

TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : RELATED PARTY TRANSACTIONS IHH HEALTHCARE BERHAD ("IHH") PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PRINCE COURT MEDICAL CENTRE SDN BHD BY PANTAI HOLDINGS SDN BHD ("PHSB"), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF IHH FROM PULAU MEMUTIK VENTURES SDN BHD ("PMV"), A WHOLLY-OWNED SUBSIDIARY OF KHAZANAH NASIONAL BERHAD FOR A CASH CONSIDERATION OF RM1,020.0 MILLION ("PROPOSED ACQUISITION")

IHH HEALTHCARE BERHAD

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) RELATED PARTY TRANSACTIONS
Description	IHH HEALTHCARE BERHAD ("IHH") PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PRINCE COURT MEDICAL CENTRE SDN BHD BY PANTAI HOLDINGS SDN BHD ("PHSB"), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF IHH FROM PULAU MEMUTIK VENTURES SDN BHD ("PMV"), A WHOLLY-OWNED SUBSIDIARY OF KHAZANAH NASIONAL BERHAD FOR A CASH CONSIDERATION OF RM1,020.0 MILLION ("PROPOSED ACQUISITION")

On behalf of the Board of Directors of IHH, Maybank Investment Bank Berhad wishes to announce that PHSB has on 17 September 2019 entered into a conditional share purchase agreement with PMV for the Proposed Acquisition.

Please refer to the attached announcement for further details of the Proposed Acquisition.

This Announcement is dated 17 September 2019.

Please refer attachment below.

Attachments

[IHH Announcement - Proposed Acquisition.pdf](#)
356.9 kB

Announcement Info

Company Name	IHH HEALTHCARE BERHAD
Stock Name	IHH
Date Announced	17 Sep 2019
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IHH HEALTHCARE BERHAD (“IHH” OR “COMPANY”)

PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PRINCE COURT MEDICAL CENTRE SDN BHD (“PCMC”) BY PANTAI HOLDINGS SDN BHD (“PHSB”), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF IHH FROM PULAU MEMUTIK VENTURES SDN BHD (“PMV”), A WHOLLY-OWNED SUBSIDIARY OF KHAZANAH NASIONAL BERHAD (“KHAZANAH”) FOR A CASH CONSIDERATION OF RM1,020.0 MILLION (“PROPOSED ACQUISITION”)

1. INTRODUCTION

On behalf of the Board of Directors of IHH (“**Board**”), Maybank Investment Bank Berhad (“**Maybank IB**”) wishes to announce that PHSB has on 17 September 2019 entered into a conditional share purchase agreement (“**SPA**”) with PMV for the Proposed Acquisition.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition involves the acquisition of 100,000,000 ordinary shares in PCMC (“**PCMC Shares**”) and 35,176 redeemable preference shares in PCMC (“**PCMC RPS**”) (PCMC Shares and PCMC RPS are collectively referred to as “**Sale Shares**”), representing the entire issued share capital of PCMC, for a cash consideration of RM1,020.0 million (“**Purchase Consideration**”).

The Proposed Acquisition is subject to the terms and conditions of the SPA, salient terms of which are set out in **Appendix I** of this Announcement.

2.1 Background information on PCMC

PCMC was incorporated in Malaysia as a private limited company on 25 November 2002 under the name of Kuala Lumpur Healthcare Centre Sdn Bhd and is deemed registered under the Companies Act 2016 (“**Act**”). PCMC assumed its present name on 9 September 2004.

PCMC is principally involved in the provision of medical, surgical and hospital services. It owns and operates a 277-licensed bed private healthcare facility known as Prince Court Medical Centre which is a six-storey purpose-built private medical hospital with a roof top and three basement levels as well as an ancillary building designated for plant and electrical equipment and other supporting amenities and facilities (“**Prince Court Medical Centre**”). It is located in the ‘Golden Triangle’ area of Kuala Lumpur at the intersection of Jalan Tun Razak, Jalan Bukit Bintang and Jalan Kia Peng.

Prince Court Medical Centre offers a wide range of services including, among others, burns management, cancer, gastrointestinal diseases, interventional cardiology, in vitro fertilisation, nephrology, occupational health, orthopaedics and rehabilitation medicine.

PCMC is a wholly-owned subsidiary of PMV. As at 23 August 2019, being the latest practicable date prior to this Announcement (“**LPD**”), the issued share capital of PCMC is RM1,858,800,000 comprising 100,000,000 PCMC Shares and 35,176 PCMC RPS. As at the LPD, PCMC does not have any subsidiary or associated company.

As at the LPD, the directors of PCMC are:

- (i) Chintamani Aniruddha Bhagat (“**Mr Bhagat**”);
- (ii) Quek Pei Lynn (“**Ms Quek**”);
- (iii) Prof Ir Dr Ahmad Fadzil bin Mohamad Hani; and
- (iv) Dr Mahadevan a/l Thambirajah.

Based on the latest audited financial statements of PCMC for the financial year ended (“**FYE**”) 31 December 2018, PCMC registered a profit after tax (“**PAT**”) of RM51.0 million while the net assets (“**NA**”) of PCMC as at 31 December 2018 was RM486.1 million.

PCMC is the registered proprietor of a 99-year leasehold land expiring on 22 December 2103 held under Title No. Pajakan Negeri 35520, Lot 366 Section 63, Town of Kuala Lumpur, District of Kuala Lumpur (“**Lot 366**”) on which Prince Court Medical Centre is located.

PCMC has:

- (i) a 30-year registered sub-lease interest expiring on 31 July 2048 with a further automatic lease renewal term of 30 years and for the remaining lease period up to 30 December 2104 to use and manage part of a land adjoined to Lot 366 measuring approximately 5,572 square metres together with all existing infrastructure and services including, among others, street lightings, cables, pipes, drainage, service roads and driveway attached thereon designated for Prince Court Medical Centre (“**Sub-Leased Land**”) held under Title No. Geran 43005, Lot 310 Section 63, Town of Kuala Lumpur, District of Kuala Lumpur (“**Lot 310**”);
- (ii) the benefit of a right of way granted to use and maintain an access road to Lot 310 measuring approximately 285 square metres (“**Right of Way**”); and
- (iii) the contractual right of use of part of Lot 310 measuring approximately 2,984 square metres solely for open space and green area (“**Licensed Area**”).

(Sub-Leased Land, Right of Way and Licensed Area are collectively referred to as “**Part of Lot 310**”)

(Prince Court Medical Centre, Lot 366 and Part of Lot 310 are collectively referred to as “**Subject Property**”)

For information purposes only, Knight Frank Malaysia Sdn Bhd, being the independent property valuer appointed by the Company ("**Property Valuer**"), had via its valuation report on the Subject Property dated 20 August 2019 ("**Property Valuation Report**"), ascribed a market value of RM800.0 million derived from the cost approach as a fair representation of the Subject Property, supported by the income approach. The date of valuation of the Subject Property is 15 April 2019.

Further information on the Subject Property is set out in **Appendix II** of this Announcement.

2.2 Background information on PMV

PMV was incorporated in Malaysia as a private limited company on 21 January 2010 and is deemed registered under the Act. The principal activity of PMV is that of investment holding. PMV is a wholly-owned subsidiary of Khazanah.

As at the LPD, the directors of PMV are:

- (i) Wong Eugene ("**Mr Wong**");
- (ii) Juhana binti Hamzah; and
- (iii) Mohamad Hanafi bin Salehuddin.

None of the directors of PMV hold any shares in PMV as at the LPD.

2.3 Manner of satisfaction for the Purchase Consideration

The Purchase Consideration will be fully satisfied in cash by PHSB on completion of the Proposed Acquisition.

2.4 Source of funding

The Purchase Consideration will be funded via a combination of internally generated funds and bank borrowings, the proportions of which have yet to be finalised at this juncture. The funding mix will be determined at a later stage after taking into consideration the internal cash requirements, gearing level and interest costs of IHH and its subsidiaries ("**IHH Group**").

2.5 Liabilities to be assumed

Save for the liabilities arising from the SPA, IHH and PHSB will not assume any liabilities, including contingent liabilities and guarantees, arising from the Proposed Acquisition.

2.6 Original cost of investment

PMV's original cost of investment in PCMC is RM1,086.7 million which was incurred on 1 August 2018.

3. BASIS OF AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION

The Purchase Consideration was arrived at on a “willing buyer willing seller” basis after taking into consideration, among others, the following:

- (i) the fair market value (“**FMV**”) range of 100% of the equity of PCMC of between RM960.7 million and RM1,079.7 million as at 31 March 2019 as derived by PricewaterhouseCoopers Capital Sdn Bhd (“**PwC Capital**”), being the independent equity valuer appointed by the Company, in its valuation letter dated 30 August 2019 (“**Equity Valuation Letter**”), which was performed based on:
 - (a) the income approach, being the primary approach to appraise the FMV range of 100% of the equity of PCMC, which takes into consideration the expected cash flows of PCMC from 1 April 2019 up to 31 December 2023 and the terminal value after taking into consideration the projected revenue mix, average revenue per patient, patient volume, cost of sales, operating expenditures, capital expenditures and unabsorbed capital allowances; and
 - (b) the market approach, being the secondary approach as a cross check to the primary approach, which takes into consideration the comparative analysis based on the implied enterprise value (“**EV**”) / earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) and EV/bed of precedent transactions of targets with significant operations in Malaysia and EV/EBITDA multiples and EV/bed of selected comparable companies listed on the Main Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) with similar principal activities as PCMC as at 31 March 2019; and
- (ii) prospects of PCMC as set out in Section 5 of this Announcement.

In justifying the Purchase Consideration, the Board (save for the Interested Directors (as defined in Section 9 of this Announcement) and Dr Tan See Leng who has also abstained as explained in Section 11 of this Announcement) has taken into consideration, among others, the following:

- (i) the Purchase Consideration of RM1,020.0 million represents the approximate mid-point of the FMV range of 100% of the equity of PCMC of between RM960.7 million and RM1,079.7 million as derived by PwC Capital in its Equity Valuation Letter;

- (ii) the implied EV/EBITDA multiple and EV/bed of 21.9 times and RM3.66 million respectively fall within the range of implied EV/EBITDA multiples of selected precedent transactions of between 10.6 times to 24.1 times and fall within the range of implied EV/bed of selected precedent transactions of between RM1.04 million to RM6.05 million, as set out in the table below:

Target (% acquired)	Completion date	Principal activities	Implied EV/ EBITDA (times)	Implied EV/bed (RM' million)
IHH (16.00%)	March 2019	The IHH Group operates hospitals as well as medical centers, clinics and ancillary healthcare businesses across multiple countries including Singapore, Malaysia, Turkey, the People's Republic of China, India, Hong Kong, Macedonia and Brunei.	23.4	6.05
IHH (6.00%)	November 2018	As above.	20.2	5.20
Amanjaya Specialist Centre Sdn Bhd ("ASCSB") (100.00%)	October 2018	ASCSB owns and operates a multidiscipline specialist hospital known as Amanjaya Specialist Centre (Pusat Pakar Amanjaya) located in Sungai Petani, Kedah, Malaysia.	10.6	1.04
Island Hospital Sdn Bhd ("IHSB") (100.00%)	June 2015	IHSB is a privately run tertiary healthcare centre located in Penang, Malaysia.	18.2	⁽¹⁾ 3.62
TMC Life Sciences Berhad ("TMC") (76.60%)	September 2014	TMC is an investment holding company which operates a multi-disciplinary tertiary care center and fertility center primarily in Malaysia.	24.1	⁽²⁾ 1.95

(Source: Equity Valuation Letter)

High	24.1	6.05
Average	19.3	3.57
Low	10.6	1.04

PCMC (100.00%)	⁽³⁾21.9	⁽⁴⁾3.66
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Notes:

⁽¹⁾ Adjusted for inflation by approximately 9% as the transaction was completed in 2015.

⁽²⁾ Adjusted for inflation by approximately 12% as the transaction was completed in 2014.

⁽³⁾ Calculated based on the implied EV of RM1,012.5 million taking into consideration the Purchase Consideration and PCMC's amount due to a former related company of RM27.2 million, cash and bank balances of RM54.7 million and dividends paid of RM20.0 million ("**Implied EV**") over PCMC's normalised EBITDA for the last 12 months up to 31 March 2019 of RM46.3 million which was adjusted for a gain on disposal of property, plant and equipment of RM0.3 million.

⁽⁴⁾ Calculated based on the Implied EV over the number of beds as at 31 March 2019 of 277 beds.

- (iii) the implied EV/EBITDA multiple and EV/bed of 21.9 times and RM3.66 million respectively fall within the range of the historical EV/EBITDA multiples of selected comparable companies listed on Bursa Securities of 14.7 times to 23.1 times and within the range of the historical EV/bed of selected comparable companies listed on Bursa Securities of RM1.69 million to RM6.79 million, as set out in the table below:

Company name	Principal activities	⁽¹⁾ EV/EBITDA (times)	⁽²⁾ EV/bed (RM' million)
IHH	The IHH Group operates hospitals as well as medical centers, clinics and ancillary healthcare businesses across multiple countries including Singapore, Malaysia, Turkey, the People's Republic of China, India, Hong Kong, Macedonia and Brunei.	23.1	6.79
KPJ Healthcare Berhad ("KPJ")	KPJ and its subsidiaries operate specialist medical centers and also provides pathology and laboratory services, hospital management services, drug and medical distribution along with operating a nursing college.	14.7	1.69

(Source: Bloomberg, Company's website, IHH Annual Report 2018 and KPJ Annual Report 2018)

High	23.1	6.79
Average	18.9	4.24
Low	14.7	1.69

PCMC	⁽³⁾ 21.9	⁽⁴⁾ 3.66
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Notes:

- (1) Calculated based on historical three year average multiples preceding 31 March 2019.
(2) Calculated based on the EV over the number of beds as at 31 March 2019.
(3) Calculated based on the Implied EV over PCMC's normalised EBITDA for the last 12 months up to 31 March 2019 of RM46.3 million which was adjusted for a gain on disposal of property, plant and equipment of RM0.3 million.
(4) Calculated based on the Implied EV over the number of beds as at 31 March 2019 of 277 beds.

- (iv) rationale and benefits of the Proposed Acquisition as set out in Section 4 of this Announcement.

4. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

The Proposed Acquisition presents IHH with an opportunity to secure a profitable operating private healthcare facility strategically located in the 'Golden Triangle' area of Kuala Lumpur which is Malaysia's leading shopping, entertainment and commercial hub surrounded by key city landmarks and has close proximity to premium and corporate clientele.

Furthermore, the Proposed Acquisition will allow IHH to strengthen its position in the Malaysian private healthcare segment and will allow IHH to broaden its service offerings and leverage on its wide network of hospitals.

In addition, IHH will gain a qualified and experienced medical professional team offering a wide range of services.

The Board anticipates that IHH will tap further into the medical tourism market complementing IHH Group's existing hospitals in the Klang Valley and may also realise potential synergies from the Proposed Acquisition.

5. PROSPECTS OF PCMC

The EBITDA of PCMC grew from RM25.4 million for the FYE 31 December 2016 to RM44.0 million for the FYE 31 December 2018, representing a compounded annual growth rate (“**CAGR**”) of 31.62% while revenue increased from RM211.3 million for the FYE 31 December 2016 to RM260.0 million for the FYE 31 December 2018, representing a CAGR of 10.93%.

The revenue and EBITDA of PCMC have increased significantly from 2016 to 2018 primarily due to transformation initiatives undertaken by the management of PCMC focusing on increasing its revenue base and cost savings which include initiatives such as renegotiation of supplier contracts and control over administrative expenses. Future revenue growth will depend on PCMC’s ability to recruit new doctors, address space constraints and fund its capital expenditure requirements.

The Proposed Acquisition is expected to contribute positively to the future earnings and cash flows of the enlarged IHH Group following the completion of the Proposed Acquisition.

6. RISKS RELATING TO THE PROPOSED ACQUISITION

The Proposed Acquisition is not expected to materially change the risk profile of the business of the IHH Group as PCMC provides the same medical, surgical and hospital services as the IHH Group. However, there may be additional risks arising from the Proposed Acquisition as set out below, which is by no means exhaustive.

6.1 Introduction of drug price control laws

On 2 May 2019, the Minister of Health of Malaysia, Datuk Seri Dr Haji Dzulkefly bin Ahmad, announced that the Cabinet of Malaysia has approved the proposal to regulate drug prices in Malaysia and the Ministry of Health of Malaysia (“**MOH**”) together with the Ministry of Domestic Trade and Consumer Affairs, will work to gazette regulations under the Price Control and Anti-Profitsteering Act 2011. The MOH has yet to decide when the drug price control regulations will be gazetted as it intends to further engage the pharmaceutical industry to discuss the price control mechanism. The introduction of any price control on drugs may adversely affect the financial condition and results of operations and prospects of PCMC.

However, in anticipation of the above, PHSB has negotiated for the inclusion of a termination clause in the SPA (details of which are set out in Paragraph (v) of **Appendix I** of this Announcement) which allows PHSB to terminate the SPA prior to the completion of the Proposed Acquisition if there is any change, announcement, publication or introduction of drug price control laws or proposed drug price control laws (“**DPC**”) with sufficient details to enable both PHSB and PMV individually to quantify the impact thereof on PCMC’s revenue or EBITDA (but shall not include any event or circumstance which is slated to take effect on or after 1 January 2025), which will result or would have resulted in a reduction of the audited revenue or EBITDA of PCMC for the FYE 31 December 2018 by 25% or more.

6.2 Non-completion of the Proposed Acquisition

The completion of the Proposed Acquisition is subject to the conditions precedent set out in **Appendix I** of this Announcement including, among others, the approval and/or conditions imposed by the regulatory authorities and the procurement of written consents and confirmations from, and notifications to, third parties. If the IHH Group or PMV fails to obtain the approvals, written consents and confirmations for the Proposed Acquisition, the Proposed Acquisition may not complete as contemplated.

Nevertheless, the IHH Group will take all necessary and reasonable steps to ensure the fulfillment of the conditions precedent which are within its control within the stipulated timeframe and that every effort is made to obtain all the necessary approvals and consents for the Proposed Acquisition as well as mitigate the occurrence of any of the termination events that are within its control to enable the completion of the Proposed Acquisition. In the event any of these conditions precedent is neither fulfilled nor waived, the SPA will have to be terminated.

6.3 Integration risk

Upon completion of the Proposed Acquisition, the existing business functions, systems and personnel of PCMC may be integrated into those of the IHH Group. However, there can be no assurance that the IHH Group will be able to fully realise the anticipated synergies arising from the Proposed Acquisition. Nonetheless, the IHH Group will endeavour to integrate PCMC's existing business functions, systems and personnel with its established shared services and business functions structure that serves its existing hospital network in Malaysia.

6.4 Business risk

Both the IHH Group and PCMC are exposed to business risks inherent in the healthcare industry, which include changes in political, economic and social conditions, government regulations, inflation and changes in business conditions such as, deterioration in prevailing market conditions, changes in demographic patterns, labour supply, increase in operational costs, availability of professionally trained medical specialists, affordability of the consumers for private healthcare services, compliance and regulatory costs, obsolescence of healthcare technologies, adverse changes in the legal framework, potential of 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.

The IHH Group will endeavour to manage its business risks by continuing to employ measures which will include diversifying its businesses and geographies, monitoring political uncertainties, cross-deployment of medical specialist across its hospital network, reviewing talent management and retention strategies, reviewing and upgrading cybersecurity measures and monitoring its foreign currency risk.

6.5 Compulsory acquisition

The Government of Malaysia has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation including the Land Acquisition Act, 1960 (“**LAA**”). In the event of any compulsory acquisition, IHH will seek to minimise any potential losses by invoking the relevant provisions of the LAA in relation to its rights to submit an objection in respect of the compensation. As at the LPD, to the best of IHH's knowledge, IHH is not aware of any notice of acquisition or notice of intended acquisition having been received by PMV in relation to Lot 366.

6.6 Valuation risk

The valuation of PCMC by PwC Capital is based on assumptions in relation to the future performance of PCMC and the assumption that PCMC will continue with its current business operations as a going concern under present management on an “as-is-where-is” basis. As certain assumptions may be subjective, actual results or performance may differ from the assumptions, and some of these could have a material impact on the value of PCMC.

7. EFFECTS OF THE PROPOSED ACQUISITION

7.1 Share capital

The Proposed Acquisition will not have any effect on the share capital of the Company as the Proposed Acquisition does not entail any issuance of new ordinary shares in IHH ("IHH Shares").

7.2 Substantial shareholders' shareholding

The Proposed Acquisition will not have any effect on the shareholding of the substantial shareholders of the Company as the Proposed Acquisition does not entail any issuance of new IHH Shares.

7.3 NA per IHH Share and gearing

For illustrative purposes, based on the latest audited consolidated statements of financial position of IHH as at 31 December 2018 and on the assumption that the Proposed Acquisition had been effected on that date, the proforma effects of the Proposed Acquisition on the NA per IHH Share and gearing of the IHH Group are as follows:

	Audited as at 31 December 2018	After the Proposed Acquisition
	(RM'000)	(RM'000)
Share capital	19,427,586	19,427,586
Other reserves	(1,665,515)	(1,665,515)
Retained earnings	4,231,930	⁽³⁾ 4,220,930
Shareholders' funds/NA attributable to owners of the Company	21,994,001	21,983,001
Perpetual securities	2,157,943	2,157,943
Non-controlling interests	4,355,141	4,355,141
Total equity	28,507,085	28,496,085
No. of IHH Shares in issue ('000)	8,769,296	8,769,296
Loans and borrowings	10,454,050	⁽⁴⁾ 11,104,050
NA per IHH Share (RM) ⁽¹⁾	2.51	2.51
Gearing (times) ⁽²⁾	0.48	0.51

Notes:

⁽¹⁾ Calculated based on total NA attributable to owners of the Company divided by the total number of IHH Shares in issue.

⁽²⁾ Calculated based on loans and borrowings divided by NA attributable to owners of the Company.

⁽³⁾ After deducting the estimated expenses relating to the Proposed Acquisition of approximately RM11.0 million.

⁽⁴⁾ Assuming bank borrowing of RM650.0 million is obtained to part-finance the Purchase Consideration.

7.4 Earnings and earnings per IHH Share (“EPS”)

For illustrative purposes, assuming the Proposed Acquisition had been effected on 1 January 2018, being the beginning of the FYE 31 December 2018, the proforma effect of the Proposed Acquisition on the earnings and EPS of the IHH Group are as follows:

IHH Group level	Audited for the FYE 31 December 2018	After the Proposed Acquisition
	(RM'000)	(RM'000)
PAT attributable to the ordinary shareholders of IHH ⁽¹⁾	541,841	⁽²⁾ 555,033
Weighted average number of IHH Shares ('000)	8,288,793	8,288,793
EPS (sen) ⁽¹⁾	6.54	⁽²⁾ 6.70

Notes:

⁽¹⁾ After deducting perpetual securities distribution of RM85.8 million from the PAT attributable to the owners of IHH.

⁽²⁾ After taking into account the PAT of PCMC for the FYE 31 December 2018 of approximately RM51.0 million, the estimated expenses relating to the Proposed Acquisition of approximately RM11.0 million and interest expense of RM26.8 million based on an indicative interest rate of 4.13% per annum on the bank borrowing of RM650.0 million assumed to be obtained to part-finance the Purchase Consideration.

8. APPROVALS REQUIRED

8.1 Approvals required and estimated timeframe for applications to authorities

The Proposed Acquisition is subject to the following approvals being obtained:

- (i) non-interested shareholders of IHH at an extraordinary general meeting (“EGM”) of the Company to be convened;
- (ii) MOH;
- (iii) Economic Planning Unit (“EPU”); and
- (iv) any other relevant authorities and/or parties, where required.

The Proposed Acquisition is not conditional upon any other corporate exercise/scheme of IHH.

The applications to the MOH, EPU and any other relevant authorities, where required are expected to be submitted within two months from the date of this Announcement.

8.2 Percentage ratio

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities (“Listing Requirements”) is 8.13%, which was computed based on the PAT of PCMC for the FYE 31 December 2018 of RM51.0 million compared with the PAT attributable to the owners of IHH for the FYE 31 December 2018 of RM627.7 million.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

Save as disclosed below, none of the Directors and/or major shareholders of IHH or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition:

(i) Interested major shareholders

- (a) PMV, being the vendor in the SPA and a major shareholder of IHH with approximately 26.04% direct equity interest in IHH as at the LPD is deemed interested in the Proposed Acquisition; and
- (b) Khazanah, being a major shareholder of IHH with approximately 26.04% indirect equity interest in IHH held through PMV as at the LPD, is deemed interested in the Proposed Acquisition.

(collectively referred to as “**Interested Major Shareholders**”)

(ii) Interested directors

- (a) Mr Bhagat, being a Non-Independent Non-Executive Director of IHH, is deemed interested in the Proposed Acquisition as he is a nominee director of PMV on the Board of IHH;
- (b) Mr Wong, being a Non-Independent Non-Executive Director of IHH (Alternate Director to Mr Bhagat), who was appointed on 31 July 2019, is deemed interested in the Proposed Acquisition as he is a director of PMV and is also a nominee director of PMV on the Board of IHH; and
- (c) Ms Quek, being a former Non-Independent Non-Executive Director of IHH (Alternate Director to Mr Bhagat), who resigned on 31 July 2019, is deemed interested in the Proposed Acquisition as she was a nominee director of PMV on the Board of IHH within the preceding six months from the date on which the terms of the Proposed Acquisition were agreed on.

(collectively referred to as “**Interested Directors**”)

(The Interested Major Shareholders and Interested Directors are collectively referred to as the “**Interested Parties**”)

The Interested Directors have abstained and, save for Ms Quek who has ceased to be a director of the Company, will continue to abstain from all deliberations and voting at the relevant Board meetings of IHH in relation to the Proposed Acquisition.

The Interested Parties will abstain from voting on the resolution pertaining to the Proposed Acquisition in respect of their direct and/or indirect shareholding in IHH, if any, at the EGM of the Company to be convened. They have also undertaken that they shall ensure that persons connected with them will abstain from voting on the resolution pertaining to the Proposed Acquisition in respect of their direct and/or indirect shareholding in IHH, if any, at the EGM of the Company to be convened.

10. ADVISERS

Maybank IB has been appointed as Principal Adviser to the Company for the Proposed Acquisition.

As the Proposed Acquisition is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements, RHB Investment Bank Berhad ("**Independent Adviser**") has been appointed to act as independent adviser to undertake the following in relation to the Proposed Acquisition:

- (i) comment as to:
 - (a) whether the Proposed Acquisition is fair and reasonable so far as the shareholders of IHH are concerned; and
 - (b) whether the Proposed Acquisition is to the detriment of the minority shareholders of IHH,and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) advise the minority shareholders of IHH whether they should vote in favour of the Proposed Acquisition; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in items (i) and (ii) above.

11. DIRECTORS' STATEMENT

Having considered all aspects of the Proposed Acquisition (including but not limited to the rationale and benefits of the Proposed Acquisition, basis of and justification for the Purchase Consideration, salient terms of the SPA, effects of the Proposed Acquisition and the views of the Independent Adviser) and after careful deliberation, the Board (save for the Interested Directors and Dr Tan See Leng) is of the opinion that the Proposed Acquisition is in the best interest of IHH.

Dr Tan See Leng has voluntarily abstained and will continue to abstain from voting at the relevant Board meetings of IHH in relation to the Proposed Acquisition as he will be retiring as the Managing Director and Chief Executive Officer of IHH upon the completion of his employment contract period on 31 December 2019.

12. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of IHH, having considered all aspects of the Proposed Acquisition (including but not limited to the rationale and benefits of the Proposed Acquisition, basis of and justification for the Purchase Consideration, salient terms of the SPA, effects of the Proposed Acquisition and the views of the Independent Adviser) is of the opinion that the Proposed Acquisition is:

- (i) in the best interest of IHH;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of IHH.

13. TRANSACTIONS WITH RELATED PARTIES FOR THE PAST 12 MONTHS

Save as disclosed below, there were no transactions entered into between the IHH Group and the Interested Major Shareholders for the 12 months preceding the LPD:

- (i) the Proposed Acquisition;
- (ii) recurrent related party transactions; and
- (iii) acquisition by Integrated Healthcare Hastaneler Turkey Sdn Bhd ("**IHH Turkey**"), a wholly-owned subsidiary of IHH, of approximately 15% equity interest in Acibadem Saglik Yatirimlari Holding A.S. ("**Acibadem Holding**") from Bagan Lalang Ventures Sdn Bhd ("**Bagan Lalang**"), an indirect wholly-owned subsidiary of Khazanah, pursuant to the exercise of the option by Bagan Lalang to convert its 229,199,999 Acibadem Class B Shares in Acibadem Holding into 262,246,412 new IHH Shares at the issue price of RM5.59 per IHH Share, amounting to approximately RM1,466.0 million ("**Bagan Lalang Acquisition**"), and the transfer of the remaining one Acibadem Class B Share in Acibadem Holding held by Bagan Lalang to IHH Turkey at no consideration ("**Bagan Lalang Transfer**").

The Bagan Lalang Acquisition and Bagan Lalang Transfer were announced on 8 October 2018 and completed on 30 November 2018. The approval from the shareholders of IHH for the Bagan Lalang Acquisition was obtained on 11 July 2012. The Bagan Lalang Transfer was not conditional upon any approvals.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances, the Proposed Acquisition is expected to be completed in the first quarter of 2020.

15. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents is available for inspection at IHH's registered office at Level 11 Block A, Pantai Hospital Kuala Lumpur, 8 Jalan Bukit Pantai, 59100 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) for a period of three months from the date of this Announcement:

- (i) SPA; and
- (ii) Property Valuation Report.

This Announcement is dated 17 September 2019.

SALIENT TERMS OF THE SPA

(i) Consideration

The Purchase Consideration for all the Sale Shares shall be RM1,020.0 million and shall be satisfied by way of:

- (a) the cash sum of RM1,020.0 million, less a sum equivalent to 3.00% of the Purchase Consideration ("**RPGT Sum**") if applicable which shall be paid to PMV on completion of the Proposed Acquisition; and
- (b) the cash sum equivalent to the RPGT Sum which shall be paid to the Inland Revenue Board of Malaysia, if applicable.

(ii) Locked-Box

- (a) The parties agree that the Purchase Consideration is computed on a locked-box basis, based on the unaudited management accounts of PCMC which accounts include income statement and cash flow statement for the period commencing from 1 January 2019 to 31 March 2019 ("**Locked-Box Accounts Date**") and the balance sheet as at the Locked-Box Accounts Date.
- (b) PMV:
 - A. undertakes to procure that there will be no leakage from PCMC between the date of the SPA and the Completion Date (as defined in Paragraph (iv) below) (both dates inclusive); and
 - B. undertakes to compensate or pay PHSB for all leakages from the Locked-Box Accounts Date until the Completion Date (as defined in Paragraph (iv) below) (both dates inclusive).

(iii) Conditions Precedent

The completion of the sale and purchase of all the Sale Shares is conditional upon the satisfaction or waiver, as the case may be, of the following conditions on or prior to the date falling five calendar months after the date of the SPA, or such other date as may be mutually agreed by the parties in writing ("**Long Stop Date**"):

- (a) the passing at a general meeting of PHSB of a resolution to approve the acquisition of all the Sale Shares on terms set out in the SPA;
- (b) the passing at a shareholders' general meeting of IHH of a resolution to approve the acquisition of all the Sale Shares on terms set out in the SPA;
- (c) the approval and/or exemption from the MOH for the acquisition of all the Sale Shares by PHSB;
- (d) the approval of the EPU for the acquisition of all the Sale Shares and for any equity conditions to be waived;
- (e) written consent for the proposed sale of all the Sale Shares to PHSB or confirmation not to exercise its termination right or notification in writing with acknowledgement in writing (where applicable) is obtained from the identified customers and insurer of PCMC;

SALIENT TERMS OF THE SPA (Cont'd)

- (f) the delivery of the copy of the identified renewed customer contract from the identified customer to PHSB, substantially as far as possible on the same current terms and accepted by the parties of the contract; and
- (g) the delivery of the copy of the renewed Form 7 (licence to operate or provide a private healthcare facility or service) of PCMC issued pursuant to the Private Healthcare Facilities and Services (Private Hospitals and Other Private Healthcare Facilities) Regulations 2006.

(iv) Completion

Subject to the fulfillment of the conditions precedent in the SPA, completion shall take place on the business day falling 10 business days following the date of fulfilment or waiver of the conditions precedent, or such other date as may be agreed in writing between PHSB and PMV ("**Completion Date**").

On completion, the parties shall procure that their respective completion obligations of the SPA are fulfilled. Neither PHSB nor PMV shall be obliged to complete the sale and purchase of any of the Sale Shares unless the sale and purchase of all of the Sale Shares are completed simultaneously.

(v) Termination

The SPA may be terminated (other than the surviving provisions set out in the SPA) prior to completion only in accordance with the following:

- (a) the Long Stop Date (as defined in paragraph (iii) of Appendix I above) is not extended in the event that any of the conditions precedent is not fulfilled or waived by the Long Stop Date;
- (b) any of the conditions precedent is not fulfilled or waived by 5.00 p.m. on the extended long stop date (which shall not be more than 60 business days after the Long Stop Date);
- (c) by either party if the other party fails to fully comply with its completion obligations set out in the SPA;
- (d) by PHSB, if, prior to completion:
 - A. PMV is in breach of any of the fundamental warranties;
 - B. there is any DPC with sufficient details to enable both PHSB and PMV individually to quantify the impact thereof on PCMC's revenue or EBITDA but shall not include any event or circumstance which is slated to take effect on or after 1 January 2025, which will result or would have resulted in a reduction of the revenue or EBITDA of PCMC by 25% or more of the revenue or EBITDA of PCMC for the FYE 31 December 2018 as derived from audited accounts.

For the purpose of quantifying what the DPC would have resulted in relation to the revenue or EBITDA, the parties agree that it shall be assumed that the DPC had occurred during the 12 month period ended on 31 December 2018; or

SALIENT TERMS OF THE SPA (Cont'd)

- C. there is any event or circumstance, other than a DPC, has occurred, which has or is likely to have an effect of 25% of the Purchase Consideration or more on the business, financial condition or operations, value, assets or shares of PCMC. For the purposes of this clause, the determination as to whether an event or circumstance is likely to have such effect is an objective test,

in addition to and without prejudice to all other rights or remedies available to the terminating party, including the right to claim damages and without liability on the part of the terminating party.

(vi) Limitation of Liability

- (a) Time Limits: PMV shall not be liable for breach of any warranties under the SPA in respect of any claim unless notice of such claim is given in writing by PHSB to PMV setting out sufficient details of the specific matter in respect of which the claim is made including an estimate of the amount of such claim, if practicable, within 12 months following completion except that the limit shall be five years from completion in relation to a claim in relation to taxation matters and seven years from completion when a claim relates to transfer pricing matters;
- (b) Minimum Claims: PMV shall not be liable for breach of any warranties under the SPA in respect of any claim arising from any single circumstance if the amount of the claim does not exceed RM5.0 million (save that claims relating to connected matters shall be aggregated for this purpose);
- (c) Maximum Claims:
 - A. Subject to C. below, the maximum liability of PMV in respect of all claims of breaches of warranties under the SPA, other than claims for breaches of fundamental warranties set out in B. below, shall not exceed RM100.0 million.
 - B. Subject to C. below, the maximum liability of PMV in respect of breach of fundamental warranties, shall not exceed 100% of the Purchase Consideration.
 - C. The maximum aggregate liability of PMV in respect of all claims of breaches of warranties under the SPA shall not exceed 100% of the Purchase Consideration.

FURTHER INFORMATION ON THE SUBJECT PROPERTY

A summary of the information on the Subject Property is as follows:

Particulars	Lot 366	Part of Lot 310
Market value ⁽¹⁾	RM800.0 million ⁽²⁾	
Postal address	Prince Court Medical Centre, No. 39, Jalan Kia Peng, 50450 Kuala Lumpur	
Land title	Title No. Pajakan Negeri 35520, Lot 366 Section 63, Town of Kuala Lumpur, District of Kuala Lumpur	Title No. Geran 43005, Lot 310 Section 63, Town of Kuala Lumpur, District of Kuala Lumpur
Land area	23,536 square metres	8,841 square metres
Tenure	Leasehold interest for a term of 99 years which is expiring on 22 December 2103	Sub-lease interest expiring on 31 July 2048 with a further automatic lease renewal term of 30 years and for the remaining lease period up to 30 December 2104 ⁽³⁾
Registered proprietor	PCMC	Pesuruhjaya Tanah Persekutuan
Category of land use	Building	-
Encumbrances	-	-
Express conditions	Land must be used for commercial usage for the purpose of private hospital	-
Restrictions-in-interest	Land must not be transferred or leased without the approval of the Federal Territory Land Working Committee	-

Notes:

⁽¹⁾ The methods of valuation adopted by the Property Valuer are as follows:

Method of valuation	Description
Cost approach	This method of valuation considers the possibility that, as a substitute for the purchase of a given property, one could construct another property that is either a replica of the original or one that could furnish equal utility. The estimate of the land value component is arrived at principally by a comparison approach whereby the sales of similar or substitute properties and related market data are used to establish a value estimate. The building value component is arrived at by the depreciated replacement cost method whereby an estimate is made of the replacement cost new and then allowing for depreciation based on physical deterioration, functional obsolescence and economic obsolescence.
Income approach (discounted cash flow method)	This method of valuation incorporates the estimation of future annual cash flows over an investment horizon from the valuation date by reference to expected revenue growth rates, operating expenses and terminal value. The present value of future cash flow is then determined by the application of an appropriate discount rate to derive a net present value of the property as at the valuation date.

⁽²⁾ The market value of RM800.0 million derived under the cost approach comprises of the improved land value of Lot 366 of RM402.0 million, the depreciated building value of Prince Court Medical Centre of RM363.0 million and the improved land value of the Sub-Leased Land of RM35.0 million.

⁽³⁾ Petronas Hartabina Sdn Bhd ("**Petronas Hartabina**") and PCMC had on 1 August 2018 entered into a sub-lease agreement ("**Sub-Lease Agreement**"), right of way agreement ("**Right of Way Agreement**") and licence agreement ("**Licence Agreement**") in relation to the Sub-Leased Land, Right of Way and Licensed Area respectively. The term of the Right of Way Agreement is parallel with the effective duration of the Sub-Lease Agreement. The Licence Agreement commences from 1 August 2018 and is terminable at any time by either Petronas Hartabina or PCMC by giving three months prior written notice to the other party and shall also cease to have any effect in the event that the Sub-Lease Agreement is terminated.