

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

### **PROPOSED RENTAL OF A HOSPITAL BUILDING BY KUMPULAN PERUBATAN (JOHOR) SDN BHD (COMPANY NO. 170968-A) (“KPJSB”) FROM DINAMIK SERIMAS SDN BHD (COMPANY NO. 925944-M) (“PROPOSAL”)**

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We refer to the announcement dated 16 October 2014.

#### **1. INTRODUCTION**

The Board of Directors of KPJ (“Board”) wishes to announce that the Company’s wholly-owned subsidiary, Kumpulan Perubatan (Johor) Sdn Bhd (Company No. 170968-A) (“KPJSB”), had on 9 December 2015 entered into several agreements with Dinamik Serimas Sdn Bhd (Company No. 925944-M) (“DSSB”) and Pelaburan Hartanah Berhad (Company No. 732816-U) (“PHB”) for the proposed development and renting of a hospital building to be known as the “KPJ Damansara Specialist Hospital II” (“Proposed Hospital”).

#### **2. DETAILS OF THE PROPOSAL**

##### **2.1 Background**

On 9 December 2015, KPJSB, DSSB and PHB had executed the following agreements (“Agreements”):-

- (i) Agreement To Rent between DSSB, PHB and KPJSB;
- (ii) Tenancy Agreement between DSSB and KPJSB; and
- (iii) Novation of Tenancy Agreement between DSSB, PHB and KPJSB.

DSSB had on even date simultaneously entered into a sale and purchase agreement with Nadayu Properties Berhad (“NPB”) and PHB (“SPA”) whereby PHB has agreed to purchase two pieces of lands together with the Proposed Hospital constructed on the Portion of the Lands (as defined herein) on the terms and conditions as contained in the SPA.

The SPA and the ATR are inter-conditional.

##### **2.2 Information on the Proposed Hospital**

The Proposed Hospital will be built on a portion of land measuring approximately 2.95 acres (“Portion of Land”). It will be an eleven (11) storey 300-bed hospital building with a gross floor area measuring approximately 487,433 square feet and four (4) floors of podium parking with approximately five hundred twenty two (522) car parking bays.

The Proposed Hospital and the Portion of Lands are referred to as the Demised Premises.

The Portion of Lands form part of all those pieces of land held under Geran Mukim 1609 Lot 3124, Geran Mukim 1621 Lot 3126, Geran Mukim 1610 Lot 3128, Geran Mukim 3227 Lot 3130, Geran Mukim 3229 Lot 3131 and Geran Mukim 10 Lot 3132, all in the Mukim of Batu, Tempat Segambut, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan KL having a gross area of approximately 6.176 acres (“Lands”). DSSB is the registered and beneficial owner of the Lands.

## **2.3 Salient Terms of the Agreements**

### **(a) Agreement to Rent (“ATR”)**

The ATR sets out the principal items which form the basis of the parties’ negotiations in respect of the terms of the proposed development of the Proposed Hospital by DSSB and subsequent rental of the same by KPJSB.

Most of the salient terms of the ATR are similar to the salient terms contained in the Tenancy Agreement due to the nature of both agreements.

The salient terms of the ATR are as follows with most contained in the Tenancy Agreement:-

- (i) DSSB (as the registered owner of the Lands) has agreed to let the Demised Premises to KPJSB upon completion of the development;
- (ii) KPJSB has agreed to rent the Demised Premises from DSSB upon completion of the development of the Proposed Hospital;
- (iii) The development costs of the Demised Premises shall be the basis of determining the rental rate of the Demised Premises. The parties to the ATR have agreed that the development shall be up to Ringgit Malaysia Three Hundred and Thirty Six Million Eight Hundred and Thirty Thousand (RM336,830,000) only;
- (vi) The commencement and development of the Demised Premises shall be upon obtaining the development order, the earthwork approval, the building plan approval and the Ministry of Health approval to construct or twelve (12) months from the execution of the SPA or the ATR, whichever is earlier (“Construction Commencement Date”).
- (iv) Upon the Construction Commencement Date, KPJSB shall pay a sum equivalent to six (6) months of the monthly rent for the first term as security deposit (“Security Deposit”). The Security Deposit shall be maintained by DSSB until the Handover Date (as defined hereinafter).

- (v) The rental term is fifteen (15) years ("Term"), with an option to renew for another fifteen (15) years ("Renewed Term"). The tenancy and rental rates will be automatically renewed every three (3) years.
- (vi) The rental rate ("Rent") of the Demised Premises shall be as follows:-
  - (a) during the first three (3) years ("First Term"), the Rent shall be at a guaranteed net yield of six point five percent (6.5%) per annum based on the Development Costs;
  - (b) during the second three (3) years ("Second Term"), the Rent shall be at a guaranteed increment of ten percent (10%) of the rental for the preceding term;
  - (c) during the third three (3) years ("Third Term"), the Rent shall be at a guaranteed increment of ten percent (10%) of the rental for the preceding term;
  - (d) during the fourth three (3) years ("Fourth Term"), the Rent shall be at a guaranteed increment of ten percent (10%) of the rental for the preceding term;
  - (e) during the fifth three (3) years ("Fifth Term"), the Rent shall be at a guaranteed increment of ten percent (10%) of the rental for the preceding term.
- (v) During the Renewed Term, such Rent shall be at the prevailing market value determined at a minimum of six (6) months prior to the expiry of the Fifth Term and shall accordingly be increased by ten percent (10%) at every term of three (3) years until the expiry of the Renewed Term;
- (vii) The Demised Premises shall be handed over to KPJSB by DSSB together with the certificate of completion and compliance not later than thirty six (36) months from the Construction Commencement Date ("Handover Date").
- (viii) DSSB has agreed to grant upon KPJSB a six (6) month rent free period commencing from the Handover Date ("Rent Free Period") after which the Term will commence ("Tenancy Commencement Date").
- (ix) Upon the Handover Date, KPJSB shall pay to DSSB a sum equivalent to one (1) month of the Rent of the First Term as utilities deposit which shall be maintained throughout the duration of the Term ("Utilities Deposit") whilst the Security Deposit shall be converted into rental deposit.

**(b) Tenancy Agreement (“TA”)**

The TA sets out the principal items which form the basis of the parties’ intention whereby DSSB shall let the Demised Premises to KPJSB upon the Handover Date.

**(c) Novation of Tenancy Agreement (“NTA”)**

The NTA which was executed by the DSSB, PHB and KPJSB sets out the parties’ intention whereby DSSB has agreed to novate its rights, obligations and covenants under the TA to PHB upon completion of the SPA.

**2.4 Information of the Parties**

**(a) KPJSB**

KPJSB is a wholly owned subsidiary of KPJ and was incorporated on 8 June 1988 under the Companies Act 1965, Malaysia.

KPJSB has an authorised share capital of RM100,000,000.00 divided into 100,000,000 ordinary shares of RM1.00 each with the current issued and paid-up share capital of RM90,000,000.00 comprising of 90,000,000 ordinary shares of RM1.00 each.

KPJSB is involved in the business of the provision of healthcare services in Malaysia and internationally and has the necessary expertise in the areas of providing administration, financial, general management and other services related to the running and operation of private specialist hospitals.

**(b) PHB**

PHB is a wholly owned subsidiary of Yayasan Amanah Hartanah Bumiputera. The business address is at Level 9, Block D, Peremba Square, Saujana Resort, Section U2, 40150 Shah Alam.

It is principally an investment holding company engaged in property investment and development venture.

**(c) DSSB**

DSSB is a company registered and incorporated in Malaysia under the Companies Act 1965 Malaysia with its registered address being G-1-38, Jalan PJU 1/45, Aman Suria, 47301 Petaling Jaya, Selangor Darul Ehsan.

It is in the business of property developer.

### **3. RATIONALE FOR THE PROPOSAL**

KPJ views the signing of the Agreements as beneficial to the KPJ and its subsidiaries (“KPJ Group”) for the following reasons:

- (a) The Proposal is in line with the objective of KPJ Group to increase its network of hospitals to locations where private healthcare is in demand, enlarge the customer base as well as other areas of healthcare services;
- (b) To cater for the needs of patients residing within the vicinity of Damansara – Sungai Buloh and the surrounding areas, in order to meet the demand for quality private healthcare; and
- (c) To promote the medical tourism market which provides higher returns that will boost the economy of the country as well as uplifting the vision and mission of KPJ.

### **4. RISKS IN RELATION TO THE PROPOSAL**

The Board does not foresee any material risk pursuant to the Proposal except for the inherent risk factors associated with the healthcare industry, of which the KPJ Group is already involved in.

### **5. EFFECT OF THE PROPOSAL**

The Proposal is not expected to have a material effect on the earnings of KPJ for the financial year ending 21 December 2015.

### **6. APPROVALS REQUIRED**

This Proposal is not subject to the approval of other relevant authorities and the shareholders of KPJ.

### **7. DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTEREST**

None of the Directors and/or major shareholders of KPJ and/or persons connected with them have any direct or indirect interest in the Proposal.

**8. DIRECTORS' OPINION**

The Board, having considered all the relevant factors in respect of the Proposal is of the opinion that the Proposal is in the best interest of the Company and will be beneficial to the business of the KPJ Group.

**9. ESTIMATED TIMEFRAME FOR COMPLETION OF DEMISED PREMISES**

The Demised Premises, which is the subject matter of the ATR, is expected to be completed within thirty six (36) months from the Construction Commencement Date. Upon the Handover Date, KPJSB shall enjoy the Rent Free Period after which the Term will commence.

**10. DOCUMENTS FOR INSPECTION**

The ATR, TA and NTA 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 Sunday to Thursday (except public holidays) for a period of three (3) months from the date of this Announcement.