

IHH HEALTHCARE BERHAD

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

SUMMARY OF THE KEY MATTERS DISCUSSED AT THE EXTRAORDINARY GENERAL MEETING OF IHH HEALTHCARE BERHAD (“IHH” OR “THE COMPANY”) 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 (“THE MEETING”).

1. CHAIRMAN

Dato' Mohammed Azlan bin Hashim (“**Chairman**”) chaired the Meeting.

The Meeting is specifically convened to seek the shareholders' approval for the proposed acquisition of the entire issued share capital of Prince Court Medical Centre Sdn Bhd (“**PCMC**”) by Pantai Holdings Sdn Bhd, an indirect wholly-owned subsidiary of IHH, from Pulau Memutik Ventures Sdn Bhd (“**PMV**”), a wholly-owned subsidiary of Khazanah Nasional Berhad (“**Khazanah**”), for a cash consideration of RM1,020.0 million (“**Proposed Acquisition**”).

Before proceeding with the Meeting agenda, the Chairman introduced the members of the Board and the Company Secretaries who were seated on stage at the Meeting as well as the Management team and external advisers seated next to the stage. He also conveyed the apologies of Dr. Tan See Leng (“**Dr. Tan**”), Mr. Mehmet Ali Aydinlar, Dr. Farid bin Mohamed Sani (“**Dr. Farid**”), Mr. Shirish Moreshwar Apte and Ms. Jill Margaret Watts for not being able to attend the Meeting due to prior commitments which were unavoidable.

The Chairman then welcomed the representatives from the substantial shareholders of the Company, namely, Mitsui & Co., Ltd., PMV and Employees' Provident Fund.

He further welcomed the members of the Senior Management Team of IHH Group, the representatives from the various advisers engaged in respect of the Proposed Acquisition which include Maybank Investment Bank Berhad (“**MIBB**”), the Principal Adviser; RHB Investment Bank Berhad (“**RHBIB**”), the Independent Adviser who has been appointed to advise the non-interested Directors and non-interested shareholders on the Proposed Acquisition; Rahmat Lim & Partners, the Legal Adviser; PricewaterhouseCoopers Capital Sdn Bhd, the Equity Valuer; Knight Frank Malaysia Sdn Bhd, the Property Valuer; and the representative from the Minority Shareholders Watch Group (“**MSWG**”).

2. QUORUM

The Company Secretary confirmed that a quorum was present pursuant to Clause 89 of the Company's Constitution, and the Chairman declared the Meeting duly convened.

The Meeting was informed that in line with Paragraph 8.29A of the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad, the proposed resolution set out in the Notice convening the Meeting shall be voted by poll.

3. PRESENTATION BY ADVISERS

The representative from MIBB, the Principal Adviser, presented a brief overview of the Proposed Acquisition. Subsequent thereto, the representative of RHBIB, the Independent Adviser who has been appointed to advise the non-interested Directors and non-interested shareholders on the Proposed Acquisition, presented RHBIB's assessment and evaluation in respect of the Proposed Acquisition, to the Meeting.

4. QUESTION AND ANSWER SESSION

MSWG had on 3 December 2019 written to the Company and posed some questions pertaining to the Proposed Acquisition. The questions posed by MSWG and the corresponding responses of the Group, a copy of which is attached herewith marked as **Appendix I**, were read out and flashed on the screen for the benefits of the members present.

The shareholders and proxies had raised the following questions pertaining to the Proposed Acquisition which were responded accordingly by the Board, Management and the representatives of the external advisers. The summary of the questions and answers raised are as follows:

- (a) The gearing of IHH Group would increase substantially which is not in tandem with the estimated improvement in earnings per share ("**EPS**") as it is minimal, post the Proposed Acquisition. What are the plans / actions to be undertaken to close the gap over the years?

Assuming the Proposed Acquisition had been effected on 31 December 2018, the gearing would increase from 0.48 times as at 31 December 2018 to 0.51 times, post the Proposed Acquisition. Assuming that the Proposed Acquisition had been effected on 1 January 2018, the EPS would increase from 6.54 sen as at 31 December 2018 to 6.70 sen, post the Proposed Acquisition.

The abovesaid represents the proforma financial effects arising from the Proposed Acquisition based on certain assumptions. IHH Group has a low gearing ratio and even after taking into account the estimated bank borrowings of RM650.0 million to partly finance the Proposed Acquisition, the gearing level of IHH Group is still within a reasonable limit in the industry. IHH Group is expected to continue generating earnings to cover the interest and repayment of the bank borrowings.

- (b) Whether due care had been exercised in ensuring that due diligence had been carried out and additional steps being taken when considering the Proposed Acquisition.

A thorough and detailed due diligence had been carried out by the internal project team as well as the external advisers engaged for the Proposed Acquisition. The Company had performed financial, tax and legal due diligence on PCMC and a due diligence working group had been established to oversee the entire due diligence process.

The Board and Management, after having performed a thorough assessment from all aspects of the Proposed Acquisition and taking into consideration the advice from the professional advisers appointed, viewed that the Proposed Acquisition is in the best interest of the Company.

- (c) What is the expected return on equity ("**ROE**") immediately post the Proposed Acquisition?

Post the Proposed Acquisition, the Group is expected to report an additional earning of RM20 million immediately, which is equivalent to approximately 2% of the purchase consideration of RM1,020.0 million. Nevertheless, the ROE is expected to improve gradually due to the synergistic effects.

- (d) What is the estimated duration for the Group to realise the estimated internal rate of return ("**IRR**") of 15%?

The estimated payback period for the investment is between 10 to 15 years. Nevertheless, the payback period could be further shortened if all the proposed plans and initiatives to be undertaken bear fruits.

- (e) How the Group would position PCMC and Gleneagles Kuala Lumpur ("**GKL**"), which are located close to each other, post the Proposed Acquisition?

Strategically, PCMC fits very well into the Group's other portfolios in the Klang Valley. Management do not expect any cannibalisation between PCMC and GKL in view that both hospitals have their own client base in Klang Valley. Each hospital carries a different brand name and commands strong following by both the local patients and medical tourists.

Management believes PCMC would further enhance the Group's strategy in boosting medical tourism.

- (f) Whether there is a further expansion plan on PCMC, post the completion of the Proposed Acquisition?

Management would focus on optimising the space usage within PCMC facility as currently there is still space that can be used for more clinical services.

- (g) How best the Company had made such an estimation of IRR of between 10% to 15% in the Company's reply to MSWG and whether the vendor had provided a guarantee / assurance on the IRR or were the rates quoted merely a projection?

The estimated IRR for PCMC of between 10% to 15% is not a guarantee provided by the vendor but merely represents an estimation by Management based on realistic assumptions. The estimated IRR was derived based on the future plans for PCMC which include but not limited to the recruitment of new doctors with tertiary specialties, optimisation of the space usage as well as higher investment in medical infrastructures to enhance its capabilities for complex cases.

5. ORDINARY RESOLUTION – PROPOSED ACQUISITION

The Proposed Acquisition is a related party transaction within the ambit of Chapter 10 of the MMLR. PMV and Khazanah, being the major shareholders of the Company are deemed interested in the Proposed Acquisition.

Dr. Farid, Mr. Chintamani Aniruddha Bhagat (“**Mr. Chinta Bhagat**”), Mr. Wong Eugene and Ms. Quek Pei Lynn are the Interested Directors in relation to the Proposed Acquisition. The Interested Directors have abstained and save for Mr. Chinta Bhagat and Ms. Quek Pei Lynn, who have ceased to be directors of the Company, will continue to abstain from all deliberations and voting at the relevant Board meetings of the Company in relation to the Proposed Acquisition.

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

PMV, Khazanah and the Interested Directors will abstain from voting in respect of their direct and / or indirect shareholdings in the Company, if any, on the ordinary resolution pertaining to the Proposed Acquisition at this Meeting. 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 shareholdings in the Company, if any, on the ordinary resolution pertaining to the Proposed Acquisition at the Meeting.

The Board (save for the Interested Directors and Dr. Tan), 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 Conditional Share Purchase Agreement, 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 the Company.

Accordingly, the Board (save for the Interested Directors and Dr. Tan) recommends that the non-interested shareholders to vote in favour of the ordinary resolution pertaining to the Proposed Acquisition at the Meeting.

6. VOTING RESULTS

The ordinary resolution in respect of the Proposed Acquisition as tabled at the Meeting and voted upon by poll was duly passed by the shareholders of the Company.

CONCLUSION

As all business was completed, the Chairman concluded the Meeting at 11:20 a.m. and thanked all present for their attendance.



Questions from MSWG

IHH Healthcare Berhad
Extraordinary General Meeting

Question 1 from MSWG

1. What is the targeted return, and how long will it take for IHH to recoup the investment of RM1,020.0 million?

Response from IHH to Q1

The estimated internal rate of return for PCMC is between 10% to 15%.

We have undertaken the investment in PCMC with a long-term investment horizon in view of the capital-intensive nature of the healthcare industry. The estimated payback period for the investment is between 10 to 15 years depending on PCMC's future performance and macroeconomic factors.

However, we would like to highlight that the Prince Court Medical Centre building and accompanying land alone is valued at RM800 million based on Knight Frank's valuation.

Question 2 from MSWG

2. Based on the overview and prospects of the Malaysian healthcare industry and prospects and future plans of PCMC (Pages 13-15 of the Circular), what are PCMC's targeted future revenue and earnings before interest, tax, depreciation and amortisation ("EBITDA") growth? How does the Company plan to ensure that the targeted future revenue and EBITDA growth can be achieved? Please explain.

Response from IHH to Q2

We estimate PCMC's annual revenue and EBITDA growth to be between 5% to 10% depending on PCMC's future performance and macroeconomic factors. This is in line with the expected compounded annual growth rate (CAGR) of the Malaysian healthcare sector of approximately 9%¹ from 2017 to 2027. PCMC's growth will be driven by recruitment of new doctors, optimising space usage and capital investments that enhance its clinical capabilities. Additional synergistic benefits may also be gained by streamlining PCMC's processes with the shared services functions of our Group.

Note:

¹ *Source: Extracted from The Star published on 4 December 2018 - Article titled "Malaysia's healthcare market to reach RM127.9b by 2027, says Fitch Research".*