



IHH Healthcare Berhad

Company No. 901914-V
(Incorporated in Malaysia)

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

Type : General Announcement
Subject : Others
Description : Status update on IHH’s announcement dated 19 April 2018

We refer to our earlier announcements dated 16 April 2018 and 19 April 2018 in relation to our proposal to participate in Fortis Healthcare Limited (“**Fortis**”) and its affiliates (“**Proposal**”).

The Board of Directors (“**Board**”) of IHH wishes to inform that IHH had on 24 April 2018 issued a letter (“**Letter**”) to the Board of Fortis setting out a revised proposal (“**Revised Proposal**”) which supercedes the Proposal.

The Revised Proposal is described below:

- (a) binding proposal without any due diligence for an immediate injection of primary equity of INR650,00,00,000 (Rupees six hundred and fifty crore) (equivalent to RM382,629,000¹) (“**Immediate Equity Infusion**”) into Fortis by way of a preferential issue and allotment of equity shares at a price of INR160 (equivalent to RM9.42¹) per share for which IHH would be given the right to appoint two (2) directors on the Board of Fortis. This binding commitment for the Immediate Equity Infusion is subject to:
 - (i) confirmation by Fortis that IHH will be given immediate access to carry out a legal and financial due diligence (“**Due Diligence**”) as set out in paragraph (c) below for the purposes of evaluating the Subsequent Equity Infusion (*defined below*);
 - (ii) the receipt of applicable approval from Fortis’ shareholders and any relevant regulatory approvals in a manner to be discussed between IHH and Fortis; and
 - (iii) end-use of the Immediate Equity Infusion to be discussed with IHH’s nominees on the Board of Fortis, but to be applied primarily towards payment of immediate dues to employees, creditors as well as easing the debt servicing needs of Fortis.
- (b) non-binding proposal to infuse up to INR3,350,00,00,000 (Rupees three thousand three hundred and fifty crore) (equivalent to RM1,972,011,000¹) (“**Subsequent Equity Infusion**”) through a subsequent preferential issue and allotment of equity shares subject to satisfactory completion of the Due Diligence and execution of mutually acceptable binding definitive documents at a price not exceeding INR160 (equivalent to RM9.42¹) per share;
- (c) IHH is seeking to complete a Due Diligence within three (3) weeks from the first day IHH is granted access to the data room fully populated with all required information; and

- (d) in order for the Revised Proposal to be swiftly implemented, IHH will seek to discuss and agree on the terms of the definitive documents in relation to the Subsequent Equity Infusion contemporaneously with the Immediate Equity Infusion during an exclusivity period of four (4) weeks commencing from the start of the Due Diligence exercise.

The Revised Proposal must be considered by Fortis in its entirety as stated in (a) to (d) above and cannot be evaluated or accepted in part. The proposal for Immediate Equity Infusion is not contingent on satisfactory completion of Due Diligence. Subject to the mutually agreed binding definitive documents being executed, the proposal for Subsequent Equity Infusion does not purport to create any legally binding obligation upon acceptance or acknowledgement by Fortis or otherwise. Subsequent to completion of the Subsequent Equity Infusion, IHH expects appropriate representation on the Board of Fortis commensurate with its stake in Fortis.

In the event IHH does not receive any response from Fortis by no later than 5pm IST on 4 May 2018, the Revised Proposal shall stand withdrawn.

A copy of the Letter is enclosed in this Announcement for ease of reference.

At this juncture, IHH has not entered into any discussions, negotiations or transactions with Fortis in relation to the Revised Proposal.

IHH will make appropriate announcement(s) to Bursa Malaysia Securities Berhad ("**Bursa Securities**") in a timely manner in accordance with the Main Market Listing Requirements of Bursa Securities should there be any further material development on this matter.

The shareholders of IHH or investors should exercise caution and seek appropriate independent advice when dealing in the shares of IHH.

Note:

¹ *Based on the exchange rate of INR100 : RM5.8866 on 24 April 2018 as set out in the Bank Negara Malaysia's website, subject to rounding.*



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24 April 2018

The Board of Directors ("**Board**")
Fortis Healthcare Limited
Tower A, Unitech Business Park
Block F, South 1, Sector 41
Gurugram, Haryana 122001
India

CC:

- (i) Deepak Kapoor, Chair, Expert Advisory Committee ("**EAC**")
- (ii) Lalit Bhasin, Expert Advisory Committee
- (iii) Renuka Ramnath, Expert Advisory Committee
- (iv) Bhavdeep Singh, CEO
- (v) Rahul Ranjan, Company Secretary

Dear Directors:

We refer to our letters dated 11 April 2018, 16 April 2018 and 18 April 2018 respectively wherein we have indicated our interest to participate in Fortis Healthcare Limited ("**Fortis**" or "**Company**") subject to satisfactory completion of due diligence as set out therein ("**IHH Proposal**").

We appreciate that there has been keen interest in the Company as evidenced by the proposals put forward by various interested parties ("**Competing Investment Proposals**") over the last few weeks. Such interest notwithstanding, we remain strongly committed to an investment in the Company and have revised our proposal into a simple and clear construct which addresses the immediate financial needs of the Company and hence represents the most compelling proposition for the Company as well as its stakeholders. At this critical juncture, IHH, as a long term strategic investor, is best placed to fund, guide, support and drive the Company forward to realize its potential to the fullest and generate value for all stakeholders.

Our revised proposal is based on our assessment, from publicly-available information, that the Company, needs an equity infusion totaling INR 4,000,00,00,000 (Rupees four thousand crore) to meet immediate liquidity requirements for working capital and other near-term funding requirements, including the buyout of the asset portfolio of RHT Health Trust ("**RHT Assets**"), as well as long-due infrastructure upgrades. We believe that providing certainty on a holistic solution for the Company's short, medium and long-term financial needs is in the best interests of the shareholders of the Company.

In light of the foregoing and in supersession of the IHH Proposal, we now write to make a revised proposal ("**Revised IHH Proposal**") as described below:

- (a) binding proposal without any due diligence for an immediate injection of primary equity of INR 650,00,00,000 (Rupees six hundred and fifty crore) ("**Immediate Equity Infusion**") into the Company by way of a preferential issue and allotment of equity shares at a price of INR 160 per share for which IHH would be given the right to appoint 2 (two) directors on the Board. This binding commitment for the Immediate Equity Infusion is subject to:
 - (i) confirmation by the Company that IHH will be given immediate access to carry out a legal and financial due diligence ("**Due Diligence**") as set out in paragraph (c) below for the purposes of evaluating the Subsequent Equity Infusion (*defined below*);

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- (ii) the receipt of applicable approval from the Company's shareholders and any relevant regulatory approvals in a manner to be discussed between us and the Company; and
- (iii) end-use of the Immediate Equity Infusion to be discussed with our nominees on the Board, but to be applied primarily towards payment of immediate dues to employees, creditors as well as easing the debt servicing needs of the Company.

We expect the independent directors of the Company to constitute a majority of the Board after the appointment of our nominees;

- (b) non-binding proposal to infuse up to INR 3,350,00,00,000 (Rupees three thousand three hundred and fifty crore) ("**Subsequent Equity Infusion**") through a subsequent preferential issue and allotment of equity shares subject to satisfactory completion of the Due Diligence and execution of mutually acceptable binding definitive documents at a price not exceeding INR 160 per share;
- (c) we are seeking to complete a Due Diligence within 3 (three) weeks from the first day we are granted access to the data room fully populated with all information set forth as **Annexure I** hereto. As part of the Due Diligence, we would expect that we and our advisors would have access to your auditors, Deloitte as well as Luthra and Luthra, in connection with the ongoing investigations into the Company. Our request for Due Diligence prior to the Subsequent Equity Infusion stems from the inability of the statutory auditors of the Company to opine on its financial position as at 31 December 2017 and the regulatory investigations that are currently underway; and
- (d) in order for the Revised IHH Proposal to be swiftly implemented, we will seek to discuss and agree on the terms of the definitive documents in relation to the Subsequent Equity Infusion contemporaneously with the Immediate Equity Infusion during an exclusivity period of 4 (four) weeks commencing from the start of the Due Diligence exercise.

The Revised IHH Proposal must be considered in its entirety (i.e., comprising (a) to (d) above) and cannot be evaluated or accepted in part or accepted together or in conjunction with one or more Competing Investment Proposals. Until such time that mutually acceptable definitive documents have been executed, the proposal for Subsequent Equity Infusion cannot and does not purport to create any legally binding obligation or commitment or agreement on any party, upon acceptance or acknowledgement by the EAC, the Board, the Company or otherwise. Upon consummation of the Subsequent Equity Infusion, IHH expects appropriate director appointment rights on the Board commensurate with its stake in the Company.

Having said the above, we wish to highlight that we remain flexible to discussing with and jointly working with the Company's Board, the EAC and existing shareholders of the Company towards identifying such other mutually-beneficial and optimal means of solving the Company's funding requirements.

While the Board has received multiple offers with varying structures, based on our review of the publicly available information, we believe that the Revised IHH Proposal stands out for the following reasons:

Simple and Holistic Solution for the Company

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- (i) The Revised IHH Proposal is a simple and clear proposal that is easy to execute and therefore provides a significantly higher degree of certainty.
- (ii) The Revised IHH Proposal, without any element of restructuring or alienation of assets or convertible instruments, is primarily an appropriately sized cash infusion into the Company that comprehensively addresses the short-term financing needs as well as ensures liquidity for strategic and long-term objectives of the Company.
- (iii) The Immediate Equity Infusion will address the urgent liquidity requirements of the Company and can be channeled towards working capital and identified infrastructure upgrades, thereby relieving significant stress on and arresting any further deterioration of the operations and assets of the Company. The Subsequent Equity Infusion provides clarity of funding, for executing the long term strategic objectives of the Company and optimizing its structure through the acquisition of the RHT Assets. On a best-case basis, both of the above can be consummated prior to 30 September 2018, the long-stop date of the agreements for the acquisition of the RHT Assets.

Partnership with a Globally Eminent Hospital Operator with a Track Record of Shareholder Value Creation

- (iv) Our wealth of relevant experience as an operator of world class hospitals and diagnostics assets in developed as well as emerging markets globally, including India, equips us as a long term strategic shareholder of the Company to provide the requisite vision, leadership, global industry best practices and financial support to drive the Company forward.
- (v) Having created high quality world class hospital assets, the Board and management of the Company would look to retain these assets within the Company and create opportunities for stakeholders to benefit directly from further enhancement of these assets. Accordingly, our proposal does not require the Company to alienate any of its assets and, in fact, provides the Company with an opportunity to enhance the quality of its assets by leveraging IHH's experience as a leading global hospitals operator. We also believe that doctors, patients and medical staff of the Company will benefit significantly from the opportunities, knowledge sharing and introduction of best practices that would come from being part of IHH's global network of leading hospitals.
- (vi) The IHH group has consistently performed well in diverse markets across the world resulting in robust and steady value creation with shareholders' returns (through share price appreciation and consistent dividends) of c.12% p.a. over the last 5 years.

Compelling Value Proposition for Fortis Shareholders

- (vii) The Revised IHH Proposal is a compelling value proposition for shareholders of the Company as it allows them to participate in the long-term value creation of the Company while also providing a cash exit opportunity pursuant to the open offer that is likely to be triggered upon successful execution of the Subsequent Equity Infusion.
- (viii) The Revised IHH Proposal is not subject to any approval from the shareholders of IHH and further, with IHH's financing being entirely committed and ready, IHH is primed to execute this expeditiously.

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Returning Fortis to a Rapid and Robust Growth Trajectory

- (ix) A partnership with the IHH group will provide Fortis a strong and stable platform to rebound onto a rapid and robust growth trajectory with immediate focus on:
- (a) providing adequate liquidity to ensure return of normalcy in day-to-day operations;
 - (b) undertaking necessary organizational measures to stem the recent decline in operational parameters and profitability and bring the performance back in line with industry peers;
 - (c) completing the acquisition of RHT Assets to remove structural inefficiencies thereby minimizing leakage and further improving profitability;
 - (d) working in close co-operation with the relevant government bodies to achieve timely and satisfactory conclusion of ongoing investigations; and
 - (e) in relation to the Company's holding in SRL, exploring a combination of options that would be most beneficial for the Company and the minority private equity investors in SRL.
- (x) Having satisfactorily addressed the critical areas requiring urgent attention, in the medium term, IHH will look to undertake a detailed review of Fortis' hospitals to identify areas where further benefits can be derived from IHH's scale and global operations viz. introduction of latest medical technologies, attracting and retaining top medical talent, optimization of procurement costs, upgrading of IT systems, etc. IHH will also leverage its superior credit profile and global banking relationships to optimize debt funding costs and arrange for adequate credit lines for Fortis.

Please let us hear from you at your earliest convenience and in any event by no later than 5pm IST on 4 May 2018, after which the Revised IHH Proposal shall be deemed to have been withdrawn. Our leadership team would be delighted to meet with you as well as the Expert Advisory Committee to discuss the Revised IHH Proposal further and furnish such other details and/ or clarifications as necessary.

Notwithstanding anything in this letter, given the ever-changing competitive dynamics, IHH reserves the right to pursue all necessary steps to ensure that the shareholders of the Company are provided with the opportunity to realize the value inherent in our proposal including the right to revise the offer price in any manner, as IHH deems fit.



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Please note that IHH is obliged under applicable law and stock exchange listing rules to release the contents of this letter to Bursa Malaysia and Singapore Exchange Securities Trading Limited immediately.

We look forward to a favourable response.

Sincerely yours,

**For and on behalf of
IHH Healthcare Berhad**



Dr Tan See Leng
Managing Director and Group Chief Executive Officer



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Annexure 1

Part A | Legal Due Diligence Checklist

1. Current status of material litigations across the sixteen priority hospitals including:
 - (i) Escorts (with a particular focus on the EWS litigation)
 - (ii) Vashi
 - (iii) Vasant Kunj
 - (iv) Mulund
 - (v) Malar
2. Details of investigations by the SEBI, SFIO, ED and any other regulators that are currently underway including copies of show-cause notices received, information requests, questionnaires and all responses sent by the Company in relation thereto;
3. Copy of the master purchase agreement and all other documentation entered into with RHT to implement the purchase of the assets held by RHT;
4. Copies of all material contracts entered into by the Company, its subsidiaries and affiliates from July 2017 onwards having a value exceeding INR 100 million;
5. Details of any other key material litigation affecting the Company, its subsidiaries and its affiliates including details of any threatened litigation/ disputes, etc.

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Part B | Financial Due Diligence Checklist

1. FHL consolidated financial statement and underlying entity / unit wise details for FY18.
2. Statutory auditor's presentation to audit committee / board during FY18.
3. Details of related party transactions / balance for FY18/Mar18.
4. Contingent liabilities and off-balance sheet items as at Mar18.
5. Review of the balance sheet as of 31 Mar 2018 (or the latest available balance sheet) with focus on the following items:
 - (a) Capex during FY18 and CWIP as at Mar18.
 - (b) Investments as at Mar18.
 - (c) Working capital items viz. Receivable, Loans & Advances, Trade Payables, Liabilities and provisions as at Mar18.
 - (d) Debt and Cash & bank as at Mar18.
 - (e) Tax balances as at Mar18.
6. Comparison of budgeted and actual cash flows for FY18. Budgeted cash flows for FY19.
7. Hospital and Diagnostic MIS along with corporate cost details for FY18.
8. Details of employee costs including doctors for FY18.
9. For taxes, latest compliance and litigation status, material issues arising after 1 June 2017 and update on certain specific matters like (a) Litigation in Escorts (b) Assessment / Qs raised on transactions made for setting up RHT (c) interest expense of RHT's India entities.