



**MOU in respect of Proposed FHTL Transaction and Related Arrangements**  
**4 February 2016**



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**Unitholders should also note that there is no assurance that the Proposed Disposal and the Related Arrangements will be entered into and/or completed, as there is currently no legally binding obligation on either the Trustee-Manager or FHL to enter into any documents in respect of the Proposed Disposal and the Related Arrangements. Even if such documents are entered into, the Proposed Disposal and the Related Arrangements will be subject to certain conditions precedent, including the approval of RHT's Unitholders.**

# Background

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- FHTL is the owner of the Gurgaon Clinical Establishment and the Shalimar Bagh Clinical Establishment.
- Under a shareholders' agreement among the shareholders of FHTL ("FHTL Shareholders' Agreement"), RHT currently has 100% economic interests in FHTL while owning a 49% equity interest.
- It is now being proposed to dispose of 51% of RHT's economic interest in FHTL to Fortis Healthcare Limited ("FHL"). Trustee-Manager and FHL have entered into a non-binding memorandum of understanding ("MOU") under which it is intended that the Trustee-Manager and FHL will discuss and finalise their agreement in relation to the Proposed Disposal and Related Arrangements (as defined herein).
- RHT will continue to own 49% equity and economic interests in FHTL.
- Hospital and Medical Services Agreement (HMSA) entered into at the time of listing of RHT on the Singapore Exchange Ltd ("SGX-ST") will continue.

# Rationale for the Proposed Disposal and Relevant Arrangements under the MOU

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- Due to ownership restrictions, FHML, a wholly owned subsidiary of RHT, could only acquire 49% of the issued and paid-up share capital of FHTL at the time of listing of RHT.
- No approval has been received from the relevant authorities for the transfer of the 51% interest in FHTL till date and there is no certainty in obtaining the requisite approvals.

# Steps to undertake for the Proposed Disposal and Related Arrangements

## Proposed Disposal of:

- (a) 51% of the compulsorily convertible debentures (“**CCDs**”) in Fortis Hospotel Limited (“**FHTL**”) held by Fortis Global Healthcare Infrastructure Pte. Ltd. (“**FGHIPL**”), a wholly-owned subsidiary of RHT, to FHL (“**CCDs Disposal**”)
- (b) all of the compulsorily convertible preference shares in Escorts Heart Institute and Research Centre Limited (“**EHIRCL**”) to Fortis Hospitals Limited (“**FHsL**”), a wholly-owned subsidiary of FHL (“**CCPS Disposal**”)

## Related Arrangements:

- (a) Amendments to the the investment agreement pursuant to which FGHIPL subscribed for CCDs in FHTL
- (b) Amendments to the shareholders’ agreement among the shareholders of FHTL (“**FHTL Shareholders’ Agreement**”)
- (c) Partial redemption of optionally convertible debentures (“**OCDs**”) in IHL using part of proceeds from CCPS Disposal
- (d) Amendments to the investment agreement pursuant to which FHTL subscribed for OCDs in KHL
- (e) Subscription by FHTL for non-convertible debentures (“**NCDs**”) in FHsL
- (f) Corporate guarantees to be provided by FGHIPL in favour of FHTL and FHL in favour of FHTL as security for obligations of IHL and FHsL respectively in relation to the arrangements in (d) and (e) above

**As this is an IPT under Chapter 9 of the Listing Manual and exceeds 5% of NTA of RHT Group, Unitholders’ approval is required and FHL and any other interested persons will abstain from voting on the Proposed Disposal and Related Arrangements. It is also subject to approval under Chapter 10 of the Listing Manual.**

## Appointed Professionals

- Duff & Phelps, Business Valuation
- KPMG, Independent Financial Advisor
- Rajah & Tann Singapore LLP, Singapore legal counsels
- Cyril Amarchand Mangaldas, Indian Legal Counsels

\*EHIRCL: Escorts Heart Institute and Research Centre Limited, a wholly owned subsidiary of Fortis

^ FHsL : Fortis Hospitals Limited, a wholly owned subsidiary of Fortis



# Net Proceeds from the Proposed Disposal and Related Arrangements

- Net proceeds are estimated to be S\$202.8\* million

Description	Amount
CCPS Consideration	S\$ 74.8 million (INR 3,563.6 million)
CCDs Consideration	S\$ 225.0 million (INR 10,725.2 million)
<i>Deducting:</i>	
Redemption of OCDs in IHL	S\$ 57.5 million (INR 2,741.3 million)
Payment of interest outstanding on OCDs	S\$ 38.8 million (INR 1,849.0 million)
Professional fees	S\$ 0.69 million (INR 33.1 million)
<b>Estimated Net proceeds from the proposed disposal</b>	<b>S\$ 202.8 million (INR 9,665.4 million)</b>

- 100% of the net proceeds will be distributed to unit holders
- This translates to a special distribution of S\$0.254 per unit.
- The Trustee-Manager has waived its entitlement to a divestment fee for the Proposed Disposal. There is no divestment fee of 1% of Trust Property for this Proposed Disposal
- The Trustee-Manager intends to receive only half of its Special Distribution Performance Fee (4.5% of the Special Distribution) amounting to S\$4.6 million. This will be received in the form of units in RHT, hence excluded from usage of proceeds above

Note:

\* Exchange rate used of 1SGD=INR47.67 as at 1 February 2016

# Pro Forma Effects of the Proposed Disposal and Related Arrangements for FY2015

Pro forma financial effects of the Proposed Disposal on the Net Service Fee and Hospital Income, EPU and DPU for FY2015, as if the Proposed Disposal and Related Arrangements had been completed on 1 April 2014.

## Pro Forma Effects of the Proposed Disposal and Related Arrangements for FY2015

	Before the Proposed Disposal and Related Arrangements	After the Proposed Disposal and Related Arrangements
<b>Net Service Fee and Hospital Income (S\$ million)</b>	78.3 <sup>(1)</sup>	40.4
<b>Net Profit (S\$ million)</b>	37.4	151.6 <sup>(2)</sup>
<b>Distributable Income (S\$ million)</b>	58.2 <sup>(3)</sup>	255.3 <sup>(4)</sup>
<b><u>EPU (cents)</u></b>		
<b>Based on Weighted Units</b>	4.72	19.00 <sup>(5)</sup>
<b><u>DPU (cents)</u></b>		
<b>Based on Total Units</b>	7.32	31.93 <sup>(6)</sup>

Notes:

- 1) Based on the total revenue less total service fee and hospital expenses derived from the audited financial statements of RHT for FY2015.
- 2) Includes gain on disposal in connection with the CCDs Disposal.
- 3) Based on the Distributable Income and DPU as announced by RHT on 27 May 2015.
- 4) Includes distribution of sale proceeds. Excluding such one-off distribution, the distribution income is S\$42.5 million
- 5) Excluding the gain on disposal, the EPU is 2.17 cents
- 6) Excluding one-off distribution, the DPU is 5.32 cents

# Pro Forma Effects of the Proposed Disposal and Related Arrangements for FY2015

Pro forma financial effects of the Proposed Disposal on the NAV as at 31 March 2015, as if the Proposed Disposal and Related Arrangements had been completed on 1 April 2014.

## Pro Forma Effects of the Proposed Disposal and Related Arrangements as at 31 March 2015

	Before the Proposed Disposal and Related Arrangements	After the Proposed Disposal and Related Arrangements
<b>NAV (S\$'000)</b>	769.1 <sup>(1)</sup>	695.8
<b>Units in issue (million)</b>	794.6 <sup>(2)</sup>	799.4
<b>NAV per Unit (\$)</b>	0.97	0.87

Notes:

- 1) Based on the audited financial statements of RHT Group for 31 March 2015.
- 2) Excludes professional fees, diligence costs, stamp duties and other taxes and expenses



# Pro Forma Effects of the Proposed Disposal and Related Arrangements for FY2015

Pro forma financial effect of the Proposed Disposal on the capitalisation of RHT as at 31 March 2015.

## Pro Forma Effects of the Proposed Disposal and Related Arrangements as at 31 March 2015

	Actual <sup>(1)</sup> (S\$ millions)	As Adjusted for the Proposed Disposal and Related Arrangements (S\$ millions)
<b>Short-term debt:</b>		
Secured debt	62.4	61.2
Unsecured debt	-	97.1
<b>Total short-term debt</b>	<b>62.4</b>	<b>158.3</b>
<b>Long-term debt:</b>		
Secured debt <sup>(2)</sup>	63.7	62.3
Unsecured debt	-	-
<b>Total long-term debt</b>	<b>63.7</b>	<b>62.3</b>
<b>Total debt:</b>	<b>126.1</b>	<b>220.6</b>
Unitholders' funds	769.1	695.8
<b>Total Unitholders' funds</b>	<b>769.1</b>	<b>695.8</b>
<b>Total Capitalisation</b>	<b>895.2</b>	<b>916.4</b>

	Gearing	Debt Headroom (at 45%)
As at 31 Dec 2015	17.9%	Current: S\$158.9 m
Post-Proposed Disposal and Related Arrangements	23.6%^	S\$355.8
	21.4%*	S\$435.3 m

1) Based on the audited financial statements of RHT Group for FY2015.

2) Excludes unamortised finance expenses.

^Includes OCD liabilities, owing to an associate

\*OCD liabilities are subordinated. Gearing excludes OCD liabilities

# Summary of the financial implications of the Proposed Disposal and Related Arrangements

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- **Consideration takes into account potential future earnings assuming a fully expanded capacity.**
  - Consideration of the CCPS and the CCDs based on valuation by independent valuer
  - Valuation done using income capitalisation approach and market approach to estimate the fair value of the underlying businesses and equity of FHTL and EHIRCL.
  - Projections based on Gurgaon and Shalimar Bagh Clinical Establishments operating at fully expanded capacity.
  - Fair value of CCPS and CCDs derived assuming fully diluted stakes and adjusting it for the present value of interest, if any.
  
- **The consideration represents a 16%^ internal rate of return, in SGD terms**
  - Cost of the two clinical establishments (Gurgaon and Shalimar Bagh) at IPO were based on their enterprise value of INR 8,401 (S\$187.1# million) and INR 5,343 million (S\$119.0# million) respectively, amounting to a total of INR 13,744 million (S\$306.1# million).

^ assuming the unitholder had acquired the RHT units at the time of IPO, the difference between consideration and price paid during IPO and the distributions for the period  
#Exchange rate of 1SGD = INR 44.9 as at 19 October 2012

# Subject to Approval from Unitholders

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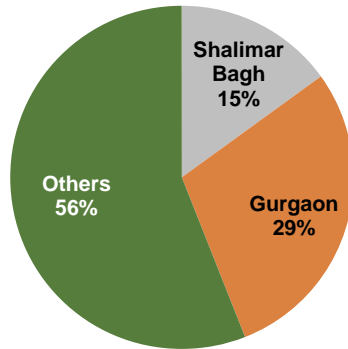
Upon discussion and finalisation of the agreements, RHT will seek unitholders' approval for the :

- (1) The Proposed Disposal and Related Arrangements
- (2) The whitewash resolution in relation to the waiver of the rights of Independent Unitholders to receive a mandatory general offer from FHL and parties acting in concert with it for the remaining Units not owned or controlled by them pursuant to the issuance of the Special Distribution Performance Fee Units.

# FHTL's Contribution to RHT Portfolio

## % Valuation of FHTL in comparison to RHT Portfolio

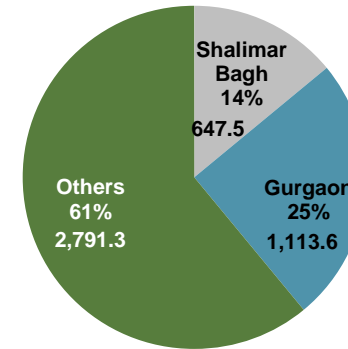
### Before Proposed Disposal



## % Revenue of FHTL in comparison to RHT Portfolio

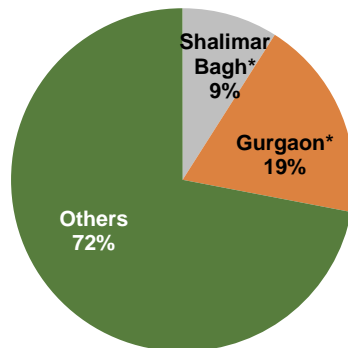
### Before Proposed Disposal

(INR m)



## % Valuation of FHTL in comparison to RHT Portfolio (Post-Disposal)

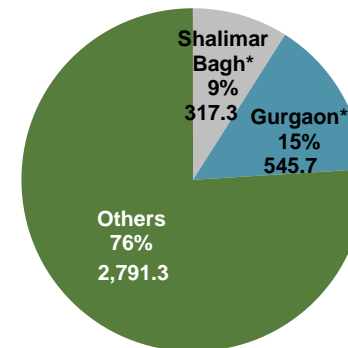
### After Proposed Disposal



## % Revenue of FHTL in comparison to RHT Portfolio (Post-Disposal)

### After Proposed Circular

(INR m)



\*Through investment in associates

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