

KPJ to sell hospitals to REIT

By R. SITTAMPARAM

KPJ Healthcare Bhd said yesterday it plans to dispose of the group's Ampang Puteri, Damansara, Puteri and Perdana specialist hospitals for about RM300 million to a real estate investment trust (REIT) that it intends to set up.

Funds raised from the sale to the REIT, which could subsequently take up most of the remaining 13 hospitals under the group, will be used for other investments and also to reduce borrowings, it added.

Following the exercise, the group's gearing ratio is expected to be reduced from 0.9 to 0.4.

A REIT is a company or fund that owns and, in most cases, operates income-producing real estate such as hospitals, apartments, shopping centres, offices and warehouses.

REITs pay almost all their earnings as dividends, making them attractive to investors seeking regular income and capital gains.

KPJ Healthcare has a 25-year track record in the private hospital sector with a network of 17 hospitals in Malaysia, Indonesia and Bangladesh.

KPJ Healthcare chairman Tan Sri Muhammad Ali Hashim said with the proposed REIT exercise, the group will also be able to focus on its core activity of managing hospital services.

He said that the group will become asset-light and be able to save on property depreciation costs of about 2 per cent.

"KPJ Healthcare is expected to receive about RM200 million cash and 100 million units of REIT based on the RM300 million assets injected into the REIT.

"We feel it is now timely for us to carry out this exercise through which we will also be able to pass some of the savings to our patients in terms of improved facilities and services."

Muhammad Ali said KPJ Healthcare has appointed AmMerchant Bank Bhd, a member of AmInvestment

Group Bhd, as the adviser for the proposal.

"The details of the proposal will be announced upon the execution of the sale and purchase agreements pertaining to the proposal by relevant parties.

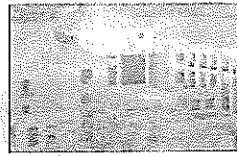
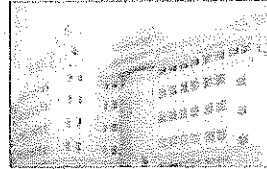
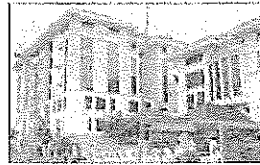
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Muhammad Ali said based on the success of the initial REIT exercise, the group hopes to raise further funds by injecting more hospital assets into the REIT later.

He added that the REIT exercise is in line with the group's present strategy whereby all of its newer hospitals such as those in Kuching and Seremban operate in buildings owned by other parties.

Meanwhile, AmMerchant Bank Bhd southern region director Han Hing Siew said investors could expect about 6.5 per cent yield per annum for stakes in the proposed KPJ Healthcare's REIT.

FROM TOP:
Ampang
Puteri,
Damansara,
Puteri and
Perdana
specialist
hospitals



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