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, bank manager, solicitor, accountant or other professional adviser immediately.

TMC LIFE SCIENCES BERHAD

(624409-A)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

(I) PROPOSED ACQUISITION BY TMC LIFE SCIENCES BERHAD ("TMC") OF 1,000,000 ORDINARY SHARES OF RM1.00 EACH, REPRESENTING THE ENTIRE EQUITY INTEREST OF BB WATERFRONT SDN. BHD. FROM BEST BLEND SDN. BHD. FOR A PURCHASE CONSIDERATION OF RM400,000,000 TO BE SATISFIED VIA THE ISSUANCE OF 533,333,333 NEW ORDINARY SHARES OF RM0.10 EACH IN TMC ("SHARES" OR "TMC SHARES") ("CONSIDERATION SHARES") AT AN ISSUE PRICE OF RM0.75 PER SHARE, TOGETHER WITH 266,666,666 FREE DETACHABLE WARRANTS ("CONSIDERATION WARRANTS") ON THE BASIS OF ONE (1) CONSIDERATION WARRANT FOR EVERY TWO (2) CONSIDERATION SHARES ("PROPOSED ACQUISITION");

(II) PROPOSED BONUS ISSUE OF 599,760,718 WARRANTS ("BONUS WARRANTS") IN TMC TO ALL ENTITLED SHAREHOLDERS OF TMC ON THE BASIS OF ONE (1) BONUS WARRANT FOR EVERY TWO (2) EXISTING TMC SHARES HELD AT AN ENTITLEMENT DATE TO BE DETERMINED LATER;

(III) PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF TMC FROM RM200,000,000 COMPRISING 2,000,000,000 SHARES TO RM500,000,000 COMPRISING 5,000,000,000 SHARES AND IN CONSEQUENCE THEREOF, THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY BE ALTERED ACCORDINGLY; AND

(IV) PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME OF UP TO FIFTEEN PERCENT (15%) OF THE ISSUED AND PAID-UP SHARE CAPITAL (EXCLUDING TREASURY SHARES) OF TMC

PART B

INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES SDN. BHD. TO THE NON-INTERESTED SHAREHOLDERS OF TMC IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

Maybank Investment Bank

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

Independent Adviser for the Proposed Acquisition

Mercury Securities Sdn. Bhd. (113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("**EGM**") of TMC which will be held at Greens I, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 28 May 2015 at 11.00 a.m. or any adjournment thereof, together with the Form of Proxy are enclosed in this Circular.

You are entitled to vote at the EGM. Should you be unable to attend the EGM, you are entitled to appoint a proxy to attend and vote on your behalf. You should complete and deposit the Form of Proxy at the registered office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan no later than 48 hours before the date and time fixed for the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

This Circular is dated 8 May 2015

For the purpose of this Circular, except where the context otherwise requires, the following words and abbreviations shall have the following meaning:

Act	:	Companies Act, 1965
BB Waterfront	:	BB Waterfront Sdn. Bhd.
BB Waterfront Shares	:	Ordinary shares of RM1.00 each in BB Waterfront
Best Blend or Vendor	:	Best Blend Sdn. Bhd.
Board	:	Board of Directors of TMC
Bonus Warrants	:	599,760,718 warrants to be issued to the entitled shareholders of the Company pursuant to the Proposed Bonus Issue of Warrants
Bursa Securities	:	Bursa Malaysia Securities Berhad
By-Laws	:	The by-laws governing the Proposed ESOS, as set out in **Appendix VI** of this Circular
Closing	:	Completion of the sale of the Sale Shares pursuant to the SPA
Conditions Precedent	:	Conditions precedent to the SPA as set out in Section 2.1.7.1 of Part A of this Circular
Consideration Shares	:	533,333,333 new TMC Shares to be issued at an issue price of RM0.75 per TMC Share as part of the consideration for the Proposed Acquisition
Consideration Warrants	:	266,666,666 free detachable warrants to be issued as part of the consideration for the Proposed Acquisition on the basis of one (1) free detachable warrant for every two (2) Consideration Shares
Circular	:	This circular dated 8 May 2015 in relation to the Proposals
EGM	:	Extraordinary general meeting
Eligible Person(s)	:	Any employees or Directors of the Group (excluding subsidiaries which are dormant) who fulfils the conditions of eligibility stipulated in By-Law 5.1 for participation in the Proposed ESOS
Entitled Shareholders	:	Shareholders of TMC whose name appears on the Record of Depositors of the Company on the Entitlement Date
Entitlement Date	:	A date to be determined by the Board and announced later, on which the name of the shareholders of TMC must appear on the Record of Depositors of the Company as at 5.00 p.m. in order to be entitled to participate in the Proposed Bonus Issue of Warrants
EPS	:	Earnings per Share
ESOS or Scheme	:	Employees' share option scheme, being the scheme for the granting of ESOS Options to the Eligible Persons to subscribe for new TMC Shares upon the terms and conditions in the manner as indicated in the By-Laws

ESOS Option(s) or Option(s)	:	The right of a Grantee to subscribe for one (1) new TMC Share for each Option pursuant to the contract constituted by acceptance by the Grantee in the manner provided in By-Law 8 of an Offer made to such Grantee by the Option Committee pursuant to By-Law 7
FPE	:	Financial period(s) ended
FYE	:	Financial year(s) ended/ending, as the case may be
GDC	:	Gross development cost
GDV	:	Gross development value
Government	:	Government of Malaysia
Grantee(s)	:	An Eligible Person who has accepted an Offer in the manner provided in By-Law 8
IAL	:	Independent advice letter
Incanto	:	Incanto Investments Limited
IRDA	:	Iskandar Regional Development Authority
Land	:	A parcel of 1.675 hectares of freehold land held under PTB 24075 H.S.(D) 523548, located in Bandar Johor Bahru, Johor Bahru, Johor
LFTD	:	5 February 2015, being the last full trading day prior to the date of execution of the SPA
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	13 April 2015, being the latest practicable date prior to the printing of this Circular
LPS	:	Loss per Share
M&A	:	Memorandum and Articles of Association
Maybank IB	:	Maybank Investment Bank Berhad
Mercury Securities	:	Mercury Securities Sdn. Bhd.
MFRS	:	Malaysian Financial Reporting Standard
MOF	:	Minister of Finance, Malaysia
MOH	:	Ministry of Health, Malaysia
NA	:	Net assets
Offer(s)	:	A written offer made by the Option Committee to an Eligible Person in the manner provided in By-Law 7
Official List	:	A list specifying all securities listed on the Main Market of Bursa Securities
Option Committee	:	The committee appointed by the Board to administer the ESOS
PAT	:	Profit after tax

Proposals	:	Collectively, the Proposed Acquisition, Proposed Bonus Issue of Warrants, Proposed IASC and Proposed ESOS
Proposed Acquisition	:	Proposed acquisition of the Sale Shares for the Purchase Consideration upon the terms and subject to the conditions set out in the SPA
Proposed Bonus Issue of Warrants	:	Proposed issuance of the Bonus Warrants on the basis of one (1) Bonus Warrant for every two (2) existing TMC Shares held at the Entitlement Date
Proposed ESOS	:	Proposed establishment of an ESOS of up to fifteen percent (15%) of the issued and paid-up share capital (excluding treasury shares) of the Company
Proposed IASC	:	Proposed increase in the authorised share capital of TMC from RM200,000,000 comprising 2,000,000,000 Shares to RM500,000,000 comprising 5,000,000,000 Shares and in consequence thereof, the M&A of the Company be altered accordingly
Proposed Medical Project	:	The integrated development of a medical hub, Thomson Iskandar, located on the Land, which is regarded as a catalyst project to the Iskandar Malaysia development region
Purchase Consideration	:	RM400,000,000 to be satisfied via the issuance of the Consideration Shares and Consideration Warrants
Reporting Accountants	:	BDO
RM	:	Ringgit Malaysia
Rowsley	:	Rowsley Ltd
RSP Architects	:	RSP Architects Planners & Engineers (Pte) Ltd
Sale Shares	:	1,000,000 BB Waterfront Shares, representing the entire equity interest of BB Waterfront
SAS	:	Sasteria Pte. Ltd.
SAS Malaysia	:	Sasteria (M) Pte. Ltd.
SGD	:	Singapore Dollars
Share(s) or TMC Share(s)	:	Ordinary share(s) of RM0.10 each in the Company
SPA	:	Share sale and purchase agreement dated 6 February 2015 between the Company and Best Blend for the Proposed Acquisition
Thomson Medical	:	Thomson Medical Pte Ltd
Thomson International	:	Thomson International Health Services Pte Ltd
TISB	:	Thomson International Sdn. Bhd.
TMC or Company	:	TMC Life Sciences Berhad
TMC Group or Group	:	Collectively, the Company and its subsidiaries

Unconditional Date	:	The day on which the last of the Conditions Precedent is satisfied or waived in accordance with the SPA
Warrants	:	Collectively, the Bonus Warrants and Consideration Warrants

All references to "you" in this Circular are to the shareholders of the Company.

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. Reference to persons shall include corporations, unless otherwise specified.

Any reference to any enactment in this Circular is a reference to that enactment as amended or re-enacted from time to time.

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

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

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Group's plans and objectives will be achieved.

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PART A

LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSALS

TMC LIFE SCIENCES BERHAD
(624409-A)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office
802, 8th Floor, Block C
Kelana Square, 17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

8 May 2015

Board of Directors
Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir *(Non-Independent Non-Executive Chairman)*
Dr. Wong Chiang Yin *(Executive Director)*
Dr. Chan Boon Kheng *(Executive Director)*
Dato' Dr. Tan Kee Kwong *(Independent Non-Executive Director)*
Gary Ho Kuat Foong *(Independent Non-Executive Director)*
Claire Lee Suk Leng *(Independent Non-Executive Director)*

To: The shareholders

Dear Sir/Madam,

(I) PROPOSED ACQUISITION;
(II) PROPOSED BONUS ISSUE OF WARRANTS;
(III) PROPOSED IASC; AND
(IV) PROPOSED ESOS

1. INTRODUCTION

On 6 February 2015, Maybank IB had, on behalf of the Board, announced that the Company had entered into the SPA and proposed to undertake the Proposed Bonus Issue of Warrants and Proposed IASC.

On 16 February 2015, Maybank IB had, on behalf of the Board, announced that the Company proposed to undertake the Proposed ESOS.

On 6 May 2015, Maybank IB had, on behalf of the Board, announced that Bursa Securities had via its letter dated 6 May 2015, approved the following:

(i) admission to the Official List and listing of and quotation for the Warrants;

(ii) listing of and quotation for the Consideration Shares;

(iii) listing of and quotation for 866,427,384 new TMC Shares to be issued pursuant to the exercise of the Warrants; and

(iv) listing of and quotation for such number of additional new TMC Shares, representing up to fifteen percent (15%) of the issued and paid-up share capital (excluding treasury shares) of the Company to be issued upon exercise of the Options;

subject to the conditions as set out in Section 10 of Part A of this Circular.

In view of the interests of the interested major shareholders and the interested Directors as set out in Section 11 of Part A of this Circular, the Proposed Acquisition is deemed a related party transaction. Accordingly, pursuant to Paragraph 10.08(2)(c) of the Listing Requirements, the Board, save for the Interested Directors (as defined in Section 11 of Part A of this Circular), had on 6 February 2015, appointed Mercury Securities as the independent adviser to advise the non-interested directors and non-interested shareholders on the Proposed Acquisition. The IAL from Mercury Securities to the non-interested shareholders in relation to the Proposed Acquisition is set out in Part B of this Circular.

The purpose of this Circular is to provide you with the details of the Proposals and to seek your approval for the resolutions pertaining to the Proposals to be tabled at the 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 AND THE IAL FROM MERCURY SECURITIES BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

2. DETAILS OF THE PROPOSALS

2.1 Details of the Proposed Acquisition

2.1.1 Background information on the Proposed Acquisition

The Proposed Acquisition entails the acquisition of the Sale Shares, representing the entire equity interest of BB Waterfront, by the Company from the Vendor for the Purchase Consideration. The Consideration Shares and Consideration Warrants will be issued to the Vendor and/or its nominees upon Closing.

The salient terms of the Warrants are set out in **Appendix II** of this Circular.

The Sale Shares shall be acquired free from any encumbrances and together with all rights and advantages attaching to them as at Closing (including the right to receive all dividends or distributions declared, made or paid on or after Closing).

The Vendor agrees that it (and shall procure that its nominees to whom the Consideration Shares are issued) shall not sell, transfer, assign or in any way dispose of the Consideration Shares or any part thereof at any time prior to the expiry of one (1) year from Closing.

2.1.2 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) net present value of the expected cash flow of BB Waterfront over a period of thirteen (13) years (comprising an initial three (3)-year period of construction and ten (10)-year period of hospital operations) commencing from the commencement of the development of the Proposed Medical Project and assuming the continuity of the business thereafter as embedded in the terminal value, ranging from RM841.4 million to RM930.0 million, based on the following key assumptions:

(a) discount rate of approximately 10.22%, being the cost of equity which was derived using the capital asset pricing model method, which reflects the risk of the cash flow;

(b) there will be no significant changes in the quantum of the expected construction costs, including the timing of such costs;

(c) all debt financing will be available in accordance with the expected cash flow provided and all debts servicing and repayment shall be paid in accordance with the repayment schedule;

(d) relevant authorities approval will be obtained for the additional 228-beds, in addition to the 272-beds which have been approved, such that the hospital will eventually have the capacity to house in total 500-beds;

(e) there will be no major delay or disruption to the construction of the hospital and the construction will commence late 2015 and expected to be completed with hospital operation commencing by late 2018;

(f) there will be no major industrial disputes, economic and political changes or any abnormal circumstances, which will adversely affect the operations of BB Waterfront;

(g) progressive sale of medical suites and the medical suites will all be sold within three (3) years from commencement of construction;

(h) the tax incentives applied by BB Waterfront will be approved by the MOF and BB Waterfront will be able to enjoy the savings arising from the tax incentives; and

(ii) the prospects of the healthcare sector as well as the prospects of BB Waterfront, details of which are set out in Sections 6.1 and 6.2 of Part A of this Circular.

In justifying the Purchase Consideration, the Board has taken into consideration, amongst others:

(i) the strategic rationale for the Proposed Acquisition which is to allow the Group to expand its hospital operations beyond the Klang Valley, especially in the Iskandar Malaysia development region, which is expected to provide a good catchment of local patients and patients from Singapore in view of its close proximity with Singapore and hence further diversify the geographical catchment of the Group, further details of which are set out in Section 5 of Part A of this Circular; and

(ii) the earnings and cash flow potential of the Proposed Medical Project and its expected contribution to the Group's future profitability.

2.1.3 Basis of determining and justification for the issue price of the Consideration Shares and Consideration Warrants and the exercise price of the Consideration Warrants

The issue price for the Consideration Shares of RM0.75 ("**Issue Price**") per Consideration Share and the exercise price for the Consideration Warrants of RM0.75 per Consideration Warrant ("**Exercise Price**") were determined on a willing-buyer willing-seller basis and after taking into consideration, among others, prevailing market conditions as well as the historical market price of TMC Shares, including the following:

(i) the Issue Price/Exercise Price represents a premium of approximately 17.2% over the closing market price of TMC Shares on the LFTD of RM0.64;

(ii) the Issue Price/Exercise Price represents a premium of approximately 15.4% and 23.0% to the five (5)-day and 30-day volume weighted average market price of TMC Shares up to and including the LFTD of RM0.65 and RM0.61 respectively; and

(iii) the Issue Price/Exercise Price represents a premium of approximately 13.6% over the highest closing market price of TMC Shares for the past 12 months up to and including the LFTD of RM0.66.

With a premium to the market price of TMC Shares, a lesser number of new TMC Shares would be issued pursuant to the Proposed Acquisition which in turn would mitigate the dilutive impact of the issuance of the new TMC Shares on the equity interest of the shareholders of TMC in the Company. In determining the Issue Price, the Board also took into consideration the Consideration Warrants that will be issued at no cost on the basis of one (1) Consideration Warrant for every two (2) Consideration Shares. The basis on which the Consideration Warrants are to be issued and the terms of the Consideration Warrants will be the same as the Bonus Warrants, with both the Consideration Warrants and Bonus Warrants to be listed and quoted as the same class. With the Proposed Acquisition and the Proposed Bonus Issue of Warrants being inter-conditional upon each other, the Consideration Warrants and Bonus Warrants would be offering similar opportunity to the Vendors (and/or its nominees) and the shareholders of the Company to increase their equity in the Company which in turn would allow them to equally benefit from the future growth of the Company with the completion of the Proposed Acquisition.

The Board had also taken into consideration the potential proceeds which will accrue to the Company arising from the exercise of the Consideration Warrants.

2.1.4 Utilisation of proceeds from exercise of the Consideration Warrants

The Consideration Warrants will not raise any proceeds upon issuance as the Consideration Warrants will be issued at no cost.

The exact quantum of proceeds that may be raised by the Company pursuant to the exercise of the Consideration Warrants would depend on the number of Consideration Warrants exercised. The proceeds from the exercise of the Consideration Warrants will be utilised for the Group's working capital requirements which include payments to suppliers for goods and services rendered and staff costs.

Assuming all the Consideration Warrants are exercised, the gross proceeds to be raised is approximately RM200.0 million. The proceeds are intended to be fully utilised within three (3) years from the expiration of the exercise period of the Consideration Warrants, depending on, *inter-alia*, the cashflow position as well as the funding requirements of the Group.

The proceeds from the exercise of the Consideration Warrants will be placed in deposits with financial institutions and/or short-term money market instrument(s) in the event that the proceeds are not immediately utilised.

2.1.5 Ranking of the Consideration Shares and the new TMC Shares to be allotted and issued upon exercise of the Consideration Warrants

The Consideration Shares and the new TMC Shares to be issued upon exercise of the Consideration Warrants shall, upon allotment and issuance, rank equally in all respects with each other and with the then existing TMC Shares and any other TMC Shares issued by the Company, save and except that the Consideration Shares and the new TMC Shares to be issued shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares or such new TMC Shares to be allotted and issued upon exercise of the Consideration Warrants.

2.1.6 Listing of the Consideration Shares and Consideration Warrants as well as the new TMC Shares to be issued upon exercise of the Consideration Warrants

Bursa Securities had, via its letter dated 6 May 2015, approved the following, among others:

(i) admission to the Official List and listing of and quotation for the Consideration Warrants;

(ii) listing of and quotation for the Consideration Shares; and

(iii) listing of and quotation for up to 266,666,666 new Shares to be issued upon exercise of the Consideration Warrants,

subject to the conditions as set out in Section 10 of Part A of this Circular.

2.1.7 Salient terms of the SPA

2.1.7.1 Conditions precedent

The Proposed Acquisition is conditional upon the following Conditions Precedent being obtained/fulfilled/waived within a period of six (6) months from the date of the SPA or such other date as may be agreed in writing between TMC and the Vendor ("**Cut-Off Date**"):

(i) the passing at a general meeting of Best Blend of the requisite resolution to approve the sale of the Sale Shares upon the terms and conditions of the SPA, the delivery and performance of the Vendor's obligations and the transactions contemplated in the SPA.

Best Blend had obtained the requisite approvals;

(ii) the receipt by the Company of the disclosure letter from Best Blend.

Best Blend had delivered the aforesaid disclosure letter to the Company which includes the disclosure on information constituting exceptions to the warranties and representations given by the Vendor in accordance with the SPA and details of other matters referred to in the SPA;

(iii) the Company having conducted a due diligence on the legal, financial, taxation and other affairs of BB Waterfront and is satisfied with the findings yielded from the due diligence.

The Company had provided the Decision to Proceed (as defined in Section 2.1.7.2 of Part A of this Circular) on 27 March 2015;

(iv) the passing at a general meeting of the Company of the requisite resolutions to approve (i) the Proposed Bonus Issue of Warrants and the Proposed IASC; and (ii) the acquisition of the Sale Shares (including issuance of the Consideration Shares together with the Consideration Warrants as payment of the Purchase Consideration), upon the terms and conditions of the SPA, the delivery and performance of the Company's obligations and the transactions contemplated in the SPA; and

(v) the approval or consent of Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities, listing of and quotation for the Consideration Shares, Warrants and the new TMC Shares arising from the exercise of the Warrants, where required.

The approval of Bursa Securities was obtained on 6 May 2015.

The date on which the last of the Conditions Precedent is satisfied or waived in accordance with the SPA shall be the Unconditional Date.

2.1.7.2 Due diligence

(i) The Company shall, as soon as reasonably practicable, after the execution of the SPA, arrange at its own costs and expenses to conduct the due diligence.

(ii) Not later than seven (7) days from the last day of the agreed due diligence period (being six (6) weeks from the date of the SPA or such other period as may be agreed upon or extended by the parties in writing), the Company shall inform Best Blend in writing whether it is satisfied with the due diligence examination for which it shall proceed with the transaction ("**Decision to Proceed**"). In the event the Company fails to inform Best Blend of the Decision to Proceed, it shall be deemed to be satisfied with the due diligence examination.

2.1.7.3 Termination of the SPA

(i) The SPA may be terminated (other than the surviving provisions) only in accordance with the following:

(a) by mutual written agreement of Best Blend and the Company;

(b) by either Best Blend or the Company if the Conditions Precedent have not been fulfilled or waived in accordance with the SPA;

(c) by the Company if prior to Closing, Best Blend is in material breach of any of its pre-Closing undertakings, the Company shall be entitled by notice in writing to Best Blend to terminate the SPA (other than the surviving provisions), without prejudice to the Company's rights to terminate the SPA and without prejudice to the Company's right to claim damages or other compensation;

(d) by Best Blend if prior to Closing, the Company is in material breach of its pre-Closing undertakings, Best Blend shall be entitled by notice in writing to the Company to terminate the SPA (other than the surviving provisions), without prejudice to Best Blend's right to claim damages or other compensation;

(e) by the Company if prior to Closing, any event shall occur (other than an event constituting or giving rise to a breach of any of Best Blend's warranties) which has or is likely to have a material and an adverse effect on the turnover, profitability, financial or trading position or prospects of BB Waterfront;

(f) by the Company if, at any time prior to Closing, Best Blend is in material breach of any of Best Blend's warranty; or

(g) by either the Company or Best Blend, as the case may be, in the event of any breach by the other party of its respective Closing obligations.

(ii) For the purposes of the termination provisions:

(a) "in material breach" means in breach of any Best Blend's warranty or an event which results or is reasonably likely to result in: (aa) a potential loss or liability which is equal to or exceeds RM40,000,000; or (bb) the rights of BB Waterfront to the Land likely to be contested or challenged; or (cc) an approval, consent or permit granted in respect of the Land or the Proposed Medical Project likely to be invalidated, nullified, revoked, cancelled or withdrawn; and

(b) "a material and an adverse effect" means an event which results or is likely to result in: (aa) a potential loss or liability which is equal to or exceeds RM40,000,000; or (bb) the rights of BB Waterfront to the Land likely to be contested or challenged; or (cc) an approval, consent or permit granted in respect of the Land or the Proposed Medical Project likely to be invalidated, nullified, revoked, cancelled or withdrawn; or (dd) there is a legal or regulatory impediment on BB Waterfront's ability to implement the Proposed Medical Project.

2.1.7.4 Real Property Gains Tax

The Vendor will pay and settle all real property gains tax (if any) payable on the Proposed Acquisition pursuant to the SPA as may be assessed by the Director-General of Inland Revenue under the provisions of the Real Property Gains Tax Act, 1976.

2.1.8 Liabilities to be assumed

Saved as disclosed in the latest management accounts of BB Waterfront for the FPE 31 December 2014 and those incurred in the ordinary course of business prior to Closing, the Company will not assume any liabilities (including contingent liabilities and corporate guarantee) pursuant to the Proposed Acquisition.

2.1.9 Additional financial commitment

Save for the estimated GDC of approximately RM0.9 billion and fixed asset investment, including medical equipment for the Proposed Medical Project of approximately RM0.3 billion, the Board does not foresee any other financial commitments required to put the business of BB Waterfront on-stream. The costs for the Proposed Medical Project to be incurred and working capital requirements of BB Waterfront may be funded by the Group through borrowings, internally generated funds, sales of medical suites and/or fund raising exercise after taking into consideration the Group's future gearing level and the Group's working capital requirements.

2.1.10 Original cost of investment in the Sale Shares

The original cost of investment (excluding the shareholders' loan provided, which was repaid in 2014) and date of investment by the Vendor in the Sale Shares are RM1,000,000 and 12 December 2011, respectively.

Based on the latest audited financial statements of BB Waterfront for the FYE 31 March 2014, BB Waterfront's shareholders' equity amounts to RM37.6 million.

2.2 Details of the Proposed Bonus Issue of Warrants

2.2.1 Basis and number of Warrants

The Proposed Bonus Issue of Warrants entails the issuance of 599,760,718 Warrants on the basis of one (1) Warrant for every two (2) existing TMC Shares held by the Entitled Shareholders. The Bonus Warrants will be issued in a single tranche.

Any fractional entitlement arising from the Proposed Bonus Issue of Warrants shall be dealt with in such manner and on such terms and conditions as the Board at its absolute discretion deems fit or expedient and in the best interest of the Company.

The Entitlement Date will be determined and announced at a later date upon receipt of all approvals from relevant authorities and shareholders of the Company for the Proposed Bonus Issue of Warrants, but in any event shall be prior to the completion of the Proposed Acquisition. As such, the Vendor and/or its nominees will not be entitled to participate in the Proposed Bonus Issue of Warrants in respect of the Consideration Shares received by them.

The total number of Bonus Warrants was arrived at based on the issued and paid-up share capital of TMC as at the LPD of 1,199,521,436 TMC Shares.

The Bonus Warrants will be issued at no cost to the Entitled Shareholders.

The Bonus Warrants will have the same terms as the Consideration Warrants.

2.2.2 Basis of determining the exercise price of the Bonus Warrants

The exercise price of the Bonus Warrants has been fixed at RM0.75 per Bonus Warrant, similar to the exercise price for the Consideration Warrants.

2.2.3 Ranking of the TMC Shares to be allotted and issued upon exercise of the Bonus Warrants

The new TMC Shares to be issued upon exercise of the Bonus Warrants shall upon allotment and issuance, rank equally in all respects with each other and with the then existing Shares and any other TMC Shares issued by the Company, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment and issuance of the new TMC Shares to be allotted and issued upon exercise of the Bonus Warrants.

2.2.4 Listing of the Bonus Warrants as well as the new TMC Shares to be issued upon exercise of the Bonus Warrants

Bursa Securities had, via its letter dated 6 May 2015, approved the following, among others:

(i) admission to the Official List and listing of and quotation for Bonus Warrants; and

(ii) listing of and quotation for up to 599,760,718 new Shares to be issued upon exercise of the Bonus Warrants,

subject to the conditions as set out in Section 10 of Part A of this Circular.

2.2.5 Utilisation of proceeds from exercise of the Bonus Warrants

The Bonus Warrants will not raise any proceeds upon issuance as the Bonus Warrants will be issued at no cost.

The exact quantum of proceeds that may be raised by the Company pursuant to the exercise of the Bonus Warrants would depend on the number of Bonus Warrants exercised. The proceeds from the exercise of the Bonus Warrants will be utilised for the Group's working capital requirements which include payments to suppliers for goods and services rendered and staff costs.

Assuming all the Bonus Warrants are exercised, the gross proceeds to be raised is approximately RM449.8 million. The proceeds are intended to be fully utilised within three (3) years from the expiration of the exercise period of the Bonus Warrants, depending on, *inter-alia,* the cashflow position as well as the funding requirements of the Group.

The proceeds from the exercise of the Bonus Warrants will be placed in deposits with financial institutions and/or short-term money market instrument(s) in the event that the proceeds are not immediately utilised.

2.3 Details of the Proposed IASC

As at the LPD, the authorised share capital of the Company is RM200,000,000 comprising 2,000,000,000 TMC Shares, of which 1,199,521,436 TMC Shares have been issued and credited as fully paid-up.

Upon completion of the Proposed Acquisition and assuming full exercise of the Warrants, the Company's issued and paid-up share capital will increase to RM259,928,215 comprising 2,599,282,153 TMC Shares. As such, the Company proposes to increase its authorised share capital from RM200,000,000 comprising 2,000,000,000 TMC Shares to RM500,000,000 comprising 5,000,000,000 TMC Shares to accommodate the new Shares to be issued pursuant to the Proposed Acquisition and the exercise of the Consideration Warrants and Bonus Warrants. In consequence thereof, the M&A of the Company will be altered accordingly.

2.4 Details of the Proposed ESOS

The Proposed ESOS will involve the granting of ESOS Options to the Eligible Person(s) in accordance with the By-Laws.

The Proposed ESOS will be administered by the Option Committee. Under the Proposed ESOS, an Eligible Person may, at the discretion of the Option Committee, be offered a certain number of Options, based on the conditions as set out in Section 2.4.3 of Part A of this Circular at the relevant offer dates ("**Date of Offer**").

The Option Committee shall have the discretion to determine whether to stagger the allocation of the Options over the duration of the Scheme, and whether there is any vesting period for the Options to be granted. Subject to the By-Laws, there are no performance targets to be achieved by the Grantee(s) to exercise the Options, unless otherwise stated in the Offer as determined by the Option Committee from time to time.

The salient features of the Proposed ESOS which is governed by the By-Laws are as follows:

2.4.1 Maximum number of new TMC Shares under the Proposed ESOS

The maximum number of new TMC Shares to be allotted and issued pursuant to the Proposed ESOS shall not exceed fifteen percent (15%) of the issued and paid-up share capital (excluding treasury shares) of the Company at any point in time or any limit prescribed by any guidelines, rules and regulations of the relevant authorities throughout the duration of the Scheme as set out in Section 2.4.4 of Part A of this Circular.

2.4.2 Basis of allotment and maximum allowable allotment

Subject to any adjustments which may be made under the By-Laws, the maximum number of new TMC Shares that may be offered under the Proposed ESOS to any Eligible Person shall be determined by the Option Committee at its sole and absolute discretion, after taking into consideration, among others and where relevant, the seniority, performance, contribution, employment grade and length of service of the Eligible Persons, subject to the following:

(a) the aggregate number of TMC Shares comprised in the Options made available under the Scheme shall not exceed the number stipulated in the By-Laws, but the Option Committee shall not be obliged in any way to offer an Eligible Person an Option for all the specified maximum number of Shares;

(b) the allocation to any Eligible Person, who either singly or collectively through persons connected to the Eligible Person, holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares), does not exceed 10% of the new TMC Shares available under the Proposed ESOS; and

(c) the Directors and senior management of the Company must not participate in the deliberation or discussion of their own allocation.

It is the intention of the Board to allocate up to fifty percent (50%) of the aggregate maximum number of Shares available under the Scheme to the Directors and senior management of the Company. However, the actual aggregate maximum allocation will be determined by the Option Committee at its absolute discretion and in consultation with the relevant advisers (if required) and in accordance with the By-Laws. In any case, it shall be subject to the limit as prescribed in Section 2.4.2(b) above. In the case of Directors, their specific entitlements/allotments under the Proposed ESOS shall be approved by the shareholders in a general meeting.

2.4.3 Eligibility

Only Eligible Persons who fulfill the following conditions shall be eligible to participate in the Scheme:

(a) must be at least 18 years of age on the Date of Offer;

(b) must have been confirmed on the Date of Offer (in respect of employees only); and

(c) comply with any other criteria that the Option Committee may decide at its discretion from time to time,

provided always that the selection of any Eligible Person for participation in the Scheme and the number of Options to be granted to any Eligible Person shall be at the discretion of the Option Committee and the decision of the Option Committee shall be final and binding.

Each Director can only participate in the Scheme in one (1) capacity irrespective of the number of directorships or positions he holds in the Group.

2.4.4 Duration

The Scheme shall be in force for a period of five (5) years from the effective date of the implementation of the Proposed ESOS ("**Effective Date**"). The Effective Date shall be the date of full compliance with all relevant requirements of the Listing Requirements in relation to the Proposed ESOS, subject to the By-Laws. The Option Committee shall have the absolute discretion, without the approval of the Company's shareholders in general meeting, to extend the duration of the ESOS (as the Option Committee may deem fit) for up to a further five (5) years provided always that the Scheme does not exceed a maximum period of ten (10) years in aggregate.

2.4.5 Subscription Price

Subject to any adjustment in accordance with the By-Laws or as may be amended from time to time, the price at which an Eligible Person is entitled to subscribe for new TMC Shares upon exercise of the Options to be granted pursuant to the Scheme ("**Subscription Price**") shall be the higher of the following:

(i) a price to be determined by the Board upon recommendation of the Option Committee based on the weighted average market price of TMC Shares for the five (5) market days immediately preceding the Date of Offer ("**5-Day WAMP**") on which the TMC Shares were traded, provided that any discount on the 5-Day WAMP will not be more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the ESOS; or

(ii) the par value of the TMC Shares.

2.4.6 Ranking of the Options and new TMC Shares to be issued pursuant to the exercise of the Options

The Options shall not carry any right to vote at any general meeting of the Company. The Grantees shall not be entitled to any dividends, rights, allotments, distributions or other entitlements on his unexercised Options.

The new TMC Shares to be issued upon exercise of the Options shall, upon allotment and issuance, rank equally in all respects with each other and with the then existing TMC Shares and any other Shares issued by the Company, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of issuance of the new TMC Shares to be issued pursuant to the exercise of the Options.

2.4.7 Listing and quotation of the new TMC Shares to be issued pursuant to the exercise of the Options

Bursa Securities had, via its letter dated 6 May 2015, approved the listing of and quotation for such number of additional new TMC Shares, representing up to fifteen percent (15%) of the issued and paid-up share capital (excluding treasury shares) of the Company to be issued upon exercise of the Options, subject to the conditions as set out in Section 10 of Part A of this Circular.

2.4.8 Retention period

An eligible Director who is a non-executive Director of the Group must not sell, transfer or assign the TMC Shares obtained through the exercise of the Options offered to him/her within one (1) year from the Date of Offer.

2.4.9 Utilisation of proceeds from exercise of the Options

The actual proceeds to be received by the Company pursuant to the exercise of the Options will depend on the actual number of Options granted and exercised, and the Subscription Price. Therefore, the amount of proceeds to be raised from the exercise of the Options cannot be determined at this juncture.

The proceeds to be raised from the exercise of the Options will be utilised for the Group's working capital requirements which include payments to suppliers for goods and services rendered and staff costs.

2.4.10 Amendments

Subject to the approval of the Grantees or the shareholders of the Company in a general meeting and compliance with the Listing Requirements, the Option Committee may at any time and from time to time recommend to the Board any additions or amendments to or deletions of the By-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add to, amend or delete all or any of the By-Laws upon such recommendation subject to the Company submitting the amended By-Laws and a confirmation letter to Bursa Securities for the amendment made, that the said amendment is in compliance with the provisions of the Listing Requirements pertaining to employee share option schemes, within five (5) market days of the effective date of the said amendments pursuant to Paragraphs 6.42 and 6.43 of the Listing Requirements.

However, the approval of the Grantees or the shareholders of the Company in a general meeting shall not be required provided that no additions or amendments to or deletions of the By-Laws shall be made which will:

(i) prejudice any rights then accrued to any Grantee without the prior consent or sanction of that Grantee; or

(ii) increase the number of Shares available under the Scheme beyond the maximum imposed in the By-Laws.

The By-Laws shall not be amended or modified in any way whatsoever for the advantage of the Eligible Persons or Grantees without the prior approval of the shareholders in a general meeting unless otherwise allowed by the provisions of the Listing Requirements.

2.5 Public shareholding spread

As at the LPD, the public shareholding spread of the Company is 31.5%. Based on the pro forma shareholding as set out in Section 8.2 of Part A of the Circular, upon completion of the Proposed Acquisition, the public shareholding spread will reduce to 21.8%. As this is below the 25% public shareholding spread requirement, the Company will seek an extension of time from Bursa Securities to rectify the shortfall in public shareholding spread and endeavour to do so within the stipulated period.

3. BACKGROUND INFORMATION ON THE VENDOR AND BB WATERFRONT

3.1 Vendor

Best Blend was incorporated as a private limited company under the Act on 20 October 2010 in Malaysia.

As at the LPD, the authorised share capital of Best Blend is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each ("**Best Blend Shares**"), all of which have been issued and credited as fully paid-up.

The principal activity of Best Blend is investment holding. As at the LPD, BB Waterfront is a wholly-owned subsidiary of Best Blend.

The Directors of Best Blend and their respective shareholdings in Best Blend as at the LPD are as follows:

	Direct		Indirect	
Name	No. of Best Blend Shares	%	No. of Best Blend Shares	%
Duli Yang Amat Mulia Tunku Ismail Ibni Sultan Ibrahim	300,000	30.0	-	-
Yang Amat Mulia Tunku Idris Ibni Sultan Ibrahim Ismail	-	-	-	-
Tan Chor Kher, Terry	-	-	-	-
Kan Kheong Ng	-	-	-	-

The shareholders of Best Blend and their respective shareholdings in Best Blend as at the LPD are as follows:

	Direct		Indirect	
Name	No. of Best Blend Shares	%	No. of Best Blend Shares	%
Incanto	700,000	70.0	-	-
Duli Yang Amat Mulia Tunku Ismail Ibni Sultan Ibrahim	300,000	30.0	-	-
Lim Eng Hock	-	-	700,000[(1)]	70.0

Note:

(1) Deemed interested by virtue of his shareholding in Incanto, pursuant to Section 6A of the Act.

3.2 BB Waterfront

BB Waterfront was incorporated as a private limited company under the Act on 20 October 2010 in Malaysia under the name of Vantage Bay Sdn. Bhd. It assumed its present name on 28 October 2013.

As at the LPD, the authorised share capital of BB Waterfront is RM1,000,000 comprising 1,000,000 BB Waterfront Shares, all of which have been issued and credited as fully paid-up.

The current principal activity of BB Waterfront is investment holding. BB Waterfront will be involved in the provision of healthcare services upon completion of the Proposed Medical Project. BB Waterfront is the registered and beneficial owner of the Land which is earmarked for the Proposed Medical Project, further details of which are set out in Section 4 of Part A of this Circular.

Based on the latest audited financial statements of BB Waterfront for the FYE 31 March 2014, BB Waterfront registered a PAT of approximately RM736.6 million with a shareholders' equity of RM37.6 million. Further details on the historical financial information of BB Waterfront are set out in **Appendix I** of this Circular.

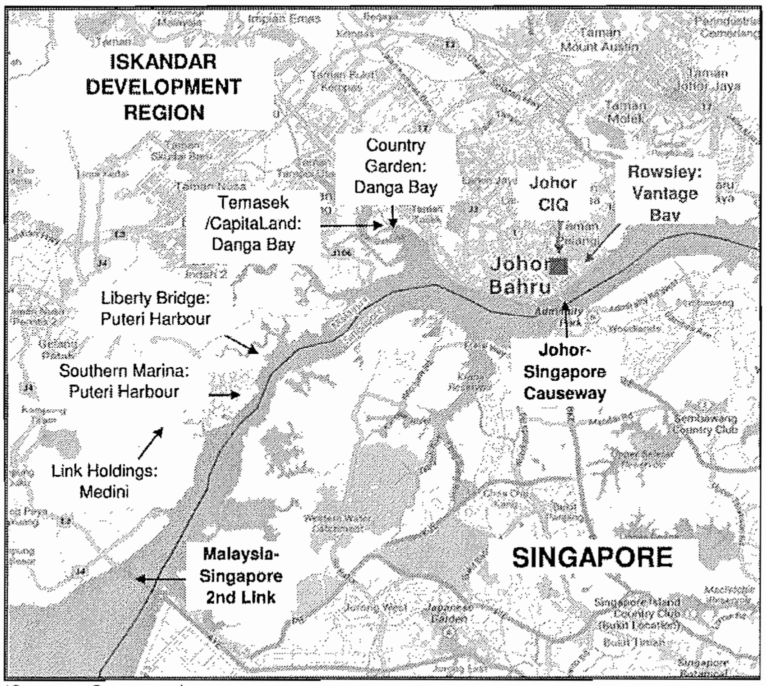
4. INFORMATION ON THE LAND AND PROPOSED MEDICAL PROJECT

Details of the Land based on the land title are as follows:

Registered owner	:	Vantage Bay Sdn. Bhd. *(now known as BB Waterfront)*
Lot and title no.	:	PTB 24075 H.S.(D) 523548
Land area	:	1.675 hectares (4.139 acres)
Mukim	:	Bandar Johor Bahru
District	:	Johor Bahru
State	:	Johor
Tenure	:	Freehold
Category of land use	:	Nil
Express condition	:	Nil
Encumbrances	:	Nil

The audited net book value of the Land as at 31 March 2014 is RM30.8 million.

BB Waterfront had entered into a sale and purchase agreement on 10 November 2011 to acquire two (2) parcels of land. The total costs of the acquisition amounted to RM186.0 million which was funded by loans from Best Blend. Both parcels of land were subsequently amalgamated and subdivided into six (6) different plots, one of which is the Land. The remaining five (5) plots have been disposed to a related party, further details of which are set out in Section 6 of Appendix I of this Circular. The Land, which is currently vacant as at the LPD, is part of the Iskandar Malaysia development corridor as shown below.



(Source: Company)

The planning permission in respect of the development layout of the Proposed Medical Project had been granted by Majlis Bandaraya Johor Bahru to Vantage Bay Sdn. Bhd. *(now known as BB Waterfront)* on 9 September 2013. The Johor Land and Mines Department *(Pejabat Pengarah Tanah dan Galian Johor)* had, via its letter dated 26 March 2014 approved BB Waterfront's application to surrender and re-alienate the Land ("**PTG Letter**"). Pursuant to the PTG Letter, the Land is to be re-alienated with and subject to, amongst others, the following particulars:

Area	:	3.500 acres (approximately 1.4164 hectares)[(1)]
Category of land use	:	Building
Express conditions	:	1. For the purpose of multi-level building (commercial / hospital / health centres / serviced apartment / private institution) to be constructed according to the plan approved by the relevant local authority. 2. All terms and conditions imposed and enforced from time to time by the relevant local authority shall be observed.
Restriction-in-interests		1. The registered owner of the land shall not offer or sell any parcels of building to be built on the land save for any building which has been constructed in accordance with the plan approved by the relevant local authority. 2. Where the ownership of any plot of building on the land is transferred to a Bumiputera or a Bumiputera company, it shall not be subsequently sold, leased or transferred to a non-Bumiputera or a non-Bumiputera company without the approval of the state authority. 3. No plot of building built on the land shall be sold or transferred to a foreigner or a foreign company without the approval of the state authority.

Further, it is also stated in the PTG Letter that the Land will be subject to, among others, the following conditions:

(i) the developer shall rent or sell 40% of the parcels of building to be built on the Land to Bumiputeras at a discount of 15% from its sale price or rental of the parcels of the building; and

(ii) surrender approximately 0.639 acres (from the gross land area of 4.139 acres) of land reserves to the Government.

Note:

(1) *As a result of the requirement to surrender approximately 0.639 acres of land reserves to the Government as set out in item (ii) above, the Land area will reduce from 4.139 acres to 3.500 acres.*

BB Waterfront had also obtained a zoning approval from the MOH via a letter dated 7 July 2014 whereby the MOH had granted an approval-in-principle to BB Waterfront for the establishment of a purpose-built private hospital for the provision of multi-disciplinary healthcare services with a capacity to house 272 beds on the Land subject to the condition that BB Waterfront shall submit a formal application for the approval to establish and maintain a private healthcare facility or service to the MOH within six (6) months from 7 July 2014. The MOH had via a letter dated 16 December 2014 extended the period for the submission of the formal application until 6 January 2016.

The Proposed Medical Project entails an integrated development into a medical hub that comprises a 500-bed hospital, 400 medical suites and retail mall (to facilitate and provide ancillary services to the operation of hospital and medical suites). The actual GDV and GDC of the Proposed Medical Project can only be ascertained upon completion of the development. However, based on the current planning, the estimated GDV and estimated GDC is approximately RM1.2 billion and RM0.9 billion respectively. The expected profit from the sale of the medical suites is estimated to be approximately RM114.3 million.

BB Waterfront is expected to commence construction by end 2015. The construction of the Proposed Medical Project is expected to be completed with the commencement of the hospital operations by late 2018. The proposed components of the Proposed Medical Project as at the LPD, which are subject to change and further approvals from the relevant authorities, are as follows:

	Hospital	Medical suites	Retail mall
Number of blocks	One (1) block of integrated development comprising a twelve (12)-storey podium and two (2) towers above the podium		
Number of storeys	The two (2) towers comprise of ten (10) storeys and twenty (20) storeys respectively		
Number of units	Not applicable	400	40
Gross built-up area (square feet)	842,443	494,960	89,308
Net lettable area (square feet)	Not applicable	Not applicable	62,516
For sale, rental or a combination	Not applicable	Sale	Rental
Estimated average rental per square feet per month over a 10-year period (RM)	Not applicable	Not applicable	8.40

The Group intends to fund the development of the Proposed Medical Project via a combination of bank borrowings, internally generated funds, sales of medical suites and/or fund raising exercise, the exact proportion of which has not been determined at this juncture as it will depend on, among others, the prevailing cashflow position and working capital requirements of the company at the point of development.

BB Waterfront has received approvals-in-principle for tax incentives in respect of the following companies/persons from IRDA which are subject to the approval from the MOF:

(i) in respect of the approved developers, a 100% tax relief on statutory income from rent or sale of all or any part, parcel or unit of a building (excluding residential units) located on the Land beginning from the first year of assessment until the year of assessment of 2025 subject to certain conditions;

(ii) in respect of a company which carries out qualified activities (including "wellness" activities, i.e. hospitals, hotels and nursing institute) on the Land:

    (a) a 100% tax relief on statutory income obtained from qualified activities, as approved by the IRDA on the Land for five (5) years beginning from the first year of assessment or investment tax allowance of up to 100% on capital expenditure, as approved by IRDA on the Land for five (5) years (the said allowance can be deducted up to 100% of the statutory income for the said year of assessment); and

    (b) an exemption from import duties and sale taxes on machinery and equipment subject to prevailing policies of the Malaysian Investment Development Authority.

(iii) in respect of event sponsor, a one-off deduction of up to RM1 million tax relief for each year of assessment, effective from the year of assessment of 2015.

Eligible companies/persons who wish to enjoy the tax incentives as set out above would have to submit an application to IRDA providing further information on the relevant activities and shall be subject to the approval from the MOF.

BB Waterfront has also entered into the following agreements with its related parties in respect of the Proposed Medical Project, as follows:

(i) First hospital consultancy services agreement with Thomson International dated 31 December 2013 ("**First Hospital Consultancy Agreement**");

(ii) Second hospital consultancy services agreement with TISB dated 30 January 2015 ("**Second Hospital Consultancy Agreement**");

(iii) Memorandum of agreement with RSP Architects dated 10 February 2014 ("**RSP Memorandum**"); and

(iv) Hospital management agreement with Thomson International dated 30 January 2015 ("**Hospital Management Agreement**").

The First Hospital Consultancy Agreement, Second Hospital Consultancy Agreement and RSP Memorandum relate to the planning, design and construction phase of the Proposed Medical Project. BB Waterfront had engaged Thomson International, a subsidiary of Thomson Medical and TISB, a subsidiary of Thomson International to provide project management and planning services for the design and construction phase of the Proposed Medical Project. Upon commencement of the hospital operations, Thomson International shall provide management consultancy services to manage the operations of the hospital pursuant to the Hospital Management Agreement.

Incorporated in 1977, Thomson Medical is one of Singapore's leading providers of healthcare services for women and children. It owns and operates Thomson Medical Centre, a fully integrated hospital that provides a comprehensive range of facilities and services with focus in obstetrics, gynaecology and paediatric services.

Over the years, Thomson Medical has gradually expanded its operations to include a chain of Thomson Women's Clinics and specialty centres namely, Thomson Chinese Medicine, Thomson Dental Centre, Thomson Diagnostic Imaging Centre, Thomson Diagnostic Ultrasound Centre, Thomson Fertility Centre, Thomson Lifestyle Centre, Thomson Well Women Clinic, Thomson Paediatric Centre, Thomson ParentCraft Centre, Thomson Pre-Natal Diagnostic Laboratory, Thomson Specialist Skin Centre and Thomson Women Cancer Centre.

Thomson International is the regional consultancy and development arm of Thomson Medical. It explores strategic partnerships and provides a comprehensive range of consultancy and management services to healthcare projects in the region.

Lim Eng Hock is a major shareholder of TMC by virtue of his interest in SAS which is the sole shareholder of SAS Malaysia. SAS is the sole shareholder of Thomson Medical, the sole shareholder of Thomson International. RSP Architects is a wholly-owned subsidiary of Rowsley, an entity which Lim Eng Hock is a controlling shareholder.

The salient terms of the said agreements are set out below:

(i) The First Hospital Consultancy Agreement

Thomson International was appointed to act as the project consultant in relation to the provision of the hospital planning and design brief, design coordination and management, medical equipment advisory and operational resource planning services in respect of the Proposed Medical Project ("**First Consultancy Services**").

The First Consultancy Services are in respect of work done at the planning and designing stage where Thomson International will, amongst others, set out the facilities and services and the recommended space planning requirements for the facilities, coordinate the design development and building systems by the appointed consultants, and prepare a list of medical equipments for the hospital. The term of the First Hospital Consultancy Agreement commenced on 1 April 2013 and, unless earlier terminated, shall continue until each of the First Consultancy Services has been completed.

The consideration for the provision of the First Consultancy Services comprises a fixed fee and a percentage calculated on the basis of certain associated costs such as construction and equipment costs. Based on the anticipated costs, the consideration payable for the First Consultancy Services is estimated to be approximately RM12 million to RM15 million. The anticipated costs and the consideration cannot be accurately ascertained at this juncture as these are dependent on, among others, the actual cost of construction, acquisition of equipment and subject to pricing, currency fluctuation and other factors.

(ii) Second Hospital Consultancy Agreement

TISB was appointed as a contractor to act as the project consultant in relation to the provision of project management, medical equipment advisory and hospital commissioning services in respect of the Proposed Medical Project ("**Second Consultancy Services**").

The Second Consultancy Services are in respect of the work done during the construction stage where TISB will, among others, coordinate with the appointed consultants and conduct periodic site visits and inspections to ensure that the medical equipment, clinical facilities and services are implemented in accordance with specifications, provide assistance in the scheduling of deliveries and through coordination, ensure the readiness of the site to receive these equipment, and undertake the planning and implementation of the commission work. The term of the Second Hospital Consultancy Agreement commenced on 1 April 2013 and, unless earlier terminated, shall continue until each of the Second Consultancy Services has been completed.

The consideration for the provision of the Second Consultancy Services is based on a percentage of certain associated costs. Based on the anticipated costs such as construction and equipment costs, the consideration payable for the Second Consultancy Services is estimated to be approximately RM8 million to RM12 million. The anticipated costs and the consideration cannot be accurately ascertained at this juncture as these are dependent on, among others, the actual cost of construction, acquisition of equipment and subject to pricing, currency fluctuation and other factors.

(iii) RSP Memorandum

RSP Architects was appointed to provide professional architectural, civil and structural engineering and through sub-consultants, mechanical and electrical engineering, interior design, landscape design, signage and way-finding, façade design, traffic impact assessment and land surveying services in relation to the Proposed Medical Project ("**Basic Services**").

RSP Architects may, as and when the circumstances require or when requested by BB Waterfront, be required to perform additional services such as, among others, amending or revising of designs pursuant to changes in client's instructions, laws, statutory or other regulations, providing advice on sites, conducting inspection of buildings, preparing schedules of dilapidations, participating in negotiations in connection with applications for among others planning or building approval and assisting in disputes/differences ("**Additional Services**"). The term of the RSP Memorandum commenced on 10 February 2014 and, unless earlier terminated, shall continue until each of the Basic Services and where applicable, any Additional Services requested have been completed.

The consideration for the provision of the Basic Services is based on a percentage calculated on the basis of certain construction costs and a further lump sum fee (to be based on the fee quotes from other sub-contractors for the services) to be agreed between RSP Architects and BB Waterfront for the provision of the traffic impact assessment, way-finding and signage design consultancy, interior design consultancy, façade design consultancy, and land surveying services whilst the consideration for the Additional Services is based on the scale of charges on the respective staff/personnel of RSP Architects. Based on the anticipated costs, the consideration payable for the Basic Services and the Additional Services is estimated to be approximately RM30 million to RM40 million. The anticipated costs (including the extent of Additional Services which may be required) and the consideration cannot be accurately ascertained at this juncture as these are dependent on, among others, the actual costs to be incurred, and/or the actual time spent by the staff/personnel of RSP Architects and subject to pricing, and other factors. Similarly, the fee for the Additional Services cannot be ascertained at this juncture as it is not known if these additional services would be required and if required, the extent of services which may be required.

(iv) Hospital Management Agreement

Thomson International was appointed to act as the management consultant ("**Management Services**") to manage the operations of the hospital.

The term of the Hospital Management Agreement, unless earlier terminated by notice in writing, shall commence on the date on which the hospital is permitted to commence operations pursuant to the written approval from the MOH and shall be for an initial term of five (5) years ("**Initial Term**"). After the Initial Term, Thomson International shall have the option to renew the agreement for a further term of five (5) years on the same terms and conditions as the agreement. Notwithstanding anything in the Hospital Management Agreement, the Hospital Management Agreement shall be automatically terminated upon the early termination of the First Hospital Consultancy Agreement and the Second Hospital Consultancy Agreement for whatever reason.

The consideration for the provision of the Management Services comprises a percentage calculated on the basis of certain determinants and a fixed retainer fee for the Initial Term. The total retainer fee for the Initial Term is approximately RM1.4 million. The estimated cumulative fee for the Management Services (including retainer fee) is approximately RM200 million to RM220 million for the 10-year period of hospital operations. However, the fee for the Management Services cannot be accurately ascertained at this juncture and is subject to change as the fee is dependent on determinants such as expenses incurred or profit made in each financial year which cannot be accurately ascertained at this juncture.

Further, BB Waterfront shall have the right in respect of the use of Thomson mark for the Proposed Medical Project upon execution of a licence agreement to be entered into between BB Waterfront and Thomson International and payment of a monthly fee pursuant to the said licence agreement.

5. RATIONALE AND BENEFITS OF THE PROPOSALS

5.1 Proposed Acquisition

The Board believes that the growth prospects of the healthcare sector in Malaysia will remain positive. Currently, the Group owns and operates Tropicana Medical Centre, a 139-bedded medical centre and TMC fertility centre. The Company intends to increase the capacity of Tropicana Medical Centre to 550 acute hospital beds and another 100 long-stay beds or service apartments to serve patients families and patients who need some form of care post-discharge from the acute general hospital ("**Expansion**"). Upon completion of the Expansion, Tropicana Medical Centre is expected to become one of the largest integrated healthcare campus in the Klang Valley. In line with the Group's continuing growth strategy and its intention to expand beyond the Klang Valley, the Proposed Acquisition represents a strategic opportunity for the Company to further expand its hospital operations, into another bustling and fast-growing city, i.e. Johor Bahru which will enable the Group to provide more comprehensive healthcare facilities with higher number of in-patient's bed, specialist clinics and other healthcare offerings.

The new hospital which is initially expected to have a capacity of 272 beds and expected to have a capacity to eventually house 500 beds, subject to regulatory approval, will be equipped with healthcare facilities such as intensive care units, out-patient clinics, patients wards, operating theatres, pharmacy, medical laboratory, modern technology including Magnetic Resonance Imaging (MRI) scan, Computerised Tomography (CT) scan, medical rehabilitation, maternity wards and executive health medical screenings facilities. The addition of a new hospital will also further expand the bed capacity and hence increasing the total number of beds of the Group to 682 (after completion of the first phase of the Expansion) and a capacity of 1,050 beds (after completion of the Expansion and Proposed Medical Project) and improve the market position of the Group. The new 400 medical suites located adjacent to the hospital is to be utilised to serve doctors and healthcare professionals which are expected to generate additional income to the Group as these doctors and healthcare professionals will utilise the facilities of the hospital to perform operations or for additional treatment/services.

The Land is located at the Stulang Laut area, which is within one (1) kilometer from the Sultan Iskandar Customs, Immigration and Quarantine Complex Johor ("**CIQ**") located at the Johor-Singapore Causeway linking Singapore to Johor Bahru and in close proximity to the upcoming Singapore-Johor Bahru Rapid Transit System. With the strategic location, the new hospital is expected to provide a good catchment of patients both locally and from Singapore in view of its close proximity to Singapore and hence further diversify the geographical catchment of the Group. The association of the new hospital with Thomson Medical, a reputable medical service provider in Singapore is also expected to attract patients from Singapore.

Following the completion of the Proposed Acquisition, BB Waterfront will become a wholly-owned subsidiary of the Company, which is expected to further improve the Group's financial position in terms of revenue and profitability as well as enhancing shareholders' value. It is envisaged that in the long term upon completion of the Expansion and Proposed Medical Project, the Group will have a capacity of 1,050 beds.

5.2 Proposed Bonus Issue of Warrants

The Proposed Bonus Issue of Warrants aims to reward and provide the Entitled Shareholders with an option to further increase their equity participation in the Company at a pre-determined exercise price during the tenure of the Bonus Warrants and to benefit from the future growth of the Group in conjunction with the Proposed Acquisition as well as any potential capital appreciation in the Shares. The Proposed Bonus Issue of Warrants will also strengthen the capital base of the Company and potentially provide additional funds to the Group if the Bonus Warrants are exercised. In addition, the Bonus Warrants will be traded separately from the TMC Shares on Bursa Securities and will provide shareholders an avenue to monetise the Bonus Warrants should they choose to do so.

5.3 Proposed IASC

The Proposed IASC is to accommodate the increase in the issued and paid-up share capital of the Company pursuant to the Proposed Acquisition, Proposed Bonus Issue of Warrants and new Shares to be issued arising from the exercise of the Warrants and further increase in the share capital of the Company pursuant to any future corporate exercise.

5.4 Proposed ESOS

The Board proposes to establish the Proposed ESOS to:

(i) align the interest of the Eligible Persons with the performance of the Group and provide an opportunity for the Eligible Persons to participate in the profitability of the Company via equity ownership and inculcate a greater sense of belonging and dedication as Eligible Persons are given the opportunity to participate in the equity of the Company upon exercising their Options;

(ii) recognise the contribution of the Eligible Persons, reward and retain the Eligible Persons whose services are vital to the continued growth of the Group;

(iii) motivate the Eligible Persons towards better performance through greater loyalty and productivity to the Group; and

(iv) make the Group remuneration scheme more competitive to attract more skilled and experienced individuals to join the Group and contribute to its continued growth.

The Proposed ESOS, which is also extended to the non-executive Directors of the Company, is to recognise and reward their contributions and efforts as they play a constructive role in contributing towards the growth and performance of the Group. Their participation in the equity of the Company is expected to enhance their level of commitment and contribution as well as enable the Company to attract and retain capable individuals to act as non-executive Directors of the Company who will assist in the overall strategic direction of the Group.

6. OVERVIEW AND PROSPECTS

6.1 Industry overview and outlook

During the first half of 2014, the other services subsector which comprises amongst others, higher private education and health activities, grew 4.6% (January – June 2013: 5.2%). The number of foreign patients in private hospitals is expected to increase to 800,000 generating revenue of RM794 million in 2014 (2013: 770,134; RM690 million). The other services sector is expected to grow 4.8% in 2014 (2013: 5.1%) mainly driven by high-quality and affordable healthcare as well as an increase in foreign Muslim patients seeking halal treatment in Malaysia.

(Source: Economic Report 2014/2015, Ministry of Finance Malaysia)

The healthcare sector has seen robust growth over the past decade and this sector has one of the highest multipliers in the economy in Malaysia. Changing demographics, a more affluent society and more health-conscious lifestyles have led to the creation of a robust domestic industry. While the local industry has been dominated by the public healthcare sector, over the past decade, there has been tremendous growth of private healthcare services. The National Key Economic Areas ("**NKEA**"), led by the MOH, is focused on growing private investments in areas such as manufacturing of pharmaceutical products and medical devices, clinical research activities and aged-care services. It seeks to grow the healthcare industry and encourage collaboration between healthcare providers in the public and private sectors.

The Government will also continue to provide healthcare to all Malaysians through subsidies at public hospitals and clinics. The private sector, on the other hand, has been tasked with improving access to healthcare to those who can afford to pay to help lessen the Government's burden. By working together, the public and private sectors will be able to offer a comprehensive range of health services and products to all in Malaysia.

The majority of visitors seeking treatment in Malaysia are still from Indonesia. Therefore, the Malaysia Healthcare Travel Council intends to attract visitors from other regions, such as the Middle East. Efforts will also increase to explore new markets such as Russia, Ukraine, Kazakhstan, Maldives, Nepal, Bhutan and Uzbekistan. To ensure sustainable growth and to cater for increasing patient needs, particularly tourist patients, hospitals will increase their number of beds, new wards and specialists. The hospitals and medical centres are also looking into expanding the service portfolio to include other specialty clinical services including haemodialysis services and orthopaedics traumatology, among others. In addition, aggressive marketing and penetration into new areas are essential keys to capture bigger market segments.

By 2020, 10 per cent of Malaysia's population will be above the age of 60 and by 2030, 15 per cent will be above 60, which will put Malaysia as an ageing population. This shift in demographics will undoubtedly raise new concerns for the healthcare sector, including issues such as capacity and access, funding for long-term care and the provision of adequate facilities and services for the aged. The healthcare NKEA has identified potential projects to grow and transform the industry into a recognised part of the healthcare sector.

(Source: Annual Report 2013, Economic Transformation Programme)

By 2025, total healthcare expenditure in Malaysia could exceed USD20 billion. In the next five (5) years (2015 to 2020), it is expected to grow at a compound annual growth rate of 11%. While Malaysian Government spending will focus on development of public healthcare infrastructure and chronic and infectious diseases control and treatment, private healthcare spending will drive much of this growth. Private healthcare (i.e. private health insurance) will grow from 46% of total healthcare expenditure to close to 50% by 2020.

Compared to other countries in the Association of Southeast Asian Nation, Malaysia has a higher-than-average availability of medical personnel and high quality facilities providing treatments across different ranges of the cost spectrum, making it an attractive destination for medical tourists. While Thailand and Singapore will continue to be larger in terms of dollar size, they are forecasted to see slower growth over the next five years, compared to Malaysia's forecasted cumulative average growth rate of 18.5% between 2014 and 2020. Singapore will come under pressure due to the costs of healthcare there, while Thailand has seen an impact of the political unrest. Malaysia has the opportunity to brand and position itself as a provider of affordable, quality healthcare.

(Source: Frost & Sullivan, 26 January 2015, Malaysian Healthcare Travel Council)

6.2 Prospects of BB Waterfront

The prospects of BB Waterfront are expected to be favourable in view of the following:

(a) Strategic location and accessibility

The Land is located near the Johor CIQ and Johor-Singapore Causeway and its connectivity and accessibility is also expected to improve with the completion of the Singapore-Johor Bahru Rapid Transit System. In addition, the Land is also strategically located beside the 9.2 hectares Vantage Bay Integrated Development comprising residential apartments, mega entertainment mall, commercial offices and hotel with a gross floor area of one (1) million square feet when completed. The close proximity to Singapore will serve both local and foreign patients who demand for high quality healthcare and related services. It will mainly focus on attracting the growing number of patients from Singapore seeking more affordable quality healthcare services in Malaysia.

(b) Strategic collaboration with Thomson International

The new hospital is located within the Thomson Iskandar medical hub and will be branded as Iskandariah Hospital. Pursuant to the Hospital Management Agreement, Thomson International has been appointed as management consultant to manage the operations of the hospital. Thomson Medical, with its team of professionals is experienced in hospital design, planning, development, operation and management. The Group believes that the partnership with Thomson International and the proximity of the medical hub to Singapore puts Thomson Iskandar medical hub and Iskandariah Hospital in a very good position to attract patients from Singapore seeking more affordable private specialist care. This is in line with the Government's efforts to promote healthcare and medical tourism as one of the NKEAs.

(c) Favourable long term outlook of the industry

As detailed in Section 6.1 of Part A of this Circular, the healthcare sector in Malaysia is expected to be favourable in the long term as Malaysia has higher-than-average availability of medical personnel and high quality facilities and yet at more affordable cost compared to neighbouring cities like Singapore. It is therefore, well-positioned to attract patients from local and neighbouring countries. In the recent years, the cost of healthcare in Singapore has been on an upward trend and it is becoming increasingly expensive to consult a doctor. In relation thereto, Malaysia poses as an attractive alternative destination for private healthcare. For example, the private healthcare cost for a single bed ward in Malaysia is comparative with Singapore's public B1 ward. Further, effective 1 March 2010, Singapore residents may use their Medisave (a national savings scheme in Singapore designated for healthcare needs) for their hospitalisation overseas, subject to certain conditions.

(Source: "Medisave for Approved Overseas Hospitalisation", 10 February 2010, Ministry of Health Singapore)

The Board is of the view that the growth prospects of the healthcare sector in Malaysia will remain positive and expects increasing demand from Singapore in view of the more affluent society and more health-conscious lifestyle coupled with Malaysia's competitive pricing as compared to hospital services in Singapore.

7. RISK FACTORS

As the Group is currently involved in the provision of healthcare services, the Group is already exposed to risks inherent in the healthcare services which will be faced by BB Waterfront when it commences the operation of Iskandariah Hospital, which include, among others:

(i) Competition risk

Hospitals are subject to increasing competition from new products, services and technological advances and may be affected by events and conditions including, among others, changes in demand for and methods of delivery of healthcare services, physicians' confidence in the facility, management capabilities, competition with other hospitals and healthcare providers, efforts by insurers to limit charges and changes in third party reimbursement policies, pressure from patients to reduce payments to healthcare providers, governmental regulation as well as the cost and potential unavailability of malpractice insurance.

Although BB Waterfront, with its strategic collaboration with Thomson International will take measures to address competition risk such as conducting market intelligence surveys, monitoring and adjusting development and innovative marketing strategies in response to changing economic conditions and market demand, there can be no assurance that such competition risk would not have any material adverse impact on the Group's business in the future.

(ii) Outbreak of avian flu, severe acute respiratory syndrome ("SARS"), or other potentially life-threatening illnesses or contamination may affect hospitals

The outbreak of avian flu, SARS, or other potentially life-threatening illnesses or contamination may lead the government to impose regulations on hospitals, affecting their normal routine of operations and possibly leading to lower numbers of patients visiting hospitals.

In addition, should patients infected with such illnesses be housed in a hospital, the hospital could see a negative impact in its reputation, resulting in a lower number of people who are willing to visit that hospital for other kinds of medical or surgical treatment. This may have a consequent adverse impact on the operations of the new hospital.

Although the Group will mitigate such risk by implementing greater infection control measures, there can be no assurance that occurrences of epidemics and pandemics would not result in negative public opinion on the Group's medical institutions, which will have material adverse impact on the Group's operations and financial performance.

(iii) Political, economic and regulatory risk

Adverse changes in political, economic and regulatory conditions in Malaysia could materially affect the financials and prospects of the Proposed Medical Project and the operations of the new hospital. The political, economic and regulatory uncertainties arising from economic downturn, unfavourable monetary and fiscal policy changes, exchange control regulations or introductions of new rules or regulations and changes in political leadership may affect the Proposed Medical Project and the operations of the new hospital.

Although the Group will mitigate such risk by continuing to review its business development strategies in response to the changes in political, monetary, fiscal and economic conditions, there can be no assurance that any change to these factors would not have any material adverse impact on the Group's business in the future.

(iv) Business risk

Similar to the business risk currently faced by the Company, upon completion of the Proposed Medical Project, BB Waterfront would be exposed to business and financial risks inherent in the private healthcare sector. These risks include, but not limited to, changes in general economic conditions, government policies or regulations, inflation and changes in the landscape of the healthcare sector such as the proposed 1Care national healthcare proposal, supply of labour, operational costs, availability of professionally trained medical personnel, consumer's affordability for private healthcare services, compliance and regulatory cost and potential third party liability from negligence arising from the provision of services and dispensation of drugs.

Although the Group seeks to mitigate these risks through, *inter alia*, careful planning and monitoring of staff, provision of continuous training to upgrade the skills of the medical professionals and support staff, securing adequate and proper cover of insurable risks for third party negligence and prudent financial policy, there can be no assurance that BB Waterfront would not be exposed to business and financial risks inherent in the private healthcare sector which would have material adverse impact on the Group's business in the future.

(v) The healthcare sector is heavily regulated

The healthcare sector is heavily regulated by the regulatory authorities. Hospitals are continuously subject to laws, regulations and policies, including, but not limited to, licensing, inspections and other compliance requirements. Failure to obtain, maintain and comply with regulatory approvals or licences could materially and adversely affect BB Waterfront's business or result in the imposition of fines and other penalties.

Although the Group will endeavour to ensure that its operations comply with relevant laws and regulations based on its track record, experience and expertise, there can be no assurance that there will be no changes to such laws and regulations, or new interpretations of such laws and regulations which may adversely affect the operations of the new hospital or result in an increase in operating expenses.

The risk factors associated with the Proposed Acquisition, which are by no means exhaustive, are as follows:

(i) Completion of the Proposed Acquisition

The completion of the Proposed Acquisition is subject to the fulfillment of the Conditions Precedent which may be beyond the control of the Company. In the event any of the Conditions Precedent are not fulfilled or waived, the SPA will lapse and the Company will not be able to complete the Proposed Acquisition.

Although the Board will take reasonable steps to ensure that the Conditions Precedent are met within the stipulated timeframe in order to complete the Proposed Acquisition in a timely manner, there can be no assurance that the Conditions Precedent can be fulfilled.

(ii) Delay in completion and cost overrun of the Proposed Medical Project

The returns from the Proposed Medical Project may have a longer payback period than expected or the investment in the Proposed Medical Project may not generate the expected rate of return due to various factors including, inter-alia, increase in development and/or construction costs, unavailability of skilled manpower, failure to obtain or delay in obtaining approvals from the relevant authorities for the Proposed Medical Project, delay in securing adequate funding for the Proposed Medical Project and there is no ready market available for the sale of medical suites upon completion of the Proposed Medical Project. These factors can lead to interruptions or delays in completing the Proposed Medical Project, which can consequently result in cost overruns and affect the profitability and cash flow of the Group.

Although the Company will endeavour to ensure that BB Waterfront monitors the work schedule of the contractor and the construction project closely, there can be no assurance that interruptions or delays in completing the Proposed Medical Project will not have any material adverse impact on the Group's business in the future.

(iii) Risks associated with new hospital

The development of the Proposed Medical Project and the operations of the new hospital could be subject to certain additional risks, including, among others:

(i) difficulties pertaining to the setting up of new hospital operations, including risks related to planning, construction, securing the required approvals, permits and licenses, human resources and patient admissions;

(ii) difficulties arising from operating a significantly larger and more complex organisation;

(iii) difficulties in the integration of the assets and operations of new hospital and healthcare businesses with the Group's existing hospitals and healthcare businesses;

(iv) not being able to realise expected profitability or growth;

(v) not being able to realise expected synergies and cost savings;

(vi) difficulties arising from coordinating and consolidating corporate and administrative functions, including the integration of internal controls and procedures such as timely financial reporting;

(vii) difficulties in recruiting and retaining doctors, nurses and other healthcare professionals; and

(viii) unforeseen legal, regulatory, contractual, labour or other issues.

Although the Company will take reasonable steps to mitigate these risks based on its track record, experience and expertise, which include, but not limited to close monitoring of the hospital operations and proactive liaison with the relevant authorities or parties to obtain relevant approvals as scheduled, there can be no assurance that the profitability of the Proposed Medical Project and the new hospital will not be impacted by risks associated with new hospitals.

(iv) Availability of funding and financing risk

The Group intends to fund the Proposed Medical Project through, among others proceeds from sale of medical suites and borrowings. The proceeds from sale of medical suites will depend on prevailing market demand and supply.

Furthermore, any incurrence of debt to finance the Proposed Medical Project will result in new interest servicing/principal payment obligations for the Group. Besides increasing gearing level, new bank borrowings incurred could result in operating and financial covenants being imposed that could restrict, to a certain extent, the Company's operations and its ability to pay dividends to its shareholders. Furthermore, the enlarged Group's indebtedness may, among others, limit the enlarged Group's ability to secure new bank borrowings which will require the Group to allocate a substantial portion of its cashflows to service its enlarged debt and other contractual obligations, hence reducing the availability of funds for other purposes.

Although the Group will mitigate such risk by actively reviewing its debt portfolio taking into account the level, structure and nature of bank borrowings and seek to adopt appropriate cost effective and optimal mix of financing options and every effort will be taken to ensure that no adverse effects would arise from the interest servicing/principal payment commitments, there can be no assurance that the new borrowings taken to fund the Proposed Medical Project will not have a material adverse impact on the Group's financial position in the future. However, the Group will be able to reduce its gearing in the long term from future earnings and cash flows to be generated from the new hospital.

(v) Compulsory acquisition by the Malaysian Government

Pursuant to the Land Acquisition Act, 1960 ("**Land Act**"), the Government has the power to compulsorily acquire any land in Malaysia in accordance with the Land Act. In the event of any compulsory acquisition of the Land by the Government, the amount of compensation to be awarded shall be computed on the basis prescribed in the First Schedule of the Land Act. At any point in time, such compensation may be less than the then market price of the Land.

In the event of such compulsory acquisition of lands (including the Land) held by the Group, although the Group will, on a best effort basis, minimise any potential loss from such situations by invoking the relevant provisions in the Land Act in relation to its rights to submit an objection to the said compensation, where necessary, there can be no assurance that compensation as a result of such compulsory acquisition will not have any material impact on the Group's financial position in the future.

8. EFFECTS OF THE PROPOSALS

The Proposed IASC will not have any effect on the share capital and substantial shareholders' shareholdings of the Company as well as the NA per TMC Share, gearing and EPS of the Group.

The effect of the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed ESOS are set out in the ensuing sections.

8.1 Issued and paid-up share capital

The Proposed ESOS is not expected to have any immediate effect on the issued and paid-up share capital of the Company. The issued and paid-up share capital of the Company will increase depending on the number of new TMC Shares to be issued arising from the exercise of the Options.

For illustrative purposes only, the pro forma effects of the Proposed Acquisition, Proposed Bonus Issue of Warrants and the Proposed ESOS on the issued and paid-up share capital of the Company are based on the following scenarios and assumptions:

Minimum scenario: Assuming none of the Warrants are exercised prior to the allotment and issuance of the new TMC Shares pursuant to the Proposed ESOS.

Maximum scenario: Assuming full exercise of the Warrants prior to the allotment and issuance of the new TMC Shares pursuant to the Proposed ESOS.

Minimum Scenario

	No. of Shares	RM
As at the LPD	1,199,521,436	119,952,144
Consideration Shares to be issued	533,333,333	53,333,333
Enlarged issued and paid-up share capital after the Proposed Acquisition	**1,732,854,769**	**173,285,477**
New Shares to be issued assuming full exercise of the Options	259,928,215	25,992,822
Enlarged issued and paid-up share capital and assuming full exercise of the Options	**1,992,782,984**	**199,278,299**

Maximum Scenario

	No. of Shares	RM
As at the LPD	1,199,521,436	119,952,144
Consideration Shares to be issued	533,333,333	53,333,333
Enlarged issued and paid-up share capital after the Proposed Acquisition	**1,732,854,769**	**173,285,477**
New Shares to be issued assuming full exercise of the Bonus Warrants	599,760,718	59,976,072
New Shares to be issued assuming full exercise of the Consideration Warrants	266,666,666	26,666,666
Enlarged issued and paid-up share capital and assuming full exercise of the Warrants	**2,599,282,153**	**259,928,215**
New Shares to be issued assuming full exercise of the Options	389,892,322	38,989,232
Enlarged issued and paid-up share capital and assuming full exercise of the Options	**2,989,174,475**	**298,917,447**

8.2 Shareholdings of the substantial shareholders of the Company

The Proposed ESOS is not expected to have any immediate effect on the shareholdings of the substantial shareholders' of the Company until and unless new TMC Shares are issued pursuant to the exercise of the Options. Any potential effect on the shareholdings of the substantial shareholders of the Company will depend on the number of new TMC Shares to be issued pursuant to the exercise of the Options.

For illustrative purposes only, the pro forma effects of the Proposed Acquisition, Proposed Bonus Issue of Warrants and assuming full exercise of the Warrants on the shareholdings of the substantial shareholders of the Company as at the LPD are as follows:

	As at the LPD				(I) After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
SAS Malaysia	821,304,822	68.5	-	-	901,638,155[3]	52.0	-	-
SAS	-	-	821,304,822[1]	68.5	-	-	901,638,155[1]	52.0
Lim Eng Hock	-	-	821,304,822[2]	68.5	-	-	1,221,638,155[4]	70.5
Best Blend	-	-	-	-	90,000,000[3]	5.2	-	-
Duli Yang Amat Mulia Tunku Ismail Ibni Sultan Ibrahim	-	-	-	-	133,000,000[3]	7.7	90,000,000[5]	5.2
Incanto	-	-	-	-	230,000,000[3]	13.3	90,000,000[6]	5.2

Notes:

(1) *Deemed interested by virtue of its shareholding in SAS Malaysia pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of his shareholding in SAS pursuant to Section 6A of the Act.*

(3) *It is the intention of Best Blend to nominate SAS Malaysia, Duli Yang Amat Mulia Tunku Ismail Ibni Sultan Ibrahim and Incanto to receive and accept part of the Consideration Shares in place of Best Blend.*

(4) *Deemed interested by virtue of his shareholdings in SAS, Best Blend and Incanto pursuant to Section 6A of the Act.*

(5) *Deemed interested by virtue of his shareholding in Best Blend pursuant to Section 6A of the Act.*

(6) *Deemed interested by virtue of its shareholding in Best Blend pursuant to Section 6A of the Act.*

	(II)				(III)			
	After (I) and the Proposed Bonus Issue of Warrants				After (II) and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
SAS Malaysia	901,638,155	52.0	-	-	1,312,290,566	50.5	-	-
SAS	-	-	901,638,155[(1)]	52.0	-	-	1,312,290,566[(1)]	50.5
Lim Eng Hock	-	-	1,221,638,155[(2)]	70.5	-	-	1,818,957,232[(2)]	70.0
Best Blend	90,000,000[(5)]	5.2	-	-	90,000,000[(5)]	3.5	-	-
Duli Yang Amat Mulia Tunku Ismail Ibni Sultan Ibrahim	133,000,000[(5)]	7.7	90,000,000[(3)]	5.2	213,000,000[(5)]	8.2	90,000,000[(3)]	3.5
Incanto	230,000,000[(5)]	13.3	90,000,000[(4)]	5.2	416,666,666[(5)]	16.0	90,000,000[(4)]	3.5

Notes:

(1) *Deemed interested by virtue of its shareholding in SAS Malaysia pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of his shareholdings in SAS, Best Blend and Incanto pursuant to Section 6A of the Act.*

(3) *Deemed interested by virtue of his shareholding in Best Blend pursuant to Section 6A of the Act.*

(4) *Deemed interested by virtue of its shareholding in Best Blend pursuant to Section 6A of the Act.*

(5) *It is the intention of Best Blend to nominate Duli Yang Amat Mulia Tunku Ismail Ibni Sultan Ibrahim and Incanto to receive and accept the Consideration Warrants in place of Best Blend.*

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8.3 NA per TMC Share and gearing

For illustrative purposes only, the pro forma effects of the Proposed Acquisition, Proposed Bonus Issue of Warrants and assuming full exercise of the Warrants on the NA per TMC Share and gearing of the Group based on the latest audited consolidated statement of financial position of the Company as at 31 May 2014 and on the assumption that the Proposed Acquisition, Proposed Bonus Issue of Warrants and full exercise of the Warrants had been effected on that date are as follows:

		(I)	(II)	(III)	(IV)
	Audited as at 31 May 2014	**After subsequent adjustments[1]**	**After (I) and the Proposed Acquisition**	**After (II) and the Proposed Bonus Issue of Warrants**	**After (III) and assuming full exercise of the Warrants**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Share capital	80,237	119,952	173,285[2]	173,285	259,928
Accumulated losses	(6,169)	(5,886)	(8,401)[3]	(8,401)	(8,401)
Share premium	33,159	180,103	471,038[2][3]	471,038	1,089,763
Exchange translation reserve	80	80	80	80	80
Warrants reserve	28,083	-	55,547[4]	55,547[4]	-
Equity/NA attributable to equity holders of the Company	**135,390**	294,249	691,549	691,549	1,341,370
Non-controlling interest	-	-	-	-	-
Total equity/NA	**135,390**	**294,249**	**691,549**	**691,549**	**1,341,370**
No. of Shares in issue ('000)	802,373	1,199,521	1,732,855	1,732,855	2,599,282
NA per Share (RM)[5]	0.17	0.25	0.40	0.40	0.52
Total borrowings (RM'000)[6]	2,051	2,051	2,051	2,051	2,051
Gearing (times)[7]	0.02	0.01	-[8]	-[8]	-[8]

Notes:

(1) *After taking into consideration the issuance of 397,148,435 new Shares pursuant to the exercise of warrants from 1 June 2014 up to their expiry date on 22 December 2014 at an exercise price of RM0.40 per warrant.*

(2) *Although the Consideration Shares will be issued at RM0.75 per Consideration Share as per the SPA, MFRS 3 – Business Combinations requires the recognition of the fair value of the Consideration Shares based on the closing market price of TMC Shares on the completion date of the Proposed Acquisition.*

(3) *After deducting the cost directly attributable to the issuance of the Consideration Shares of RM185,000 from the share premium account and the remaining estimated expenses in relation to the Proposals of approximately RM2,515,000 from accumulated losses.*

(4) *The pro forma fair value of RM0.2083 per Consideration Warrant is determined using the Black Scholes pricing model based on the following input:*

Closing price per TMC Share on the LFTD	*RM0.64 per Share*
Exercise price	*RM0.75 per Warrant*
Tenure of the Warrants	*Four (4) years from the date of the issuance of Warrants*
Risk free interest rate	*3.72% per annum*
Expected dividend yield	*0.45%*
Expected share price volatility	*44.06%*

The determination of the fair value of the Consideration Warrants is in accordance with Consensus 9 of the Financial Reporting Standards Implementation Committee – Accounting for Rights Issue with Free Warrants and MFRS 139 – Financial Instruments: Recognition and Measurement. Assigning a fair value to the Consideration Warrants is merely a reallocation of value within equity. The fair value of the Consideration Warrants is credited to warrants reserve which is non-distributable. The warrants reserve is transferred to the share premium account upon the exercise of the Consideration Warrants and the warrants reserve in relation to the unexercised Consideration Warrants at the expiry period will be transferred to retained earnings without any impact on the Group's earnings. The actual fair value of the Consideration Warrants to be credited to warrants reserve will be computed based on the closing market price of TMC Shares on the completion date of the Proposed Acquisition and the assumptions then.

(5) *Calculated as NA attributable to equity holders of the Company divided by number of Shares in issue.*

(6) *Comprises interest-bearing borrowings.*

(7) *Calculated as total borrowings divided by equity/NA attributable to equity holders of the Company.*

(8) *Negligible.*

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Save for the potential impact of MFRS 2, further details of which are set out in Section 8.4 of Part A of this Circular, the Proposed ESOS is not expected to have an immediate effect on the consolidated NA, NA per Share and gearing of the Group until such time that the Options are exercised. The effects will depend on, among others, the number of new TMC Shares to be issued upon exercise of the Options and the Subscription Price. Upon exercise of the Options, the NA per Share is expected to increase if the Subscription Price is higher than the NA per Share and decrease if the Subscription Price is lower than the NA per Share at such point of exercise.

8.4 Earnings and EPS

The Proposed Acquisition and Proposed Bonus Issue of Warrants are expected to be completed in the third (3rd) quarter of 2015. The Proposed Bonus Issue of Warrants is not expected to have any impact on the earnings and EPS of the Group until such time when the Bonus Warrants are exercised. Similarly, the Consideration Warrants are not expected to have any impact on the earnings and EPS of the Group until such time when the Consideration Warrants are exercised.

For illustrative purposes only, based on the audited consolidated financial statements of the Company for the FYE 31 May 2014, and on the assumption that the Proposed Acquisition had been effected on 1 June 2013 (being the beginning of FYE 31 May 2014), the pro forma effect of the Proposed Acquisition on the earnings and EPS of the TMC Group, without any adjustments made with respect to the differing financial periods is as follows:

	PAT RM '000	**EPS sen**
Audited consolidated PAT of TMC for the FYE 31 May 2014	6,457	0.54[(1)]
Add: PAT of BB Waterfront for the FYE 31 March 2014[(2)]	736,603	-
Less: Estimated expenses in relation to the Proposals	(2,515)	-
Pro forma PAT of the enlarged TMC Group after the Proposed Acquisition	**740,545**	**42.74**[(3)]

Notes:

(1) *Based on the issued and paid-up share capital of the Company as at the LPD of 1,199,521,436.*

(2) *Including gain from disposal of freehold land of RM737.4 million.*

(3) *Based on the issued and paid-up share capital of the Company after the Proposed Acquisition of 1,732,854,769.*

Assuming that the earnings of the Group remain unchanged and excluding gain from disposal of freehold land of RM737.4 million, further details of which are set out in Section 6 of Appendix I of this Circular, upon completion of the Proposed Acquisition, TMC's consolidated EPS is expected to be immediately diluted as a result of the increase in the number of new TMC Shares in issue and any additional new Shares to be issued upon exercise of the Warrants. The Proposed Acquisition is also expected to contribute positively to the earnings of the Group over the long term after the hospital commences operations. The potential impact of the dilution in the future earnings and EPS of the Group will depend upon, among others, the exact number of Warrants exercised and expected contribution from BB Waterfront and the level of returns generated from the proceeds arising from the exercise of the Warrants.

The Proposed ESOS is not expected to have any immediate effect on the earnings and EPS of the Group.

In accordance with MFRS 2 on share based payments issued by the Malaysian Accounting Standards Board, the potential cost arising from the issuance of the Options, which is measured by the fair value of the Options after taking into consideration, *inter alia*, the number of Options granted and vested and the Subscription Price, will need to be measured at the grant date and be recognised as an expense over the vesting period of the Options, and may therefore reduce the earnings of the Group, the quantum of which can be determined only at the grant date. However, it is important to note that the potential cost arising from the issuance of the Options does not represent a cash outflow and is only an accounting treatment.

The Company has taken note of the potential impact of MFRS 2 on the Group's earnings and will take into consideration such impact in the granting and vesting of the Options.

8.5 Convertible securities

As at the LPD, the Company does not have any convertible securities in issue.

9. HISTORICAL SHARE PRICE

The monthly high and low closing market prices of the Shares traded on Bursa Securities for the past twelve (12) months up to April 2015 are as follows:

	High	**Low**
	(RM)	**(RM)**
2014		
May	0.40	0.39
June	0.42	0.39
July	0.46	0.41
August	0.49	0.47
September	0.66	0.48
October	0.63	0.52
November	0.58	0.48
December	0.56	0.45
2015		
January	0.66	0.55
February	0.74	0.64
March	0.70	0.65
April	0.69	0.65

Last traded market price on 5 February 2015, being the last full trading day prior to the announcement of the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed IASC	RM0.64
Last traded market price on 13 February 2015, being the last full trading day prior to the announcement of the Proposed ESOS	RM0.70
Last traded market price as at the LPD	RM0.68

(Source: Bloomberg)

10. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

(i) Bursa Securities for the following:-

(a) admission of the Warrants to the Official List of Bursa Securities; and

(b) listing of and quotation for the Consideration Shares and Warrants as well as the new TMC Shares to be issued upon exercise of the Warrants and Options on the Main Market of Bursa Securities;

(ii) shareholders of the Company at the forthcoming EGM; and

(iii) any other relevant authorities/parties, if required.

The approval of Bursa Securities which was obtained via its letter dated 6 May 2015, is subject to, among others, the following conditions:

No.	Condition	Status of compliance
(i)	TMC and Maybank IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed ESOS;	Noted
(ii)	TMC and Maybank IB to inform Bursa Securities upon the completion of the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed ESOS;	To be complied
(iii)	TMC must comply with the public shareholding spread requirement pursuant to Paragraph 8.02 of the Listing Requirements upon listing and quotation of the Consideration Shares issued pursuant to the Proposed Acquisition;	To be complied
(iv)	TMC and its adviser to furnish Bursa Securities prior to the listing and quotation of the Consideration Shares, the confirmation from the adviser that TMC complies with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Listing Requirements and a certificate of distribution of the shares in the format contained in Part B(1)(d) of Annexure PN21-A of the Listing Requirements;	To be complied
(v)	TMC to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed ESOS are completed;	To be complied
(vi)	Maybank IB is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESOS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation;	To be complied
(vii)	TMC is required to furnish Bursa Securities on a quarterly basis a summary of the total number of Shares listed pursuant to the exercise of the Bonus Warrants and exercise of Options, as at the end of each quarter together with a detailed computation of listing fees payable; and	To be complied
(viii)	TMC to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders in a general meeting approving the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed ESOS.	To be complied

The Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed IASC are inter-conditional. The Proposed ESOS is not conditional on the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed IASC.

Save as disclosed above, the Proposals are not conditional upon any other corporate exercise/scheme that have been announced by the Company but not yet completed.

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

Save as disclosed below, none of the Directors and major shareholders of the Company and/or persons connected to them have any interest, direct or indirect, in the Proposals:

Major shareholders

Lim Eng Hock is a substantial shareholder of Best Blend through his interest in Incanto. He is also a major shareholder of the Company by virtue of his interest in SAS which is the sole shareholder of SAS Malaysia. Accordingly, SAS Malaysia is deemed interested in the Proposed Acquisition. In view of the inter-conditionality of the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed IASC, SAS Malaysia is also deemed interested in the Proposed Bonus Issue of Warrants and Proposed IASC.

(SAS Malaysia, SAS and Lim Eng Hock are collectively referred to as "**Interested Major Shareholders**")

Dr Wong Chiang Yin ("**Dr Wong**") is an Executive Director of the Company and a Non-Independent Non-Executive Director of Rowsley, an entity which Lim Eng Hock is a controlling shareholder. Dr Chan Boon Kheng ("**Dr Chan**"), an Executive Director of the Company, is the brother of the sole Director of SAS Malaysia, a major shareholder of the Company and a company wholly-owned by Lim Eng Hock. As such, SAS Malaysia is deemed interested in the proposed allocation of Options to Dr Wong and Dr Chan under the Proposed ESOS.

SAS Malaysia will abstain and has undertaken to ensure that persons connected to it will abstain from voting in respect of its/their direct and/or indirect shareholdings, if any, in the Company on the resolutions pertaining to the Proposed Acquisition, Proposed Bonus Issue of Warrants, Proposed IASC and the proposed allocation of Options to Dr Wong and Dr Chan under the Proposed ESOS to be tabled at the forthcoming EGM of the Company.

Directors

Dr Wong and Dr Chan are deemed interested in the Proposed Acquisition and shall collectively be referred to as "**Interested Directors**". In view of the inter-conditionality of the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed IASC, the Interested Directors are also deemed interested in the Proposed Bonus Issue of Warrants and Proposed IASC.

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of the Company in relation to the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed IASC. The Interested Directors shall also abstain and have undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings, if any, in the Company on the resolutions pertaining to the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed IASC to be tabled at the forthcoming EGM of the Company.

All the Directors of the Company are entitled to participate in the Proposed ESOS and are therefore deemed interested in respect of their respective allocations as well as allocations to persons connected to them under the Proposed ESOS.

The Board has deliberated on the Proposed ESOS as a whole at the relevant Board meetings and has agreed to present the Proposed ESOS to the shareholders of the Company for their consideration and approval. In respect of any specific allocation of Options to the Directors, the respective Directors shall accordingly abstain from all Board deliberations and voting. In addition, the respective Directors shall also abstain and have undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolutions pertaining to their respective proposed allocation as well as the allocations to persons connected to them, if any, under the Proposed ESOS to be tabled at the forthcoming EGM of the Company.

As at the LPD, the direct and indirect shareholdings of the Interested Major Shareholders and Directors in the Company are as follows:-

	Direct		Indirect	
	No. of TMC Shares	**%**	**No. of TMC Shares**	**%**
SAS Malaysia	821,304,822	68.5	-	-
SAS	-	-	821,304,822[(1)]	68.5
Lim Eng Hock	-	-	821,304,822[(2)]	68.5
Dr Wong	-	-	-	-
Dr Chan	-	-	-	-
Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir	500,000	0.04	200,000	0.02[(3)]
Dato' Dr. Tan Kee Kwong	-	-	-	-
Gary Ho Kuat Foong	-	-	-	-
Claire Lee Suk Leng	-	-	-	-

Notes:

(1) *Deemed interested by virtue of its shareholding in SAS Malaysia pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of his shareholding in SAS and pursuant to Section 6A of the Act.*

(3) *Deemed interested by virtue of his spouse's shareholding in the Company pursuant to Section 134 of the Act.*

12. DIRECTORS' RECOMMENDATION

The Board (save for the Interested Directors), having considered all aspects of the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed IASC including, among others, the rationale and benefits of the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed IASC, salient terms of the SPA, basis and justification for the Purchase Consideration, the issue price for the Consideration Shares and the prospects of BB Waterfront, is of the opinion that the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed IASC are in the best interest of the Company. Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the resolutions pertaining to the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed IASC to be tabled at the forthcoming EGM of the Company.

In addition, the Board (save for the Directors' respective allocations and/or persons connected to them under the Proposed ESOS), having also considered all aspects of the Proposed ESOS, including but not limited to the rationale and effects of the Proposed ESOS, is of the opinion that the Proposed ESOS is in the best interest of the Group. Accordingly, the Board (save for the Directors' respective allocations and/or persons connected to them under the Proposed ESOS) recommends that you vote in favour of the resolutions pertaining to the Proposed ESOS to be tabled at the forthcoming EGM of the Company.

13. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee, after taking into consideration the advice of Mercury Securities, is of the opinion that the Proposed Acquisition is:

(i) in the best interest of the Company;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interests of the non-interested shareholders of the Company.

In forming its view, the Audit and Risk Management Committee has taken into consideration, among others, the following:

(i) the rationale and benefits of the Proposed Acquisition;

(ii) the salient terms of the SPA;

(iii) the basis and justification for the Purchase Consideration and the issue price for the Consideration Shares;

(iv) the effects of the Proposed Acquisition; and

(v) the prospects of BB Waterfront.

14. INDEPENDENT ADVISER

In view of the interests of the Interested Major Shareholders and the Interested Directors in the Proposed Acquisition as set out in Section 11 of Part A of this Circular, Mercury Securities has been appointed by the Company to act as the independent adviser to undertake the following in relation to the Proposed Acquisition:

(i) comment as to:

  (a) whether the Proposed Acquisition is fair and reasonable in so far as the non-interested shareholders are concerned; and

  (b) whether the Proposed Acquisition is to the detriment of the 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 the non-interested shareholders 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 paragraphs (i) and (ii) above.

15. TRANSACTIONS WITH RELATED PARTIES FOR THE PAST 12 MONTHS

For the past twelve (12) months preceding the LPD, total amount transacted between the Group and the Interested Major Shareholders was approximately RM73,457. The Group has not entered into any transaction with the Interested Directors for the past twelve (12) months preceding the LPD.

16. TENTATIVE TIMETABLE

The tentative timetable in relation to the Proposals is as follows:

Event	Tentative timeline
EGM	28 May 2015
Unconditional Date	End May 2015
Announcement of the Entitlement Date	End May 2015
Entitlement Date	Mid June 2015
Admission of the Warrants to the Official List and listing of and quotation for the Consideration Shares and Warrants	End June 2015

17. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Expansion and Proposals, there are no other corporate exercise/scheme which has been announced by TMC but pending completion as at the LPD.

18. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Greens I, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 28 May 2015 at 11.00 a.m. or any adjournment thereof, for the purpose of considering and if thought fit, passing the resolutions pertaining to the Proposals.

If you are unable to attend and vote in person at the EGM, you may appoint a proxy to attend and vote on your behalf. You should complete and deposit the Form of Proxy at the registered office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan by Tuesday, 26 May 2015 at 11.00 a.m., or in the event that the EGM is adjourned, not less than 48 hours before the adjourned EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

19. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board of
TMC LIFE SCIENCES BERHAD

PROFESSOR EMERITUS DATO' DR. KHALID BIN ABDUL KADIR
Non-Independent Non-Executive Chairman

PART B

IAL FROM MERCURY SECURITIES TO THE NON-INTERESTED SHAREHOLDERS 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 of this Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" or "our" are references to Mercury Securities, being the independent adviser for the Proposed Acquisition.

This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter from the Board as set out in Part A of this Circular together with the accompanying appendices for other relevant information and not to rely solely on this Executive Summary before forming an opinion on the Proposed Acquisition.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

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

1. INTRODUCTION

On 6 February 2015, the Company had entered into the SPA and proposed to undertake the Proposed Bonus Issue of Warrants and Proposed IASC *(which are inter-conditional with the Proposed Acquisition)*.

On 16 February 2015, the Company proposed to undertake the Proposed ESOS.

For the avoidance of doubt, the Vendor and/or its nominees will not be entitled to participate in the Proposed Bonus Issue of Warrants in respect of the Consideration Shares to be received by them.

In view of the interests of the Interested Major Shareholders and the Interested Directors in relation to the Proposed Acquisition as set out in Section 11, Part A of this Circular, the Proposed Acquisition is deemed a related party transaction and shall be subject to, amongst others, the approval of the non-interested shareholders of TMC.

Accordingly, pursuant to the requirements of Paragraph 10.08(2)(c) of the Listing Requirements, the Board *(save for the Interested Directors)* had on 6 February 2015 appointed Mercury Securities as the independent adviser to advise the non-interested Directors and non-interested shareholders of TMC in relation to the Proposed Acquisition.

The purpose of this IAL is to provide the non-interested shareholders of TMC with an independent evaluation on the fairness and reasonableness of the terms and conditions of the Proposed Acquisition and whether it is detrimental to the non-interested shareholders of TMC together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified herein.

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2. EVALUATION OF THE PROPOSED ACQUISITION

Consideration factors	Section	Our evaluation
(i) Rationale for the Proposed Acquisition	5.1	The rationale for the Proposed Acquisition is reasonable as: (i) it represents a strategic opportunity for TMC to expand its hospital operations beyond the Klang Valley into Johor to tap into the strong demand for quality and affordable healthcare in the Iskandar Malaysia development region as well as the medical tourism from Singapore and the region; and (ii) in view of the prime location of the Land and the strategic collaboration with Thomson Medical *(being a well-established brand name in the healthcare market in Singapore)*, the Proposed Acquisition is expected to contribute positively to the financial performance of the Group over the long term.
(ii) Basis and justification for the Purchase Consideration, Issue Price of the Consideration Shares ("**Issue Price**") and Exercise Price of the Consideration Warrants ("**Exercise Price**")	5.2	We view the Purchase Consideration, Issue Price and Exercise Price as fair based on our evaluation below: (i) <u>Evaluation of the Purchase Consideration</u> Our evaluation of the Purchase Consideration is based on the DCF *(as defined in Section 5.2.1 of this IAL)* valuation model, the findings of which are as follows: **Valuation methodology** / **Minimum fair value (RM'mil)** / **Maximum fair value (RM'mil)** DCF / 841.4 / 930.0 The Purchase Consideration of RM400.0 million represents a discount of between 52% and 57% over the net present value of the Proposed Medical Project to be derived by TMC. (ii) <u>Evaluation of the Issue Price / Exercise Price</u> The Issue Price / Exercise Price: (a) is the highest of the historical closing / traded market prices since the listing of TMC on 6 October 2005 up to the LFTD; (b) represents a premium of between 15.4% and 40.7% over the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year volume weighted average market price ("**VWAPs**") of the TMC Shares up to the LFTD; (c) implies trading multiples which are the highest against the historical trading multiples of TMC for the past twelve (12) months up to the LFTD; and

Consideration factors	Section	Our evaluation
		(d) represents significant premiums of at least 300% over the unaudited consolidated NA per TMC Share as at 28 February 2015 as well as the audited consolidated NA per TMC Share as at 31 May 2013 and 31 May 2014, thus, minimising the dilution of the equity interest held by the non-interested shareholders of TMC.
(iii) Salient terms and conditions of the SPA	5.3	The salient terms and conditions of the SPA are reasonable and are not detrimental to the non-interested shareholders of TMC.
(iv) Financial effects of the Proposed Acquisition	5.4	The overall financial effects of the Proposed Acquisition are positive and are not detrimental to the interests of the non-interested shareholders of TMC. However, the non-interested shareholders should consider that: (i) upon the completion of the Proposed Acquisition, the Group intends to fund the Proposed Medical Project through, amongst others, borrowings, internally generated funds, sales of medical suites and/or fund raising exercise. Depending on the cash flow position and the funding requirement of the Group, TMC may potentially need to secure new bank borrowings which may then increase its gearing to a significant level; and (ii) in view of the construction period for the Proposed Medical Project as well as the gestation period for the hospital to reach an optimal operating level for it to become profitable, there will not be any immediate material contribution to the consolidated earnings of TMC for the FYE 31 May 2015. However, the consolidated EPS of TMC is expected to be diluted immediately as a result of the increase in the number of TMC Shares in issue. Nonetheless, the Proposed Acquisition is expected to contribute positively to the future earnings of the Group over the long term.
(v) Industry outlook and future prospects of the enlarged TMC Group in the healthcare sector	5.5	The healthcare industry in Malaysia is expected to continue growing, driven by amongst others, attractiveness of Malaysia as a medical tourism destination as well as various initiatives of the Government in promoting the healthcare industry in Malaysia. In view of the close proximity of Iskandar Malaysia development region with Singapore and the strategic collaboration between BB Waterfront and Thomson International, the Proposed Medical Project will stand to benefit from the positive prospects of the healthcare industry in the region upon its completion by late 2018.

Consideration factors	Section	Our evaluation
(vi) Risk factors in relation to the Proposed Acquisition	5.6	The risk factors pertaining to the Proposed Acquisition are highlighted in Section 7, Part A of this Circular and Section 5.6 of this IAL. In view that the Group is principally involved in the operations of a private general hospital and clinics offering fertility treatment, the business risk profile of TMC will not change significantly upon the completion of the Proposed Acquisition.
(vii) Other considerations in relation to the Proposed Acquisition	5.7	With the Agreements *(as defined in Section 5.7 of this IAL)*, of which further details are set out in Section 4, Part A of this Circular, the Group will benefit from the experience and expertise of professional consultants during the planning and construction phase of the Proposed Medical Project as well as in the management of the Iskandariah Hospital upon commencement of its operations.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition. Based on our evaluation in Section 5 of this IAL, we are of the opinion that, on the basis of the information available to us, the terms and conditions of the Proposed Acquisition are **fair and reasonable** and are **not detrimental** to the non-interested shareholders of TMC.

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

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Mercury Securities Sdn. Bhd. (113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Registered Office:
Ground, 1st, 2nd, 3rd Floor
Wisma Umno
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai

8 May 2015

To: The non-interested shareholders of TMC Life Sciences Berhad

Dear Sir / Madam,

TMC LIFE SCIENCES BERHAD ("TMC" OR THE "COMPANY")

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED ACQUISITION

This IAL is prepared for inclusion in this Circular to the shareholders of TMC. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the "Definitions" section of this Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" or "our" are references to Mercury Securities, being the independent adviser for the Proposed Acquisition.

1. INTRODUCTION

On 6 February 2015, the Company had entered into the SPA and proposed to undertake the Proposed Bonus Issue of Warrants and Proposed IASC *(which are inter-conditional with the Proposed Acquisition)*.

On 16 February 2015, the Company proposed to undertake the Proposed ESOS.

For the avoidance of doubt, the Vendor and/or its nominees will not be entitled to participate in the Proposed Bonus Issue of Warrants in respect of the Consideration Shares to be received by them.

In view of the interests of the Interested Major Shareholders and the Interested Directors in relation to the Proposed Acquisition as set out in Section 11, Part A of this Circular, the Proposed Acquisition is deemed a related party transaction and shall be subject to, amongst others, the approval of the non-interested shareholders of TMC.

Accordingly, pursuant to the requirements of Paragraph 10.08(2)(c) of the Listing Requirements, the Board *(save for the Interested Directors)* had on 6 February 2015 appointed Mercury Securities as the independent adviser to advise the non-interested Directors and non-interested shareholders of TMC in relation to the Proposed Acquisition.

The purpose of this IAL is to provide the non-interested shareholders of TMC with an independent evaluation on the fairness and reasonableness of the terms and conditions of the Proposed Acquisition and whether it is detrimental to the non-interested shareholders of TMC together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified herein.

Nonetheless, the non-interested shareholders of TMC should rely on their own evaluation of the merits of the Proposed Acquisition before making a decision on the course of action to be taken at the forthcoming EGM of the Company.

This IAL is prepared solely for the use of the non-interested shareholders of TMC to consider the Proposed Acquisition and should not be used or relied upon by any other party for any other purposes whatsoever.

Butterworth - Ground, 1st, 2nd & 3rd Floor, Wisma UMNO, Lorong Bagan Luar Dua, 12000 Butterworth, Seberang Perai.
Tel: 04-3322123 Fax: 04-3231813 / 3312195 E-mail: mercury@mersec.com.my Website: www.mercurysecurities.com.my
Kuala Lumpur - L-7-2, No. 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur.
Tel: 03-62037227 Fax: 03-62037117 E-mail: mercurykl@mersec.com.my
Melaka - No. 81B & 83B, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka. Tel: 06-2921898 Fax: 06-2926898
Penang - 2nd Floor, Standard Chartered Bank Chambers, 2 Lebuh Pantai, 10300 Penang. Tel: 04-2639118 Fax: 04-2612118
Johor Bahru - Menara Pelangi, Suite 17.1, Level 17, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor. Tel: 07-3316992 Fax: 07-3322693

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER FROM THE BOARD AS SET OUT IN PART A OF THIS CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

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

2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITION

Mercury Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposed Acquisition. The terms of reference of our appointment as the independent adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08(3) of the Listing Requirements and the Best Practice Guide in relation to IALs ("**IAL Guide**") issued by Bursa Securities.

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

(i) information contained in Part A of this Circular and the accompanying appendices;

(ii) the SPA between TMC and Best Blend dated 6 February 2015 and the disclosure letter from Best Blend dated 27 February 2015 which supplements the SPA;

(iii) the First Hospital Consultancy Agreement *(as defined in Section 4, Part A of this Circular)* between BB Waterfront and Thomson International dated 31 December 2013;

(iv) the Second Hospital Consultancy Agreement *(as defined in Section 4, Part A of this Circular)* between BB Waterfront and TISB dated 30 January 2015;

(v) the RSP Memorandum *(as defined in Section 4, Part A of this Circular)* between BB Waterfront and RSP Architects dated 10 February 2014;

(vi) the Hospital Management Agreement *(as defined in Section 4, Part A of this Circular)* between BB Waterfront and Thomson International dated 30 January 2015;

(vii) the audited financial statements of BB Waterfront for the financial period from 20 October 2010 *(date of incorporation)* to 31 March 2012, FYE 31 March 2013 and FYE 31 March 2014 as well as the unaudited financial statements of BB Waterfront for the nine (9)-month FPE 31 December 2014;

(viii) the Financial Projections as defined in Section 5.2.1 of this IAL;

(ix) other information, documents, confirmations and representations furnished to us by the Board, management and/or representatives of TMC and Best Blend;

(x) discussions with the Board, management and/or representatives of TMC and Best Blend; and

(xi) other relevant publicly available information.

We have not independently verified the abovementioned information nor have we conducted any form of independent investigation into the business, affairs, operations, financial position or prospects of the TMC Group or BB Waterfront. We have relied on TMC as well as its Directors, management and/or representatives to take due care in ensuring that all information, documents and representations provided to us to facilitate our evaluation and which had been used, referred to and/or relied upon in this IAL have been fully disclosed to us, are accurate, valid and complete in all material aspects.

The Board has confirmed in writing to us that:

(i) after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein inaccurate, incomplete or misleading in any respect;

(ii) all material facts and information required for the purpose of our evaluation of the Proposed Acquisition have indeed been disclosed to Mercury Securities, and that there are no facts or information, the omission of which would make any information, confirmation and document supplied to us misleading, or would materially affect the evaluation, views and recommendation of Mercury Securities in this IAL; and

(iii) they have seen, reviewed and accepted this IAL and they individually and collectively accept full responsibility for the accuracy and correctness of the information contained herein.

After having made all reasonable enquiries to the Board, management and/or representatives of TMC and Best Blend, we are satisfied that sufficient information has been disclosed to us in enabling us to formulate our recommendation and are satisfied with the reasonableness, accuracy and completeness of the information in this IAL. Mercury Securities shall not be under any responsibility or liability for any misstatement of fact or from any omissions therein.

The scope of our responsibilities regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of the terms and conditions and other implications of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested shareholders.

In rendering our advice, we have taken note of the pertinent matters, which we believe are necessary and of importance to an assessment of the implications of the Proposed Acquisition and therefore are of general concern to the non-interested shareholders of TMC to consider and form their views thereon. Notwithstanding the foregoing, we:

(i) do not express any opinion on the commercial risks or commercial merits of the Proposed Acquisition which remains the sole responsibility of the Board, and where comments or points of consideration are included on certain pertinent matters which may be commercially oriented, these are incidental to our overall evaluation and concern matters which we may deem material for disclosure;

(ii) do not express an opinion on legal, accounting and taxation issues relating to the Proposed Acquisition; and

(iii) have not given consideration to the specific investment objectives, risk profiles, financial situations and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders. We recommend that any individual non-interested shareholder or group of non-interested shareholders who is / are in doubt as to the action to be taken or require advice in relation to the Proposed Acquisition in the context of their individual investment objectives, risk profiles, financial situations and particular needs to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately. We will not be responsible for any damages or losses of any kind sustained or suffered by any individual non-interested shareholder or group of non-interested shareholders in reliance on the opinion stated herein for any purpose whatsoever.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. It is also based on the assumption that the parties to the SPA are able to fulfil their respective obligations thereto. Such conditions may change significantly over a short period of time. In addition, 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 or such other period as specified herein, as the case may be.

The followings are disclosure requirements made pursuant to the IAL Guide:

(i) We confirm that we are not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation that may affect our ability to act independently and objectively as the independent adviser for the Proposed Acquisition;

(ii) Other than the current appointment as the independent adviser for the Proposed Acquisition, we have also acted as the independent adviser to TMC in relation to the take-over offer by SAS Malaysia through Maybank IB on 7 August 2014; and

(iii) We are a holder of a Capital Markets Services Licence issued by the Securities Commission Malaysia as a Principal Adviser who is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act, 2007. The corporate finance department of Mercury Securities supports clients in the areas of take-overs, mergers and acquisitions, initial public offerings, reverse take-overs, secondary equity issuance, capital markets coverage as well as independent advisory services. Our corporate finance team comprises experienced personnel with the requisite qualifications and experiences to provide, amongst others, independent advice and render opinion on the fairness and reasonableness of the terms and conditions of transactions relating to acquisitions, disposals and take-over offers.

3. DETAILS OF THE PROPOSED ACQUISITION

The details of the Proposed Acquisition are set out in Section 2.1, Part A of this Circular and should be read in their entirety by the non-interested shareholders of TMC.

4. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

The interests of the Interested Directors, Interested Major Shareholders and/or persons connected to them *(together with their course of actions in relation to the Proposals)* are set out in Section 11, Part A of this Circular.

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5. EVALUATION OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition, we have considered the following factors:
(i) Rationale for the Proposed Acquisition;
(ii) Basis and justification for the Purchase Consideration, Issue Price and Exercise Price;
(iii) Salient terms and conditions of the SPA;
(iv) Financial effects of the Proposed Acquisition;
(v) Industry outlook and future prospects of the enlarged TMC Group in the healthcare sector;
(vi) Risk factors in relation to the Proposed Acquisition; and
(vii) Other considerations in relation to the Proposed Acquisition.

5.1 Rationale for the Proposed Acquisition

The rationale for the Proposed Acquisition as extracted from Section 5, Part A of this Circular and our commentaries are as follows:

Rationale for the Proposed Acquisition	Our commentaries
(i) The Board believes that the growth prospects of the healthcare sector in Malaysia will remain positive. Currently, the Group owns and operates Tropicana Medical Centre, a 139-bedded medical centre and TMC fertility centre. The Company intends to increase the capacity of Tropicana Medical Centre to 550 acute hospital beds and another 100 long-stay beds or service apartments to serve patients families and patients who need some form of care post-discharge from the acute general hospital ("**Expansion**"). Upon completion of the Expansion, Tropicana Medical Centre is expected to become one of the largest integrated healthcare campus in the Klang Valley. In line with the Group's continuing growth strategy and its intention to expand beyond the Klang Valley, the Proposed Acquisition represents a strategic opportunity for the Company to further expand its hospital operations, into another bustling and fast-growing city, i.e. Johor Bahru which will enable the Group to provide more comprehensive healthcare facilities with higher number of in-patient's bed, specialist clinics and other healthcare offerings.	**A strategic acquisition into new hospital market.** The Proposed Acquisition is in line with the Group's expansion plan beyond the Klang Valley as it allows TMC to embark on the Proposed Medical Project, the integrated development of a medical hub, Thomson Iskandar, within the Iskandar Malaysia development region in Johor Bahru which will contain, amongst others, a hospital branded as the Iskandariah Hospital as well as 400 medical suites. With the establishment of the Iskandariah Hospital, the Group will be able to make a meaningful market footprint in Johor. As commented by the Chairman of TMC in press release dated 6 February 2015, the Proposed Acquisition allows the Group to tap into the strong demand for quality and affordable healthcare in the Iskandar Malaysia development region as well as the medical tourism from Singapore and the region. Based on our discussion with the management of TMC, they expect the Proposed Acquisition to be both synergistic and complementary to the Group's existing flagship hospital, Tropicana Medical Centre at Kota Damansara ("**TMCKD**") and TMC fertility centres. **A healthy and progressive expansion plan.** TMC is currently undertaking renovation works to convert its TMCKD administration floor at Level 7 into wards to house additional 51 inpatient beds and thus, increasing its inpatient bed capacity to 190 beds. These renovation works are expected to be completed by the end of 2015.

Rationale for the Proposed Acquisition		Our commentaries
	The new hospital which is initially expected to have a capacity of 272 beds and expected to have a capacity to eventually house 500 beds, subject to regulatory approval, will be equipped with healthcare facilities such as intensive care units, out-patient clinics, patients wards, operating theatres, pharmacy, medical laboratory, modern technology including Magnetic Resonance Imaging (MRI) scan, Computerised Tomography (CT) scan, medical rehabilitation, maternity wards and executive health medical screenings facilities. The addition of a new hospital will also further expand the bed capacity and hence increasing the total number of beds of the Group to 682 (after completion of the first phase of the Expansion) and a capacity of 1,050 beds (after completion of the Expansion and Proposed Medical Project) and improve the market position of the Group.	Subsequently, TMC will undertake the Expansion, subject to regulatory approval, on the remaining gross floor area of its existing six (6)-acre land at Kota Damansara, the completion of which is envisaged to transform TMCKD into an integrated healthcare campus hosting 550 acute hospital beds and another 100 long-stay beds or service apartments. The first phase of the Expansion, which will increase the inpatient bed capacity of TMCKD by 220 beds, is expected to commence in the first half of 2016 and it will take approximately four (4) years to complete i.e. estimated to be completed in the first half of 2020. In addition to the Group's existing expansion plan, the Proposed Medical Project represents another opportunity for TMC to increase its inpatient bed capacity. The construction of the Proposed Medical Project is expected to commence by the end of 2015 and is expected to be completed with the commencement of the Iskandariah Hospital's operations by late 2018. The hospital is expected to have an initial capacity of 272 beds and eventually, to house 500 beds, subject to regulatory approval. The Proposed Medical Project, supported with the promising outlook and prospects of the healthcare sector especially within the Iskandar Malaysia development region as set out in Section 5.5 of this IAL, is expected to contribute positively to the Group's financial performance amidst its current expansion plan.
(ii)	The new 400 medical suites located adjacent to the hospital is to be utilised to serve doctors and healthcare professionals which are expected to generate additional income to the Group as these doctors and healthcare professionals will utilise the facilities of the hospital to perform operations or for additional treatment/services.	**Attracting valued partners to be a centre of healthcare excellence.** The costs for the Proposed Medical Project to be incurred and working capital requirements of BB Waterfront may be partly funded from the sales of medical suites *(as indicated in Section 2.1.9, Part A of this Circular)*. In addition to the sales proceeds, the medical suites will also generate additional income via the utilisation of hospital facilities by such new doctors and healthcare professionals linked to the medical suites. Being located in a prime location, i.e. within the Iskandar Malaysia development region, the Iskandariah Hospital has an advantage in attracting and partnering with adept healthcare practitioners to be a centre of healthcare excellence in Johor, drawing even the more sophisticated patients seeking for quality treatment.
(iii)	The Land is located at the Stulang Laut area, which is within one (1) kilometer from the Sultan Iskandar Customs, Immigration and Quarantine Complex Johor ("**CIQ**") located at the Johor-Singapore Causeway linking Singapore to Johor Bahru and in close proximity to the upcoming Singapore-Johor Bahru Rapid Transit System. With the strategic location, the new hospital is expected to provide a good catchment of patients both locally and from Singapore in view of its close proximity to Singapore and hence further diversify the geographical catchment of the Group.	**Prime location of the Land.** The Land is strategically located within the vicinity of the CIQ and the upcoming Singapore-Johor Bahru Rapid Transit System, both being entry points for travellers to/from Singapore, as well as various housing townships in the Iskandar Malaysia development region and the existing populace of Johor Bahru and surrounding areas, all of which are good catchment areas for potential patients.

Rationale for the Proposed Acquisition	Our commentaries
(iv) The association of the new hospital with Thomson Medical, a reputable medical service provider in Singapore is also expected to attract patients from Singapore.	**Leveraging on the experience and brand name of Thomson Medical.** We take note of the long operating history of Thomson Medical and its achievement as one of the leading providers of healthcare services in Singapore for obstetrics, gynaecology and paediatric services as set out in Section 4, Part A of this Circular and reproduced below: *"Incorporated in 1977, Thomson Medical is one of Singapore's leading providers of healthcare services for women and children. It owns and operates Thomson Medical Centre, a fully integrated hospital that provides a comprehensive range of facilities and services with focus in obstetrics, gynaecology and paediatric services.* *Over the years, Thomson Medical has gradually expanded its operations to include a chain of Thomson Women's Clinics and specialty centres namely, Thomson Chinese Medicine, Thomson Dental Centre, Thomson Diagnostic Imaging Centre, Thomson Diagnostic Ultrasound Centre, Thomson Fertility Centre, Thomson Lifestyle Centre, Thomson Well Women Clinic, Thomson Paediatric Centre, Thomson ParentCraft Centre, Thomson Pre-Natal Diagnostic Laboratory, Thomson Specialist Skin Centre and Thomson Women Cancer Centre."* In view of the well-established brand name of Thomson Medical in the healthcare market *(especially in Singapore)*, we view such strategic partnership with Thomson Medical to be beneficial for the Iskandariah Hospital as it will boost the standing of the hospital among both local and Singaporean consumers. In addition, the Group will be able to tap on the experience and expertise of Thomson Medical for an orderly and smooth operations when commissioning the new hospital facilities, share best practices, technical know-how and other valuable knowledge in other areas of operations as well as to tap cross-selling opportunities, all of which will instil a level of confidence and trust among the clientele in the competitive market place.
(v) Following the completion of the Proposed Acquisition, BB Waterfront will become a wholly-owned subsidiary of the Company, which is expected to further improve the Group's financial position in terms of revenue and profitability as well as enhancing shareholders' value. It is envisaged that in the long term upon completion of the Expansion and Proposed Medical Project, the Group will have a capacity of 1,050 beds.	**Full consolidation of the expected returns from the Proposed Medical Project.** We note that upon the completion of the Proposed Acquisition, BB Waterfront will become a wholly-owned subsidiary of the Group and hence, its financial position and performance will be fully consolidated into the Group's financial position and performance. However, we wish to highlight that the Proposed Acquisition will not result in any immediate increase in the financial performance of the Group for the FYE 31 May 2015 but rather, the positive contribution will be over the long term in view of the construction period for the Proposed Medical Project as well as the gestation period for the Iskandariah Hospital to reach an optimal operating level for it to become profitable. Based on our evaluation of the Purchase Consideration as set out in Section 5.2.1 of this IAL, the estimated net present value to be derived by TMC from the Proposed Medical Project ranges between RM841.4 million and RM930.0 million.

Based on the above, we are of the view that the rationale for the Proposed Acquisition is reasonable.

5.2 Basis and justification for the Purchase Consideration, Issue Price and Exercise Price

5.2.1 Financial evaluation of the Purchase Consideration

We note the basis and justification for the Purchase Consideration as set out in Section 2.1.2, Part A of this Circular. We are of the opinion that the factors considered by TMC in arriving at the Purchase Consideration are reasonable as the main catalyst for the Proposed Acquisition is the opportunity for the Group to embark on the Proposed Medical Project.

As the Proposed Medical Project is currently at its planning and design stage, there is no historical track record available to be compared with other medical projects in terms of price-to-earnings ("**P/E**"), enterprise value to earnings before interest, taxation, depreciation and amortisation ("**EV/EBITDA**") and price-to-book ("**P/B**") multiples.

Hence, for the purpose of considering the fairness of the Purchase Consideration, our sole valuation methodology is the Discounted Cash Flow ("**DCF**") analysis, which is commonly used as a generally accepted method in the evaluation of the attractiveness of an investment opportunity.

The DCF valuation model is an investment appraisal technique which considers both the time value of money and the future economic benefits to be derived from the subject asset / business over a specified period of time. As the methodology entails the discounting of future cash flows to be generated from the said asset / business at a specified discount rate to arrive at the net present value of the investment, the riskiness of generating such cash flows will be taken into consideration.

In view of the above, the DCF valuation model will be able to effectively factor in the earnings and cash flow potential of the Proposed Medical Project as well as the timing of such cash flows to be generated. Hence, we view the DCF valuation model as the appropriate and sufficient method to appraise the Proposed Acquisition.

<u>DCF valuation method</u>

We have reviewed the 13-year financial forecast and projections ("**Financial Projections**") together with the bases and assumptions therein, which have been prepared by the representatives of Best Blend and reviewed by the Board *(save for the Interested Directors)*.

The Financial Projections comprise an initial three (3)-year period of construction and ten (10)-year period of hospital operations. The non-interested shareholders should note that the Financial Projections were prepared based on estimates and best-effort basis but it has not been independently verified by any professional advisers.

The key bases and assumptions adopted in the preparation of the Financial Projections are as follows:

(i) the construction of the Proposed Medical Project will be completed with the commencement of the hospital operations by late 2018. The Proposed Medical Project is assumed to be a going concern and is expected to sustain its operations in perpetuity;

(ii) the estimated GDC *(excluding the cost of the Land)* for the Proposed Medical Project will be approximately RM0.9 billion while the investment in fixed assets for the hospital operations is estimated to be approximately RM0.3 billion;

(iii) the hospital operations are expected to generate a positive EBITDA within three (3) years of operations with its revenue growing at a higher rate in its initial years of operations before gradually moderating to a lower growth rate in the last year of the Financial Projections as the capacity utilisation stabilises;

(iv) the operating costs of the hospital, which is computed based on a percentage of the revenue, will increase as the revenue grows;

(v) there will be a ready market available for the sales of 400 medical suites to potential investors at the projected selling price per square foot prior to the commencement of the hospital operations by late 2018;

(vi) upon the completion of the Proposed Acquisition, the Group will be able to secure the necessary funds through, amongst others, borrowings, internally generated funds, sales of medical suites and/or fund raising exercise, for the Proposed Medical Project and that the Group will be able to service the repayment of such borrowings including interest as and when it becomes due and payable;

(vii) the approval from the relevant authorities will be obtained for the additional 228 beds, in addition to the 272 beds which have been approved, such that the hospital will eventually have the capacity to house in total 500 beds;

(viii) there will be no significant or material change affecting the rights of the Group to the Land as well as the approval, consent, permit or licence granted in respect of the Land or the implementation of the Proposed Medical Project;

(ix) the current accounting policies adopted by the Group will remain relevant and there will be no significant change in accounting policies of the Group; and

(x) there will be no material change in Malaysia's political stability, social and economic conditions, taxation policies, immigration policies for the hiring of foreign medical professionals and regulatory requirements.

We noted that the relevant fees and other considerations payable pursuant to the Agreements *(as set out in Section 5.7 of this IAL)* have been factored into the Financial Projections.

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We have considered and evaluated the key bases and assumptions adopted in the Financial Projections for their validity and reasonableness and nothing adverse has come to our attention that the key bases and assumptions used in the preparation of the Financial Projections are not reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

Nonetheless, we wish to highlight that the valuation is based on the prevailing economic market, regulatory requirements and other conditions as at the date of the valuation, as well as publicly available information and information provided by TMC and Best Blend. Such conditions may change significantly over a short period of time and materially affect the valuation *(whether adversely or favourably)*.

In order to derive the net present value of the Proposed Medical Project, we have discounted the free cash flows to equity ("**FCFE**") to be generated by the estimated cost of equity of BB Waterfront. Our valuation, together with the key bases and assumptions used, of the Proposed Medical Project attributable to the shareholders is set out below:

No	**Key bases and assumptions**		**Descriptions**
(i)	FCFE	Based on the Financial Projections over a period of 13 years from 2015 until 2027	FCFE is the free cash flows from operations available to the equity holders of a company after taking into consideration all operating expenses, movement in working capital, net investing cash flows and net financing cash flows. We have reviewed the key bases and assumptions adopted in the Financial Projections *(as set out above)* in deriving at the FCFE and nothing adverse has come to our attention that they are not reasonable given the prevailing circumstances and significant factors that are known as at the LPD.
(ii)	Cost of equity ("**K_e**")	10.22%	Cost of equity represents the rate of return on an investment required by an investor from the cash flow streams generated, given, amongst others, the risks associated with the cash flows. We have derived at an estimated cost of equity of 10.22% for BB Waterfront using the capital asset pricing model with the following inputs: $K_e = R_f + \beta (R_m - R_f)$
(iii)	Risk-free rate of return ("**R_f**")	4.03%	Risk-free rate of return represents the expected rate of return from a risk-free investment. The best available approximation of the risk-free rate of return is the yield of ten (10)-year Malaysian Government Securities. As extracted from the Bank Negara Malaysia website, the said yield is 4.03% as at the LFTD.

No	Key bases and assumptions		Descriptions
(iv)	Expected market rate of return ("R_m")	9.35%	Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of every asset in the market. In our opinion, the historical rate of return for the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("**FBMKLCI**") is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 20-year historical rate of return for the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market as well as mitigates market bias. As extracted from the Bloomberg, the simple average annual rate of return for the FBMKLCI since the past 20 years up to 31 December 2014 is 9.35%.
(v)	Beta ("β")	1.164	Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than one (1) signifies that the asset is riskier than the market and *vice versa*. In deriving at the estimated beta of BB Waterfront, the adjusted three (3)-year beta, calculated based on weekly return up to the LFTD, of TMC i.e. 1.058 *(as extracted from Bloomberg)*, is used as a base reference in view that TMC is also currently operating a single hospital in Malaysia. However, the Proposed Medical Project undertaken by BB Waterfront is currently at the development stage and may involve higher level of risk as compared to TMCKD which has already been operating for more than six (6) years, of which operations have stabilised. Hence, we have imputed an additional 10% to TMC's adjusted beta to derive at the estimated beta of BB Waterfront of 1.164. For information purpose, adjusted beta is an estimate of a security's future beta. The adjusted beta is derived from historical data, but modified by the assumption that a security's beta moves towards the market average over time and is calculated as follows: Adjusted Beta = (0.67 * Historical Beta) + (0.33 * 1.0)

No	Key bases and assumptions		Descriptions
(vi)	Perpetuity growth rate (“g”)	3.70%	Based on the monthly statistical bulletin for December 2014 as published by Bank Negara Malaysia, the headline inflation averaged at 3.20% for the year 2014. Headline inflation is a measure of the general annual increase in the consumer price index that represents the weighted average price of a basket of consumer goods and services. For the perpetuity growth rate *(which represents the average growth rate on the future cash flows to be derived from the Proposed Medical Project)*, this would generally be close to the headline inflation rate. However, we have imputed a higher growth rate of 3.70% and derived at a terminal value for the Proposed Medical Project, in present terms, ranging from RM1.2 billion to RM1.4 billion, after taking into consideration the historical growth and prospects in the healthcare sector. The formula used to derive the terminal value for the Proposed Medical Project is as follows: $\text{Terminal value} = \dfrac{\text{Projected cash flow for the year 2027} \times (1 + g)}{(K_e - g)}$
(vii)	Corporate income tax rate	24%	Based on the 2015 Budget as presented by the Finance Minister of Malaysia on 10 October 2014, the corporate income tax rate will be reduced from 25% to 24% from the year of assessment 2016. In the Financial Projections, a reduced corporate income tax rate of 24% has been adopted and where entitled, tax incentives on various qualifying activities have also been considered.
Net present value of the Proposed Medical Project attributable to the shareholders of TMC		**ranges between approximately RM841.4 million and RM930.0 million**	The formula used to derive the net present value of the projected cash flows to be derived from the Proposed Medical Project is as follows: $\dfrac{\text{Projected cash flow for the year 2015}}{(1 + K_e)^1} + \dfrac{\text{Projected cash flow for the year 2016}}{(1 + K_e)^2} + \dfrac{\text{Projected cash flow for the year 2017}}{(1 + K_e)^3} + \ldots\ldots + \dfrac{\text{Projected cash flow for the year 2027}}{(1 + K_e)^{13}} + \dfrac{\text{Terminal value}}{(1 + K_e)^{13}}$

Based on the above, the net present value of Proposed Medical Project ranges between RM841.4 million and RM930.0 million. In this regard, the Purchase Consideration represents a discount of between 52% and 57% over the said net present value and hence, we are of the opinion that the Purchase Consideration is fair.

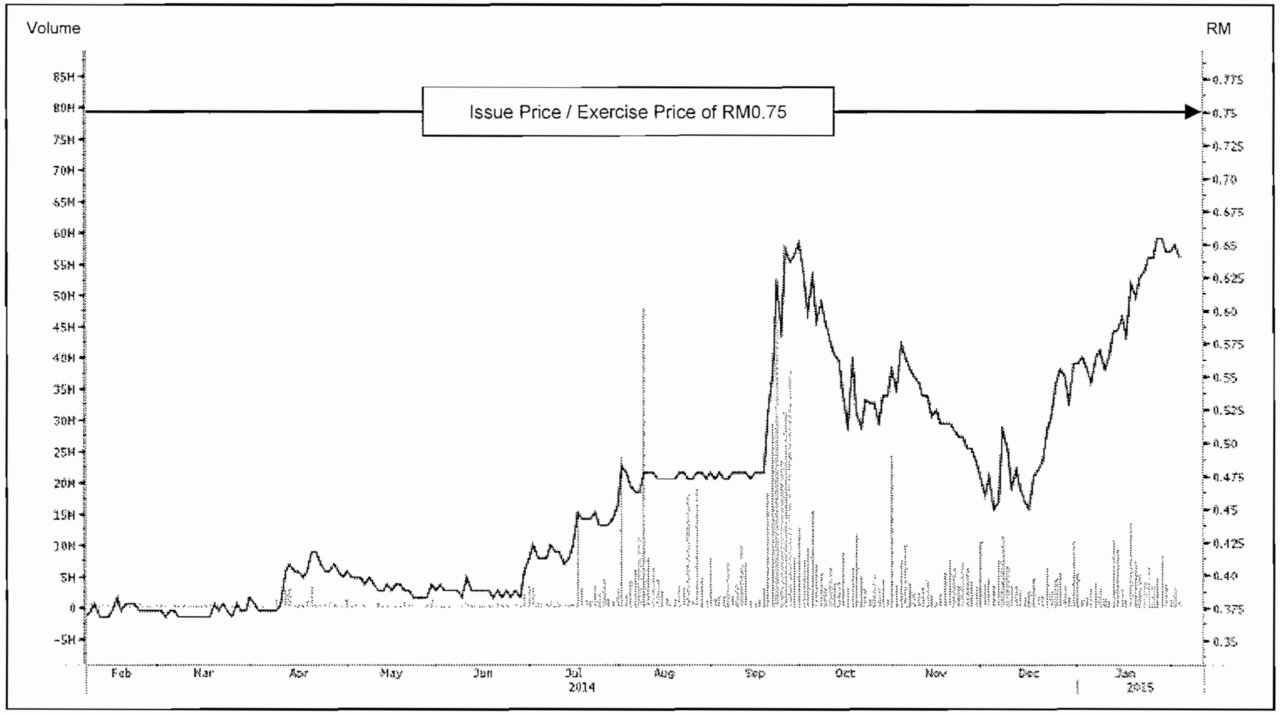
5.2.2 Financial evaluation of the Issue Price and Exercise Price

The Purchase Consideration will be satisfied via the issuance of the Consideration Shares at an issue price of RM0.75 per Share, together with the Consideration Warrants on the basis of one (1) free Consideration Warrant for every two (2) Consideration Shares to be allotted and issued to Best Blend and/or its nominees. Each Consideration Warrant is exercisable into one (1) new TMC Share at an exercise price of RM0.75.

In evaluating the Issue Price and the Exercise Price, we have considered the following *(please note that the following information extracted from Bloomberg has been adjusted for the effects of any dividends and corporate exercises throughout the relevant period)*:

(i) Historical closing market prices

The closing market prices of TMC Shares *(ranging from the lowest of RM0.368 to the highest of RM0.655 as extracted from Bloomberg)* for the past twelve (12) months up to the LFTD are shown in the chart below:



(Source: Bloomberg)

(ii) Premium over closing market price / VWAPs

The Issue Price / Exercise Price of RM0.75 represents a premium to the following closing market price / VWAPs of TMC Shares:

	Market price / VWAP RM	Premium	
		RM	%
(i) Closing market price of TMC Shares on the LFTD	0.640	0.110	17.2
(ii) Five (5)-day VWAP of TMC Shares up to and including the LFTD	0.650	0.100	15.4
(iii) One (1)-month VWAP of TMC Shares up to and including the LFTD	0.612	0.138	22.5
(iv) Three (3)-month VWAP of TMC Shares up to and including the LFTD	0.544	0.206	37.9
(v) Six (6)-month VWAP of TMC Shares up to and including the LFTD	0.549	0.201	36.6
(vi) One (1)-year VWAP of TMC Shares up to and including the LFTD	0.533	0.217	40.7

(Source: Bloomberg)

(iii) Monthly highest and lowest traded market prices

The monthly highest and lowest traded market prices of the TMC Shares for the past twelve (12) months from February 2014 to January 2015, being the last full trading month prior to the LFTD, are as follows:-

	High RM	Low RM
2014		
February	0.383	0.368
March	0.388	0.368
April	0.423	0.373
May	0.398	0.383
June	0.433	0.383
July	0.467	0.408
August	0.497	0.447
September	0.666	0.472
October	0.661	0.507
November	0.585	0.450
December	0.580	0.435
2015		
January	0.660	0.535

(Source: Bloomberg)

(iv) Trading multiples analysis

We have compared the implied multiples of TMC based on the Issue Price / Exercise Price with the historical trading multiples of TMC *(i.e. P/E, EV/EBITDA and P/B multiples)* for the past twelve (12) months up to the LFTD:

	P/E times	EV[(1)]/EBITDA times	P/B times
Highest	121.68	54.11	5.80
Lowest	45.73	18.97	2.18
Average	62.48	26.72	2.98
Implied multiples based on the Issued Price / Exercise Price	**139.33**	**62.27**	**6.64**

(Source: Bloomberg and audited consolidated financial statements of TMC for the FYE 31 May 2014)

Note:
(1) Enterprise value or EV is calculated as market capitalisation plus borrowings, non-controlling interest and preferred shares, less cash and cash equivalents.

Based on our comparison above, the implied multiples of TMC based on the Issue Price / Exercise Price are the highest.

For information purposes, we have considered a comparison of the above multiples against the trading multiples of other hospital and healthcare players after applying the following parameters:
(i) listed companies on Bursa Securities and other regional stock exchanges;
(ii) operate hospitals in South East Asian countries *(considered as emerging markets and have fairly similar demographics as Malaysia)*;
(iii) market capitalisation of less than RM1.0 billion as at the LFTD;
(iv) more than 90% of their revenue is derived from the hospital and healthcare business; and
(v) we have further accounted for the differing country's equity risk premium.

Arising from the parameters above, we have found the resulting number of the peer comparables to be too few to support an informative analysis. As such, we have not presented such findings in this IAL.

(v) Audited consolidated NA per TMC Share

The Issue Price / Exercise Price of RM0.75 represents a premium to the following NA per TMC Share:

		NA per TMC Share	Premium	
		RM	RM	%
(i)	Unaudited consolidated NA per TMC Share as at 28 February 2015	0.25	0.50	300.00
(ii)	Audited consolidated NA per TMC Share as at 31 May 2014	0.17	0.58	341.18
(iii)	Audited consolidated NA per TMC Share as at 31 May 2013	0.16	0.59	368.75

(Sources: Unaudited consolidated financial statements of TMC for the nine (9)-month FPE 28 February 2015 as well as audited consolidated financial statements of TMC for the FYEs 31 May 2013 and 31 May 2014)

Our commentaries:

The Proposed Acquisition represents a significant acquisition for the Group vis-à-vis its market capitalisation of approximately RM767.7 million as at the LFTD. As announced on 14 January 2015, the cash and bank balances of the Group as at 31 December 2014 stood at RM190.8 million, of which the Group intends to utilise, together with any surplus of cash from existing operations, to finance the first phase of the Expansion.

In view of the above, the satisfaction of the Purchase Consideration via the issuance of Consideration Shares and Consideration Warrants allows TMC to consider the Proposed Acquisition without raising any bank borrowings. Hence, the available debt headroom may then be utilised to finance the construction of the Proposed Medical Project. Besides, the issuance of Consideration Shares *(and Consideration Warrants, if exercised into new TMC Shares)* will further strengthen the financial position of the enlarged TMC Group.

We would also like to highlight that:

(i) the Consideration Warrants are issued to the Vendor and/or its nominees on the same basis and same terms as the Proposed Bonus Issue of Warrants i.e. one (1) free Warrant for every two (2) TMC Shares to ensure that the eventual shareholdings of the Vendor and/or its nominees will not be diluted arising from the Warrants to be received by all the other existing shareholders pursuant to the Proposed Bonus Issue of Warrants by virtue that the issuance of the Consideration Warrants provides the Vendor and/or its nominees with an equal opportunity to further increase their equity participation in TMC on a pro-rata basis with all the other existing shareholders.

    For the avoidance of doubt, the Vendor and/or its nominees will not be entitled to participate in the Proposed Bonus Issue of Warrants in respect of the Consideration Shares to be received by them;

(ii) the Consideration Warrants, if exercised, will raise gross proceeds of approximately RM200.0 million to the Group which can be utilised for the working capital requirements of the Group which include payments to suppliers for goods and services rendered and staff costs; and

(iii) the Vendor agrees that it *(and shall procure that its nominees to whom the Consideration Shares are issued)* shall not sell, transfer, assign or in any way dispose of the Consideration Shares or any part thereof at any time prior to the expiry of one (1) year from Closing.

In addition, we are of the view that the Issue Price / Exercise Price is fair as it:

(i) is the highest of the historical closing / traded market prices since the listing of TMC on 6 October 2005 up to the LFTD;

(ii) represents a premium of between 15.4% and 40.7% over the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAPs of the TMC Shares up to the LFTD;

(iii) implies trading multiples which are the highest against the historical trading multiples of TMC for the past twelve (12) months up to the LFTD; and

(iv) represents significant premiums of at least 300% over the unaudited consolidated NA per TMC Share as at 28 February 2015 as well as the audited consolidated NA per TMC Share as at 31 May 2013 and 31 May 2014,

thus, minimising the dilution of the equity interest held by the non-interested shareholders of TMC.

5.3 Salient terms and conditions of the SPA

Our commentaries on the salient terms and conditions of the SPA as set out in Section 2.1.7, Part A of this Circular are as follows:-

Reference in Part A of this Circular	Salient terms and conditions of the SPA	Our commentaries
Section 2.1.7.1	Conditions precedent The Proposed Acquisition is conditional upon the following Conditions Precedent being obtained / fulfilled / waived within a period of six (6) months from the date of the SPA or such other date as may be agreed in writing between TMC and the Vendor ("**Cut-Off Date**"): (i) the passing at a general meeting of Best Blend of the requisite resolution to approve the sale of the Sale Shares upon the terms and conditions of the SPA, the delivery and performance of the Vendor's obligations and the transactions contemplated in the SPA; (ii) the receipt by the Company of the disclosure letter from Best Blend; (iii) the Company having conducted a due diligence on the legal, financial, taxation and other affairs of BB Waterfront and is satisfied with the findings yielded from the due diligence; (iv) the passing at a general meeting of the Company of the requisite resolutions to approve (i) the Proposed Bonus Issue of Warrants and the Proposed IASC; and (ii) the acquisition of the Sale Shares (including issuance of the Consideration Shares together with the Consideration Warrants as payment of the Purchase Consideration), upon the terms and conditions of the SPA, the delivery and performance of the Company's obligations and the transactions contemplated in the SPA; and (v) the approval or consent of Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities, listing of and quotation for the Consideration Shares, Warrants and the new TMC Shares arising from the exercise of the Warrants, where required. The date on which the last of the Conditions Precedent is satisfied or waived in accordance with the SPA shall be the Unconditional Date.	**Reasonable.** The Conditions Precedent of the SPA set out the necessary approvals / procedures which are customary to facilitate the completion of the Proposed Acquisition. These Conditions Precedent have to be fulfilled or waived by the Cut-Off Date, the failure of which, the SPA shall lapse and each party shall have no claim against another, save for any claim arising from antecedent breaches of the SPA. As at the date of this IAL, we note that all the Conditions Precedent, save for (iv) which will be obtained at the forthcoming EGM of the Company, have been fulfilled satisfactorily. On 6 May 2015, Bursa Securities had granted its approval for the admission of the Warrants to the Official List of Bursa Securities, listing of and quotation for the Consideration Shares, Warrants and the new TMC Shares arising from the exercise of the Warrants subject to the conditions set out in Section 10, Part A of this Circular.

Reference in Part A of this Circular	Salient terms and conditions of the SPA	Our commentaries
Section 2.1.7.2	Due diligence (i) The Company shall, as soon as reasonably practicable, after the execution of the SPA, arrange at its own costs and expenses to conduct the due diligence. (ii) Not later than seven (7) days from the last day of the agreed due diligence period (being six (6) weeks from the date of the SPA or such other period as may be agreed upon or extended by the parties in writing), the Company shall inform Best Blend in writing whether it is satisfied with the due diligence examination for which it shall proceed with the transaction ("**Decision to Proceed**"). In the event the Company fails to inform Best Blend of the Decision to Proceed, it shall be deemed to be satisfied with the due diligence examination.	**Reasonable.** The due diligence exercise allows TMC, before deciding to proceed with the Proposed Acquisition, to investigate into and to be satisfied with the state of affairs of BB Waterfront within a period of six (6) weeks from the date of the SPA or such extended period as agreed by the parties in writing. Should there be any adverse findings from the due diligence exercise which is detrimental to TMC, it may terminate the SPA immediately without any recourse by the Vendor.
Section 2.1.7.3	Termination of the SPA (i) The SPA may be terminated (other than the surviving provisions) only in accordance with the following: (a) by mutual written agreement of Best Blend and the Company; (b) by either Best Blend or the Company if the Conditions Precedent have not been fulfilled or waived in accordance with the SPA; (c) by the Company if prior to Closing, Best Blend is in material breach of any of its pre-Closing undertakings, the Company shall be entitled by notice in writing to Best Blend to terminate the SPA (other than the surviving provisions), without prejudice to the Company's rights to terminate the SPA and without prejudice to the Company's right to claim damages or other compensation; (d) by Best Blend if prior to Closing, the Company is in material breach of its pre-Closing undertakings, Best Blend shall be entitled by notice in writing to the Company to terminate the SPA (other than the surviving provisions), without prejudice to Best Blend's right to claim damages or other compensation;	**Reasonable.** This clause is on normal commercial terms as it governs the rights of both parties should there be any event of termination. In any event of termination *(save for the event of termination stated in Clauses (i)(a) and (i)(b))*, the non-defaulting party may: (i) terminate the SPA *(other than the surviving provisions)* and claim damages or other compensation *(including any legal costs involved in order to enforce its rights against the defaulting party)*; or (ii) compel the defaulting party, by way of specific performance, to complete the SPA. For information purposes, we would like to highlight that the: (i) pre-Closing undertakings by TMC *(as stated in Clause (i)(d))* refer to the undertakings not to create, allot or issue any share capital, loan capital or any option to subscribe for the same other than for the purposes of the Proposals; and

Reference in Part A of this Circular	Salient terms and conditions of the SPA	Our commentaries
	(e) by the Company if prior to Closing, any event shall occur (other than an event constituting or giving rise to a breach of any of Best Blend's warranties) which has or is likely to have a material and an adverse effect on the turnover, profitability, financial or trading position or prospects of BB Waterfront; (f) by the Company if, at any time prior to Closing, Best Blend is in material breach of any of Best Blend's warranty; or (g) by either the Company or Best Blend, as the case may be, in the event of any breach by the other party of its respective Closing obligations. (ii) For the purposes of the termination provisions: (a) "in material breach" means in breach of any Best Blend's warranty or an event which results or is reasonably likely to result in:- (aa) a potential loss or liability which is equal to or exceeds RM40,000,000; or (bb) the rights of BB Waterfront to the Land likely to be contested or challenged; or (cc) an approval, consent or permit granted in respect of the Land or the Proposed Medical Project likely to be invalidated, nullified, revoked, cancelled or withdrawn; and (b) "a material and an adverse effect" means an event which results or is likely to result in:- (aa) a potential loss or liability which is equal to or exceeds RM40,000,000; or (bb) the rights of BB Waterfront to the Land likely to be contested or challenged; or (cc) an approval, consent or permit granted in respect of the Land or the Proposed Medical Project likely to be invalidated, nullified, revoked, cancelled or withdrawn; or (dd) there is a legal or regulatory impediment on BB Waterfront's ability to implement the Proposed Medical Project.	(ii) Closing obligations by TMC *(as stated in Clause (i)(g))* refers to the obligations to perform the necessary procedures in order to effect the allotment and issuance of the Consideration Shares and Consideration Warrants to the Vendor and/or its nominees.
Section 2.1.7.4	Real Property Gains Tax The Vendor will pay and settle all real property gains tax (if any) payable on the Proposed Acquisition pursuant to the SPA as may be assessed by the Director-General of Inland Revenue under the provisions of the Real Property Gains Tax Act, 1976.	**Reasonable.** This clause will protect TMC against the obligation of the Vendor to pay and settle real property gains tax *(if any)* payable on the Proposed Acquisition pursuant to the SPA.

Based on the above, we are of the view that the salient terms and conditions of the SPA are reasonable.

5.4 Financial effects of the Proposed Acquisition

We note the following financial effects of the Proposed Acquisition from Section 8, Part A of this Circular:

(i) the increase in the issued and paid-up share capital of TMC upon the issuance of the Consideration Shares as well as the exercise of the Consideration Warrants into new TMC Shares *(if any)*;

(ii) the following effects on the shareholdings of the substantial shareholders of the Company:

(a) the emergence of new substantial shareholders, namely Best Blend *(5.2% direct interest)*, Duli Yang Amat Mulia Tunku Ismail Ibni Sultan Ibrahim *(7.7% direct interest; 5.2% indirect interest via Best Blend)* and Incanto *(13.3% direct interest; 5.2% indirect interest via Best Blend)*; and

(b) the dilution in the existing equity interest in TMC held by SAS Malaysia and SAS from approximately 68.5% to 52.0%. However, by virtue of Lim Eng Hock's shareholding in Incanto, his aggregate equity interest in TMC will increase from approximately 68.5% to 70.5% upon the issuance of the Consideration Shares.

Following the issuance of the Consideration Shares, the public shareholding spread of TMC will reduce to below 25%. We note that, as set out in Section 2.5, Part A of this Circular, the Company will seek an extension of time from Bursa Securities to rectify the shortfall in public shareholding spread and endeavour to do so within the stipulated period;

(iii) the increase in the NA per TMC Share in view that the Issue Price of the Consideration Shares is higher than the existing NA per TMC Share of RM0.25 *(based on the audited consolidated financial statements of TMC as at 31 May 2014 and after adjusting for the exercise of warrants from 1 June 2014 up to their expiry date on 22 December 2014)*;

(iv) no material impact on the gearing of the Group *(other than a slight decrease in the gearing due to the enlarged consolidated equity base)* as the Proposed Acquisition will be satisfied via the issuance of Consideration Shares and Consideration Warrants *(and hence, does not involve the raising of any borrowings)*.

However, the non-interested shareholders should note that upon the completion of the Proposed Acquisition, the Group intends to fund the Proposed Medical Project through, amongst others, borrowings, internally generated funds, sales of medical suites and/or fund raising exercise. Depending on the cash flow position and the funding requirement of the Group, TMC may potentially need to secure new bank borrowings which may then increase its gearing to a significant level;

(v) as the Proposed Acquisition is expected to be completed in the third (3^{rd}) quarter of 2015 while the construction of the Proposed Medical Project is expected to be completed with the commencement of the hospital operations by late 2018, there will not be any immediate material contribution to the consolidated earnings of the Company for the FYE 31 May 2015. However, the consolidated EPS of TMC is expected to be diluted immediately as a result of the increase in the number of TMC Shares in issue.

Notwithstanding the above, the Proposed Acquisition is expected to contribute positively to the future earnings of the Group over the long term. We wish to highlight to the non-interested shareholders that the net present value of the Proposed Medical Project ranges between RM841.4 million and RM930.0 million, further details of which are set out in our evaluation in Section 5.2.1 of this IAL.

Based on our evaluation above, we are of the view that the overall financial effects arising from the Proposed Acquisition are positive and are not detrimental to the interests of the non-interested shareholders of TMC.

5.5 Industry outlook and future prospects of the enlarged TMC Group in the healthcare sector

In addition to those set out in Section 6, Part A of this Circular, we wish to highlight the following industry outlook and future prospects of the enlarged TMC Group in the healthcare sector:

5.5.1 Healthcare industry outlook in Malaysia

The number of healthcare travellers to Malaysia has been increasing from 336,000 visitors in 2009 to 770,000 visitors in 2013, representing a compounded annual growth rate ("**CAGR**") of 23%.

(Source: Comparison of Healthcare Travellers between 2007-2013, MHTC)

Recently ranked no. 3 worldwide for its healthcare system by International Living in its 2014 Global Retirement Index, Malaysia is now well-known and is a much sought after destination for medical tourism in the world.

(Source: Malaysian Now a Popular Medical Travel Destination for the GCC Countries, Malaysia Healthcare Travel Council, 14 April 2014)

The Government continues to grow the healthcare sector in Malaysia. In the 2015 Budget, the Government will allocate RM23.3 billion to implement the following initiatives in relation to health services and facilities:

First: Build two (2) hospitals namely Hospital Dungun in Terengganu and Hospital Seri Iskandar in Perak. Another 20 health clinics and four (4) dental clinics, including health clinics in Kuala Lipis, Pahang and dental clinic in Kluang, Johor will be built;

Second: Establish an additional 30 1Malaysia clinics, bringing the total to 290 clinics nationwide and build a health clinic in Cyberjaya. The Government will station 30 doctors in these clinics;

Third: Replace 635 units of haemodialysis machines in Government hospitals and clinics with an allocation of RM30 million. To encourage private sector participation, the Government will also provide space in Government hospitals and health clinics to place another 244 haemodialysis machines which will be contributed by the private sector as part of their corporate social responsibility; and

Fourth: Provide medicines for patients undergoing chronic and acute haemodialysis treatment with an allocation of RM45.4 million.

(Source: The 2015 Budget, MOF, 10 October 2014)

Malaysia's healthcare industry has recorded strong growth over the last decade, driven primarily by local consumption of healthcare products and services. The potential of this sector to generate significant contribution to Malaysia's economy in the year 2020 is the reason led to healthcare being selected as one of the twelve (12) National Key Economic Areas ("**NKEA**") highlighted under Malaysia's Economic Transformation Programme to focus the economic growth towards a high-income nation. The NKEA, championed by the MOH, seeks to grow the healthcare industry and encourages collaboration between healthcare providers in the public and private sectors.

(Source: Healthcare NKEA 2013 Achievements & New Projects Announcement, MOH, 26 June 2014)

Collectively, 40 healthcare projects announced under Healthcare NKEA are projected to create 26,966 jobs and generate an income of RM6.59 billion, as well as RM4.96 billion in new investments by 2020.

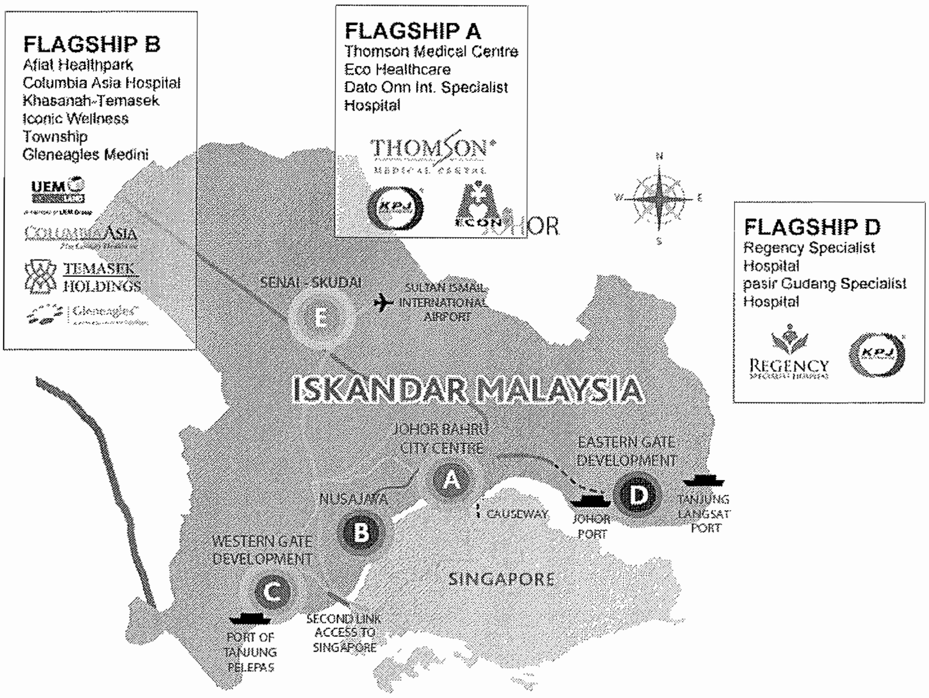
Some of the entry point projects include:

- Mandating Private Insurance for Foreign Workers
- Creating Supportive Ecosystem to Grow Clinical Research
- Reinvigorating Healthcare Travel

(Source: http://etp.pemandu.gov.my/Healthcare-@-Healthcare.aspx)

5.5.2 Healthcare industry outlook within the Iskandar Malaysia development region

In the development plan for the Iskandar Malaysia development region, five (5) Flagship Zones have been identified as focal points for development, in which several flagship medical and wellness centres will be established *(as depicted below).*



(Source: http://www.iskandarmalaysia.com.my/our-development-plan)

The Iskandar Malaysia development region, being in close proximity with Singapore, has an advantage over other cities in Malaysia, and has the potential to emerge as the next medical travel hub in Malaysia. It is expected to cater to domestic demand as well as to medical travellers, particularly from Singapore.

It is worth noting that in the recent years, the cost of healthcare in Singapore has been on an upward trend and it is becoming increasingly expensive to consult a doctor. In relation thereto, Malaysia poses as an attractive alternative destination for private healthcare. For example, the private healthcare cost for a single bed ward in Malaysia is comparative with Singapore's public B1 ward.

Further, effective 1 March 2010, Singapore residents may use their Medisave *(which is a national savings scheme in Singapore designated for healthcare needs)* for their hospitalisation overseas, subject to certain conditions. The relaxation of the scheme has started off with two healthcare providers namely Health Management International Limited and Parkway Holdings Pte Ltd.

(Source: "Medisave for Approved Overseas Hospitalisation", 10 February 2010, Ministry of Health Singapore)

For information purpose, the Medisave withdrawal limits are generally sufficient to pay the charges incurred by a patient staying in a Class B2 / C ward in Singapore only.

(Source: "Understanding Medisave and MediShield", Central Provident Fund Board)

5.5.3 Prospects of the healthcare sector for the enlarged TMC Group

The revenue of the Group has been growing steadily at a CAGR of 22% from the FYE 31 May 2012 until the FYE 31 May 2014, with the increased bed capacity, more variety of disciplines offered coupled with continuing marketing activities.

The Group is currently conducting its hospital operation from the TMCKD, a multi-disciplinary tertiary care hospital with an inpatient bed capacity of 139 beds. Over the next few years, the Group intends to increase its inpatient bed capacity via expansion plans, subject to regulatory approvals, as set out below:

Expansion plans	Location	Number of additional inpatient beds	Expected completion
(i) Renovation works at Level 7	TMCKD	51	By the end of 2015
(ii) First phase of Expansion	TMCKD	220	In the first half of 2020
(iii) Proposed Medical Project	Hospital Iskandariah	272	By late 2018

The Proposed Medical Project, which is strategically located nearby population catchment area, represents a strategic opportunity for the Group to make a meaningful market footprint into the healthcare sector in Johor. With the strategic collaboration with Thomson International, it will boost the standing of the Iskandariah Hospital within the Iskandar Malaysia development region allowing the Group to tap into the strong demand for quality and affordable healthcare as well as the medical tourism from Singapore and the region.

Following the expansion plans above, the Group will carry out subsequent phases of the Expansion, which is envisaged to transform TMCKD into an integrated healthcare campus hosting 550 acute hospital beds and another 100 long-stay beds or service apartments. As for the Iskandariah Hospital, it is expected to have a capacity to eventually house 500 beds, subject to regulatory approval.

Premised on the above, the industry outlook and future prospects of the enlarged TMC Group's healthcare business appear to be positive.

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