

TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : NON RELATED PARTY TRANSACTIONS IHH HEALTHCARE BERHAD (IHH OR THE COMPANY) (I) PROPOSED SUBSCRIPTION; (II) FORTIS OPEN OFFER; AND (III) MALAR OPEN OFFER.

IHH HEALTHCARE BERHAD

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) NON RELATED PARTY TRANSACTIONS
Description	IHH HEALTHCARE BERHAD (IHH OR THE COMPANY) (I) PROPOSED SUBSCRIPTION; (II) FORTIS OPEN OFFER; AND (III) MALAR OPEN OFFER.

Please refer attachment below.

Attachments

[IHH_Announcement - Participation in Fortis \(Final to Bursa\).pdf](#)
390.1 kB

Announcement Info

Company Name	IHH HEALTHCARE BERHAD
Stock Name	IHH
Date Announced	13 Jul 2018
Category	General Announcement for PLC
Reference Number	GA1-12072018-00073



IHH Healthcare Berhad

IHH HEALTHCARE BERHAD (“IHH” OR THE “COMPANY”)

- (I) **PROPOSED SUBSCRIPTION OF 235,294,117 NEW EQUITY SHARES OF FACE VALUE OF INDIAN RUPEE (“INR”) 10 EACH (“FORTIS SHARES”) IN FORTIS HEALTHCARE LIMITED (“FORTIS”) THROUGH PREFERENTIAL ALLOTMENT BY FORTIS TO AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF IHH, NORTHERN TK VENTURE PTE LTD (“NTK” OR THE “ACQUIRER”) (“PROPOSED SUBSCRIPTION”);**
 - (II) **MANDATORY OPEN OFFER FOR ACQUISITION OF UP TO 197,025,660 FORTIS SHARES REPRESENTING ADDITIONAL 26% OF THE EXPANDED VOTING SHARE CAPITAL (AS DEFINED HEREIN) OF FORTIS BY THE ACQUIRER (“FORTIS OPEN OFFER”); AND**
 - (III) **MANDATORY OPEN OFFER FOR ACQUISITION OF UP TO 4,894,308 FULLY PAID UP EQUITY SHARES OF FACE VALUE OF INR 10 EACH (“MALAR SHARES”), REPRESENTING 26% OF THE FULLY DILUTED VOTING EQUITY SHARE CAPITAL OF FORTIS MALAR HOSPITALS LIMITED (“MALAR”) BY THE ACQUIRER (“MALAR OPEN OFFER”).**
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1. INTRODUCTION

The Board of Directors of IHH (“**Board**”) wishes to announce the following:

- (a) NTK, an indirect wholly-owned subsidiary of IHH and a direct wholly-owned subsidiary of Parkway Pantai Limited (“**PPL**”) (which in turn is an indirect wholly-owned subsidiary of IHH) has, on 13 July 2018, entered into a share subscription agreement (“**Fortis SSA**”) with Fortis, as issuer, for the proposed subscription of 235,294,117 new Fortis Shares (“**Subscription Securities**”) by way of preferential allotment representing approximately 31.1% of the total voting equity share capital of Fortis on a fully diluted basis (inclusive of the Subscription Securities) (“**Expanded Voting Share Capital**”) in accordance with the terms of the Fortis SSA (“**Proposed Subscription**”);
- (b) 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**”), NTK, together with IHH and PPL, in their capacity as the persons acting in concert with the Acquirer (collectively, the “**PACs**”) intend to on 13 July 2018, in terms of Regulations 3(1) and 4 read with Regulation 15(1) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (as amended) (“**SEBI (SAST) Regulations**”), release a public announcement (“**Fortis Public Announcement**”) to the Fortis Shareholders (as defined herein), in relation to the Fortis Open Offer. Save and except for the PACs, no other person is acting in concert with the Acquirer for the purpose of the Fortis Open Offer at the time of the Fortis Public Announcement being released; and
- (c) pursuant to the Fortis Board Resolution and the filing of the Fortis Public Announcement, NTK together with the PACs intend to also on 13 July 2018, in terms of Regulations 3(1), 4 and 5(1) read with Regulations 13(2)(e) and 15(1) of the SEBI (SAST) Regulations, release a public announcement (“**Malar Public Announcement**”) to the Malar Shareholders (as defined herein) of Malar, in relation to the Malar Open Offer. Save and except for the PACs, no other person is acting in concert with the Acquirer for the purpose of the Malar Open Offer at the time of the Malar Public Announcement being released.



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The Fortis Open Offer is not subject to the completion of the Proposed Subscription, and NTK will proceed with the completion of the Fortis Open Offer, in the event the Proposed Subscription does not complete. In accordance with the explanation to the proviso to Regulation 13(4) of the SEBI (SAST) Regulations, the Acquirer and the PACs will not proceed with the Malar Open Offer in the event the Acquirer and the PACs are unable to exercise or direct the exercise of voting rights in, or control (as defined under the SEBI (SAST) Regulations) over Malar pursuant to the Proposed Subscription and the Fortis Open Offer, whether consummated or not.

For the purposes of this Announcement, (i) **“Fortis Shareholders”** shall mean all the shareholders of Fortis who are eligible to tender their shares in the Fortis Open Offer, excluding: (a) the Acquirer and the PACs; and (b) persons deemed to be acting in concert with the Acquirer and the PACs; and (ii) **“Malar Shareholders”** shall mean all the public shareholders of Malar excluding: (a) promoter and promoter group of Malar; (b) the Acquirer and the PACs; and (c) persons deemed to be acting in concert with the Acquirer and the PACs.

The Proposed Subscription, the Fortis Open Offer and the Malar Open Offer are collectively defined as the **“Proposals”**. Further details of the Proposals are set out in the sections below.

Unless otherwise stated, all currency conversions from INR to Ringgit Malaysia (**“RM”**) are based on Bloomberg rate of RM 1 : INR 17.0349 as of market close on 11 July 2018, being the latest practicable date (**“LPD”**) prior to this Announcement.

2. DETAILS OF THE PROPOSALS

2.1 Details of the Proposed Subscription

2.1.1 Background Information

The Proposed Subscription entails the preferential allotment of the Subscription Securities by Fortis to the Acquirer, constituting approximately 31.1% of the Expanded Voting Share Capital, for a total consideration of INR 4,000 crore (equivalent to approximately RM 2,348,120,623), at a share price of INR 170 (equivalent to RM 9.98) per Fortis Share (**“Subscription Price”**).

The Proposed Subscription is subject to the terms and conditions of the Fortis SSA, salient terms of which are as detailed in Section 2.1.2 below.

2.1.2 Salient terms of the Fortis SSA

The salient terms of the Fortis SSA are as set out below:

2.1.2.1 Subscription

Subject to the provisions of the applicable laws and the terms and covenants of the Fortis SSA, the Acquirer agrees to subscribe to the Subscription Securities, and Fortis agrees, upon receiving the Subscription Price, to issue and allot the Subscription Securities to the Acquirer, free and clear of all encumbrances, together with all rights, benefits and entitlement thereto (including voting, dividend, participation in distribution rights and bonus issuances), with effect from the Completion Date (as defined herein), as per the terms of the Fortis SSA.



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2.1.2.2 Conditions Precedent

The Proposed Subscription is conditional upon fulfilment or waiver (as may be applicable) of each of the conditions precedent set out below ("**Conditions Precedent**"):

- (i) Fortis shall have obtained the 'in-principle' approval for listing of the Subscription Securities and delivered to the Acquirer, a certified true copy of the resolutions (ordinary and special, as the case may be) passed at the general meeting of the shareholders of Fortis approving, amongst other things, the increase of the authorised share capital of Fortis, consequential amendments to the memorandum of association of Fortis (only in relation to the increase of the authorised share capital of Fortis) and the proposed issuance and allotment of the Subscription Securities to the Acquirer;
- (ii) the Acquirer shall have received approval from the Competition Commission of India ("**CCI**") for the transactions contemplated under the Fortis SSA ("**CCI Approval**");
- (iii) certain agreements specified in the Fortis SSA remaining valid and binding between the parties thereto and no notice of termination in relation to such agreements remaining valid, subject to the terms set out in the Fortis SSA;
- (iv) each of the representations and warranties of Fortis and the Acquirer set out in the Fortis SSA shall be true and accurate as of the date of execution of the Fortis SSA and the Completion Date;
- (v) absence of an order from a governmental authority prohibiting certain actions identified in the Fortis SSA, which are to be completed on the Completion Date;
- (vi) Fortis having obtained consents or waivers from the Securities and Exchange Board of India ("**SEBI**") with respect to change of control of Stellant Advisory Capital Services Limited; and
- (vii) absence of certain identified proceedings against Fortis and/or its material subsidiaries during the period between the date of execution of the Fortis SSA and the Completion Date.

2.1.2.3 Completion

Within 7 Business Days of the receipt of the CCI Approval, the Acquirer shall in accordance with the SEBI (SAST) Regulations deposit the entire consideration for the Fortis Open Offer in escrow so as to achieve Completion in the manner contemplated in the Fortis SSA. Upon completion of any of the Conditions Precedent set out in Sections 2.1.2.2(i) and (vi) above, Fortis shall within 3 business days of becoming aware of the same, issue a written notice (duly executed) to the Acquirer confirming the satisfaction of such Condition Precedent, together with all documentary evidence of fulfilment of such Condition Precedent as may be applicable ("**CP Written Notice**").



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On or before the expiry of 7 business days post receipt of the CCI Approval and CP Written Notice(s) along with the written notice confirming satisfaction of the Conditions Precedent in Sections 2.1.2.2(ii) to 2.1.2.2(iv) and Section 2.1.2.2(vi) above (except to the extent waived) by the Acquirer ("**Completion Date**"), whichever is the later, completion shall occur where the completion actions contemplated under the Fortis SSA shall be undertaken and be deemed to have occurred simultaneously ("**Completion**").

2.1.2.4 Termination

The Fortis SSA may be terminated at any time prior to the Completion Date or the long-stop date (whichever is earlier), upon the occurrence of, amongst others, the following events:

- (i) by the mutual written consent of Fortis and the Acquirer;
- (ii) by Fortis or the Acquirer, if:
 - (a) by virtue of any applicable law or an order of any competent authority that renders Completion of the Fortis SSA, illegal or otherwise prohibited unless such order has been vacated on or before the long-stop date; or
 - (b) the shareholders of Fortis do not approve the issuance of the Subscription Securities; and
- (iii) by Fortis, if the Acquirer breaches its obligations under the Fortis SSA in respect of the Fortis Open Offer and Malar Open Offer (including in relation to the deposit of escrow as mentioned in 2.1.2.3).

2.1.2.5 Governing Law

The Fortis SSA shall be governed in accordance with the applicable laws of India.

2.1.3 Basis and justification for the Subscription Price

The Subscription Price was arrived at after taking into consideration the following:

- (i) historical and prevailing market price of Fortis Shares;
- (ii) the expected cash flows of Fortis;
- (iii) the earnings potential and growth prospects of Fortis;
- (iv) the rationale of the Proposals and prospect of the Indian healthcare industry as set out in Sections 4 and 5 of this Announcement;
- (v) trading multiples of certain comparable companies and market transactions in the healthcare industry in India; and
- (vi) audited net assets ("**NA**") of Fortis⁽¹⁾ as at 31 March 2018 of approximately INR 53,170 million.

Note:

- (1) Based on total equity of Fortis, including non-controlling interests.



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2.1.4 Mode of Settlement of the Subscription Price

The Subscription Price will be satisfied entirely by cash in accordance with the terms of the Fortis SSA.

2.2 Details of the Fortis Open Offer

2.2.1 Background Information

The Fortis Open Offer is made to the Fortis Shareholders to acquire up to 197,025,660 Fortis Shares, representing 26% of the Expanded Voting Share Capital, as of the tenth (10th) working day from the closure of the tendering period, subject to the terms and conditions mentioned in the Fortis Public Announcement and the other documents that are to be issued in accordance with the SEBI (SAST) Regulations, namely the detailed public statement ("**Fortis DPS**") and the letter of offer ("**Fortis LoF**").

The offer price per Fortis Share for the Fortis Open Offer ("**Fortis Offer Price**") is made at a price of not less than INR 170 (equivalent to RM 9.98) or such higher price as required under the SEBI (SAST) Regulations. Assuming the Fortis Offer Price of INR 170 per Fortis Share and full acceptance of the Fortis Open Offer of 26% of the Expanded Voting Share Capital, the total consideration payable by the Acquirer in accordance with the SEBI (SAST) Regulations will be approximately INR 3,349 crore (equivalent to RM 1,966 million) only.

The Fortis Open Offer is a mandatory offer made by the Acquirer together with the PACs in compliance with Regulations 3(1) and 4 read with Regulation 15(1) of the SEBI (SAST) Regulations as a result of the Proposed Subscription, which will make the Acquirer a major shareholder of Fortis and consequently hold control of Fortis.

The Fortis Open Offer is not subject to the completion of the Proposed Subscription, and will proceed in the event the Proposed Subscription does not complete.

Notwithstanding the above, in the event the relevant approval from the CCI for the consummation of the Proposals is not obtained or occurrence of such circumstances as in the opinion of SEBI, merit withdrawal as set out in Regulation 23 of the SEBI (SAST) Regulations, the Acquirer and the PACs will not proceed with the Fortis Open Offer.

Further, the Fortis Open Offer is not subject to any minimum level of acceptance.

As of the date of the Fortis Public Announcement, the Acquirer and the PACs do not hold any Fortis Shares.

The Fortis Public Announcement, the Fortis DPS and the Fortis LoF is expected to be made publicly available on the websites of SEBI, BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**").

2.2.2 Basis and justification for the Fortis Offer Price

The Fortis Offer Price is made at a price in accordance with Regulation 8(2) of the SEBI (SAST) Regulations.



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2.2.3 Mode of Settlement of the Fortis Offer Price

The Fortis Offer Price will be satisfied entirely by cash in accordance with Regulation 9(1)(a) of the SEBI (SAST) Regulations.

2.3 Details of the Malar Open Offer

2.3.1 Background Information

Pursuant to the Proposed Subscription and the Fortis Open Offer, assuming full acceptance of the Fortis Open Offer, the Acquirer and the PACs will hold an aggregate of 432,319,777 Fortis Shares representing approximately 57.1% of the Expanded Voting Share Capital and thereby acquire control of Fortis. Consequently, the Malar Open Offer is triggered as Fortis (through its wholly-owned subsidiary, Fortis Hospitals Limited ("**Fortis Hospitals**") indirectly holds 62.4% of the fully diluted voting equity share capital of Malar ("**Malar Voting Share Capital**").

The Malar Open Offer is made to the Malar Shareholders to acquire up to 4,894,308 Malar Shares, representing 26% of the Malar Voting Share Capital, as of the tenth (10th) working day from the closure of the tendering period, subject to the terms and conditions mentioned in the Malar Public Announcement and the other documents that are to be issued in accordance with the SEBI (SAST) Regulations, namely the detailed public statement ("**Malar DPS**") and the letter of offer ("**Malar LoF**").

The Malar Open Offer is made at a price of INR 58 (equivalent to RM 3.4) only per Malar Share ("**Malar Offer Price**") which is in accordance with Regulation 8(3) of the SEBI (SAST) Regulations. The Malar Offer Price shall be enhanced by an amount equal to a sum determined at the rate of 10% per annum for the period between the date on which the Fortis Public Announcement was made i.e. 13 July 2018, and the date of the Malar DPS, in compliance with Regulation 8(12) of the SEBI (SAST) Regulations. Assuming full acceptance of the Malar Open Offer of 26% of the Malar Voting Share Capital, the total consideration payable by the Acquirer in accordance with the SEBI (SAST) Regulations will be approximately INR 29 crore (equivalent to approximately RM 17.0 million) only⁽¹⁾.

The Malar Open Offer is a mandatory offer made by the Acquirer and the PACs in compliance with Regulations 3(1), 4 and 5(1) of the SEBI (SAST) Regulations.

The Malar Open Offer is not subject to any minimum level of acceptance. However, the Malar Open Offer is subject to the completion of the Fortis Open Offer. In accordance with the explanation to the proviso to Regulation 13(4) of the SEBI (SAST) Regulations, the Acquirer and the PACs will not proceed with the Malar Open Offer in the event the Acquirer and the PACs are unable to exercise or direct the exercise of voting rights in, or control (as defined under the SEBI (SAST) Regulations) over Malar pursuant to the Proposed Subscription and the Fortis Open Offer, whether consummated or not.

NTK has been named and identified as the Acquirer as it, along with the PACs, would be acquiring indirect control to the extent of 62.4% of the Malar Voting Share Capital through Fortis on completion of the Proposed Subscription and the Fortis Open Offer. Thereafter, Fortis and Fortis Hospitals will be deemed to be acting in concert with the Acquirer and will be identified as persons acting in concert at the time of making the Malar DPS. Consequently, the Malar Shares tendered in the Malar Open Offer may alternatively be acquired by Fortis and/or Fortis Hospitals.



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As on the date of the Malar Public Announcement, the Acquirer and the PACs do not hold any Malar Shares.

The Malar Public Announcement, the Malar DPS and the Malar LoF is expected to be made publicly available on the website of SEBI and BSE.

Note:

- (1) Additional interest (computed at the rate of 10% per annum) would be incurred on the INR 29 crore from the date of the Fortis Public Announcement until the date of the Malar DPS is made.

2.3.2 Basis and justification for the Malar Offer Price

The Malar Offer Price was arrived at after taking into consideration the volume weighted average market price of the shares of Malar during a period of 60 trading days immediately preceding the earlier of, the date on which the Fortis Open Offer is contracted, and the date on which the intention or the decision to make the Fortis Open Offer is announced in the public domain, in accordance with Regulation 8(3) of the SEBI (SAST) Regulations.

2.3.3 Mode of Settlement of the Malar Offer Price

The Malar Offer Price will be satisfied entirely by cash in accordance with Regulation 9(1)(a) of the SEBI (SAST) Regulations.

2.4 Liabilities to be Assumed

IHH is deemed a PAC with the Acquirer and is jointly and severally responsible for fulfilment of all applicable obligations under the SEBI (SAST) Regulations in respect of the Fortis Open Offer and Malar Open Offer.

2.5 Shares Acquired Free from Encumbrances

The Fortis Shares and Malar Shares to be acquired pursuant to the Proposals would be free and clear from any encumbrances.

2.6 Source of Funding

The Proposals will be funded via a combination of external borrowings to be undertaken by the Acquirer and internally generated funds as follows:

Source of funding	Amount (RM'000)
Internally generated funds	2,745,160
External borrowings	1,586,228
Total⁽¹⁾	4,331,388

Note:

- (1) Assuming full acceptance of the Fortis Open Offer of 26% of the Expanded Voting Share Capital and the Malar Open Offer of 26% of the Malar Voting Share Capital.



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3. BACKGROUND INFORMATION ON FORTIS AND MALAR

3.1 Information on Fortis

Fortis is a company incorporated and registered under Indian law on 28 February 1996. Fortis' principal business is to establish, maintain, operate, run, manage or administer hospitals, medicare, healthcare, diagnostic, health aids and research centers. Fortis is currently listed on both the NSE and the BSE.

Fortis is a leading integrated healthcare services provider in India with operations spanning across both hospitals and diagnostics businesses. Currently, it is the second largest player in India by number of hospitals, operating a network of 34 hospitals across the country and internationally with a capacity of over 4,600 beds and employs more than 2,600 doctors and 13,200 support staff who catered to about 2.6 million patients in financial year 2017.

As at 30 June 2018, the fully paid-up voting share capital of Fortis is INR 5,186,828,310 comprising 518,682,831 Fortis Shares.

As at the LPD, the directors of Fortis are as follows:

<u>Name</u>	<u>Designation</u>
Ravi Rajagopal	Chairman
Indrajit Banerjee	Independent Director
Suvalaxmi Chakraborty	Independent Director

A summary of the financial information of Fortis for the past three (3) financial years up to the FYE 31 March 2018 is set out below:

	<u>FYE 31 March (Audited)</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<u>INR million</u>	<u>INR million</u>	<u>INR million</u>
Total revenue (includes other income)	43,524	47,397	47,005
Earnings before interest, tax, depreciation and amortisation and share of profit/loss from JVs and associates ("EBITDA") (including Other Income)	3,575	5,189	4,129
Profit / (Loss) before tax (excludes exceptional items, share of associates and joint ventures)	(6)	673	(839)



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	FYE 31 March (Audited)		
	2016	2017	2018
	INR million	INR million	INR million
Profit / (Loss) after tax (excludes non-controlling interests and Other Comprehensive Income ("OCI"))	184	4,217	(10,092)
Profit / (Loss) after tax (includes non-controlling interests, excludes OCI)	418	4,793	(9,344)
Total equity / Net assets (excludes non-controlling interests)	44,612	51,435	40,617
Total borrowings (include long term, short term and current maturities of long term debt)	15,134	22,173	14,004 ⁽²⁾
Gearing (times) ⁽¹⁾	0.34	0.43	0.34 ⁽³⁾

Note:

- (1) Gearing is calculated by dividing the total borrowings with total equity.
 (2) Exclude the current maturities of long-term debt which was not disclosed in the reported audited financial statements of Fortis for fiscal year 2018.
 (3) Calculated based on borrowings excluding current maturities of long-term debt.

3.2 Information on Malar

Malar is a company incorporated and registered under Indian law on 13 April 1989. Malar's principal business is to establish hospitals and clinics, and to operate such hospitals and clinics to provide comprehensive healthcare for the society in the various branches of medicine such as general surgery, general medicine, pediatrics, neurology, cardiology, ENT, ophthalmology, radiology, gastro-entriology, urology, thoracic surgery, plastic surgery, orthopaedics and other allied specialties and to provide facilities for post graduate medical education / medical research. Malar is currently listed on the BSE.

As at 30 June 2018, the fully paid-up voting share capital of Malar is INR 186,842,590 comprising 18,684,259 ordinary shares of INR 10 each.



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As at the LPD, the directors of Malar are as follows:

Name	Designation
Daljit Singh	Chairman
Meghraj Arvind Rao Gore	Director
Rahul Ranjan	Additional Director
Akshay Kumar Tiwari	Additional Director
Nithya Ramamurthy	Director
Ramesh Lakshman Adige	Independent Director
Murari Pejavar	Independent Director
Rama Krishna Shetty	Independent Director
Lakshman Teckchand Nanwani	Independent Director

A summary of the financial information of Malar for the past three (3) financial years up to the FYE 31 March 2018 is set out below:

	FYE 31 March (Audited)		
	2016	2017	2018
	INR million	INR million	INR million
Total revenue (includes other income)	1,376	1,485	1,576
Earnings before interest, tax, depreciation and amortisation ("EBITDA") (excluding Other Income)	60	9	17
Profit / (Loss) before tax (excludes exceptional items, share of associates and joint ventures)	105	45	56
Profit / (Loss) after tax (excludes non-controlling interests, OCI)	64	31	33



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	FYE 31 March (Audited)		
	2016	2017	2018
	INR million	INR million	INR million
Total equity / Net assets (excludes non-controlling interests)	976	995	1,030
Total borrowings	0	0	0 ⁽²⁾
Gearing (times) ⁽¹⁾	-	-	-(3)

Note:

- (1) Gearing is calculated by dividing the total borrowings with total equity.
- (2) Exclude the current maturities of long-term debt which was not disclosed in the reported audited financial statements of Malar for fiscal year 2018.
- (3) Calculated based on borrowings excluding current maturities of long-term debt.

4. RATIONALE AND BENEFITS OF THE PROPOSALS

The Proposals represent an opportunity for IHH to further expand its growth footprint in India, given India's tremendous growth potential with the rising demand for quality private healthcare. The Proposals are expected to propel IHH to become a leading Pan-Indian hospital operator, operating more than 5,400 beds in 37 hospitals. India is IHH's fourth home market after successful re-calibration of IHH's growth strategy in India to focus on inorganic growth.

5. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS

5.1 Overview and Prospect of the Indian Healthcare Services Industry

Healthcare has become one of India's largest sectors both in terms of revenue and employment. The industry is growing at a tremendous pace owing to its strengthening coverage, services and increasing expenditure by public as well as private players. The healthcare revenue in India is set to reach United States Dollar ("USD") 275 billion in the next ten years. On the other hand, public health system in India is largely under funded with only 1.1% of gross domestic product ("GDP") spent on healthcare.

Given the resource constraints in the public sector, private investments in healthcare are expected to increase in the coming years. There is a significant scope for enhancing healthcare services considering that healthcare spending as a percentage of GDP is rising. Rural India, which accounts for over 70 per cent of the population, is set to emerge as a potential demand source. Additional 1.8 million beds are needed for India to achieve the target of 2 beds per 1,000 people by 2025. Additional 1.54 million doctors are required to meet the growing demand for healthcare. Investment of USD 86 billion is required to achieve these targets. Less than 15% of the Indian population is covered through health insurance. The total market size of the insurance sector in India was USD 66.4 billion in fiscal year 2013, and it is projected to touch USD 350 to 400 billion by 2020.

(Source: Extracted from the website of Confederation of Indian Industry (CII))



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5.2 Prospects of Fortis and Malar

Indian healthcare market is expected to grow significantly given improving GDP per capita, growing middle class, increasing awareness on health insurance and low current per capita bed count. Fortis, together with Malar, is a leading pan-India private hospital player in India with 34 hospitals and more than 4,600 beds across India and internationally and is well poised to benefit from the improving market. In addition, Fortis has a strong presence in most of the key hubs across India such as National Capital Region, Mumbai, Bengaluru, Chennai, Kolkata. Fortis is one of the prominent players in tertiary and quaternary care with cutting edge medical technology and practices. Fortis also has a strong pipeline for brownfield expansion on the back of existing land and infrastructure. This can result in faster bed addition at a relatively lower capital expenditure outlay per bed.

IHH can catalyze the growth prospects for Fortis by leveraging its own strong execution track record, operational expertise, robust balance sheet strength and strong corporate governance. It can also derive synergistic benefits through measures such as cost rationalization by streamlining of processes, capital expenditure optimization through predominantly brownfield expansion, cross-selling opportunities from integrated offering across specialized treatment areas and brand benefits through common-branding under IHH and joint go-to-market strategy.

6. RISK FACTORS

The risk factors in relation to the Proposals include, but are not limited, to the following. There can be no assurance that any change to the risk factors as described below, will not have a material adverse effect on the business, operations and financial performance of IHH.

(i) Political, economic and regulatory conditions

The performance of Fortis and Malar could be materially impacted by the changes in the political, economic and regulatory conditions in India. The various political, economic and regulatory conditions could range from changes in political leadership, introduction of new regulations, war, economic downturn, changes in interest rates, methods of taxation and foreign exchange regulations.

While acknowledging that IHH may not be able to prevent some of the above-mentioned events from occurring, IHH and its group of companies (“**IHH Group**”) has adopted a pro-active approach in keeping abreast of political, economic and regulatory developments of the countries in which it operates, including India.

(ii) Investment risk

As Fortis is currently loss-making, it may take a period of time for IHH to generate sufficient returns from its investment in Fortis and Malar to offset the costs of its investment. This may be due to factors including business risks inherent in the healthcare industry. Fortis and Malar are also subject to risks of legal, employment and consumer claims, public liability claims, other disputes and negative publicity arising from their business operations as medical healthcare services providers.

Nevertheless, the management of IHH is confident that the Proposals will yield synergistic benefits to IHH by leveraging on its existing expertise and branding of IHH, thereby expanding its market share in the Asian healthcare industry. This will ultimately contribute positively to the IHH Group’s future earnings.



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(iii) Foreign exchange risk

The operating and reporting currency of Fortis and Malar is mainly denominated in INR. As the financial results of IHH are reported in RM, any fluctuation of INR against RM may impact the profits and/or the financial position of IHH.

There can be no assurance that fluctuations in foreign exchange rates will not have a material and adverse effect on IHH's financial performance. Nevertheless, IHH will assess the need to utilise financial instruments to hedge its foreign exchange exposure to mitigate both transaction and/or translation exchange risk exposure.

(iv) Impairment risk

IHH may recognise goodwill arising from the Proposals, the amount of which will depend on the fair value of the assets and liabilities acquired as at the completion date. Any fair value adjustments allocated to the identifiable assets and liabilities, and the effect of amortisations of the fair value adjustments (including the amortisation of the intangible assets identified), if any, from the Proposals may materially and adversely affect IHH's financial position.

(v) Non-completion of the Proposals

The completion of the Proposed Subscription is conditional upon the conditions precedent under the Fortis SSA as set out in Section 2.1.2.2 of this Announcement being fulfilled or waived. There can be no assurance that such conditions precedent will be fulfilled or waived within the timeframe stipulated in the Fortis SSA. Nevertheless, IHH anticipates that this risk can be mitigated by proactively engaging with the relevant authorities and third parties to obtain all the necessary approvals and documents required for the completion of the Proposals within the timeframe required by the Fortis SSA. However, in the event the Proposed Subscription is not consummated, the Acquirer and the PACs will still be required to proceed with the Fortis Open Offer. Depending on the number of shares tendered in the Fortis Open Offer, the Acquirer and the PACs may not be able to acquire a controlling stake in Fortis and consequently, the Acquirer and the PACs will not proceed with the Malar Open Offer.

Prior to the Proposals, the IHH Group has had an operating presence in India since 2002 and has invested more than USD 500 million, and currently operates a network of 1,600 beds across 6 hospitals and 3 medical centres as at 31 March 2018, which is part of its widespread network of 31 hospitals throughout Malaysia, Singapore, India, China, Brunei and United Arab Emirates under its 100%-owned PPL. Additionally, IHH also offers integrated healthcare services across 21 hospitals in Turkey, Bulgaria, Macedonia and Iraq under its 60%-owned subsidiary, Acibadem Saglik Yatirimlari Holdings AS. Accordingly, IHH does not foresee any material change to the risk profile of the IHH Group's businesses as a result of the Proposals as the IHH Group is already exposed to the inherent risks in the premium healthcare provider industry. IHH will continue to take reasonable steps to mitigate such risks based on its track record, experience and expertise in premium healthcare provider industry.



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7. EFFECTS OF THE PROPOSALS

For illustration purposes and on the basis that the Proposals will be funded in full via cash as set out in Section 2.6 above, the proforma effects of the Proposals are shown below:

7.1 Issued Share Capital

The Proposals will not have any effect on the issued share capital of IHH as the Proposals do not involve any issuance of new ordinary shares in IHH (“IHH Share(s)”) as consideration for the Proposals.

7.2 Substantial Shareholders’ Shareholdings

The Proposals will not have any effect on the shareholdings of IHH’s substantial shareholders as the Proposals do not involve any issuance of new IHH Shares as consideration for the Proposals.

7.3 Net Assets (“NA”), NA per IHH Share and Gearing

The proforma effects of the Proposals on the NA, NA per IHH Share and gearing of the IHH Group are as follows:

	Audited as at 31 December 2017	Effects of the Proposals	After the Proposals
	(RM’000)	(RM’000)	(RM’000)
Share capital	16,462,994	-	16,462,994
Other reserve	1,478,287	-	1,478,287
Retained earnings	3,948,881	-	3,948,881
Shareholders’ funds / NA	21,890,162	-	21,890,162
Total borrowings	6,793,772	2,408,317 ⁽¹⁾	9,202,089 ⁽¹⁾
Gearing ⁽²⁾ (times)	0.31	N/A	0.42 ⁽³⁾
No. of IHH Shares (‘000)	8,239,584	-	8,239,584
NA per IHH Share (RM)	2.66	N/A	2.66

Notes:

(1) Excludes the current maturities of Fortis’ and Malar’s long-term debt as at 31 March 2018.

(2) Gearing is calculated by dividing the total borrowings with shareholders’ funds.

(3) Calculated based on total borrowings excluding the current maturities of Fortis’ and Malar’s long-term debt.

7.4 Earnings and Earnings per Share (“EPS”)

The effect of the Proposals on the earnings and EPS of IHH Group for financial year ending 31 December 2018 cannot be determined at this juncture. However, barring unforeseen circumstances, as the Proposals are expected to be completed in the fourth quarter of 2018, the Proposals are not expected to have any material effect on the earnings and EPS of IHH Group for the financial year ending 31 December 2018.



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8. APPROVALS REQUIRED

The Proposals are subject to the following:

- (i) the relevant approval from the CCI in respect of the Proposals; and
- (ii) approval from the shareholders of Fortis approving the Proposed Subscription by way of a special resolution.

The Fortis Open Offer is not conditional upon the completion of the Proposed Subscription. The Malar Open Offer is conditional upon the completion of the Proposed Fortis Open Offer.

The Proposals are not conditional upon any other corporate exercise/scheme of the Company.

The Proposals are not subject to the approval of the shareholders of IHH.

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

None of the directors and/or major shareholders of IHH and/or persons connected with them has any interest, direct or indirect, in the Proposals.

10. PERCENTAGE RATIO

Pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the highest percentage ratio applicable to the Proposals is 19.8%.

11. DIRECTORS' STATEMENT

The Board (save for Rossana Annizah binti Ahmad Rashid ("**Puan Rossana Annizah**") who has voted against the Proposals), having considered all aspects of the Proposals (including, but not limited, to the rationale and the risk factors relating to the Proposals), is of the opinion that the Proposals are in the best interests of IHH.

Puan Rossana Annizah was not comfortable with the structure of the Proposals after taking into consideration the risk factors relating to the Proposals and the qualified opinion issued by Fortis's external auditors, Deloitte Haskins & Sells LLP, in the audited financial statements of Fortis for the year ended 31 March 2018, which was released on 7 July 2018.

12. ESTIMATED TIMEFRAME FOR APPLICATION TO AUTHORITIES AND COMPLETION

The applications to the relevant authorities in relation to the Proposals are expected to be submitted within two (2) weeks from the date of this Announcement.

Barring unforeseen circumstances and subject to all required approvals being obtained, the Proposals are expected to be completed in the fourth quarter of 2018.



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13. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Fortis SSA will be made available for inspection at the Company's registered office at Level 11 Block A, Pantai Hospital Kuala Lumpur, 8 Jalan Bukit Pantai, 59100 Kuala Lumpur, Malaysia during normal office hours from Mondays to Fridays (excluding public holidays in Malaysia) for a period of three (3) months from the date of this Announcement.