

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

PROPOSED DISPOSAL OF THE AGED CARE BUSINESS (AS DEFINED BELOW) INCLUDING ITS SELECTED EXISTING ASSETS AND LIABILITIES BY JETA GARDENS (QLD) PTY LTD AND JETA GARDENS AGED CARE (QLD) PTY LTD, THE SUBSIDIARIES OF KPJ TO DPG SERVICES PTY LTD

(Unless otherwise stated, the exchange rate of the Australian Dollar (“AUD”) 1.00 to Ringgit Malaysia (“RM”) 3.0689 (AUD1.00 = RM3.0689) extracted from the Bank Negara Malaysia as at 11 December 2023, has been applied throughout this announcement.)

1. INTRODUCTION

Jeta Gardens (Qld) Pty Ltd (“**Jeta Gardens**”) and its wholly-owned subsidiary, Jeta Gardens Aged Care (Qld) Pty Ltd (“**JGAC**”) (collectively, “**Vendors**”), are 57.16%-owned subsidiaries of KPJ held through Kumpulan Perubatan (Johor) Sdn Bhd (“**KPJSB**”). The Vendors are principally involved in the:

- (a) provision of residential care services (which has the meaning given in the Aged Care Act 1997 of Australia) (“**Aged Care Business**”), and
- (b) provision of retirement village services to a community of seniors who live in independent living units or serviced units and share common facilities and amenities (“**Retirement Village Business**”).

The board of directors of KPJ (“**Board**”) wishes to announce that the Vendors had on 12 December 2023 entered into a conditional business sale and purchase agreement with DPG Services Pty Ltd (“**DPG Services**” or “**Purchaser**”) (“**Business Sale Agreement**”), for the proposed disposal by the Vendors of its Aged Care Business (including its selected existing assets and liabilities) for a net cash payment of AUD0.700 million (equivalent to RM2.148 million) payable by the Vendors (“**Proposed Disposal**”). The net cash payment represents the difference between the Asset Sale Value and the liability assumed by the Purchaser (as set out in Section 2.1) (“**Business Disposal Consideration**”).

Simultaneous with the Business Sale Agreement, Al-‘Aqar Australia Pty Ltd (“**AAA**”), a wholly-owned subsidiary of Al-‘Aqar Healthcare REIT (“**AA**”) has also entered into a land sale agreement with Principal Healthcare Finance Pty Ltd (“**Principal Healthcare**”), as trustee for the Principal Healthcare Finance Trust and DPG Services to acquire the land and property where the Vendors operate the Aged Care Business (“**Aged Care Property**”) (“**Land Sale Agreement**”).

Jeta Gardens currently has an existing lease of, inter-alia, the Aged Care Property and the land and property where Jeta Gardens operate the Retirement Village Business (“**Retirement Village Property**”), from AAA with an expiry on 1 November 2110 (“**Headlease Agreement**”). In the event that the completion of the Business Sale Agreement is ahead of the completion of the Land Sale Agreement, the Vendors will enter into a sublease agreement of the area demarcated in respect of the Aged Care Property with the Purchaser for the period commencing from the completion of the Proposed Disposal until 31 October 2110 (“**Sublease Agreement**”). The rates to be charged in the Sublease Agreement will reflect the same rates in the Headlease Agreement. On completion of the Land Sale Agreement, both the lease and sub-lease of the Aged Care Property will be terminated.

In conjunction with the signing of the Business Sale Agreement, the Purchaser has also entered into an escrow deed with the Vendors, AAA, DPG Services, Principal Healthcare and escrow

agent, namely Thomson Geer Lawyers (“**Escrow Agent**”) to govern the execution of the obligations stipulated under Business Sale Agreement and the Land Sale Agreement (“**Escrow Deed**”), the holding of monies pending completion and the distribution of the monies in accordance to the aforesaid agreements signed upon completion.

The Proposed Disposal is deemed a related party transaction under the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (“**Listing Requirements**”), inter alia, in view of the following and as further detailed in Section 8:

The Business Sale Agreement is interdependent with the Land Sale Agreement.

If the relevant registration of survey plan for reconfiguration of land and dealings as described in the Land Sale Agreement can be effected on or before the date that is 7 business days¹ before the date of completion of Proposed Disposal (“**Completion Date**”), the Business Sale Agreement must be completed contemporaneously with completion of the Land Sale Agreement.

Further, if the Land Sale Agreement is rescinded or terminated for any reason prior to completion of Proposed Disposal (“**Completion**”), then the Business Sale Agreement will be taken to have been simultaneously rescinded or terminated (as the case may be).

2. DETAILS OF THE PROPOSED DISPOSAL

2.1. Basis of and justification for the Business Disposal Consideration

The Business Disposal Consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration, amongst others, the following:

- (a) the sale value of assets of Aged Care Business to be disposed of is AUD15.500 million (equivalent to RM47.568 million) after taking into account the premium of AUD14.288 million to the unaudited net book value of the assets of Aged Care Business to be disposed of amounting to approximately AUD1.212 million (equivalent to RM3.720 million) based on Jeta Gardens’ latest unaudited consolidated financial statements for the financial period ended 30 September 2023 (“**Asset Sale Value**”);
- (b) the liability assumed by the Purchaser (as further mentioned in Section 5.3 of this announcement) of AUD16.200 million (equivalent to RM49.716 million) was arrived at based on the total value of bonds / refundable accommodation deposits collected pursuant to the resident agreements; and
- (c) the rationale for the Proposed Disposal as set out in Section 3 of this announcement.

2.2. Particulars of the assets being disposed of

The Proposed Disposal entails disposal of Aged Care Business and assets that mainly comprise motor vehicles, plant and equipment, computer equipment, goodwill, intellectual property assets, stock, 178 allocated places (residential aged care) allocated in respect of the residential aged care facility operated by JGAC, records, documents, benefits of the resident agreements which are contracts between care recipient and JGAC in relation to

¹ on which the banks are open for business in Brisbane, Queensland other than a Saturday, Sunday or public holiday in Brisbane, Queensland

the rights of the care recipient residing at the residential aged care facility ("**Resident Agreements**"), approvals that relate to the Aged Care Business and which are capable of being transferred, the right to goods and services to be supplied to the Aged Care Business after Completion, and other benefits to be received by the Aged Care Business after Completion, prepaid by a Vendor before Completion and product or service warranties.

As at 30 September 2023, the aforesaid assets have a net book value of AUD1.212 million (equivalent to RM3.720 million).

2.3. Consideration of the Proposed Disposal

The consideration for the sale and transfer of the Aged Care Business under the Business Sale Agreement is the payment by the Purchaser of the purchase price and the assumption by the Purchaser of the selected existing assets and liabilities.

Purchase price comprise of:

- (a) the base agreed price of AUD0.700 million (equivalent to RM2.148 million) (being a negative dollar amount) ("**Base Agreed Price**");
- (b) the interim adjustment amount estimated in accordance with the relevant accounting standards in Australia and the line items agreed in the Business Sale Agreement ("**Interim Adjustment Amount**"); and
- (c) the completion adjustment amount determined in accordance with the line items agreed in Business Sale Agreement or, where the matter is determined by an independent account, the amount determined by the said independent accountant ("**Completion Adjustment Amount**"),

subject to any further adjustments under Business Sale Agreement ("**Purchase Price**"). If the Purchase Price is a negative number, the Vendors shall be paying the absolute value of that amount to the Purchaser (or as directed by the Purchaser).

Liabilities as at the time of Completion which is to be assumed by the Purchaser are:

- (a) all liabilities arising, and obligations to be performed, on and from Completion under the Resident Agreements which are subsisting as at the 11.59pm on the Completion Date ("**Completion Time**"); and
- (b) all accrued and untaken or pro rata entitlements of each employee of the Vendors who does not accept the Purchaser's (or its related bodies corporate's) offer of employment, for annual leave (including loading), personal leave (comprising sick leave and carer's leave), parental leave and long service leave as at the Completion Date, provided the Purchaser has received a reduction to the Purchase Price for these amounts in accordance with terms of the Business Sale Agreement,

("Assumed Liabilities"). As at 30 September 2023, the Assumed Liabilities have a net liability value of AUD16.510 million (equivalent to RM50.668 million).

Therefore, as at 30 September 2023, the assets as disclosed in Section 2.2 of this announcement and Assumed Liabilities have a net liability value of AUD15.298 million (equivalent to RM46.948 million).

2.4. Manner of Payment of Business Disposal Consideration

(a) Purchase Price

The Purchase Price is to be paid as follows:

- (i) on Completion, if the following amount is a positive number, the Purchaser shall pay up to AUD10 million (equivalent to RM30.689 million) of that amount to the Escrow Agent (who will receive the funds on behalf of the Vendors) and the excess (if any) above AUD10 million (equivalent to RM30.689 million) to the Vendors (or as directed by the Vendors' representative) or, if the following amount is a negative number, the Vendors shall pay the absolute value of that amount to the Purchaser (or as directed by the Purchaser):
 - (a) the Base Agreed Price; less
 - (b) the Interim Adjustment Amount.
- (ii) the Completion Adjustment Amount is to be settled after the adjustment statement has been agreed upon by the Vendors and Purchaser which shall be prepared and delivered by the Purchaser within 3 months after the Completion Date.

If the Completion Adjustment Amount:

- (aa) is a negative number, the Vendors must pay that amount to the Purchaser;
- (bb) is a positive number, the Purchaser must pay that amount in accordance with the Escrow Deed; and
- (cc) is zero, no payment is required to be made.

All payments above shall be made via telegraphic or other electronic means of transfer of cleared funds into a bank account nominated in advance by the payee.

The Vendors and the Purchaser have agreed that the Purchase Price and amounts to be paid at completion of the Land Sale Agreement by Principal Healthcare to AAA pursuant to the Land Sale Agreement will be netted off against each other such that, at Completion, a single payment is to be made by the Purchaser to the Escrow Agent (who will receive the funds on behalf of the Vendors and AAA together).

(b) Assumed Liabilities

The Purchaser assumes responsibility for the Assumed Liabilities on and from the Completion Time.

Upon completion of the disposal of the Aged Care Business, the Vendors will continue to operate the Retirement Village Business until a suitable purchaser is found.

2.5. Salient Terms of the Business Sale Agreement

The salient terms of the Business Sale Agreement are set out in Appendix I of this announcement.

For information purposes, no deposit was paid upon signing of the Business Sale Agreement in view that the Business Disposal Consideration is expected to be lesser than the liabilities to be transferred to the Purchaser and the Proposed Disposal is anticipated to require a net cash payment to the Purchaser.

2.6. Original cost of investment

KPJSB, a wholly-owned subsidiary of KPJ, had acquired 51% equity interest in Jeta Gardens Waterford Trust at total cost of investment of AUD6,087,828 (equivalent to RM18,682,935) in the year of 2011. On 1 January 2013, all operations, assets, liabilities and equity of Jeta Gardens Waterford Trust were transferred to Jeta Gardens and its subsidiaries (“**Jeta Gardens Group**”) at recorded book values to facilitate the termination of the trust. As at 30 November 2023, KPJSB owns 57.16% shareholdings in Jeta Gardens.

2.7. Information on the Purchaser

Based on the report issued by the Australian Securities and Investments Commission (“**ASIC**”) on 4 October 2023, DPG Services was incorporated in Australia on 18 October 1999 as a proprietary company. The issued share capital of DPG Services is AUD29,298,852 comprising 29,298,852 ordinary shares and the directors of DPG Services are Peter Roger Shergold and Victoria Paige Constance Atkinson.

Based on the annual financial report for the financial year ended 31 December 2022 of DPG Services, DPG Services group of companies is principally involved in the provision of residential aged care services.

DPG Services is wholly-owned by DAC Finance Pty Ltd (“**DAC Finance**”). According to the report issued by ASIC on 5 October 2023, DAC Finance was incorporated in Australia on 29 January 2008 as a proprietary company. DAC Finance has a total issued share capital of AUD248,202,801 comprising of 252,835,073 ordinary shares. The directors of DAC Finance are Thomas Teo Liang Huat, Peter Roger Shergold, Boon Nee Poh, Victoria Paige Constance Atkinson, Michael John Bessell and Trent Mikkonen.

The substantial shareholders of DAC Finance and their respective shareholdings in DAC Finance are as follows: -

Name	Direct	
	No. of shares	%
Allium Holdings Pty Ltd	13,951,834	47.62%
The Trust Company (Nominees) Limited	6,975,917	23.81%
Aged Care Investment Services No. 2 Pty Limited	3,487,959	11.90%
Aged Care Investment Services No. 1 Pty Limited	3,487,959	11.90%

DPG Services manages residential aged care communities in metro and regional areas in New South Wales, Victoria, Queensland, Western Australia and South Australia under the brand of Opal Healthcare.

2.8. Liabilities or guarantees to be assumed

Save as below, there are no liabilities, including contingent liabilities and/or guarantees, to be assumed and/or given by KPJ, its subsidiaries and associated companies (collectively, the “**Group**” or “**KPJ Group**”) to DPG Services pursuant to the Proposed Disposal:-

- (a) KPJSB is acting as guarantor (via a deed poll of guarantee and indemnity) for the Vendors pursuant to the Business Sale Agreement on the performance of the Vendors’ obligations of up to AUD10 million (equivalent to RM30.689 million) from the date of the Business Sale Agreement until 18 months after the completion of the Proposed Disposal or up to when the Vendor’s obligations are fully discharged or upon the remittance of the claim amount (if any), whichever is earlier. For clarity, the obligations of Kumpulan Perubatan (Johor) Sdn Bhd as the guarantor will not materialise so long as the Vendors fulfill their obligations in accordance with the terms of the Business Sale Agreement;
- (b) In view that the shareholders’ equity of Jeta Gardens based on its latest audited financial statements is in a negative position, KPJ, as the ultimate holding company, has confirmed that it will provide the necessary financial support to Jeta Gardens to enable Jeta Gardens Group to meet its liabilities as and when they fall due. Nonetheless, based on the current financial position of Jeta Gardens, KPJ anticipates that Jeta Gardens will be able to financially support itself and its subsidiaries until the completion of the Proposed Disposal;
- (c) The Vendors are required to provide a club house for the Retirement Village residents within four years of the completion of the Proposed Disposal for an estimated cost of AUD0.200 million (or RM0.614 million) which is estimated to be completed by January 2028; and
- (d) Until the completion of the Business Sale Agreement, the Vendors remain the owner of and bear all risk in connection with the Aged Care Business including its selected existing assets and liabilities and each Vendor must indemnify and keep the Purchaser indemnified in relation to those liabilities (i.e. any claims made against Vendors’ act, conduct or omission in relation to the Aged Care Business including its selected existing assets and also the employees employed by Vendors) which were expressly excluded under the Business Sale Agreement by the Vendors, and must pay on demand the amount of all loss suffered or incurred by the Purchaser in connection with such excluded liability.

2.9. Utilisation of proceeds

The Proposed Disposal will highly likely result in a net cash payment of AUD0.700 million (equivalent to RM2.148 million) (subject to adjustments) by the Vendors to the Purchaser which will be funded from the Vendors’ internally-generated funds.

2.10. Cash company or Practice Note 17 (“PN17”) company

The Proposed Disposal is not expected to result in the Company becoming a cash company or PN17 company as defined under the Listing Requirements.

3. RATIONALE OF THE PROPOSED DISPOSAL

The table below depicts a summary of the financial information extracted from the audited consolidated financial statements of Jeta Gardens Group for the financial year ended (“FYE”) 31 December 2020, 2021 and 2022 as well as its unaudited consolidated 9-month results for the financial period ended (“FPE”) 30 September 2023:

	FYE 2020	Audited FYE 2021	FYE 2022	Unaudited FPE 30 Sept 2023
	AUD'000	AUD'000	AUD'000	AUD'000
Revenue ⁽¹⁾	15,987	17,705	17,177	16,131
Loss after taxation	(10,554)	(4,814)	(6,969)	(7,334)
Net current liabilities	(45,417)	(15,255)	(36,567)	(5,998)
Net liabilities	(20,017)	(24,987)	(31,881)	(38,025)

Note:

(1) Aged Care Business represents the largest revenue contributor representing approximately 94%, 96%, 96% and 97% of the total revenue in FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Jeta Gardens Group recorded annual losses after taxation ranging from AUD4.814 million to AUD10.554 million (equivalent to RM14.774 million to RM32.389 million) as well as net liabilities ranging from AUD20.017 million to AUD31.881 million (equivalent to RM61.430 million to RM97.840 million) for the past 3 financial years from 2020 to 2022.

The Proposed Disposal will enable Jeta Gardens to exit the Aged Care Business which has been loss-making and facing challenging business prospects. The auditors of Jeta Gardens indicated in its independent auditors' reports for the FYE 2021 and FYE 2022 that a material uncertainty arising from the loss after taxation and/or net liabilities position (including net current liabilities position) may cast significant doubt on Jeta Gardens Group's ability to continue as a going concern. In this respect, KPJ has been providing financial support to Jeta Gardens when necessary to enable the Jeta Gardens Group to meet its liabilities as and when they fall due. By removing the underperforming Aged Care Business, the KPJ Group can reduce its operating costs and cash flow requirements.

Post disposal of the Aged Care Business, the KPJ Group will be able to redirect its resources to other business segments which are profitable. The Proposed Disposal will also allow KPJ's exit while maintaining the continuity of the aged care facilities for the residents in a socially responsible manner and ensure the wellbeing of the residents are unaffected by the Proposed Disposal.

4. RISKS IN RELATION TO THE PROPOSED DISPOSAL

4.1. Non-completion of the Proposed Disposal

The completion of the Proposed Disposal is conditional upon the fulfilment of the conditions precedent as well as the obligations stipulated in the Business Sale Agreement. The non-fulfilment of the conditions precedent may result in any delay or termination and there is no assurance that the Business Sale Agreement can be completed within the stipulated timeframe.

Should a delay or non-completion occur, the KPJ Group may not be able to realise the benefits arising from the Proposed Disposal. Nevertheless, the Board will take reasonable steps to ensure that the satisfaction of the conditions precedent set out in the Business Sale Agreement in a timely manner.

4.2. Risks associated with the sublease arrangement

Jeta Gardens and AAA currently have an existing Headlease Agreement. Pursuant to the Business Sale Agreement, Jeta Gardens will enter into the Sublease Agreement with the Purchaser of the Aged Care Property.

Upon entering into the Sublease Agreement, Jeta Gardens is obliged to sublease the area demarcated in respect of the Aged Care Property to the Purchaser for the period commencing from the completion of the Proposed Disposal until 31 October 2110. Pursuant to the Headlease Agreement and the Sublease Agreement, the Vendors are hence exposed to risks as both lessee and sub-lessor, which includes but is not limited to risks of non-payment of lease, non-collection of utility costs from the Purchaser, maintenance costs of the Aged Care Property, termination of sublease, etc. Nonetheless, it is the intention of the Vendors to pass on the risks and benefits of the Headlease Agreement for the Aged Care Property to the Purchaser and they will endeavour their best to minimise any risks as the agent for the time being. The Company will take reasonable steps to monitor the aforementioned leasing and sub-leasing arrangements of the Jeta Gardens Group in order to minimise any risks of breaches.

4.3. Risks associated with the guarantee

KPJSB is acting as guarantor for the Vendors pursuant to the Business Sale Agreement on the performance of the Vendors' obligations. In the event that the Vendors do not perform their obligations under the Business Sale Agreement, the Purchaser can claim from KPJSB up to AUD10 million (equivalent to RM30.689 million) from the date of the Business Sale Agreement until 18 months after the completion of the Proposed Disposal or up to when the Vendor's obligations are fully discharged or upon the remittance of the claim amount (if any), whichever is earlier. The Company will endeavour its best to ensure that the Vendors meet its obligations under the Business Sale Agreement so that the guarantee need not be invoked by the Purchaser.

Save for the above risks, the Board does not foresee any other risk factors which could materially affect the Proposed Disposal.

5. EFFECTS OF THE PROPOSED DISPOSAL

5.1. Issued share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the issued share capital and the substantial shareholders' shareholdings of the Company as the Proposed Disposal does not involve any issuance of ordinary shares in KPJ ("Shares").

5.2. Net assets ("NA"), NA per Share and gearing

Based on the latest audited consolidated statement of the financial position of KPJ as at 31 December 2022 and assuming that the Proposed Disposal had been effected on that date, the pro forma effects of the Proposed Disposal on the NA, NA per Share and gearing level of KPJ are set out as follows:

	Audited FYE 2022 RM'000	After the Proposed Disposal RM'000
Share capital	976,329	976,329
Retained earnings	1,406,241	1,417,065 ⁽¹⁾
Treasury shares	(155,310)	(155,310)
Shareholders' equity/ NA	2,227,260	2,238,084
Non-controlling interest	126,958	135,072 ⁽²⁾
Total equity	2,354,218	2,373,156
No. of Shares in issue (excluding treasury shares) ('000) (units)	4,343,221	4,343,221
NA per Share (RM)	0.51	0.52
Total borrowings	1,887,178	1,887,178
Gearing (times)	0.85	0.84

Notes:

- (1) Taking into consideration the extinguishment of net liabilities upon transfer, after setting off with the estimated expenses and consequential impairment losses on assets arising from the Proposed Disposal attributable to KPJ Group, as detailed in Section 5.3 of this announcement.
- (2) Including the estimated net liabilities extinguished, after setting off with the estimated expenses and consequential impairment losses on assets arising from the Proposed Disposal of approximately RM8.114 million attributable to the non-controlling interest of KPJ Group.

5.3. Earnings and Earnings per share (“EPS”)

Based on the unaudited net liability value of the Aged Care Business as at 30 September 2023 and the exchange rate as at 11 December 2023, the Proposed Disposal is expected to result in a pro forma gain on extinguishment of net liabilities to KPJ Group as set out as follows:

	Amount	
	AUD '000	RM '000
Asset Sale Value	15,500	47,568
Less : Liability assumed by the Purchaser (i.e. bonds/ refundable accommodation deposits liability)	(16,200)	(49,716)
Base Agreed Price	(700)	(2,148)
Less: Net Liability Value of the selected assets and liabilities of the Aged Care Business as at 30 September 2023	15,298	46,948
Proforma gain on extinguishment of net liabilities arising from the Proposed Disposal	14,598	44,800
Less: Estimated expenses in relation to the Proposed Disposal ⁽¹⁾	(2,607)	(8,001)
Less: Consequential impairment losses in relation to the Proposed Disposal ⁽²⁾	(5,820)	(17,861)
Expected proforma net gain on extinguishment of net liabilities arising from the Proposed Disposal	6,171	18,938
KPJ's portion of the expected proforma net gain on extinguishment of net liabilities @ 57.16% shareholdings in Jeta Gardens	3,527	10,824

Notes:

- (1) Including the expenses to be incurred for the IT separation activities, insurance, human resources management, winding up of JGAC which is the operator of the Aged Care Business, professional fees and estimated cost of providing of club house.
- (2) Including estimated impairment losses to the remaining assets in Jeta Gardens Group.

As illustrated in the table above, the expected proforma net gain on extinguishment of net liabilities arising from the Proposed Disposal amounts to AUD6.171 million (equivalent to RM18.938 million) whilst 57.16% of which AUD3.527 million (equivalent to RM10.824 million) is attributable to KPJ Group.

For illustration purposes, based on the audited consolidated statement of financial statement of KPJ as at 31 December 2022 and assuming that the Proposed Disposal had been effected on that date, the pro forma effects of the Proposed Disposal on the earnings and EPS of KPJ are set out as follows:

	Audited FYE 2022 RM'000	After the Proposed Disposal RM'000
Profit attributable to owners of the Company	166,981	177,805 ⁽¹⁾
Weighted average number of Shares in issue ('000) (units)	4,341,403	4,341,403
EPS (sen)	3.85	4.10

Note:

(1) *Taking into consideration extinguishment of net liabilities upon transfer, after setting off with the estimated expenses and consequential impairment losses on assets arising from the Proposed Disposal attributable to KPJ Group, totalling RM10.824 million.*

6. APPROVALS REQUIRED

The Proposed Disposal is subject to the consent of the Commonwealth Department of Health and Aged Care, a government agency in Australia in respect of the transfer of the residential aged care places of the Aged Care Business to the Purchaser. The Proposed Disposal is not subject to the approval of the shareholders of KPJ.

The Proposed Disposal is not conditional upon any other proposals undertaken or to be undertaken by KPJ.

The Business Sale Agreement is interdependent with the Land Sale Agreement.

7. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable for the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is 2.14% calculated based on the Asset Sale Value over the NA attributable to the shareholders of the Company based on its latest audited consolidated financial statements for the FYE 2022.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

AAA is a wholly owned subsidiary of AA. AA is managed by Damansara REIT Managers Sdn Bhd (“**DRMSB**”) which is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, which in turn is a wholly-owned subsidiary of Johor Corporation (“**JCorp**”). Meanwhile, JCorp is a major shareholder of KPJ.

Pursuant to Paragraph 10.08 of the Listing Requirements and by virtue of the interdependency between the Business Sale Agreement and Land Sale Agreement, the Proposed Disposal is deemed a related party transaction in view of the interested directors and major shareholder are also interested in the proposed disposal of land and property held by AAA to Principal Healthcare and DPG Services.

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

- (a) Datuk Md Arif Bin Mahmood, the Non-Independent Non-Executive Chairman of KPJ and also a Board representative of JCorp, a major shareholder of KPJ;
- (b) Dato’ Mohd Redza Shah Bin Abdul Wahid, is a Senior Independent Non-Executive Director of KPJ and also an Independent Non-Executive Chairman of DRMSB, the manager of AA;
- (c) Rozaini Bin Mohd Sani is a Non-Independent Non-Executive Director of KPJ, a senior management of JCorp, and also a Director of Damansara Assets Sdn Bhd, a subsidiary of JCorp and the holding company of DRMSB; and
- (d) Shamsul Anuar Bin Abdul Majid is a Non-Independent Non-Executive Director of KPJ, a Non-Independent Non-Executive Director of DRMSB, and also a senior management of JCorp,

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

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting in respect of any resolution pertaining to the Proposed Disposal at the relevant Board meetings of the Company.

As at 30 November 2023, being the latest practicable date prior to this announcement (“**LPD**”), save as disclosed below, none of the Interested Directors have any shareholdings in KPJ: -

Name	Direct		Indirect	
	No. of Shares	%⁽¹⁾	No. of Shares	%⁽¹⁾
Datuk Md Arif Bin Mahmood	60,000	~	-	-

Notes:

~ Negligible

(1) Based on the total issued share capital (excluding treasury shares) of 4,364,301,366 Shares as at the LPD.

Save as disclosed above, none of the other directors, major shareholders of our Company have any interests, either direct or indirect, in the Proposed Disposal.

9. TRANSACTIONS WITH JCORP FOR THE PRECEDING 12 MONTHS

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

- (a) On 2 September 2022, KPJ announced that 3 of its subsidiaries had on even date entered into separate sale and purchase agreements with AmanahRaya Trustees Berhad (“**ART**”), being the trustee for and behalf of AA for the sale of KPJ Pasir Gudang Specialist Hospital land and building, TMC Health Centre building as well as a new building forming part of KPJ Seremban Specialist Hospital building for a total consideration of RM192.00 million (“**Sale**”). DRMSB, being the manager of AA, is a wholly-owned subsidiary of Damansara Assets Sdn Bhd, which in turn is a wholly-owned subsidiary of JCorp.

As a condition to the Sale, each of the 3 subsidiaries entered into a lease agreement with ART (acting on behalf of AA), and DRMSB, for the lease of the properties back to the respective subsidiaries upon the terms and conditions agreed between the aforesaid parties (“**Leaseback**”).

The Sale and Leaseback were approved by both KPJ’s shareholders and AA’s unitholders at their EGMs held on 12 December 2022 and 13 December 2022 respectively. The Sale was completed on 23 December 2022 followed by the commencement of the Leaseback on the even date;

- (b) On 13 September 2022, KPJ announced the disposal of 2 parcels of vacant freehold development land in Bethania Queensland Australia by Jeta Gardens, its 57%-owned subsidiary to Jland Australia Pty Ltd, a wholly-owned subsidiary of Johor Land Berhad, which in turn is a wholly-owned subsidiary of JCorp for a total cash consideration of AUD6.50 million. The disposal was approved by KPJ’s shareholders in its EGM held on 12 April 2023 and was completed on 23 June 2023; and
- (c) On 27 June 2023, KPJ announced that 4 of its subsidiaries proposed to enter into separate lease renewal agreements with ART, being the trustee for and on behalf of AA and DRMSB (a wholly-owned subsidiary of Damansara Assets Sdn Bhd, which in turn is a wholly-owned subsidiary of JCorp), being the manager of AA to renew the lease of the KPJ Kajang Specialist Hospital (“**KJG**”), KPJ Perdana Specialist Hospital (“**PDN**”), KPJ Sentosa KL Specialist Hospital (“**SeKL**”) and Kuantan Care & Wellness Centre (“**KTN**”) and shall also include their respective fixtures and fittings as detailed in the lease renewal agreements. Please refer to the Circular of KPJ dated 31 July 2023 for further details of the rent formulas of the KJG, PDN, SeKL and KTN. The lease renewal agreements commenced on 1 October 2023.

10. AUDIT COMMITTEE’S STATEMENT

The audit committee (save for the interested Directors), after having considered all aspects of the Proposed Disposal, including the details, rationale, risks and financial effects of the Proposed Disposal as well as the salient terms of the Business Sale Agreement, is of the opinion that the Proposed Disposal is fair, reasonable and on normal commercial terms and are in the best interests of the Company and not detrimental to the interest of the minority shareholders of the Company.

11. DIRECTORS' STATEMENT

The Board (save for the interested Directors), after having considered all aspects of the Proposed Disposal, including the details, rationale, risks and financial effects of the Proposed Disposal as well as the salient terms of the Business Sale Agreement, is of the opinion that the Proposed Disposal is fair, reasonable and on normal commercial terms and are in the best interests of the Company and not detrimental to the interest of the minority shareholders of the Company.

12. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSED DISPOSAL

Barring any unforeseen circumstances and subject to the fulfilment of the condition(s) precedent as set out in the Business Sale Agreement, the Proposed Disposal is expected to be completed in the 1st quarter of the year 2024.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The Business Sale Agreement will be made available for inspection at the registered office of KPJ at Level 13, Menara KPJ, 238 Jalan Tun Razak, 50400 Kuala Lumpur during normal office hours from Mondays to Fridays (except on public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 13 December 2023.

SALIENT TERMS OF THE BUSINESS SALE AGREEMENT

Definitions

Unless otherwise indicated, the following definitions are the definitions that are being used in this Appendix only. All other definitions which are used in this announcement but do not appear below have been defined in the announcement:

- Assets** : Selected existing assets related to the Aged Care Business to be transferred to the Purchaser
- Actual RAD Liability** : In respect of a particular date, the total liability of JGAC to refund accommodation bond balances and refundable deposit balances (expressed as a positive dollar amount) as at that date to care recipients or former care recipients but excluding any accommodation bond balances and refundable deposit balances that a care recipient has agreed to pay to JGAC but has not paid as at the particular date
- Aged Care Act** : Aged Care Act 1997 (Commonwealth)
- Assumed Liabilities** : As at the time of Completion:
 (a) all liabilities arising, and obligations to be performed, on and from Completion under the resident agreements and the new resident agreements; and
 (b) all obligations and liabilities up to the Completion date arising under or in connection with the transferring employees assumed by the Purchaser in accordance with the Business Sale Agreement
- Base Agreed Price** : AUD(700,000)
- BSA Guarantee** : Means the deed poll of guarantee and indemnity provided by the BSA Guarantor in favour of the Purchaser, dated on or about the date of the Business Sale Agreement
- BSA Guarantor** : Kumpulan Perubatan (Johor) Sdn Bhd
- Business Day** : Means a day on which the banks are open for business in Brisbane, Queensland other than a Saturday, Sunday or public holiday in Brisbane, Queensland
- Business Sublease** : The sublease arrangement to be entered into between Jeta Gardens and the Purchaser
- Claim** : Includes a claim, notice, demand, action, proceeding, litigation, investigation, judgment, damage, Loss, cost, expense or liability (whether present or future, fixed or unascertained, actual or contingent, and whether owed or incurred alone or jointly and severally with any other person)
- Claim Amount** : AUD10,000,000
- Claim Period** : Period commencing on Completion and expiring on the date 18 months after Completion

SALIENT TERMS OF THE BUSINESS SALE AGREEMENT

- Completion** : Completion of the sale and purchase of the Aged Care Business and Assets, and **Complete** has the corresponding meaning
- Completion Date** : means
- (a) 31 January 2024;
 - (b) if the Purchaser gives notice to the Vendors on or before 15 January 2024 of its preference not to Complete on 31 January 2024, then 29 February 2024; or
 - (c) such other date as the parties may agree in writing (provided that such day must be the last day of the calendar month)
- Completion Adjustment Amount** : Means the completion adjustment amount determined in accordance with the line items agreed in the statement prepared as at the Completion Time in the format as agreed under the Business Sale Agreement, or, where the matter was determined by an independent account, the amount determined by the independent accountant
- Controlled Money Account** : means the interest bearing deposit account with a bank or any other controlled money account governed by the provisions of the Legal Profession Uniform Law (NSW) to be established and maintained by the Escrow Agent
- Department** : The Commonwealth Department of Health and Aged Care or its successor acting through the Secretary of the Commonwealth Department of Health and Aged Care
- Disclosure Materials** : All written information relating to the business, property, Assumed Liabilities and Assets given or made available by or on behalf of the Vendors or of the land seller of the Land Sale Agreement to the Purchaser and its advisers and personnel, comprising and limited to documents uploaded in the data room and written answers provided by or on behalf of the Vendors or by or on behalf of the land seller of the Land Sale Agreement at least 5 Business Days before the date of the Business Sale Agreement to questions asked by or on behalf of the Purchaser in connection with the subject matter of the agreement as part of the question and answer process via the data room including all information set out in the Disclosure Letter
- Disclosure Letter** : Letter from the Vendors' representative to the Purchaser dated the same date as the Business Sale Agreement, containing disclosures in respect of the Vendors' warranties
- Escrow Agent** : Thomson Geer ABN 21 442 367 363
- Escrowed Amount** : means the amounts to be paid by the Purchaser and/or land buyer of Land Sale Agreement to the Escrow Agent, together with any accrued interest
- Escrow Parties** : means the Vendors, Purchaser as well as both land seller and land buyer of Land Sale Agreement

SALIENT TERMS OF THE BUSINESS SALE AGREEMENT

- Escrow Payment Event** : means a portion or all of the Escrowed Amount becomes payable to an Escrow Party (as applicable) under the terms of the Business Sale Agreement and the Land Sale Agreement
- Interim Adjustment Amount** : RAD Base Liability less Pre-Completion RAD Liability (which may calculate to be a positive or negative number)
- Loss** : **Loss** includes any loss, damage, cost, charge, liability, expense, interest, penalty, fine, taxes and duties (including legal costs and expenses) however it arises, and whether it is present or future, fixed or unascertained, actual or contingent (whether or not the events, matters or circumstances giving rise to it are known to that person or to any other person at the date of the Business Sale Agreement); or at law, in equity, under statute, by a government agency or otherwise. A **Loss** in connection with any event, matter or circumstance includes all reasonable expenses of consultants, and legal expenses on a solicitor and own client basis, incurred in connection with investigating, disputing, defending or settling any claim relating to that event, matter or circumstance. For any claim in respect of a warranty, **Loss** includes an amount that would be necessary to put the claimant in the same position as if the relevant warranty had been true and correct and not misleading or deceptive
- Pre-Completion RAD Liability** : Actual RAD Liability as at the Business Day immediately prior to the date of the pre-completion estimate certificate (which is to be expressed as a positive number)
- Records** : Any records, documents, books, files, reports, accounts, manuals, correspondence and plans of a Vendor relating exclusively or substantially to, or used in connection with, the Aged Care Business, the Assets, the Property, the transferring employees and/or the Assumed Liabilities
- Registration Notice** : notice given by the land seller to the land buyer under the Land Sale Agreement confirming that the reconfiguration registration has been completed whereby the land seller obtains an indefeasible title as the sole registered owner of the land from the Titles Registry
- RAD Base Liability** : AUD16,200,000
- Sunset Date** : 31 May 2024, or as otherwise agreed between the Vendors and the Purchaser
- Title Registry** : The freehold land titles registry maintained by Titles Queensland
- Transfer Date** : The proposed transfer date specified in the Transfer Notice and approved by the Department for the purposes of section 16-8 of the Aged Care Act, or as may otherwise be determined under section 16-5 of the Aged Care Act

SALIENT TERMS OF THE BUSINESS SALE AGREEMENT

Transfer Notice : 'Notice to Transfer Aged Care Places to Another Provider' (or such other form approved by the Department) in accordance with section 16-2 of the Aged Care Act under which the Department is advised of the proposed transfer of the places of the Aged Care Business to the Purchaser

A. SALIENT TERMS OF THE BUSINESS SALE AGREEMENT

The salient terms of the Business Sale Agreement are as follows:

Interdependency

1. The Business Sale Agreement is interdependent with the Land Sale Agreement, the BSA Guarantee and Land Sale Agreement guarantee.
2. If a Registration Notice has been given to the land buyer by the land seller under the Land Sale Agreement on or before the date that is 7 Business Days before the Completion Date, the Business Sale Agreement must be completed contemporaneously with completion of the Land Sale Agreement. Accordingly, payment of all money required to be paid on the Completion Date and the date of settlement under the Land Sale Agreement must take place at the same time.
3. If a Registration Notice has not been given to the land buyer by the land seller under the Land Sale Agreement on or before the date that is 7 Business Days before the Completion Date, the Business Sale Agreement must be completed contemporaneously with the entry into the Business Sublease.
4. The Business Sale Agreement is conditional upon each of the Land Sale Agreement, BSA Guarantee and Land Sale Agreement guarantee being properly executed and exchanged and will not be legally enforceable or effective until that occurs.
5. If any of the Land Sale Agreement, BSA Guarantee or the Land Sale Agreement guarantee is rescinded or terminated prior to the Completion of the Business Sale Agreement, then the Business Sale Agreement will be taken to have rescinded or terminated simultaneously.

Conditions Precedent

1. Completion of the sale and purchase of the Aged Care Business and Assets is subject to all the conditions have been satisfied or waived on or before the Sunset Date to achieve Completion ("**Conditions Precedent**"):
 - (a) (**Transfer Date**) The Commonwealth Department of Health and Aged Care's written confirmation of the Transfer Date;
 - (b) (**No veto**) The Commonwealth Department of Health and Aged Care not issuing a veto notice in respect to the transfer of the residential aged care places at least 7 days prior to the Transfer Date;
 - (c) (**Related transaction documents**) Entering and delivering the related transaction documents by the parties;
 - (d) (**No material adverse change**) The Vendors' confirmation of no material adverse change in accordance with the provisions of the Business Sale Agreement; and

SALIENT TERMS OF THE BUSINESS SALE AGREEMENT

- (e) **(Resident agreements and new resident agreements)** JGAC providing the Purchaser with fully signed and complete copies of all resident agreements and new resident agreements
2. The Vendors and the Purchaser may terminate the Business Sale Agreement immediately by giving the other party a notice if:
- (a) the Conditions Precedent are not satisfied or waived by the Sunset Date;
 - (b) a Condition Precedent is or becomes incapable of being satisfied; or
 - (c) a Condition Precedent, having been satisfied, does not remain satisfied in all respects before Completion.

Consideration

1. The consideration for the sale and transfer of the Aged Care Business and Assets is the payment by the Purchaser of the Purchase Price (as defined hereunder) and the assumption by the Purchaser of the Assumed Liabilities.
2. The Purchase Price payable to the Vendors comprises:
- (a) the Base Agreed Price (if the Interim Adjustment Amount is a positive number, *plus* or if the Interim Adjustment Amount is a negative number, *minus*);
 - (b) the Interim Adjustment Amount (if the Completion Adjustment Amount is a positive number, *plus* or if the Completion Adjustment Amount is a negative number, *minus*); and
 - (c) the Completion Adjustment Amount.
- ("collectively referred to as **"Purchase Price"**)
3. The Purchase Price is to be paid as follows:
- (a) on Completion, if the Purchase Price is a positive number, up to an amount of AUD10,000,000 will be paid by the Purchaser to the Escrow Agent (**"Escrow Amount"**) (who will receive the funds on behalf of the Vendors) to be held in an escrow account, and the excess (if any) above the AUD10,000,000 to the Vendors if the Purchase Price is a negative number, the Vendors shall pay the absolute value of that amount to the Purchaser:
 - (i) the Base Agreed Price; less
 - (ii) the Interim Adjustment Amount (**"Completion Payment"**), and
 - (b) the Completion Adjustment Amount.
4. If the Completion Adjustment Amount:
- (a) is a negative number, the Vendors must pay that amount to the Purchaser in immediately available funds;
 - (b) is a positive number, the Purchaser must pay that amount to the Escrow Agent (to receive the funds on behalf of the Vendors) in immediately available funds; and
 - (c) is zero, no payment is required under this clause.

SALIENT TERMS OF THE BUSINESS SALE AGREEMENT

Obligations on Completion

On or before Completion, each party must ensure that it has done all of the obligations as outlined below unless waived by the other party in its sole discretion.

1. Vendors' obligations:
 - (a) **(Assets)** deliver to the Purchaser duly signed transfers and similar forms for all Assets that require such forms;
 - (b) **(Intellectual property assets)**, assign and transfer absolutely all its right, title and interest in the intellectual property Assets to the Purchaser;
 - (c) **(Delivery)** deliver to the Purchaser all Assets;
 - (d) **(Possession)** permit the Purchaser to take possession of all those Assets which are not on the Property;
 - (e) **(Records)** make available to the Purchaser all Records;
 - (f) **(Release of encumbrances)** deliver evidence satisfactory to the Purchaser of the release of all encumbrances;
 - (g) **(Consents and approvals)** deliver to the Purchaser signed copies of all required governmental and regulatory approvals or other third party approvals and consents;
 - (h) **(General)** deliver or make available to the Purchaser such other documents and material and do all other things reasonably required to effect the transfer of the Aged Care Business and the Assets to the Purchaser on Completion and perform all other obligations to be performed by the Vendors on Completion;
 - (i) **(Notice to the Department)** a signed written notice to the Department confirming Completion;
 - (j) **(Disclosure Materials USB)** The Disclosure Materials (other than the Disclosure Letter) copied onto a USB memory storage device and initialled by or on behalf of the Vendors for identification;
 - (k) **(Resident agreements and new resident agreements)** fully executed copies of any resident agreement which are incomplete or otherwise not fully signed as at the date of the Business Sale Agreement, and all new resident agreements;
 - (l) **(Motor vehicles)** originals of the executed transfer of ownership, registration certificate and current certificate of roadworthiness, and keys for each motor vehicle;
 - (m) **(Related transaction document)** a signed counterpart of each related transaction document executed by Vendors;
 - (n) **(Product or service warranties)** assign the product or service warranties to the Purchaser; and
 - (o) **(Completion Payment)** if the Completion Payment:
 - (i) is a negative number, the Vendors are to pay that amount to the Purchaser to in immediately available funds; and
 - (ii) is a positive number, the Vendors are to direct the Purchaser to pay that amount to the Escrow Agent.
2. Purchaser's obligations:
 - (a) **(Payment)** if the Completion Payment is a positive number the Purchaser is to pay that amount to the Escrow Agent (in accordance with the direction by the Vendors to the Purchaser);
 - (b) **(General)** do all other things reasonably required on its part to effect the transfer of the Aged Care Business and the Assets to the Purchaser on Completion;
 - (c) **(Assumed Liabilities)** assume the Assumed Liabilities; and
 - (d) **(Related transaction document)** a signed counterpart of each related transaction document executed by the Purchaser.

SALIENT TERMS OF THE BUSINESS SALE AGREEMENT

Obligations before Completion

In essence, the Vendors' obligations inter alia shall ensure that from signing of the Business Sale Agreement until Completion, the Business is carried on in its ordinary course and no material adverse change occurs in order to facilitate the Purchaser for the transition of the handover of the Aged Care Business.

Transfer of Aged Care Business

The Purchaser may give notice to the Vendors on or before 15 January 2024 of its preference not to Complete on 31 January 2024, of which the Vendors shall give a new scheduled transfer day of 29 February 2024 or such other date as agreed between the parties.

Post-Completion Obligations

Vendors shall provide a new club house on the land of which the adjacent RV is located within 4 years of Completion.

Termination

1. Termination may be initiated by either party prior to Completion on the occurrence of either one of the following:
 - (a) appointment of trustee;
 - (b) a holder of encumbrance taking possession of property;
 - (c) insolvency; and
 - (d) breach is not rectified within 10 Business Days.
2. Further, termination may also be initiated by the Purchaser in the event:
 - (a) any fundamental warranty is found untrue; and
 - (b) any Conditions Precedent is not satisfied or is incapable of being satisfied.

Maximum Aggregate Amount

1. The maximum aggregate amount that the Purchaser may recover from the Vendors for a Claim under the Business Sale Agreement is the Claim Amount.