Company Name : **TDM Berhad**
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TDM partners Tawau Healthcare on hospital block

PETALING JAYA: KMI Tawau Medical Centre Sdn Bhd (KMITMC), an indirect subsidiary of TDM Bhd, has entered into a build-and-sublease agreement with Tawau Healthcare Sdn Bhd (THSB).

The contract covers the construction of a new hospital block and the refurbishment of an existing facility, which will see THSB undertaking the construction of the new specialist hospital building and an annex, as well as renovation works on the existing building.

In a bourse filing yesterday, TDM said the project will be carried out on parcels of land in Tawau, collectively referred to as the project site.

"The parties mutually agree that the gross development costs for the project are in the sum of RM72mil," TDM said, adding that the costs include construction works, equipment installation, professional fees and other related expenses.

The new and existing facilities will have a combined capacity of 59 beds, subject to approval from the Health Ministry.

Upon completion, THSB will grant KMITMC a sublease for the land and the new building under a separate sublease agreement.

The construction is expected to be completed within 24 months from the unconditional date of the agreement. Delays beyond the agreed timeline may result in liquidated damages of RM15,780.82 per day, calculated at 8% per annum of the project cost.

The initial sublease term is set at 15 years, with an option to renew for a further 15 years.

During the initial term, rent will be pegged at 7% per annum of the gross development cost or revised cost, while future rental rates will be based on market valuations, subject to a capped increase.

TDM said the proposal aligns with its strategy to expand its healthcare operations.

"The proposal reflects KMITMC's commitment to the expansion of KMI Tawau Medical Centre...and is expected to strengthen KMITMC's presence in Tawau and the surrounding catchment areas," it said.

The group added that the expansion is expected to enhance operational capacity and broaden its customer base, contributing positively to future earnings.

Over the longer term, the initiative is also intended to "place TDM Group in a stronger position to expand its regional footprint and enhance its capabilities in the healthcare business segment into Sabah and Sarawak".

The project is subject to shareholder approval and the fulfilment of several conditions precedent. If completed as planned, the development is expected to be operational by the second quarter of 2028.

TDM noted that the proposal is not forecast to have a material impact on its earnings, net assets or gearing for the financial year ending Dec 31, 2026, but is anticipated to support sustainable growth in its healthcare segment thereafter.