

**Issuer:** RHT Health Trust Manager Pte. Ltd.

**Security:** RHT Health Trust

**Meeting details:**

Date: 27 July 2017

Time: 10.00 a.m.

Venue: Suntec Singapore Convention & Exhibition Centre, Meeting Room 311, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593

**Company Description**

RHT Health Trust is a business trust specializing in investing in medical and healthcare assets and services in India, Asia, Australasia and emerging markets in the rest of the world. It may also develop medical and healthcare assets. The firm was formerly known as Religare Health Trust. RHT Health Trust was founded in 2011 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=RF1U](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=RF1U))

**Q1.** The disposal of the 51.0% economic interest in Fortis Hospotel Limited (“FHTL”) was completed in October 2016. The rationale stated in the circular to unitholders dated 8 July 2016 for the disposal was that Fortis Healthcare Limited (“FHL”), the sponsor, was not able to obtain the approval for the transfer of the 51.0% equity interest in FHTL to Fortis Health Management Limited.

The disposal led to an one-off special distribution of \$198.3 million.

The trustee-manager has considered that the special distribution as “distributable income” and thus the trustee-manager was entitled to a 4.5% performance fee on the special distribution.

Even after waiving 50% of the performance fee that the trustee-manager “is entitled to receive”, the total trustee-manager fees increased by 55.5% from \$6.76 million in 2016 to \$10.50 million in 2017.

- a) **Could the board, including the independent directors, elaborate further on the treatment of the one-off special distribution due to the disposal?**
- b) **Hypothetically, should the trust be liquidated and all the sales proceeds be distributed to unitholders, can the board confirm that the trustee-manager is entitled to get a divestment fee (of 0.5%, if the assets are not sold to the Sponsor) and a subsequent 4.5% as performance fee upon the distribution of the proceeds?**

**Q2.** The trust’s net service fee and hospital income for FY2017 was \$83.18 million (page 2 – Financial highlights). Had the disposal of 51.0% economic interest in Fortis Hospotel Limited occur in FY2016, the net service fee and hospital income would have been S\$83.75m. The trust thus performed marginally worse in FY2017.

On page 5 (Financial and operational review), it was disclosed that the trust had experienced a higher cost base due to “an increase in certain cost categories, such as doctor charges, statutory compliance costs and Information Technology related costs”.

- a) **Can the trustee-manager quantify the impact of the increase in doctor charges, compliance costs and IT-related costs? In particular, what were the reasons doctor charges increased by 15% from \$6.8 million to \$7.9 million when the revenue remained flat?**
- b) **Are these costs expected to stay at the heightened level?**
- c) **What are management’s plans to control the escalating costs?**

**Q3.** In terms of the trusts’ operational performance, unitholders would like to ask about the following:

- Gurgaon (page 32): The occupancy is at 67%, an improvement from 61% for FY2016, but still significantly below the trust’s average.
  - Jaipur (page 33): The occupancy dropped from 72% to 67% in FY2017 and the service income dropped from \$11.13 million to \$10.8 million in FY2017.
  - Malar (page 35): Occupancy remained flat at 61-62% in FY2016/FY2017.
- a) **For the clinical establishments listed above, can management help unitholders understand the reasons for the lower than average occupancy rates? What are the efforts to improve the occupancy?**
- Nagarbhavi and Rajajinagar (pages 40-41): The occupancy dropped from 84% in FY2016 to 74% in FY2017 for Nagarbhavi and the occupancy dropped from 70% in FY2016 to 56% in FY2016 for Rajajinagar

- b) Please also elaborate further on the drop in the occupancy of the two operating hospitals in the trust.
- c) Despite the drop in occupancy, the hospital income derived from the two operating hospitals remained stable at \$9.6 million. **Can the trustee-manager explain how it maintained the hospital income despite the lower occupancy rate?**