

Parkway Holdings Ltd.

Research Analysts
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Ticker: P27.SI | Index: N/A | Sector: Health Care Facilities | GICS:35102020
Meeting Type: Special | Meeting Date: 8 July 2010 |
Meeting ID: 588960

Executive Summary

Shareholders should note that this resolution, if approved, does not mean that IHH Ltd's partial takeover offer will be successful; this resolution will allow the bid to be made.

Profiles and Data

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Agenda and Recommendations

Singapore Policy

Item	Code	Proposal	Mgt. Rec.	ISS Rec.	Focus
POSTAL BALLOT					
1	M0414	Approve the Terms and Conditions of the Voluntary Conditional Cash Partial Offer by Integrated Healthcare Holdings Ltd. in Parkway Holdings Ltd.	NONE	FOR	

❖ Recommendations against management | ● Items deserving attention due to contentious issues or controversy

Company Contact Details

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Meeting Agenda and Proposals

Item 1. Approve the Terms and Conditions of the Voluntary Conditional Cash Partial Offer by Integrated Healthcare Holdings Ltd. in Parkway Holdings Ltd.

Vote Recommendation

Shareholders should vote FOR this resolution.

Discussion

This resolution seeks shareholder approval to allow Integrated Healthcare Holdings Limited, an indirect wholly-owned subsidiary of Khazanah Nasional Berhad (Khazanah), to acquire additional shares in Parkway Holdings Ltd via a partial Offer to take it to a 51.5 percent direct shareholding. This resolution is being put to shareholders via a postal ballot instead of at a general meeting.

This resolution if approved does not mean that Khazanah's partial takeover offer will be successful; this resolution if passed will allow the bid to be made. Shareholders must separately also decide whether or not to accept the bid by tendering their shares to Khazanah. ISS is not providing a recommendation on whether or not to accept the bid; this recommendation relates only to whether or not Khazanah should be allowed to make a partial bid. A shareholder is able to vote against this resolution and tender their shares into the bid or vote for the resolution and not tender their shares.

Approval Requirements

The partial offer is subject to:

- approval of more than 50.0 percent of votes received (excluding Khazanah's stake); *and*
- receipt of valid acceptances in respect of 313.0 million shares.

Votes on and acceptances of the Partial Offer must be received no later than 5.30 p.m. (Singapore time) on 8 July 2010 (First Closing Date).

The Register and Transfer Books of the company will be closed at 5.00 p.m. (Singapore time) on 24 June 2010 (Record Date), the 14th day before the First Closing Date, for the purpose of determining the entitlements to the Partial Offer.

Khazanah has retained the right to revise the terms of the partial offer so as to make a voluntary *general* offer.

Background and Partial Offer Details

Integrated Healthcare Holdings Ltd acquired a significant stake in the company in April 2008. Another substantial shareholder, Fortis Healthcare Ltd, acquired an initial 23.9 percent stake in the company from TPG Capital in March 2010. Both entities have subsequently increased their stakes to the current level. Integrated Healthcare Holdings Ltd now proposes a partial offer to increase its direct stake to 51.5 percent of the company (Integrated Healthcare Holdings Ltd and parties acting in concert with it would hold in aggregate 51.7 percent of the company).

Details of the Partial Offer are as follows:

Acquirer: Integrated Healthcare Holdings Ltd.

Target: 313.0 million company shares (Offer Shares), equivalent to 27.6 percent of the company's issued share capital

Partial Offer Price: SGD 3.78 (\$2.7) per share in cash. The Partial Offer Price represents:

- a premium of 25.2 percent over the closing price of shares on May 26, 2010, last trading day (LTD) prior to announcement
- a premium of 15.2 percent over the volume weighted average price (VWAP) of shares for the one-month period ending on LTD

- a premium of 17.8 percent over the VWAP of shares for the three-month period ending LTD
- a premium of 23.5 percent over the VWAP of shares for the six-month period ending LTD
- a premium of 60.9 percent over the VWAP of shares for the one-year period ending LTD

Current Direct Holding: 269.8 million shares (equivalent to 23.8 percent of issued share capital)

Direct Shareholding post offer (assuming offer success): 582.8 million shares (equivalent to 51.5 percent of issued share capital)

Consideration: cash

Company Description and Rationale

Integrated Healthcare Holdings Ltd. is a substantial shareholder directly interested in approximately 23.8 percent of the company's issued share capital. Integrated Healthcare Holdings Ltd. is an investment holding company wholly-owned by Integrated Healthcare Holdings Sdn. Bhd, a company holding the healthcare portfolio of Khazanah Nasional Berhad in Asia (Khazanah). Khazanah the ultimate holding company of the acquirer is the investment holding arm of the Government of Malaysia, and has stated that a successful Partial Offer would allow for synergies across Khazanah's current healthcare interests (the Portfolio Companies). Specifically, Khazanah is currently indirectly interested in:

- a 23.8 percent interest in the company;
- a 60.0 percent interest Pantai Holdings Berhad (Pantai), a private hospital group in Malaysia, with a network of nine hospitals across six states. The company indirectly holds the remaining 40 percent interest in Pantai. Pantai also owns 70.0 percent of Gleneagles Hospital (Kuala Lumpur) Sdn Bhd, a medical facility located in Kuala Lumpur;
- a 12.2 percent interest in Apollo Hospitals Enterprise Limited (Apollo) Apollo owns and manages hospitals, diagnostic clinics, dispensing pharmacies, medical education and consultancy services in India; and
- a 67.5 percent interest in IMU Health Sdn Bhd which in turn holds 100.0 percent of IMU Education Sdn Bhd (IMU), an entity which owns and manages the International Medical University in Kuala Lumpur. IMU has over 33 partner universities in Australia, United Kingdom, Canada, United States and New Zealand.

According to Khazanah, promoting synergy and collaboration among the Portfolio Companies will accrue the following benefits to the company:

- collaboration between the Group and each of the Portfolio Companies to allow the Group to, amongst others, increase its access to the regional healthcare markets, in particular, Malaysia and India;
- enhancing the level of synergies between the Group and the Portfolio Companies with a view to achieving savings in procurement and a more efficient hospital management system;
- capitalising on the opportunity to create a pan-Asian medical education franchise as a core business;
- enhancing the recruitment, development and retention of medical talent by the Group and the Portfolio Companies;
- potential synergies for the Group to work together with the Portfolio Companies to access opportunities in the wellness market, and enhancing the potential for medical tourism in the region through the provision of a cross-geographical hospital network; and
- collaboration between the Group and the Portfolio Companies to drive regional expansion across geographical boundaries.

Approval of Partial Offer, and Tender Options

A Relevant Percentage figure of 36.4 percent sets the minimum entitlement of the shareholders. Shareholders may accept the Partial Offer with respect to the Relevant Percentage in full, accept the Partial Offer for a number of shares lower than that of the Relevant Percentage, or decline the Partial Offer. Shareholders will also be allowed to tender for a higher number of shares held than that set by the Relevant Percentage (Excess Shares) for the acceptance of the Partial Offer.

Assuming a shareholder holds 1,000 shares in the company as at the Record Date, that shareholder would be entitled to the consideration in respect of 364 shares. The shareholder can also accept for all his shares or a number of shares exceeding his Relevant Percentage offer shares. If the amount of shares tendered for the Partial Offer exceeds the number of the Offer Shares, the tender will be accepted by Integrated Healthcare Holdings Ltd on a pro-rata basis through a scale-back.

Pursuant to the Partial Offer being effective, a temporary odd-lot trading will be opened by the Singapore Stock Exchange for a period of one month. Board lot of one share each will be permitted.

Acceptance Scenarios

	Prior to Partial Offer	Full acceptance by all shareholders	Full acceptance by shareholders other than Fortis Healthcare Ltd
Offeror and Concert Parties	24.1 percent	51.8 percent	51.8 percent
Fortis Healthcare Ltd	25.4 percent	16.1 percent	25.4 percent
Public shareholders	50.5	32.1 percent	22.8 percent
Total	<u>100.0 percent</u>	<u>100.0 percent</u>	<u>100.0 percent</u>

Analysis

The Partial Offer provides an opportunity to the shareholders to potentially liquidate their shares and realize a gain on their investment. The Consideration has been set at an amount higher than the pre-announcement share price levels. Moreover, since the Partial Offer is not a mandatory buy out for all of the shares of the company, the shareholders are still given the opportunity to retain share ownership. On this basis, shareholders should vote in favour of Khazanah being able to make a partial bid for the company because:

- Shareholders will remain free to decide whether or not to accept the Khazanah offer. If they vote against this resolution, they will reduce the likelihood of Khazanah being able to make an offer.
- Those shareholders who have yet to decide whether or not to accept the offer should vote in favour of Khazanah being able to make the bid as it increases the likelihood of them retaining the option to sell some, all or none of their shares into the bid prior to its close.

Shareholders should also note that the recommendation to vote in favour of the resolution to approve Khazanah making a partial bid does not constitute a recommendation for shareholders to accept the Khazanah bid by tendering their shares into Khazanah's offer. ISS is making no recommendation with regard to whether or not to accept Khazanah's offer; it is recommending shareholders vote in favour of Khazanah being able to make a partial bid for the reasons given above.

As noted above, this resolution is being put to shareholders via a postal ballot instead of at a general meeting. Clients should contact their ISS client services representative should they have questions regarding the lodging of postal ballots.

Shareholders should vote FOR this resolution.

This resolution includes significant investment-related, as well as governance, considerations. For this reason, before deciding whether to vote in line with the ISS recommendation, shareholders should make an independent assessment of the proposed transaction (taking into account financial analyst's research) and should take into account their own individual circumstances.

Equity Ownership Profile

Type	Votes per share	Issued
Common Equity	1.00	1,132,164,592

Ownership - Common Equity	Number of Shares	% of Class
Fortis Healthcare Ltd.	287,118,995	25.36
Integrated Healthcare Holdings Ltd.	273,103,906	24.12
The Bank of New York Mellon Corp	67,696,090	5.98
Franklin Resources, Inc.	67,638,101	5.97

Proxy Statement As of: 06/03/2010

Additional Information

Meeting Location

Meeting Time 00:00

Solicitor

Security IDs V71793109(CINS)

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