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

(I) PROPOSED DISPOSAL OF TWO (2) PARCELS OF FREEHOLD LANDS TOGETHER WITH BUILDINGS ERECTED THEREON (COLLECTIVELY, "PROPERTIES") BY PUTERI NURSING COLLEGE SDN BHD, A WHOLLY OWNED SUBSIDIARY OF KPJ ("PNCSB" OR "VENDOR") TO AL-`AQAR HEALTHCARE REIT ("AL-`AQAR" OR "REIT") FOR A TOTAL CONSIDERATION OF RM77,800,000 ("PROPOSED DISPOSAL"); AND

(II) PROPOSED LEASEBACK OF THE PROPERTIES TO PNCSB AFTER THE COMPLETION OF THE PROPOSED DISPOSAL SUBJECT TO THE TERMS AND CONDITIONS OF THE LEASE AGREEMENT ("PROPOSED LEASEBACK")

(COLLECTIVELY REFERRED TO AS "PROPOSALS")

1. INTRODUCTION

On behalf of the Board of Directors of KPJ, AmInvestment Bank Berhad ("**AmInvestment Bank**"), wishes to announce that PNCSB, had on 3 October 2014 entered into a sale and purchase agreement ("**SPA**") with AmanahRaya Trustees Berhad ("**Trustee**" or "**Purchaser**"), on behalf of Al-`Aqar, to dispose the Properties for a total disposal consideration of RM77,800,000 ("**Disposal Consideration**") upon the terms and conditions of the SPA.

Upon completion of the Proposed Disposal, PNCSB will enter into a lease agreement ("**Lease Agreement**") with Al-`Aqar, represented by its Trustee, and Damansara REIT Managers Sdn Berhad, being the manager of Al-`Aqar ("**Manager**"), for the lease of the Properties to PNCSB upon terms and conditions of the Lease Agreement to be agreed between the aforesaid parties.

The Proposed Disposal and Proposed Leaseback shall collectively be referred to as "**Proposals**".

2. DETAILS OF THE PROPOSED DISPOSAL

PNCSB is the owner of the Properties and operator of KPJ Healthcare University College ("**KPJUC**").

The Proposed Disposal entails PNCSB disposing the Properties, which are the new extension of KPJUC consisting of an academic block with two (2) TNB sub-stations ("**Academic Block**") and a hostel block with a refuse storage chamber ("**Hostel Block**") erected on two (2) parcels of land in Nilai, Negeri Sembilan to the Purchaser, on behalf of Al-`Aqar. The title particulars are as follows:-

(i) GRN 211810, Lot No. 33003, Bandar Baru Kota Sri Mas, Daerah Seremban, Negeri Sembilan ("**Lot 33003**"); and

(ii) HS(D) 189781, PT No.8, Bandar Baru Kota Sri Mas, Daerah Seremban, Negeri Sembilan ("**PT 8**").

Lot 33003 and PT 8 are collectively referred to as the "**PNCSB Land**". The Academic Block and Hostel Block erected on the PNCSB Land are collectively referred to as "**New Buildings**".

For information, the Purchaser, on behalf of Al-`Aqar, is currently the owner of two (2) parcels of land together with the existing KPJUC buildings erected thereon ("**Existing KPJUC Buildings**"), which are located adjacent to the PNCSB Land, bearing the following title particulars:-

(i) GRN 211809, Lot No. 33002, Bandar Baru Kota Sri Mas, Daerah Seremban, Negeri Sembilan ("**Lot 33002**"); and

(ii) HS(D) 189780, PT No.7, Bandar Baru Kota Sri Mas, Daerah Seremban, Negeri Sembilan ("**PT 7**").

Lot 33002 and PT 7 are collectively referred to as the "**Al-`Aqar Land**". The Existing KPJUC Buildings and the Al-`Aqar Land shall hereinafter collectively be referred to as the "**Al-`Aqar Existing KPJUC Properties**". The Al-`Aqar Existing KPJUC Properties were acquired by Al-`Aqar in 2009.

PNCSB is required to amalgamate the PNCSB Land with the Al-`Aqar Land ("**Amalgamation**") as part of Majlis Perbandaran Nilai's ("**MPN**") condition for approving PNCSB's master expansion plan for KPJUC ("**Master Expansion Plan**") ("**Condition**"). Please refer to Section 3 for further details on the Master Expansion Plan.

The Amalgamation is proposed to be done in the following manner:-

(i) Lot 33002 shall be amalgamated with Lot 33003 into a single title; and

(ii) PT 7 shall be amalgamated with PT 8 into a single title.

The Amalgamation process is expected to be completed after the ownership and land title of the Properties have been transferred to Al-`Aqar, as represented by its Trustee, upon completion of the Proposed Disposal.

2.1 Information on the Properties

The New Buildings erected on the PNCSB Land are the extension of KPJUC.

KPJUC is established on 1 April 1991 and was known as KPJ International College until it obtained the University College status in May 2011. Since then KPJUC has been offering diverse homegrown academic programmes for professionals in the healthcare industry ranging from PhD programmes, masters programmes, degree programmes as well as certificate programmes. KPJUC estimates to offer a total of 32 programmes in 2014 with an expected total number of 2,300 students at its main campus in Nilai.

KPJUC is located within Kota Seriemas, Nilai, Negeri Sembilan, which is sited off the western side of the North-South Expressway, travelling from Bangi towards Seremban. Kota Seriemas is a 2,400-acre township situated in Nilai, Negeri Sembilan and is surrounded by self-contained townships such as Bandar Baru Enstek, Bandar Baru Nilai and Bandar Baru Salak Tinggi. Kota Seriemas is easily accessible via Kuala Lumpur – Seremban Highway (exit at Nilai) and ELITE Highway (exit at Kuala Lumpur International Airport ("**KLIA**")).

Nilai town is located about 10km to the north-east of the Properties. The Sepang International F1 Circuit is located about 7 km to the south-west of the Properties. The KLIA and the newly completed KLIA2 are located about 18km due west of the Properties. The Properties are located about 60 km to the south-east of Kuala Lumpur City Centre and 32km to the north-west of Seremban town centre.

2.1.1 PNCSB Land

Lot 33003 is a regular shaped parcel of land, having a title land area of approximately 15,450 square metres ("**sq metres**"). Lot 33003 is generally flat in terrain and lies slightly above the level of the frontage metalled road, Persiaran Seriemas. PT 8 is a "L" shaped parcel of land, having a provisional title land area of 56,738 sq metres. Similar to Lot 33003, PT 8 is also generally flat in terrain and lies slightly above the level of the frontage metalled road, Persiaran Seriemas.

The original cost of investment of the PNCSB Land incurred on 6 August 2009 and the audited net book value ("**NBV**") of the PNCSB Land as at 31 December 2013 is RM9.87 million.

Other pertinent information in respect of the KPJUC Land is set out as below:-

Description	Lot 33003	PT 8
Title number:	GRN 211810	HS(D) 189781
Tenure:	Freehold	Freehold
Land area:	15,450 sq metres	56,738 sq metres
Category of land use:	Residential	Commercial
Date of investment	6 August 2009	6 August 2009
Chargee:	Nil	Nil
Encumbrances:	Nil	Nil

2.1.2 New Buildings

The New Buildings consist of an Academic Block and a Hostel Block. The Academic Block is erected on PT 8 whilst the Hostel Block is erected on Lot 33003.

The Academic Block is an eight (8) – storey building with a gross floor area of approximately 11,020 sq metres. The Academic Block has a maximum capacity of 2,500 students and is equipped with, amongst others, auditoriums, lecture halls, a library, computer labs, a multipurpose room, a student lounge, a waiting room, offices, a pantry, physio labs and classrooms.

The Hostel Block is an eleven and a half (11 1/2) – storey building with a gross floor area of approximately 17,673 sq metres. The Hostel Block can accommodate up to a maximum of 1,020 students. The Hostel Block has student rooms, warden/guest rooms, a surau, a multipurpose hall and a store room.

The New Buildings were completed on 20 February 2014. The audited NBV of the New Buildings as at 31 December 2013 is RM44.96 million.

Other pertinent information in respect of the New Buildings is set out below.

Description	Hostel Block	Academic Block[(i)]
Tenure:	Freehold	Freehold
Gross Floor Area:	17,673 sq metres	11,020 sq metres
Lettable space:	17,673 sq metres	11,020 sq metres
Occupancy rate:	80%	60%
Age of building:	Less than a year	Less than a year
Chargee:	Nil	Nil
Encumbrances:	Nil	Nil

Note:-

(i) Part of the Academic Block of approximately 10 feet, is on one of the Al-`Aqar Land, namely PT 7.

2.2 Liabilities to be assumed by Al-`Aqar

There are no liabilities to be assumed by Al-`Aqar pursuant to the Proposed Disposal.

2.3 Salient Terms of The SPA

2.3.1 Encumbrances

The Vendor agrees to sell and the Purchaser agrees to purchase the Properties which are sold upon the basis that a separate title deed has been issued for the Properties, free from any claims, charges, liens, encumbrances and equities whatsoever, with legal ownership and legal possession of the Properties being transferred from the Vendor to the Purchaser upon full payment of the Cash Consideration (as defined herein) to the Vendor or to its order as at Completion Date (as defined herein), subject to all express conditions and restrictions expressed or implied on the title, registered or to be registered on the title to the Properties at the relevant land registry, subject to the category of land use of the Properties, which is "building" and upon the basis that each of the representation and warranties as set out in the SPA are true and accurate.

2.3.2 Settlement of the Disposal Consideration

The Disposal Consideration of RM77,800,000 shall be satisfied in the following manner:-

(i) A sum of RM38,900,000 (50%) shall be paid in cash to the Vendor ("**Cash Consideration**") as follows:-

(a) A sum of RM100,000, being a deposit, shall be paid upon execution of the SPA ("**Deposit**");

(b) The balance sum of RM38,800,000 shall be paid on or before the expiry of three (3) months from the date the SPA becomes unconditional ("**Unconditional Date**") ("**Completion Period**") with an automatic extension of one (1) month from the Completion Period or such other date as the parties may agree in writing ("**Extended Completion Period**"); and

(ii) The balance Disposal Consideration of RM38,900,000 (50%) ("**Balance Disposal Consideration**") shall be paid by the Purchaser either by cash ("**Deferred Cash Consideration**") or by issuance of new units in Al-`Aqar ("**Al-`Aqar Units**") in favour of the Vendor and/or its nominee(s) ("**Deferred Consideration Units**") or by a combination of cash and issuance of Al`-Aqar Units in the amount equivalent to the Balance Disposal Consideration on or before the expiry of three (3) years from the Completion Date (as defined herein) or such other date as the parties may agree in writing ("**Settlement Period**").

The completion of the SPA shall take place on the date the Vendor receives the Cash Consideration in full and the beneficial ownership of the Properties has been transferred from the Vendor to the Purchaser ("**Completion Date**").

The Lease Agreement for the Properties shall be executed on the Completion Date.

The date on which the Purchaser settles the Balance Disposal Consideration to the Vendor shall be the settlement date ("**Settlement Date**").

2.3.2.1 Balance Disposal Consideration

The Vendor shall at least six (6) months prior to the Settlement Date, provide a written notification to the Purchaser, on the preferred mode of settlement of the Balance Disposal Consideration by the Purchaser.

The Balance Disposal Consideration shall be satisfied by the Purchaser during the Settlement Period, either by payment of the Deferred Cash Consideration or by the issuance of the Deferred Consideration Units in favour of the Vendor and/or its nominee or by a combination of both cash and Al-`Aqar Units in the amount equivalent to the Balance Disposal Consideration.

(i) Deferred Cash Consideration

In the event the parties have agreed that the Balance Disposal Consideration shall be settled by the Purchaser by payment of the Deferred Cash Consideration, the Purchaser shall ensure that the Deferred Cash Consideration is released to the Vendor during the Settlement Period.

(ii) Deferred Consideration Units

In the event the parties have agreed that the Balance Disposal Consideration shall be settled by the Purchaser via issuance of the Deferred Consideration Units, the Deferred Consideration Units will be issued within the Settlement Period at an issue price computed based on the five (5)-day volume weighted average market price ("**VWAP**") of the Al-`Aqar Units prior to the date to be mutually agreed upon by the parties which shall not be more than one (1) month prior to the issuance date of the Deferred Consideration Units ("**Price Determination Date**"), incorporating not more than ten (10%) percent discount.

(iii) Combination of cash and Al-`Aqar Units

In the event the parties have agreed that the Balance Disposal Consideration is to be paid in a combination of cash and Al-`Aqar Units in the amount equivalent to the Balance Disposal Consideration, the procedures as set out in (i) and (ii) above shall apply.

2.3.3 Conditions Precedent

The SPA is conditional upon and subject to the fulfilment of the following conditions precedent (collectively, "**Conditions Precedent**"):-

(i) the approval of the shareholders and the Board of Directors of the Vendor and the approval of the Board of Directors of KPJ being obtained for the Proposals;

(ii) the approval of the Board of Directors of the Manager and the Trustee in respect for the acquisition of the Properties by Al-'Aqar and the Proposed Leaseback;

(iii) the approval of the shareholders of KPJ at an extraordinary general meeting ("**EGM**") being obtained for the Proposed Disposal and Proposed Leaseback;

(iv) the approval of the Securities Commission Malaysia ("**SC**") in respect of the issuance of the Deferred Consideration Units to be obtained by Al-`Aqar;

(v) the approval of the Unitholders of Al-`Aqar at an EGM approving the proposed acquisition of the Properties by Al-`Aqar (including the issuance of the Deferred Consideration Units);

(vi) the approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") to be obtained by Al-`Aqar for the quotation and listing of the Deferred Consideration Units on the Main Market of Bursa Securities;

(vii) the relevant state authorities' consent to transfer the Properties, if applicable to the Trustee having been obtained by the Vendor. The Vendor shall be deemed to have obtained the relevant state authorities' consent when all conditions imposed by the relevant state authorities, if any, have been duly complied with and consent becomes unconditional;

(viii) receipt of irrevocable and unconditional written undertaking from the Vendor in favour of the Purchaser or the Purchaser's financier, wherein the Vendor undertakes to refund all monies paid in accordance to the SPA in the event the transfer of the Properties in favour of the Purchaser cannot be effected or is invalid for any reason whatsoever and as a result of which, the charge in favour of the Purchaser's financier cannot be registered with the land registry;

(ix) receipt of a registrable Memorandum of Transfer with the relevant stamp duty office endorsement on the same as being exempted from the payment of stamp duty pursuant to Stamp Duty (Exemption) (No. 4) Order 2004;

(x) all such other consents and regulatory and/or governmental approvals required to be obtained by the Vendor, the Purchaser and/or KPJ in order to effect the completion of the Proposed Disposal;

(xi) the issuance of the licence by the Ministry of Education for the Vendor to commence operations at the New Buildings; and

(xii) the Purchaser shall have issued a letter of undertaking in favour of the Vendor, wherein the Purchaser undertakes to ensure that the settlement of the Balance Disposal Consideration by way of the Deferred Cash Consideration or Deferred Consideration Units or a combination of both cash and Al-`Aqar Units, shall be paid and/or issued in favour of the Vendor and/or its nominees on or before the expiry of the Settlement Period provided that the SPA remains valid on such date of settlement.

Items (i), (ii), (iii), (iv), (v) (vi), (vii), (x) and (xi) are collectively referred to as “**Approvals**”.

Upon the execution of the SPA, the relevant parties shall procure to obtain the Approvals within nine (9) months from the date of the SPA or such later date as the parties may agree in writing.

2.3.4 Lease Arrangement

On the Completion Date, the Vendor will enter into the Lease Agreement with the Purchaser, on behalf of Al-`Aqar, and the Manager wherein at the request of the Vendor, the Purchaser will grant to the Vendor the lease of the Properties upon the terms and conditions of the Lease Agreement to be agreed upon and to be entered into between the aforesaid parties.

The details of the lease arrangement are as set out in Section 3 of this Announcement.

2.4 Basis and justification of arriving at the Disposal Consideration

The Disposal Consideration for the Proposed Disposal was arrived at on a "willing buyer willing seller" basis after taking into consideration the market value of the Properties amounting to RM77,800,000, as valued by Messrs Cheston International (KL) Sdn Bhd, the independent valuer (“**Independent Valuer**”), vide the valuation report dated 25 August 2014.

The valuation for the Properties has been carried out by using the cost method. This method entails the summation of the market value of the PNCSB Land using the comparison method and the market value of the New Buildings based on the depreciated replacement cost method.

2.5 Basis and justification of determining the issue price of the Deferred Consideration Units

The Deferred Consideration Units shall be issued at an issue price computed based on the five (5)-day VWAP of the Al-`Aqar Units prior to the Price Determination Date, incorporating not more than ten (10%) percent discount.

For information, the five (5)-day VWAP of the Al-`Aqar Units up to and including 2 October 2014 is RM1.40.

2.6 Ranking of the Deferred Consideration Units

The Deferred Consideration Units shall, upon allotment and issue, rank *pari passu* in all respects with the existing units in Al-`Aqar except that they will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared, the entitlement date of which is prior to the date of allotment of the Deferred Consideration Units.

2.7 Estimated gain and utilisation of proceeds

(i) The estimated gain to KPJ and its subsidiaries ("**KPJ Group**") from the Proposed Disposal is approximately RM16.83 million.

(ii) The Cash Consideration is proposed to be utilised as follows:-

	Details of Utilisation	Estimated timeframe for utilisation from the receipt of the Cash Consideration	Amount
			RM' mil
(i)	Working capital [(a)]	Within 12 months	8.31
(ii)	Repayment of borrowings[(b)]	Within 6 months	30.0
(ii)	Estimated expenses[(c)]	Within 6 months	0.59
			38.9

Notes:-

(a) KPJ shall utilise the proceeds from the Proposed Disposal for working capital, which includes but not limited to payment of trade creditors and operating/administration expenses.

*(b) As at 23 September 2014, being the latest practicable date prior to this announcement ("**LPD**"), the total borrowings of KPJ Group stood at approximately RM1.2 billion. Based on the Cash Consideration received, the Company proposes to utilise RM30 million to repay part of the KPJ Group's existing borrowings that are due for repayment. The repayment of borrowings will result in interest savings of approximately RM1.26 million per annum based on the average prevailing interest rate incurred by the KPJ Group of approximately 4.2% per annum. Any excess or shortfall from the repayment of borrowings will be adjusted to or from the working capital*

(c) Includes professional fees, fees to the authorities, printing cost, and other incidental expenses in connection with the Proposed Disposal. Any excess or shortfall of the estimated expenses will be adjusted to/from the working capital.

In the event the Vendor elects to receive the Balance Disposal Consideration in cash instead of Deferred Consideration Units, RM30 million of the Balance Cash Consideration shall be utilised for the purpose of repayment of borrowings. This will result in additional interest savings of approximately RM1.5 million per annum based on the assumed interest rate of 5.00% per annum. The remaining portion of the Balance Disposal Consideration of approximately RM8.9 million shall be utilised for working capital. Should there be any excess or shortfall from the repayment of borrowings, it will be adjusted to or from the working capital.

2.8 Information on Al-`Aqar

Al-`Aqar was established in Malaysia on 27 June 2006 under the trust deed dated 27 June 2006 entered into between Damansara REIT Managers Sdn Berhad ("**DRMSB**" or "**Manager**"), the management company of Al-`Aqar, and Amanah Raya Berhad, the then trustee of Al-`Aqar. Al-`Aqar was listed on the then Main Board of Bursa Securities (now known as Main Market of Bursa Securities) on 10 August 2006. Subsequently, pursuant to the supplemental trust deed dated 14 May 2009, the Trustee had substituted Amanah Raya Berhad as the trustee for Al-`Aqar on 27 May 2009 and on 19 August 2011, Al-`Aqar changed its name from Al-`Aqar KPJ REIT to Al-`Aqar Healthcare REIT.

Al-`Aqar is a real estate investment trust with an existing fund size of 696,226,468 units. The investment objective of Al-`Aqar is to own and invest in Syariah-compliant healthcare related real estate and real estate-related assets whether directly or indirectly through the ownership of single-purposes companies whose principal assets comprise real estate.

The list of directors of the Manager of Al-‘Aqar and substantial unitholders of Al-`Aqar are set out below:-

(i) Directors of DRMSB as at LPD

Name	Position
Dato' Kamaruzzaman Bin Abu Kassim	Non-Independent Non-Executive Chairman
Yusaini Bin Sidek	Non-Independent Director / Managing Director
Datin Paduka Siti Sa'diah Binti Sheikh Bakir	Non-Independent Non-Executive Director
Lukman Bin Abu Bakar	Non-Independent Non-Executive Director
Jamaludin Bin Md Ali	Non-Independent Non-Executive Director
Mohd Yusof Bin Ahmad	Non-Independent Non-Executive Director
Dr. Mohd Hafetz Bin Ahmad	Independent Non-Executive Director
Zainah Binti Mustafa	Independent Non-Executive Director
Dato' Mani a/l Usilappan	Independent Non-Executive Director

(ii) Substantial unitholders of Al-`Aqar as at LPD

	Unitholdings			
	Direct		Indirect	
Name	No. of Units ('000)	%	No of Units ('000)	%
JCorp	-	-	[(1)]372,292	53.47
KPJ	-	-	[(2)]353,919	50.83
Kumpulan Wang Persaraan (Diperbadankan)	63,518	9.12	[(3)]817	0.12
Lembaga Tabung Haji	52,154	7.49	[(4)]3,422	0.49
Pusat Pakar Tawakal Sdn Bhd	71,390	10.25	-	-
Bandar Baru Klang Specialist Hospital Sdn Bhd	49,141	7.06	-	-
Employee Provident Fund Board	1,600	0.23	[(5)]42,441	6.10
Jeta Gardens (QLD) Pty Ltd	6,086	0.87	[(6)]30,303	4.35
HSBC Noms (T) Sdn Bhd – A/C Selangor Medical Centres Sdn Bhd	35,000	5.03	-	-

Notes:-

(1) Deemed interested via indirect shareholdings held through its wholly-owned subsidiary Johor Ventures Sdn Bhd, the KPJ Group and Waqaf An-Nur Corporation Berhad

(2) Deemed interested via indirect shareholdings held through its subsidiaries , being Pusat Tawakal Sdn Bhd, Bandar Baru Klang Specialist Hospital Sdn Bhd, HSBC Nominees (T) Sdn Bhd - A/C Selangor Medical Centres Sdn Bhd, AmanahRaya Trustees Berhad - A/C Jeta Gardens (QLD) Pty Ltd, Seremban Specialist Hospital Sdn Bhd, Ampang Puteri Specialist Hospital Sdn Bhd, Medical Associates Sdn Bhd, Sentosa Medical Centre Sdn Bhd, Damansara Specialist Hospital Sdn Bhd, Johor Specialist Hospital Sdn Bhd, Puteri Specialist Hospital (Johor) Sdn Bhd, Pusat Pakar Darul Naim Sdn Bhd, Jeta Gardens (QLD) Pty Ltd, Kuantan Specialist Hospital Sdn Bhd, Kajang Specialist Hospital Sdn Bhd, Kota Kinabalu Specialist Hospital Sdn Bhd, Taiping Medical Centre Sdn Bhd and its associate company, Kedah Medical Associate Sdn Bhd

(3) Deemed interested by virtue of its shareholdings held through Citigroup Nominees (Tempatan)Sdn Bhd

(4) Deemed interested by virtue of its shareholdings held through Citigroup Nominees (Tempatan) Sdn Bhd

(5) Deemed interested by virtue of its shareholdings held through Citigroup Nominees (Tempatan) Sdn Bhd

(6) Deemed interested by virtue of its shareholdings held through AmanahRaya Trustees Berhad

(iii) The audited financial information of Al-`Aqar for the past three (3) financial year ended ("**FYE**") since 31 December 2011 are as follows:-

		Audited	
FYE 31 December	**2011**	**2012**	**2013**
	(RM'000)	**(RM'000)**	**(RM'000)**
Revenue	84,466	103,398	107,419
Profit before taxation ('**PBT**")	85,894	64,289	75,825
Taxation	(779)	(1,387)	(2,514)
Profit after taxation ("**PAT**")	85,115	62,902	73,311
Dividend per Unit	7.69	7.80	7.85

2.9 Other information

As at the LPD, KPJ and its subsidiaries have unitholdings of 338.92 million Al-`Aqar Units, representing approximately 48.68% equity interest in Al-`Aqar.

In the event KPJ and its subsidiaries' unitholdings in Al-`Aqar increase by more than two percent (2%) within a six-month period upon the issuance of the Deferred Consideration Units, pursuant to the provisions of the Malaysian Code on Take-overs and Mergers 2010 ("**Code**"), KPJ will incur an obligation to undertake a mandatory takeover offer for all the remaining Al-`Aqar Units not already held by them.

It is the intention of KPJ to not undertake the mandatory takeover offer for all the remaining Al-`Aqar Units not already held by them. As such, KPJ will procure PNCSB to opt for the Balance Disposal Consideration to be received in cash or a combination of cash and Al-`Aqar Units (in a quantity that will not trigger the mandatory takeover offer) instead of entirely by way of the Deferred Consideration Units.

3. PROPOSED LEASEBACK

On the Completion Date of the Proposed Disposal, PNCSB proposes to enter into a Lease Agreement with the Purchaser, on behalf of Al-`Aqar, and the Manager, wherein Al-`Aqar shall grant the lease of the Properties to PNCSB subject to the terms and conditions of the Lease Agreement to be agreed upon and to be entered into between the aforesaid parties.

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

Term		Details
Lessor	:	Al-`Aqar
Lessee	:	PNCSB
Commencement Date	:	Shall commence from the Completion Date of the SPA (i.e. upon payment of the Cash Consideration and transfer of beneficial ownership of the Properties to Al-`Aqar)
Contractual Term	:	A period of fifteen (15) years, commencing from the Commencement Date and is renewable every three (3) years up to expiry of the Contractual Term
Option to renew	:	Upon expiry of the Contractual Term, the parties have the option to renew the lease term for another fifteen (15) years subject to the terms and conditions to be agreed upon by the parties ("**Renewed Contractual Term**")
Rental	:	The lease rental payable shall be as follows:-

Receipt of Disposal Consideration	**Rental per annum**
Upon receipt of the Cash Consideration Upon receipt of the Balance Disposal Consideration	50% of the lease rental payable per the table below 100% of the lease rental payable per the table below

The Rental shall be reviewed after every three (3) year period throughout the Contractual Term based on the lease rental formula below and subject to the receipt of the Disposal Consideration as disclosed above:-

Rental Term	**Rental**
<u>Initial Term</u> Year 1 – 3	Rental shall be fixed at 7.1% per annum ("**p.a**") x Disposal Consideration
<u>Subsequent Term (Year 4 onwards)</u> (i) 1st year of every review (i.e Year 4,7,10 and 13)	(10-years Malaysian Government Securities ("**MGS**") + 238 basis points) x market value of the Properties at the point or review, subject to:-

Term	**Details**

Rental (Cont'd)

Rental Term	**Rental**
<u>Subsequent Term (Year 4 onwards) (cont'd)</u>	
(i) 1st year of every review (i.e Year 4,7,10 and 13) (cont'd)	(i) a minimum gross lease rental of 7.1% p.a at the prevailing market value or Disposal Consideration of the Properties, whichever is higher; and (ii) any lease rental adjustment shall not be more than 2% incremental over preceding year's lease rental
(ii) 2nd and 3rd year of review	2% incremental over the preceding year's lease rental amount

Security deposit : Equivalent to one (1) month rent which is to be /has been mutually agreed upon the parties and such amount shall be deposited with and/or retained by the Lessor on trust for Al-`Aqar

Right of First Refusal : If the Lessor shall at any time intend to sell any/all of the Properties acquired under the SPA, the Lessee shall be given the first right of refusal to purchase any/all of the Properties by way of a written notice from the Lessor to the Lessee offering to sell any/all of the Properties to the Lessee on such terms and at the prevailing market value in respect of and in accordance with the SC's Guidelines on REIT, Asset Valuation Guidelines and relevant laws and regulations, to which notice the Lessee shall reply within sixty (60) days thereof.

The right of first refusal granted shall be valid but shall not be applicable and shall not extend beyond the Contractual Term

Goods and services tax ("GST"), if applicable : If GST is imposed on the rent or is applicable to the services rendered in connection with the lease arrangement, the Lessor is entitled to charge the Lessee the GST on the amount payable for the provision of the relevant services in the following manner:-

GST = (Amount of consideration payable for supply of services) x (Applicable rate of GST)

Future Expansion : The Lessor grants to the Lessee the right to undertake future expansion on the PNCSB Land for the Lessee's business operations, subject to the following:-

(a) the Lessee shall provide a written notification to the Manager providing the details of the proposed or future expansion on the PNCSB Land; and

(b) the Lessee shall obtain prior written approval from the Lessor before commencing with the proposed or future expansion on the PNCSB Land.

Term		Details
Future Expansion (cont'd)	:	Any proposed or future expansion on the PNCSB Land will be acquired by Al-`Aqar upon completion of its construction, at a price to be mutually agreed by the parties based on the valuation to be conducted by an independent valuer or an independent quantity surveyor appointed by Al-`Aqar, subject to relevant authorities' approval, approval of unitholders of Al-`Aqar and/or shareholders of the Vendor and/or its holding company,KPJ (if required) and the terms and conditions of the agreement, to be entered into between Al-`Aqar, represented by its Trustee and the Vendor. For information, as part of PNCSB's Master Expansion Plan, as approved by the MPN vide its letter dated 17 May 2010, in addition to the New Buildings, the PNCSB Land is proposed to be expanded with, *inter-alia*, two (2) hostel blocks, three (3) academic blocks, one (1) student centre, one (1) library and information and communication technology (ICT) centre, one (1) surau, one (1) multipurpose hall and one (1) administration block ("**Proposed Future Expansion**"). The Proposed Future Expansion will be undertaken by PNCSB. At this juncture, the estimated cost of construction, estimated commencement and completion date as well as the source of funding for the Proposed Future Expansion has yet to be finalised as the Proposed Future Expansion is still in its planning phase.

4. RATIONALE FOR THE PROPOSALS

The Proposed Disposal will enable KPJ Group to raise funds for its working capital as detailed in Section 2.7 (ii) above. Furthermore, the Proposed Disposal will also enable KPJ Group to unlock the value of the Properties and realise an estimated gain on disposal of approximately RM16.83 million upon completion of the Proposed Disposal. The Proposed Disposal is also to facilitate the Amalgamation as detailed in Section 2 of this Announcement.

In the event KPJ decides to opt for the Balance Disposal Consideration payable by the issuance of the Deferred Consideration Units, the Proposed Disposal will also enable the KPJ Group to continue to participate in the local real estate investment trust industry. The Manager will be directly involved in the operations of Al-`Aqar, and hence, ensuring that the KPJ Group as a unitholder, will continue to reap benefits from the Properties through the stable cash distribution of Al-`Aqar. The Deferred Consideration Units to be received by KPJ Group pursuant to the Proposed Disposal are intended to be retained for investment purposes.

The Proposed Leaseback will ensure that the KPJ Group's on-going operation is not disrupted and that KPJUC shall continue its operations at the existing location.

5. RISK FACTORS

The completion of the SPA is subject to the fulfilment of the Conditions Precedent. There can be no assurance that the Proposed Disposal can be completed within the timeframe set out in the SPA. In the event of non-fulfilment of any conditions precedent or the necessary approval is not obtained within the stipulated time period, the SPA may be terminated.

Nevertheless, the Company endeavours to take all reasonable steps to ensure compliance with terms of the SPA in order to complete the Proposed Disposal successfully.

6. EFFECTS OF THE PROPOSED DISPOSAL

6.1 Share Capital and Substantial Shareholder's Shareholding

The Proposed Disposal will not have any effect on the issued and paid up share capital as well as substantial shareholder's shareholding in KPJ as the Proposed Disposal does not involve the issuance of shares in KPJ.

6.2 Net assets ("NA") and Gearing

The proforma effects of the Proposed Disposal on the NA per share and gearing based on the audited consolidated financial statements for the FYE 31 December 2013 of the KPJ Group are as set out below:-

	Audited as at 31 December 2013	**(I) After subsequent events [1]**	**(II) After (I) and Proposed Disposal[2]**
	RM'000	**RM'000**	**RM'000**
Share Capital	490,955	513,879	513,879
Reserves	596,955	695,543	711,781
Less: Treasury Shares	(364)	(44,874)	(44,874)
Shareholders' Fund	1,087,546	1,164,548	1,180,786
Non-controlling interests	84,981	84,981	84,981
NA	1,172,527	1,249,529	1,265,767
No. of KPJ Shares ('000)	981,910	1,027,757	1,027,757
NA per KPJ Share (RM)	1.19	1.22	1.23
Total borrowings	1,027,492	1,157,292	1,127,292
Gearing ratio (times) (Based on Shareholders' fund)	0.94	0.99	0.95

Notes:-

(1) Subsequent events include the following:-

*(a) The acquisition of a parcel of land together with a multi-storey office building erected thereon for a cash consideration of RM206.0 million ("**Acquisition**"). The Acquisition, which was completed on 10 February 2014, was financed by internal generated funds and bank borrowings. The KPJ Group incurred expenses of approximately RM0.07 million in relation to the Acquisition;*

*(b) Adjusted for the rights issue of 43,637,326 KPJ Shares at an issue price of RM2.80 per rights share together with 87,274,652 free warrants ("**Free Warrants**") which was completed on 29 January 2014 ("**Rights Issue**"). The expense incurred for the Rights Issue is approximately RM3.1 million. As at the LPD, none of the Free Warrants have been exercised;*

*(c) The exercise of an aggregate 2,209,968 warrants 2010/2015 of KPJ ("**Warrants**") throughout the period from 1 January 2014 up to LPD; and*

(d) The purchase of 12,980,000 treasury shares throughout the period from 1 January 2014 up to LPD.

(2) Assuming the Deferred Consideration Units is issued to the Vendor and/or its nominees as settlement for the Balance Disposal Consideration and the estimated expenses of RM0.59 million for the Proposals.

6.3 Earnings and Earnings Per Share ("EPS")

The Proposed Disposal is expected to generate an estimated one off gain of approximately RM16.83 million for the KPJ Group.

In addition to the above, the impact on the earnings of the KPJ Group as a result of the Proposed Disposal and Proposed Leaseback will be, *inter-alia*, from the expected interest savings of RM1.26 million per annum from the repayment of borrowings based on the Cash Consideration and an additional interest savings of RM1.5 million per annum from repayment of borrowings in the event the Vendor opt for Deferred Cash Consideration as the mode of payment for the Balance Disposal Consideration, dividend income from the Deferred Consideration Units once issued to PNCSB in the event the Vendor opt for Al-`Aqar Units as mode of payment for the Balance Disposal Consideration, reduction in depreciation as well as the lease rental expenses to be incurred by KPJ Group for the Proposed Leaseback.

7. APPROVALS REQUIRED FOR THE PROPOSALS AND INTER-CONDITIONALITY

The Proposals are subject to the following approvals:-

(i) the approval of the shareholders of KPJ at an EGM to be convened for the Proposed Disposal and Proposed Leaseback;

(ii) the approval of the Securities Commission Malaysia ("**SC**") in respect of the issuance of the Deferred Consideration Units;

(iii) the approval of the Unitholders of Al-`Aqar at an EGM to be convened for the Proposed Disposal;

(iv) the approval of Bursa Securities for the quotation and listing of the Deferred Consideration Units on the Main Market of Bursa Securities;

(v) the relevant state authorities' for the transfer of the Properties; and

(vi) all such other consents and regulatory and/or governmental approvals required to be obtained by the Vendor, the Purchaser and/or KPJ in order to effect the completion Proposed Disposal, as the case may be.

The completion of the Proposed Disposal is inter-conditional with the Proposed Leaseback and it is not conditional upon any other proposals undertaken or to be undertaken by the KPJ Group.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF KPJ

Save as disclosed below, none of the Directors, major shareholders of KPJ and/or persons connected to the Directors and/or major shareholder has any interest, direct and/or indirect, in the Proposals.

8.1 Directors

Dato' Kamaruzzaman Bin Abu Kassim, Dato' Amiruddin Bin Abdul Satar, Ahamad Bin Mohamad, Zulkifli Bin Ibrahim and Aminudin Bin Dawam, who are directors of KPJ, are deemed to be interested in the Proposals by virtue of them being the directors and senior management of Johor Corporation ("**JCorp**"). Datin Paduka Siti Sa'diah Binti Sh Bakir, who is a director of KPJ, is also deemed to be interested in the Proposals by virtue of her being a director of DRMSB, the manager of Al-`Aqar. JCorp is the ultimate holding company of DRMSB, the manager of Al-`Aqar.

Dato‘ Kamaruzzaman Bin Abu Kassim, Datin Paduka Siti Sa’diah Binti Sh Bakir, Dato’ Amiruddin Bin Abdul Satar, Ahamad Bin Mohamad, Zulkifli Bin Ibrahim and Aminudin Bin Dawam are collectively referred to as, “**Interested Directors**”.

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and decision at the Board meetings relating to the Proposals. The Interested Directors will also abstain from the 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 resolution pertaining to the Proposals to be tabled at the forthcoming EGM of KPJ.

The Interested Director’s direct and indirect shareholdings in KPJ as at LPD are set out below:-

Name	**Direct No. of shares**	**%**	**Indirect No. of shares**	**%**
Dato‘ Kamaruzzaman Bin Abu Kassim	-	-	-	-
Datin Paduka Siti Sa’diah Binti Sh Bakir	1,147,124	0.11	19,583 (1)	*
Dato’ Amiruddin Bin Abdul Satar	6,266	*	-	-
Ahamad Bin Mohamad	1,125	*	-	-
Zulkifli Bin Ibrahim	-	-	-	-
Aminudin Bin Dawam	750	*	-	-

Notes:-

* *Negligible*

(1) *Deemed interested by virtue of her daughter, Amy Nadzlina Binti Mohamed’s shareholdings in KPJ pursuant to Section 6A of the Companies Act, 1965*

8.2 Major Shareholders

JCorp is a major shareholder of KPJ holding direct and indirect interest of 463,835,712 KPJ Shares representing 45.1% equity interest in KPJ as at LPD.

DRMSB, the Manager of Al-`Aqar, 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 resolution 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 resolution 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**”.

9. APPOINTMENT OF ADVISERS

The Board of Directors of KPJ has appointed AmInvestment Bank as the Main Adviser for the Proposals. In view of the interest of the Interested Parties in relation to the Proposals as mentioned in Section 8 above, the Board of Directors of KPJ have also appointed Mercury Securities Sdn Bhd to act as the Independent Adviser to advise the non-interested directors and shareholders of the Company in relation to the Proposals.

10. DIRECTORS' RECOMMENDATION

The Board of Directors of KPJ, save for the Interested Directors, having considered all aspects of the Proposals (including but not limited to the rationale and financial effects of the Proposals, valuation of the Properties as ascribed by the Independent Valuer as well as the independent advice by the Independent Adviser for the Proposals) and after careful deliberation, is of the opinion that the Proposals are fair, reasonable and on normal commercial terms and are in the best interests of the KPJ Group and not detrimental to the interest of the non-interested shareholders.

11. AUDIT COMMITTEE

The Audit Committee, having considered all aspects of the Proposals (including but not limited to the rationale and financial effects of the Proposals, valuation of the Properties as ascribed by the Independent Valuer as well as the independent advice from the Independent Adviser for the Proposals), and after careful deliberation, is of the opinion that the Proposals are fair, reasonable and on normal commercial terms and are in the best interest of the KPJ Group and are not detrimental to the interest of the minority shareholders.

12. TRANSACTED AMOUNT FOR THE PRECEDING 12 MONTHS

There is no transaction with Al-`Aqar that is not in the ordinary course of business, for the twelve (12) months preceding the date of this Announcement.

13. ESTIMATED TIMEFRAME FOR SUBMISSION OF RELEVANT 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.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed in the first quarter of the year 2015.

15. PERCENTAGE RATIOS

The highest percentage ratio applicable to the Proposals as per Paragraph 10.02(g) Chapter 10 of the Listing Requirements is the value of Properties and the Proposed Leaseback compared with the net assets of the KPJ Group which amounts to approximately 14.86% based on the latest consolidated financial statements of the KPJ Group for the financial year ended 31 December 2013.

16. DOCUMENTS FOR INSPECTION BY SHAREHOLDERS

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

This announcement is dated 3 October 2014.