Company	:	**TDM BERHAD ("TDM" OR "COMPANY")**
Type	:	**TRANSACTIONS (CHAPTER 10 OF THE LISTING REQUIREMENTS): NON-RELATED PARTY TRANSACTIONS**
Subject	:	**EXECUTION OF AN AGREEMENT TO BUILD AND SUB-LEASE IN RELATION TO THE PROPOSED BUILD AND SUB-LEASE OF A NEW BLOCK FOR KMI TAWAU MEDICAL CENTRE ("NEW SPECIALIST HOSPITAL BUILDING") AND RENOVATION WORKS FOR THE EXISTING BUILDING OF KMI TAWAU MEDICAL CENTRE ("EXISTING SPECIALIST HOSPITAL BUILDING") IN TAWAU SABAH ("PROPOSAL")**

1. INTRODUCTION

Reference is made to the Company's announcements made on 30 September 2021, 8 October 2021, 31 March 2022,12 May 2022 and 20 January 2025 ("**Earlier Announcements**"). Unless otherwise stated, all definitions and terms used in this announcement shall have the same meaning as defined in the Earlier Announcements.

Further to the Earlier Announcements, the Board of Directors of TDM ("**Board**") wishes to announce that KMI Tawau Medical Centre Sdn Bhd ("**KMITMC**"), a wholly-owned subsidiary of Kumpulan Medic Iman Sdn Bhd ("**KMI**"), which in turn is a subsidiary of TDM, has on 14 April 2026 entered into an agreement to build and sub-lease in relation to the Proposal ("**ATBSL**") with Tawau Healthcare Sdn Bhd ("**THSB**").

The ATBSL has been executed by the Parties pursuant to the terms of a binding Term Sheet dated 20 January 2025.

2. INFORMATION ON THE PARTIES

2.1 THSB

2.1.1 THSB was incorporated under the Companies Act 1965 and is deemed registered under the Companies Act 2016 as a private limited company limited by shares on 31 December 2009 under the name of Tawau Maternity and Specialist Hospital Sdn Bhd. THSB subsequently changed its name to Tawau Specialist Hospital Sdn Bhd on 9 October 2018 and its present name on 22 April 2022. The principal business of THSB is property letting.

2.1.2 The paid-up capital of THSB is RM11,310,000.00, divided into 11,310,000 ordinary shares. The shareholders of THSB are Klinik Obstetrik and Ginekologi Dr. Teo Sdn Bhd ("**KOGT**") and VMed Sdn Bhd ("**VMSB**") with equal shareholding.

2.1.3 The Directors of THSB are Dr Teo Tu Huah @ Teo Yuan Fong and Dr Lee Shirley, both of whom are Shareholders of KOGT with shareholding of 50% and 19% respectively, and Dato' Lee Wee Long and Datin Chua Wei Yee, both of whom are Shareholders of VMSB with equal shareholding.

2.2 KMITMC

2.2.1 KMITMC was incorporated under the Companies Act 2016 on 25 March 2021 as a private company limited by shares. The paid-up capital of KMITMC is RM8,000,002.00 divided into 8,000,002 ordinary shares. The principal business of KMITMC is to manage and operate KMI Tawau Medical Centre.

2.2.2 The Directors of KMITMC are YB Datuk Dr Aliakbar bin Gulasan, Haji Mohd Anuar bin Haji Ali and Dr Mohd Afifi bin Shaiffuddin.

3. SALIENT TERMS OF THE ATBSL

3.1 Overall concept of the Proposal

3.1.1 THSB shall build and construct the New Specialist Hospital Building (with an annex building for mechanical and engineering purposes) on the parcels of land held under Town Lease TL107502705, TL 107502983 and TL 107502698, all in the District of Tawau, Sabah ("**New Land**") and shall undertake renovation works on the Existing Specialist Hospital Building, situated on a land held under Title No.TL 107502974, District of Tawau, State of Sabah ("**Existing Land**"), which is adjacent to the New Land (collectively the "**Project**"), upon the terms and conditions of the ATBSL.

3.1.2 The New Specialist Hospital Building with the annex building shall be built on a 'shell and core' basis, which comprise the structure, cladding, base building, common areas, external works, reception, lobby, passenger and patient lift shafts, stairwells, toilets, loading bays and parking bays of the New Specialist Hospital Building, mechanical and electrical and engineering systems in the New Specialist Hospital Building and the Existing Specialist Hospital Building (collectively the "**Specialist Hospital Buildings**") as well as the systems which run through between the Specialist Hospital Buildings, as set out in the Schedule of Accommodation, the Signed Off-Drawings and the Data Sheets.

3.1.3 Upon completion of the Project, THSB (being the registered and beneficial owner of the New Land) shall grant and KMITMC shall accept, a sub-lease ("**New Sub-Lease**") of the New Land together with the New Specialist Hospital Building to KMITMC ("**Property**"), upon the terms and conditions of the sub-lease agreement for the New Sub-Lease ("**New SLA**").

3.1.4 The New Specialist Hospital Building together with the Existing Specialist Hospital Building shall have a size/capacity of 59 beds, inclusive of the existing 7 beds for the Existing Specialist Hospital Building, as approved by the Ministry of Health ("**MoH**") by the issuance of the new approval to establish and maintain a private hospital in Form 2 ("**Approval to Maintain (Form 2)**") as prescribed under the PHFS Regulations 2006.

3.1.5 In the event the ATBSL is terminated in accordance with its terms, KMITMC shall take all necessary steps to transfer the Approval to Maintain (Form 2) in favour of THSB, upon the terms and conditions to be mutually agreed by the Parties and having regard to KMITMC is currently operating and managing the business of the Existing Specialist Hospital Building under the name of KMI Tawau Medical Centre, which was acquired by KMITMC from THSB pursuant to the Business Transfer Agreement dated 30 September 2021.

3.2 Gross development costs ("GDC")

3.2.1 Agreed GDC

The Parties mutually agree that the GDC for the Project is in the sum of RM72,000,000.00, which shall consist of all costs related to the Project, such as, inter alia, the costs for the Construction Works, installation of major equipment and facility system to the New Specialist Hospital Building as contained in the Schedule of Accommodation, the Signed-Off Drawings, the Data Sheets, car parking bays, fit-out costs, building professional costs and common professional fees, charges payable to the relevant authorities, finance costs, salaries of employees involved with the Project and other costs and charges as specifically set out in the ATBSL.

3.2.2 Revised GDC

The GDC shall be revised in the following circumstances:

(a) If after the completion of the Construction Works, it is found that the gross floor area of the completed Specialist Hospital Buildings, inclusive of the floor area of annex building to the New Specialist Hospital Building, falls short by more than 3% of the gross floor area of 84896 sq. ft. as specified in the Signed-Off Drawing ("**Shortfall in Gross Floor Area**"), the GDC shall be revised downwards proportionately to reflect the actual gross floor area of the completed Specialist Hospital Buildings, Provided That the Shortfall in the Gross Floor Area does not affect or impact the application for the issuance by the MoH of the licence to operate or provide healthcare facilities in Form 4 ("**Licence to Operate (Form 4)**"), as prescribed in PHFS Regulations 2006, to enable KMITMC to operate the Specialist Hospital Buildings under the name of 'KMI Tawau Medical Centre'. KMITMC reserves its rights under the ATBSL and applicable laws, in the event the Gross Floor Area affects or impacts its application for, or the issuance of the Licence to Operate (Form 4) by the MoH.

(b) In the event KMITMC requests any variation, addition, change, deviation from, substitution for, or other modification from the Schedule of Accommodation, the Signed-Off Drawings and/or the Data Sheets ("**Variation**"), KMITMC shall bear any increase in the costs for the Construction Works resulting from the Variation or as may be determined by KMITMC, the GDC shall be revised upwards proportionately to reflect such increase in the costs.

3.3 Conditions Precedent

3.3.1 The Parties' obligations under the ATBSL and the New SLA shall be subject to the fulfilment of following conditions (collectively the "**Conditions Precedents**") within the relevant Conditional Period:

(a) KMITMC shall have obtained the approval of KMI at a general meeting to be convened for KMITMC to undertake the Project;

(b) KMITMC shall have obtained the approval of TDM at a general meeting to be convened for KMITMC to undertake the Project (if necessary);

(c) THSB shall have provided to KMITMC certified true copies of contracts for the engagement of all Consultants and Personnel together with their credentials, valid certified licence or relevant experience;

(d) THSB shall have obtained the approval of its shareholders at a general meeting to be convened for THSB to undertake the Proposal; and

(e) in the event THSB obtains a banking facility to fund the Project with a condition that the New Land shall be charged as a security for the payment of the banking facility, THSB shall have obtained a written consent from the bank for the grant of the New Sub-Lease by THSB upon KMITMC, upon completion of the construction of the New Specialist Hospital Building under the Project.

3.3.2 For the purpose of this paragraph 3.3 above, "**Conditional Period**" means:

(a) for the Conditions Precedent set out in paragraphs 3.3.1(a), (b), (c) and (d), a period of 3 months commencing from the date of the execution of ATBSL; and

(b) for the Condition Precedent set out in paragraph 3.3.1(e), at any time prior to the Project Completion Date (as illustrated under paragraph 3.7.1 below).

In the event the Conditions Precedent are not fulfilled (unless waived by KMITMC's absolute discretion and to the satisfaction of KMITMC) within the aforesaid period, such period shall be extended automatically for a further period of 3 months, and in the event the Conditions Precedent are not fulfilled within the aforesaid extended period, such period may be further extended for a further period of 2 months subject to written consent of the Parties. The ATBSL shall become unconditional on the day which all Conditions Precedent shall have been fulfilled or waived ("**Unconditional Date**").

3.4 ATBSL deemed terminated

3.4.1 If any of the Conditions Precedent is not obtained or fulfilled or waived by the expiration of the Conditional Period, the Parties shall, within 7 business days of the occurrence of the aforesaid event, meet and consult with each other to examine and consider the effect, implication and circumstances thereof with a view to arriving at a mutually acceptable solution as evidenced by a written agreement between the Parties within 21 business days of the occurrence of the event ("**Consultation Period**").

3.4.2 If the Parties are unable to arrive at a mutually acceptable solution through such consultation, the ATBSL shall be deemed terminated upon expiry of the Consultation Period at the instance of the Party that is unable to fulfil the applicable Conditions Precedent which relates to it ("**Non-Performing Party**").

3.5 Consequence of termination

3.5.1 Upon the termination of the ATBSL pursuant to paragraph 3.4.2 above, the other Party ("**Performing Party**") shall be entitled to claim from the Non-Performing Party all direct losses and/or damages actually incurred and suffered as a result of such termination, Provided That such losses and/or damages are substantiated by reasonable and sufficient documentary evidence.

3.5.2 In the event that:

(a) the Non-Performing Party is KMITMC, THSB shall then be entitled to call upon the ATBSL Bank Guarantee (as provided by KMITMC to THSB pursuant to paragraph 3.6 below) and subject to paragraph 3.5.3 below if the amount of THSB's losses and exceeds the security deposit under the ATBSL Bank Guarantee; or

(b) the Non-Performing Party is THSB, KMITMC shall then be entitled to claim from THSB all actual losses and/or damages incurred by KMITMC but subject to paragraph 3.5.3 below.

3.5.3 In the event the amount of the claim for such losses and/or damages made by the Performing Party against the Non-Performing Party exceeds the amount of the security deposit under the ATBSL Bank Guarantee ("**Surplus Amount**"), the Parties shall within 30 business days from the date of the termination of the ATBSL, engage in good faith discussions to negotiate an amicable settlement for the Surplus Amount. For the avoidance of any doubt, the Non-Performing Party shall remain liable for the full extent of such Surplus Amount, but subject always to the provisions under paragraph 3.5.4 below.

3.5.4 If the Parties are unable to reach a mutually acceptable settlement of the Surplus Amount within 21 business days from the commencement of such negotiation, the Performing Party shall be entitled to enforce its legal rights against the Non-Performing Party under the law, for the full recovery of its losses and/or damages arising from the termination of the ATBSL pursuant to paragraph 3.4.2 above, without any further reference or obligation to engage in further negotiation with the Non-Performing Party.

3.6 ATBSL Bank Guarantee

3.6.1 KMITMC shall, within 3 months from the execution of the ATBSL, deliver to THSB a security deposit in the form of a bank guarantee for an amount of RM1,260,000.00 ("**ATBSL Bank Guarantee**"), of which is equivalent to 3 months of the first rent payable for the New Sub-Lease under the New SLA, as security for the due observance of performance by KMITMC of the terms and conditions of the ATBSL.

3.6.2 Subject to paragraph 3.6.3 below, KMITMC shall maintain the ATBSL Bank Guarantee throughout the subsistence of the ATBSL.

3.6.3 THSB shall return the ATBSL Bank Guarantee to KMITMC for cancellation upon the execution of the New SLA or upon the termination of the ATBSL for reasons other than the default of KMITMC, whichever is earlier.

3.7 Construction Works and delay in completion

3.7.1 THSB shall complete the Construction Works within a period of 24 months from the Unconditional Date (“**Construction Period**”). The Construction Works shall be deemed to be completed on date of receipt by THSB of the certificate of completion and compliance in respect of the Specialist Hospital Buildings (“**CCC**”) and a copy of which is provided to KMITMC (“**Project Completion Date**”).

3.7.2 Delay in completing the Construction Works within the Construction Period or any extended Construction Period (as the case may be) shall entitle KMITMC to claim for agreed liquidated ascertained damages (“**LAD**”) in the amount of RM15,780.82 per day which is calculated at the rate of 8% per annum of the GDC on a daily basis, commencing from the day next day after the expiry of the Construction Period until the Project Completion Date.

3.7.3 THSB shall be entitled to an extension of time to the Construction Period without liable to pay any LAD, where the delay in the progress of the Construction Works is caused by any of the following events:

(a) any act or default by KMITMC that prevents THSB from complying with any requirements of the relevant authorities in in the ATBSL:

(b) any variation in the design of the Specialist Hospital Buildings or the Signed-Off Drawings as requested by KMITMC; or

(c) force majeure event.

“Force majeure event” means and event which renders the impossible the due performance, such as inter alia, strikes, lockouts, act of God, regulations and control as imposed by any statute, provided that such event shall not include any economic downturn or other adverse economic consequences, non-availability or insufficient funds or lack of financing on the part of the Parties to perform their respective obligations under the ATBSL.

3.8 Handover of the Specialist Hospital Buildings

3.8.1 The handover of the Specialist Hospital Buildings to KMITMC shall be subject to completion of all remedial works of defaults and faults on the Specialist Hospital Buildings, which are due to the non-compliance with the Signed-Off Drawings, the Schedule of Accommodation and Data Sheet by THSB, based on a joint inspection conducted on the Specialist Hospital Buildings.

3.8.2 Upon KMITMC’s receipt of documents evidencing the completion of remedial works by THSB to the satisfaction of KMITMC, KMITMC shall deliver the duly signed Certificate of Acceptance to THSB, confirming KMITMC’s acceptance that the vacant possession of the Specialist Hospital Buildings has been delivered to KMITMC on the date of the Certificate of Acceptance (“**Handover Date**”), Provided That all keys and access cards to the Specialist Hospital Buildings are delivered by THSB to KMITMC’s authorized representative at the Specialist Hospital Buildings on the Handover Date.

3.8.3 If KMITMC fails to sign-off the Certificate of Acceptance or agree on the Handover Date, the vacant possession of the Specialist Hospital Buildings shall be deemed to have been delivered to KMITMC upon the expiry of 30 days from the date of completion of all remedial works ("**Handover Date**"), Provided That all keys and access cards to the Specialist Hospital Buildings are delivered by THSB to KMITMC's authorized representative–on the Handover Date.

3.9 Termination on default

3.9.1 THSB's right to termination

On or at any time after the occurrence of any event of default at the instance of KMITMC as specified under Clause 17.1(a) of the ATBSL, THSB shall be entitled to terminate the ATBSL by issuing a written notice of termination of the ATBSL to KMITMC, whereupon THSB shall be entitled: to call upon the ATBSL Bank Guarantee and the security deposit provided thereunder shall be absolutely forfeited to THSB, Subject Always to the provisions under paragraph 3.9.3 below.

3.9.2 KMITMC's right to termination

On or at any time after the occurrence of any event of default at the instance of THSB as specified under Clause 17.2(a) of the ATBSL, KMITMC shall be entitled to terminate the ATBSL by issuing a written notice of termination of the ATBSL to THSB, whereupon, THSB shall:

(a) return the ATBSL Bank Guarantee to KMITMC for cancellation; and

(b) pay a sum equivalent to the security deposit provided under the ATBSL Bank Guarantee to KMITMC, Subject Always to the provisions under paragraph 3.9.3 below.

3.9.3 Surplus Amount

(a) In the event the amount of the claim for such losses and/or damages made by either THSB against KMITMC or KMITMC against THSB arising from the termination of ATBSL pursuant to the above paragraph 3.9.1 or paragraph 3.9.2 respectively ("**Surplus Amount**"), the Parties shall within 30 business days from the date of the written notice of termination of the ATBSL, engage in good faith discussions to negotiate an amicable settlement for the Surplus Amount.

(b) If the Parties are unable to reach a mutually acceptable settlement of the Surplus Amount within 21 business days from the commencement of such negotiation, the Party which has issued the termination notice of the ATBSL ("**Non-Defaulting Party**") to the other Party ("**Defaulting Party**") shall be entitled to enforce its legal rights against the Defaulting Part y under the ATBSL and the law, for the full recovery of its losses and/or damages arising from the termination of the ATBSL, without any further reference or obligation to engage in further negotiation with the Defaulting Party.

3.10 General Indemnification

3.10.1 THSB acknowledges that albeit the Approval to Maintain (Form 2) is under the name of KMITMC and the Licence to Operate (Form 4) will be issued under the name of KMITMC, the responsibility and associated risks with regard to construction of the New Specialist Hospital and the undertaking the renovation works at the Existing Specialist Hospital Building shall rest solely on THSB.

3.10.2 In relation to this, THSB agrees shall indemnify, defend and hold harmless KMITMC and its directors, officers, managers, employees, members, agents and representatives (collectively the "Indemnified Parties"), from and against any and all actions, claims, demands, losses, liabilities, damages, suit, actions or proceedings (including any inquiry or investigation) costs and expenses of any kind or nature whatsoever (including, without limitation, reasonable solicitors' fees and fees of expert consultants and witnesses) incurred by and/or asserted against any of the Indemnified Parties from and after the date of the execution of this Agreement, whether direct or indirect or consequential by reason of, or arising out of or resulting from or with respect to:

(i) any violation, infringement or non-compliance of the provisions, regulations or requirements of any of the Applicable Laws or the Relevant Authorities in relation to the designs and the construction of the New Specialist Hospital Building and the renovation works for the Existing Specialist Hospital Building; or

(ii) any breach by THSB of its undertakings and obligations under this Agreement or failure to ensure that the construction of the New Specialist Hospital Building and the renovation works for the Existing Specialist Hospital Building are carried out with full compliance of the requirements of Relevant Authorities, CKAPS Requirements or the Applicable Laws; or

(iii) any breach of any warranties and representation provided by THSB to KMITMC; or

(iv) any negligent or willful acts or omissions by THSB in the course of its performance of its obligations under the ATBSL or

(v) any claims and/or demands of every kind resulting from any accident, damage, injury or death arising out of, or in the course of, or by reason of the execution of the Construction Woks or any part thereof and KMITMC shall have no responsibility or liability whatsoever in relation to any accident, damage, injury or death.

3.11 Further effect on termination of ATBSL

As specifically illustrated under paragraph 3.1.5 above.

3.12 Car Park

3.12.1 THSB acknowledges that there shall be car park available for the Specialist Hospital Buildings, as per CKAPS Requirements. In the event the available car parking spaces within the close vicinity of the Specialist Hospital Buildings are not sufficient in meeting the requirements of the relevant authority, THSB undertakes that it shall procure a car park on the land within the close vicinity of the Specialist Hospital Buildings ("**Designated Land**") for the purpose of the car park with such number of car park spaces as per CKAPS Requirements ("**Required Car Park**") for the Specialist Hospital Buildings.

3.12.2 KMITMC shall enter into the tenancy agreement in relation to the Required Car Park with the proprietor of the Designated Land /car park owner upon the terms and conditions to be agreed by the parties thereto.

3.12.3 All costs and expenses for the building and/or making available of the Required Car Park shall not form part of the GDC or the Revised GDC (as the case may be).

3.13 Execution of the New SLA

3.13.1 On the Handover Date and subject to the fulfilment of the Conditions Precedent set out paragraph 3.3 above, the Parties shall execute the New Sub-Lease Agreement in the agreed form, annexed as Appendix 1 of the ATBSL.

3.13.2 In the event the ATBSL is rescinded or terminated for any reason whatsoever, the New SLA shall ipso facto by reason of such rescission or termination, be rescinded or terminated.

4. SALIENT TERMS OF THE NEW SLA

4.1 New Sub-Lease Term

4.1.1 The Initial Sub-Lease shall be for a period of 15 years commencing from the date of the expiry of the rent-free period and expiring on the 15th anniversary from the date of the expiry of the rent-free period ("**Initial Sub-Lease Term**").

4.1.2 The Initial Sub-Lease is renewable at the option of KMITMC for a further period of 15 years, commencing immediately from the expiry of the Initial Sub-Lease Term and expiring on the 15th anniversary from the expiry of the Renewed Sub-Lease Term ("**Renewed Sub-Lease Term**").

4.2 Rent payment

4.2.1 The monthly rent payable by KMITMC to THSB is as follows:

(a)	Initial Sub-Lease Term	7% per annum of the GDC or the revised GDC (as the case may be) less the amount of rent payable by KMITMC to THSB pursuant to the sub-lease Agreement, in relation to the Existing Specialist Hospital Building dated 30 September 2021 ("**Existing SLA**").
(b)	Renewed Sub-Lease Term	To be based on the prevailing market rate as determined by a reputable independent registered valuer jointly appointed by the Parties (whose determination shall be final and binding upon the Parties), and such rent shall be capped at 10% increment of the immediately preceding rent at the expiry of the Initial Sub-Lease Term for the 3 years of the Renewed Sub-Lease Term and thereafter shall be revised as stipulated under paragraph 4.3 below.

4.2.2 The first Rent shall be paid on the date that falls immediately after the expiry of the Rent-Free Period ("**Rent Commencement Date**"). In the event the Rent Commencement Date does not coincide with the first day of a calendar month which relates to the Rent Commencement Date, the amount payable for that Rent shall be pro-rated based on the actual numbers of days in such calendar month (including the Rent Commencement Date) to the last day of such calendar month. The subsequent Rent shall be paid in advance, on or before the seventh (7^{th}) day of each calendar month during the Sub-Lease Term.

4.3 Revision of rent

4.3.1 The rent for the Initial New Sub-Lease Term and the Renewed New Sub-Lease Term shall be revised every 3 years and the first revised rent shall become effective on the third anniversary of the Rent Commencement Date and the subsequent revised rent shall become effective in every 3 years following the first revision of the rent.

4.3.2 The revised rent shall be the preceding rent plus an amount equivalent to 7% increment of such preceding rent, less the amount payable by KMITMC to THSB under the Existing SLA.

4.4 Rent-free period

4.4.1 There shall be a rent-free period of six 6 months (which is applicable to the rent for the New Specialist Hospital Building only) commencing from the Handover Date to enable KMITMC to do fit out works for the New Specialist Hospital Buildings, subject to the provisions as set out below.

4.4.2 Subject to paragraph 4.4.4 below, and for the purpose of approval and issuance of the Licence to Operate (Form 4), KMITMC shall at its own cost and expense submit the application for the licence or renewal of licence to operate KMI Tawau Medical Centre as prescribed in Form 3 of the First Schedule of the PHFS Regulations ("**Application for the Licence to Operate (Form 3)**") to the MoH within one month from the Handover Date ("**Application Period**"). Provided That THSB has delivered to KMITMC on the Project Completion Date all documents which are required to be furnished by THSB for the purpose of supporting such application, of which shall include but not limited to a copy of the CCC (collectively the "**Supporting Documents**"). Failing to do so, the Application Period shall commence from the date of receipt of the last Supporting Documents by KMITMC from THSB ("**Extended Application Period**"). In the event KMITMC has submitted the Application for the Licence to Operate (Form 3) within the Application Period or the Extended Application Period (as the case may be), but the Licence to Operate (Form 4) is not obtained within the period of 6 months from the Handover Date, of which is due to:

(a) any default or breach of the terms and conditions of ATBSL by THSB, then the rent-free period shall be a period commencing from the Handover Date until the date of KMITMC having obtained the Licence to Operate (Form 4) from the MoH; or

(b) any non-compliance by KMITMC of its obligations under the CKAPS Requirements with regards to the obtaining of the Licence to Operate (Form 4), including but not limited to KMIMTC's failure to submit the Application for the Licence to Operate (Form 3) within the Application Period or the Extended Application Period (as the case may be), then the rent-free period shall remain to 6 months commencing from the Handover Date.

4.4.3 For the avoidance of any doubt, in the event KMITMC fails to submit the Application for the Licence to Operate (Form 3) to the MoH within the Application Period or the Extended Application Period (as the case may be), despite having received all the Submission Documents from THSB, then the following shall apply:

(a) if THSB has delivered all the Supporting Documents on the Project Completion Date to KMITMC, and KMITMC fails to submit the Application for the Licence to Operate (Form 3) to the MoH within the Application Period, the rent-free period shall remain as 6 months commencing from the Handover Date; or

(b) if THSB delivers all the Supporting Documents to KMITMC, during the Extended Application Period, the rent-free period shall be 6 months commencing from the date on which KMITMC receives the last of the Supporting Documents from THSB.

4.4.4 THSB shall render its full assistance to KMITMC in the Application for Licence to Operate by KMITMC to MoH.

4.5 Security Deposit

4.5.1 KMITMC shall within 3 months from the date of signing of the New SLA (which coincides with the Handover Date), deliver to THSB a security deposit in the form of a bank guarantee ("**Sub-Lease Bank Guarantee**"), for an amount equivalent 4 months of the rent for each 3 year term , commencing from year one of the rent for the Initial Sub-Lease ("**Security Deposit**") as security for the due observance of performance by KMITMC its obligations under the New SLA.

4.5.2 The Sub-Lease Bank Guarantee for the Security Deposit shall be maintained throughout the Initial Sub-Lease Term, subject to the expiry of the Initial Sub-Lease Term or the sooner determination of the New SLA upon the terms therein.

4.6 Option and right granted upon KMITMC

4.6.1 <u>Option to Purchase the Project Land</u>

(a) THSB agrees to grant to KMITMC a right to purchase the Existing Land and the New Land (collectively the "**Project Land**") and such right shall be an option ("**Option to Purchase**"), of which is exercisable by KMITMC at any time after the expiry of the fifth-year anniversary of the date of the New SLA.

(b) In the event KMITMC wishes to exercise the Option to Purchase, it shall issue a written notice to exercise the Option to Purchase ("**Option Notice**") to THSB at the prevailing market price. If THSB does not agree with the price offered by KMITMC, THSB is not obligated to sell to KMITMC and THSB shall thereafter be at liberty to sell the Project Land to any third party but Subject Always to the provisions relating to the First Right Refusal.

4.6.2 <u>First Right of Refusal</u>

(a) If at any time during the Sub-Lease Term, THSB wishes to sell or transfer the Project Land to a third party ("**Third-Party Purchaser**") or THSB receives a bona fide written offer by a willing Third-Party Purchaser to purchase the Project Land, KMITMC shall have the right of first refusal to purchase the Project Land ("**First Right of Refusal**") on the same terms and conditions of that offer made by the Third-Party Purchaser, including but not limited to the purchase price and the completion period of the sale and purchase of the Project Land ("**Offer**").

(b) Upon receipt of the Offer, THSB shall give written notice to KMITMC, notifying the Offer and accompanied with a copy of the Offer. KMITMC shall within 90 days after receipt of THSB's written notice to KMITMC, notify THSB in writing whether or not KMITMC agrees to purchase the Project Land on the same terms and conditions as contained in the Offer.

(c) A failure by KMITMC to give THSB any written notification within the aforesaid prescribed time, shall be deemed a notice to THSB that KMITMC does not elect to purchase the Project Land and accordingly, THSB shall be free to sell or transfer the Project Land to the Third-Party Purchaser in accordance with the terms and conditions of the Offer, Subject Always to the following provisions:

(i) the sale and/or transfer shall be subject to the New SLA and the interests of KMITMC contained therein, and without vacant possession;

(ii) THSB shall procure that all its rights and obligations under the New SLA shall be novated to the Third-Party Purchaser and the Third-Party Purchaser shall be bound by the terms and conditions of the New SLA as if it was the original sub-lessor; and

(iii) all associated costs incurred and imposed on KMITMC, including but not limited to stamp duty shall be borne by THSB.

(d) Should there be any material changes in such terms and conditions from the Offer for the sale and transfer of the Project Land by THSB to the Third-Party Purchaser, such changes shall be deemed a new offer triggering the First Right of Refusal being granted upon KMITMC, and the provisions relating the First Right of Refusal shall apply mutatis mutandis.

(e) If THSB fails to give written notice to KMITMC, notifying the changes in the terms of the Offer to enable KMITMC to exercise its option to the First Right of Refusal, such failure tantamount to a breach of the

(f) ATBSL by THSB.

4.6.3 **Assignment of the Option to Purchase and First Right of Refusal**

KMITMC shall have the right to assign its rights under the Option to Purchase and the First Right of Refusal to any of its related corporations (as defined under section 7 of the Companies Act 2016) without any approval from THSB.

4.6.4 **Default and termination**

(a) Default of KMITMC

KMITMC shall be in default of the New SLA upon occurrence of any of the events set out Clause 11.1(a) thereof which entitle THSB to issue a written termination notice of the New SLA, whereupon:

(i) THSB shall be entitled to call for the SLA Bank Guarantee and forfeit the Security Deposit;

(ii) THSB shall re-enter and take possession of the Property at any time but subject to the provisions of the New SLA;

(iii) KMITMC shall at its own costs and expense, remove the equipment, materials, system, fixtures and fittings provided and/or installed at the New Specialist Hospital Building and yield up the Property in accordance with the provision of the New SLA; and

(iv) KMITMC shall 30 days from the date of THSB's notice of termination of the New SLA, pay to THSB a sum equivalent to the rent for the remaining unexpired Initial Sub-Lease Term or the Renewed Sub-Lease Term, as the case may be ("**Unexpired Sub-Lease Term**") calculated from the date of the THSB's notice of termination of the Initial Sub-Lease Term or the Renewed Sub-Lease Term (as the case may be), as LAD, less the Security Deposit. Where KMITMC is able to procure a replacement sub-lease to continue with the Unexpired Sub-Lease Term, the LAD shall be reduced by taking into account the monthly rent and other obligations of the replacement sub-lessee for the Unexpired Sub-Lease Term,

and thereafter, neither Party shall have any claim against the other save for any antecedent breach.

(b) Default of THSB

Upon the occurrence of any event of default as set out in Clause 11.1(a) of the New SLA, THSB shall be entitled to issue a notice of termination of the SLA to KMITMC, whereupon:

(i) THSB shall immediately return the SLA Bank Guarantee to KMITMC for cancellation;

(ii) THSB shall within 30 days from the date of THSB's notice of termination pay to THSB a sum equivalent to the Security Deposit under SLA Bank Guarantee and the rent for the Unexpired Sub-Lease Term as LAD;

(iii) KMITMC shall at THSB's costs and expense yield up the Property to THSB in accordance with the provisions of the New SLA,

and thereafter, neither Party shall have any claim against the other save for antecedent breaches.

5. BASIS AND JUSTIFICATION OF THE GDC

The GDC was arrived at after arm's length negotiations between the Parties, taking into consideration, inter alia the following:

(a) THSB's submission that the gross development costs of the Specialist Hospital Buildings, with gross floor area of 84,896 sq. ft. amounts to RM78,836,200.00, which is equivalent to RM928.63 per sq. ft.; and

(b) the final assessment report dated 28 June 2024 ("**Assessment Report**") issued by S&H Quantity Surveyors Sdn Bhd, an independent checker of the Project appointed by KMITMC, which estimated the gross developments cost of 59-bedded KMI Tawau Medical Centre at RM60,697,193.00, or RM714.97 per sq, ft. This assessment was derived based on the cost data available of comparable healthcare projects in East Malaysia.

After careful deliberation and having considered the above and relevant factors together with the rationale and benefit for the Proposal as set out in paragraph 6 below, the Board is of the view that the GDC of RM72,000,000.00, which translates to RM847.21 per square foot is fair, reasonable, and in the best interest of the Company.

6. RATIONALE AND BENEFIT FOR THE PROPOSAL

The Proposal reflects KMITMC's commitment to the expansion of KMI Tawau Medical Centre in accordance with the Approval to Maintain (Form 2). This expansion, which forms part of the components of the Proposal, is expected to strengthen KMITMC's presence in Tawau and surrounding catchments areas by broadening its customers base, and improving operational capacity, thereby contributing positively to the future earnings of TDM Group.

The Board is of the view that the Proposal will place TDM Group in a stronger position to expand its regional footprints and enhance its capabilities in the healthcare business segment into East Malaysia, beyond Tawau, over the longer term, thereby supporting its growth strategy beyond Tawau.

7. EFFECTS OF THE PROPOSAL

7.1 Share capital

The Proposal will not have any effect on the share capital and the shareholding of the substantial shareholders of TDM as there will be no issuance of new shares or alteration of the existing shareholding structure of TDM as a result of the Proposal.

7.2 Earnings, net assets and gearing

The Proposal is not expected to have a material impact on the earnings, net assets and gearing of TDM Group for the financial year ending 31 December 2026. Upon completion, the Proposal is expected to support the sustainable growth in TDM Group's healthcare operations.

8. APPROVAL REQUIRED

The Proposal is subject to the approval of the Company's shareholders at the forthcoming Sixty-First (61st) Annual General Meeting of TDM.

9. RISK FACTORS OF THE PROPOSAL

9.1 Non-completion of the Proposal

Completion of the Proposal is subject to the fulfilment (or waiver, where applicable) of the Conditions Precedent. In the event that the Conditions Precedent are not fulfilled by the respective Parties or waived by KMITMC within the Conditional Period, the ATBSL shall be deemed terminated and the Approval to Maintain (Form 2) shall be transferred to THSB. Such an outcome may adversely affect KMITMC's ability to continue operating and managing the Existing Specialist Hospital Building under the name of "KMI Tawau Medical Centre', which may in turn, impact on TDM Group's existing healthcare operations in Tawau.

To mitigate this risk, TDM Group will take all reasonable and necessary steps to procure and facilitate the fulfilment of the Conditions Precedent which are within TDM Group's control and responsibility within the stipulated timeframe and will endeavour to minimise the occurrence of any termination events, with a view to ensuring the successful completion of the Proposal.

9.2. Business risk

The Board does not foresee any material risks pursuant to the Proposal except for the inherent risk factors associated with the healthcare industry, of which TDM Group is already involved in. Such risks include changes in political, economic and social conditions, adverse changes in laws, licensing requirements or compliance standards, economic downturn, affordability of consumers for private healthcare services, changes in medical insurance policies, increase in operational costs, availability and retention of professionally trained medical specialists, nurses and allied healthcare professionals, increased competition and potential liability arising out of information technology disruptions and security breaches and potential of third party liability from negligence arising from the provision of services and dispensation of drugs.

While TDM Group will continue to take reasonable and proactive measures to manage and mitigate the aforesaid risks, including strengthening its internal controls and compliance frameworks, implementing talent management and retention strategies, maintaining appropriate insurance coverage and enhancing operational safeguards, there can be no assurance that such measures will be sufficient to fully mitigate the described risks.

10. SOURCE OF FUNDING

KMITMC will not assume any responsibility for the funding of the Project, as the agreed GDC for the Construction Works shall be solely borne by THSB at its own costs and risks.

The obligations of KMITMC towards THSB for the payment of rent under the New Sub-Lease, which is calculated based on the percentage of the GDC or the revised GDC (if applicable), shall only arise upon the execution of the New SLA between the Parties and shall be subject to the terms and conditions contained therein.

11. ASSUMPTION OF LIABILITIES

Save for the obligations and liabilities under the ATBSL and the New SLA, there are no other liabilities including contingent liabilities and/or guarantee to be assumed by TDM Group, arising from the Proposal.

12. PERCENTAGE RATIO

Based on the latest audited financial statement of TDM Group for the financial statement ended 31 December 2024, the highest percentage ratio applicable to the Proposal, which is calculated pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") is 27%. This ratio is based on the aggregate of the rent for the Initial Sub-Lease Term and the Renewed Sub-Lease Term.

13. ESTIMATED TIME FOR COMPLETION

Barring any unforeseen circumstances and subject to inter alia, the approval of the Company's shareholders, the Proposal is expected to be completed in the second quarter of 2028, whereby the New Sub-Lease pursuant to the New SLA shall commence, following which the New Specialist Hospital Building is expected to commence its operation.

14. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major Shareholders and Chief Executive of the Company and/or any persons connected with them (as defined in the Listing Requirements) has any interest, either direct or non-direct, in the Proposal.

15. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposal, including but not limited to the basis and justification for arriving at the GDC, the rationale and financial effects of the Proposal and salient terms of the ATBSL and the New SLA, is of the opinion that the Proposal is in the best interest of the Company.

16. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the ATBSL together with the New SLA annexed thereto and the Assessment Report as referred in paragraph 5(b) above are available for inspection at the registered office of KMITMC at Wisma TDM, 443D, Jalan Kamaruddin, 20400 Kuala Terengganu, Terengganu, during normal working hours from Sunday to Thursday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 14 April 2026