Disposal Property" and the Subject Subsidiaries are referred to as "Vendors" or "Lessees", whichever is applicable).

The Proposed Sale entails the sale of the Disposal Properties for a Sale Consideration of RM241 million, to be satisfied via cash. A detailed breakdown of the Sale Consideration is set out below:-

| Disposal Properties             | Subject Subsidiaries | Settlement of Sale Consideration<br>RM'mil | Deposit (5%)<br>RM'mil | Balance Sale Consideration (95%)<br>RM'mil |
|---------------------------------|----------------------|--------------------------------------------|------------------------|--------------------------------------------|
| APSH New Building               | APSHSB               | 131.00                                     | 6.55                   | 124.45                                     |
| PSH New Building                | PSHSB                | 110.00                                     | 5.50                   | 104.50                                     |
| <b>Total Sale Consideration</b> |                      | <b>241.00</b>                              | <b>12.05</b>           | <b>228.95</b>                              |

The Sale Consideration shall be payable as follows:-

- (i) The deposit of 5% of the Sale Consideration for each of the Disposal Properties shall be paid by the Purchaser to Point Zone (M) Sdn Bhd, a wholly-owned subsidiary of KPJ, upon the execution of the SPAs.
- (ii) The balance consideration of 95% of the Sale Consideration for each of the Disposal Properties shall be satisfied on or before the expiry of three (3) months from the date the SPAs becoming unconditional ("Completion Date").

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

## 2.2 Information on the Disposal Properties

The details of the Disposal Properties are as follows:-

|                                   | <b>APSH New Building</b>                                                                                                                                                                                                                                 | <b>PSH New Building<sup>(i)</sup></b>                                                                                                                                                                            |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description                       | A new building of a fifteen (15) storey purpose-built private specialist hospital building incorporating four (4) levels of elevated car parks together with two (2) levels of basement car park and a single-storey refuse chamber situated within APSH | A new building of an annexed purpose-built ten (10) storey private hospital building together with a two (2) storey mechanical and electrical (M&E) building and a single-storey guard house situated within PSH |
| Address                           | HS(M) 26550, PT 25119, Mukim of Ampang, Daerah of Ulu Langat, Negeri Selangor Darul Ehsan, bearing postal address APSH, No 1, Jalan Memanda 9, Taman Dato' Ahmad Razali, 68000 Ampang, Selangor Darul Ehsan                                              | Geran Mukim 1453, Lot 10150, Mukim 7, Daerah of Seberang Perai Tengah, Negeri Pulau Pinang, bearing postal address PSH, No. 570, Jalan Perda Utama, Bandar Perda, 14000 Bukit Mertajam, Pulau Pinang             |
| Existing use                      | Private hospital                                                                                                                                                                                                                                         | Private hospital                                                                                                                                                                                                 |
| Category of land use              | Building                                                                                                                                                                                                                                                 | Building                                                                                                                                                                                                         |
| Express condition(s)              | <i>Bangunan Perniagaan</i>                                                                                                                                                                                                                               | <i>Tanah yang diberimilik ini hendaklah digunakan untuk tujuan tapak hospital sahaja</i>                                                                                                                         |
| Tenure                            | 99-year leasehold interest expiring on 17 April 2089                                                                                                                                                                                                     | Interest in perpetuity                                                                                                                                                                                           |
| Age of Building                   | 5.37 years                                                                                                                                                                                                                                               | 2.56 years                                                                                                                                                                                                       |
| Gross floor area                  | 516,867 sq. ft. (including car park area)                                                                                                                                                                                                                | 228,568 sq. ft.                                                                                                                                                                                                  |
| Occupancy Status                  | Currently being 100% occupied and is operated by APSHSB                                                                                                                                                                                                  | Currently being 100% occupied and is operated by PSHSB                                                                                                                                                           |
| Net Book Value @ 31 December 2023 | RM122.5 million                                                                                                                                                                                                                                          | RM108.1 million                                                                                                                                                                                                  |
| Market Value <sup>(ii)</sup>      | RM131.0 million                                                                                                                                                                                                                                          | RM110.0 million                                                                                                                                                                                                  |
| Date of investment                | 3 January 2020                                                                                                                                                                                                                                           | 11 August 2022                                                                                                                                                                                                   |
| Original cost of investment       | RM134.9 million                                                                                                                                                                                                                                          | RM110.1 million                                                                                                                                                                                                  |
| Encumbrances                      | Charged by ART to Maybank Investment Bank Berhad, registered on 11 May 2022                                                                                                                                                                              | Nil<br>Private Caveat lodged by Maybank Investment Bank Berhad on 5 May 2021 (this is for endorsement)                                                                                                           |

(Source: KPJ Management)

**Notes:-**

- (i) *In respect of PSH New Building, since PSH New Building is the expansion/new development of PSH and both are situated on the same plot of land bearing land title particulars Geran Mukim 1453, Lot 10150, Mukim 7, Daerah Seberang Perai Tengah, Negeri Pulau Pinang, ART, being the trustee for and on behalf of Al- Aqar, and JLGRM, being the manager of Al- Aqar, and PSHSB have mutually agreed that the leaseback of PSH New Building and the renewal of PSH for the contractual term of fifteen (15) years with an option to renew/extend for another fifteen (15) years shall be covered under a single lease agreement. Notwithstanding this, in the event that the Proposed Sale for PSH New Building is not approved under Section 11 of this Announcement, then the lease agreement shall be adopted for the Proposed Lease Renewal of PSH only.*
- (ii) *The market value as ascribed by Messrs Cheston International (KL) Sdn. Bhd, the Independent Valuer (“Cheston” or “Independent Valuer”) based on the valuation report dated 25 March 2025.*

## **2.3 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 Disposal Properties amounting to RM241 million, as ascribed by the Independent Valuer, vide the valuation report dated 25 March 2025.

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

| <b>Hospital</b>   | <b>Market value<br/>(RM'mil)</b> | <b>Valuation method</b>              |
|-------------------|----------------------------------|--------------------------------------|
| APSH New Building | 131.0                            | Depreciated Replacement Cost (“DRC”) |
| PSH New Building  | 110.0                            | DRC                                  |

*(Source: Cheston’s valuation report dated 25 March 2025)*

The DRC method is a method where an estimate is made on the new replacement cost but allowed for depreciation. The depreciated replacement cost method is derived from the gross current reproduction/ replacement cost and deducting therefrom the accrued depreciation comprising physical, functional and economical obsolescence.

The Independent Valuer has adopted the DRC method as the sole valuation methodology for the Disposal Properties as other valuation methodologies are deemed inappropriate as they include the land component. The Disposal Properties comprise unsold building components only. The Disposal Properties’ operations are carried out together with the respective existing medical centres (old blocks) operated by KPJ Group and the profit and loss accounts are accounted and recorded as a single entity. It is difficult to segregate / apportion the Disposal Properties’ income and expenses. Insufficient and inaccurate data may lead to contorted outcome on the market values derived from Income Approach by Profits Method (DCF).

## **2.4 Assumption of liabilities**

There are no other liabilities, including contingent liabilities and guarantees, to be assumed by KPJ arising from the Proposed Sale, save for the obligations and liabilities of KPJ pursuant to the SPA.

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## 2.5 Utilisation of proceeds

The cash proceeds arising from the Proposed Sale of RM241 million is proposed to be utilised in the following manner:-

| Details of utilisation                                 | Notes | Expected utilisation timeframe from Completion Date | Amount<br>RM'000 |
|--------------------------------------------------------|-------|-----------------------------------------------------|------------------|
| Repayment of bank facilities                           | (i)   | Within twelve (12) months                           | 100,000          |
| Working capital                                        | (ii)  | Within twelve (12) months                           | 139,000          |
| Estimated expenses for the Proposed Sale and Leaseback | (iii) | Within one (1) month                                | 2,000            |
| <b>Total</b>                                           |       |                                                     | <b>241,000</b>   |

**Notes:-**

- (i) As at 31 December 2024, KPJ's total bank borrowings stood at approximately RM1,676 million. The proceeds to be used for repayment of bank facilities are for early repayment of a banking facility. The interest savings is expected to be RM4.54 million a year based on profit rate of 4.54% per annum.
- (ii) The proceeds earmarked for the general working capital are intended to be utilised for the hospitals' day to day operation expenses which include, amongst others, payment to suppliers for the purchase of drugs and medical supplies, statutory and administrative payments, staff cost and office related expenses.
- (iii) The estimated expenses for the Proposed Sale and Leaseback include, amongst others, expenses relating to stamp duties, fees for the appointment of solicitors, Independent Valuer and principal adviser.

Pending utilisation of the proceeds from the Proposed Sale, the proceeds will be placed in profit-bearing deposits with financial institutions.

## 3. PROPOSED LEASEBACK

The Trustee (acting as trustee for and on behalf of Al-`Aqar) and the Manager, shall, concurrently with the execution of the SPA, sign in escrow the respective Lease Agreements for the Proposed Leaseback with the Subject Subsidiaries, wherein Al-`Aqar shall lease the Disposal Properties back to the Subject Subsidiaries subject to the terms and conditions of the Lease Agreements for Proposed Leaseback.

The Proposed Leaseback is for a period of eleven (11) years commencing from the date of completion of the Proposed Sale with an option to renew for another fifteen (15) years in respect of APSH New Building and for a period of fifteen (15) years commencing from the date of completion of the Proposed Sale with an option to renew for another fifteen (15) years in respect of PSH New Building.

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

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The rent shall be denominated in Ringgit Malaysia (“**RM**”) and the formula for determination of the rent in the Lease Agreements for Proposed Leaseback are as follows:-

APSH New Building

(i) Rent formula

| <u>First Rental Term</u>                    | <u>Rent Formula</u>                                                                                                                                                  |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 <sup>st</sup> year                        | 6.25% per annum x open market value of the Disposal Property (“ <b>Base Rent</b> ”). For the avoidance of doubt, the Base Rent for APSH New Building is RM8,187,500. |
| 2 <sup>nd</sup> year & 3 <sup>rd</sup> year | 2.00% incremental increase x the rent for the preceding year.                                                                                                        |

(ii) Rent review formula

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

| <u>Succeeding Rental Terms</u>                                                                | <u>Rent Review Formula</u>                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 <sup>st</sup> year of every succeeding rental term (Years 4, 7 and 10)                      | 6.25% per annum x open market value of the Disposal Property at the point of review, subject to:-<br><br>(a) a minimum rent of the Base Rent; and<br><br>(b) any adjustment to the rent shall not be more than 2.00% incremental increase over the rent for the preceding year. |
| 2 <sup>nd</sup> & 3 <sup>rd</sup> year of every succeeding rental term (Years 5, 6, 8, 9, 11) | 2.00% incremental increase over the rent for the preceding year.                                                                                                                                                                                                                |

PSH New Building

(i) Rent formula

| <u>First Rental Term</u>                    | <u>Rent Formula</u>                                                                                                                                                 |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 <sup>st</sup> year                        | 6.25% per annum x open market value of the Disposal Property (“ <b>Base Rent</b> ”). For the avoidance of doubt, the Base Rent for PSH New Building is RM6,875,000. |
| 2 <sup>nd</sup> year & 3 <sup>rd</sup> year | 2.00% incremental increase x the rent for the preceding year                                                                                                        |

(ii) Rent review formula

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

| <u>Succeeding Rental Terms</u>                                               | <u>Rent Review Formula</u>                                                                                                                        |
|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 <sup>st</sup> year of every succeeding rental term (Years 4, 7, 10 and 13) | 6.25% per annum x open market value of the Disposal Property at the point of review, subject to:-<br><br>(a) a minimum rent of the Base Rent; and |

**Succeeding Rental Terms****Rent Review Formula**

|                                                                                                           |                                                                                                                        |
|-----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
|                                                                                                           | (b) any adjustment to the rent shall not be more than 2.00% incremental increase over the rent for the preceding year. |
| 2 <sup>nd</sup> & 3 <sup>rd</sup> year of every succeeding rental term (Years 5, 6, 8, 9, 11, 12, 14, 15) | 2.00% incremental increase over the rent for the preceding year.                                                       |

The salient terms of the Lease Agreements for Proposed Leaseback are disclosed in **Appendix II(A)** of this Announcement.

#### 4. PROPOSED LEASE RENEWAL

##### 4.1 Details of the Proposed Lease Renewal

The Lease Renewal Subsidiaries had, on the following dates entered into lease agreements with the Lessor, being the trustee for and on behalf of Al-Aqar to lease the properties held by Al-Aqar in relation to the Lease Renewal Properties (as defined below) ("**Principal Lease Agreements**"):-

| <b>Lease Renewal Properties</b>                                | <b>Date of Principal Lease Agreement</b> |
|----------------------------------------------------------------|------------------------------------------|
| PSH                                                            | 14 October 2009                          |
| Taiping Medical Centre                                         | 1 May 2009                               |
| TMC Health Centre                                              | 23 December 2022                         |
| KPJ Seremban Specialist Hospital (" <b>SSH</b> ") Old Building | 14 October 2009                          |
| SSH New Building                                               | 23 December 2022                         |
| SSH Vacant Land                                                | 30 November 2017                         |
| KPJ Healthcare University (" <b>KPJU</b> ")                    | 1 May 2009                               |
| KPJ International College, Bukit Mertajam (" <b>KPJIC</b> ")   | 14 October 2009                          |

(PSH, Taiping Medical Centre, TMC Health Centre, SSH Old Building, SSH New Building, SSH Vacant Land, KPJU and KPJIC are collectively referred to as "**Lease Renewal Properties**", and either one of them is referred to as "**Lease Renewal Property**").

The Lessor had, on 5 July 2024, received a letter from KPJ requesting for an extension of the extended contractual term for a further period of up to 8 months until 31 December 2024.

On 25 November 2024, PSHSB and Maharani Specialist Hospital Sdn Bhd ("**MSHSB**"), the Trustee and the Manager had entered into the memorandums of extension for PSH, Taiping Medical Centre, TMC Health Centre and SSH (SSH Old Building, SSH New Building and SSH Vacant Land (as defined in Section 4.2 of this Announcement)) respectively, to extend their lease periods for a further period until 31 December 2024.

On 10 February 2025, KPJ Healthcare University Sdn Bhd (formerly known as KPJ Healthcare University College Sdn Bhd) ("**KPJUSB**"), the Trustee and the Manager had entered into two (2) separate memorandums of extension for KPJU and KPJIC, to extend their lease period for a further period until 31 December 2024.

(The memorandums of extension for the Lease Renewal Properties are collectively referred to as "**Memorandums of Extension**" or either one of them, "**Memorandum of Extension**")

Subsequently, KPJ had on 21 February 2025 requested for a further extension of the extended contractual term for a further period of up to 7 months, starting from 1 January 2025 to 31 July 2025.

On 25 March 2025, the Lease Renewal Subsidiaries, the Trustee and the Manager had entered into separate second memorandums of extension for the respective Lease Renewal Properties to amend and vary the terms of the Memorandums of Extension pending the execution of the Lease Agreements and further extend the lease period from 1 January 2025 and expiring on 23 June 2025 with a further extension until 31 July 2025 (collectively, “**Second Memorandums of Extension**” or either one of them, “**Second Memorandum of Extension**”).

The monthly rent payable under the Memorandums of Extension and Second Memorandums of Extension is equivalent to the respective rent amount of the final month under the Initial Contractual Term (as stated in the table below):

| Lease Renewal Subsidiaries | Lease Renewal Properties    | Initial Contractual Term           | Monthly rent payable under the extended contractual term RM | Total rent payable for the extended contractual term RM |
|----------------------------|-----------------------------|------------------------------------|-------------------------------------------------------------|---------------------------------------------------------|
| <b>PSHSB</b>               | (i) PSH                     | 14 October 2009 - 13 October 2024  | 393,964.80                                                  | 3,782,062.40                                            |
|                            | (ii) Taiping Medical Centre | 1 May 2009 - 30 April 2024         | 64,019.28                                                   | 960,289.20                                              |
|                            | (iii) TMC Health Centre     | 23 December 2022 - 30 April 2024   | 69,891.25                                                   | 1,048,368.75                                            |
| <b>MSHSB</b>               | (i) SSH Old Building        | 14 October 2009 - 13 October 2024  | 415,939.08                                                  | 3,993,015.17                                            |
|                            | (ii) SSH New Building       | 23 December 2022 - 13 October 2024 | 413,971.25                                                  | 3,974,124.00                                            |
|                            | (iii) SSH Vacant Land       | 5 November 2015 - 13 October 2024  | 36,934.20                                                   | 354,568.32                                              |
| <b>KPJUSB</b>              | (i) KPJU                    | 1 May 2009 - 30 April 2024         | 116,958.30                                                  | 1,754,374.50                                            |
|                            | (ii) KPJIC                  | 14 October 2009 - 13 October 2024  | 86,795.37                                                   | 833,235.55                                              |

(collectively, the Lease Renewal Subsidiaries are referred to as “**Lessees**”, and either one of them is referred to as “**Lessee**”).

The rent shall be denominated in RM and the formula for determination of the rent in the Lease Agreements for Proposed Lease Renewal are as follows:-

#### PSH, TMC and SSH

##### (i) Rent formula

| First Rental Term    | Rent Formula                                                                                |
|----------------------|---------------------------------------------------------------------------------------------|
| 1 <sup>st</sup> year | 6.25% per annum x open market value of the Lease Renewal Properties (“ <b>Base Rent</b> ”). |

For the avoidance of doubt, the Base Rent are as follows:-

| <b>First Rental Term</b>                    | <b>Rent Formula</b>                                                         |
|---------------------------------------------|-----------------------------------------------------------------------------|
|                                             | (a) PSH is RM4,218,750<br>(b) TMC is RM1,437,500<br>(c) SSH is RM10,312,500 |
| 2 <sup>nd</sup> year & 3 <sup>rd</sup> year | 2.00% incremental increase x the rent for the preceding year.               |

#### PSH and SSH

##### (ii) Rent review formula

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

| <b>Succeeding Rental Terms</b>                                                                            | <b>Rent Review Formula</b>                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 <sup>st</sup> year of every succeeding rental term (Years 4, 7, 10 and 13)                              | 6.25% per annum x open market value of the Lease Renewal Properties at the point of review, subject to:-<br>(a) a minimum rent of the Base Rent; and<br>(b) any adjustment to the rent shall not be more than 2.00% incremental increase over the rent for the preceding year. |
| 2 <sup>nd</sup> & 3 <sup>rd</sup> year of every succeeding rental term (Years 5, 6, 8, 9, 11, 12, 14, 15) | 2.00% incremental increase over the rent for the preceding year.                                                                                                                                                                                                               |

#### TMC

##### (i) Rent formula

| <b>Succeeding Rental Terms</b>                                | <b>Rent Review Formula</b>                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 <sup>st</sup> year of the succeeding rental term (Year 4)   | 6.25% per annum x open market value of the Lease Renewal Properties at the point of review, subject to:-<br>(a) a minimum rent of the Base Rent; and<br>(b) any adjustment to the rent shall not be more than 2.00% incremental increase over the rent for the preceding year. |
| 2 <sup>nd</sup> year of every succeeding rental term (Year 5) | 2.00% incremental increase over the rent for the preceding year.                                                                                                                                                                                                               |

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#### KPJU

(i) Rent formula

| <b>First Rental Term</b>                    | <b>Rent Formula</b>                                                                                                                                            |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 <sup>st</sup> year                        | 6.25% per annum x open market value of the Lease Renewal Properties (" <b>Base Rent</b> "). For the avoidance of doubt, the Base Rent for KPJU is RM1,606,250. |
| 2 <sup>nd</sup> year & 3 <sup>rd</sup> year | 2.00% incremental increase x the rent for the preceding year.                                                                                                  |

(ii) Rent review formula

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

| <b>Succeeding Rental Terms</b>                                                                        | <b>Rent Review Formula</b>                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 <sup>st</sup> year of the succeeding rental term (Year 4)                                           | 6.25% per annum x open market value of the Lease Renewal Properties at the point of review, subject to:-<br><br>(a) a minimum rent of the Base Rent; and<br><br>(b) any adjustment to the rent shall not be more than 2.00% incremental increase over the rent for the preceding year. |
| 2 <sup>nd</sup> & 3 <sup>rd</sup> year of every succeeding rental term (Year 5 plus eight (8) months) | 2.00% incremental increase x the rent for the preceding year.                                                                                                                                                                                                                          |

#### KPJIC

(i) Rent formula

| <b>First Rental Term</b> | <b>Rent Formula</b>                                                                                                                                           |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 <sup>st</sup> year     | 6.25% per annum x open market value of the Lease Renewal Properties (" <b>Base Rent</b> "). For the avoidance of doubt, the Base Rent for KPJIC is RM959,375. |
| 2 <sup>nd</sup> year     | 2.00% incremental increase x the rent for the preceding year.                                                                                                 |

The salient terms of the Lease Agreements for Proposed Lease Renewal are disclosed in **Appendix II(B)** of this Announcement.

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## 4.2 Information on the Lease Renewal Properties

The details of the Lease Renewal Properties are as follows:-

|             | <b>PSH<sup>(i)</sup></b>                                                                                                                                                                                                 | <b>TMC</b>                                                                                                                                                                                                                                                                                                                | <b>SSH</b>                                                                                                                                                                                                                                                                                                                                                                                                            | <b>KPJU</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>KPJIC</b>                                                                                                                                                                                                                                                                     |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description | A five (5) storey main hospital building known as KPJ Penang Specialist Hospital                                                                                                                                         | <b>(i) Taiping Medical Centre</b><br>A four (4) storey main hospital building known as Taiping Medical Centre<br><br><b>(ii) TMC Health Centre</b><br>A four (4) storey ambulatory care centre known as TMC Health Centre                                                                                                 | <b>(i) SSH Old Building</b><br>A five (5) storey purpose-built private specialist hospital building with a basement level known as KPJ Seremban Specialist Hospital<br><br><b>(ii) SSH New Building</b><br>An eight (8) storey private consultant block and an annexed six (6) storey private specialist hospital building with a ground floor car park<br><br><b>(iii) SSH Vacant Land</b><br>A piece of vacant land | An institutional premises comprising part of a parcel of commercial land erected with a three (3) storey administrative cum academic block, two double (2) storey lecture halls, a single-storey cafeteria, a guard house and a refuse compartment and part of a parcel of residential land erected with a five (5) storey walk-up apartment block (students' hostel), two (2) guard houses and a refuse compartment (Phase 1 of Nilai Campus) known as KPJ Healthcare University. | A six (6) storey institutional building together with a basement level known as KPJ International College Of Nursing And Health Science                                                                                                                                          |
| Address     | Geran Mukim 1453, Lot 10150, situated within Mukim 7, Daerah of Seberang Perai Tengah, in the State of Pulau Pinang bearing postal address PSH, No. 570, Perda Utama, Bandar Perda, 14000, Bukit Mertajam, Pulau Pinang. | (i) PN 235465 — PN 235468 (inclusive), PN 235470, PN 235471 and Lot Nos. 3102-3107 (inclusive) situated within Bandar Taiping, Daerah of Larut & Matang, in the State of Perak bearing the postal address Premises No. 39, 41, 43, 45, 47 & 49, Jalan Medan Taiping 2, Medan Taiping, 34000 Taiping, Perak Darul Ridzuan. | Geran 277698, Lot 50604 Seksyen 2, situated within Pekan Bukit Kepayang, Daerah of Seremban, in the State of Negeri Sembilan bearing postal address Lot 6219 & Lot 6220, Jalan Toman 1, Kemayan Square, 70200 Seremban, Negeri Sembilan Darul Khusus.                                                                                                                                                                 | (i) HSD 246826, Lot PT 551 and (ii) HSD 246827, Lot PT 552, both situated within Bandar Baru Kota Sri Mas, Daerah of Seremban, in the State of Negeri Sembilan bearing postal address Lot PT 17010, Persiaran Seriemas, Kota Seriemas, 71800 Nilai, Negeri Sembilan Darul Khusus                                                                                                                                                                                                   | (i) GRN 179267, Lot 10093 Seksyen 5, and (ii) GRN 41544, Lot 55 Seksyen 5; both situated within Bandar Bukit Mertajam; Daerah of Seberang Perai Tengah, in the State of Pulau Pinang and bearing postal address No. 565, Jalan Sungai Rambai, 14000 Bukit Mertajam, Pulau Pinang |

|                                             | <b>PSH<sup>(i)</sup></b>                                               | <b>TMC</b>                                                                                                                                                                                          | <b>SSH</b>                                                                                                                                                                                                          | <b>KPJU</b>                                                                                                                                                                                         | <b>KPJIC</b>                                                                                                 |
|---------------------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
|                                             |                                                                        | (ii) PN 361304 Lot No. 3140, situated within Bandar Taiping, Daerah of Larut & Matang, in the State of Perak bearing postal address T/K PT 1106, Medan Taiping, 34000 Taiping, Perak Darul Ridzuan. |                                                                                                                                                                                                                     |                                                                                                                                                                                                     |                                                                                                              |
| Tenure                                      | Interest in perpetuity                                                 | (i) 99 years leasehold expiring on 25 July 2088, in respect of all titles<br><br>(ii) 99 years leasehold expiring on 25 July 2088                                                                   | Interest in perpetuity                                                                                                                                                                                              | Interest in perpetuity, in respect of both titles                                                                                                                                                   | Interest in perpetuity, in respect of both titles                                                            |
| Gross floor area                            | 167,667.20 sq. ft.                                                     | (i) 40,858.00 sq. ft.<br>(ii) 32,273.28 sq. ft.                                                                                                                                                     | 410,893.67 sq. ft. (including car park area)                                                                                                                                                                        | 120,771.00 sq. ft.                                                                                                                                                                                  | 42,989.00 sq. ft.                                                                                            |
| Age of the building                         | North Wing : 15.93 years                                               | (i) 23.91 years<br>(ii) 6.44 years                                                                                                                                                                  | (i) 20.39 years<br>(ii) 6.26 years                                                                                                                                                                                  | 19 years                                                                                                                                                                                            | 29.95 years                                                                                                  |
| Net book value <sup>(ii)</sup>              | RM65.0 million                                                         | RM22.5 million                                                                                                                                                                                      | RM160.0 million                                                                                                                                                                                                     | RM102.0 million                                                                                                                                                                                     | RM14.0 million                                                                                               |
| Market value <sup>(iii)</sup>               | RM67.5 million                                                         | RM23.0 million                                                                                                                                                                                      | RM165.0 million                                                                                                                                                                                                     | RM25.7 million                                                                                                                                                                                      | RM15.35 million                                                                                              |
| Encumbrances/<br>Restraint of<br>Dealing(s) | Private caveat lodged by Maybank Investment Bank Berhad on 5 May 2021. | (i) Private caveat lodged by CIMB Islamic Bank Berhad on 13 December 2022 on all titles.<br><br>(ii) Charged by ART to CIMB Islamic Bank Berhad, registered on 4 April 2023 of all the titles.      | (i) Private caveat lodged by CIMB Islamic Bank Berhad on 13 December 2022.<br><br>(ii) Lienholder's caveat lodged by CIMB Islamic Bank Berhad on 13 December 2022.<br><br>(iii) Charged by ART to CIMB Islamic Bank | In respect of HSD 246826 PT 551:-<br>(i) Private caveat lodged by OCBC Al-Amin Bank Berhad on 11 December 2019; and<br><br>(ii) Charged by ART to OCBC Al-Amin Berhad, registered on 10 March 2020. | Private caveat lodged by OCBC Al-Amin Bank Berhad registered on 25 November 2020, in respect of both titles. |

| PSH <sup>(i)</sup> | TMC | SSH                                  | KPJU                                                                                                            | KPJIC |
|--------------------|-----|--------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------|
|                    |     | Berhad, registered on 31 March 2023. | In respect of HSD 246827 PT 552:-<br>Private caveat was lodged by OCBC Al-Amin Bank Berhad on 25 November 2020. |       |

**Notes:-**

- (i) *In respect of PSH New Building, since PSH New Building is the expansion/new development of PSH and both are situated on the same plot of land bearing land title particulars Geran Mukim 1453, Lot 10150, Mukim 7, Daerah of Seberang Perai Tengah, Negeri Pulau Pinang, ART, being the trustee for and on behalf of Al-`Aqar, and JLGRM, being the manager of Al-`Aqar, and PSHSB have mutually agreed that the leaseback of PSH New Building and the renewal of PSH for the contractual term of fifteen (15) years with an option to renew/extend for another fifteen (15) years shall be covered under a single lease agreement. Notwithstanding this, in the event that the Proposed Sale for PSH New Building is not approved under Section 11 of this Announcement, then the lease agreement shall be adopted for the Proposed Lease Renewal of PSH only.*
- (ii) *Based on the fair values of the Lease Renewal Properties as reported in Al-`Aqar's Annual Report for the financial year ended ("FY") 31 December 2023.*
- (iii) *The market value as ascribed by the Independent Valuer based on the valuation report as at 25 March 2025.*

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## 5. BASIS AND JUSTIFICATION FOR THE RENTAL RATE FOR THE PROPOSALS

KPJ had appointed Cheston as the Independent Valuer for the Proposals. The gross rental of the first year of the initial term is 6.25% x the market value of the Disposal Properties and Lease Renewal Properties. The net rental yield for the Disposal Properties and Lease Renewal Properties are estimated to be 5.93% and 5.85%, respectively (after deducting direct expenses to the Disposal Properties and Lease Renewal Properties which include assessment, takaful, maintenance and quit rent to be borne by Al-`Aqar). 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 listed on Bursa Securities ("**Listed REITs**") which ranges from 2.08% to 8.64% between 2022 and 2023 (Source: Listed REITs' circulars on [www.bursamalaysia.com](http://www.bursamalaysia.com)); and
- (ii) The Independent Valuer is of the view that in light of net rental yields of commercial properties and other KPJ's medical centres as set out below and after taking into consideration of, amongst others, the current state of the subdued global economy, moderate Malaysian economy, sustained Malaysian property market, potential healthcare industry, the current cost of financing and short to long term securities rates, the fair net rental yields of the Disposal Properties and Lease Renewal Properties are between 5.5% to 6.5%.

- (a) net rental yields of other commercial buildings transacted between 2019 to 2023 are as follows:-

| <b>Properties</b>     | <b>Net rental yields</b> |
|-----------------------|--------------------------|
| UOA Corporate Tower   | 5.0%                     |
| The Pinnacle Sunway   | 6.3%                     |
| Menara Guoco          | 5.6%                     |
| IGB Commercial REIT   | 3.16% - 5.47%.           |
| Sunway Medical Centre | 6.2%                     |
| Menara CelcomDigi     | 6.5%                     |

- (b) net rental yields of other KPJ's medical centres which were recently being renewed as follows:-

| <b>Properties</b>                                                                                                                                             | <b>Net rental yields</b> | <b>Rental psf (net lettable area)</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------|
| APSH / KPJ Damansara Specialist Hospital / KPJ Johor Specialist Hospital / KPJ Puteri Specialist Hospital / SSH / KPJ Ipoh Specialist Hospital                | 5.30%                    | RM2.17 psf – RM2.98 psf               |
| KPJ Pasir Gudang Specialist Hospital                                                                                                                          | 5.30%                    | RM3.04 psf                            |
| KPJ Kajang Specialist Hospital / KPJ Perdana Specialist Hospital / KPJ Sentosa KL Specialist Hospital / Kuantan Care & Wellness Centre / Kedah Medical Centre | 5.10% - 5.93%            | RM2.21 psf – RM2.90 psf               |

The 2.00% 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 2.20% (excluding the year 2020 which is a negative). (Source: Bloomberg)

## 6. INFORMATION ON THE PURCHASER / LESSOR

### **Information on ART**

ART, a subsidiary of Amanah Raya Berhad, was incorporated under the laws of Malaysia on 23 March 2007.

ART was registered as a trusted company under the Trust Companies Act 1949 and eligible to act as trustee to collective investment schemes, corporate bonds and private retirement schemes by the Securities Commission Malaysia.

As at 28 February 2025, being the latest practicable date of this Announcement (“**LPD**”), the directors of ART are Dato’ Professor Dr Noor Inayah Binti Ya’akub, Dato’ Haji Che Pee Bin Samsudin, Datuk Ismail Bin Kamaruddin, Haliza Aini Binti Othman, Ahmad Feizal bin Sulaiman Khan and Yap Ngee Heong (alternate Director to Ahmad Feizal bin Sulaiman Khan).

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

Al-`Aqar is a real estate investment trust with an existing fund size of 839,597,757 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-purpose companies whose principal assets comprise the real estate.

Al-`Aqar was established in Malaysia on 27 June 2006 under the trust deed dated 27 June 2006 entered into between JLGRM and ART. Al-`Aqar was listed on the Main Market of Bursa Securities on 10 August 2006.

As at LPD, the management company of Al-`Aqar is JLGRM. The Manager was incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016 (“**Act**”) under the name of Ultimate Benchmark Sdn Bhd on 8 December 2005 and assumed the name of “Damansara REIT Managers Sdn. Berhad” on 15 March 2006. Thereafter, the Manager had assumed its present name “JLG REIT Managers Sdn. Bhd.” on 24 February 2025. The issued and fully paid-up share capital of the Manager as at LPD is RM1.0 million. JLGRM is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, which in turn is a wholly-owned subsidiary of Johor Corporation (“**JCorp**”).

### **Directors of Al-`Aqar**

| <b>Name</b>                              | <b>Position</b>                        |
|------------------------------------------|----------------------------------------|
| Datuk Hashim Bin Wahir                   | Independent Non-Executive Chairman     |
| Abdullah Bin Abu Samah                   | Independent Non-Executive Director     |
| Lailatul Azma Binti Abdullah             | Independent Non-Executive Director     |
| Datuk Sr Akmal Bin Ahmad                 | Non-Independent Non-Executive Director |
| Shamsul Anuar Bin Abdul Majid            | Non-Independent Non-Executive Director |
| Dato Mohammed Ridha Bin Abd Kadir        | Non-Independent Non-Executive Director |
| Goh Tian Sui                             | Independent Non-Executive Director     |
| Datin Ungku Suseelawati Binti Ungku Omar | Independent Non-Executive Director     |

### **Substantial unitholders of Al-`Aqar**

| Name                                    | Unit holdings |      |              |                      |
|-----------------------------------------|---------------|------|--------------|----------------------|
|                                         | Direct        |      | Indirect     |                      |
|                                         | No. of Units  |      | No. of Units |                      |
|                                         | ('000)        | %    | ('000)       | %                    |
| JCorp                                   | -             | -    | 323,001      | <sup>(i)</sup> 38.5  |
| KPJ                                     | 28,259        | 3.4  | 276,316      | <sup>(ii)</sup> 32.9 |
| Lembaga Tabung Haji                     | 122,718       | 14.6 | -            | -                    |
| Employees Provident Fund                | 110,715       | 13.2 | -            | -                    |
| Kumpulan Wang Persaraan (Diperbadankan) | 65,296        | 7.8  | -            | -                    |
| Pusat Pakar Tawakal Sdn Bhd             | 54,649        | 6.5  | -            | -                    |
| Amanah Saham Bumiputera                 | 46,000        | 5.5  | -            | -                    |

**Notes:-**

- (i) Deemed Interested by virtue of interest in KPJ and Johor Ventures Sdn. Bhd. under Section 8 of the Act.
- (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>.

## **7. INFORMATION ON THE VENDOR / LESSEE**

### **Information on APSHSB**

APSHSB, an indirect wholly-owned subsidiary of KPJ, is a company incorporated in Malaysia under the Act on 25 February 1984 as a private company limited by shares. The principal activity of APSHSB is to establish and operate a specialist medical centre. As at LPD, the issued share capital of APSHSB is RM30,100,000 comprising 30,000,000 ordinary shares and 100,000 preference shares.

As at LPD, the directors of APSHSB are Dato' Dr. Abd Wahab bin Abd Ghani, Dato' Mohamad Farid bin Salim and Hoo Ling Lee.

### **Information on PSHSB**

PSHSB, an indirect wholly-owned subsidiary of KPJ, is a company incorporated in Malaysia under the Act on 29 July 2005 as a private company limited by shares. The principal activity of PSHSB is operating a private hospital and providing ancillary healthcare services. As at LPD, the issued share capital of PSHSB is RM20,000,000 comprising 20,000,000 ordinary shares.

As at the LPD, the directors of PSHSB are Dato' Mohamad Farid bin Salim, Zabidi bin Hj Abdul Razak and Wan Najmi bin Wan Daud.

### **Information on MSHSB**

MSHSB, an indirect wholly-owned subsidiary of KPJ, is a company incorporated in Malaysia under the Act on 18 November 1995 as a private company limited by shares. The principal activity of MSHSB is operation of a specialist medical centre. As at the LPD, the issued share capital of MSHSB is RM55,000,000 comprising 55,000,000 ordinary shares.

As at the LPD, the directors of MSHSB are Mohd Azhar bin Abdullah, Nor Aidil Ikram bin Muhamad, Mohamed Ahsan bin Mohamed Ismail, Mohamad Sofian bin Ismail, Dato' Mohamad Farid bin Salim, Muhamad Amin bin Othman, and Maisarah binti Omar.

### **Information on KPJUSB**

KPJUSB, an indirect wholly-owned subsidiary of KPJ, is a company incorporated in Malaysia under the Act on 9 December 1992 as a private company limited by shares. The principal activity of KPJUSB is operating a private university college of nursing and allied health. As at LPD, the issued share capital of KPJUSB is RM60,879,438 comprising 60,879,438 ordinary shares.

As at the LPD, the directors of KPJUSB are Professor Emeritus Dato' Dr. Azizi bin Hj Omar, Associate Professor (C) Dato' Dr. Azlin bin Azizan, Dr. Nik Fawaz bin Nik Abdul Aziz, Dato' Mohd Redza Shah bin Abdul Wahid, Datuk Syed Mohamed bin Syed Ibrahim, Khairuddin bin Jaflus, Professor Datuk Dr. Zulkifli bin Ismail, Professor Dr. Fauziah binti Sh Ahmad, Associate Professor (C) Dr. Mohd Daud bin Sulaiman and Chin Keat Chyuan.

## **8. RATIONALE**

The Proposed Sale and Leaseback will enable KPJ Group to unlock the value of the Disposal Properties and cash proceeds from the Proposed Sale would be utilised for the purpose as detailed in Section 2.5 of this Announcement.

The Proposed Lease Renewal will ensure that there are no disruptions to the ongoing operations of KPJ Group, and its Lease Renewal Subsidiaries are able to continue operating at their existing locations.

## **9. RISKS RELATING TO THE PROPOSALS**

### **9.1 Non-completion of the Proposed Sale and Leaseback**

The Proposed Sale and Leaseback is conditional upon the fulfilment of the conditions precedent as set out in **Appendix I and II** of this Announcement. Whilst KPJ endeavours to take all reasonable steps to facilitate the fulfilment of the conditions precedent and terms pursuant to the SPAs and Lease Agreements for Proposed Leaseback, 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.

### **9.2 Non-renewal of the leases**

The non-renewal of the lease of the Lease Renewal Properties will result in the Lease Renewal Subsidiaries not being able to continue its ongoing operations at the Lease Renewal Properties and may have an impact on the long-term sustainability of KPJ's business. In such an event, KPJ Group would use its best endeavours to identify other properties to carry out its operations. However, as the properties must be purpose-built hospitals, there can be no assurance that KPJ Group would be able to identify suitable properties to continue its operations and that such relocation would not have a material adverse impact on the financial performance and position of KPJ Group.

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

## **10. EFFECTS OF THE PROPOSALS**

### **10.1 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 KPJ as they do not involve the issuance of shares in KPJ.

## 10.2 Net Asset (“NA”), NA per share and gearing

For illustration purposes, based on the audited consolidated financial statements of KPJ for the FY 31 December 2024 and assuming that the Proposals 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 31 December 2024 are as follows:-

|                                   | <b>Audited as at<br/>31 December 2024</b> | <b>After the Proposed<br/>Sale and Leaseback</b> | <b>After the Proposed<br/>Lease Renewal</b> |
|-----------------------------------|-------------------------------------------|--------------------------------------------------|---------------------------------------------|
|                                   | <b>RM'000</b>                             | <b>RM'000</b>                                    | <b>RM'000</b>                               |
| Share Capital                     | 999,190                                   | 999,190                                          | 999,190                                     |
| Less: Treasury Shares             | (155,310)                                 | (155,310)                                        | (155,310)                                   |
| Reserves                          | 1,692,781                                 | <sup>(i)</sup> 1,688,140                         | <sup>(ii)</sup> 1,688,020                   |
| NA attributable to shareholders   | 2,536,661                                 | 2,532,020                                        | 2,531,900                                   |
| Non-controlling interests         | 200,937                                   | 200,937                                          | 200,937                                     |
| <b>Total equity</b>               | <b>2,737,598</b>                          | <b>2,732,957</b>                                 | <b>2,732,837</b>                            |
| No of KPJ Shares ('000)           | 4,364,301                                 | 4,364,301                                        | 4,364,301                                   |
| NA per KPJ Share (RM)             | 0.58                                      | 0.58                                             | 0.58                                        |
| Total borrowings <sup>(iii)</sup> | 1,676,258                                 | <sup>(iv)</sup> 1,576,258                        | 1,576,258                                   |
| Gearing (times)                   | 0.66                                      | 0.62                                             | 0.62                                        |

### Notes:-

- (i) After taking into consideration the loss on sale of the Disposal Properties of RM2.6 million and after deducting the estimated expenses for the Proposed Sale and Leaseback of RM2.0 million.
- (ii) After deducting the stamp duty for the Proposed Lease Renewal of RM0.1 million.
- (iii) Excluding lease liabilities.
- (iv) After repayment of banking facility amounting to RM100.0 million from the proceeds of the Proposed Sale.

## 10.3 Earnings and earnings per share (“EPS”)

For illustration purposes, based on the audited consolidated financial statements of KPJ for FY 31 December 2024, assuming the Proposals were completed at the beginning of the financial year, the financial effects of the Proposals on the earnings and EPS of KPJ are as follows:-

### Proforma Effects

|                                                                                                                        | <b>RM'000</b>  |
|------------------------------------------------------------------------------------------------------------------------|----------------|
| Audited profit attributable to owners of the Company                                                                   | 353,817        |
| <b><u>Proposed Sale and Leaseback</u></b>                                                                              |                |
| Add: Savings on interest for repayment of bank borrowing <sup>(i)</sup>                                                | 4,540          |
| (Less): Loss on sale of Disposal Properties <sup>(ii)</sup>                                                            | (2,641)        |
| Add: Existing depreciation on the buildings to be disposed                                                             | 4,897          |
| Add: Expenses that will be borne by Al-Aqar instead of KPJ upon commencement of the lease                              | 772            |
| (Less): Tax impact                                                                                                     | (2,502)        |
| (Less): Additional depreciation and finance charge (Malaysian Financial Reporting Standard (“MFRS”) 16 - lease impact) | (23,453)       |
| <b>Pro forma profit after Proposed Sale and Leaseback</b>                                                              | <b>335,430</b> |
| <b><u>Proposed Lease Renewal</u></b>                                                                                   |                |
| (Less): Tax impact                                                                                                     | (2,431)        |
| (Less): Additional depreciation and finance charge (MFRS 16 - lease impact)                                            | (14,665)       |
| <b>Pro forma profit after Proposed Lease Renewal</b>                                                                   | <b>318,334</b> |
| (Less): Estimated expenses in relation to the Proposals <sup>(iii)</sup>                                               | (2,120)        |
| <b>Pro forma profit after the Proposals</b>                                                                            | <b>316,214</b> |

## **Proforma Effects**

**RM'000**

|                                          |      |
|------------------------------------------|------|
| Existing basic EPS (sen) <sup>(iv)</sup> | 8.11 |
| Proforma basic EPS (sen) <sup>(iv)</sup> | 7.25 |

### **Notes:-**

- (i) The early repayment of a banking facility amounting to RM100 million at 4.54% per annum;
- (ii) After taking into consideration the impact from the Proposed Leaseback;
- (iii) The estimated expenses include, amongst others, expenses relating to fees for solicitor, Independent Valuer and principal adviser as well as stamp duty; and
- (iv) Based on the weighted average number of ordinary shares in issue of 4.36 billion.

## **11. APPROVALS REQUIRED**

The Proposals are subject to the following approvals:-

- (i) the approval of the shareholders of KPJ at an extraordinary general meeting (“EGM”) to be convened for the Proposals and in the event such approval is given conditionally, the satisfaction of all such conditions to the said approval;
- (ii) the approval of the unitholders of Al-`Aqar at its EGM to be convened for the Proposals;
- (iii) all such other consents and regulatory and/or governmental approvals required to be obtained by the Subject Subsidiaries, Lease Renewal Subsidiaries and/or KPJ and the Trustee, on behalf of Al-`Aqar in order to effect the completion of the Proposals, as the case may be as follows:-
  - (a) approval / consent from the existing financiers, creditors or lenders of Al-`Aqar;
  - (b) notification by the Vendors to the Ministry of Health on the change of ownership of the Disposal Properties;
  - (c) the Certificate of Completion and Compliance of the Disposal Properties have been duly obtained by the respective Vendors in the Proposed Sale; and

The Proposed Sale and Leaseback is not conditional upon the completion of the Proposed Lease Renewal, and vice versa.

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

## **12. 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 has any interest, either direct or indirect, in the Proposals.

### **12.1 Interested Directors**

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

- (i) Tan Sri Dato' Sri Dr. Ismail bin Hj Bakar, the Non-Independent Non-Executive Chairman of KPJ, is a person connected to JCorp by virtue of him being the Deputy Chairman of JCorp and a Board representative of JCorp in KPJ;

- (ii) Dato' Mohd Redza Shah bin Abdul Wahid, the Senior Independent Non-Executive Director of KPJ and former Independent Non-Executive Chairman of JLGRM, the manager of Al-`Aqar, who had resigned on 31 December 2024;
- (iii) Rozaini bin Mohd Sani, the Non-Independent Non-Executive Director of KPJ, is also the Chief Financial Officer of JCorp;
- (iv) Shamsul Anuar bin Abdul Majid, the Non-Independent Non-Executive Director of KPJ, is also a Non-Independent Non-Executive Director of JLGRM and the Chief Investment Officer of JCorp; and
- (v) Mohamed Ridza bin Mohamed Abdulla, the former Independent Non-Executive Director of KPJ who had resigned on 18 February 2025, is also the Managing Partner of Mohamed Ridza and Co., where the firm is acting as the legal counsel for Al-`Aqar in relation to the Proposals.

(collectively referred to as “**Interested Directors**”).

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and decisions at the respective Board Committee and Board meetings relating to the Proposals. The Interested Directors will also abstain from voting in respect of their direct and indirect shareholdings in KPJ on any resolution in relation to the Proposals 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 Proposals to be tabled at the forthcoming EGM of KPJ.

As at the LPD, the Interested Directors do not have any shareholdings in KPJ.

## 12.2 Interested Major Shareholder

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

|       | Direct                |       | Indirect              |                     |
|-------|-----------------------|-------|-----------------------|---------------------|
|       | No. of shares<br>'000 | %     | No. of shares<br>'000 | %                   |
| JCorp | 1,565,052             | 35.86 | 398,622               | <sup>(i)</sup> 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 Act.

JLGRM 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 Proposals (“**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 Proposals 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 Proposals to be tabled at the forthcoming EGM.

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

### **13. AUDIT COMMITTEE'S STATEMENT**

The Audit Committee of KPJ (save for Dato' Mohd Redza Shah bin Abdul Wahid and Rozaini bin Mohd Sani), after having considered all aspects of the Proposals, including the rationale and financial effects of the Proposals, valuation of the Disposal Properties and Lease Renewal Properties as ascribed by the Independent Valuer as well as the views of the independent adviser for the Proposals, is of the opinion that the Proposals are fair, reasonable and on normal commercial terms, in the best interests of the Company and not detrimental to the interest of the minority shareholders.

### **14. DIRECTORS' STATEMENT**

The Board, save for the Interested Directors, after having considered all aspects of the Proposals, including the rationale and financial effects of the Proposals, valuation of the Disposal Properties and Lease Renewal Properties as ascribed by the Independent Valuer as well as the views of the independent adviser for the Proposals, is of the opinion that the Proposals are in the best interests of the Company, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders.

### **15. TRANSACTION ENTERED INTO WITH JCORP AND ITS SUBSIDIARIES FOR THE PRECEDING TWELVE (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 KPJ and Al-Aqar for the preceding twelve (12) months from the date of this Announcement:-

- (i) On 6 September 2024, KPJ announced that MSHSB, an indirect wholly-owned subsidiary of KPJ had on 6 September 2024 issued a letter of acceptance to Tg. Langsat Development Sdn. Bhd., a 100% owned subsidiary of TPM Technopark Sdn. Bhd., which in turn is an indirect subsidiary of JCorp for the renovation works at levels 1, 2, 3, 6L and 7L at KPJ Bandar Maharani Specialist Hospital for a contract sum of RM13.17 million.
- (ii) On 10 June 2024, KPJ announced that Bandar Dato Onn Specialist Hospital Sdn Bhd, an indirect wholly-owned subsidiary of KPJ had on 10 June 2024 issued a letter of acceptance to Tg. Langsat Development Sdn. Bhd., a 100% owned subsidiary of TPM Technopark Sdn. Bhd., which in turn is an indirect subsidiary of JCorp for the renovation of floors 8 and 9 at KPJ Bandar Dato' Onn Specialist Hospital for a contract sum of RM18.3 million.

### **16. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable for the Proposals pursuant to Paragraph 10.02(g) of the Listing Requirements is 29.95% (including the percentage ratio of the renovation works for KPJ Bandar Maharani Specialist Hospital announced on 6 September 2024 of 0.55% and renovation of KPJ Bandar Dato' Onn Specialist Hospital announced on 10 June 2024 of 0.77%).

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## **17. ADVISER**

AmInvestment Bank has been appointed as the Principal Adviser for the Proposals.

The Proposals are deemed as related party transactions pursuant to the Listing Requirements. In view of the interest of the Interested Parties in the Proposals, the Board had appointed BDO Capital Consultants Sdn Bhd as the independent adviser to undertake the following:-

- (i) comment as to whether the Proposals 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 Proposals, and whether the non-interested shareholders of KPJ should vote in favour of the Proposals; 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.

## **18. APPLICATION TO THE AUTHORITIES**

The circular to the shareholders of KPJ for the Proposals is expected to be submitted to Bursa Securities within two (2) months from the date of this Announcement.

## **19. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSALS**

Barring any unforeseen circumstances and subject to the fulfilment of the conditions precedent of the SPAs, Lease Agreements for Proposed Leaseback and Lease Agreements for Proposed Lease Renewal, the Proposals are expected to be completed in the 2nd quarter of the year 2025.

## **20. DOCUMENTS AVAILABLE FOR INSPECTION**

The SPAs, the Lease Agreements for Proposed Leaseback, the Memorandum of Extensions, the Second Memorandum of Extensions, the Lease Agreements for Proposed Lease Renewal, the valuation report and valuation certificate for the Disposal Properties and the Lease Renewal Properties 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 three (3) months from the date of this Announcement.

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## APPENDIX I: SALIENT TERMS OF THE SPA

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The salient terms of the SPA are as follows:-

### **Sale consideration**

- (i) In relation to APSH SPA, the deposit which is 5% of the sale consideration amounting to RM6.55 million shall be paid upon the execution of the APSH SPA and the balance sale consideration which is 95% of the sale consideration amounting to RM124.45 million shall be satisfied on or before the expiry of three (3) months from the date the APSH SPA becoming unconditional.
- (ii) In relation to PSH SPA, the deposit which is 5% of the sale consideration amounting to RM5.5 million shall be paid upon the execution of the PSH SPA and the balance sale consideration which is 95% of the sale consideration amounting to RM104.5 million shall be satisfied on or before the expiry of three (3) months from the date the PSH SPA becoming unconditional.

### **Conditions Precedent**

- (i) The SPAs for the Disposal Properties are conditional on the following: -
  - (a) Approval from the board of directors and shareholders of KPJ and the relevant Vendor for the Proposed Sale and Leaseback of each relevant Disposal Property;
  - (b) Approval from and notification to the appropriate authorities on the Proposed Sale;
  - (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 Disposal 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 Disposal Property has been duly obtained;
  - (g) Execution of the Lease Agreements for Proposed Leaseback in escrow and the relevant documents to give effect to the said Lease Agreements; and
  - (h) Confirmation by solicitors certifying that the conditions precedent are satisfied,(collectively referred to as "**Conditions Precedent**")
- (ii) The time period for fulfilment 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 ("**Completion Date**").
- (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 the Completion Date.

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

In the event that:

- (a) there is a default by the Vendor to complete the sale of the Disposal Property in accordance with the terms and conditions of the SPA; or
- (b) 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 fourteen (14) business days from the date of a written notice from the Purchaser requiring the same to be remedied; or
- (c) any representation, warranty or undertaking of the Vendor is not true or accurate or is not complied with in any material respect, or
- (d) 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
- (e) the Vendor becomes insolvent; or
- (f) (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 forty-five (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 (d) to (f) above. In the event that the Vendor fails to rectify the alleged breach or default within the said forty-five (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 SPAs; or
- (b) to claim damages for the breach of the SPAs by the Vendor; or
- (c) to terminate the SPAs by notice in writing to the Vendor and the parties shall within fourteen (14) business days of receipt by the Vendor of such written notice do the following at the Vendor's own cost and expense:
  - (aa) the Vendor shall refund to the Purchaser all monies received by the Vendor under the SPAs (save for any late payment compensation which shall be paid by the Purchaser) free of interest;

- (bb) 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 fourteen (14) business days until the date of the actual payment;
- (cc) 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);
- (dd) the Vendor shall return all documents received by the Vendor and or/ the Vendor's solicitors pursuant to the SPAs, to the Purchaser in their original state and condition (fair wear and tear excepted); and
- (ee) the Purchaser shall re-deliver the possession of the Disposal 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, subject to the covenants and indemnity by the respective Vendor as stated in the SPAs which will survive the termination of the SPAs, the SPAs 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 SPAs, save and except for any claim arising from any antecedent breach and as provided in the SPAs. For the avoidance of doubt, in the event of termination of the SPAs, the covenants and indemnity by the respective Vendor as stated in the SPAs shall be applicable.

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

In the event that:

- (a) the Purchaser shall fail to satisfy the sale consideration or any part thereof or to complete the sale and purchase of the Disposal Property in accordance with the terms and conditions of the SPAs; or
- (b) the Purchaser 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 fourteen (14) business days from the date of a written notice from the Vendor requiring the same to be remedied; or
- (c) any representation, warranty or undertaking of the Purchaser is not true or accurate or is not complied with in any material respect, or
- (d) 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
- (e) the Purchaser becomes insolvent;
- (f) (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

- (g) 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 SPAs required on its part to be observed or performed, the Vendor shall give to the Purchaser forty-five (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 (d) to (g) above. In the event that the Purchaser fails to rectify the alleged breach or default within the said forty-five (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 SPAs; or
- (b) to claim damages for the breach of the SPAs by the Purchaser; or
- (c) to terminate the SPAs by notice in writing to the Purchaser and the parties shall within fourteen (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 SPAs, 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 SPAs, to the Purchaser in their original state and condition (fair wear and tear excepted);
  - (ee) the Purchaser shall re-deliver the possession of the Disposal 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, subject to the covenants and indemnity by the respective Vendor as stated in the SPAs which will survive the termination of the SPAs, the SPAs 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 SPAs, save and except for any claim arising from any antecedent breach and as provided in the SPAs. For the avoidance of doubt, in the event of termination of the SPAs, the covenants and indemnity by the respective Vendor as stated in the SPAs shall be applicable.

**Physical Condition of the Disposal Properties**

Audit of the Disposal Properties: The Purchaser or its agent has performed an audit on the Disposal Properties prior to execution of the SPAs and in the case where the building audit conducted by the Purchaser on the Disposal Properties requires any repair, rectification, remedial or replacement works ("**Rectification Works**") to be carried out on the Disposal Properties, the respective Vendor covenants with the Purchaser that the respective Vendor shall undertake and complete the Rectification Works on the Disposal Properties at the Vendor's own cost within a period of twelve (12) months from execution of this SPA ("**Rectification Period**"). For purposes of clarity, the type of Rectification Works to be done by the Vendor are to be mutually agreed in writing between the respective Vendor and the Purchaser prior to the execution of the SPA.

The Parties agree that upon failure of the Vendor to complete the required Rectification Works as agreed by the Vendor within the Rectification Period, the Purchaser shall have the option to proceed to complete such Rectification Works at its own costs after the expiry of the Rectification Period and after giving a written notice to the Vendor informing that the Purchaser will exercise this option and the Vendor agrees to reimburse the Purchaser for all the cost incurred by the Purchaser within sixty (60) calendar days from the date of receipt of the reimbursement notice from the Purchaser setting out the reimbursements costs incurred by the Purchaser ("**Reimbursement Cost Payment Date**"), failing which, the Purchaser is entitled to impose late payment compensation at the rate of 5% per annum on the reimbursement costs calculated from the date after the expiry of the Reimbursement Cost Payment Date until the date of the full payment of the reimbursement cost. For the avoidance of doubt, such late payment compensation sum shall be payable by the Vendor to the Purchaser together with payment of the reimbursement costs.

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## APPENDIX II: SALIENT TERMS OF THE LEASE AGREEMENTS

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The salient terms of the Lease Agreements for the Proposed Leaseback and Proposed Lease Renewal are as follows:-

### A. Salient terms of the Lease Agreements for the Proposed Leaseback

- (i) The Vendors will respectively enter into Lease Agreements for Proposed Leaseback with ART and JLGRM for the Disposal Properties as follows:-
  - (a) APSHSB to enter into a supplemental lease agreement for the lease of APSH New Building for a period of eleven (11) years commencing from the date of completion of Proposed Sale of APSH New Building with an option to renew for another fifteen (15) years (at the discretion of the Lessor);
  - (b) PSHSB to enter into a lease agreement for the lease of PSH New Building (together with the existing building of PSH) for a period of fifteen (15) years commencing from the date of completion of Proposed Sale of PSH New Building with an option to renew for another fifteen (15) years (at the discretion of the Lessor); and

(the period of the respective lease and supplemental agreements is referred to as “**Contractual Term**”).
- (ii) The Lessor and the Lessees agree that the Disposal Property 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 for Proposed Leaseback 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 for Proposed Leaseback are as follows:-

#### APSH New Building

- (a) Rent formula

| <b>First Rental Term</b>                    | <b>Rent Formula</b>                                                                  |
|---------------------------------------------|--------------------------------------------------------------------------------------|
| 1 <sup>st</sup> year                        | 6.25% per annum x Open Market Value of the Disposal Property (“ <b>Base Rent</b> ”). |
| 2 <sup>nd</sup> year & 3 <sup>rd</sup> year | 2.00% incremental increase x the rent for the preceding year                         |

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**APPENDIX II: SALIENT TERMS OF THE LEASE AGREEMENTS**

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(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 and 10) | 6.25% per annum x Open Market Value of the Disposal Property 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 2.00% incremental increase over the rent for the preceding year.

|                                                                       |                                                                  |
|-----------------------------------------------------------------------|------------------------------------------------------------------|
| 2nd & 3rd year of every succeeding rental term (Years 5, 6, 8, 9, 11) | 2.00% incremental increase over the rent for the preceding year. |
|-----------------------------------------------------------------------|------------------------------------------------------------------|

PSH New Building

(a) Rent formula

**First Rental Term**

**Rent Formula**

|                      |                                                                             |
|----------------------|-----------------------------------------------------------------------------|
| 1 <sup>st</sup> year | 6.25% per annum x Open Market Value of the Disposal Property ("Base Rent"). |
|----------------------|-----------------------------------------------------------------------------|

|                                             |                                                              |
|---------------------------------------------|--------------------------------------------------------------|
| 2 <sup>nd</sup> year & 3 <sup>rd</sup> year | 2.00% 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) | 6.25% per annum x Open Market Value of the Disposal Property 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 2.00% 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) | 2.00% incremental increase over the rent for the preceding year. |
|-----------------------------------------------------------------------------------|------------------------------------------------------------------|

(ii) The security deposit is equivalent to two (2) times the prevailing monthly rent to be paid (and shall be revised to correspond with the said aggregate sum for every rental term) 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 Disposal Properties;

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## APPENDIX II: SALIENT TERMS OF THE LEASE AGREEMENTS

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- (b) pay for quit rent and assessment of the Disposal Properties;
- (c) appoint and pay to the property manager for the maintenance and management services rendered by the property manager in relation to the Disposal Properties; and
- (d) be responsible to make good any major repair or total replacement of the Lessor's fixtures and fittings attached to the Disposal Properties.

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 Disposal Properties that the Lessees are responsible for during the Contractual Term.

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

### **Registration of Lease Instrument**

- (i) Notwithstanding the Rent Commencement Date, if required, the Lessee shall, upon execution of the Lease Agreement for Proposed Leaseback, apply to the authorities for consent for the creation of the lease for the Contractual Term in favour of the Lessee pursuant to the Lease Agreement for Proposed Leaseback.

**"Rent Commencement Date"** means the date of commencement of the lease and rent of the Disposal Properties payable by the Lessee.

- (ii) Subject to the prior consent of the Lessor's financier having been obtained by the Lessor (if required), on the Rent Commencement Date:
  - (a) the Lessor and the Lessee shall execute the Form 15A of the National Land Code ("**Lease Instrument**") for the registration of the lease with the Registrar of Title or Land Administrator (whichever is applicable); and
  - (b) the Lessor shall forward the original issue document of title to the land on which the Disposal Property is located ("**Land**") to the Lessee.

In the event the registration of the lease is not or cannot be effected or perfected for any reason whatsoever not due to any fault of the parties, the parties agree that the Lessor shall grant and the Lessee shall take on a tenancy of the Disposal Properties on the terms and conditions as stipulated whereupon the Contractual Term shall be for a fixed period of three (3) years with an automatic renewal for additional four (4) terms of three (3) years each for a period. For the avoidance of doubt, the Contractual Term for APSH New Building shall be for a fixed period of three (3) years with an automatic renewal for additional two (2) terms of three (3) years each and one (1) term of two (2) years (up until 29 June 2036). The Lessee shall have the option to procure the said tenancy to be endorsed on the original issue document of title to the Land with the Registrar of Title or Land Administrator (whichever is applicable).

- (iii) In the event the Land is duly charged by the Lessor or any other party having such right to charge the Land, the Lessee shall first obtain the written consent of the chargee by procuring the chargee's signature on the Lease Instrument prior to attending to the registration of the Lease with the Registrar of Title or Land Administrator (whichever is applicable) in accordance with Section 226 of National Land Code.

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## APPENDIX II: SALIENT TERMS OF THE LEASE AGREEMENTS

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- (iv) The Lessee shall attend to the following:
  - (a) to submit the Lease Instrument for adjudication for assessment of stamp duty at the relevant stamp office;
  - (b) to pay the stamp duty of the Lease Instrument;
  - (c) to present the duly stamped Lease Instrument together with other relevant documents to the relevant land registry for registration of the lease in its favour; and
  - (d) upon completion of the registration of the Lease Instrument to extract and forward the original issue document of title to the Land to the Lessor for the Lessor's or its financier's (if any) safekeeping and retention.
- (v) The Lessor and the Lessee agree that they shall work together, as may reasonably be required, to complete and register the Lease Instrument in favour of the Lessee.
- (vi) The parties acknowledge that the non-registration of the Lease Instrument for any reason whatsoever shall not affect the contractual operation of the lease and that the Lease Agreement for the Proposed Leaseback will remain valid and enforceable under the law of contract.

### **Expansion**

- (i) **"Expansion"** means the construction, renovations and/or refurbishment works within the building of the Disposal Property and/or attached to the building of the Disposal Property, undertaken by the Lessor or Lessee for the purposes of expansion of its business operations resulting:
  - (a) in the increase of the gross floor area of the building of the Disposal Property; and
  - (b) in the increase of rent pursuant to the Lease Agreement for Proposed Leaseback.
- (ii) Option 1 of the Expansion

In the event the Lessee requests for Expansion and the Lessor and the Manager agree to meet the Expansion request of the Lessee according to Lessee's specification, the Lessor may, subject to the terms and conditions in the Lease Agreement for Proposed Leaseback, make the necessary arrangements, coordinate, manage, monitor and supervise any major structural alterations or additions to the building of the Disposal Property or work which may affect the:

- (a) structure of the Disposal Property (including but not limited to the roof and the foundation);
- (b) mechanical or electrical installations of the Disposal Property; or
- (c) provisions of any services in or to the Disposal Property.

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.

- (iii) Option 2 of the Expansion

Notwithstanding Option 1 above, subject to the agreement between the parties to the Lease Agreement for Proposed Leaseback, the Lessee shall have the option to undertake the Expansion and bear the Expansion Costs, and the parties further agree that the Expansion Costs shall be reimbursed by the Lessor to the Lessee (**"Expansion Reimbursement Costs"**) in accordance with the terms and conditions in the Lease Agreement for Proposed Leaseback.

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## APPENDIX II: SALIENT TERMS OF THE LEASE AGREEMENTS

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- (iv) If the expansion results in an increase in the gross floor area of the Disposal Property, the increase in the monthly rent shall be computed as follows:

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

- (v) In the event the increase in the rent is incurred during mid of the relevant year of the Contractual Term, such rent shall be prorated to the full financial year before applying it in the rent formula for rent increment as set out in the Lease Agreement for Proposed Leaseback.
- (vi) For the avoidance of doubt, in the event the rent has been increased pursuant to item (iv) above, the Base Rent amount shall be revised accordingly to include the incremental amount and thereafter, the aforesaid Base Rent shall be applied in the rent review formula under the Lease Agreement for Proposed Leaseback for determination of the rent for the relevant succeeding rental terms.

### **New Development**

- (i) New Development means the planning, design, and construction of a new building(s), carpark and/or other structures on the land where the Disposal Property is situated or any part thereof complete with inter alia the interior design, the landscape and the infrastructures related thereto.

- (ii) Option 1 of the New Development

The Lessor grants to the Lessee the right to undertake the New Development on the land where the Disposal Property is situated for the Lessee's business operations.

Notwithstanding the paragraph above, 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, subject to the terms and conditions in the Lease Agreement for Proposed Leaseback.

- (iii) Option 2 of the New Development

Notwithstanding Option 1 above, subject to the agreement between the parties to the Lease Agreement for Proposed Leaseback, the Lessee shall have the option to undertake the New Development and bear the New Development Costs, and the parties to the Lease Agreement for Proposed Leaseback further agree that the New Development shall be acquired by the Lessor from the Lessee in accordance with the terms and conditions in the Lease Agreement for Proposed Leaseback.

- (iv) 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 the consequences under the Lease Agreements for Proposed Leaseback:-

- (i) a failure or refusal on the part of the Lessee:
- (a) to pay the monthly rent for two (2) consecutive calendar months under the terms of the Lease Agreement for the Proposed Leaseback on the day such payment is required to be made under the terms of the Lease Agreement for the Proposed Leaseback (whether the same shall have been formally demanded or not); or

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- (b) to pay any sum (other than the rent) due under the terms of the Lease Agreement for Proposed Leaseback on the day such payment is required to be made under the terms of the Lease Agreement for Proposed Leaseback (whether the same shall have been formally demanded or not); or
- (c) to duly observe or perform any of the covenants and conditions and/or agreements of the Lessee contained in the Lease Agreement for Proposed Leaseback 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 thirty (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
- (ii) 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 for Proposed Leaseback; or
- (iii) 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
- (iv) a judgment is obtained by the Lessee for the purpose of Section 466 of the Act 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 Act 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 Agreement for Proposed Leaseback is materially and adversely affected; or
- (v) 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 thirty (30) calendar days; or
- (vi) the Lessee is unable to pay its debt within the meaning of the Act which inability may have a material adverse effect.

In the event that the event 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:

- (i) serve a forfeiture notice upon the Lessee pursuant to Section 235 of the National Land Code (Revised 2020) and it is hereby mutually agreed and deemed that the period stipulated in the forfeiture notice shall be thirty (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 thirty (30) calendar days, to re-enter upon the Disposal Property or any part thereof in the name of the whole, and thereupon the Lease Agreement for Proposed Leaseback shall absolutely terminate;
- (ii) to claim for the monthly rent and all other sums due and payable as stipulated in the Lease Agreement for Proposed Leaseback;

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- (iii) the Lessor shall be entitled to utilise the security deposits pursuant to the Lease Agreement for Proposed Leaseback towards payment or reduction of all sums payable by the Lessee under the Lease Agreement for Proposed Leaseback without prejudice to the Lessee's liability for any shortfall;
- (iv)
  - (a) 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 for Proposed Leaseback due to an event of default;
  - (b) Notwithstanding the paragraph (iv)(a) 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 Disposal Property to any other lessees or tenants.

In the event that the Lessor or the Lessee is able to lease or let the Disposal 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 for Proposed Leaseback and the rent received or to be received from the other lessees or tenants of the Disposal Property for the unexpired period of the Contractual Term. Upon receipt of the first monthly rental of the Disposal Property from such replacement lessees and tenants, and save for any antecedent breach of the Lease Agreement for Proposed Leaseback, any balance of sum received pursuant to paragraph (iv)(a) above shall be returned by the Lessor to the Lessee within sixty (60) calendar days or any other period as agreed between the parties in writing; or

- (v) to sue and take any other action that the Lessor deems fit (including the 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.

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### B. Salient terms of the Lease Agreements for the Proposed Lease Renewal

- (i) The Lessees will respectively enter into a lease agreement with the Lessor and the Manager as follows:
  - (a) PSHSB for the lease of PSH<sup>(1)</sup> together with its land for a period of fifteen (15) years commencing from 1 August 2025, after the expiry of the Memorandum of Extension and Second Memorandum of Extension, with an option to renew for another fifteen (15) years.
  - (b) PSHSB for the lease of TMC together with its land for a period of three (3) years commencing from 1 August 2025, after the expiry of the Memorandum of Extension and Second Memorandum of Extension, with an option to renew for another two (2) years.
  - (c) MSHSB for the lease of SSH together with its land for a period of fifteen (15) years commencing from 1 August 2025, after the expiry of the Memorandum of Extension on 31 December 2024 and Second Memorandum of Extension, with an option to renew for another fifteen (15) years.
  - (d) KPJUSB for the lease of KPJU together with its land for a period of five (5) years and eight (8) months commencing from 1 August 2025, after the expiry of the Memorandum of Extension and Second Memorandum of Extension, with an option to renew for another fifteen (15) years.
  - (e) KPJUSB for the lease of KPJIC together with its land for a period of one (1) year commencing from 1 August 2025, after the expiry of the Memorandum of Extension and Second Memorandum of Extension, with an option to renew for another one (1) year.

**Note:**

(1) *In respect of PSH New Building, since PSH New Building is the expansion/new development of PSH and both situated on the same plot of land bearing land title particulars Geran Mukim 1453, Lot 10150 Mukim 7, Daerah of Seberang Perai Tengah, Negeri Pulau Pinang, ART, being the trustee for and on behalf of Al-'Aqar, and JLGRM, being the manager of Al-'Aqar, and PSHSB have mutually agreed that the lease back of PSH New Building and the renewal of PSH for the contractual term of fifteen (15) years with an option to renew/extend for another fifteen (15) years shall be covered under a single lease agreement. Notwithstanding this, in the event that the Proposed Sale for PSH New Building is not approved under Section 11 of this Announcement, then the lease agreement shall be adopted for the Proposed Lease Renewal of PSH only.*

- (ii) The Lessor and the Lessees agree that the Lease Renewal Properties shall be used strictly for the purpose of operating the Lessees' principal business activities which include healthcare facility/hospital, wellness centre and college which operation and usage shall not be contrary to Shariah principles.
- (iii) The Lessor shall during the Contractual Term, amongst others:
  - (a) pay for all rates, taxes, assessments, duties, charges, impositions, levies and outgoings in relation to the Lease Renewal Properties;
  - (b) pay quit rent and assessment of the Lease Renewal Properties;
  - (c) maintain takaful coverage in respect of the Lease Renewal Properties and the Lessor's fixtures and fittings, equipment and machinery in the Lease Renewal Properties against fire and allied perils;
  - (d) appoint and pay to the property manager for the maintenance and management services rendered by the property manager in relation to the Lease Renewal Properties; and
  - (e) be responsible to make good any major repair or total replacement of the Lessor's fixtures and fittings attached to the Lease Renewal Properties.

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- (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, utilities charges, statutory payments (save for quit rent and assessments), and/or any other payments/costs related to the Lease Renewal Properties that the Lessees are responsible for during the Contractual Term.

- (v) Registration of Lease Instrument

- (a) Notwithstanding the Rent Commencement Date, the Lessee shall, upon execution of the Lease Agreement for Proposed Lease Renewal, apply to the authorities for consent for the creation of the lease for the Contractual Term in favour of the Lessee pursuant to the Lease Agreement for Proposed Lease Renewal.

“**Rent Commencement Date**” means the date of commencement of the lease and rent of the Lease Renewal Property payable by the Lessee.

- (b) Subject to the prior consent of the Lessor’s financier having been obtained by the Lessor (if required), on the Rent Commencement Date:
      - (aa) the Lessor and the Lessee shall execute the Form 15A of the National Land Code (“**Lease Instrument**”) for the registration of the lease with the Registrar of Title or Land Administrator (whichever is applicable); and
      - (bb) the Lessor shall forward the original issue document of title to the land on which the Lease Renewal Property is located (“**Land**”) to the Lessee.

In the event the registration of the lease is not or cannot be effected or perfected for any reason whatsoever not due to any fault of the parties, the parties agree that the Lessor shall grant and the Lessee shall take on a tenancy of the Lease Renewal Property based on the Contractual Term of the Lease Renewal Property and the terms and conditions as stipulated in the Lease Agreement for Proposed Lease Renewal.

The Lessee shall have the option to procure the said tenancy to be endorsed on the original issue document of title to the Land with the Registrar of Title or Land Administrator (whichever is applicable).

- (c) In the event the Land is duly charged by the Lessor or any other party having such right to charge the Land, the Lessee shall first obtain the written consent of the charge by procuring chargee’s signature on the Lease Instrument prior to attending to the registration of the Lease with the Registrar of Title or Land Administrator (whichever is applicable) in accordance with Section 226 of National Land Code.
      - (d) The Lessee shall attend to the following:
        - (aa) to submit the Lease Instrument for adjudication for assessment of stamp duty at the relevant stamp office;
        - (bb) to pay the stamp duty of the Lease Instrument;
        - (cc) to present the duly stamped Lease Instrument to extract and forward the original issue document of title to the Land to the Lessor for the Lessor’s or it financier’s (if any) safekeeping and retention.
      - (e) The Lessor and the Lessee agree that they shall work together, as may reasonably be required, to complete and register the Lease Instrument in favour of the Lessee.

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The parties acknowledge that the non-registration of the Lease Instrument for any reason whatsoever shall not affect the contractual operation of the lease and that the Lease Agreement for Proposed Lease Renewal will remain valid and enforceable under the law of the contract.

(vi) Expansion

- (a) “**Expansion**” means the construction, renovations and/or refurbishment works within the building of the Lease Renewal Property and/or attached to the building of the Lease Renewal Property, undertaken by the Lessor or Lessee for the purposes of expansion of its business operations resulting:

(aa) in the increase of the gross floor area of the building of the Lease Renewal Property; and

(bb) in the increase of rent pursuant to the Lease Agreement for Proposed Lease Renewal.

(b) Option 1 of the Expansion

In the event the Lessee requests for Expansion and the Lessor and the Manager agree to meet the Expansion request of the Lessee according to the Lessee’s specification, the Lessor may, subject to the terms and conditions in the Lease Agreement for Proposed Lease Renewal, make the necessary arrangements, coordinate, manage, monitor and supervise any major structural alterations or additions to the building of the Lease Renewal Property or work which may affect the:

(aa) structure of the Lease Renewal Property (including but not limited to the roof and the foundation);

(bb) mechanical or electrical installations of the Lease Renewal Property; or

(cc) provisions of any services in or to the Lease Renewal Property.

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.

(c) Option 2 of the Expansion

Notwithstanding Option 1 above, subject to the agreement between the parties to the Lease Agreement for Proposed Lease Renewal, the Lessee shall have the option to undertake the Expansion and bear the Expansion Costs, and the parties further agree that the Expansion Costs shall be reimbursed by the Lessor to the Lessee (“**Expansion Reimbursement Costs**”) in accordance with the terms and conditions in the Lease Agreement for Proposed Lease Renewal.

- (d) If the expansion results in an increase in the gross floor area of the Lease Renewal Property, the increase in the monthly rent shall be computed as follows:

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

- (e) In the event the increase in the rent is incurred during mid of the relevant year of the Contractual Term, such rent shall be prorated to the full financial year before applying it in the rent formula for rent increment as set out in the Lease Agreement for Proposed Lease Renewal.

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- (f) For the avoidance of doubt, in the event the rent has been increased pursuant to item (iv) above, the Base Rent amount shall be revised accordingly to include the incremental amount and thereafter, the aforesaid Base Rent shall be applied in the rent review formula under the Lease Agreement for Proposed Lease Renewal for determination of the rent for the relevant succeeding Rental Terms.
- (vii) New Development
- (a) New Development means the planning, design, and construction of a new building(s), carpark and/or other structures on the land where the Lease Renewal Property is situated or any part thereof complete with inter alia the interior design, the landscape and the infrastructures related thereto.
- (b) Option 1 of the New Development
- The Lessor grants to the Lessee the right to undertake the New Development on the land where the Lease Renewal Property is situated for the Lessee's business operations.
- Notwithstanding the paragraph above, 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**") and shall be solely responsible to procure the financing of the New Development, subject to the terms and conditions in the Lease Agreement for Proposed Lease Renewal.
- (c) Option 2 of the New Development
- Notwithstanding Option 1 above, subject to the agreement between the parties to the Lease Agreement for Proposed Lease Renewal, the Lessee shall have the option to undertake the New Development and bear the New Development Costs, and the parties to the Lease Agreement for Proposed Lease Renewal further agree that the New Development shall be acquired by the Lessor from the Lessee in accordance with the terms and conditions in the Lease Agreement for Proposed Lease Renewal.
- (d) 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.
- (viii) Events of default and Termination
- The following are the events of default by the Lessees and the consequences thereof under the Lease Agreements for Proposed Lease Renewal:
- (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 for the Proposed Lease Renewal on the day such payment is required to be made under the terms of the Lease Agreement for the Proposed Lease Renewal (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 for the Proposed Lease Renewal on the day such payment is required to be made under the terms of the Lease Agreement for the Proposed Lease Renewal (whether the same shall have been formally demanded or not); or

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- (cc) to duly observe or perform any of the covenants and conditions and/or agreements of the Lessee contained in the Lease Agreement for Proposed Lease Renewal 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 thirty (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 for Proposed Lease Renewal; 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 Act 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 Act 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 Agreement for Proposed Lease Renewal 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 thirty (30) calendar days; or
- (f) the Lessee is unable to pay its debt within the meaning of the Act which inability may have a material adverse effect

If the event 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 (Revised 2020) and it is hereby mutually agreed and deemed that the period stipulated in the forfeiture notice shall be thirty (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 thirty (30) calendar days, to re-enter upon the Lease Renewal Property or any part thereof in the name of the whole, and thereupon the Lease Agreement for Proposed Lease Renewal shall absolutely terminate;
- (b) to claim for the monthly rent and all other sums due and payable as stipulated in the Lease Agreement for Proposed Lease Renewal;
- (c) the Lessor shall be entitled to utilise the security deposits pursuant to the Lease Agreement for Proposed Lease Renewal towards payment or reduction of all sums payable by the Lessee under the Lease Agreement for Proposed Lease Renewal without prejudice to the Lessee's liability for any shortfall;

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- (aa) 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 for Proposed Lease Renewal due to an event of default;
- (bb) notwithstanding the paragraph (iv)(a) 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 Lease Renewal Property to any other lessees or tenants.

In the event that the Lessor or the Lessee is able to lease or let the Lease Renewal 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 for Proposed Lease Renewal and the rent received or to be received from the other lessees or tenants of the Lease Renewal Property for the unexpired period of the Contractual Term. Upon receipt of the first monthly rental of the Lease Renewal Property from such replacement lessees and tenants, and save for any antecedent breach of the Lease Agreement for Proposed Lease Renewal, any balance of sum received pursuant to paragraph (iv)(a) above shall be returned by the Lessor to the Lessee within sixty (60) calendar days or any other period as agreed between the parties in writing; or

- (d) to sue and take any other action that the Lessor deems fit (including the 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.