

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

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IHH Healthcare Berhad

(Company No. 901914-V)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PART A

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

PART B

INDEPENDENT ADVICE LETTER FROM RHB INVESTMENT BANK BERHAD TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A



Maybank Investment Bank Berhad (15938-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B



RHB Investment Bank Berhad 197401002639 (19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The ordinary resolution in respect of the Proposed Acquisition will be tabled for your consideration at the Extraordinary General Meeting ("EGM") of our Company to be held at Ballroom 2, Level 3D, Sheraton Petaling Jaya Hotel, Jalan Utara C, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 9 December 2019 at 10.00 a.m. or any adjournment thereof. We have enclosed the Notice of EGM in respect of the Proposed Acquisition together with the Form of Proxy in this Circular.

If you are unable to attend and vote at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you must deposit the Form of Proxy at the office of our Share Registrar, Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding of the EGM indicated below or any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Saturday, 7 December 2019 at 10.00 a.m.

Date and time of the EGM : Monday, 9 December 2019 at 10.00 a.m. or any adjournment thereof

Venue of the EGM : Ballroom 2, Level 3D, Sheraton Petaling Jaya Hotel, Jalan Utara C, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia

This Circular is dated 22 November 2019

DEFINITIONS

The following definitions apply throughout this Circular unless the context requires otherwise:

Act	:	Companies Act 2016
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of our Company
Bursa Securities	:	Bursa Malaysia Securities Berhad
CAGR	:	Compounded annual growth rate
Circular	:	This circular to our shareholders in relation to the Proposed Acquisition dated 22 November 2019
Conditions Precedent	:	The conditions precedent of the SPA as set out in item (iv) of Appendix I of this Circular
DPC	:	Any change, announcement, publication or introduction of drug price control laws or proposed drug price control laws
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
EGM	:	Extraordinary general meeting
EPS	:	Earnings per share
Equity Valuation Letter	:	Equity valuation letter on 100% of the equity of PCMC issued by the Equity Valuer on 30 August 2019 and subsequently updated on 15 November 2019
EV	:	Enterprise value
First Term	:	As defined in Section 2.1 of Part A of this Circular
FMV	:	Fair market value
Fortis	:	Fortis Healthcare Limited
Fortis Open Offer	:	As defined in Section 9 of Part A of this Circular
FPE	:	Financial period ending or ended, as the case may be
FYE	:	Financial year ending or ended, as the case may be
GOM	:	Government of Malaysia
IAL	:	Independent advice letter from RHB Investment Bank to our non-interested shareholders in relation to the Proposed Acquisition as set out in Part B of this Circular
IHH or Company	:	IHH Healthcare Berhad
IHH Group or Group	:	Collectively, IHH and its subsidiaries
IHH Share(s)	:	Ordinary share(s) in IHH
Implied EV of PCMC	:	Implied EV of PCMC 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

DEFINITIONS (Cont'd)

Interested Directors	:	Collectively, Mr Bhagat, Mr Wong and Ms Quek
Interested Major Shareholders	:	Collectively, PMV and Khazanah
Interested Parties	:	Collectively, the Interested Major Shareholders and the Interested Directors
Khazanah	:	Khazanah Nasional Berhad
Knight Frank or Property Valuer	:	Knight Frank Malaysia Sdn Bhd
LAT	:	Loss after tax
LBT	:	Loss before tax
Licence Agreement	:	As defined in Section 2.1 of Part A of this Circular
Licensed Area	:	As defined in Section 2.1 of Part A of this Circular
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	31 October 2019, being the latest practicable date prior to the printing of this Circular
Malar	:	Fortis Malar Hospitals Limited, a step down subsidiary of Fortis
Malar Open Offer	:	As defined in Section 9 of Part A of this Circular
Maybank IB or Principal Adviser	:	Maybank Investment Bank Berhad
MEA	:	Ministry of Economic Affairs, Malaysia, being the ministry charged with the responsibility of the Economic Planning Unit of the Prime Minister's Department
MOH	:	Ministry of Health, Malaysia
Mr Bhagat	:	Chintamani Aniruddha Bhagat
Mr Wong	:	Wong Eugene
Ms Quek	:	Quek Pei Lynn
NA	:	Net assets
NTK	:	Northern TK Venture Pte Ltd, an indirect wholly-owned subsidiary of our Company
PAT	:	Profit after tax
PBT	:	Profit before tax
PCMC	:	Prince Court Medical Centre Sdn Bhd
PCMC RPS	:	35,176 redeemable preference shares in PCMC
PCMC Shares	:	100,000,000 ordinary shares in PCMC
PETRONAS	:	Petroleum Nasional Berhad

DEFINITIONS (Cont'd)

Petronas Hartabina	:	Petronas Hartabina Sdn Bhd
PHSB	:	Pantai Holdings Sdn Bhd, an indirect wholly-owned subsidiary of our Company
PMV	:	Pulau Memutik Ventures Sdn Bhd, a wholly-owned subsidiary of Khazanah
Prince Court Medical Centre	:	A 277-licensed bed private healthcare facility known as Prince Court Medical Centre which is a 6-storey purpose-built private medical hospital with a roof top and 3 basement levels as well as an ancillary building designated for plant and electrical equipment and other supporting amenities and facilities
Property Valuation Report	:	Property valuation report dated 20 August 2019 issued by the Property Valuer on the Subject Property
Proposed Acquisition	:	Proposed acquisition of the Sale Shares by PHSB from PMV for a cash consideration of RM1,020.0 million
Purchase Consideration	:	RM1,020.0 million, being the cash consideration for the Proposed Acquisition
PwC Capital or Equity Valuer	:	PricewaterhouseCoopers Capital Sdn Bhd
RHB Investment Bank or Independent Adviser	:	RHB Investment Bank Berhad
Right of Way	:	As defined in Section 2.1 of Part A of this Circular
Right of Way Agreement	:	As defined in Section 2.1 of Part A of this Circular
Sale Shares	:	Collectively, the PCMC Shares and the PCMC RPS
Second Term	:	As defined in Section 2.1 of Part A of this Circular
SPA	:	Conditional share purchase agreement dated 17 September 2019 between PHSB and PMV in respect of the Proposed Acquisition
Sub-Lease Agreement	:	As defined in Section 2.1 of Part A of this Circular
Sub-Leased Land	:	As defined in Section 2.1 of Part A of this Circular
Subject Property	:	As defined in Section 2.1 of Part A of this Circular
Supreme Court of India	:	Honourable Supreme Court of India

CURRENCIES

INR	:	Indian Rupee
RM and sen	:	Ringgit Malaysia and sen

DEFINITIONS (Cont'd)

All references to “**our Company**” or “**IHH**” in this Circular are to IHH and references to “**our Group**” or “**IHH Group**” are to our Company and subsidiaries, collectively. All references to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Company, and where the context requires otherwise, shall include our Company and subsidiaries.

All references to “**you**” and “**your**” in this Circular are to our shareholders.

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference to any act, rule, written law, ordinance, enactment or guideline in this Circular is a reference to that act, rule, written law, ordinance, enactment or guideline as amended or re-enacted from time to time.

Any discrepancy in the figures included in this Circular between the amounts stated and the totals thereof are due to rounding.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

This Circular includes forward-looking statements. All statements other than statements of historical facts included in this Circular including, without limitation, those regarding our Group's financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. There can be no assurance that such forward-looking statements will materialise, be fulfilled or be achieved.

Unless otherwise stated, the exchange rate of INR1:RM0.058917, being the middle rate quoted by BNM at 5.00 p.m. as at the LPD has been applied throughout this Circular for illustration purposes.

Any exchange rate translations in this Circular has been provided solely for your convenience and should not be constituted as representative that the translated amount stated in this Circular could have been or would have been converted into such other amounts or vice versa.

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PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION



IHH Healthcare Berhad

(Company No. 901914-V)
(Incorporated in Malaysia)

Registered Office

Level 11 Block A
Pantai Hospital Kuala Lumpur
8 Jalan Bukit Pantai
59100 Kuala Lumpur
Malaysia

22 November 2019

Board of Directors

Dato' Mohammed Azlan bin Hashim (*Chairman/Independent Non-Executive Director*)
Dr Tan See Leng (*Managing Director and Chief Executive Officer/Non-Independent Executive Director*)
Dr Kelvin Loh Chi-Keon (*Chief Executive Officer (Designate)/Non-Independent Executive Director*)
Koji Nagatomi (*Non-Independent Non-Executive Director*)
Takeshi Saito (*Non-Independent Non-Executive Director*)
Chintamani Aniruddha Bhagat (*Non-Independent Non-Executive Director*)
Mehmet Ali Aydinlar (*Non-Independent Non-Executive Director*)
Rossana Annizah binti Ahmad Rashid (*Independent Non-Executive Director*)
Shirish Moreswar Apte (*Independent Non-Executive Director*)
Jill Margaret Watts (*Independent Non-Executive Director*)
Tomo Nagahiro (*Non-Independent Non-Executive Director*) (*Alternate Director to Koji Nagatomi*)
Ong Shilin (*Non-Independent Non-Executive Director*) (*Alternate Director to Takeshi Saito*)
Wong Eugene (*Non-Independent Non-Executive Director*) (*Alternate Director to Chintamani Aniruddha Bhagat*)

To : Our Shareholders

Dear Sir/Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 17 September 2019, Maybank IB had, on behalf of our Board, announced that PHSB had on even date entered into the SPA with PMV.

On 11 October 2019, Maybank IB had, on behalf of our Board, announced that:

- (i) the application to the MOH for approval and/or exemption in respect of the acquisition of all the Sale Shares by PHSB; and
- (ii) the application to the MEA for approval for the acquisition of all the Sale Shares and for any equity conditions to be waived,

have been submitted on even date. The outcome of the applications to the MOH and the MEA is pending as at the date of printing of this Circular. The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Details of the interests of the Interested Parties are set out in Section 11 of Part A of this Circular.

In view of the above, RHB Investment Bank has been appointed as the Independent Adviser to advise our non-interested directors and non-interested shareholders on the Proposed Acquisition.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL AS SET OUT IN PART B OF THIS CIRCULAR BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition involves the acquisition of the PCMC Shares and the PCMC RPS, representing the entire issued share capital of PCMC, by PHSB from PMV for a cash consideration of RM1,020.0 million.

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

2.1 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 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 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.

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Prince Court Medical Centre has 145 doctors as at the LPD and offers a wide range of primary, secondary and tertiary healthcare services which range from general surgery, obstetrics and gynaecology, paediatrics, respiratory, cardiology with key clinical services including, among others:

- (i) burns management;
- (ii) cancer;
- (iii) gastrointestinal diseases;
- (iv) interventional cardiology;
- (v) reproductive medicine;
- (vi) nephrology;
- (vii) orthopaedics; and
- (viii) rehabilitation medicine.

As at the LPD, Prince Court Medical Centre has 277 licensed beds comprising 216 general wards, 28 critical beds, 25 daycare procedure beds and 8 procedure beds. Out of the 277 licensed beds, 232 general and critical beds, 25 daycare procedure beds and 8 procedure beds are activated.

PCMC is a wholly-owned subsidiary of PMV. As at the LPD, the issued share capital of PCMC is RM1,858.8 million comprising the PCMC Shares and the 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) Mr Bhagat;
- (ii) 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 FYE 31 December 2018, PCMC registered PAT of RM51.0 million while the 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) a non-registrable, non-exclusive and non-transferable right of access to and from the Sub-Leased Land through an access road and a right to use and maintain an access road measuring approximately 285 square metres wide which was constructed on part of Lot 310 that falls outside the Sub-Leased Land to access the Sub-Leased Land ("**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 that falls outside the Sub-Leased Land and the land under the Right of Way ("**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, the Property Valuer, had via the 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 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. The date of valuation of the Subject Property is 15 April 2019.

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 flows is then determined by the application of an appropriate discount rate to derive the net present value of the property as at the valuation date.

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A summary of the Subject Property is as follows:

Particulars	Lot 366	Part of Lot 310 ⁽¹⁾
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 ⁽²⁾	8,841 square metres
Tenure	Leasehold interest for a term of 99 years which is expiring on 22 December 2103	Please refer to note (3) below
Registered proprietor	PCMC	Pesuruhjaya Tanah Persekutuan
Category of land use	Building	Not Stated
Encumbrances	Nil	Nil
Express conditions	Land must be used for commercial usage for the purpose of private hospital	Nil
Restrictions-in-interest	Land must not be transferred or leased without the approval of the Federal Territory Land Working Committee	Nil

Notes:

- ⁽¹⁾ A registrar's caveat has been lodged vide Presentation No. PDB1037/2009 registered on 23 January 2009 in respect of Lot 310.
- ⁽²⁾ Prince Court Medical Centre has a gross floor area of approximately 98,547 square metres.
- ⁽³⁾ 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 Sub-Lease Agreement commenced on 1 August 2018 and will expire on 31 July 2048 ("**First Term**"), and subject to terms and conditions, the Sub-Lease Agreement will automatically renew for a further 30 years ("**Second Term**") at the expiration of the First Term, and for a further term for the remaining of the lease period for Lot 310 up to 30 December 2104 at the expiration of the Second Term. The term of the Right of Way Agreement commenced on 1 August 2018 and is parallel with the effective duration of the Sub-Lease Agreement. The term of the Licence Agreement for the use of the Licensed Area commenced on 1 August 2018 and is terminable at any time by either Petronas Hartabina or PCMC by giving 3 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. However, in the event of termination of the Licence Agreement, the Sub-Lease Agreement remains valid and effective. The Right of Way Agreement will automatically expire and cease to have any effect upon the termination of the Sub-Lease Agreement.

Further information on PCMC is set out in **Appendix II** of this Circular.

2.2 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) 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 of up to RM650.0 million.

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.

2.7 Additional financial commitment required

Our Board does not expect to incur any additional financial commitment to put the business of PCMC on-stream following the completion of the Proposed Acquisition as PCMC is already in operations and generating profits.

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3. BASIS 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 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 the Equity Valuer 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 EV/EBITDA multiples and implied 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 Securities with similar principal activities as PCMC as at 31 March 2019; and
- (ii) prospects of PCMC as set out in Section 6 of Part A of this Circular.

In justifying the Purchase Consideration, our Board (save for the Interested Directors and Dr Tan See Leng who has also abstained as explained in Section 12 of Part A of this Circular) has taken into consideration, among others, the following:

- (i) the Purchase Consideration 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 the Equity Valuer;
- (ii) the implied EV/EBITDA multiple and implied EV/bed of PCMC of 21.9 times and RM3.66 million respectively fall within the range of implied EV/EBITDA multiples of selected precedent transactions of targets with significant operations in Malaysia of between 10.6 times to 24.5 times and fall within the range of implied EV/bed of selected precedent transactions of targets with significant operations in Malaysia of between RM1.04 million to RM6.05 million, as set out in the table in the following page:

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Target (% acquired)	Completion date	Principal activities	Implied EV/ EBITDA (times)	Implied EV/bed (RM' million)
IHH (16.00%)	March 2019	Our 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.	⁽¹⁾ 21.6	⁽¹⁾ 5.60
Amanjaya Specialist Centre Sdn Bhd ("ASCSB") (100.00%)	October 2018	ASCSB owns and operates a multidiscipline specialist hospital known as Pantai Hospital Laguna Merbok (formerly 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	⁽²⁾ 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.	⁽¹⁾ 24.5	⁽¹⁾⁽³⁾ 1.98

(Source: Equity Valuation Letter)

High	24.5	6.05
Average	19.7	3.66
Low	10.6	1.04

PCMC (100.00%)	⁽⁴⁾ 21.9	⁽⁵⁾ 3.66
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Notes:

⁽¹⁾ These multiples which were set out in our announcement dated 17 September 2019 in relation to the Proposed Acquisition have been updated based on the Equity Valuation Letter which includes additional sources of information. The updated multiples do not change the appraised FMV range of 100% of the equity of PCMC.

⁽²⁾ Adjusted for inflation by approximately 9% as the transaction was completed in 2015.

⁽³⁾ Adjusted for inflation by approximately 12% as the transaction was completed in 2014.

⁽⁴⁾ Calculated based on the Implied EV of PCMC 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. The Implied EV of PCMC was calculated based on the following formula:

$$\begin{aligned}
 \text{Implied EV} &= \text{Purchase Consideration} - \text{net cash} + \text{dividend payable} \\
 &= \text{RM1,020.0 million} - \text{RM27.5 million} + \text{RM20.0 million} \\
 &= \text{RM1,012.5 million}
 \end{aligned}$$

⁽⁵⁾ Calculated based on the Implied EV of PCMC over the number of beds as at 31 March 2019 of 277 beds.

(iii) the implied EV/EBITDA multiple and implied EV/bed of PCMC 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 the Main Market of Bursa Securities of between 14.7 times to 23.1 times and within the range of the historical EV/bed of selected comparable companies listed on the Main Market of Bursa Securities of between RM1.69 million to RM6.79 million, as set out in the table in the following page:

Company name	Principal activities	(1)EV/EBITDA (times)	(2)EV/bed (RM' million)
IHH	Our 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 provide 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 3 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 of PCMC 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. The Implied EV of PCMC was calculated based on the following formula:

$$\begin{aligned}
 \text{Implied EV} &= \text{Purchase Consideration} - \text{net cash} + \text{dividend payable} \\
 &= \text{RM1,020.0 million} - \text{RM27.5 million} + \text{RM20.0 million} \\
 &= \text{RM1,012.5 million}
 \end{aligned}$$

(4) Calculated based on the Implied EV of PCMC 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 Part A of this Circular.

4. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

The Proposed Acquisition presents our Group 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 in the vicinity of key city landmarks such as the Petronas Twin Towers, Lot 10 Shopping Centre and Pavilion Kuala Lumpur. By virtue of its strategic location, being in a high affluent area, Prince Court Medical Centre has close proximity to premium and corporate clientele. Besides premium and corporate clientele, it is also easily accessible by residents in the Klang Valley as it is connected to all parts of the Klang Valley through major highways and main arterial roads such as Jalan Bukit Bintang, Jalan Tun Razak and Jalan Kia Peng.

The Proposed Acquisition is a good strategic fit with our Group's operations in Malaysia. It will allow us to strengthen our position in the premium healthcare segment in Malaysia and also enable our Group and PCMC to leverage on our respective brand names. This is expected to enhance the revenue, income stream and long-term growth of our Group.

As at the LPD, PCMC has 145 doctors, comprising 69 residents and 76 sessional/visiting, offering a wide range of services including those set out in Section 2.1 of Part A of this Circular. The medical professional team of Prince Court Medical Centre is supported by a large team of approximately 600 nurses. Therefore, our Group will gain from the additional qualified and experienced medical professional team.

Our Board (save for the Interested Directors and Dr Tan See Leng who has also abstained as explained in Section 12 of Part A of this Circular) anticipates that the Proposed Acquisition will allow our Group to tap further into the medical tourism market complementing our Group's existing hospitals in the Klang Valley. PCMC's strong reputation in Malaysia's medical tourism market is evidenced by the various accreditations and awards for medical tourism it has received as well as increasing international patient volume and larger revenue contributions from international patients.

Further, the Proposed Acquisition is expected to deliver cost synergies ranging from cost of medical supplies through bulk purchases to the consolidation of some of PCMC's operation, support and shared services functions with that of our operations in Malaysia, among others.

Additional synergistic benefits may also be gained from contemplated measures such as cost rationalisation through the adoption by PCMC of our Group's best practices, leveraged across our existing network of hospitals and the streamlining of its processes with that of our Group as well as capital expenditure optimisation initiatives.

5. RISKS OF THE PROPOSED ACQUISITION

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

5.1 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 MOH together with the Ministry of Domestic Trade and Consumer Affairs, Malaysia, will work to gazette regulations under the Price Control and Anti-Profiteering 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 and healthcare 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 item (vi) of **Appendix I** of this Circular) which allows PHSB to terminate the SPA prior to the completion of the Proposed Acquisition if there is any DPC with sufficient details to enable both PHSB and PMV to individually 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, assuming that the DPC had occurred during the 12 month period ended on 31 December 2018.

We will endeavour to manage the impact of the implementation of drug price control laws on PCMC by leveraging on the efficiencies of our business franchise in Malaysia.

5.2 Non-completion of the Proposed Acquisition

The completion of the Proposed Acquisition is subject to the Conditions Precedent 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 our Group or PMV fails to obtain the relevant approvals, written consents and confirmations for the Proposed Acquisition, the Proposed Acquisition may not complete as contemplated.

Our Group will take all necessary and reasonable steps to ensure the fulfillment of the Conditions Precedent which are within our control and responsibility 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 our control and responsibility to enable the completion of the Proposed Acquisition. In the event any of the Conditions Precedent is neither fulfilled nor waived (as the case may be) by the date falling 5 calendar months after the date of the SPA, or such other date as may be mutually agreed by PHSB and PMV in writing, the SPA will terminate and cease to have effect.

5.3 Integration risk

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

5.4 Business risk

PCMC is exposed to similar business risks inherent in the healthcare industry as our Group 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.

Our Group will endeavour to manage PCMC's business risks by employing measures which will include monitoring political uncertainties, reviewing talent management and retention strategies, reviewing and upgrading cybersecurity measures and monitoring foreign currency risk.

5.5 Compulsory acquisition

The GOM has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation including the Land Acquisition Act 1960 ("**Land Act**") for certain purposes where the compensation to be awarded is based on the FMV of a property assessed on the basis prescribed in the Land Act and other relevant laws. In the event of any compulsory acquisition of the Subject Property, the amount to be awarded is based on the FMV of the Subject Property and is assessed on the basis prescribed in the Land Act.

Our Group will seek to minimise any potential losses by invoking the relevant provisions of the Land Act in relation to our rights to submit an objection in respect of the compensation. As at the LPD, to the best of our knowledge, we are not aware of any notice of acquisition or notice of intended acquisition having been received by PCMC in relation to Lot 366.

5.6 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 of PCMC may differ from the assumptions and some of these could have a material impact on the value of 100% of the equity of PCMC. As such, the FMV range as derived by PwC Capital is not a guarantee of the value of 100% of the equity of PCMC.

However, this risk is minimised as PwC Capital had employed the income approach as the primary approach and the market approach as a cross check against the primary approach in its valuation of 100% of the equity of PCMC. Furthermore, the selected precedent transactions of targets with significant operations in Malaysia as set out in Section 3 of Part A of this Circular were taken into consideration in justifying the Purchase Consideration.

5.7 Financing risk

The Purchase Consideration is expected to be partly funded via a combination of internally generated funds and bank borrowings which will subject our Group to financing risk which includes, among others, fluctuations in interest rates on such borrowings obtained, leading to a higher borrowing cost and hence affect our Group's financial performance.

Nevertheless, our Group will monitor the level of our cash and cash equivalents to ensure that we have sufficient cash and cash equivalents to service our financial obligations.

6. PROSPECTS, OUTLOOK AND FUTURE PLANS

6.1 Overview and outlook of the Malaysian economy

The prospect of the Malaysian economy remains robust amid increasing uncertainties in the external environment. Real gross domestic product is expected to grow by 4.7% in 2019 and 4.8% in 2020. The growth is underpinned by resilient domestic demand, particularly household spending following stable labour market and low inflation. Meanwhile, private investment is expected to grow at a slower pace in 2019 and gain traction in 2020 following the resumption of infrastructure projects coupled with ongoing capital spending in the services and manufacturing sectors. Favourable private sector expenditure activity will offset the impact of lower public expenditure in 2019. However, economic growth is expected to rebound in 2020 with improvement in public corporations' capital outlay.

On the supply side, the services and manufacturing sectors will continue to be the main contributors to economic growth. The services sector, driven by the activities of the wholesale and retail trade, information and communications, as well as finance and insurance sub-sectors, is projected to remain firm backed by robust household spending. The manufacturing sector is expected to grow at a slower pace in 2019 due to the downcycle of the electrical and electronics sector and is anticipated to pick up in 2020, supported by better semiconductor outlook, especially during the second half of the year. The agriculture sector is projected to expand following higher production of crude palm oil and natural rubber, while the mining sector is expected to increase supported by higher production of natural gas. Similarly, the construction sector is anticipated to improve attributed to activities in civil engineering.

In 2019, exports are expected to expand moderately in line with the slowdown in global economic and trade performance. However, the forecast for 2020 shows a gradual pick up attributed to the projected recovery in global trade activities. The current account surplus in 2019 is projected to widen following the increase in the net exports of goods and services. In 2020, the current account surplus is expected to narrow underpinned by rising imports coupled with widening deficits in services and income accounts.

Provision of quality healthcare services is one of the priorities of the GOM. To further elevate healthcare quality, the GOM will strengthen its services by providing a comfortable environment for the people while receiving treatment in public hospitals and clinics. An allocation will be provided to upgrade healthcare infrastructure, as well as enhance the capacity and capability of healthcare personnel. Concurrently, the GOM will promote a healthy lifestyle and extend preventive care programmes nationwide.

(Source: Economic Outlook 2020, Ministry of Finance, Malaysia)

Growth in the Malaysian economy moderated to 4.4% in the third quarter of 2019 (second quarter ("2Q") 2019: 4.9%), primarily attributed to lower growth in key sectors and a decline in mining and construction activities. On the demand side, most domestic demand components and net exports registered slower growth momentum. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (2Q 2019: 1.0%).

Domestic demand growth moderated to 3.5% (2Q 2019: 4.6%), with private sector expenditure remaining the key contributor to growth.

Private consumption grew by 7.0% (2Q 2019: 7.8%), as household spending normalised towards its long-term trend. This partly reflected strong base effects from the tax holiday spending last year. Nevertheless, spending remained supported by continued income and employment growth, as well as selected GOM measures.

Private investment growth expanded marginally by 0.3% (2Q 2019: 1.8%), weighed down by lower capital spending across major economic sectors. Investment continued to be affected by heightened uncertainty surrounding external conditions and continued weakness in the broad property segment.

Public investment remained in contraction at -14.1% (2Q 2019: -9.0%), reflecting lower capital spending by both the GOM and public corporations.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index, increased to 1.3% in the third quarter of 2019 (2Q 2019: 0.7%). The higher inflation outcome mainly reflected the lapse in the impact from the Goods and Services Tax zeroisation between June and August 2018. This was despite the lapse in the impact of the Sales and Services Tax implementation in September, which contributed to lower headline inflation that month (September: 1.1%; August: 1.5%; July: 1.4%).

(Source: Quarterly Bulletin: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2019, BNM)

6.2 Overview and prospects of the Malaysian healthcare industry

The healthcare sector is expected to grow to RM127.9 billion by year 2027 from RM56.3 billion in year 2017, indicating a growth rate of 127.2% with a CAGR of 8.6%, owing mainly to the potential increase in demand for healthcare services in conjunction with initiatives introduced by the GOM under Budget 2019. Under Budget 2019, the GOM allocated approximately RM28.7 billion for the healthcare sub-sector comprising 9.2% of the overall proposed budget of RM314.6 billion. Under Budget 2020, the GOM allocated approximately RM30.6 billion for the healthcare sub-sector comprising 10.3% of the overall proposed budget of RM297.0 billion.

(Source: Management of our Company; article titled "Malaysia's healthcare market to reach RM127.9b by 2027, says Fitch Research", extracted from The Star published on 4 December 2018; Budget 2019, Ministry of Finance, Malaysia; Budget 2020, Ministry of Finance, Malaysia)

Initiatives introduced this year by the GOM include the *mySalam* National Health Protection Scheme which provided 4.3 million individuals with takaful coverage in the event of a critical illness and hospitalisation. For those diagnosed this year with a critical illness, they will receive RM8,000 cash payout, while those who are warded at government hospitals can claim RM50 income replacement each day for up to 14 days. All household recipients of Bantuan Sara Hidup aged between 18 and 55 years old are automatically covered. Starting 1 January 2020, the coverage will be extended to: (i) cover 45 illnesses from the existing 36, including polio and terminal illness; (ii) those aged up to 65 years old, compared to the current 55 years old, benefitting an additional 1.5 million individuals; and (iii) those with gross annual income up to RM100,000. They will receive critical illness pay out of RM4,000 and RM50 daily hospitalisation income replacement for up to 14 days when diagnosed and warded at government hospitals, benefitting up to 5 million Malaysians.

(Source: Budget 2020, Ministry of Finance, Malaysia)

Other contributing factors to the expected increase in demand for private healthcare as the Malaysian economy grows would include better patient awareness and increasing expectations for quality healthcare and an increasing ageing population, among others.

In the medical tourism sector, revenue is expected to grow by 20% to RM1.8 billion in 2019 (2018: RM1.5 billion), outperforming historical CAGR of 17.9% over the past 5 years with revenue being RM777.0 million in 2014. Approximately 60% of medical tourists in Malaysia are from Indonesia with the remaining coming mainly from the People's Republic of China and the Middle East region. This is driven by high treatment quality at competitive rates alongside high accessibility.

(Source: Malaysia Healthcare Tourism Council ("MHTC") at www.mhtc.org.my; article titled "Medical tourism receipts to see 25% rise", extracted from MHTC published on 18 March 2019)

Under Budget 2020, the GOM will launch the Malaysia Year of Healthcare Travel 2020 to solidify Malaysia's leading position as a medical tourist destination in the region and has allocated RM25.0 million to MHTC to strengthen the position of Malaysia as the preferred destination for health tourism in the Association of Southeast Asian Nations (ASEAN) for oncology, cardiology and fertility treatment. Under Budget 2019, the GOM allocated RM20.0 million to MHTC to collaborate with reputable private hospitals to further strengthen Malaysia's brand as a destination of choice for medical tourism.

(Source: Budget 2020, Ministry of Finance, Malaysia; Budget 2019, Ministry of Finance, Malaysia)

Digital disruptions are also impacting healthcare services as evidenced by the signing of a memorandum of understanding between Collaborative Research in Engineering, Science and Technology and the MOH. The memorandum of understanding will see the 2 parties collaborate in research, development and commercialisation, focusing on digital innovation in healthcare delivery and solutions. It is anticipated that digitalisation of healthcare through the internet of things and artificial intelligence solutions that will be developed for better diagnosis and savings in healthcare costs while complementing the National Healthcare Transformation will provide equitable, affordable and accessible high quality health services to the nation. This places the onus on private healthcare providers who intend to remain competitive to leverage on the continuous development of information technology infrastructure as the key to improving healthcare diagnostics and outcomes into the future.

(Source: Malaysia Investment Performance Report 2018, issued by the Malaysian Investment Development Authority)

6.3 Prospects and future plans of PCMC

The revenue of PCMC 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 10.9% while the EBITDA of PCMC grew from RM23.2 million for the FYE 31 December 2016 to RM42.2 million for the FYE 31 December 2018, representing a CAGR of 34.9%.

The revenue and EBITDA of PCMC increased significantly from 2016 to 2018 primarily due to transformation initiatives undertaken by the management of PCMC focusing on increasing its revenue base such as:

- (i) increasing insurance, third party administrators who process insurance claims and corporate outreach initiatives; and
- (ii) price alignment initiatives.

The revenue of PCMC is expected to grow in the future due to the anticipated hiring of new doctors with tertiary specialties in the FYE 31 December 2020 resulting in a higher contribution from tertiary services to its overall revenue.

The increase in EBITDA of PCMC from 2016 to 2018 was also due to cost savings initiatives such as:

- (i) renegotiation of supplier contracts for lower prices with higher quantities for pharmacy purchases and consumables and laboratory reagents;
- (ii) lower reliance on comprehensive repair and maintenance services by undertaking certain repair work in-house; and
- (iii) renegotiation of contracts for administrative services.

Future revenue and EBITDA growth will depend on PCMC's ability to recruit new doctors, address space requirements, manage cost 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.

After the Proposed Acquisition, we plan to integrate PCMC with our Group. The integration process will include the assimilation of staff force of PCMC with our Group and pursuing cost synergies ranging from cost of medical supplies through bulk purchases to the consolidation of some of PCMC's operation, support and shared services functions with that of our operations in Malaysia, among others.

We expect the integration to be completed within 1 year after the completion of the Proposed Acquisition and we do not foresee any material financial resources to be incurred arising from the integration. In addition, we believe that strategies can be developed to enable our enlarged operations in Malaysia to provide wider options to our patients which will enhance our competitiveness. In view of the above, the prospects of our enlarged operations in Malaysia appear to be promising.

7. EFFECTS OF THE PROPOSED ACQUISITION

7.1 Share capital

The Proposed Acquisition will not have any effect on the issued share capital of our Company as the Proposed Acquisition does not involve the issuance of new IHH Shares.

7.2 Substantial shareholders' shareholding

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

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7.3 NA per IHH Share and gearing

For illustrative purposes only, based on the latest audited consolidated statements of financial position of our Company 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 our 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 our 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 NA attributable to owners of our Company divided by the total number of IHH Shares in issue.
- ⁽²⁾ Calculated based on total loans and borrowings divided by NA attributable to owners of our 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 EPS

For illustrative purposes only, 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 our 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 our Company ⁽¹⁾	541,841	⁽²⁾ 555,033
Weighted average number of IHH Shares in issue ('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 our Company of RM627.7 million.
- ⁽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

The Proposed Acquisition is subject to the following being obtained:

- (i) approval of our non-interested shareholders at our forthcoming EGM⁽¹⁾;
- (ii) approval of MOH;
- (iii) approval of MEA; and
- (iv) any other relevant authorities and/or parties, where required.

Note:

⁽¹⁾ The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the 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 our Company for the FYE 31 December 2018 of RM627.7 million.

9. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisition and as disclosed below, there is no other corporate exercise/scheme announced by our Company but is pending completion as at the date of printing of this Circular.

On 13 July 2018, NTK, as subscriber, entered into a share subscription agreement ("**Fortis SSA**") with Fortis, as issuer, where NTK has agreed to subscribe to 235,294,117 new equity shares of Fortis with a face value of INR10 each ("**Subscription Shares**"), constituting approximately 31.1% of the total voting equity share capital of Fortis on a fully diluted basis ("**Expanded Voting Share Capital**") for a total consideration of INR4,000 crore (INR4,000,00,00,000) and Fortis has agreed to issue and allot the Subscription Shares by way of preferential allotment in accordance with the terms of the Fortis SSA ("**Proposed Subscription**"). The Proposed Subscription was completed in accordance with the terms of the Fortis SSA on 13 November 2018 and NTK has become the controlling shareholder of Fortis.

As a consequence of the Proposed Subscription, NTK was required to carry out the following:

- (i) pursuant to the board resolution dated 13 July 2018 passed by the Board of Directors of Fortis approving the Proposed Subscription and execution of the Fortis SSA ("**Fortis Board Resolution**"), a mandatory open offer for acquisition of up to 197,025,660 equity shares of face value of INR10 each in Fortis, representing additional 26% of the Expanded Voting Share Capital of Fortis, at a price of not less than INR170 per share ("**Fortis Open Offer**") or such higher price as required under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("**SEBI (SAST) Regulations**").

On 13 July 2018, NTK together with our Company and Parkway Pantai Limited, in the capacity as the persons acting in concert with NTK (collectively, the "**PACs**"), pursuant to the terms of Regulations 3(1) and 4 read with Regulation 15(1) of the SEBI (SAST) Regulations, have made the Fortis Open Offer by filing of the public announcement dated 13 July 2018 ("**Fortis Public Announcement**") to all the shareholders of Fortis who are eligible to tender their shares in the Fortis Open Offer, excluding NTK and the PACs and persons deemed to be acting in concert with NTK and the PACs. Save and except for the PACs, no other person is acting in concert with NTK for the purpose of the Fortis Open Offer at the time of the Fortis Public Announcement being released.

- (ii) in light of the acquisition of the controlling stake of Fortis, a mandatory open offer for acquisition of up to 4,894,308 fully paid up equity shares of face value of INR10 each in Malar, representing 26% of the paid-up equity shares of Malar at a price of INR58 per share ("**Malar Open Offer**"). The Malar Open Offer is subject to the completion of the Fortis Open Offer.

On 13 July 2018, NTK together with the PACs pursuant to the terms of Regulations 3(1), 4 and 5(1) read with Regulations 13(2)(e) and 15(1) of the SEBI (SAST) Regulations, have made the Malar Open Offer by filing of the public announcement dated 13 July 2018 ("**Malar Public Announcement**") to all the public shareholders of Malar excluding the promoter and promoter group of Malar, NTK and the PACs and persons deemed to be acting in concert with NTK and the PACs. Save and except for the PACs, no other person is acting in concert with NTK for the purpose of the Malar Open Offer at the time of the Malar Public Announcement being released.

On 14 December 2018, the Supreme Court of India had passed an order in the matter of Mr Vinay Prakash Singh v. Sameer Gehlaut & Ors., directing "status quo with regard to sale of the controlling stake in Fortis to Malaysian IHH Healthcare Berhad be maintained" ("**Order**"). By way of a judgement dated 15 November 2019 passed by the Supreme Court of India ("**Judgement**"), a notice of contempt has been issued on its own motion to, among others, Fortis, and the registry of the Supreme Court of India has been directed to register a fresh contempt petition in regard to violation of the Order. The next hearing date for this matter is 3 February 2020. We are seeking appropriate legal advice on this matter and will subsequently decide on the future course of action. In light of the Judgement, the Fortis Open Offer as well the Malar Open Offer (which is subject to the completion of the Fortis Open Offer) will not proceed for the time being.

10. **CONDITIONALITY OF THE PROPOSED ACQUISITION**

The Proposed Acquisition is not conditional upon the corporate exercises set out in Section 9 of Part A of this Circular or any other corporate exercise/scheme of our Company.

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11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors and/or major shareholders of our Company 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 our Company with approximately 26.04% direct equity interest in our Company as at the LPD, is deemed interested in the Proposed Acquisition; and
- (b) Khazanah, being a major shareholder of our Company with approximately 26.04% indirect equity interest in our Company held through PMV as at the LPD, is deemed interested in the Proposed Acquisition.

The shareholdings of PMV and Khazanah in our Company as at the LPD are as follows:

	Direct		Indirect	
	No. of IHH Shares	%	No. of IHH Shares	%
PMV	2,284,536,356	26.04	-	-
Khazanah ⁽¹⁾	-	-	2,284,536,356	26.04

Note:

⁽¹⁾ Deemed interested by virtue of its shareholding in PMV pursuant to Section 8 of the Act.

(ii) Interested Directors

- (a) Mr Bhagat, being a Non-Independent Non-Executive Director of our Company, is deemed interested in the Proposed Acquisition as he is a nominee director of PMV on our Board;
- (b) Mr Wong, being a Non-Independent Non-Executive Director of our Company (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 our Board; and
- (c) Ms Quek, being a former Non-Independent Non-Executive Director of our Company (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 our Board within the preceding 6 months from the date on which the terms of the Proposed Acquisition were agreed on.

None of the Interested Directors have any shareholding, direct or indirect, in our Company as at the LPD.

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

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

12. DIRECTORS' STATEMENT/RECOMMENDATION

Our Board (save for the Interested Directors and Dr Tan See Leng), after 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, is of the opinion that the Proposed Acquisition is in the best interest of our Company.

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

Accordingly, our Board (save for the Interested Directors and Dr Tan See Leng) recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM.

13. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of our Company, after having considered all aspects of the Proposed Acquisition (including but not limited to the rationale and benefits of the Proposed Acquisition, basis 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 view that the Proposed Acquisition is:

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

14. INDEPENDENT ADVISER

In view of the interests of the Interested Parties as set out in Section 11 of Part A of this Circular and in compliance with Paragraph 10.08 of the Listing Requirements, RHB Investment Bank has been appointed as the Independent Adviser to undertake the following:

- (i) comment and opine as to whether the Proposed Acquisition is:
 - (a) fair and reasonable so far as our shareholders are concerned; and
 - (b) to the detriment of our non-interested shareholders,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 our non-interested shareholders on 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 relation to items (i) and (ii) above.

The IAL is set out in Part B of this Circular.

You are advised to read and consider the contents of the IAL carefully before voting on the ordinary resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM.

15. TRANSACTIONS WITH RELATED PARTIES FOR THE PAST 12 MONTHS

Save as disclosed below, there were no transactions entered into between our 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 our Company, 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 1 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 of our shareholders for the Bagan Lalang Acquisition was obtained on 11 July 2012. The Bagan Lalang Transfer was not conditional upon any approvals.

16. TENTATIVE TIMETABLE FOR IMPLEMENTATION

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

The tentative timetable for the implementation of the Proposed Acquisition is as follows:

Key events	Tentative timeline
EGM for the Proposed Acquisition	9 December 2019
Completion of the Proposed Acquisition	January 2020

17. EGM

Our forthcoming EGM will be held at Ballroom 2, Level 3D, Sheraton Petaling Jaya Hotel, Jalan Utara C, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 9 December 2019 at 10.00 a.m. or any adjournment thereof for the purpose of considering and if deemed fit, passing the ordinary resolution to give effect to the Proposed Acquisition. You are advised to refer to the Notice of EGM and Form of Proxy which are enclosed in this Circular.

If you are unable to attend and vote in person at our forthcoming EGM, you may appoint a proxy or proxies to attend and vote on your behalf. You should complete and deposit the Form of Proxy at the office of our Share Registrar, Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our forthcoming EGM should you subsequently decide to do so.

18. FURTHER INFORMATION

Please refer to the appendices of this Circular for further information.

Yours faithfully
For and on behalf of the Board of Directors
IHH HEALTHCARE BERHAD

DATO' MOHAMMED AZLAN BIN HASHIM
Chairman, Independent Non-Executive Director

PART B

**IAL FROM RHB INVESTMENT BANK TO THE NON-INTERESTED
SHAREHOLDERS OF IHH IN RELATION TO THE PROPOSED ACQUISITION**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the “Definitions” section and Part A of the Circular, except where the context otherwise requires or is otherwise defined in this IAL. All references to “we”, “us”, “ourselves” or “our” are references to RHB Investment Bank, being the independent adviser for the Proposed Acquisition. All references to “you” are to the non-interested shareholders of IHH.

THIS EXECUTIVE SUMMARY IS INTENDED TO BE A BRIEF SUMMARY OF OUR IAL TO PROVIDE YOU WITH AN INDEPENDENT EVALUATION OF THE PROPOSED ACQUISITION, AND TO EXPRESS OUR RECOMMENDATION THEREON.

YOU ARE ADVISED TO READ AND UNDERSTAND OUR IAL IN ITS ENTIRETY, TOGETHER WITH THE LETTER TO SHAREHOLDERS IN PART A OF THE CIRCULAR AND THE ACCOMPANYING APPENDICES FOR OTHER RELEVANT INFORMATION. YOU SHOULD NOT RELY SOLELY ON THIS IAL IN FORMING AN OPINION ON THE PROPOSED ACQUISITION.

YOU ARE ADVISED TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM OF IHH.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANKER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

1. INTRODUCTION

On 17 September 2019, Maybank IB had, on behalf of the Board, announced that PHSB had on even date entered into the SPA with PMV.

The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Details of the interests of the Interested Parties are set out in Section 11 of Part A of the Circular.

In view of the above, we have been appointed as the independent adviser to advise the non-interested directors and non-interested shareholders on the Proposed Acquisition.

We have prepared this IAL to:

- (i) comment and opine as to whether the Proposed Acquisition is:
 - (a) fair and reasonable so far as you are concerned; and
 - (b) to the detriment of you,and set out the reasons for, the key assumptions made and the factors taken into consideration in forming our opinion;
- (ii) advise you on whether you should vote in favour of the Proposed Acquisition; and
- (iii) take all reasonable steps to satisfy ourselves that we have a reasonable basis to make the comments and advice in relation to items (i) and (ii) above.

2. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have considered the following:

Section in this IAL	Item	Evaluation
Section 7.1	Basis of the Purchase Consideration	We have relied on the Equity Valuation Letter prepared by PwC Capital, being the independent equity valuer appointed by the Company, to consider the fairness of the Purchase Consideration. We take note that in arriving at the FMV range of 100% of the equity of PCMC, PwC Capital adopted the income approach as the primary valuation methodology and used the market approach to cross-check the valuation derived from the income approach. We are of the view that the assumptions adopted by PwC Capital in deriving the FMV range of PCMC is reasonable save for the illiquidity discount. We consider the Purchase Consideration for PCMC as fair, as the Purchase Consideration falls within the FMV range by PwC Capital, the adjusted FMV range after incorporating an illiquidity discount and the range derived from the market approach.
Section 7.2	Rationale and benefits of the Proposed Acquisition	We are of the view that the rationale and benefits of the Proposed Acquisition is reasonable after taking into consideration the following: (i) competitive strengths of PCMC due to its (a) strategic location in the 'Golden Triangle' area of Kuala Lumpur city and ease of accessibility as it is connected to all parts of the Klang Valley, (b) reputable brand name where it had received various accreditations and awards for medical tourism, and (c) qualified and experienced medical professional team that is able to offer a wide range of services; (ii) the Proposed Acquisition is expected to be earnings accretive to IHH Group post completion as the consolidated earnings of IHH for the FYE 31 December 2018 is expected to increase from RM541.8 million to RM555.0 million and the consolidated earnings per IHH Share for the FYE 31 December 2018 is expected to increase from 6.54 sen to 6.70 sen; (iii) the Proposed Acquisition will allow IHH Group to tap further into the medical tourism market due to the competitive strengths and various accreditations and awards for medical tourism received by PCMC; and

Section in this IAL	Item	Evaluation
		(iv) the expected benefits arising from cost synergies from bulk purchases to the consolidation of some of PCMC's operations, support and shared services functions with that of IHH Group's operations in Malaysia.
Section 7.3	Prospects, outlook and future plans	<u>Malaysian economy</u> We note the following: (i) the Malaysian real gross domestic product is projected to grow by 4.7% in 2019 and 4.8% in 2020; (ii) the overall Malaysian growth for 2019 and 2020 is expected to be driven mainly by the growth in services and manufacturing sectors, and supported by the growth in the agriculture, mining and construction sectors; (iii) the growth of the Malaysian economy in the third quarter of 2019 has moderated to 4.4% from 4.9% in the second quarter of 2019; and (iv) the risks relating to Malaysia's export growth in 2019 and 2020 are mainly from increasing uncertainties in the external environment arising from slowdown in global economic and trade performance. <u>Healthcare sector in Malaysia</u> We note the following: (i) the healthcare sector in Malaysia is expected to grow at a CAGR of 8.6% from 2017 to 2027; (ii) the demand for private healthcare grows in tandem with better patient awareness, increasing expectations for quality healthcare, rising affluence of the population and an increasing ageing population; and (iii) the growth in the healthcare sector is expected to be spurred by the support and initiatives of the GOM. <u>Prospects of PCMC and future plans</u> We expect the performance of PCMC to be sustainable driven by the favourable outlook of the Malaysian economy, Malaysian healthcare sector, and the expected increase in demand for private healthcare. Hence, we are of the view that the Proposed Acquisition is reasonable as PCMC is expected to augur well for IHH Group.

EXECUTIVE SUMMARY (Cont'd)

Section in this IAL	Item	Evaluation
		We wish to highlight that after taking into consideration the Board's plans to integrate PCMC with IHH Group, there can be no assurance that IHH Group will be able to fully realise the benefits from the anticipated integration plans within 1 year after the Proposed Acquisition.
Section 7.4	Salient terms of the SPA	Based on our review of the salient terms of the SPA, we are of the view that the overall terms of the SPA are reasonable and not detrimental to the interest of the non-interested shareholders of IHH.
Section 7.5	Risks of the Proposed Acquisition	We note that the risks associated with the Proposed Acquisition are the typical risks associated with the business of IHH Group and are inherent in transactions of this nature. We wish to highlight that although measures may already be in place to limit and manage the risks associated with the Proposed Acquisition, no assurance can be given that such risk factors will not crystallise, and give rise to material and adverse impact on the financial performance, position or prospects of the IHH Group.
Section 7.6	Effects of the Proposed Acquisition	The overall effects of the Proposed Acquisition are not detrimental to the interests of the non-interested shareholders of IHH. However, the non-interested shareholders of IHH should note that the Proposed Acquisition is expected to result in a marginal decrease of the consolidated NA of IHH as at 31 December 2018 due to the estimated expenses of approximately RM11.0 million to be incurred in relation to the Proposed Acquisition. Notwithstanding this, the Proposed Acquisition will not have any material impact on IHH's consolidated NA per IHH Share as at 31 December 2018. Additionally, the gearing of the IHH Group as at 31 December 2018 is expected to increase by approximately 0.03 times arising from the estimated bank borrowings of RM650.0 million which is utilised to part-finance the Purchase Consideration. Further, we wish to inform you that the estimated bank borrowings is only indicative as the proportion of bank borrowings of up to RM650.0 million and internally generated funds to fund the Purchase Consideration is yet to be finalised at this juncture.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition after taking into consideration the various factors as discussed above. Based on our evaluation and on the basis of the information made available to us up to the LPD, we are of the view that the Proposed Acquisition is **fair and reasonable** and **not detrimental** to your interest.

Accordingly, we recommend that you **vote in favour** of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of IHH.



Registered office
Level 10, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

22 November 2019

To: The non-interested shareholders of IHH

Dear Sir / Madam,

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF IHH IN
RELATION TO THE PROPOSED ACQUISITION**

This IAL is prepared for inclusion as Part B of the Circular and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the "Definitions" section and Part A of the Circular, except where the context otherwise requires or is otherwise defined in this IAL. All references to "we", "us", "ourselves" or "our" are references to RHB Investment Bank, being the independent adviser for the Proposed Acquisition. All references to "you" are to the non-interested shareholders of IHH.

1. INTRODUCTION

On 17 September 2019, Maybank IB had, on behalf of the Board, announced that PHSB had on even date entered into the SPA with PMV.

The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Details of the interests of the Interested Parties are set out in Section 11 of Part A of the Circular.

In view of the above, we have been appointed as the independent adviser to advise the non-interested directors and non-interested shareholders on the Proposed Acquisition.

We have prepared this IAL to:

- (i) comment and opine as to whether the Proposed Acquisition is:
 - (a) fair and reasonable so far as you are concerned; and
 - (b) to the detriment of you,and set out the reasons for, the key assumptions made and the factors taken into consideration in forming our opinion;
- (ii) advise you on whether you should vote in favour of the Proposed Acquisition; and
- (iii) take all reasonable steps to satisfy ourselves that we have a reasonable basis to make the comments and advice in relation to items (i) and (ii) above.

RHB Investment Bank Berhad (Reg no. 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

Corporate Finance

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Together We Progress



YOU ARE ADVISED TO READ AND UNDERSTAND OUR IAL IN ITS ENTIRETY, TOGETHER WITH THE LETTER TO SHAREHOLDERS IN PART A OF THE CIRCULAR AND THE ACCOMPANYING APPENDICES FOR OTHER RELEVANT INFORMATION. YOU SHOULD NOT RELY SOLELY ON THIS IAL IN FORMING AN OPINION ON THE PROPOSED ACQUISITION.

YOU ARE ADVISED TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM OF IHH.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANKER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition of the PCMC Shares and the PCMC RPS, representing the entire issued share capital of PCMC, by PHSB from PMV for a cash consideration of RM1,020.0 million.

Further details of the Proposed Acquisition are set out in Section 2, Part A of the Circular and should be read by you in its entirety.

3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

The details of the Interested Directors and Interested Major Shareholders, and persons connected with them are set out in Section 11, Part A of the Circular. The Interested Major Shareholders and Interested Directors are:

(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; 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.

(ii) Interested Directors

- (a) Mr Bhagat, being a Non-Independent Non-Executive Director of IHH and a nominee director of PMV on the Board;
- (b) Mr Wong, being a Non-Independent Non-Executive Director of IHH (Alternate Director to Mr Bhagat), a director of PMV and a nominee director of PMV on the Board; 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, and former nominee director of PMV on the Board within the preceding 6 months from the date on which the terms of the Proposed Acquisition were agreed on.

None of the Interested Directors have any shareholding, direct or indirect, in IHH as at the LPD.

The Interested Directors have abstained and save for Ms Quek who has ceased to be a director of IHH, 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 in respect of their direct and/or indirect shareholding in IHH, if any, on the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM. They have also undertaken that they shall ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholding in IHH, if any, on the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

4. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSED ACQUISITION

We were not involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposed Acquisition.

Our scope is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Acquisition insofar as the non-interested shareholders are concerned based on the information and documents made available to us as set out below:

- (i) the SPA;
- (ii) the information contained in Part A of the Circular and the appendices attached thereto;
- (iii) discussions with the management of IHH and PwC Capital;
- (iv) other relevant information, documents and representations furnished to us by the management of IHH; and
- (v) other publicly available information that we deem relevant.

We have relied on the Board and management of IHH to take due care in ensuring that all the information, documents, confirmations and representations provided to us by them to facilitate our evaluation of the Proposed Acquisition are accurate, complete and free from omission. We have relied on the accuracy of the information and documents furnished to us by the Board and the management of IHH, and have not independently verified such information and documents for their validity, reliability, accuracy and/or completeness. We are of the view, after making all reasonable enquiries to the Board and the management of IHH, and to the best of our knowledge and belief, the information used is accurate, complete and free from material omission as at the LPD.

The Board has seen, reviewed and accepted this IAL. The Board accepts full responsibility for the accuracy and completeness of the information contained herein (save for our assessments, evaluations and opinions) and confirms, after making all reasonable enquires, and to the best of their knowledge and belief, there is no omission of any material facts, which would make any information in this IAL false or misleading.

The responsibility of the Board in respect of the information relating to PCMC is limited to ensuring that such information is accurately reproduced in this IAL.

We have taken into consideration the factors that we believe are of relevance and general importance to you as a whole for the assessment of the Proposed Acquisition and which are of concern to you as a whole. We have not taken into consideration the specific investment objectives, financial and tax position, risk profiles, financial situation and particular needs of any individual shareholders or any specific group of shareholders.

We recommend that if you require specific advice in relation to the Proposed Acquisition in the context of your individual investment objectives, financial and tax position, risk profiles, financial situation or particular needs, you should consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately. We shall not be liable for any damage or loss of any kind sustained or suffered by any individual shareholder or any specific group of shareholders relying on the evaluation as set out in this IAL for any purpose whatsoever.



Our views expressed in this IAL are, amongst others, based on prevailing equity capital market, economic, industry, regulatory, monetary, social-political and other conditions (where applicable), and the information/documents made available to us as at the LPD. Such conditions may change significantly over a short period of time. It should be noted that our evaluation and opinion expressed in this IAL do not take into account the information, events or conditions arising after the LPD.

If RHB Investment Bank becomes aware that the information which we relied upon has changed significantly or a material statement in this IAL is false, misleading and/or deceptive subsequent to the issuance of this IAL, we shall inform you as soon as practicable of any material change in information that would affect your decision to vote at the forthcoming EGM of IHH. RHB Investment Bank and IHH are obliged and responsible to ensure the said change is communicated appropriately to you. This may include, amongst others, issuing a supplementary IAL and postponing the EGM of IHH to provide you with sufficient time to re-evaluate your decision in light of the new information.

5. OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

RHB Investment Bank provides a range of advisory services which include, amongst others, mergers, acquisition and divestitures, take-overs/general offers, fund raising and initial public offerings. We have the relevant experience in the independent analysis of transactions and issuing opinions on whether the terms and financial conditions of a transaction are deemed fair and reasonable, including those of acquisitions, disposals and general offers. RHB Investment Bank is an approved corporate finance adviser within the meaning of the Principal Adviser Guidelines issued by the Securities Commission Malaysia.

Our credentials and experience as an independent adviser, include amongst others, the following:

- (i) independent advice circular, dated 23 June 2016, to the shareholders of Hwang Capital (Malaysia) Berhad (“**HCM**”) in relation to conditional voluntary take-over offer by Hwang Enterprises Sdn Bhd and Hwang Lip Teik (collectively, “**Joint Offerors**”) through Affin Hwang Investment Bank Berhad to acquire all the remaining 177,096,781 ordinary shares of RM1.00 each in HCM which are not already owned by the Joint Offerors (“**Offer Shares**”) at a cash offer price of RM2.65 per Offer Share;
- (ii) independent advice letter, dated 17 May 2016, to the non-interested shareholders of Genting Malaysia Berhad (“**GENM**”) in relation to the proposed renewal of the shareholders’ mandate for the disposal by Resorts World Limited (“**RWL**”), an indirect wholly-owned subsidiary of GENM, of the entire 1,431,059,180 ordinary shares of Genting Hong Kong Limited (“**GENHK**”);
- (iii) independent advice letter, dated 17 June 2015, to the non-interested shareholders of GENM in relation to the proposed shareholders’ mandate for the disposal by RWL of the entire 1,431,059,180 ordinary shares of GENHK, representing 17.81% of the total issued and paid-up share capital of GENHK;
- (iv) independent advice letter, dated 30 October 2015, to the non-interested shareholders of Efficient E-Solutions Berhad in relation to the proposed disposal of 100% equity interest in Efficient Mailcom Sdn Bhd and Efficient Softech Sdn Bhd to Canon Singapore Pte Ltd for a total cash consideration of RM75.0 million;
- (v) independent advice circular, dated 13 October 2014, to the shareholders of IGB Corporation Berhad in relation to the proposed conditional take-over offer by Goldis Berhad through CIMB Investment Bank Berhad to acquire all the remaining ordinary shares in IGB Corporation Berhad which are not already owned by the offeror (excluding treasury shares) at a cash offer price of RM2.88 per offer share;



- (vi) independent advice letter, dated 12 September 2014, to the non-interested shareholders of GUH Holdings Berhad in relation to the proposed acquisition by GUH Land Sdn Bhd (“**GUH Land**”), a wholly-owned subsidiary of GUH Holdings Berhad, from Leader Universal Properties Sdn Bhd (“**LUPSB**”) of approximately 99.46% of the equity interest in Million Crest (M) Sdn Bhd (“**MCSB**”) consisting of 5,967,691 ordinary shares of RM1.00 each in MCSB held by LUPSB to be sold by LUPSB to GUH Land, for a cash consideration of approximately RM57.53 million;
- (vii) independent advice letter, dated 3 July 2014, to the non-interested shareholders of BHS Industries Berhad (“**BHS**”) in relation to the proposed disposal by BHS of the entire equity interests in BHS Resources Pte Ltd, a wholly-owned subsidiary of BHS, to Heng Boon Seng and Liew Sai Ying for a total cash consideration of SGD1,516,079 (equivalent to RM3,931,648 (based on the Bank Negara Malaysia’s middle exchange rate of Singapore Dollar 1.00: RM2.5933 as at 2 April 2014)); and
- (viii) independent advice letter, dated 12 June 2014, to the non-interested shareholders of Faber Group Berhad in relation to the proposed entry into an asset management services agreement between Konsortium Prohawk Sdn Bhd and Faber Medi-Serve Sdn Bhd, a wholly-owned subsidiary of Faber Group Berhad.

Premised on the foregoing, we are capable and competent and have the relevant experience in carrying out our role and responsibilities as the independent adviser to advise you in relation to the Proposed Acquisition.

6. DECLARATION OF CONFLICT OF INTEREST

RHB Investment Bank, its subsidiaries and associated companies, as well as its holding company, RHB Bank Berhad, and the subsidiaries and associated companies of RHB Bank Berhad (“**RHB Bank**”) (collectively, the “**RHB Banking Group**”) form a diversified financial group and may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, amongst others, brokerage, securities trading, asset and fund management and credit transaction service businesses in its ordinary course of business with IHH Group. RHB Banking Group has engaged and may in the future, engage in transactions with and perform services for IHH Group in addition to the roles set out in this IAL.

Employees Provident Fund (“**EPF**”) is a substantial shareholder of RHB Bank (being the holding company of RHB Investment Bank) and IHH. However, EPF is not involved in the day-to-day operations of RHB Banking Group and IHH.

Additionally, as at the LPD, Ong Ai Lin, an independent non-executive director of RHB Bank Berhad, is a shareholder of IHH, holding 10,000 IHH Shares. Further, Ong Ai Lin’s:

- (i) sister, namely Datin Dr. Ong Mei Lin (“**Datin Dr. Ong**”), is a shareholder of IHH, holding 36,000 IHH Shares and a shareholder of an indirect subsidiary of IHH; and
- (ii) brother-in-law, Dato’ Dr. Lai Yoon Kee (“**Dato’ Dr. Lai**”) (spouse of Datin Dr. Ong), is a shareholder of IHH, holding 64,000 IHH Shares, and a director and shareholder of the same indirect subsidiary of IHH.

Nevertheless, Ong Ai Lin, Datin Dr. Ong and Dato’ Dr. Lai are not involved in the day-to-day operations of RHB Banking Group and IHH Group, and are not involved in any deliberation relating to the Proposed Acquisition.

Furthermore, in the ordinary course of business, any member of the RHB Banking Group may at any time offer or provide its services to or engage in any transactions (whether on its own account or otherwise) with any member of IHH Group, hold long or short positions in the securities offered by any member of IHH Group, make investment recommendations and/or publish or express independent research views on such securities and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of IHH Group.



As at the LPD, RHB Banking Group has extended various credit facilities (“Credit Facilities”) with a combined limit of approximately RM3.0 million to IHH Group, of which the outstanding amount as at the LPD is approximately RM1.1 million.

Notwithstanding the above and as at the LPD, RHB Investment Bank, as part of RHB Banking Group, has confirmed that the abovementioned Credit Facilities do not and will not likely result in a conflict of interest in its capacity as the independent adviser for the Proposed Acquisition in view of the following:

- (i) the Credit Facilities are made on an arm’s length basis and is not material compared to the latest audited shareholders’ funds of the RHB Banking Group of approximately RM23.36 billion as at 31 December 2018;
- (ii) the Credit Facilities have been provided by RHB Banking Group in the ordinary course of business and is not conditional upon RHB Investment Bank being appointed as the independent adviser for the Proposed Acquisition or upon any other proposals being undertaken by any entities within the RHB Banking Group;
- (iii) RHB Investment Bank is a licensed investment bank and our appointment as the independent adviser for the Proposed Acquisition is in its ordinary course of business. RHB Investment Bank does not have any interest in the Proposed Acquisition other than as an independent adviser based on the terms of engagement that are mutually agreed between both parties. Further, RHB Investment Bank does not receive or derive any financial interest or benefit save for the professional fees received in relation to its appointment as the independent adviser for the Proposed Acquisition; and
- (iv) the Corporate Finance Department of RHB Investment Bank (“RHB CF”) is required under its investment banking license to comply with strict policies and guidelines issued by the Securities Commission Malaysia, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of independent committees to review its business operations. In any event, our team in charge for this transaction is independent from the team handling the credit facilities. Further, there is no involvement by RHB CF in respect of any credit application process undertaken by other departments within RHB Banking Group;
- (v) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, the Capital Markets and Services Act 2007 and RHB Banking Group’s own internal controls and checks which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees; and
- (vi) RHB Banking Group do not hold any shares nor have any board representatives in IHH Group and IHH Group does not have any representatives on the board of RHB Banking Group.

Further, save for our appointment as the Independent Adviser for the Proposed Acquisition and Credit Facilities extended by RHB Banking Group to IHH Group, we do not have any professional relationship with IHH or its subsidiaries within the past 2 years preceding the LPD.

7. OUR EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have considered the following:

Item	Sections of this IAL
Basis of the Purchase Consideration	Section 7.1 of this IAL
Rationale and benefits of the Proposed Acquisition	Section 7.2 of this IAL
Prospects, outlook and future plans	Section 7.3 of this IAL

Item	Sections of this IAL
Salient terms of the SPA	Section 7.4 of this IAL
Risks of the Proposed Acquisition	Section 7.5 of this IAL
Effects of the Proposed Acquisition	Section 7.6 of this IAL

7.1 Basis of the Purchase Consideration

As set out in Section 3, Part A of the Circular, the Purchase Consideration was arrived at on a “willing buyer-willing seller” basis after taking into consideration, amongst others, the 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 PwC Capital in its Equity Valuation Letter, and the prospects of PCMC as set out in Section 6, Part A of the Circular.

Notwithstanding that the basis of the Purchase Consideration does not take into consideration the market value of the Subject Property, we would like to highlight that Knight Frank, had via its Property Valuation Report, ascribed a market value of RM800.0 million derived from the cost approach as a fair representation of the Subject Property based on the date of valuation of 15 April 2019.

In conducting our evaluation on the basis used to arrive at the Purchase Consideration, we have evaluated the FMV range derived by PwC Capital which was performed based on the following:

Approach	Methodology	Details and rationale
Primary	Income approach	The discounted cash flow (“DCF”) method was used as the primary approach after taking into consideration that PCMC has in prior years been loss-making, has been undergoing a transformation exercise and has recently turned profitable. Hence, historical earnings of PCMC may not be reflective of PCMC’s future earnings potential. Under this method, the expected future free cash flow to the firm (“FCFF”) of PCMC was discounted at the relevant weighted average cost of capital (“WACC”) to arrive at the enterprise value, with relevant adjustments made to arrive at the FMV range.
Secondary	Market approach	The market approach was used as the secondary approach to cross-check the reasonability of the results of the primary approach, whereby the implied multiples from the primary approach were compared against observed multiples of transactions in Malaysia.

With regards to the valuation methods adopted, we concur with PwC Capital that:

- (i) DCF method is an appropriate valuation methodology as PCMC has been loss-making in prior years, has been undergoing a transformation exercise and has recently turned profitable. As such, the historical earnings of PCMC may not be reflective of PCMC's future earnings potential. Further, this method values PCMC based on generally accepted theory that the value of an asset or business depends on its future cash flow, discounted to net present value; and
- (ii) the market approach used as a check of the FMV range derived from the DCF method is reasonable as it reflects prevailing market values of companies that are transacted between a willing buyer and willing seller in Malaysia.

7.1.1 Income Approach

Using the DCF method under the income approach, PwC Capital has arrived at the FMV range as shown below:

	Low range	High range
	RM million	RM million
Enterprise value	953.2	1,072.1
Add: Net cash	27.5	27.5
Less: Dividend payable	20.0	20.0
100% equity value	960.7	1,079.7*

** Does not add up due to rounding*

The enterprise value is derived by discounting the FCFF based on the cash flow projections of PCMC over the forecasted period and the terminal value of its perpetual FCFF. In conducting the valuation, PwC Capital has developed PCMC's financial projections from 1 April 2019 up to 31 December 2023 ("Projection Period") to derive a 4 years and 9 months projection period based on various assumptions, qualifications and disclaimers which are set out in its Equity Valuation Letter dated 15 November 2019 as set out in Appendix III of the Circular.

In conducting our evaluation on the basis used to arrive at the Purchase Consideration, we have considered the key assumptions, as well as the valuation parameters adopted by PwC Capital.



(i) **Key Assumptions**

The key assumptions in relation to developing the cash flow projections of PCMC, reviewed and adopted by PwC Capital, together with its justifications in conducting its valuation, together with our comments are as follows:

No.	PwC Capital's assumptions and justifications	RHB Investment Bank's comments
1.	Revenue is projected over the Projection Period based on volume of patients and average revenue per patient. (a) The pricing projections for PCMC was developed based on the following categories: (i) Average revenue per inpatient ("ARIP") growth assumption after taking into consideration the average forecast increase in healthcare spend per capita in Malaysia, the average forecast of general inflation for Malaysia as well as the management of PCMC's own expectations of medical inflation rate; and (ii) Average revenue per outpatient ("AROP") and average revenue per day care ("ARDC") growth assumptions after taking into consideration similar factors and made assumptions based on the average forecast of general inflation for Malaysia as well as the management of PCMC's own expectations of medical inflation rate.	The rate of increment for ARIP over the Projection Period is reasonable as we note that: (i) it is below the expected CAGR of the Malaysian healthcare sector of 8.6% from 2017 to 2027 as set out in Section 6.2, Part A of the Circular; and (ii) it is below the average growth rate in PCMC's ARIP for 2 years spanning from FYE 31 December 2016 to FYE 31 December 2018. The rate of increment for AROP and ARDC over the Projection Period is reasonable as we note that: (i) it is below the expected CAGR of the Malaysian healthcare sector of 8.6% from 2017 to 2027 as set out in Section 6.2, Part A of the Circular; and (ii) it is below the average growth rate in PCMC's AROP and ARDC for 2 years spanning from FYE 31 December 2016 to FYE 31 December 2018.

No.	PwC Capital's assumptions and justifications	RHB Investment Bank's comments
	(b) The volume projections for PCMC were developed based on the following categories: (i) Inpatient volume projections have taken into consideration the number of activated beds, bed utilisation rate, average length of stay and number of doctors; and (ii) Outpatient and day care volume is projected based on the historical outpatient and day care patient volume to inpatient volume ratio.	The rate of increment in inpatient volume of PCMC over the Projection Period is reasonable as we note that the 4-year CAGR for inpatient volume of approximately 2.1% in PCMC (as provided by PwC Capital) over the Projection Period is lower than the 2-year historical CAGR for inpatient volume of approximately 2.8% in PCMC from FYE 31 December 2016 to FYE 31 December 2018 (computed based on the historical information of PCMC provided by management of IHH for the respective financial years). We note that the 2-year historical CAGR for outpatient and day care volume of approximately 1.3% in PCMC from FYE 31 December 2016 to FYE 31 December 2018 (computed based on the historical information of PCMC provided by management of IHH for the respective financial years) is lower than the PwC Capital's adopted rate of increment of approximately 2.4% (as provided by PwC Capital). However, we are of the view that the adopted rate of increment in outpatient and day care volume of PCMC over the Projection Period is still reasonable as the adopted rate of increment adopted by PwC Capital is lower than the outpatient and day care volume growth rate of approximately 4.0% in PCMC for the FYE 31 December 2018 to FYE 31 December 2019 (computed based on the extrapolated 9-month actual results in 2019 outpatient and day care volume provided by management of IHH).

No.	PwC Capital's assumptions and justifications	RHB Investment Bank's comments
2.	Projection of cost of sales Cost of sales is projected based on the gross profit margins of PCMC for the FYE 31 December 2019 and it is assumed to remain constant over the Projection Period.	We note that the gross profit margin (approximately 73.5% for FYE 31 December 2019 to FYE 31 December 2021, and 73.4% for FYE 31 December 2022 to FYE 31 December 2023) adopted by PwC Capital over the Projection Period is marginally higher than the historical gross profit margins of PCMC in FYE 31 December 2017 (approximately 70.2%), FYE 31 December 2018 (approximately 72.7%) and 9-month actual results in 2019 (approximately 73.3%). However, we are of the view that the assumption used by PwC Capital is reasonable after taking into consideration the following initiatives (as set out in Section 6.3, Part A of the Circular) undertaken by the management of PCMC to improve its revenue and cost savings: (i) Revenue initiatives: Increasing insurance, third party administrators who process insurance claims and corporate outreach initiatives, and price alignment initiatives; and (ii) Cost savings initiatives: (a) renegotiation of supplier contracts for lower prices with higher quantities for pharmacy purchases and consumables and laboratory reagents; (b) lower reliance on comprehensive repair and maintenance services by undertaking certain repair work in-house; and (c) renegotiation of contracts for administrative services of PCMC. This is further evident from the historical improvement of gross profit margins of PCMC in FYE 31 December 2017 to FYE 31 December 2018 and the 9-month actual results in 2019.

No.	PwC Capital's assumptions and justifications	RHB Investment Bank's comments												
3.	Projection of operating expenditure Operating expenditure has been projected after considering typical salary increment, cost to revenue ratios, average forecast of general inflation for Malaysia as well as management of PCMC's own expectations of medical inflation rate.	The components of PCMC's operating expenditure consists of staff costs, information technology services, repair and maintenance, utility, administrative and other operating expenditures. The growth rate of the respective operating expenditure of PCMC over the Projection Period is reasonable as we have assessed the main contributors to PCMC's operating expenditure and note that the 4-year CAGR of the respective items of the operating expenditure adopted by PwC Capital over the Projection Period as set out below: <table><tr><th>Main contributor</th><th>%</th></tr><tr><td>Staff costs</td><td>5.8</td></tr><tr><td>Repair and maintenance costs</td><td>5.0</td></tr><tr><td>Utility costs</td><td>3.0</td></tr><tr><td>Administrative expenses</td><td>4.0</td></tr><tr><td>Information technology services costs</td><td>5.0</td></tr></table> (i) is higher than PCMC's average growth rate of approximately 5.1% for 2 years spanning from FYE 31 December 2016 to FYE 31 December 2018 for staff costs; (ii) is better than PCMC's average contraction rate of approximately 12.5% for 2 years spanning from FYE 31 December 2016 to FYE 31 December 2018 for repair and maintenance costs; (iii) is better than PCMC's average contraction rate of approximately 0.9% for 2 years spanning from FYE 31 December 2016 to FYE 31 December 2018 for utility costs; (iv) is marginally lower than PCMC's average growth rate of approximately 4.4% for 2 years spanning from FYE 31 December 2016 to FYE 31 December 2018 for administrative expenses; and (v) is better than PCMC's average contraction rate of approximately 5.0% for 2 years spanning from FYE 31 December 2016 to FYE 31 December 2018 for information technology services costs.	Main contributor	%	Staff costs	5.8	Repair and maintenance costs	5.0	Utility costs	3.0	Administrative expenses	4.0	Information technology services costs	5.0
Main contributor	%													
Staff costs	5.8													
Repair and maintenance costs	5.0													
Utility costs	3.0													
Administrative expenses	4.0													
Information technology services costs	5.0													



(ii) **Discount rate**

A critical assumption which would have an impact on the value derived when adopting the DCF method of valuation is the allocation of a discount rate. The appropriate discount rate to be applied to FCFF would be the WACC as this reflects the present value of the expected free cash flows available to the firm after discounting it based on the required rates of returns to all investors of a company which takes into consideration both debt and equity holders. WACC is computed by summing up the cost of each capital component multiplied by its proportional weightage. The formula for WACC is as per below:

$$WACC = [K_e \times W_e] + [K_d \times (1 - T) \times W_d]$$

where:

K_e	:	The required rate of return on equity or also referred to as cost of equity, which is derived using the capital asset pricing model as shown below: $K_e = R_f + [\beta \times EMRP]$ where: R_f : Risk free rate, which represents the expected rate of return on a risk-free investment β : Beta, which is a measure of an asset's systematic risk relative to the equity capital market, which refers to the sensitivity of an asset's returns to market returns $EMRP$: Equity market risk premium, which is the premium that investors demand for investing in equities, which has inherent risk
W_e	:	Ratio of equity to total capital, which determines the weightage of K_e assigned to the overall WACC based on the company's capital structure
K_d	:	Pre-tax cost of debt
T	:	Statutory corporate tax rate
W_d	:	Ratio of debt to total capital, which determines the weightage of K_d assigned to the overall WACC based on the company's capital structure

The breakdown of the parameters used by PwC Capital in deriving the WACC for PCMC, together with our comments are as set out below:

Parameter	PwC Capital's adopted variable	RHB Investment Bank's comments
R_f	3.77%	The risk free rate adopted by PwC Capital is the yield of a 10-year Malaysia Government Securities yield as at 31 March 2019, which is reasonable as this represents the closest investment possible to being risk-free in Malaysia. Further, the 10-year tenure is the longest tenure available for Malaysian Government Securities.

Parameter	PwC Capital's adopted variable	RHB Investment Bank's comments
β	0.72	In arriving at PCMC's Beta, PwC Capital adopted the average re-gear'd beta based on: (i) the adjusted 3-year weekly beta of comparable companies and un-gear'd them according to their respective 3-year weekly debt to equity ratios; (ii) subsequently re-gearing the un-gear'd beta above based on the average 3-year weekly debt to equity ratio of comparable companies selected by PwC Capital; and (iii) Malaysian corporate income tax rate of 24.0%, which is reasonable as this adjusts for the difference in capital structures and tax rates of the comparable companies selected by PwC Capital. The comparable companies used are IHH and KPJ Healthcare Berhad.
EMRP	7.63%	The expected equity market risk premium adopted by PwC Capital is the equity market risk premium for Malaysia as published by Professor Aswath Damodaran, who is an established academic in the subject. The adopted equity risk premium for Malaysia is reasonable as Professor Aswath Damodaran is a Professor of Finance at the Stern School of Business at New York University. He has published his research on equity risk premium since 2008 and has released his 11th edition in April 2019. Further, his other papers have been published in the Journal of Financial and Quantitative Analysis, the Journal of Finance, the Journal of Financial Economics and the Review of Financial Studies.
W_d and W_e	Based on debt to equity ratio of 0.26	PwC Capital has estimated the capital structure of PCMC based on the average 3-year weekly debt to equity ratio of comparable companies. We are of the view that this is reasonable as the debt to equity ratio of comparable companies provide an indication of an optimal capital structure for PCMC.
K_d	5.43%	The pre-tax cost of debt adopted by PwC Capital is based on Malaysia's average lending rate as of March 2019 sourced from Bank Negara Malaysia. The pre-tax cost of debt adopted by PwC Capital is reasonable as PCMC does not have any interest bearing debts. Further, Malaysia's average lending rate may provide indication of the cost of debt to be incurred by PCMC if an interest bearing debt were to be taken on.

Parameter	PwC Capital's adopted variable	RHB Investment Bank's comments
<i>T</i>	24.0%	Based on Malaysia's corporate income tax rate of 24.0%. This is reasonable as PCMC is a resident company in Malaysia and will be subject to Malaysia's corporate income tax rate.
<i>WACC</i>	8.0%	Based on the above, the WACC calculated for PCMC is 8.2%. However, we note that PwC Capital has adopted a discount rate of 8.0%. We are of the view that the discount rate of 8.0% used by PwC Capital is reasonable as the difference between the calculated WACC of 8.2% and the adopted discount rate of 8.0% represents a discount in the FMV range by approximately 0.7% which may not be material to the Purchase Consideration. For your information, the adjusted FMV range based on the computed WACC of 8.2% represents a range of RM954 million to RM1,072 million.

(iii) Terminal value

Terminal value represents the present value of all FCFF of PCMC beyond the Projection Period, which is assumed to be growing at an assumed constant rate to perpetuity. This value is ascribed to an entity which is assumed to have a continuing business presence or to be on a going-concern basis.

In determining the terminal value of PCMC, PwC Capital has adopted a long term growth rate of 3.0%. We are of the view that the long term growth rate adopted by PwC Capital is **reasonable** as it is below the expected CAGR of the Malaysian healthcare sector of 8.6% from 2017 to 2027 as set out in Section 6.2, Part A of the Circular.

(iv) Illiquidity discount and control premium

An illiquidity discount is commonly applied when calculating the value of privately-held shares, premised on the theory that a valuation discount exists between shares that are public traded (and therefore have a liquid market) and privately-held shares, which are typically less easily traded.

We note that PwC Capital had adopted no discount for PCMC Shares despite the shares being not publicly traded. PwC Capital's view is that the effect (if any) of the immediate-term illiquidity of the shares of PCMC, when considered together with the premium arising from full control of a premium tertiary healthcare provider located strategically in central Kuala Lumpur, results in a net zero adjustment.

We are of the view that the assumption of no discount for PCMC Shares adopted by PwC Capital is **not reasonable**. This is premised on the fact that PCMC is a privately-held company which may lack the ability for shareholders to convert ownership of interest to cash in a short period of time and with minimum transaction costs.



As such, we have incorporated an illiquidity discount of 5%. The rate for illiquidity discount was arrived at after taking into consideration:

- (i) the empirical evidence that discount related to controlling ownership interests of private company ranges from 4% to 9%;

(Source: CPA Expert, Controlling interests – Discount for lack of marketability: The empirical evidence, Summer 2008)

- (ii) the marketability of PCMC due to its strategic location in central Kuala Lumpur and its reputable brand; and
- (iii) the size of the transaction and the financial performance of PCMC.

Following the above, after incorporating an illiquidity discount of 5% to the FMV range derived by PwC Capital, the adjusted FMV range is from a low range of RM913 million to a high range of RM1,026 million.

Premised on the above, we note that the Purchase Consideration falls within the FMV range derived by PwC Capital and the adjusted FMV range after taking into consideration the illiquidity discount, and as such the Purchase Consideration is **fair**.

7.1.2 Market Approach

As a cross check of the reasonableness of the FMV range derived using the income approach, PwC Capital has adopted the market approach method. The market approach method is a relative valuation method that refers to the process of comparing the value of an asset based on traded market multiples of similar assets. In conducting the market approach as a cross check of the reasonability of the FMV range, PwC Capital has adopted the following relative valuation multiples:

Relative valuation multiple	Description
EV/EBITDA	EV is the aggregate value of the respective companies' market capitalisation, non-controlling interests, preference shares and debts, net of any cash and cash equivalents. The EV/EBITDA is an earnings-based relative valuation measure which illustrates the market value of an entity's business relative to its historical EBITDA. The EV/EBITDA is commonly used as a cross check against other methods and is capital-structure neutral as it does not take into consideration the differences in interest, taxation, depreciation and amortisation charges among comparable companies.
EV/bed	The EV/bed is a relative valuation which illustrates the ratio of the market value of an entity's business relative to the number of beds. The EV/bed is a generally accepted relative valuation of hospitals as a multiple on industry metrics, illustrating the market value of an entity's business relative to the capacity of a hospital (an industry metric). Further, the EV/bed relative valuation does not take into consideration other factors such as location of the comparable hospitals and occupancy rates of the hospitals.

In conducting our evaluation of the market approach method, we have considered the EV/EBITDA and EV/bed of PCMC implied by the Purchase Consideration, and compared them to the EV/EBITDA and EV/bed of companies deemed comparable to PCMC on their latest available audited financial statements.

Set out below are the selected comparable transactions by PwC Capital in Malaysia involving companies which own tertiary hospitals and face similar industry and business risks as PCMC:

Completion Date	Target	Transaction details	Implied EV/ EBITDA (times)	Implied EV/bed (RM'mil)
19/3/2019	IHH	Acquisition of 16% stake in IHH by Mitsui & Co for a purchase consideration of RM8,393 million	23.4	6.05
30/11/2018	IHH	Acquisition of 6% stake in IHH by Bagan Lalang Ventures Sdn. Bhd., Mehmet Ali Aydinlar, and Hatice Seher Aydinlar for a purchase consideration of RM2,932 million	21.6 ⁽¹⁾	5.60 ⁽¹⁾
1/10/2018	ASCSB	Acquisition of 100% stake in ASCSB, which owns and operates a multidiscipline specialist hospital known as Pantai Hospital Laguna Merbok (formerly known as Amanjaya Specialist Centre (Pusat Pakar Amanjaya)), by Pantai Hospitals Sdn Bhd for a purchase consideration of RM101 million	10.6	1.04
1/6/2015	IHSB	Private acquisition of a hospital in Penang for a purchase consideration of RM933 million	18.2	3.62 ⁽²⁾
18/9/2014	TMC	Acquisition of 76.6% stake in TMC by Sasteria (M) Pte Ltd for a purchase consideration of RM385 million	24.5 ⁽¹⁾	1.98 ⁽¹⁾⁽³⁾
High			24.5	6.05
Average			19.7	3.66
Low			10.6	1.04
PCMC			21.9 ⁽⁴⁾	3.66 ⁽⁵⁾

Notes:

- (1) These multiples which were set out in IHH's announcement dated 17 September 2019 in relation to the Proposed Acquisition have been updated based on the Equity Valuation Letter which includes additional sources of information. The updated multiples do not change the appraised FMV range of 100% of the equity of PCMC.
- (2) Adjusted by approximately 9% after taking into consideration inflation as the transaction was completed in 2015.
- (3) Adjusted by approximately 12% after taking into consideration inflation as the transaction was completed in 2014.

- (4) Calculated based on the implied EV of PCMC 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, and plant and equipment. The implied EV of PCMC was calculated based on the following formula:

$$\begin{aligned} \text{Implied EV} &= \text{Purchase Consideration} - \text{net cash} + \text{dividend payable} \\ &= \text{RM1,020.0 million} - \text{RM27.5 million} + \text{RM20.0 million} \\ &= \text{RM1,012.5 million} \end{aligned}$$

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

We note that:

- (i) PCMC's implied equity valuation range is RM498.3 million to RM1,141.9 million, computed based on the implied EV/EBITDA of selected comparable transactions, as shown below:

		Low	High
PCMC's normalised EBITDA (RM'million)	[A]	46.3	46.3
Implied EV/EBITDA of selected comparable transactions (times)	[B]	10.6	24.5
Implied EV (RM'million)	[A] x [B] = [E]	490.8	1,134.4
Add: Cash (RM'million)	[C]	27.5	27.5
Less: Dividend payable (RM'million)	[D]	20.0	20.0
PCMC's implied equity valuation (RM'million)	[E] + [C] - [D]	498.3	1,141.9

- (ii) PCMC's implied equity valuation range is RM295.6 million to RM1,683.4 million, computed based on the implied EV/bed of selected comparable transactions, as shown below:

		Low	High
PCMC's number of beds	[A]	277	277
Implied EV/bed of selected comparable transactions (RM'million)	[B]	1.04	6.05
Implied EV (RM'million)	[A] x [B] = [E]	288.1	1,675.9
Add: Cash (RM'million)	[C]	27.5	27.5
Less: Dividend payable (RM'million)	[D]	20.0	20.0
PCMC's implied equity valuation (RM'million)	[E] + [C] - [D]	295.6	1,683.4



As the Purchase Consideration falls within the following implied equity valuation range of:

- (i) RM498.3 million to RM1,141.9 million, derived from the implied EV/EBITDA of selected comparable transactions; and
- (ii) RM295.6 million to RM1,683.4 million, derived from the implied EV/bed of selected comparable transactions,

we are of the view that the Purchase Consideration is **fair**.

7.2 Rationale and Benefits of the Proposed Acquisition

We take cognisance of the rationale and benefits of the Proposed Acquisition as set out in Section 4, Part A of this Circular.

Our evaluation of the rationale and benefits of the Proposed Acquisition are as follows:

(i) Competitive strengths of PCMC

(a) Strategic location

PCMC is located in the 'Golden Triangle' area of Kuala Lumpur city which is Malaysia's leading shopping, entertainment and commercial hub in the vicinity of key city landmarks such as the Petronas Twin Towers, Lot 10 Shopping Centre and Pavilion Kuala Lumpur.

PCMC is also easily accessible by residents in the Klang Valley as it is connected to all parts of Klang Valley through major highways and main arterial roads such as Jalan Bukit Bintang, Jalan Tun Razak and Jalan Kia Peng.

(b) Reputable brand name

PCMC has a strong reputation in Malaysia's medical tourism market which is evidenced by the various accreditations and awards for medical tourism it has received.

(c) Qualified and experienced medical professional team

The medical professional team of PCMC consists of 145 doctors, comprising 69 residents and 76 sessional/visiting as at the LPD, offering a wide range of services including those set out in Section 2.1, Part A of the Circular. The medical professional team of Prince Court Medical Centre is supported by a large team of approximately 600 nurses.

(ii) Accretion to earnings of IHH Group

The Proposed Acquisition is expected to be earnings accretive to the Group post completion. As set out in Section 7.4, Part A of the Circular, the consolidated earnings of IHH based on IHH Group's audited financial statements for the FYE 31 December 2018 is expected to increase from RM541.8 million to RM555.0 million after the Proposed Acquisition assuming the Proposed Acquisition had been effected on 1 January 2018. Accordingly, the consolidated earnings per IHH Share based on IHH Group's audited financial statements for the FYE 31 December 2018 is expected to increase from 6.54 sen to 6.70 sen assuming the Proposed Acquisition had been effected on 1 January 2018.



(iii) Opportunity to tap further into the growth in medical tourism

Considering PCMC's strong reputation in Malaysia's medical tourism market as evidenced by the various accreditations and awards in medical tourism it had received, we believe that the Board's anticipation that the Proposed Acquisition will allow IHH Group to tap further into the medical tourism sector is reasonable. Please refer to Section 6.2 of Part A of this Circular for further details on the overview and prospects of the medical tourism sector.

(iv) Benefits from synergy

The Proposed Acquisition is expected to be a good strategic fit with IHH Group's operations in Malaysia as it will allow IHH Group to strengthen its position in the premium healthcare segment in Malaysia and enable IHH Group and PCMC to leverage on their respective brand names. Further, the Proposed Acquisition is expected to deliver cost synergies ranging from bulk purchases to the consolidation of some of PCMC's operations, support and shared services functions with that of IHH Group's operations in Malaysia.

Further, additional benefits may also be gained from contemplated measures such as cost rationalisation through the adoption by PCMC of the IHH Group's best practices, leveraged across IHH Group's existing network of hospitals and the streamlining of PCMC's processes with that of IHH Group's, as well as capital expenditure optimisation initiatives.

Premised on the above, we are of the opinion that the rationale and benefits of the Proposed Acquisition is **reasonable**.

7.3 Prospects, outlook and future plans

7.3.1 Overview and outlook of the Malaysian economy

As extracted from Section 6.1, Part A of the Circular, the overview and outlook of the Malaysian economy are as below:

The prospect of the Malaysian economy remains robust amid increasing uncertainties in the external environment. Real gross domestic product is expected to grow by 4.7% in 2019 and 4.8% in 2020. The growth is underpinned by resilient domestic demand, particularly household spending following stable labour market and low inflation. Meanwhile, private investment is expected to grow at a slower pace in 2019 and gain traction in 2020 following the resumption of infrastructure projects coupled with ongoing capital spending in the services and manufacturing sectors. Favourable private sector expenditure activity will offset the impact of lower public expenditure in 2019. However, economic growth is expected to rebound in 2020 with improvement in public corporations' capital outlay.

On the supply side, the services and manufacturing sectors will continue to be the main contributors to economic growth. The services sector, driven by the activities of the wholesale and retail trade, information and communications, as well as finance and insurance sub-sectors, is projected to remain firm backed by robust household spending. The manufacturing sector is expected to grow at a slower pace in 2019 due to the downcycle of the electrical and electronics sector and is anticipated to pick up in 2020, supported by better semiconductor outlook, especially during the second half of the year. The agriculture sector is projected to expand following higher production of crude palm oil and natural rubber, while the mining sector is expected to increase supported by higher production of natural gas. Similarly, the construction sector is anticipated to improve attributed to activities in civil engineering.



In 2019, exports are expected to expand moderately in line with the slowdown in global economic and trade performance. However, the forecast for 2020 shows a gradual pick up attributed to the projected recovery in global trade activities. The current account surplus in 2019 is projected to widen following the increase in the net exports of goods and services. In 2020, the current account surplus is expected to narrow underpinned by rising imports coupled with widening deficits in services and income accounts.

Provision of quality healthcare services is one of the priorities of the GOM. To further elevate healthcare quality, the GOM will strengthen its services by providing a comfortable environment for the people while receiving treatment in public hospitals and clinics. An allocation will be provided to upgrade healthcare infrastructure, as well as enhance the capacity and capability of healthcare personnel. Concurrently, the GOM will promote a healthy lifestyle and extend preventive care programmes nationwide.

(Source: Economic Outlook 2020, Ministry of Finance, Malaysia)

Growth in the Malaysian economy moderated to 4.4% in the third quarter of 2019 (2Q 2019: 4.9%), primarily attributed to lower growth in key sectors and a decline in the mining and construction activities. On the demand side, most domestic demand components and net exports registered slower growth momentum. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (2Q 2019: 1.0%).

Domestic demand growth moderated to 3.5% (2Q 2019: 4.6%), with private sector expenditure remaining the key contributor to growth.

Private consumption grew by 7.0% (2Q 2019: 7.8%), as household spending normalised towards its long-term trend. This partly reflected strong base effects from the tax holiday spending last year. Nevertheless, spending remained supported by continued income and employment growth, as well as selected GOM measures.

Private investment growth expanded marginally by 0.3% (2Q 2019: 1.8%), weighed down by lower capital spending across major economic sectors. Investment continued to be affected by heightened uncertainty surrounding external conditions and continued weakness in the broad property segment.

Public investment remained in contraction at -14.1% (2Q 2019: -9.0%), reflecting lower capital spending by both the GOM and public corporations.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index, increased to 1.3% in the third quarter of 2019 (2Q 2019: 0.7%). The higher inflation outcome mainly reflected the lapse in the impact from the Goods and Services Tax zeroisation between June and August 2018. This was despite the lapse in the impact of the Sales and Services Tax implementation in September, which contributed to lower headline inflation that month (September: 1.1%; August: 1.5%; July: 1.4%).

(Source: Quarterly Bulletin: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2019, BNM)

Our comments:

The Malaysian real gross domestic product is projected to grow by 4.7% in 2019 and 4.8% in 2020. The growth is underpinned by resilient domestic demand, particularly household spending which is expected to be driven by stable labour market conditions and low inflation. The overall Malaysian economy growth for 2019 and 2020 is expected to be driven mainly by the growth in services and manufacturing sectors, and supported by the growth in the agriculture, mining and construction sectors.



We take note that the growth of the Malaysian economy in the third quarter of 2019 has moderated to 4.4% from 4.9% in the second quarter of 2019 attributed by slower growth momentum in domestic demand and net exports. Further, we note the risks relating to the expected slowdown in Malaysia's export growth in 2019 and 2020, mainly from increasing uncertainties in the external environment arising from slowdown in global economic and trade performance. However, Malaysia's export growth is expected to show a gradual pick up in 2020 attributed to the anticipated recovery in global trade activities.

Premised on the above, after taking into consideration the risks, we still expect the Malaysian economy to be satisfactory for 2019 and 2020, underpinned by the projected growth in the services and manufacturing sectors and the projected recovery in global trade activities.

7.3.2 Overview and prospects of the Malaysian healthcare industry

As extracted from Section 6.2, Part A of the Circular, the overview and prospects of the Malaysian healthcare industry are as below:

The healthcare sector is expected to grow to RM127.9 billion by year 2027 from RM56.3 billion in year 2017, indicating a growth rate of 127.2% with a CAGR of 8.6%, owing mainly to the potential increase in demand for healthcare services in conjunction with initiatives introduced by the GOM under Budget 2019. Under Budget 2019, the GOM allocated approximately RM28.7 billion for the healthcare sub-sector comprising 9.2% of the overall proposed budget of RM314.6 billion. Under Budget 2020, the GOM allocated approximately RM30.6 billion for the healthcare sub-sector comprising 10.3% of the overall proposed budget of RM297.0 billion.

(Source: Management of IHH; article titled "Malaysia's healthcare market to reach RM127.9b by 2027, says Fitch Research", extracted from The Star published on 4 December 2018; Budget 2019, Ministry of Finance, Malaysia; Budget 2020, Ministry of Finance, Malaysia)

Initiatives introduced this year by the GOM include the mySalam National Health Protection Scheme which provided 4.3 million individuals with takaful coverage in the event of a critical illness and hospitalisation. For those diagnosed this year with a critical illness, they will receive RM8,000 cash payout, while those who are warded at government hospitals can claim RM50 income replacement each day for up to 14 days. All household recipients of Bantuan Sara Hidup aged between 18 and 55 years old are automatically covered. Starting 1 January 2020, the coverage will be extended to: (i) cover 45 illnesses from the existing 36, including polio and terminal illness; (ii) those aged up to 65 years old, compared to the current 55 years old, benefitting an additional 1.5 million individuals; and (iii) those with gross annual income up to RM100,000. They will receive critical illness pay out of RM4,000 and RM50 daily hospitalisation income replacement for up to 14 days when diagnosed and warded at government hospitals, benefitting up to 5 million Malaysians.

(Source: Budget 2020, Ministry of Finance, Malaysia)

Other contributing factors to the expected increase in demand for private healthcare as the Malaysian economy grows would include better patient awareness and increasing expectations for quality healthcare and an increasing ageing population, among others.

In the medical tourism sector, revenue is expected to grow by 20% to RM1.8 billion in 2019 (2018: RM1.5 billion), outperforming historical CAGR of 17.9% over the past 5 years with revenue being RM777.0 million in 2014. Approximately 60% of medical tourists in Malaysia are from Indonesia with the remaining coming mainly from the People's Republic of China and the Middle East region. This is driven by high treatment quality at competitive rates alongside high accessibility.

(Source: Malaysia Healthcare Tourism Council ("MHTC") at www.mhtc.org.my; article titled "Medical tourism receipts to see 25% rise", extracted on 18 March 2019)



Under Budget 2020, the GOM will have the Malaysia Year of Healthcare Travel 2020 to solidify Malaysia's leading position as a medical tourist destination in the region and has allocated RM25.0 million to MHTC to strengthen the position of Malaysia as the preferred destination for health tourism in the Association of Southeast Asian Nations (ASEAN) for oncology, cardiology and fertility treatment. Under Budget 2019, the GOM allocated RM20.0 million to MHTC to collaborate with reputable private hospitals to further strengthen Malaysia's brand as a destination of choice for medical tourism.

(Source: Budget 2020, Ministry of Finance, Malaysia; Budget 2019, Ministry of Finance, Malaysia)

Digital disruptions are also impacting healthcare services as evidenced by the signing of a memorandum of understanding between Collaborative Research in Engineering, Science and Technology and the MOH. The memorandum of understanding will see the 2 parties collaborate in research, development and commercialisation, focusing on digital innovation in healthcare delivery and solutions. It is anticipated that digitalisation of healthcare through the internet of things and artificial intelligence solutions that will be developed for better diagnosis and savings in healthcare costs while complementing the National Healthcare Transformation will provide equitable, affordable and accessible high quality health services to the nation. This places the onus on private healthcare providers who intend to remain competitive to leverage on the continuous development of information technology infrastructure as the key to improving healthcare diagnostics and outcomes into the future.

(Source: Malaysia Investment Performance Report 2018, issued by the Malaysian Investment Development Authority)

Our comments:

Further, we would like to highlight that:

- (i) based on the Department of Statistics Malaysia, Malaysia has reported an upward trend in its growth in population, and its elderly population (65 years and above) increased to 6.7% of the total population in the second quarter of 2019 as compared to 6.5% of the total population in the second quarter of 2018 and is expected to reach 7.2% of the total population by 2020; and

(Source: Department of Statistics Malaysia, Selected Demographic Indicators Malaysia 2019, 15 August 2019 and Population Projection (Revised) Malaysia 2010 – 2040, 4 November 2016)

- (ii) Malaysia is projected to have a rising affluence of the population which is evident by the projected GDP per capita in Malaysia which is expected to grow at a CAGR of 5.9% from 2019 – 2024. According to Statista, the GDP per capita in current prices in Malaysia is expected to grow from USD10,942 in 2018 to USD15,456 in 2024.

(Source: Statista, GDP per capita in Malaysia 2024, 2 October 2019, <https://www.statista.com/statistics/319031/gross-domestic-product-gdp-per-capita-in-malaysia/>)

We note that the healthcare sector in Malaysia is expected to grow at a CAGR of 8.6% from 2017 to 2027. Further, we note that as the Malaysian economy grows, the demand for private healthcare grows in tandem with better patient awareness, increasing expectations for quality healthcare, rising affluence of the population and an increasing ageing population. Further, this growth is expected to be spurred by the initiatives of the GOM under Budget 2019 with its allocation of RM28.7 billion and under Budget 2020 with its allocation of RM30.6 billion for the healthcare sub-sector.



Further, it was also reported that in the Malaysian medical tourism sector, revenue is expected to grow by 20% in 2019 which will outperform historical growth rates over the past 5 years. In Malaysia's medical tourism sector, under Budget 2019, the GOM allocated RM20.0 million to MHTC for the purpose of collaborating with reputable private hospitals, and under Budget 2020, has allocated RM25.0 million to MHTC to strengthen the position of Malaysia as the preferred destination for health tourism in ASEAN for oncology, cardiology and fertility treatment that will further promote Malaysia as a medical tourism destination. MHTC is an agency established under the Ministry of Finance tasked to facilitate and promote the healthcare travel industry of Malaysia by coordinating industry collaborations and building valuable public-private partnerships.

Premised on the foregoing, we are of the view that the Malaysian healthcare industry is expected to experience continued growth, driven by the growth in the Malaysian economy, the strong growth in the medical tourism sector and on-going initiatives undertaken by the GOM to support the Malaysian healthcare industry.

7.3.3 Prospects of PCMC and future plans

The prospects of PCMC is expected to be favourable taking into consideration the overview and outlook of the Malaysian economy, and the overview and prospects of the Malaysian healthcare industry as set out above and in Sections 6.1 and 6.2, Part A of the Circular.

Further, we also note that the financial performance of PCMC has shown improvement as evident in its revenue growth at a CAGR of 10.9% from FYE 31 December 2016 to FYE 31 December 2018 and its EBITDA growth at a CAGR of 34.9% from FYE 31 December 2016 to FYE 31 December 2018. The improvement was driven by transformation initiatives undertaken by the management of PCMC to increase its revenue base and to decrease costs through cost savings initiatives as set out in Section 6.3, Part A of the Circular.

PCMC may also benefit from:

- (i) Malaysia's upward trend in its total population and coupled with its ageing population as set out in Section 7.3.2 of this IAL, which is expected to increase the demand for medical care; and
- (ii) the projected growth in Malaysia's GDP per capita at a CAGR of 5.9% from 2019 – 2014 as set out in Section 7.3.2 of this IAL, which reflects the rising affluence of the population and in turn will increase the demand for quality healthcare services;

We take note that IHH Group intends to integrate PCMC's operations with IHH Group's existing operations and to provide wider healthcare services options to the existing patients to enhance competitiveness. The integration plans include, amongst others, the assimilation of staff force of PCMC with IHH Group and pursuing the cost synergies as set out in Sections 4 and 6.3, Part A of the Circular.

We wish to highlight that IHH Group is in the same business as PCMC and has the relevant experience in the operations of providing medical, surgical and hospital services, however there can be no assurance that IHH Group will be able to fully realise the benefits from the anticipated integration plans within 1 year after the Proposed Acquisition.

Based on the above, we expect the performance of PCMC to be sustainable driven by the favourable outlook of the Malaysian healthcare industry, coupled with Malaysia's rising affluence and ageing population. Further, as PCMC operates a reputable hospital located in central Kuala Lumpur, PCMC is expected to remain resilient and continue to be competitive amongst other industry players. As such, we are of the view that the Proposed Acquisition is reasonable as PCMC is expected to augur well for IHH Group.



7.4 Salient terms of the SPA

The Proposed Acquisition is subject to the terms and conditions of the SPA. Please refer to Appendix I of the Circular for a summary of the salient terms of the SPA in relation to the Proposed Acquisition. We have reviewed the SPA in its entirety, and we believe that the salient terms of the SPA are **reasonable and not detrimental** to the interest of the non-interested shareholders of IHH. We set below our comments on the salient terms of the SPA:

No.	Salient terms of the SPA	RHB Investment Bank's comments
1.	Consideration The Purchase Consideration for the Sale Shares shall be satisfied by way of: (i) 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 (ii) the cash sum equivalent to the RPGT Sum which shall be paid to the Inland Revenue Board, Malaysia, if applicable.	Reasonable. The payment milestones do not include a deposit to be paid by PHSB of which a 10% is typically seen in other merger and acquisition transactions. Hence, it is favourable to PHSB as there is no capital commitment required from PHSB until the Proposed Acquisition is completed. Further, the RPGT Sum to be retained and paid to the Inland Revenue Board of Malaysia by PHSB (if applicable) is in accordance with the Real Property Gains Tax Act 1976 which generally requires the acquirer to retain the whole of that money or a sum not exceeding 3% of the total value of the consideration (whichever is less) to be paid to the Inland Revenue Board of Malaysia within 60 days after the date of the disposal.
2.	Locked-Box (i) 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.	Reasonable. Under a locked-box basis, any financial benefits derived from PCMC will be accrued to PHSB from 1 April 2019 onwards. As PCMC has shown growth potential in FYE 31 December 2017 and FYE 31 December 2018, including the 3-month financial period ended 31 March 2019 the locked-box term is beneficial to PHSB. Further, we would like to highlight that there is no interest charged on opportunity cost by PMV, although PMV does not get the benefit of the continued profit generation, and instead receiving transaction proceeds upon completion of the Proposed Acquisition.

No.	Salient terms of the SPA	RHB Investment Bank's comments
	(ii) PMV: (a) undertakes to procure that there will be no leakage from PCMC between the date of the SPA and 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") (both dates inclusive); and (b) undertakes to compensate or pay PHSB for all leakages from the Locked-Box Accounts Date until the Completion Date (both dates inclusive)	Although there is a gap in time between the date of valuation of PCMC (31 March 2019) and the Completion Date, the locked-box term provides a safeguard to PHSB from any leakages (as per item (iii)(c), Appendix I of the Circular) from PCMC between the Locked-Box Accounts Date and Completion Date. Further, PMV will compensate or pay PHSB for all leakages (as per item (iii)(c), Appendix I of the Circular) between the date of the Locked-Box Accounts Date and the Completion Date.
3.	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 5 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"): (i) the passing at a general meeting of PHSB of a resolution to approve the acquisition of the Sale Shares on terms set out in the SPA; (ii) the passing at a shareholders' general meeting of IHH of a resolution to approve the acquisition of the Sale Shares on terms set out in the SPA; (iii) the approval and/or exemption from MOH for the acquisition of the Sale Shares by PHSB; (iv) the approval of MEA for the acquisition of the Sale Shares and for any equity conditions to be waived; (v) the following is obtained from, or made to (where applicable), the identified customers of PCMC:	Reasonable. The term sets out the approvals/procedures which are customary to facilitate the completion of the Proposed Acquisition. Further, we wish to highlight that the terms relating to: (i) obtaining from the identified customers written consent for the proposed sale of the Sale Shares to PHSB; (ii) confirmation in writing from the identified customers not to exercise their termination right, or that the termination clause under their relevant agreements does not apply to the proposed sale of the Sale Shares; or (iii) notification in writing to the identified customers (with acknowledgement in writing from the relevant identified customers) of the proposed sale of the Sale Shares to PHSB; and (iv) notification in writing made to, with acknowledgement from, the insurer of PCMC are beneficial to PHSB as it will ensure that PCMC will be able to continue its business relationships with the identified customers and insurer of PCMC after the Proposed Acquisition.

No.	Salient terms of the SPA	RHB Investment Bank's comments
	(a) written consent for the proposed sale of the Sale Shares to PHSB; (b) confirmation in writing not to exercise such identified customer's termination right, or that the termination clause under the relevant agreements to which such identified customer(s) is a party does not apply to the proposed sale of the Sale Shares; or (c) notification in writing (with acknowledgement in writing from the relevant identified customers) of the proposed sale of the Sale Shares to PHSB; (vi) notification in writing made to, with acknowledgement from, the insurer of PCMC; (vii) 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 (viii) 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	Similarly, the condition precedent with regards to PMV's obligation for the delivery of a 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 to PHSB is also beneficial to PHSB as it ensures that the operating licence of PCMC is renewed prior to the completion of the Proposed Acquisition.
4.	Completion Subject to the fulfillment of the Conditions Precedent, completion shall take place on the 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.	Reasonable. The completion term ensures the completion of the Proposed Acquisition takes place within 10 business days from the date the SPA becomes unconditional or such other date as may be agreed in writing between PHSB and PMV as well as allows sufficient time for the parties to undertake the necessary procedures to give effect to completion of the Proposed Acquisition.

No.	Salient terms of the SPA	RHB Investment Bank's comments
5.	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: (i) the Long Stop Date is not extended in the event that any of the Conditions Precedent is not fulfilled or waived by the Long Stop Date; (ii) 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); (iii) by PMV or PHSB, if the other party fails to fully comply with its completion obligations set out in the SPA; (iv) 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	Reasonable. These terms are normal commercial terms which govern the rights of the non-defaulting party to terminate the SPA should there be a breach of the completion obligations by the defaulting party. Further, we wish to highlight that PHSB is able to terminate the SPA if prior to the completion: (i) 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; and (ii) 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. These terms provide additional safeguards and protection to the IHH Group and its shareholders for events where there is uncertainty and/or lacks clarity. Please refer to Section 5.1, Part A of the Circular for further information on the DPC.

No.	Salient terms of the SPA	RHB Investment Bank's comments
	(c) there is any event or circumstance (other than a DPC) that 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.	
6.	Limitation of Liability (i) 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 5 years from completion in relation to a claim in relation to taxation matters and 7 years from completion when a claim relates to transfer pricing matters; (ii) 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); and	Reasonable. We note that the limitation of liability term restricts PHSB's right to claim against PMV of any breach of the warranties by PMV within 12 months from the completion of the Proposed Acquisition. However, we are of the view that the limitation of liability term is reasonable as: (i) the time limitation for claims (a) relating to breach of taxation warranties of 5 years and (b) relating to transfer pricing matters of 7 years are in line with income tax legislations of Malaysia, of which the Inland Revenue Board, Malaysia has the right to issue an additional assessment within 5 years for tax matters and 7 years for transfer pricing matters. However, we wish to highlight that the above timeframes are not applicable in situations of fraud, willful default or negligence; (ii) the minimum claims by PHSB for breach of warranties is RM5 million which represents approximately 0.5% of the Purchase Consideration; and (iii) the maximum claims by PHSB is up to 100% of the Purchase Consideration for the breach of fundamental warranties provided by PMV whilst other breach of warranties is up to RM100 million which represent approximately 9.8% of the Purchase Consideration.

No.	Salient terms of the SPA	RHB Investment Bank's comments
	(iii) 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.	



7.5 Risks of the Proposed Acquisition

In evaluating the Proposed Acquisition, you should carefully consider the potential risk factors disclosed under Section 5, Part A of the Circular before voting on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

We note that the risks associated with the Proposed Acquisition are the typical risks associated with the business of IHH Group and are inherent in transactions of this nature. Additionally, we take cognisance of the risk factors in Section 5, Part A of the Circular pertaining to the Proposed Acquisition and have provided our comments, as follows:

7.5.1 Risks relating to the non-completion of the Proposed Acquisition

The completion of the Proposed Acquisition is subject to the Conditions Precedent 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 IHH Group or PMV fails to obtain the relevant approvals, written consents and confirmations for the Proposed Acquisition, the Proposed Acquisition may not complete as contemplated.

We take note PHSB and PMV have agreed to use its best endeavour to ensure the fulfillment of the Conditions Precedent for which it is responsible within the stipulated timeframe. Further, as set out in Section 5.2, Part A of the Circular, IHH Group will take all necessary and reasonable steps to ensure the fulfillment of the Conditions Precedent which are within IHH Group's control and responsibility 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 IHH Group's control and responsibility to enable the completion of the Proposed Acquisition.

Notwithstanding that IHH Group will take all necessary and reasonable steps to ensure the fulfillment of the Conditions Precedent which are within IHH Group's control and responsibility within the stipulated timeframe, there can be no assurance that the Proposed Acquisition will be completed within the stipulated timeframe.

7.5.2 Risks relating to additional financing

The Purchase Consideration is expected to be partly funded via a combination of internally generated funds and bank borrowings which will subject IHH Group to financing risks which include, among others, fluctuations in interest rates on such borrowings obtained, leading to a higher borrowing cost and hence affect IHH Group's financial performance.

We would like to highlight that further to the financing risk highlighted above, IHH Group may be further subject to other financing risks, which include, less favourable terms and higher security coverage for future borrowings. Whilst IHH Group can take reasonable steps to mitigate the financing risks, there can be no assurance that the occurrence of the above financing risk will not lead to disruptions to cash flows of IHH Group.

7.5.3 Risks relating to the introduction of DPC

As per Section 5.1, Part A of the Circular, the Cabinet of Malaysia has approved the proposal to regulate drug prices in Malaysia and the MOH together with the Ministry of Domestic Trade and Consumer Affairs, Malaysia, will work to gazette regulations under the Price Control and Anti-Profiteering Act 2011.



We note that in the anticipation of the above, PHSB has negotiated for the inclusion of a termination clause in the SPA (details of which are set out in item (vi) of Appendix I of the Circular) which allows PHSB to terminate the SPA prior to the completion of the Proposed Acquisition if there is any DPC with sufficient details to enable both PHSB and PMV to individually 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, assuming that the DPC had occurred during the 12 month period ended on 31 December 2018. Further, IHH Group will endeavour to manage the impact of the implementation of drug price control laws on PCMC by leveraging on the efficiencies of their business franchise in Malaysia.

As at the LPD, there are no specific details of DPC that have been announced by the GOM since 2 May 2019 for us to provide a detailed evaluation of the impact of the introduction of DPC to the financial position and business of PCMC. Notwithstanding the above, there can be no assurance that the occurrence of such negative impacts arising from the DPC will not adversely affect the earnings of PCMC and IHH Group after the Proposed Acquisition.

7.5.4 Risks relating to compulsory acquisition by the GOM

The GOM has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation including the Land Acquisition Act 1960 ("**Land Act**") for certain purposes where the compensation to be awarded is based on the FMV of a property assessed on the basis prescribed in the Land Act and other relevant laws. In the event of any compulsory acquisition of the Subject Property, the amount to be awarded is based on the FMV of the Subject Property and is assessed on the basis prescribed in the Land Act.

We take note that IHH Group will seek to minimise any potential losses by invoking the relevant provisions of the Land Act in relation to their rights to submit an objection in respect of the compensation. However, no assurance that a compulsory acquisition by the GOM will not occur and have a material adverse effect on the value of the Subject Property and PCMC's business operations, which could impair IHH Group's financial conditions.

7.5.5 Other risks relating to external factors

The Proposed Acquisition may be subjected to risks from external factors which are beyond the control of IHH Group and which are not business risks associated with the Malaysian healthcare industry. These risks include, but are not limited to, the valuation of 100% of the equity of PCMC and the Subject Property. The valuation of 100% of the equity of PCMC and the Subject Property are based on certain assumptions, which are subjective and may differ from actual measures of the market. Further, the assumption that PCMC will continue with its current business operations as a going concern under the present management on an "as-is-where-is" basis may differ from actual results or performance. As such, no assurance that the FMV range as derived by PwC Capital is a guarantee of the value of 100% of the equity of PCMC.

We wish to highlight that although measures may already be in place to limit and manage the risks associated with the Proposed Acquisition, no assurance can be given that such risk factors will not crystallise, and give rise to material and adverse impact on the financial performance, position or prospects of IHH Group.



7.6 Effects of the Proposed Acquisition

We take cognisance of the effects of the Proposed Acquisition as detailed in Section 7, Part A of the Circular and set out below are our comments on the proforma effects thereon.

7.6.1 Share capital and substantial shareholders' shareholding

The Proposed Acquisition will not have any effect on the issued share capital of IHH and the shareholding of substantial shareholders of IHH as the Proposed Acquisition does not involve the issuance of new IHH Shares.

7.6.2 NA per IHH Share and gearing

For illustrative purposes only, the proforma effects of the Proposed Acquisition on the NA, NA per IHH Share and gearing of the IHH Group based on the latest audited consolidated financial statements of IHH as at 31 December 2018 assuming that the Proposed Acquisition had been effected on that date are as set out in Section 7.3, Part A of the Circular.

We note that the NA of IHH Group as at 31 December 2018 will decrease marginally as a result of the estimated expenses of approximately RM11.0 million to be incurred in relation to the Proposed Acquisition. However, the Proposed Acquisition will not have any material impact on IHH's consolidated NA per IHH Share. Additionally, the gearing of the IHH Group as at 31 December 2018 is expected to increase by approximately 0.03 times arising from the estimated bank borrowing of RM650.0 million which is utilised to part-finance the Purchase Consideration. Further, we note that the estimated bank borrowing is only indicative as the proportions of bank borrowings of up to RM650.0 million and internally generated funds to fund the Purchase Consideration is yet to be finalised at this juncture.

7.6.3 Earnings and EPS

For illustrative purposes only, the consolidated earnings of IHH based on IHH Group's audited financial statements for the FYE 31 December 2018 is expected to increase from RM541.8 million to RM555.0 million after the Proposed Acquisition, assuming the Proposed Acquisition had been effected on 1 January 2018. Accordingly, the consolidated earnings per IHH Share based on IHH Group's audited financial statements for the FYE 31 December 2018 is expected to increase from 6.54 sen to 6.70 sen, assuming the Proposed Acquisition had been effected on 1 January 2018.

Premised on the above, we are of the opinion that the proforma effects of the Proposed Acquisition are **not detrimental** to the interests of the non-interested shareholders of IHH.



8. CONCLUSION AND RECOMMENDATION

You should consider carefully all the merits and demerits of the Proposed Acquisition based on all relevant and pertinent factors including those which are set out in Part A and the appendices of this Circular, as well as considerations as set out in this IAL, before making a decision whether to vote in favour of or to vote against the Proposed Acquisition.

Based on our overall assessment and evaluation of the information available to us up to the LPD on the Proposed Acquisition, we are of the opinion that the Proposed Acquisition is **fair and reasonable** and **not detrimental** to your interest.

Accordingly, we recommend that you **vote in favour** of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of IHH.

Yours faithfully,
For and on behalf of
RHB INVESTMENT BANK BERHAD

TOMMY HAR
Director
Head, Corporate Finance

CHEN POH PING
Director
Corporate Finance

SALIENT TERMS OF THE SPA

(i) Sale of Sale Shares

PMV agrees to sell the Sale Shares and PHSB agrees to purchase the Sale Shares free from all or any claim, charge, mortgage, security, pledge, lien, option, equity, restriction, power of sale, hypothecation or other third party rights or interests, retention of title, right of pre-emption, right of first refusal or other encumbrance or security interest of any kind, or any other type of preferential arrangement having similar effect and together with all rights, benefits, entitlements and advantages attaching to them as at the date of the SPA.

(ii) Consideration

The Purchase Consideration for the Sale Shares 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, Malaysia, if applicable.

(iii) 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 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**") (both dates inclusive); and
 - B. undertakes to compensate or pay PHSB for all leakages from the Locked-Box Accounts Date until the Completion Date (both dates inclusive).
- (c) For the purposes of paragraph (iii)(b), "leakage" means the following payment or transfer or loss of value by PCMC during the period commencing on the Locked-Box Accounts Date and ending on the Completion Date:
 - A. transfers of value, returns of capital, acquisitions or disposals of assets including those made to PMV or its affiliates or Khazanah or PETRONAS or their respective affiliates or persons connected with them other than the payments permitted under the SPA;
 - B. any debt or amount owing to PCMC that is waived or forgiven other than trading debts or amounts in the ordinary course of business;
 - C. any indemnity or waiver that is granted by PCMC, including those in favour of PMV or its affiliates or Khazanah or PETRONAS or their respective affiliates or persons connected with them;
 - D. non-customary salary, bonuses (including retention bonuses) or other remuneration which is not made on the basis of previous practice and ex-gratia payments, other than certain payment to the chief executive officer of PCMC as permitted under the SPA;

SALIENT TERMS OF THE SPA (Cont'd)

- E. any dividends or distribution declared, made or paid by PCMC, other than those payments permitted under the SPA;
- F. any payments made, including any professional advisers' fees, costs and expenses and any associated tax, by PCMC in connection with the sale and purchase of the Sale Shares pursuant to the SPA;
- G. any tax paid or agreed to be paid, by PCMC as a result of any of the matters set out in A. to F. (inclusive) above; or
- H. PMV, Khazanah or PETRONAS having made or entered into any agreement or arrangement with PCMC relating to the aforementioned payments, indemnity or waiver.

(iv) 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 5 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 the Sale Shares on terms set out in the SPA;
- (b) the passing at a shareholders' general meeting of our Company of a resolution to approve the acquisition of the Sale Shares on terms set out in the SPA;
- (c) the approval and/or exemption from MOH for the acquisition of the Sale Shares by PHSB;
- (d) the approval of MEA for the acquisition of the Sale Shares and for any equity conditions to be waived;
- (e) the following is obtained from, or made to (where applicable), the identified customers of PCMC:
 - A. written consent for the proposed sale of the Sale Shares to PHSB;
 - B. confirmation in writing not to exercise such identified customer's termination right, or that the termination clause under the relevant agreements to which such identified customer(s) is a party does not apply to the proposed sale of the Sale Shares; or
 - C. notification in writing (with acknowledgement in writing from the relevant identified customers) of the proposed sale of the Sale Shares to PHSB;
- (f) notification in writing made to, with acknowledgement from, the insurer of PCMC;
- (g) 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
- (h) 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.

SALIENT TERMS OF THE SPA (Cont'd)

(v) Completion

Subject to the fulfillment of the Conditions Precedent, completion shall take place on the 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.

(vi) 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 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 PMV or PHSB, 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

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.

SALIENT TERMS OF THE SPA (Cont'd)

(vii) 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 5 years from completion in relation to a claim in relation to taxation matters and 7 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); and
- (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.

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BACKGROUND INFORMATION ON PCMC

1. DATE AND PLACE OF INCORPORATION

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 Act. PCMC assumed its present name on 9 September 2004.

2. SHARE CAPITAL

As at the LPD, the issued share capital of PCMC is RM1,858.8 million comprising the PCMC Shares and the PCMC RPS.

The salient features of the PCMC RPS are as follows:

Ranking	:	All the PCMC RPS shall carry the same rights and rank pari passu in all respects with all other shares of PCMC except for the special rights and restriction attached to the PCMC RPS.
Voting rights	:	A PCMC RPS does not entitle the holder thereof to the right to vote at general meetings, except for matters affecting the rights and interests of PCMC RPS holder(s).
Uncalled premium	:	PCMC's Board of Directors shall reserve the right to cancel any part or whole of uncalled premium attaching to the PCMC RPS. Upon such cancellation, the cancelled premium shall not be available for call by PCMC.
Dividends	:	The profits of PCMC available for distribution and resolved to be distributed shall be distributed by way of dividend to the holders of the PCMC Shares and/or the PCMC RPS as recommended by PCMC's Board of Directors. Dividends payable on the PCMC RPS shall be non-cumulative.
Redemption ⁽¹⁾	:	PCMC shall have the right, subject to the provision of the Act, at any time upon giving notice in writing to holder of the PCMC RPS to redeem all or any part of the PCMC RPS for the time being in issue at par together with the premium, if any, paid on the PCMC RPS to be redeemed, and shall be obliged to redeem any of the PCMC RPS not previously redeemed. The amount payable on redemption of the PCMC RPS shall be the amount paid up on them, together with an amount equal to any premium paid to PCMC in respect of the PCMC RPS and together with a sum equal to any dividends declared and payable (but not paid) on the PCMC RPS down to the redemption date.
Tenure	:	In perpetuity until redemption.
Capital and assets	:	On a return of capital and assets on a winding-up or (other than on a redemption of shares) otherwise, the capital and the assets of PCMC available for distribution among the members of PCMC shall be applied in priority, in paying to the holder of the PCMC RPS a sum equal to any dividends declared but not paid on the date of the return of capital, together with a sum to the amounts paid up on such PCMC RPS, including any premium paid on issue, before distributing any balance of such assets to ordinary shareholder(s).

Note:

⁽¹⁾ The PCMC RPS are not convertible into PCMC Shares. For the avoidance of doubt, PCMC may, with the agreement of PHSB, redeem all or a part of the PCMC RPS after the completion of the Proposed Acquisition. Where redemption is in respect of a part only (and not all) of the PCMC RPS, to avoid any ambiguity, agreement of PHSB (being PCMC's holding company post-completion of the Proposed Acquisition) should be obtained.

BACKGROUND INFORMATION ON PCMC (Cont'd)**3. DIRECTORS**

As at the LPD, the directors of PCMC and their nationalities are as follows:

Name	Designation	Nationality
Mr Bhagat	Non-Executive Director	Singaporean
Ms Quek	Non-Executive Director	Malaysian
Prof Ir Dr Ahmad Fadzil bin Mohamad Hani	Non-Executive Director	Malaysian
Dr Mahadevan a/l Thambirajah	Non-Executive Director	Malaysian

None of the directors of PCMC hold any PCMC Shares or PCMC RPS as at the LPD.

4. SHAREHOLDER

PMV is the sole shareholder of PCMC. It was incorporated in Malaysia as a private limited company on 21 January 2010 and is deemed registered under the Act.

5. SUBSIDIARY AND ASSOCIATED COMPANY

As at the LPD, PCMC does not have any subsidiary or associated company.

6. HISTORY AND BUSINESS OF PCMC

PCMC owns and operates Prince Court Medical Centre which commenced operations in October 2007 and is principally involved in the provision of medical, surgical and hospital services. Prince Court Medical Centre offers a wide range of primary, secondary and tertiary healthcare services which range from general surgery, obstetrics and gynaecology, paediatrics, respiratory, cardiology with key clinical services including, among others, burns management, cancer, gastrointestinal diseases, interventional cardiology, reproductive medicine, nephrology, orthopaedics and rehabilitation medicine.

The breakdown of the number of patients for the past 3 FYEs 31 December 2016, 2017 and 2018 is as follows:

	FYE 31 December		
	2016	2017	2018
Inpatient	14,326	15,340	15,136
Outpatient/emergency room	245,298	256,057	251,818
Daycare	4,646	4,859	4,832
Total	264,270	276,256	271,786
Local patients	80%	78%	76%
International patients	20%	22%	24%

PCMC has international patients, primarily from Indonesia, the United Kingdom and Australia, contributing approximately 22% of PCMC's total revenue for the FYE 31 December 2018. The number of international patients increased from 59,648 for the FYE 31 December 2017 to 65,381 for the FYE 31 December 2018, representing an increase of 9.6%. Revenue from international patients increased from RM48.6 million for the FYE 31 December 2017 to RM54.6 million for the FYE 31 December 2018, representing an increase of 12.3%.

BACKGROUND INFORMATION ON PCMC (Cont'd)

Prince Court Medical Centre's average number of activated beds, utilisation rate and average length of stay for the FYEs 31 December 2016, 31 December 2017 and 31 December 2018 are set out in the table below:

	FYE 31 December		
	2016	2017	2018
Average no. of activated beds	212	219	227
Utilisation rate (%)	72	71	67
Average length of stay (days)	3.92	3.71	3.65

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BACKGROUND INFORMATION ON PCMC (Cont'd)

7. FINANCIAL INFORMATION

A summary of the financial information of PCMC based on its audited financial statements for the FYEs 31 December 2016 to 2018 and the unaudited financial statements of PCMC for the 9-month FPE 30 September 2018 and FPE 30 September 2019 is as follows:

	Audited			Unaudited ⁽¹⁾	
	FYE 31 December 2016 (RM)	FYE 31 December 2017 (RM)	FYE 31 December 2018 (RM)	FPE 30 September 2018 (RM)	FPE 30 September 2019 (RM)
Revenue	211,292,514	251,721,164	259,976,616	190,443,667	217,735,434
Gross profit	144,421,031	176,714,859	189,131,321	137,941,755	159,670,839
PBT/(LBT)	(4,015,150)	2,160,120	21,411,425	13,087,965	30,791,845
PAT/(LAT)	(4,015,150)	2,160,120	51,037,193	13,087,965	30,546,881
Current assets	123,348,809	135,870,217	100,285,478	102,198,297	106,918,349
Current liabilities	72,387,322	67,877,502	57,897,127	67,803,910	56,404,028
Total borrowings ⁽²⁾	30,000,000	30,000,000	-	-	-
Issued share capital ⁽³⁾	1,858,800,000	1,858,800,000	1,858,800,000	1,858,800,000	1,858,800,000
Shareholders' funds/NA attributable to equity holder of PCMC/Total equity	432,944,755	435,104,875	486,142,068	448,196,815	496,692,924
No. of PCMC Shares in issue ('000)	100,000	100,000	100,000	100,000	100,000
Net EPS/(loss per share) ⁽⁴⁾	(0.04)	0.02	0.51	0.13	0.31
NA per PCMC Share	4.3	4.4	4.9	4.5	5.0
Current ratio ⁽⁵⁾ (times)	1.7	2.0	1.7	1.5	1.9
Gearing ⁽⁶⁾ (times)	0.07	0.07	-	-	-

Notes:

- ⁽¹⁾ The financial information for the 9-month FPE 30 September 2018 and FPE 30 September 2019 is based on the management accounts prepared for PCMC internal reporting which have not been audited. Accordingly, the audited numbers may differ from the unaudited numbers.
- ⁽²⁾ Comprised of interest bearing shareholder loan.
- ⁽³⁾ Inclusive of share premium of RM1,723.6 million which was reclassified into share capital arising from the migration to the no par value regime under Section 74 of the Act.
- ⁽⁴⁾ Calculated based on PAT/LAT divided by total number of PCMC Shares in issue.
- ⁽⁵⁾ Calculated based on current assets divided by current liabilities.
- ⁽⁶⁾ Calculated based on total borrowings divided by shareholders' funds/NA attributable to equity holder of PCMC/total equity.

BACKGROUND INFORMATION ON PCMC (Cont'd)

There were no audit qualifications for the audited financial statements of PCMC for the FYE 31 December 2016, FYE 31 December 2017 and FYE 31 December 2018. The auditors of PCMC had opined that the financial statements of PCMC for the FYE 31 December 2016, FYE 31 December 2017 and FYE 31 December 2018 provide a true and fair view of the financial position and its financial performance and cash flows for the respective years in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act. There are no accounting policies adopted by PCMC which is peculiar taking into consideration the nature of the business and the industry in which it operates.

Commentaries:**FYE 31 December 2015 vs. FYE 31 December 2016**

Revenue increased by RM23.5 million or approximately 12.5% for the FYE 31 December 2016 as compared to the FYE 31 December 2015. The increase in revenue was due to the commencement of various transformation initiatives focusing on increasing its revenue base and various cost initiatives.

As a result of the higher revenue, gross profit increased by RM18.1 million or approximately 14.3% for the FYE 31 December 2016 as compared to the FYE 31 December 2015. The gross profit margin of PCMC for the FYEs 31 December 2015 and 2016 remained fairly constant at 67.3% and 68.4% respectively. LBT and LAT decreased by RM70.2 million or approximately 94.6% for the FYE 31 December 2016 as compared to the FYE 31 December 2015 mainly due to the receipt of proceeds from a legal settlement of RM48.0 million and higher revenue.

FYE 31 December 2016 vs. FYE 31 December 2017

Revenue increased by RM40.4 million or approximately 19.1% for the FYE 31 December 2017 as compared to the FYE 31 December 2016 primarily due to price alignment initiatives, higher patient load and higher contribution from insurance companies following outreach efforts with insurance agents and third party administrators who process insurance claims.

As a result of the higher revenue coupled with a lower increase in cost of sales primarily due to savings from lower negotiated prices of supplies such as drugs, gross profit increased by RM32.3 million or approximately 22.4% for the FYE 31 December 2017 as compared to the FYE 31 December 2016. With that, gross profit margin of PCMC improved from 68.4% for the FYE 31 December 2016 to 70.2% for the FYE 31 December 2017. As a result, PBT and PAT increased by RM6.2 million or approximately 153.8% for the FYE 31 December 2017 as compared to the FYE 31 December 2016.

FYE 31 December 2017 vs. FYE 31 December 2018

Revenue increased marginally by RM8.3 million or approximately 3.3% for the FYE 31 December 2018 as compared to the FYE 31 December 2017 primarily due to price alignment initiatives and higher contributions from an insurance company and corporate accounts which was off-set by lower contributions from self-payors.

Gross profit increased by RM12.4 million or approximately 7.0% for the FYE 31 December 2018 as compared to FYE 31 December 2017 primarily due to on-going renegotiation with suppliers to reduce cost following higher order volume which resulted in savings for pharmacy purchases and consumables and laboratory reagents respectively. With that, gross profit margin of PCMC improved from 70.2% for the FYE 31 December 2017 to 72.7% for the FYE 31 December 2018. As a result of the above and lower depreciation costs for the FYE 31 December 2018, PBT increased by RM19.3 million or approximately 891.2% for the FYE 31 December 2018 as compared to the FYE 31 December 2017. PAT increased by RM48.9 million or approximately 2,262.7% for the FYE 31 December 2018 as compared to the FYE 31 December 2017 mainly due to an income tax credit of RM29.6 million arising from unused capital allowances.

BACKGROUND INFORMATION ON PCMC (Cont'd)**FPE 30 September 2018 vs. FPE 30 September 2019**

Revenue increased by RM27.3 million or approximately 14.3% for the FPE 30 September 2019 as compared to the FPE 30 September 2018. The increase in revenue was due to price alignment initiatives and increase in patient volume, mainly from inpatient and daycare admission.

As a result of the higher revenue, gross profit increased by RM21.7 million or 15.8% for the FPE 30 September 2019 as compared to the FPE 30 September 2018. The gross profit margin of PCMC for the FPEs 30 September 2018 and 2019 remained fairly constant at 72.4% and 73.3% respectively.

PBT increased by RM17.7 million or approximately 135.3% for the FPE 30 September 2019 as compared to the FPE 30 September 2018. PAT increased by RM17.5 million or approximately 133.4% for the FPE 30 September 2019 as compared to the FPE 30 September 2018 due to higher revenue contribution and lower operating expenditure through cost containment initiatives.

8. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**8.1 Material commitments**

As at the LPD, there are no material commitments, incurred or known to be incurred by PCMC, which may have a material impact on the profits and/or NA of PCMC.

8.2 Contingent liabilities

As at the LPD, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on the profits and/or NA of PCMC.

9. MATERIAL LITIGATION

Save as disclosed below, PCMC is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and there are no other proceedings pending or threatened against PCMC, or of any fact likely to give rise to any proceedings which may materially affect the financial position or business of PCMC:

PCMC, as plaintiff (on behalf of PCMC's former insurers, Tune Insurance Malaysia Berhad ("TIMB")) had filed an action in the High Court of Kuala Lumpur on 25 April 2019 against Edgenta UEMS Sdn Bhd, as defendant ("Edgenta"). PCMC is claiming a sum of RM3,553,255.00 which had been paid by TIMB to PCMC under a fire policy taken up by PCMC and in connection with the damage to medical equipment due to overflowing of water at the equipment room of Prince Court Medical Centre which occurred on 17 July 2015.

The case is currently fixed for case management on 8 January 2020 and the trial dates for the case are fixed on 7 December 2020 to 10 December 2020.

As at the date of this Circular, PCMC is not aware of any counter claims, settlement or admission of liability in respect of the case.

BACKGROUND INFORMATION ON PCMC (Cont'd)

PCMC's solicitors are of the opinion that if after full-trial, (i) PCMC can successfully prove by both oral and documentary evidence that Edgenta had caused the damage to the medical equipment then PCMC has a fairly good chance of succeeding and may be able to recover RM1,000,000 from Edgenta, or alternatively (ii) PCMC can successfully prove by both oral and documentary evidence that Edgenta was negligent, grossly negligent, reckless and/or there was wilful misconduct on the part of Edgenta and the interpretation of the relevant contract is favourable to PCMC, PCMC may be able to claim for the costs of all losses or damages to the medical equipment, being RM3,553,255.00.

As the case is pursued by PCMC on behalf of TIMB by way of subrogation, PCMC is not exposed to any liabilities in respect of the case. Any award, damages, settlement and/or legal costs incurred pursuant to the case shall be borne by TIMB.

10. MATERIAL CONTRACTS

Save as disclosed below, PCMC has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years immediately preceding the date of this Circular:

- (a) Sub-Lease Agreement dated 1 August 2018 between PCMC and Petronas Hartabina for the sub-lease of the Sub-Leased Land held under Lot 310 for the First Term, granted by Petronas Hartabina to PCMC for a consideration of RM37.0 million to be paid by PCMC to Petronas Hartabina and subject to terms and conditions, with a right to an automatic renewal of the sub-lease for the Second Term at the expiration of the First Term and a further term for the remaining lease period for Lot 310 up to 30 December 2104 at the expiration of the Second Term for no further payment;
- (b) Licence Agreement dated 1 August 2018 between PCMC and Petronas Hartabina to grant a right of use of the Licensed Area which commenced on 1 August 2018 and is terminable at any time by either Petronas Hartabina or PCMC by giving 3 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, for a consideration of RM10 to be paid by PCMC to Petronas Hartabina; and
- (c) Right of Way Agreement dated 1 August 2018 between PCMC and Petronas Hartabina to grant to PCMC, its employee(s), licensee(s), contractor(s), agent(s) and/or permitted assignee(s) a non-registrable, non-exclusive and non-transferable right of access, to and from the Sub-Leased Land through an access road and further, to grant to PCMC a right to use and maintain an access road measuring approximately 285 square metres wide which was constructed on part of Lot 310 that falls outside the Sub-Leased Land to access the Sub-Leased Land for a term parallel with the effective duration of the Sub-Lease Agreement in consideration of PCMC's payment of the rental under the Sub-Lease Agreement set out in (a) above.

Details of the Sub-Lease Agreement, Sub-Leased Land, Licence Agreement, Licensed Area and Right of Way Agreement are set out in Section 2.1 of Part A of this Circular.

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC



IHH Healthcare Berhad
 Pantai Hospital Kuala Lumpur
 8 Jalan Bukit Pantai
 59100 Kuala Lumpur

Attention: **The Non-Interested Directors**

15 November 2019

Dear Sirs

**INDEPENDENT EQUITY VALUATION LETTER IN RELATION TO THE
 PROPOSED ACQUISITION OF PRINCE COURT MEDICAL CENTRE SDN BHD
 BY IHH HEALTHCARE BERHAD**

1.0 Introduction

1.1 Background

- 1.1.1. PricewaterhouseCoopers Capital Sdn Bhd ("PwC Capital") has been engaged by IHH Healthcare Berhad ("IHH") to conduct an independent valuation of Prince Court Medical Centre Sdn Bhd ("PCMC") in connection with the proposed acquisition of PCMC by IHH ("Proposed Transaction").

1.2 Scope and purpose of this valuation

- 1.2.1 Our scope of work in this engagement is to provide the Non-Interested Directors of IHH with an independent valuation of the entire equity stake in PCMC as at 31 March 2019 ("Valuation Date"), for the purposes of evaluating the Proposed Transaction.
- 1.2.2 We have valued PCMC on the assumption that it will continue with its current business operations as a going concern under its present management on an "as-is-where-is" basis.
- 1.2.3 We did not perform a physical inspection on all of the assets and equipment of the business, and thus do not purport to have verified the conditions of these assets, which may have an impact on our valuation. We have assumed the above items are in good working condition and will fulfil the needs of the operations, with the

PricewaterhouseCoopers Capital Sdn Bhd (676054-V), Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur
 Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
 T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC (Cont'd)



relevant projected capital expenditure deemed sufficient to support the business. Where relevant, we may have relied on third-party valuation reports provided to us. Such information provided to us has been presumed to be reliable.

- 1.2.4 This letter is prepared strictly and solely for IHH's circular to its shareholders in connection with the Proposed Transaction. Other than specified in this letter, it is not intended for general circulation or publication and is not to be reproduced, quoted, or referred to, in whole or in part, in any public document or announcement or to be included in any submission to any regulatory bodies without our prior written consent.

- 1.2.5 Save as stated above, this letter cannot be relied upon by any third party. Accordingly, we are not responsible or liable for any form of losses however occasioned to any third party as a result of the circulation, publication, reproduction or use of, or reliance on this independent valuation letter, in whole or in part.

1.3 *Standard of value*

- 1.3.1 For this valuation, we have used the standard of Fair Market Value ("FMV"), which is defined as "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

1.4 *Procedures carried out*

- 1.4.1 In arriving at our opinion, we have, amongst others:
- a) Reviewed and analysed the historical financial performance of PCMC as at the Valuation Date to the extent relevant to our valuation;
 - b) Obtained information from PCMC provided via a virtual data room ("VDR"), in which request for further information was carried out and allocated Q&As were posted;
 - c) Interviewed the management of PCMC ("Management") to obtain explanations and clarification of the information provided by them, including both historical financials and business plans;
 - d) Attended a site visit of the premises of Prince Court Medical Centre in Kuala Lumpur on 18 April 2019;
 - e) Developed a valuation model to reflect projected income and cash flows for PCMC, based on relevant assumptions, taking into consideration

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC (Cont'd)



Management's business plans, as well as PCMC's historical performance, track record and general outlook of the industry;

- f) Analysed general market data, including economic factors that may affect the value of PCMC;
- g) Considered the audited financial results of PCMC (financial statements covering three years up to the Valuation Date) and any latest unaudited financial results prepared by Management up to and including the Valuation Date; and
- h) Analysed other facts and data considered relevant to our work.

2.0 Sources of information

2.1 In the course of our valuation analysis, we relied upon financial and other information obtained from Management and from various public, financial, and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects.

2.2 The principal sources of information used in performing our valuation include:

- a) Audited statutory accounts of PCMC for the financial year ("FY") ended 31 December 2016, 31 December 2017, and 31 December 2018;
- b) Unaudited management accounts of PCMC for 3 months ending 31 March 2019;
- c) PCMC's historical operational indicators and revenue segmentation by specialities from FY2016 to year to date ("YTD") 31 March 2019;
- d) Management's financial projections for the nine (9) months ending 31 December 2019, and full year ending 31 December 2020 and 31 December 2021, including PCMC's capital expenditure projections;
- e) PCMC's Income Tax Computation for Year of Assessment of 2017;
- f) PCMC's historical operational data and key agreements, where applicable; and
- g) General publicly available information from industry sources.

3.0 Key assumptions of the financial projections

3.1 The key assumptions reviewed and adopted by us in developing the financial projections take into account historical and current (YTD March 2019) financial performance, Management's business plan up to FY2021, and our assessment of the outlook for the industry.

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC (Cont'd)



3.2 Duration of financial projections

- 3.2.1 The financial projections for PCMC were considered for an explicit period of four years and nine months (from 1 April 2019 up to 31 December 2023), whereupon a terminal value was applied, to reflect the business as a going concern beyond that.

3.3 Revenue assumptions

Revenue is projected based on volume of patients and average revenue per patient.

Pricing

- 3.3.1 The pricing projection for PCMC was developed based on the following categories:

- a) Average revenue per inpatient ("ARIP")
- b) Average revenue per outpatient/ emergency room ("AROP"); and
- c) Average revenue per day care ("ARDC")

In deriving the ARIP growth assumption, we have taken into consideration the average forecast increase in healthcare spend per capita in Malaysia, the average forecast of general inflation for Malaysia as well as Management's own expectations of medical inflation rate.

For AROP and ARDC growth assumptions, we have considered similar factors and made assumption based on the average forecast of general inflation for Malaysia as well as Management's own expectations of medical inflation rate.

Volume

- 3.3.2 The volume projections for PCMC were developed based on the following categories by Primary/Secondary and Tertiary speciality;

- a) Inpatient ("IP")
- b) Outpatient ("OP"); and
- c) Day care ("DC")

The IP projections have taken into consideration the number of activated beds, bed utilisation rate, average length of stay and number of doctors, while the OP and DC volumes are projected based on historical OP/DC to IP ratios.

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC (Cont'd)



3.4 Other revenue

- 3.4.1 Other revenue comprises mainly Food & Beverage ("F&B") income and doctor's admin fee income.
- 3.4.2 F&B income relates to revenue generated from PCMC's catering service to patients of the hospital, and growth rates has been projected to be consistent with inpatient charges.
- 3.4.3 Doctors' admin fee relates to revenue generated from doctors paying PCMC as per the arrangement between doctors and PCMC. Given the correlation to hospital revenues, a percentage of net revenue has been adopted moving forward.

3.5 Projected cost of sales

- 3.5.1 The main components of cost of sales are medication cost, medical and surgical supplies and consignment cost. Smaller components include medical gas, amenities and food and beverage cost.
- 3.5.2 Based on information from the VDR, the historical improvements in financial performance are due to several initiatives undertaken such as risk-based pricing and streamlining of procurement processes. Benefits from such initiatives are expected to be realised and therefore, the gross margins for FY2019 are projected to remain constant throughout the projection period.

3.6 Projected operating expenditure and other income

- 3.6.1 PCMC's operating expenditure consists of staff costs, information technology ("IT") services, repair and maintenance ("R&M"), utility, administrative and other operating expenditure. Operating expenditure has been projected after considering typical salary increment, cost to revenue ratios, average forecast of general inflation for Malaysia as well as Management's own expectations of medical inflation rate.
- 3.6.2 Other income mainly consists of doctors' clinic, F&B outlets rental income and finance income. Finance income mainly relates to interest income from fixed deposits. This has not been projected as it relates to cash balances of the company which have been separately accounted for in the valuation.

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC (Cont'd)



3.7 Projected capital expenditure

- 3.7.1 Management's capital expenditure schedule for FY2019, FY2020 and FY2021 has been factored into our valuation.
- 3.7.2 In the projections for FY2022 and beyond, we have applied a maintenance capital expenditure based on historical capital expenditures.

3.8 Working capital

- 3.8.1 In projecting the free cash flows of PCMC, we have considered projected changes in net working capital ("NWC") requirements and adopted assumptions based on historical observed turnover days of receivables, payables and inventory.

3.9 Taxation assumptions

- 3.9.1 The Malaysian statutory tax rate of 24.0% has been adopted for the purposes of the Income Approach to arrive at the free cash flow projections.
- 3.9.2 We have estimated and included the present value of the tax benefits post FY2023 taking into consideration of the latest available unabsorbed capital allowances and unutilised tax losses as at 31 December 2017.

4.0 Valuation approaches

4.1 Valuation approaches considered

- 4.1.1 In our valuation, we have considered various approaches as described below.

a) Income Approach

The Income Approach measures the value of a business based on the present value of estimated future cash flows that the business can be expected to generate. A common method that is used under the Income Approach is the Discounted Cash Flows ("DCF") method.

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC (Cont'd)



b) Market Approach

The Market Approach measures the value of a business based on multiples observed from comparable market transactions or publicly traded companies; and applying the said multiples to the business being valued.

c) Cost Approach

The Cost Approach measures the value of a business by adjusting the asset and liability balances on the subject company's balance sheet to their estimated market values.

4.2 ***Approaches adopted***

4.2.1 Our primary approach to estimate Fair Market Value of PCMC is the Income Approach. The choice of the valuation approaches was assessed having considered that PCMC, which had in prior years been loss-making, has been undergoing a major transformation exercise and has recently turned profitable. As such, the historical earnings of PCMC are not deemed to be reflective of PCMC's future earnings potential.

4.2.2 We have also considered the Market Approach as a secondary approach to validate the reasonableness of our overall conclusion against market data.

5.0 **Valuation analysis**5.1 ***Primary approach***

5.1.1 We have adopted the Income Approach as our primary valuation approach to estimate the Fair Market Value of PCMC. The Income Approach involves the projection of cash flows based on the key assumptions mentioned earlier attributed to PCMC. The Income Approach encompasses the following key steps:

- a) Estimating future cash flows for a certain discrete projection period;
- b) Determining an appropriate discount rate;
- c) Estimating the terminal value (i.e. the value of the cash flows subsequent to the discrete projection period);
- d) Discounting the cash flows and terminal value at the relevant discount rate to determine the stand alone enterprise value; and

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC (Cont'd)



- e) Deducting net debt and adjusting for any other relevant assets or liabilities to arrive at the equity value of the company.

The projected free cash flows are derived from the projected EBITDA of PCMC with adjustments for capital expenditure, changes in working capital and taxes.

Discount rate

- 5.1.2 In determining the appropriate discount rate to be applied, a weighted average cost of capital ("WACC") was computed resulting in a nominal post-tax WACC 8.0% as a point estimate for our valuation. This has been determined by reference to the Capital Asset Pricing Model. We have considered, amongst others:

- a) Risk free rate of 3.77%;
- b) Equity market risk premium of 7.63%;
- c) An average re-gear beta of 0.72;
- d) A post-tax cost of debt of 4.13%; and
- e) Industry average debt-to-equity ratio of 0.26.

- 5.1.3 The projected cash flows are discounted using the mid-year cash flow discounting convention.

Terminal value

- 5.1.4 In determining the enterprise value of PCMC, we have applied the Gordon Growth Model to estimate terminal value and have assumed the following:

- a) EBITDA of FY2023 is assumed to be the steady state of earnings
- b) Change in NWC is assumed to be minimal upon steady state
- c) Corporate tax rate of 24%
- d) Estimated capital expenditure to maintain PCMC on an as-is basis
- e) Long-term nominal growth rate of 3.0% per annum

Illiquidity discount / Control premium

- 5.1.5 We recognise that shares of PCMC are not listed on any stock exchange and hence may not be liquid for immediate sale or purchase. On the other hand, we also take note that the Proposed Transaction is in relation to 100% of the equity according full control of a premium tertiary healthcare provider located strategically in central Kuala Lumpur. As such, we are of the view that, for the purpose of this valuation, when the effect (if any) of the immediate-term illiquidity of the shares is considered

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC (Cont'd)


in totality with the premium accorded by control, a net zero adjustment would be appropriate to reflect the equity value of PCMC in the Proposed Transaction.

Range of valuation

- 5.1.6 In deriving the range of values as at 31 March 2019, we have adopted the Income Approach. At our estimated WACC of 8.0%, the equity value of PCMC as at the Valuation Date falls within the range of **RM961 million to RM1,080 million**.

RM in millions	Low	High
Enterprise value	953.2	1,072.1
Add: Net cash	27.5	27.5
Less: Dividend payable	(20.0)	(20.0)
Equity value	960.7	1,079.7

Note: Equity value refers to all ordinary shares and redeemable preference shares

5.2 Secondary approach

- 5.2.1 The implied multiples from the range of values from the primary approach are as follows:

EBITDA in RM millions	Low		High	
	EBITDA	Implied EV/EBITDA	EBITDA	Implied EV/EBITDA
Last 12 months ("LTM")	46.3	20.6x	46.3	23.1x
	Bed	RM in millions	Bed	RM in millions
Implied EV/Bed	277	3.44	277	3.87

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC (Cont'd)


5.2.2 In seeking to establish a reference point of a suitable industry multiple as a closest proxy, we note that there is a general lack of market transactions with publicly available information that are directly comparable to PCMC. As such, we have considered the following transactions in Malaysia involving acquisition targets in the tertiary healthcare sector, as a secondary valuation approach to cross-check our valuation based on the Income Approach.

Completion Date	Target (% equity)	Target description	Deal value	Implied EV/Bed	Implied EV/EBITDA
Mar 2019	IHH (16%)	IHH 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.	RM8,393m	RM 6.05m	23.4x
Nov 2018	IHH (6%)	See above	RM2,932m	RM 5.60m	21.6x
Oct 2018	Amanjaya Specialist Centre Sdn Bhd ("ASCSB") (100%)	ASCSB owns and operates a multidiscipline specialist hospital known as Pantai Hospital Laguna Merbok (formerly known as Amanjaya Specialist Centre (Pusat Pakar Amanjaya)) located in Sungai Petani, Kedah, Malaysia.	RM101m	RM1.04m	10.6x
June 2015	Island Hospital Sdn Bhd ("IHSB") (100%)	IHSB is a privately run tertiary healthcare centre located in Penang, Malaysia.	RM933m	RM3.62m* *inflation adjusted at c.9%	18.2x
Sept 2014	TMC Life Sciences Berhad ("TMC") (76.6%)	TMC is an investment holding company which operates a multi-disciplinary tertiary care center and fertility center primarily in Malaysia.	RM385m	RM1.98m* *inflation adjusted at c.12%	24.5x

Source: Company announcements, Mergermarket, audited financial statements and other publicly available information

5.2.3 Based on the proxy market transactions, the transaction involving IHSB, a tertiary care hospital in 2015 appears most comparable in terms of size and margins.

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC (Cont'd)



- 5.2.4 The implied transacted EV/bed of RM3.62m appears to be within the range of our implied multiple from our valuation of **RM3.44m per bed to RM3.87m per bed**. While PCMC's implied EV/LTM EBITDA of **20.6x to 23.1x** appears relatively high in comparison to IHSB's 18.2x, this is likely attributable to:
- the growth rates expected for PCMC; and
 - the significant value of PCMC's tax benefits arising from its unabsorbed capital allowances.
- 5.2.5 Purely for better comparison, if the value of the tax benefit were to be excluded, the recalculated implied EV/LTM EBITDA multiple and EV/bed multiples would range from **17.4x – 19.9x (mid point 18.7x)** and **RM2.92m – RM3.33m (mid point RM3.1m)** respectively. Therefore, based on the above assessment, the valuation range derived from the primary approach is reasonable.

6.0 Risk factors

Our valuation above is based on numerous assumptions including those set out in the foregoing sections. As with all assumptions about future events or conditions, there can be no guarantee that they will be achieved, and some of these assumptions could have a material impact on value. In this section, we set out the main factors which should be carefully noted and understood.

6.1 Continued growth prospects

The valuation is predicated on PCMC's ability to continue to grow revenue and EBITDA, including through the hiring of new doctors with tertiary specialities. Should PCMC be unsuccessful in achieving these anticipated growth prospects, this could affect future valuation adversely.

6.2 Applicable tax regulations

The valuation has taken into consideration the estimated value of the current outstanding unabsorbed capital allowances that are expected to be utilised throughout the projection period. Any change in tax regulation may have a material impact to valuation.

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC (Cont'd)

**6.3 Potential drug price control regulations**

On 2 May 2019, i.e. approximately one month after the Valuation Date, the Minister of Health of Malaysia announced that the Cabinet of Malaysia had approved a proposal to regulate drug prices in Malaysia, and that the Ministry of Health of Malaysia, together with the Ministry of Domestic Trade and Consumer Affairs, would work to gazette regulations under the Price Control and Anti-Profiteering Act 2011.

As at the date of this letter, we are not aware of any further details surrounding this proposal, including the scope, timing or quantum of any new regulations that may be introduced in future. Our valuation has been performed on an as-is basis as at the Valuation Date, as the impact of potential new regulations cannot yet be meaningfully quantified. However, it should be noted that future changes in regulations could have a material impact to the equity value of PCMC (as well as of other companies in the healthcare sector in Malaysia) in the future.

7.0 General assumptions

The valuation herein is carried out on the following assumptions:

- 7.1 The business and its assets are free and clear of any or all liens or encumbrances unless otherwise stated.
- 7.2 There exists responsible ownership and competent management with respect to the operation of the business.
- 7.3 There is full compliance with all applicable regulations and laws unless the lack of compliance is stated, defined, and considered in this letter.
- 7.4 All required licences, certificates of occupancy, consent, or legislative or administrative authority from any local, state, or national government, or private entity or organisation have been or can be obtained or reviewed for any use on which our valuation is based.
- 7.5 There will be no significant changes in the present legislation, government regulations, inflation rates, foreign currency exchange, bases and rates of taxation and other lending guidelines which will affect the activities of the business or the markets in which it operates.

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC (Cont'd)



- 7.6 There will be no significant changes in the current market conditions and the prevailing economic and political climate in the country in which the business operates and elsewhere which will directly or indirectly affect its activities.

8.0 Key limitations

- 8.1 We have conducted our valuation on the premise that the business will continue its operations as a going concern under the present key management, other than as specifically envisaged herein. There valuation represents only our best estimate and may not necessarily reflect the price obtained in any particular transaction and is not intended to be binding on any parties.
- 8.2 We have not performed an audit or verification of any of the historical and prospective financial information pertaining to the existing business provided to us for the valuation and accordingly do not express an opinion with regard to the same.
- 8.3 We did not perform a physical inspection on all of the assets and equipment of the business, and thus are unable to verify the condition of these assets which may have an impact on our valuation.
- 8.4 We assume no responsibility for the legal description or matters including legal or title considerations. Title to the subject assets, properties or business interests is assumed to be good and marketable unless otherwise stated.

EQUITY VALUATION LETTER FROM PWC CAPITAL ON THE VALUATION OF 100% OF THE EQUITY OF PCMC (Cont'd)

**9.0 Conclusion of value**

- 9.1 Premised on the underlying bases and assumptions outlined in this letter, our estimate of the FMV of 100% equity of PCMC as at 31 March 2019 based on the income approach lies in the range from **RM961 million to RM1,080 million**.
- 9.2 It should be noted that our valuation is subject to the specific and key assumptions and limitations mentioned in this letter. Should any of the assumptions vary significantly, there could be a material effect on the valuation.
- 9.3 Our valuation may not necessarily be the price which will ultimately be obtained in any particular transaction. The ultimate price at which the shares may be transacted will depend on the outcome of negotiations between the relevant parties as well as other contributing factors.
- 9.4 This independent valuation has been prepared solely for IHH for the purpose stated herein and therefore should not be relied upon by any other party or for any other purpose.

Yours faithfully

PricewaterhouseCoopers Capital Sdn Bhd

A handwritten signature in black ink, appearing to read "Jay Moorthy", written over a horizontal line.

Jay Moorthy
Partner
Deals Advisory

PROPERTY VALUATION CERTIFICATE FROM KNIGHT FRANK ON THE VALUATION OF THE SUBJECT PROPERTY



PRIVATE & CONFIDENTIAL

Pantai Holdings Sdn Bhd
c/o IHH Healthcare Berhad
Pantai Hospital Kuala Lumpur
8, Jalan Bukit Pantai
59100 Kuala Lumpur

Date: 20th August 2019

Reference No.: V/COR/18/0092/jc

Dear Sir / Madam,

VALUATION CERTIFICATE FOR PRINCE COURT MEDICAL CENTRE, NO. 39, JALAN KIA PENG, 50450 KUALA LUMPUR HELD UNDER LOT 366 SECTION 63 OF TOWN OF KUALA LUMPUR, DISTRICT OF KUALA LUMPUR; TOGETHER WITH THE UNEXPIRED REGISTERED SUB-LEASE INTEREST ARRANGEMENT WITH THE BENEFIT OF RIGHT OF WAY AND THE CONTRACTUAL RIGHT OF USE OF THE LICENSED AREA (DESIGNATED SOLELY FOR OPEN SPACE AND GREEN AREA); ALL OF WHICH FORMS PART OF THE LAND HELD UNDER LOT 310 SECTION 63 OF TOWN OF KUALA LUMPUR, DISTRICT OF KUALA LUMPUR (HEREINAFTER COLLECTIVELY REFERRED TO AS THE "SUBJECT PROPERTY")

We were instructed by Pantai Holdings Sdn Bhd, an indirect wholly-owned subsidiary of IHH Healthcare Berhad (hereinafter referred to as the "Client") for our firm to ascertain the Market Value of the legal interest in the Subject Property stated herein.

This Valuation Certificate is prepared for disclosure in the Circular to shareholders of IHH Healthcare Berhad in relation to the acquisition by Pantai Holdings Sdn Bhd of the entire issued share capital of Prince Court Medical Centre Sdn Bhd.

The Valuation was prepared in conformity with the Malaysian Valuation Standards published by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia and other established valuation manuals and standards such as the International Valuation Standards (IVS) and the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual (where applicable).

This Valuation Certificate is prepared in accordance with the general principles adopted and limiting conditions as enclosed at the end of our formal Valuation Report. For all intents and purposes, this Valuation Certificate should be read in conjunction with our formal Valuation Report.

The basis of valuation adopted is the **Market Value** which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Accordingly, we have conducted the site inspection on various occasions; being the latest on 15th April 2019. As such, we have adopted 15th April 2019 as the material date of valuation.

Brief description of the Subject Property is attached overleaf.

Knight Frank Malaysia Sdn Bhd (Co. No. 585479-A) (VE (1) 0141)

Suite 10.01, Level 10, Centrepoint South, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia
T + 603 228 99 688 F + 603 228 99 788 www.knightfrank.com



**PROPERTY VALUATION CERTIFICATE FROM KNIGHT FRANK ON THE VALUATION OF THE
SUBJECT PROPERTY (Cont'd)**



IDENTIFICATION OF PROPERTY

**Interest Valued /
Type of Property**

Unexpired 99-year leasehold interest expiring 22nd December 2103 in a six (6)-storey purpose-built private medical hospital with a roof top and three (3) basement levels together with an ancillary building designated for plant and electrical equipment (Central Energy Plant) and other supporting amenities and facilities attached thereto; sited on Lot 366 Section 63 held under Title No. Pajakan Negeri 35520, Town of Kuala Lumpur, District of Kuala Lumpur (collectively identified as "Prince Court Medical Centre"); and the unexpired 30 years registered sub-lease interest expiring 31st July 2048 with a further automatic lease renewal term of 30 years and for the remaining lease period up to 30th December 2104 (subject to the full settlement of the sub-lease consideration in accordance to the instalment payment arrangement stated therein) to use and manage part of an adjoining land identified as Lot 310 Section 63 held under Title No. Geran 43005, Town of Kuala Lumpur, District of Kuala Lumpur (referred to as "Lot 310") measuring approximately 5,572 square metres where all existing infrastructure + services (including street lightings, cables, pipes, drainage, service roads and driveway etc) attached thereon designated for Prince Court Medical Centre (referred to as the "Sub-Leased Land"); together with the benefit of right of way granted to Prince Court Medical Centre Sdn Bhd (as the "Sub-Lessee") to use and maintain an access road measuring approximately 285 square metres which was constructed on part of Lot 310 that falls outside the Sub-Leased Land (referred to as the "Right of Way"); and the contractual right of use solely for open space and green area on part of Lot 310 measuring approximately 2,984 square metres (referred to as the "Licensed Area") (hereinafter collectively referred to as the "Subject Property").

Address

Prince Court Medical Centre, No. 39, Jalan Kia Peng, 50450 Kuala Lumpur.

Title Particulars

The following table outlines the title particulars of the Subject Property: -

Summary of Title Particulars of the Subject Property			
Lot No.	Title No.	Land Area	Quit Rent (Land Tax) (RM per annum)
Lot 366 Section 63	Pajakan Negeri 35520	23,536 sq m	RM108,266.00
Part of Lot 310 Section 63 (Sub-Leased Land, Right of Way and Licensed Area)	Geran 43005	8,841 sq m (part of Lot 310 with title land area of 37,800 sq m)	RM10.00 (applicable to Lot 310)

The following particulars are common to the above titles unless otherwise stated:-

- Town / District : Town and District of Kuala Lumpur.
- State : Wilayah Persekutuan Kuala Lumpur.
- Tenure : ➤ Leasehold interest for a term of 99 years, expiring on 22nd December 2103; in respect of Lot 366.
➤ Interest in perpetuity; in respect of Lot 310.

PROPERTY VALUATION CERTIFICATE FROM KNIGHT FRANK ON THE VALUATION OF THE SUBJECT PROPERTY (Cont'd)



IDENTIFICATION OF PROPERTY (CONT'D)

Category of Land Use	: ➤ Building, in respect of Lot 366. ➤ Not stated; in respect of Lot 310.
Registered Proprietor	: ➤ Prince Court Medical Centre Sdn Bhd, in respect of Lot 366. ➤ Pesuruhjaya Tanah Persekutuan; in respect of Lot 310.
Express Condition	: ➤ "Tanah ini hendaklah digunakan untuk perdagangan bagi tujuan Hospital Swasta", in respect of Lot 366. ➤ Nil; in respect of Lot 310.
Restriction-In-Interest	: ➤ "Tanah ini tidak boleh dipindahmilik, dipajakkan melainkan dengan kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur"; in respect of Lot 366. ➤ Nil; in respect of Lot 310.
Encumbrance	: ➤ Nil.
Endorsements	: ➤ Nil; in respect of Lot 366. ➤ The entire land has been leased to Petronas Hartabina Sdn Bhd for a term of 99 years commencing from 1 st January 2006 to 31 st December 2104 vide Presentation No. PDSC24985/2006, registered on 17 th October 2006; in respect of Lot 310. ➤ A registrar's caveat has been lodged vide Presentation No. PDB1037/2009 registered on 23 rd January 2009; in respect of Lot 310. ➤ Portion of the land has been sub-leased to Tenaga Nasional Berhad for a term of 30 years commencing from 20 th February 2017 to 19 th February 2047 vide Presentation No. PDSC6281/2017 registered on 10 th March 2017; in respect of Lot 310. ➤ Portion of the land has been sub-leased to Prince Court Medical Centre Sdn Bhd for a term of 30 years commencing from 1 st August 2018 to 31 st July 2048 vide Presentation No. PDSC41630/2018 registered on 14 th November 2018; in respect of Lot 310.

PROPERTY DESCRIPTION

Location	The Subject Property lies within the Golden Triangle of Kuala Lumpur, the city's main commercial precinct which accommodates prime office buildings, prime retail centres and prestigious international class hotels. It is strategically located at the intersection of Jalan Tun Razak, Jalan Bukit Bintang and Jalan Kia Peng; and is well connected to all parts of Klang Valley through main arterial roads and major highways.
Property Description	The subject site consists of Lot 366 (of which Prince Court Medical Centre is constructed upon) and part of Lot 310 (of which the Sub-Leased Land, the Right of Way and the Licensed Area are delineated thereon).

**PROPERTY VALUATION CERTIFICATE FROM KNIGHT FRANK ON THE VALUATION OF THE
SUBJECT PROPERTY (Cont'd)**



PROPERTY DESCRIPTION (CONT'D)

Lot 366 is a regular shaped parcel of land with a land area of about 23,536 square metres (5.82 acres); bounded by Jalan Kia Peng to its north, Jalan Tun Razak to its east, Jalan Bukit Bintang to its south; and Lot 310 to its immediate north-west. Lot 366 is generally flat in terrain and lies about the same level as the street elevations.

The Sub-Leased Land, the Right of Way and the Licensed Area collectively form a regular elongated shaped strip of land with a total land area of about 8,841 square metres (2.19 acres). The Sub-Leased Land and Licensed Area are sited adjoining the north-western boundary of Lot 366 whilst the Right of Way is located due west of Lot 366, all of which are generally flat in terrain and lies at about the same level as the street elevations.

General Building Description

Structures	: Reinforced concrete framework integrating aluminium framed incorporating glass panels with a façade of aluminium panels, granite and glass spandrel / vision panels.
Roofs	: Metal roofing.
Ceilings	: Plaster ceiling, plaster ceiling incorporating downlights, ceiling boards incorporating downlights, aluminium panels and cement plaster.
Wall Finishes	: Cement plaster / granite / ceramic tiles / timber / gypsum board / wallpaper.
Floor Finishes	: Granite / vinyl / wall-to-wall carpet / ceramic tiles / timber / cement rendered / concrete with polyurethane coating.
Windows	: Aluminium casements incorporating glass panels.
Doors	: Aluminium framed incorporating glass panels / frameless glass panels / fire-rated / polycarbonate / timber / metal roller shutter.

**Gross Floor Area
(including car park)**

98,546.77 square metres (1,060,749 square feet).

Hospital License

The Subject Property is issued with an operating license bearing License No. 131401-00221-01/2017 by Ministry of Health; for an approved capacity of 277 beds together with 9 leaning / recliner chairs ('kerusi sandar'), 17 basinets, 8 cots, 9 dialysis chairs ('kerusi dialysis') and 4 dental chairs ('kerusi pergigian'). Type of facilities licensed includes:-

- 7 major operating theatres
- 9 labour / delivery rooms
- Basement Level 1: 4 specialist clinics & oncology daycare (5 beds including 1 single-bedded room and 5 leaning / recliner chairs)
- Ward 3G: 12 general ICU (Intensive Care Unit) / CCU (Coronary Care Unit) beds
- Ward 3F: 12 HDU (High Dependency Unit) beds (ward)
- Level 2: 9 daycare beds (unit)

**PROPERTY VALUATION CERTIFICATE FROM KNIGHT FRANK ON THE VALUATION OF THE
SUBJECT PROPERTY (Cont'd)**



PROPERTY DESCRIPTION (CONT'D)

Hospital License (Cont'd)	➤ Level 3: 9 daycare beds (ward) ➤ 4 ICU beds for burn unit ➤ 5 NICU (Neonatal Intensive Care Unit) cots ➤ 3 SCN (Special Care Nursing) cots ➤ Level 6: Nursery (17 bassinets) ➤ 89 outpatient clinics ➤ CSSD (Central Sterile Supply Department)
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Note: Upgrading of facilities was issued with Form 6 (approval for expansion or refurbishment of a licensed private healthcare facility) by the Ministry of Health with part of the upgrading works / renovated areas awaiting for subsequent approval in Form 7 (operating license of a private healthcare facility).

Licensed Bed	277 beds; of which 256 beds are activated and operational.
Car Parking Bays	688 usable bays based on physical count during site inspection.
Age of Building	About 12 years old from the issuance date of the Certificate for Occupation dated 29 th June 2007.
State of Repair	Prince Court Medical Centre appears to be in good condition that commensurate with its age and use.
Occupancy Status	Presently, the building is fully occupied and operated by Prince Court Medical Sdn Bhd as a private medical hospital.
Planning	Designated for commercial use; and was issued with a Certificate for Occupation by Kuala Lumpur City Hall vide Certificate No. 30103 dated 29 th June 2007.

We wish to highlight that Prince Court Medical Centre Sdn Bhd does not have record of the amended building plans bearing Ref No. T320030008A01 as one of the two (2) approved building plans referred to in the Certificate for Occupation. In view of the above, we were made to understand that Prince Court Medical Centre Sdn Bhd is in the midst of retrieving the copy from Dewan Bandaraya Kuala Lumpur (DBKL); of which no certainty can be procured if DBKL has a copy of the said amended building plans. Pursuant to the latest as-built building plans approved by Jabatan Bomba dan Penyelamat Malaysia (BOMBA) which had referenced to the original approved building plans bearing Ref No. T320030008, we are of the opinion that the building(s) constructed thereon complied with all relevant regulatory requirements.

Whilst every effort has been made to ascertain that the above details are correct, we assume no responsibility for the accuracy of the said information and for any information which has not been revealed to us as at the date of Valuation. We reserve the right to amend the above facts and the value of the Subject Property should any of these facts be different from any other sources which have not been made known to us.

**PROPERTY VALUATION CERTIFICATE FROM KNIGHT FRANK ON THE VALUATION OF THE
SUBJECT PROPERTY (Cont'd)**



PROPERTY DESCRIPTION (CONT'D)

Sub-Lease Agreement, Right of Way Agreement and License Agreement Key salient terms and conditions of the respective agreement are scheduled here below.

Common Terms

Date of Agreement : 1st August 2018.
Sub-Lessor : Petronas Hartabina Sdn Bhd.
Sub-Lessee : Prince Court Medical Centre Sdn Bhd.

Sub-Lease Agreement

Land : Approximately 5,572 square metres forming part of Lot 310 which contains the Infrastructure and Services (including the existing street lighting, cables, pipes, drainage, service road etc) to Lot 366.

Sub-Lease Period : Thirty (30) years commencing from 1st August 2018 and expiring on 31st July 2048; with an automatic renewal for a further term of 30 years and for the remaining lease period up to 30th December 2104 thereafter for no further payment but subject in all other respects to the same covenants and stipulations as are therein contained except for this provision for renewal, unless at least six (6) months before the expiration of the sub-lease period thereby granted, the Sub-Lessee shall give the Sub-Lessor notice in writing of its desire not to renew the Sub-Lease thereby granted.

Sub-Lease Rental : RM37,000,000; which shall be paid in four (4) equal annual instalments from 2018 to 2021. The first of such payment shall be made on or before 20th August 2018 and the subsequent payment shall be made on or before 20th day of August of every year until 4th instalment mentioned earlier.

Right of Way Agreement

Access Road : Approximately 285 square metres wide access road which was constructed on Lot 310.

Agreement Term : In parallel with the effective duration of the Sub-Lease Agreement; and shall automatically expire and cease to have any effect upon the termination of the Sub-Lease Agreement.

License Agreement

License Area : Approximately 2,984 square metres for the purpose of open space and green area.

License Fee : RM10.00.

Agreement Term : Commence from the date of the Sub-Lease Agreement and shall be terminable at any time by either Party by giving three (3) month prior written notice to the other Party; and shall also automatically terminated and cease to have any effect in the event the Sub-Lease Agreement is terminated.

**PROPERTY VALUATION CERTIFICATE FROM KNIGHT FRANK ON THE VALUATION OF THE
SUBJECT PROPERTY (Cont'd)**



MARKET VALUE

Valuation Methodology

a) Cost Approach

This approach 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. In real estate context, one would normally not be justified in paying more for a given property than the cost of acquiring equivalent land and constructing an alternative structure, unless undue time, inconvenience, and risks are involved. In practice, the approach also involves an estimate of depreciation for older and / or less functional properties where an estimate of cost new unreasonably exceeds the likely price that would be paid for the appraised property.

The estimate of the land value component in the Cost Approach is arrived at principally by Comparison Approach; whereby it considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.

The building value component is arrived at by 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. In arriving at the replacement cost new, we have referred to the industry average costing as derived from analysis of other awarded contracts of similar development and the average building costs of similar type of properties published by JUBM and Arcadis Construction Cost Handbook Malaysia 2019.

We have identified and analyzed the selected recent transactions of vacant land sales in the immediate and surrounding vicinity of the Subject Property and summarized the details in the table attached below.

Sales Comparison and Analysis of Vacant Land Transactions			
	Comparable 1	Comparable 2	Comparable 3
Legal Description	Lot 342 Section 63 held under Title No. Geran 49800, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Lot 297 Section 63 held under Title No. Pajakan Negeri 53038, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	PT 79 Section 63 held under Title No. HSD 119996, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Locality	Located along Jalan Conlay and Jalan Raja Chulan, Kuala Lumpur	Located along Jalan Raja Chulan, Kuala Lumpur	Located along Persiaran Stonor
Property Type	A parcel of commercial land	A parcel of commercial land	A parcel of commercial land
Tenure	Interest in perpetuity	Leasehold interest for a term of 99 years expiring on 22 nd September 2081	Leasehold interest for a term of 99 years, expiring on 15 th December 2114
Land Area	13,992.00 square metres (150,609 square feet) (3.46 acres)	5,014.00 square metres (53,970 square feet) (1.24 acres)	5,048.28 square metres (54,339 square feet) (1.25 acres)
Consideration	RM325,500,000	RM101,055,280	RM140,000,000

PROPERTY VALUATION CERTIFICATE FROM KNIGHT FRANK ON THE VALUATION OF THE SUBJECT PROPERTY (Cont'd)



Analysis	RM23,263.29 per square metre (RM2,161 per square foot)	RM20,154.62 per square metre (RM1,872 per square foot)	RM27,732.22 per square metre (RM2,576 per square foot)
Date of Transaction	28 th December 2017	13 th April 2017	22 nd December 2015
Vendor	Pesuruhjaya Tanah Persekutuan	Datuk Bandar Kuala Lumpur	Pesuruhjaya Tanah Persekutuan
Purchaser	Ketapang Abadi Sdn Bhd	Armani Hartajaya Sdn Bhd	Kumpulan Wang Persaraan
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)
Planning	Zoned for city centre commercial use with permissible plot ratio of 1:6	Zoned for city centre commercial use with permissible plot ratio of 1:6	Zoned for city centre commercial use with permissible plot ratio of 1:8
Adjustment	General adjustments made for prevailing market condition, exposure, land shape, tenure, plot ratio, planning approval and restricted / limited use	General adjustments made for prevailing market condition, exposure, land size, land shape, tenure, plot ratio, planning approval and restricted / limited use	General adjustments made for prevailing market condition, exposure, land size, land shape, plot ratio, planning approval and restricted / limited use
Commentary (Comparable 1)	We consider Lot 342 (Comparable 1) as a slightly smaller landholding (3.46 acres) situated within close proximity from the Subject Property; thus no adjustments are made relating to factors on location / establishment as well as availability of accessibility and infrastructure; save and except for an upward adjustment is considered for exposure as the Subject Property has significantly wider frontages (with frontages onto Jalan Kia Peng, Jalan Tun Razak and Jalan Bukit Bintang) as compared to Comparable 1. A further upward adjustment was considered for improved market condition / time as Comparable 1 is considered a dated sale (whereby it was transacted back in December 2017). In general, Comparable 1 shares similar attributes with the Subject Property; save and except for its shape, tenure, plot ratio, planning approval and permitted use. Comparable 1 has a slightly elongated triangular shape with no planning approval obtained; as such we have adjusted upward for these factors to reflect the Subject Property having a more favourable and efficient shape for development + the benefit of a planning approval (approved as a private medical hospital). Downward adjustments are made for tenure, plot ratio and permitted use as the Subject Property conveys remaining unexpired leasehold interest of about 85 years with a lower existing utilised plot ratio and a restrictive permitted use as a private hospital as expressively stipulated in the title document, when compared to Comparable 1 which conveys interest in perpetuity with a permissible plot ratio of 6.00 and no restriction of permitted use in terms of commercial development. On balance, we consider a lower rate per square metre is applicable to the Subject Property.		
Commentary (Comparable 2)	We consider Lot 297 (Comparable 2) as a smaller landholding (1.24 acres) situated within close proximity from the Subject Property; thus no adjustments are made relating to factors on location / establishment as well as availability of accessibility and infrastructure; save and except for an upward adjustment is considered for exposure as the Subject Property has significantly wider frontages (with frontages onto Jalan Kia Peng, Jalan Tun Razak and Jalan Bukit Bintang) as compared to Comparable 2. A further upward adjustment was considered for improved market condition / time as Comparable 2 is considered a dated sale (whereby it was transacted back in April 2017). In general, Comparable 2 shares similar attributes with the Subject Property; save and except for its size, shape, tenure, plot ratio, planning approval and permitted use. In the real estate industry, there is a strong and proven inverse relationship between property sizes and price / value rates (per square foot / per acre / per square metre). In general, larger properties / lands will have lower prices / value rates. This is due to larger lands having higher maintenance costs amongst others including the needs to comply more with planning controls and regulations and the difficulties of disposal / marketability. Comparable 2 is smaller in area (1.24 acres) whereby the Subject Property is about 5.82 acres and therefore a downwards adjustment is considered. Upward adjustments are made for shape, tenure and planning approval as the Subject Property has a more favourable and efficient shape for development with remaining unexpired leasehold interest of about 85 years + the benefit of planning approval (approved as a private medical hospital), when compared to Comparable 2 which is a strip of land with elongated shape and remaining unexpired leasehold interest of 64 years only + no planning approval obtained. Downward adjustments are made for plot ratio		

**PROPERTY VALUATION CERTIFICATE FROM KNIGHT FRANK ON THE VALUATION OF THE
SUBJECT PROPERTY (Cont'd)**



Commentary (Comparable 2) (Cont'd)	and permitted use as the Subject Property has a lower existing utilised plot ratio and a restrictive permitted use as a private hospital as expressly stipulated in the title document, when compared to Comparable 2 which has a permissible plot ratio of 6.00 with no restriction of permitted use in terms of commercial development. On balance, we consider a lower rate per square metre is applicable to the Subject Property.		
Commentary (Comparable 3)	We consider PT 79 (Comparable 3) as a smaller landholding (1.25 acres) situated within close proximity from the Subject Property; thus no adjustments are made relating to factors on location / establishment as well as availability of accessibility and infrastructure; save and except for an upward adjustment is considered for exposure as the Subject Property has significantly wider frontages (with frontages onto Jalan Kia Peng, Jalan Tun Razak and Jalan Bukit Bintang) as compared to Comparable 3. A further upward adjustment was considered for improved market condition / time as Comparable 3 is considered a dated sale (whereby it was transacted back in December 2015). In general, Comparable 3 shares similar attributes with the Subject Property; save and except for its size, shape, plot ratio, planning approval and permitted use. A downward adjustment is considered for the size as Comparable 3 is smaller in area (1.25 acres) whereby the Subject Property is about 5.82 acres. Upward adjustments are made for shape and planning approval as the Subject Property has a more favourable and efficient shape for development with the benefit of planning approval (approved as a private medical hospital), when compared to Comparable 3 which has a less favourable shape with multiple angular boundaries and no planning approval obtained. Downward adjustments are made for plot ratio and permitted use as the Subject Property has a lower existing utilised plot ratio and a restrictive permitted use as a private hospital as expressly stipulated in the title document, when compared to Comparable 3 which has a permissible plot ratio of 8.00 with no restriction of permitted use in terms of commercial development. On balance, we consider a lower rate per square metre is applicable to the Subject Property.		
Adjusted Value	RM17,098.52 per square metre (RM1,589 per square foot)	RM17,988.00 per square metre (RM1,671 per square foot)	RM19,828.55 square metre (RM1,842 per square foot)

Valuation Rationale

Based on our analysis of the data obtained from the sources listed herein before, we note that the land value derived ranged from RM1,872 psf to RM2,576 psf.

In view of limited recorded transactions of similar land transactions in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly alike properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued. Although total adjustments (in excess of 65%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are considered relevant by virtue of the fact that most of the selected comparable(s) are considered to have relatively similar attributes (in terms of location, terrain, category of land use and zoning) as compared to the Subject Property. With total effective adjustments made for all Comparable(s), we have placed greater reliance on Comparable 1 (being the least adjusted comparable) after having considered and made diligent adjustments for various dissimilarities including but not limited to location / establishment, accessibility, exposure, size, shape, terrain, tenure, category of land use, zoning, plot ratio, planning approval and permitted use. Having considered all relevant factors, we are of the opinion that the base land value of the Subject Property (for Lot 366) should be RM1,589 psf.

The lack of sub-leased land transactions in the market has resulted in continued difficulties in assessing a benchmark of value by comparison. In view of inappropriate and dearth of sub-leased land sales evidences within the immediate and surrounding vicinity, we have resorted to consider and adopt the recent committed sub-lease consideration of RM37.0 million with instalment payment arrangement (analysed to be about RM35.0 million at present value after having considered and discounted for both risk and time value of money) to be fair.

PROPERTY VALUATION CERTIFICATE FROM KNIGHT FRANK ON THE VALUATION OF THE SUBJECT PROPERTY (Cont'd)



MARKET VALUE (CONT'D)

In assessing the depreciated building value of the properties constructed thereon, we have made reference to the industry average costing as derived from analysis of other awarded contracts of similar development and the average building costs of similar type of properties published by JUBM and Arcadis Construction Cost Handbook Malaysia 2019. After having considered the industry average costing as derived from analysis of other awarded contracts of similar healthcare properties (ranged from RM250 per square foot to RM603 per square foot) and the average building costs of similar type of properties published by JUBM and Arcadis Construction Cost Handbook Malaysia 2019, we have adopted an average replacement cost new for the Subject Property at RM450 per square foot as fair representation after having considered the type, design, building specifications and finishes of the building.

Building	Average Building Cost (RM per sq ft)	Accumulated Depreciation Rate
Prince Court Medical Centre	RM450 psf	24%

Generally, the building depreciated rate adopted is based on 50 years building lifespan. In our assessment of building value(s), we have adopted an annual depreciation rate of about 2.0% per annum as fair and reflective of the existing condition of the building.

Summary of Parameters	
Improved Land Value for Lot 366	RM402,000,000 (RM1,587 psf / land area)
Improved Land Value for Part of Lot 310 (Sub-Leased Land)	RM35,000,000 (RM584 psf / land area)
Depreciated Building Value	RM363,000,000 (RM342 psf / total floor area)
Depreciation Rate	2.0% per annum
Market Value	RM800,000,000

b) Income Approach by Discounted Cash Flow (DCF)

DCF incorporates the estimation of future annual cash flows over an investment horizon (10-year) 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. We have assumed that the property is sold at the commencement of the terminal year of the cash flow at the expected rate of return of similar asset classes.

In undertaking this analysis over a period of 10 years, we have used a wide range of assumptions for the property including the growth of average gross rental during the holding period, projected outgoings and other related expenses. Our projections are based on assumptions and events expected to occur in the future. Hence, no guarantee can be given that these results will be achieved. The projections are however based on Knight Frank Malaysia's experience with similar projects.

PROPERTY VALUATION CERTIFICATE FROM KNIGHT FRANK ON THE VALUATION OF THE SUBJECT PROPERTY (Cont'd)



Summary of Parameters	
Projected Rental (including the benefit of the sub-leased land + right of way)	Year 1: RM48,370,137 per annum to Year 10: RM68,845,787 per annum (Year 1: RM3.80 psf per month to Year 10: RM5.41 psf per month over total floor area) Our assessment of projected market rent of the building is based on market rent payable (based on single and / or triple net lease arrangement) of selected healthcare assets located within Klang Valley varying from RM2.12 psf to RM2.55 psf over respective gross floor area subject to appropriate adjustments to be made to reflect the differences of the comparable(s) and the property being valued. In arriving at our projected market rent of the building for Year 1, we have made upward adjustments for location, accessibility, facilities / services, design / finishes and condition / age; resulting in projected market rent ranging from RM3.52 psf to RM3.82 psf. In view of the above, we have adopted a commencement projected rent of RM3.80 psf with an estimated CAGR growth of 4.00% over the course of the holding period as fair. Note: Total Floor Area = 1,060,749 square feet (including car park area)
Void Allowance	5.00% We have adopted a void allowance of 5.00% of the annual income as fair representation for allowance of void, unforeseen vacancies, possible rent-free periods, fitting out periods and possibility of bad debts.
Allowance of Outgoings	3.50% We have allocated a 3.50% of gross income as the projected allocation for miscellaneous expenses which include provision for structural works limited to Reinforced Concrete (RC) Works only; excluding all quit rent, assessment, fire insurance charges and other rates imposed as fair representation after having benchmarked against any typical replacement / reserve fund allocation (approximately 3.00% - 4.00% of annual income) that will be set aside for similar and / or comparable asset class.
Capitalisation Rate	6.25% We have benchmarked against the historical yields of healthcare assets transactions (Year 2012 and Year 2006) in Klang Valley which are in the region of about 6.13% to 6.59%. In arriving at the existing yield for the Subject Property (reflecting market condition), we have considered and made appropriate adjustments for factors relating to prevailing market condition and tenure to reflect the differences of the comparables and the property being valued, resulting in existing yields ranging from 6.13% to 6.34%. We have thus adopted a capitalisation rate of 6.25% as fair and reflective of the market condition.
Discount Rate	8.25% Our interpretation of the discount rate is based on our perceived risk versus the return required, looking at the rates of return of similar asset classes. A general way of determining the discount rate is to adopt the 10-year risk-free interest (about 4.00%) plus additional risk premium (4.00% to 5.00%) associated with the asset class. Usually this is higher than the long term capitalisation rate. As such, a discount rate of 8.25% is adopted for the Subject Property; which is about 2.00% higher than the expected rate of return to reflect additional risk premium of the asset.
Discount Period	10 years

**PROPERTY VALUATION CERTIFICATE FROM KNIGHT FRANK ON THE VALUATION OF THE
SUBJECT PROPERTY (Cont'd)**



Summary of Forecast Operating Performance		
Year	Projected Market Rent (RM psf per month / total floor area)	Projected Occupancy
Year 1	RM3.80 psf	100%
Year 2	RM3.95 psf	100%
Year 3	RM4.11 psf	100%
Year 4	RM4.27 psf	100%
Year 5	RM4.45 psf	100%
Year 6	RM4.62 psf	100%
Year 7	RM4.81 psf	100%
Year 8	RM5.00 psf	100%
Year 9	RM5.20 psf	100%
Year 10 / Terminal	RM5.41 psf	100%

**Reconciliation of
Values**

Method of Valuation	Derivation of Market Values
Cost Approach	RM800,000,000
Income Approach by Discounted Cash Flow	RM795,000,000

Taking into consideration that the Subject Property is a purpose-built private medical hospital, we have adopted the Market Value as derived from the Cost Approach as a fair representation of the Subject Property supported by the Market Value derived from the Income Approach.

Cost Approach is usually preferred and commonly used when there is no active market for the asset being valued – that is, where there is limited useful or relevant evidence of recent sales transactions due to the specialised nature of the asset.

The Income Approach provides a good guide to value for commercial and income generating properties; however, for specialised assets in particular owner-occupied properties (where no committed + historical lease / tenancy arrangement is in place) coupled with the lack of supporting publicly available rental and income evidences of specialised assets (healthcare) in the market, the Income Approach may not be considered accurate and reliable due to the need of projecting a hypothetical rent + lease arrangement including discount and capitalisation rates that may vary due to the specialised nature of the asset. Hence, the Income Approach is used as a secondary check only.

In a valuation of a homogeneous real estate such as vacant lands and residential homes, the Comparison Approach is an appropriate method of valuation as there are less adjustments and analysis on comparable(s). However, in the case of more complex real estate such as healthcare assets and other income generating or investment properties, qualitative and quantitative adjustments are more difficult to be computed or gauged to reflect the differences of the comparables and the property being valued. Therefore, we have not considered Comparison Approach in our valuation assessment. Nonetheless, the Comparison Approach can (with relevant and reliable comparative sets of recorded transaction), broadly act as a secondary check / guide to value.

**PROPERTY VALUATION CERTIFICATE FROM KNIGHT FRANK ON THE VALUATION OF THE
SUBJECT PROPERTY (Cont'd)**



MARKET VALUE (CONT'D)

We wish to draw to attention that the title of Prince Court Medical Centre carries a restriction-in-interest which stipulates that "Tanah ini tidak boleh dipindahmilik, dipajakkan melainkan dengan kebenaran Jawatankuasa Kerja Tanah Wilayah Pesekutuan Kuala Lumpur". In this regard, our valuation is on the basis that written consent from the relevant authority in respect of the aforesaid restriction-in-interest will not be unreasonably withheld.

Having regard to the foregoing, our opinion of the **Market Value** of the unexpired 99-year leasehold interest expiring 22nd December 2103 in a six (6)-storey purpose-built private medical hospital with a roof top and three (3) basement levels together with an ancillary building designated for plant and electrical equipment (Central Energy Plant) and other supporting amenities and facilities attached thereto; sited on Lot 366 Section 63 held under Title No. Pajakan Negeri 35520, Town of Kuala Lumpur, District of Kuala Lumpur (collectively identified as "**Prince Court Medical Centre**"); and the unexpired 30 years registered sub-lease interest expiring 31st July 2048 with a further automatic lease renewal term of 30 years and for the remaining lease period up to 30th December 2104 (subject to the full settlement of the sub-lease consideration in accordance to the instalment payment arrangement stated therein) to use and manage part of an adjoining land identified as Lot 310 Section 63 held under Title No. Geran 43005, Town of Kuala Lumpur, District of Kuala Lumpur (referred to as "**Lot 310**") measuring approximately 5,572 square metres where all existing infrastructure + services (including street lightings, cables, pipes, drainage, service roads and driveway etc) attached thereon designated for Prince Court Medical Centre (referred to as the "**Sub-Leased Land**"); together with the benefit of right of way granted to Prince Court Medical Centre Sdn Bhd (as the "**Sub-Lessee**") to use and maintain an access road measuring approximately 285 square metres which was constructed on part of Lot 310 that falls outside the Sub-Leased Land (referred to as the "**Right of Way**"); and the contractual right of use solely for open space and green area on part of Lot 310 measuring approximately 2,984 square metres (referred to as the "**Licensed Area**"); with Certificate for Occupation issued and subject to the title being free from all encumbrances, good, marketable and registrable, as at 15th April 2019 is **RM800,000,000 (Ringgit Malaysia Eight Hundred Million Only)**.

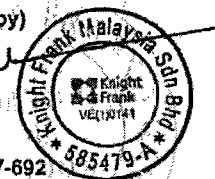
For and on behalf of
KNIGHT FRANK MALAYSIA SDN BHD
(signed and sealed by)

OOI HSIEN YU
Registered Valuer, V-692
MRISM, MRICS, MPEPS

Date: 20th August 2019

Notes:-

- i) Please note that this certificate shall only be valid provided always that a signature of our authorised signatory and an official seal have been affixed hereto.
- ii) The above valuation is peer reviewed by Knight Frank Malaysia Sdn Bhd (Head Office), Mr. Chong Teck Seng (Registered Valuer, V-331)



**PRINCE COURT MEDICAL CENTRE
SDN. BHD.
(599835-A)
(Incorporated In Malaysia)**

**Directors' Report and Audited Financial Statements
31 December 2018**

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

599835-A**Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)**

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AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

599835-A**Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)****Director's report**

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2018.

Principal activity

The principal activities of the Company in the course of the financial year remain unchanged and consist of the provision of medical, surgical and hospital services.

Holding companies

The immediate and ultimate holding companies of the Company from 23 August 2018 are Pulau Memutik Ventures Sdn. Bhd. and Khazanah Nasional Berhad respectively, which both are incorporated in Malaysia.

Prior to the date, the immediate holding and ultimate holding companies were PETRONAS Hartabina Sdn. Bhd. and Petroliam Nasional Berhad ("PETRONAS") respectively, which both are incorporated in Malaysia.

Results**RM**

Profit for the year	<u>51,037,193</u>
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Dividends

On 25 March 2019, the Board of Directors had approved for the Company to declare a first fully franked dividend of RM20 million at 1 sen per share or 1% on the ordinary shares and redeemable preference shares for the year ended 31 December 2018. The dividend is payable under two separate payments of RM10 million each on or before 30 April 2019 and on or before 30 June 2019 respectively.

The financial statements for the current financial year do not reflect this declared dividend and will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2019.

Reserves and provisions

There were no material movements to and from reserves and provisions during the year other than as disclosed in the financial statements

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

599835-A**Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)****Directors of the company**

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Bhagat Chintamani Aniruddha	(Appointed on 1.8.2018)
Quek Pei Lynn	(Appointed on 1.8.2018)
Mohd Asrul Bin Ab. Rahim	(Appointed on 1.8.2018)
Dr Mahadevan A/L Thambirajah	(Resigned on 1.8.2018 and appointed on 1.8.2018)
Prof Ir Dr Ahmad Fadzil bin Mohamad Hani	(Appointed on 9.6.2018)
Wan Shamilah Binti Wan Muhammad Saidi	(Resigned on 1.8.2018)
Mohamad Rauff Bin Nabi Bax	(Resigned on 1.8.2018)
Vimala A/P V.R. Menon	(Resigned on 1.8.2018)
Dr Nirmala Menon A/P Y.B. Menon	(Appointed on 1.8.2018 and resigned on 1.8.2018)
Ahmad Shahizam Bin Mohd Shariff	(Appointed on 1.8.2018 and resigned on 1.8.2018)

Directors' interests

None of the Directors in office as at 31 December 2018 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which transacted with certain companies in the ordinary course of business and fees paid to a firm in which a Director is a member.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

599835-A**Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)****Issue (or - call up) of shares**

There were no changes in the issued and paid up capital of the Company during the financial year.

Indemnity and insurance costs

During the financial year, the Company, maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act, 2016. The total insured limit for the Directors and Officers Liability Insurance effected for the Directors and Officers of the Company was RM20 million per occurrence and in the aggregate.

To the extent permitted by law, the Company has agreed to indemnify its auditors, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify the auditors during the financial year nor since end of the financial year.

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) there are no bad debts to be written off and adequate provision made for doubtful debts, and
- (ii) any current assets which were unlikely to be realised in the ordinary course of business, their value as shown in the accounting record of the Company, had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (i) that would render if necessary to write off for bad debts, or the amount of the provision for doubtful debts, in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

As at the date of this report, there does not exist:

- (i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

599835-A**Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)****Other statutory information (cont'd.)**

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature, nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

599835-A

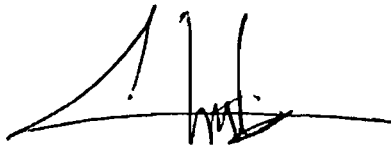
**Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)**

Auditors

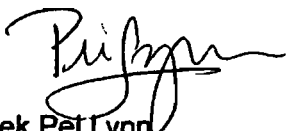
The auditors, Ernst & Young, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 14 to the financial statements.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:



Bhagat Chintamani Aniruddha


Quek Pei Lynn

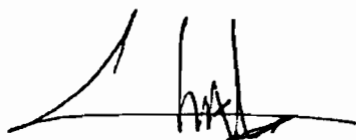
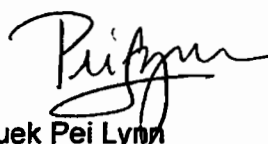
**Kuala Lumpur,
25 March 2019**

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

599835-A**Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)****Statement by Directors**

In the opinion of the Directors, the financial statements set out on pages 8 to 42 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company at 31 December 2018 and of its financial performance and cash flows for the year ended on that date.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

**Bhagat Chintamani Aniruddha****Quek Pei Lynn**

Kuala Lumpur,
25 March 2019

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)**599835-A****Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)****Statutory declaration**

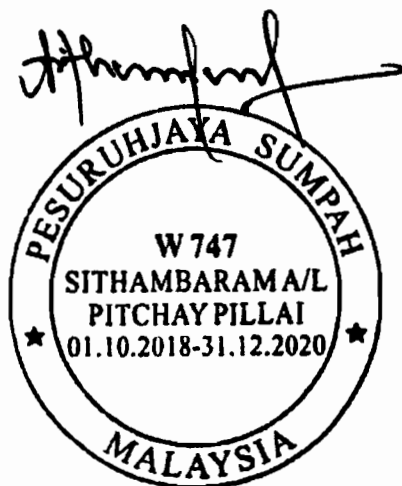
I, Carolynn Yeo Swee Kuan (CA 16226), the officer primarily responsible for the financial management of Prince Court Medical Centre Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 8 to 42 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
Carolynn Yeo Swee Kuan at Kuala Lumpur in Wilayah Persekutuan
on 25 March 2019.

BEFORE ME,



Commissioner for Oath



3A, LORONG CHAN AH TONG,
BRICKFIELDS,
50470 KUALA LUMPUR

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

599835-A

Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)

Statement of financial position
As at 31 December 2018

	Note	2018 RM	2017 RM
Assets			
Non-current asset			
Property, plant and equipment	4	441,799,049	397,112,160
Deferred tax asset	11	29,704,668	-
		<u>471,503,717</u>	<u>397,112,160</u>
Current assets			
Inventories	5	8,831,483	8,304,618
Trade and other receivables	6	41,804,780	50,895,573
Amount due from former immediate holding company	7	-	17,172
Cash and bank balances	8	49,649,215	76,652,854
		<u>100,285,478</u>	<u>135,870,217</u>
Total assets		<u>571,789,195</u>	<u>532,982,377</u>
Equity and liabilities			
Equity attributable to equity holder of the Company			
Ordinary shares	9	100,000,000	100,000,000
Redeemable preference shares	9	1,758,800,000	1,758,800,000
Accumulated losses		(1,372,657,932)	(1,423,695,125)
		<u>486,142,068</u>	<u>435,104,875</u>
Non-current liabilities			
Amount due to former ultimate holding company	7	-	30,000,000
Other payable	10	27,750,000	-
		<u>27,750,000</u>	<u>30,000,000</u>
Current liabilities			
Trade and other payables	10	57,897,127	60,511,078
Amount due to former ultimate holding company	7	-	7,125,263
Amount due to former related companies	7	-	241,161
		<u>57,897,127</u>	<u>67,877,502</u>
Total liabilities		<u>85,647,127</u>	<u>97,877,502</u>
Total equity and liabilities		<u>571,789,195</u>	<u>532,982,377</u>

The notes set out on pages 12 to 42 are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

599835-A

Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

	Note	2018 RM	2017 RM
Revenue	12	259,976,616	251,721,164
Cost of sales		(70,845,295)	(75,006,305)
Gross profit		189,131,321	176,714,859
Other operating income	13	8,003,489	8,794,715
Depreciation of property, plant and equipment		(21,835,456)	(27,198,757)
Administration expenses		(153,147,462)	(154,665,697)
Operating profit	14	22,151,891	3,645,120
Financing costs	15	(740,466)	(1,485,000)
Profit before taxation		21,411,425	2,160,120
Income tax credit	16	29,625,768	-
Profit net of tax, representing total comprehensive income for the year		51,037,193	2,160,120

The notes set out on pages 12 to 42 are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

599835-A

Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2018

	Ordinary shares RM	Redeemable preference shares RM	Share premium RM	Accumulated losses RM	Total equity RM
Balance at 1 January 2017	100,000,000	35,176,000	1,723,624,000	(1,425,855,245)	432,944,755
Total comprehensive income	-	-	-	2,160,120	2,160,120
Transfer in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017	-	1,723,624,000	(1,723,624,000)	-	-
Balance at 31 December 2017	100,000,000	1,758,800,000	-	(1,423,695,125)	435,104,875
Balance at 1 January 2018	100,000,000	1,758,800,000	-	(1,423,695,125)	435,104,875
Total comprehensive income	-	-	-	51,037,193	51,037,193
Balance at 31 December 2018	100,000,000	1,758,800,000	-	(1,372,657,932)	486,142,068

The notes set out on pages 12 to 42 are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

599835-A

Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 December 2018

	2018 RM	2017 RM
Cash flows from operating activities		
Profit before taxation	21,411,425	2,160,120
Adjustments for :		
Depreciation of property, plant and equipment	21,835,456	27,198,757
Inventories written off	112,981	127,602
Gain on disposal of property, plant and equipment	(216,269)	(11,369)
Interest income	(1,796,960)	(2,248,207)
Interest expenses	740,466	1,485,000
Operating profit before changes in working capital	<u>42,087,099</u>	<u>28,711,903</u>
Changes in trade and other receivables	9,107,965	(7,556,297)
Changes in trade inventories	(639,845)	(508,912)
Changes in trade and other payables	(9,984,031)	(4,509,819)
Net change in working capital	<u>(1,515,911)</u>	<u>(12,575,028)</u>
Cash generated from operations	40,571,188	16,136,875
Taxation paid	(78,900)	-
Net cash generated from operating activities	<u>40,492,288</u>	<u>16,136,875</u>
Cash flows from investing activities		
Interest income from short term fund placement	1,796,960	2,248,207
Proceeds from disposal of property, plant and equipment	264,900	14,500
Purchase of property, plant and equipment	(38,817,321)	(12,330,780)
Net cash used in investing activities	<u>(36,755,461)</u>	<u>(10,068,073)</u>
Cash flows from financing activities		
Repayment of loan to PETRONAS	(30,000,000)	-
Interest paid on loan from PETRONAS	(740,466)	(1,485,000)
Net cash used in from financing activities	<u>(30,740,466)</u>	<u>(1,485,000)</u>
Net (decrease)/increase in cash and cash equivalents	(27,003,639)	4,583,802
Cash and cash equivalents at beginning of the year	<u>76,652,854</u>	<u>72,069,052</u>
Cash and cash equivalents at end of the year	<u>49,649,215</u>	<u>76,652,854</u>

The notes set out on pages 12 to 42 are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)**599835-A****Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)****Notes to the financial statements - 31 December 2018****1. Corporate information**

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company is located at 39, Jalan Kia Peng, 50450 Kuala Lumpur.

2. Basis of preparation**2.1 Statement of compliance**

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the Companies Act, 2016 in Malaysia.

As of 1 January 2018, the Company had adopted amendments to MFRS and IC Interpretation (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standard Board ("MASB") as described fully in Note 22.

The adoption of these pronouncements do not have any material impact to the financial statements of the Company.

MASB has also issued new and revised pronouncements which are not yet effective for the Company and therefore, have not been adopted for in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in Note 23. New and revised pronouncements that are not relevant to the operations of the Company are set out in Note 24.

These financial statements were approved and authorised for the issue by the Board of Directors on 25 March 2019.

2.2 Basis of measurement

The financial statements of the Company have been prepared on historical cost basis, unless otherwise disclosed in the accounting policies below.

2.3 Functional and presentation currency

All financial information is presented in Ringgit Malaysia ("RM") which is also the functional currency of the entity.

599835-A**Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)****2. Basis of preparation (cont'd.)****2.4 Use of estimates and judgements**

The preparation of financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:-

- (i) Note 4 : Property, Plant and Equipment and Depreciation;
- (ii) Note 11 : Deferred Tax Assets; and
- (iii) Note 19 : Financial Instruments

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Company, unless otherwise stated.

3.1 Property, plant and equipment and depreciation

Projects-in-progress ("PIP") are stated at cost less impairment losses and are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of a property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

3.1 Property, plant and equipment and depreciation (cont'd.)

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation for property, plant and equipment other than leasehold land and PIP, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

Leasehold land is depreciated over the lease term

The estimated useful lives of the other property, plant and equipment are as follows:

(a) Leasehold land	60 - 99 years
(b) Building	50 years
(c) Plant and machineries	10 - 30 years
(d) Kitchen equipment	10 years
(e) Office equipment, furniture and fittings	5 - 10 years
(f) Computer software and hardware	3 - 5 years
(g) Motor vehicles	5 years
(h) Medical equipment	1 - 15 years

The depreciable amount is determined after deducting the residual value. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

When an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.3(ii).

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Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

3.2 Financial instruments

A financial instrument is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Recognition and initial measurement

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, any directly attributable transaction costs.

Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, whereby no adjustment is required if the period between performance and payment is 1 year or less, are measured at the transaction price determined under MFRS 15, upon adoption of MFRS 9 Financial Instruments.

Fair value adjustments on shareholder's loans and advances at initial recognition, if any, are added to the carrying value of investments in the Company's financial statements.

Subsequent measurement

Upon adoption of MFRS 9 Financial Instruments, financial assets are classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), as appropriate.

The Company determines the classification of financial assets at initial recognition and are not subsequently reclassified unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method (Note 3.2(iv)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

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Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

3.2 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Amortised cost (cont'd.)

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment (Note 3.3(i)).

(ii) Financial liabilities

Initial recognition

Financial liabilities are classified as financial liabilities at fair value through profit or loss or amortised cost, as appropriate. The Company determines the classification of financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value less, in the case of loans and borrowings, any directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (Note 3.2(iv)).

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

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Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

3.2 Financial instruments (cont'd.)

(iv) Amortised cost of financial instruments

Amortised cost is computed using the effective interest method. This method uses effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

(v) Derecognition of financial instruments

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.3 Impairment

(i) Financial assets

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and finance lease receivables.

The Company measures loss allowances on debt securities at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, other debt securities for which credit risk has not increased significantly since initial recognition and finance lease receivables, which are measured as 12 month expected credit loss.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

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Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

3.3 Impairment (cont'd.)

(i) Financial assets (cont'd.)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is past due.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

(ii) Other assets

The carrying amounts of other assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

599835-A**Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)****3. Significant accounting policies (cont'd.)****3.3 Impairment (cont'd.)****(ii) Other assets (cont'd.)**

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed in the subsequent period. In respect of other assets, an impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

599835-A**Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)****3. Significant accounting policies (cont'd.)****3.4 Cash and bank balances**

Cash and bank balances consist of cash on hand and bank balances which have an insignificant risk of changes in value.

3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Costs include the purchase price and other incidental costs incurred to bring the inventories to their present condition and location and are determined on the weighted average basis.

3.6 Foreign currency transactions

In preparing the financial statements of the Company, monetary assets and liabilities in foreign currency has been translated into Ringgit Malaysia at rates of exchange ruling on the transaction dates.

Gains and losses on exchange arising from translation of monetary assets and liabilities are dealt with in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

Gain and losses on exchange arising from retranslations are recognised in the profit or loss.

3.7 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future net cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognised as finance cost.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

3.7 Provisions (cont'd.)

Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company, are not recognised in the financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

3.8 Operating lease

All leases that do not transfer substantially to the Company all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the Company's statement of financial position.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line basis over the term of the lease.

3.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using the statutory tax rates at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused tax losses and other unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused tax losses and other unused tax credits can be utilised.

Deferred tax is not recognised for the following temporary differences; the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit nor loss.

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Prince Court Medical Centre Sdn. Bhd.
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3. Significant accounting policies (cont'd.)

3.9 Taxation

(ii) Deferred tax (cont'd.)

Deferred tax is measured at the tax rates that are expected to apply in the period when the assets is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the future taxable profit will be available against which the related tax benefit can be realised.

3.10 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Company recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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(Incorporated in Malaysia)****3. Significant accounting policies (cont'd.)****3.10 Revenue**

If a performance obligation is not satisfied over time in accordance with the above criteria, an entity satisfies the performance obligation and recognises revenue at a point in time.

(i) Revenue from medical services

Revenue from medical services rendered is recognised net of discounts where applicable, on the date the services are performed.

(ii) Sale of goods

Revenue from sale of pharmacy and medical supplies is recognised based on invoiced value of goods sold, upon the transfer of risks and rewards.

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

3.11 Employee benefits**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF").

Such contributions are recognised as an expense in the profit or loss as incurred.

3.12 Financing costs

Financing costs comprise interest payable on borrowings.

All interest and other costs incurred in connection with borrowings are expensed off as incurred.

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4. Property, plant and equipment

At Cost:	Long term leasehold land RM	Building RM	Plant and machineries RM	Kitchen equipment, office equipment, furniture & fittings RM	Computer software and hardware RM	Motor vehicles RM	Medical equipment RM	Projects In progress (PIP) RM	Total RM
At 1 January 2017	94,163,393	411,961,435	185,840,762	11,411,897	66,786,796	564,991	265,157,043	1,721,549	1,037,607,866
Additions	-	10,690	-	125,972	156,306	-	8,433,127	3,604,685	12,330,780
Disposal	-	-	-	-	(1,857,251)	-	(208,777)	-	(2,066,028)
Transfer	-	2,898,480	820,900	-	526,197	-	301,700	(4,547,277)	-
At 31 December 2017	94,163,393	414,870,605	186,661,662	11,537,869	65,612,048	564,991	273,683,093	778,957	1,047,872,618
At 1 January 2018	94,163,393	414,870,605	186,661,662	11,537,869	65,612,048	564,991	273,683,093	778,957	1,047,872,618
Additions	37,000,000	812,974	-	145,490	5,396,079	138,710	5,924,817	17,154,321	66,572,391
Disposal	-	-	-	(69,150)	(8,536)	(455,085)	(20,229,850)	-	(20,762,621)
Transfer	-	1,840,256	-	309,980	328,995	-	10,226,200	(12,705,431)	-
At 31 December 2018	131,163,393	417,523,835	186,661,662	11,924,189	71,328,586	248,616	269,604,260	5,227,847	1,093,682,388

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4. Property, plant and equipment (cont'd.)

	Long term leasehold land RM	Building RM	Plant and machineries RM	Kitchen equipment, office equipment, furniture & fittings RM	Computer software and hardware RM	Motor vehicles RM	Medical equipment RM	Projects in progress (PIP) RM	Total RM
Accumulated depreciation and impairment losses:									
At 1 January	11,179,441	193,380,630	112,410,062	9,788,484	63,413,421	564,991	234,887,569	-	625,624,598
Charge for the year	952,015	5,750,046	4,535,037	797,744	959,854	-	14,204,061	-	27,198,757
Disposal	-	-	-	-	(1,857,251)	-	(205,646)	-	(2,062,897)
At 31 December 2017	12,131,456	199,130,676	116,945,099	10,586,228	62,516,024	564,991	248,885,984	-	650,760,458
At 1 January 2018	12,131,456	199,130,676	116,945,099	10,586,228	62,516,024	564,991	248,885,984	-	650,760,458
Charge for the year	1,465,903	9,782,617	-	585,916	1,445,321	28,897	8,528,217	-	21,836,871
Disposal	-	-	(67,636)	-	(1,422)	(455,084)	(20,189,848)	-	(20,713,990)
At 31 December 2018	13,597,359	208,913,293	116,877,463	11,172,144	63,959,923	138,804	237,224,353	-	651,883,339

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4. Property, plant and equipment (cont'd.)

	Long term leasehold land RM	Building RM	Plant and machineries RM	Kitchen equipment, office equipment, furniture & fittings RM	Computer software and hardware RM	Motor vehicles RM	Medical equipment RM	Projects in progress (PIP) RM	Total RM
Carrying amount									
At 31 December 2017	82,031,937	215,739,929	69,716,563	951,641	3,096,024	-	24,797,109	778,957	397,112,160
At 31 December 2018	117,566,034	208,610,542	69,784,199	752,045	7,368,663	109,812	32,379,907	5,227,847	441,799,049

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5. Inventories

	2018 RM	2017 RM
At cost:		
Pharmaceuticals	6,242,417	5,285,077
Non-pharmaceuticals	2,507,036	2,940,342
Others	82,030	79,199
	<u>8,831,483</u>	<u>8,304,618</u>

During the year, inventories of RM54,831,622 (2017: RM56,552,189) were recognised in cost of sales.

6. Trade and other receivables

	2018 RM	2017 RM
Trade receivables	37,797,220	45,564,728
Less: Allowance for impairment	<u>(1,903,696)</u>	<u>(1,494,867)</u>
	<u>35,893,524</u>	<u>44,069,861</u>
Other receivables, deposits and prepayments	5,980,476	6,894,932
Less: Allowance for impairment	<u>(69,220)</u>	<u>(69,220)</u>
	<u>5,911,256</u>	<u>6,825,712</u>
Total trade and other receivables	<u>41,804,780</u>	<u>50,895,573</u>
Add: Amount due from former immediate holding company	-	17,172
Cash and bank balances	<u>49,649,215</u>	<u>76,652,854</u>
Total financial assets carried at amortised cost	<u>91,453,995</u>	<u>127,565,599</u>

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

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6. Receivables (cont'd.)Ageing analysis of trade receivables

The ageing analysis of the Company's trade receivables is as follows:

	2018	2017
	RM	RM
Neither past due nor impaired	22,075,773	22,431,867
1 to 30 days past due not impaired	8,532,327	12,824,660
31 to 60 days past due not impaired	2,918,428	5,455,681
61 to 90 days past due not impaired	817,775	1,338,939
More than 91 days past due not impaired	1,549,221	2,018,714
	<u>35,893,524</u>	<u>44,069,861</u>
Impaired	1,903,696	1,494,867
Total trade receivables	<u>37,797,220</u>	<u>45,564,728</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records. None of the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Company has trade receivables amounting to RM13,817,751 (2017: RM21,637,994) that are past due at the reporting date but not impaired.

Receivables that are impaired

The Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually and collectively impaired	
	2018	2017
	RM	RM
Trade receivables - nominal amounts	1,903,696	1,494,867
Less: Allowance for impairment	<u>(1,903,696)</u>	<u>1,494,867</u>
	<u>-</u>	<u>-</u>

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6. Receivables (cont'd.)

Movement in allowance accounts:

	2018 RM	2017 RM
At the beginning of the year	1,494,867	1,494,867
Addition to impairment losses	408,829	-
At the end of the year	<u>1,903,696</u>	<u>1,494,867</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

7. Amounts due from/(to) former ultimate holding company, former immediate holding company and former related companies

	2018 RM	2017 RM
Current assets		
Due from former immediate holding company	-	17,172
Current liabilities		
Due to former ultimate holding company	-	(7,125,263)
Due to former related companies	-	(241,161)
	-	<u>(7,366,424)</u>
Non-current liabilities		
Due to former ultimate holding company		
- interest bearing @ 4.95% per annum. Repayment on shareholder loan in August 2018	-	(30,000,000)
	-	<u>(37,366,424)</u>

In prior year, the amounts due from/(to) former ultimate holding, former immediate holding and former related companies were unsecured and non-interest bearing with credit terms granted ranging from 15 to 45 days.

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8. Cash and bank balances

	2018 RM	2017 RM
Cash with PETRONAS Integrated Financial Shared Services Centre ("IFSSC")	-	76,005,640
Cash and bank balances	3,118,475	647,214
Deposits with licensed bank	46,530,740	-
	<u>49,649,215</u>	<u>76,652,854</u>

In prior year, the Company's cash and bank balances was held in the In-House Account ("IHA") managed by IFSSC to enable more efficient cash management for the Company. In prior year, included in cash with IFSSC was interest-bearing balances amounting to RM2,248,207 which carried interest rate of 3.0% to 3.2% with maturity days of 1 to 3 days.

In current year, the Company's deposits with licensed bank carry interest rates (per annum) of 3.0% to 3.6% with maturity days of 2 to 30 days.

9. Share capital

	2018		2017	
	No. of Shares	Amount RM	No. of Shares	Amount RM
Issued and fully paid:				
Ordinary shares				
Opening balance	100,000,000	100,000,000	100,000,000	100,000,000
Transfer of share premium in accordance with Section 618(2) of the Companies Act, 2016 to no-par value regime on 31 January 2017	-	-	-	-
Closing balance	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Redeemable preference shares				
Opening balance	35,176	1,758,800,000	35,176	35,176,000
Transfer of share premium in accordance with Section 618(2) of the Companies Act, 2016 to no-par value regime on 31 January 2017	-	-	-	1,723,624,000
Closing balance	<u>35,176</u>	<u>1,758,800,000</u>	<u>35,176</u>	<u>1,758,800,000</u>

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

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Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)**9. Share capital (cont'd.)**

The RPS issued and fully paid have the following rights and conditions attaching to them:

- (a) The right to rank, as regards to dividend, return on capital and assets on winding up, in priority to the ordinary shares;
- (b) Redeemable preference shares do not carry the right to vote; and
- (c) The holder of the redeemable preference shares shall receive a discretionary non-cumulative dividend on the value of its shareholdings.

At the option of the Company, all or part of the redeemable preference shares can be redeemed at par together with the premium paid, if any, upon giving notice in writing to the redeemable preference shareholders.

In accordance with Section 618 of Companies Act, 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act, 2016 on 31 January 2017 to utilise the credit.

Included in share capital is share premium amounting to RM1,723,624,000 that is available to be utilised in accordance with Section 618(3) of Companies Act, 2016 on or before 30 January 2019 (24 months from commencement of section 74).

10. Trade and other payables

	2018 RM	2017 RM
Current liabilities		
Trade payables		
Third parties	12,507,762	9,676,836
Accruals	1,373,050	1,359,373
Other payables:		
Third parties	30,533,656	31,333,855
Accruals	1,490,788	4,103,424
Provisions	11,168,456	13,214,175
Deposits received	823,415	823,415
	57,897,127	60,511,078
Non-current liabilities		
Other payable:		
Long-term payable to former intermediate holding company	27,750,000	-
Total trade and other payables	85,647,127	60,511,078
Add: Amount due to former ultimate holding company	-	37,125,263
Amount due to former related companies	-	241,161
Total financial liabilities at amortised cost	85,647,127	97,877,502

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**Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)****10. Trade and other payables (cont'd.)**

The credit terms granted to the Company vary from 30 days to 60 days (2017: 14 days to 60 days).

11. Deferred tax assets

	2018 RM	2017 RM
At 1 January	-	-
Recognised in profit or loss (Note 16)	(29,704,668)	-
At 31 December	<u>(29,704,668)</u>	<u>-</u>

Presented after appropriate offsetting as follows:

Deferred tax liabilities	26,352,832	10,964,574
Deferred tax assets	<u>(56,057,500)</u>	<u>(10,964,574)</u>
	<u>(29,704,668)</u>	<u>-</u>

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Company:

	2018 RM	2017 RM
Property, plant and equipment		
At 1 January	10,964,574	-
Recognised in profit and loss	15,388,258	10,964,574
At 31 December	<u>26,352,832</u>	<u>10,964,574</u>

Deferred tax assets of the Company:

	2018 RM	2017 RM
Unabsorbed capital allowances		
At 1 January	(10,964,574)	-
Recognised in profit and loss	(45,092,926)	(10,964,574)
At 31 December	<u>(56,057,500)</u>	<u>(10,964,574)</u>

The deferred tax assets which have not been recognised in respect of unabsorbed tax losses and unutilised capital allowances are amounting to RM329,533,615 (2017: RM329,533,615) and RM400,845,400 (2017: RM656,357,684), respectively.

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11. Deferred tax assets (cont'd.)

The unutilised capital allowances of the Company are available indefinitely for offsetting against future taxable profits of the Company. On the other hand, effective from year of assessment 2019 as announced in the Annual Budget 2019, the unabsorbed tax losses of the Company as at 31 December 2018 and thereafter will only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unabsorbed tax losses will be disregarded.

12. Revenue

Revenue of the Company relates to fees generated from the provision of medical services and the sale of medical and pharmaceutical supplies.

13. Other operating income

	2018	2017
	RM	RM
Interest income	1,796,960	2,248,207
Rental income	3,450,272	3,543,310
Parking income	1,288,145	1,418,158
Medical and occupational health service	579,600	579,600
Miscellaneous	888,512	1,005,440
	<u>8,003,489</u>	<u>8,794,715</u>

14. Operating profit

	2018	2017
	RM	RM
Operating profit is stated after charging/(crediting):		
Staff costs:		
- Salaries, allowances and others	81,902,597	80,386,104
- Contribution to Employee's Provident Fund	8,156,413	8,593,854
Gain on disposal on property, plant and equipment	(216,269)	(11,369)
Repair and maintenance	14,531,035	15,638,817
Utilities and telecommunication	12,721,966	13,007,889
Professional fees	5,554,045	4,319,380
Rental and leases	322,109	1,846,949
Inventories written off	112,981	127,602
Auditor's remuneration	129,100	125,300
Realised foreign exchange gain	(4,511)	(54,814)
	<u>(4,511)</u>	<u>(54,814)</u>

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15. Financing costs

	2018 RM	2017 RM
Interest expenses on former shareholder's loan	740,466	1,485,000

16. Income tax credit

	2018 RM	2017 RM
Malaysian income tax:		
- Current year	78,900	-
Deferred tax (Note 11):		
- Relating to origination and reversal of temporary differences	(29,704,668)	-
Income tax credit in recognised in profit or loss	(29,625,768)	-

Domestic current income tax is calculated at the statutory rate of 24% (2017: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax credit applicable to profit before taxation at the statutory income tax rate to income tax credit at the effective income tax rate of the Company is as follows:

	2018 RM	2017 RM
Profit before taxation	21,411,425	2,160,120
Taxation at Malaysian statutory income tax rate of (2017: 24%)	5,138,742	518,429
Adjustments:		
Income not subject to tax	(248,852)	(539,570)
Non deductible expenses	740,592	787,546
Deferred tax assets recognised on unabsorbed capital allowances	(29,704,668)	-
Utilisation of previously unrecognised unabsorbed capital allowances	(5,551,582)	(766,405)
Income tax credit recognised in profit or loss	(29,625,768)	-

Details of deferred tax assets not recognised are stated in Note 11.

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

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17. Operating lease arrangements

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities and the total of future aggregate minimum sublease receipts expected to be received under non-cancellable subleases, are as follows:

	2018 RM	2017 RM
Not later than one year	108,120	386,639
Later than one year and not later than five years	191,045	22,107
	<u>299,165</u>	<u>408,746</u>

18. Significant related party disclosures

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and an entity that provides key management personnel services to the Company. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

Key management personnel ("KMP") compensation

	2018 RM	2017 RM
Directors		
- Fees	<u>282,000</u>	<u>38,500</u>
Other key management personnel		
- Emoluments	1,880,384	2,257,267
- Other short term employee benefits	908,902	34,464
	<u>2,789,286</u>	<u>2,291,731</u>

The Company regards the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Director Human Resource as the other KMPs of the Company.

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19. Financial risk management and capital management

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk.

The ultimate holding company has established policies and guidelines that sets the foundation for a consistent approach towards establishing an effective financial risk management across the group.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of potential exposure of the Company to losses in the event of non-performance by counterparts. The Company's exposure to credit risk arises primarily from receivables from customers. For cash and bank balances, the Company minimises credit risk by dealing exclusively with reputable licensed banks. Credit risks are controlled by individual operating units in line with group's policies and guidelines.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Exposure to credit risk

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

The exposure of credit risk for trade receivables at the reporting date by business segments are as follows:

	2018 RM	2017 RM
Self-paying patients	3,075,847	3,445,866
Insurance companies	29,606,635	36,153,471
Corporations	3,211,042	4,470,524
	<u>35,893,524</u>	<u>44,069,861</u>

On statement of financial position date, there was a significant concentration of credit risk arising from an amount owing from AIA Insurance Berhad representing 22% (2017: 22%) of trade receivables

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19. Financial risk management and capital management (cont'd.)

(a) Credit risk (cont'd.)

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Company performs credit rating assessment of all its counterparties in order to measure expected credit losses ("ECLs") of trade receivables for all segments using the Credit Risk Rating System. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties.

In determining the ECL, the probability of default assigned to each counterparty is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Company's historical experience.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

	2018		
	Gross carrying amount RM	Loss allowance RM	Net balance RM
Low risk	23,861,801	(618)	23,861,183
Medium risk	12,035,411	(3,070)	12,032,341
High risk	1,900,008	(1,900,008)	-
	<u>37,797,220</u>	<u>(1,903,696)</u>	<u>35,893,524</u>

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19. Financial risk management and capital management (cont'd.)

(a) Credit risk (cont'd.)

Recognition and measurement of impairment loss (cont'd.)

	2018		
	Gross carrying amount RM	Loss allowance RM	Net balance RM
Credit impaired:			
More than 30 to 60 days past due	30,722,496	(470,683)	30,251,813
Individually impaired	7,074,724	(1,433,013)	5,641,711
	<u>37,797,220</u>	<u>(1,903,696)</u>	<u>35,893,524</u>
Representing:			
Total trade receivables	<u>37,797,220</u>	<u>(1,903,696)</u>	<u>35,893,524</u>

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company manages liquidity risk by maintaining sufficient cash in order to support its business and maximise shareholder's value.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Total RM
31 December 2018			
Trade and other payables	<u>43,864,833</u>	<u>27,750,000</u>	<u>71,614,833</u>
31 December 2017			
Trade and other payables	41,834,106	-	41,834,106
Amount due to former ultimate holding company	7,125,263	30,000,000	37,125,263
Amount due to former related companies	241,161	-	241,161
	<u>49,200,530</u>	<u>30,000,000</u>	<u>79,200,530</u>

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

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Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)

20. Fair value of financial instruments**Fair value information**

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The fair value of the non-current amount due to ultimate holding company is estimated by discounting expected future cashflows at market lending rates for similar types of lending.

(i) Fair value hierarchy

The Company categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- (a) Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- (b) Level 2 Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), or
- (c) Level 3 Input for the asset or liability that are not based on observable market data (unobservable input)

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement.

(ii) Assets and liabilities measured at fair value

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Fair value of financial instruments not carried at fair value					Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	
2018					
Non-current liabilities					
Other payable	-	23,944,770	-	23,944,770	27,750,000
2017					
Non-current liabilities					
Amount due to former ultimate holding company	-	29,973,278	-	29,973,278	30,000,000

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

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Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)

20. Fair value of financial instruments (cont'd.)**Level 2 fair value measurements**

Level 2 fair value can be derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets that are categorised within Level 2 of the fair value hierarchy:

Non-derivative financial assets and liabilities

The fair value of the other payable and amount due to former holding company which is determined for disclosure purposes is calculated by discounting expected future cash flows at the market rate of interest at the end of the reporting period.

21. Capital management

The Company defines capital as total equity and debt of the Company. The objective of the Company's capital management is ensuring availability of funds in order to support its business and maximises shareholder's value. The Company's approach in managing capital is based on defined guidelines as set out by the Board of Directors.

22. Adoption of new and revised pronouncements

As of 1 January 2018, the Company adopted the following pronouncements that have been issued by the MASB and are applicable as listed below:

Effective for annual periods beginning on or after 1 January 2018

Amendments to MFRS 2	<i>Share-based Payment: Classification and Measurement of Share-based Payment Transactions</i>
MFRS 9	<i>Financial Instruments</i>
MFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to MFRS 1	<i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)</i>
Amendments to MFRS 112	<i>Income Taxes (Annual Improvements 2015-2017 Cycle)</i>
Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)</i>
IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>

The adoption of the abovementioned pronouncements do not result in any material impact to the financial statements of the Company.

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

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Prince Court Medical Centre Sdn. Bhd.
(Incorporated in Malaysia)

23. Pronouncements yet in effect

The following pronouncements that have been issued by MASB will become effective in future financial reporting periods and have not been adopted by the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	<i>Leases</i>
Amendments to MFRS 112	<i>Income Taxes (Annual Improvements 2015-2017 Cycle)</i>
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>

The Company is expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impacts to the financial statements of the Company except as mentioned below:

i. MFRS 16 Leases

MFRS 16 replaces existing leases guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives*, and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Company is currently assessing the financial impact that may arise from the adoption of MFRS 16.

24. New and revised pronouncements not applicable to the company

The MASB has issued pronouncements which are not yet effective, but for which are not relevant to the operations of the Company and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 January 2019

Amendments to MFRS 3	<i>Business Combinations (Annual Improvements 2015-2017 Cycle)</i>
Amendments to MFRS 9	<i>Financial Instruments: Prepayment Features with Negative Compensation</i>
Amendments to MFRS 11	<i>Joint Arrangements (Annual Improvements 2015-2017 Cycle)</i>
Amendments to MFRS 119	<i>Employee Benefits</i>
Amendments to MFRS 123	<i>Borrowing Costs (Annual Improvements 2015-2017 Cycle)</i>
Amendments to MFRS 128	<i>Investment in Associates and Joint Ventures: Long term Interests in Associates and Joint Ventures</i>

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

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Prince Court Medical Centre Sdn. Bhd.
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24. New and revised pronouncements not applicable to the company (cont'd.)***Effective for annual periods beginning on or after 1 January 2020***

Amendments to MFRS 101	<i>Presentation of Financial Statements</i>
Amendments to MFRS 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>

Effective for annual periods beginning on or after 1 January 2021

MFRS 17	<i>Insurance Contracts</i>
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Effective for a date yet to be confirmed

Amendments to MFRS 10	<i>Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>

25. Immediate holding company

The immediate holding company from 23 August 2018 is Pulau Memutik Ventures Sdn. Bhd., a company incorporated in Malaysia.

Prior to the date, the immediate holding company was PETRONAS Hartabina Sdn. Bhd., a company incorporated in Malaysia.

26. Ultimate holding company

The ultimate holding company from 23 August 2018 is Khazanah Nasional Berhad, a company incorporated in Malaysia.

Prior to the date, the ultimate holding company was Petroliam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia.

27. Subsequent Event

On 25 March 2019, the Board of Directors had approved for the Company to declare a first fully franked dividend of RM20 million at 1 sen per share or 1% on the ordinary shares and redeemable preference shares for the year ended 31 December 2018. The dividend is payable under two separate payments of RM10 million each on or before 30 April 2019 and on or before 30 June 2019 respectively.

The financial statements for the current financial year do not reflect this declared dividend and will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2019.

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)

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**Independent auditors' report to the member of
 Prince Court Medical Centre Sdn. Bhd.
 (Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Prince Court Medical Centre Sdn. Bhd. , which comprise the statement of financial position as at 31 December 2018, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 42.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.



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**Independent auditors' report to the member of
Prince Court Medical Centre Sdn. Bhd. (cont'd.)
(Incorporated in Malaysia)**

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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**Independent auditors' report to the member of
Prince Court Medical Centre Sdn. Bhd. (cont'd.)
(Incorporated in Malaysia)**

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITED FINANCIAL STATEMENTS OF PCMC FOR THE FYE 31 DECEMBER 2018 (Cont'd)



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**Independent auditors' report to the member of
Prince Court Medical Centre Sdn. Bhd. (cont'd.)
(Incorporated in Malaysia)**

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
25 March 2019

Najihah Binti Khalid
No. 03249/10/2020 J
Chartered Accountant

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

All information relating to PCMC and PMV as contained in this Circular has been obtained from publicly available information and/or documents provided by the Board of Directors and/or management of PCMC and PMV. Therefore, the responsibility of our Board with respect to such information is limited to ensuring that such information is accurately reproduced in this Circular.

2. CONSENTS AND DECLARATION OF CONFLICT OF INTEREST

2.1 Maybank IB

Maybank IB, being the Principal Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Maybank IB and its related and associated businesses ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and fund management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for our Group and/or any of our affiliates, in addition to the role set out in this Circular. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders, and/or our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of any member of our Group and/or our affiliates. This is a result of the businesses of the Maybank Group generally acting independently of each other and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of our Group. Nonetheless, the Maybank Group is required to comply with the applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at the LPD, our Group has an existing credit facility of RM150.0 million with the Maybank Group which has not been drawn down. The said credit facility has been extended by the Maybank Group in the ordinary course of business. Notwithstanding this, Maybank IB is of the view that the aforesaid lending relationship will not give rise to a conflict of interest situation in its capacity as Principal Adviser for the Proposed Acquisition as:

- (i) the extension of the credit facility arose in the ordinary course of business of the Maybank Group;
- (ii) the conduct of the Maybank Group in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013 and the Maybank Group's own internal controls and checks; and
- (iii) the total amount of credit facility extended by the Maybank Group to our Group represents approximately 0.20% of the audited NA of the Maybank Group as at 31 December 2018 of RM75.3 billion.

FURTHER INFORMATION (Cont'd)

Maybank IB confirms that it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as Principal Adviser for the Proposed Acquisition.

2.2 RHB Investment Bank

RHB Investment Bank, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

RHB Investment Bank, its subsidiaries and associated companies, as well as its holding company, RHB Bank Berhad, and the subsidiaries and associated companies of RHB Bank Berhad ("**RHB Bank**") (collectively, the "**RHB Banking Group**") form a diversified financial group and may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, among others, brokerage, securities trading, asset and fund management and credit transaction service businesses in its ordinary course of business with our Group. The RHB Banking Group has engaged and may in the future, engage in transactions with and perform services for our Group in addition to the roles set out in the IAL.

Employees Provident Fund ("**EPF**") is a substantial shareholder of RHB Bank (being the holding company of RHB Investment Bank) and our Company. However, EPF is not involved in the day-to-day operations of RHB Banking Group and our Company.

Additionally, as at the LPD, Ong Ai Lin, an Independent Non-Executive Director of RHB Bank, is a shareholder of our Company, holding 10,000 IHH Shares. Further, Ong Ai Lin's:

- (i) sister, Datin Dr Ong Mei Lin ("**Datin Dr Ong**"), is a shareholder of our Company, holding 36,000 IHH Shares and a shareholder of an indirect subsidiary of our Company; and
- (ii) brother-in-law, Dato' Dr Lai Yoon Kee ("**Dato' Dr Lai**") (spouse of Datin Dr Ong), is a shareholder of our Company, holding 64,000 IHH Shares, and a director and shareholder of the same indirect subsidiary of our Company.

Nevertheless, Ong Ai Lin, Datin Dr Ong and Dato' Dr Lai are not involved in the day-to-day operations of RHB Banking Group and our Group, and are not involved in any deliberation relating to the Proposed Acquisition.

Furthermore, in the ordinary course of business, any member of the RHB Banking Group may at any time offer or provide its services to or engage in any transactions (whether on its own account or otherwise) with any member of our Group, hold long or short positions in the securities offered by any member of our Group, make investment recommendations and/or publish or express independent research views on such securities and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Group.

As at the LPD, the RHB Banking Group has extended various credit facilities ("**Credit Facilities**") with a combined limit of approximately RM3.0 million to our Group, of which the outstanding amount as at the LPD is approximately RM1.1 million.

Notwithstanding the above and as at the LPD, RHB Investment Bank, as part of the RHB Banking Group, has confirmed that the abovementioned Credit Facilities do not and will not likely result in a conflict of interest in its capacity as the Independent Adviser for the Proposed Acquisition in view of the following:

- (i) the Credit Facilities are made on an arm's length basis and is not material compared to the latest audited shareholders' funds of the RHB Banking Group of approximately RM23.36 billion as at 31 December 2018;

FURTHER INFORMATION (Cont'd)

- (ii) the Credit Facilities have been provided by the RHB Banking Group in the ordinary course of business and is not conditional upon RHB Investment Bank being appointed as the Independent Adviser for the Proposed Acquisition or upon any other proposals being undertaken by any entities within the RHB Banking Group;
- (iii) RHB Investment Bank is a licensed investment bank and their appointment as the Independent Adviser for the Proposed Acquisition is in its ordinary course of business. RHB Investment Bank does not have any interest in the Proposed Acquisition other than as an independent adviser based on the terms of engagement that are mutually agreed between both parties. Further, RHB Investment Bank does not receive or derive any financial interest or benefit save for the professional fees received in relation to its appointment as the Independent Adviser for the Proposed Acquisition;
- (iv) the Corporate Finance Department of RHB Investment Bank ("**RHB CF**") is required under its investment banking license to comply with strict policies and guidelines issued by the Securities Commission Malaysia, Bursa Securities and BNM governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of independent committees to review its business operations. In any event, the team in charge of the Proposed Acquisition is independent from the team handling the credit facilities. Further, there is no involvement by RHB CF in respect of any credit application process undertaken by other departments within the RHB Banking Group;
- (v) the conduct of the RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, the Capital Markets and Services Act 2007 and the RHB Banking Group's own internal controls and checks which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees; and
- (vi) the RHB Banking Group does not hold any shares nor have any board representatives in our Group and our Group does not have any representatives on the Board of Directors of the RHB Banking Group.

Further, save for RHB Investment Bank's appointment as the Independent Adviser for the Proposed Acquisition and the Credit Facilities extended by the RHB Banking Group to our Group, RHB Investment Bank does not have any professional relationship with our Group within the past 2 years preceding the LPD.

2.3 PwC Capital

PwC Capital, being the independent equity valuer of 100% of the equity of PCMC, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Equity Valuation Letter and all references thereto in the form and context in which they appear in this Circular.

PwC Capital confirms that it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as the independent equity valuer of 100% of the equity of PCMC.

2.4 Knight Frank

Knight Frank, being the independent property valuer of the Subject Property, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the property valuation certificate and all references thereto in the form and context in which they appear in this Circular.

Knight Frank confirms that it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as the independent property valuer of the Subject Property.

FURTHER INFORMATION (Cont'd)

3. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group which may have a material impact on the profits and/or NA of our Group:

	(RM' 000)
Property, plant and equipment and investment properties	
- Approved and contracted for:	863,797
Other	(1)1,990,112
Total	2,853,909

Note:

(1) The other material commitments of up to RM1,990.1 million is in relation to the Fortis Open Offer and Malar Open Offer. Details of the Fortis Open Offer and Malar Open Offer are set out in Section 9 of Part A of this Circular.

4. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, our Board is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profits and/or NA of our Group:

- (i) in respect of Escorts Heart Institute and Research Centre Limited ("**EHIRCL**"), a subsidiary of Fortis:
 - (a) Delhi Development Authority ("**DDA**") had terminated the lease deeds and allotment letters relating to land parcels on which the Fortis Escorts Hospital, Delhi exists due to certain alleged non-compliances of such documents. Consequent to the termination, DDA issued show cause notice and initiated eviction proceedings against EHIRCL. The said termination and show cause notice for eviction have been challenged by EHIRCL before the High Court of Delhi, Supreme Court of India and Estate Officer of DDA, respectively which are currently pending. Based on the external legal counsel's opinion, EHIRCL is of the view that it will be able to suitably defend the termination order, show cause notices and eviction proceedings; and
 - (b) in relation to the judgement of the High Court of Delhi relating to provision of free treatment/beds to the economically weaker sections of society pursuant to such obligations set forth under certain land grant orders/allotment letters ("**EWS Obligations**"), the Directorate of Health Services ("**DoHS**"), Government of National Capital Territory of Delhi, appointed a firm to calculate "unwarranted profits" arising to EHIRCL due to alleged non-compliance of such EWS Obligations. Following various hearings and appeals between 2014 and 2018, in a hearing before the DoHS in May 2018, an order was passed imposing a penalty of INR5.03 billion (equivalent to RM296.4 million) which was challenged by EHIRCL before the High Court of Delhi. Through an order dated 1 June 2018, the High Court of Delhi has issued notice and directed that no coercive steps may be taken subject to EHIRCL depositing a sum of INR50 million (equivalent to RM2.9 million) before the DoHS. In compliance of the above direction, EHIRCL had deposited the stipulated amount on 20 June 2018. Matter is pending adjudication. Based on its internal assessment and advice from its counsels on the basis of the documents available, EHIRCL believes it is in compliance of the EWS Obligations and expects the demand to be set aside;

FURTHER INFORMATION (Cont'd)

- (ii) in respect of Hiranandani Healthcare Private Limited ("**HHPL**"), a subsidiary of Fortis:

Through an order dated 8 January 2017, the Navi Mumbai Municipal Corporation ("**NMMC**") has terminated the lease agreements with HHPL ("**Termination Order**") for certain alleged contravention of such hospital lease agreement. HHPL has filed a writ petition before the Supreme Court of India towards challenging the Termination Order. The writ petition has been tagged with special leave petition which has also been filed by HHPL for, among others, challenging the actions of State Government, City Industrial Development Corporation and the NMMC which led to the passing of the Termination Order. The Supreme Court of India in the hearing held on 30 January 2017 ordered that status quo be maintained with regard to the operation of the hospital. Further, the special leave petition has been admitted by the Supreme Court of India on 22 January 2018 and status quo has been continuing ever since. Based on external legal counsel's opinion, HHPL is confident that it is in compliance of conditions of the hospital lease agreements and accordingly considers that no provisions were required;

- (iii) a civil suit has been filed by a third party ("**Claimant**") against Fortis and certain entities (together "**Defendants**") before the District Court of Delhi alleging, among others, implied ownership of the "Fortis", "SRL" and "La-Femme" brands in addition to certain other financial claims and seeking a decree that consequent to a term sheet with a certain party, Fortis is liable for claims due to the Claimant from that certain party. In connection with this, the District Court of Delhi passed an ex-parte order directing that any transaction undertaken by the Defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed by the District Court of Delhi in the said civil suit. Fortis has filed a written statement denying all allegations made against it and sought for dismissal of the said civil suit. Allegations made by the said certain party have been duly responded by Fortis denying: (a) execution of any binding agreement with certain party; and (b) liability of any kind whatsoever.

In addition to the above, Fortis had also received 4 notices from the Claimant claiming: (a) INR180 million (equivalent to RM10.6 million) as per notices dated 30 May 2018 and 1 June 2018; (b) INR2,158 million (equivalent to RM127.1 million) as per notice dated 4 June 2018; and (c) INR196 million (equivalent to RM11.5 million) as per notice dated 4 June 2018. All these notices have been responded by Fortis denying any liability whatsoever.

On 26 March 2019, an application has been filed by a certain party seeking substitution as plaintiff in place of the Claimant. This party has also filed an application against Fortis before the High Court of Delhi for seeking certain reliefs under the Indian Arbitration and Conciliation Act which is being contested by Fortis. This party has also initiated arbitration against Fortis by submitting a 'Request for Arbitration' on 24 October 2019 before the International Chamber of Commerce ("**ICC**"). Documents from the ICC have been received by Fortis on 2 November 2019 and it is evaluating next steps in consultation with external legal counsels.

Based on the external legal counsel's opinion, the Board of Directors of Fortis believes that the claims are without legal basis and are not tenable and accordingly, no provisions were required; and

- (iv) Fortis, having considered all necessary facts and taking into account external legal advice, had decided that it is not bound by the Letter of Appointment dated 27 September 2016, as amended ("**LOA**"), issued to Malvinder Mohan Singh, the former Executive Chairman in relation to his appointment as "Lead: Strategic Initiatives" in the Strategy Functions department of Fortis. The external legal counsel has also advised that the payments made to him under the LOA would be considered to be covered under the limits of Section 197 of the Indian Companies Act, 2013.

FURTHER INFORMATION (Cont'd)

In view of the above, Fortis has taken legal action in respect of the amounts paid to the former Executive Chairman during his tenure under the LOA and certain additional amounts reimbursed in relation to expenses incurred (in excess of amounts approved by the Government of India under Section 197 of the Indian Companies Act, 2013 for remuneration and other reimbursement), aggregating to INR200.2 million (equivalent to RM11.8 million).

The former Executive Chairman has claimed an amount of INR461.0 million (equivalent to RM27.2 million) from Fortis towards his terms of employment. The Board of Directors of Fortis has responded denying any liability whatsoever in this regard.

Fortis has filed a complaint against the former Executive Chairman before the Economic Offence Wing, New Delhi in the above matter.

The following material developments in relation to the contingent liabilities have occurred after the LPD:

- (i) in respect of Section 4(i)(a) above, the Supreme Court of India had, vide an order dated 14 November 2019, quashed the show cause notice for eviction issued by the DDA. A copy of said order is awaited. As such, EHIRCL understands that proceedings pending before the Estate Officer of DDA will also end; and
- (ii) On 14 December 2018, the Supreme Court of India had passed the Order (as defined in Section 9 of Part A of this Circular). By way of a judgement dated 15 November 2019 passed by the Supreme Court of India, a notice of contempt has been issued on its own motion to, among others, Fortis, and the registry of the Supreme Court of India has been directed to register a fresh contempt petition in regard to violation of the Order. The next hearing date for this matter is 3 February 2020. Fortis is seeking appropriate legal advice on this matter and will subsequently decide on the future course of action.

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FURTHER INFORMATION (Cont'd)

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Level 11, Block A, Pantai Hospital Kuala Lumpur, 8 Jalan Bukit Pantai, 59100 Kuala Lumpur during normal office hours from Monday to Friday (except public holiday) from the date of this Circular up to and including the date of our forthcoming EGM:

- (i) our Constitution;
- (ii) the Constitution of PCMC;
- (iii) our audited consolidated financial statements for the past 2 FYEs 31 December 2017 and 31 December 2018 and our latest unaudited consolidated financial statements for the 6-month FPE 30 June 2019;
- (iv) audited financial statements of PCMC for the past 2 FYEs 31 December 2017 and 31 December 2018 and the latest unaudited financial statements of PCMC for the 9-month FPE 30 September 2019;
- (v) the SPA;
- (vi) Equity Valuation Letter as included in **Appendix III** of this Circular and the equity valuation letter on 100% of the equity of PCMC issued by the Equity Valuer on 30 August 2019;
- (vii) property valuation certificate from Knight Frank on the valuation of the Subject Property as included in **Appendix IV** of this Circular and the Property Valuation Report;
- (viii) letters of consent referred to in Section 2 above;
- (ix) material contracts referred to in Section 10 of **Appendix II** of this Circular; and
- (x) relevant cause papers referred to in Section 9 of **Appendix II** of this Circular.



IHH Healthcare Berhad

(Company No. 901914-V)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of IHH Healthcare Berhad ("**IHH**" or "**Company**") will be held at Ballroom 2, Level 3D, Sheraton Petaling Jaya Hotel, Jalan Utara C, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 9 December 2019 at 10.00 a.m. or any adjournment of the EGM, for the purpose of considering and if thought fit, passing the following resolution with or without modifications:

ORDINARY RESOLUTION

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, FOR A CASH CONSIDERATION OF RM1,020.0 MILLION ("**PROPOSED ACQUISITION**")

"THAT, subject to and conditional upon the approvals and/or consents from all relevant regulatory authorities and/or third parties being obtained and subject to the conditions precedent stipulated in the conditional share purchase agreement dated 17 September 2019 between PHSB and PMV in respect of the Proposed Acquisition ("**SPA**") being fulfilled or waived, approval be and is hereby given to PHSB to acquire the entire issued share capital of PCMC from PMV for a cash consideration of RM1,020.0 million, on the terms and subject to the conditions set out in the SPA.

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised to sign and execute all documents, do all things and acts as may be required, necessary or appropriate to give full effect to the Proposed Acquisition with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or permitted and to deal with all matters relating thereto and to take all such steps and do all acts and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Acquisition."

BY ORDER OF THE BOARD

IDA SURYATI BINTI AB RAHIM (LS0009477)
SEOW CHING VOON (MAICSA 7045152)
Company Secretaries
Kuala Lumpur
22 November 2019

NOTES:
PROXY AND/OR AUTHORISED REPRESENTATIVES

1. A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead.
2. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. A member other than an exempt authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. Notwithstanding the foregoing, any member other than an exempt authorised nominee who is also a substantial shareholder (within the meaning of the Companies Act 2016) shall be entitled to appoint up to (but not more than) five (5) proxies. Where such member appoints more than one (1) proxy, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.
4. The instrument appointing a proxy shall:
 - (i) in the case of an individual, be signed by the appointer or by his/her attorney; and
 - (ii) in the case of corporation, be either under its common seal or signed by its attorney or an officer on behalf of the corporation.

A copy of the Authorisation Document or the duly registered Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and exercised, should be enclosed with the form of proxy.

5. A corporation which is a member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the EGM, in accordance with IHH's Constitution.
6. The instrument appointing the proxy together with the Authorisation Document or the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrar, Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd) at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding of the EGM or any adjournment thereof.
7. **Personal data privacy**
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.
8. **Members entitled to attend**
Only members whose names appear in the General Meeting Record of Depositors on 2 December 2019 shall be entitled to attend, speak and vote at the EGM or appoint a proxy(ies) on his/her behalf.



IHH Healthcare Berhad

FORM OF PROXY

Extraordinary General Meeting

*I/*We

_____ of _____
(Full name and NRIC/Passport/Company no. in capital letters)
(Full address in capital letters and telephone no.)

being a member/members of IHH HEALTHCARE BERHAD ("Company"), hereby appoint:

Full Name	Full Address	NRIC/ Passport No.	Proportion of Shareholding No. of Shares	%

*and/*or

Full Name	Full Address	NRIC/ Passport No.	Proportion of Shareholding No. of Shares	%

*and/*or (only in the case of a substantial shareholder)

Full Name	Full Address	NRIC/ Passport No.	Proportion of Shareholding No. of Shares	%

*and/*or (only in the case of a substantial shareholder)

Full Name	Full Address	NRIC/ Passport No.	Proportion of Shareholding No. of Shares	%

*and/*or (only in the case of a substantial shareholder)

Full Name	Full Address	NRIC/ Passport No.	Proportion of Shareholding No. of Shares	%

or failing *him/*her/*them, the CHAIRMAN OF THE MEETING as *my/*our *proxy/*proxies to vote for *me/*us on *my/*our behalf at the Extraordinary General Meeting ("EGM") of the Company to be held at Ballroom 2, Level 3D, Sheraton Petaling Jaya Hotel, Jalan Utara C, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 9 December 2019 at 10.00 a.m. and at any adjournment thereof. *I/*We indicate with an "✓" or "x" in the spaces below how *I/*we wish *my/*our vote to be cast:

No.	Ordinary resolution	For	Against
1	Proposed Acquisition		

Subject to the abovestated voting instructions, *my/*our *proxy/*proxies may vote or abstain from voting on the resolution as *he/*she/*they may think fit.

Dated this _____ day of _____ 2019

Total no. of Shares held	
Securities Account No.	

Signature of member/Common Seal of member



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IMPORTANT: PLEASE READ THE NOTES BELOW

Notes:

* Delete whichever is not applicable.

1. A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead.
2. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. A member other than an exempt authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. Notwithstanding the foregoing, any member other than an exempt authorised nominee who is also a substantial shareholder (within the meaning of the Companies Act 2016) shall be entitled to appoint up to (but not more than) five (5) proxies. Where such member appoints more than one (1) proxy, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.
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 - (ii) in the case of corporation, be either under its common seal or signed by its attorney or an officer on behalf of the corporation.

A copy of the Authorisation Document or the duly registered Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and exercised, should be enclosed with the form of proxy.

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IHH HEALTHCARE BERHAD (901914-V)

c/o Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13,
46200 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia

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