IHH Healthcare Berhad

IHH HEALTHCARE BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT
30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

On 13 November 2018, the Group acquired 31.1% interest in Fortis Healthcare Limited ("Fortis"). On 15 January 2019, the Group completed the acquisition of another 4 subsidiaries. (Refer to Section A11(a) for details of the acquisition.) Generally, the consolidation of these entities upon acquisition resulted in an increase in the current period's revenue and expenses as compared to the corresponding period.

		2nd quarter ended			Financial period ended		
	Note	**30 Jun 2019 RM'000**	**30 Jun 2018 RM'000**	**Variance %**	**30 Jun 2019 RM'000**	**30 Jun 2018 RM'000**	**Variance %**
Revenue		3,645,335	2,659,716	37%	7,288,022	5,514,669	32%
Other operating income		66,214	44,760	48%	149,269	119,718	25%
Inventories and consumables		(722,582)	(510,050)	-42%	(1,426,997)	(1,051,515)	-36%
Purchased and contracted services		(394,509)	(213,130)	-85%	(775,258)	(436,094)	-78%
Staff costs		(1,347,076)	(1,081,018)	-25%	(2,673,015)	(2,239,973)	-19%
Depreciation and impairment losses of property, plant and equipment		(251,607)	(204,331)	-23%	(498,750)	(422,861)	-18%
Depreciation of right-of-use assets	1	(69,635)	-	-	(139,702)	-	-
Amortisation and impairment losses of intangible assets and prepaid lease payments	1	(13,242)	(13,658)	3%	(26,392)	(28,687)	8%
Operating lease expenses	1	(25,756)	(75,572)	66%	(44,269)	(161,430)	73%
Other operating expenses		(434,363)	(220,388)	-97%	(929,955)	(618,741)	-50%
Finance income	2	53,348	48,498	10%	88,695	79,944	11%
Finance costs	2	(244,478)	(270,168)	10%	(539,637)	(500,935)	-8%
Share of profits/(loss) of associates (net of tax)	3	978	355	175%	(24,375)	692	NM
Share of profits of joint ventures (net of tax)		3,017	1,411	114%	5,094	1,516	NM
Profit before tax		**265,644**	**166,425**	**60%**	**452,730**	**256,303**	**77%**
Income tax expense	4	(63,727)	(61,938)	-3%	(259,755)	(122,665)	-112%
Profit for the period		**201,917**	**104,487**	**93%**	**192,975**	**133,638**	**44%**
Other comprehensive income/(expenses), net of tax							
Items that may be reclassified subsequently to profit or loss							
Foreign currency translation differences from foreign operations	5	365,848	(70,533)	NM	195,806	(661,062)	130%
Hedge of net investments in foreign operations	5	(48,266)	(1,885)	NM	(24,441)	2,910	NM
Cash flow hedge		1,302	(5,062)	126%	614	370	66%
		318,884	(77,480)	NM	171,979	(657,782)	126%
Items that will not be reclassified subsequently to profit or loss							
Effect of change in tax rate on the past revaluation of property, plant and equipment upon transfer to investment properties		(50)	-	-	(2,454)	-	-
Net change in FVOCI* financial instruments		(9,241)	373	NM	(9,241)	373	NM
Remeasurement of defined benefits liabilities		(937)	-	-	(694)	-	-
		(10,228)	373	NM	(12,389)	373	NM
Total comprehensive income/(expenses) for the period		**510,573**	**27,380**	**NM**	**352,565**	**(523,771)**	**167%**
Profit/(Loss) attributable to:							
Owners of the Company		184,994	165,106	12%	274,504	222,341	23%
Non-controlling interests		16,923	(60,619)	128%	(81,529)	(88,703)	8%
Profit for the period		**201,917**	**104,487**	**93%**	**192,975**	**133,638**	**44%**
Total comprehensive income/(expenses) attributable to:							
Owners of the Company		459,127	69,596	NM	399,571	(413,068)	197%
Non-controlling interests		51,446	(42,216)	NM	(47,006)	(110,703)	58%
Total comprehensive income/(expenses) for the period		**510,573**	**27,380**	**NM**	**352,565**	**(523,771)**	**167%**
Earnings per share (sen)							
Basic		1.86	1.75	6%	2.63	2.19	20%
Diluted		1.86	1.75	6%	2.63	2.19	20%

NM: Not meaningful

Note:
"Acibadem Holdings" as referred to throughout this financial report includes the wholly-owned Integrated Healthcare Turkey Yatirimlari Limited Group, which owns approximately 90% interest in Acıbadem Sağlık Yatırımları Holding A.Ş. Group since 30 November 2018 (60% interest prior to 30 November 2018).

*: Fair valued through other comprehensive income

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

SUPPLEMENTARY INFORMATION

	Note	2nd quarter ended			Financial period ended		
		30 Jun 2019 RM'000	30 Jun 2018 RM'000	Variance %	30 Jun 2019 RM'000	30 Jun 2018 RM'000	Variance %
Profit attributable to owners of the Company		**184,994**	**165,106**	**12%**	**274,504**	**222,341**	**23%**
Add back/(less): Exceptional items ("EI")							
Provision for financial guarantee given on a joint venture's loan facility[1]		599	377		1,193	742	
Share of loss of an associate, RHT Health Trust[2]	3	415	-		29,367	-	
Insurance compensation for Chennai flood		(3,473)	306		(3,473)	(17,408)	
Change in fair value of put option		(11,334)	-		(11,334)	-	
Exchange loss on net borrowings[3]	2	79,526	189,192		206,699	349,022	
		65,733	189,875		222,452	332,356	
Add/(less): Tax effects on EI		(3,634)	(37,838)		(31,612)	(69,804)	
Add/(less): Non-controlling interests' share of EI		(6,968)	(60,609)		(36,835)	(107,850)	
		55,131	91,428		154,005	154,702	
Profit attributable to owners of the Company, excluding EI[4]		**240,125**	**256,534**	**-6%**	**428,509**	**377,043**	**14%**
Earnings per share, excluding EI[4] (sen)							
Basic		2.49	2.86	-13%	4.39	4.07	8%
Diluted		2.49	2.86	-13%	4.39	4.07	8%

Note:
1) Proportionate share of corporate guarantee in relation to accrued interest on Khubchandani Hospital's loan
2) Share of losses of an associate, RHT Health Trust ("RHT"), arising mainly from RHT's loss on disposal of assets
3) Exchange differences arising from foreign currency denominated borrowings/payables net of foreign currency denominated cash/receivables, recognised by Acibadem Holdings (As at 30 June 2019, Euro/TL=6.5507, USD/TL=5.7551)
4) Exceptional items, net of tax and non-controlling interests

The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the 2018 Audited Financial Statements and the accompanying explanatory notes attached to this financial report.

EXPLANATORY NOTES TO THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

On 13 November 2018, the Group acquired 31.1% interest in Fortis. On 15 January 2019, the Group completed the acquisition of another 4 subsidiaries. (Refer to Section A11(a) for details of the acquisition.) Generally, the consolidation of these entities upon acquisition resulted in an increase in the current period's revenue and expenses as compared to the corresponding period.

The Group's reported results were also impacted by the relative movements in Ringgit Malaysia ("RM") against the exchange rates of the countries that the Group operates in. The RM weakened against Singapore Dollars ("SGD") but strengthened against Turkish Lira ("TL") in the current period as compared to previous year corresponding period.

Refer to Section B1 for performance review of the Group's major operating segments.

1. The Group adopted MFRS 16, *Leases* prospectively with effect from 1 January 2019. As a result, the Group recognised depreciation of right-of-use assets ("ROU assets") instead of recognising operating lease expense and amortisation of prepaid lease payments on these assets. Refer to Section A1(b) for details on the effects of adoption of MFRS 16, *Leases.*

2. Acibadem Holdings recognised exchange gain or loss arising from the translation of its non-TL denominated borrowings/payables net of its non-TL denominated cash/receivables as finance income or finance cost respectively. The Group recognised RM79.5 million and 206.7 million exchange loss on translation of such non-TL balances in QTD 2019 and YTD 2019, as compared to an exchange loss of RM189.2 million and RM349.0 million recognised in QTD 2018 and YTD 2018 respectively.

   In QTD 2019 and YTD 2019, the Group recognised a reversal of RM21.8 million accrued interest on prior years' tax payable. The Group also incurred finance cost in QTD 2019 and YTD 2019 in relation to loans taken to fund its acquisition of Fortis

3. YTD 2019 share of losses of associates relates to RHT losses, arising mainly from RHT's loss on disposal of assets.

4. Refer to Section B5 for details on the tax expenses.

5. PLife REIT hedges its interest in the net assets of its Japanese operations. The effective portion of the hedge is recognised as a hedge of net investments in the statement of other comprehensive income, which offsets the foreign currency translation differences from the translation of the net assets of its Japanese operations. The Group's remaining foreign currency translation differences from foreign operations arise mainly from the translation of the net assets of its Singapore and Turkish operations.

   In QTD 2019 and YTD 2019, the Group recorded a net foreign currency translation gain mainly as a result of weakening of RM against SGD in the current period as compared to 31 March 2019 and 31 December 2018 respectively.

Note:
Key average exchange rates used to translate the YTD results of overseas subsidiaries into RM:

	30 Jun 2019	30 Jun 2018
1 SGD	3.0307	2.9689
1 TL	0.7339	0.9141

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

On 15 January 2019, the Group completed the acquisition of 4 subsidiaries, which generally resulted in an increase in balances on the statement of financial position as at 30 June 2019 as compared to 31 December 2018. (Refer to Section A11(a) for details of the acquisition.)

	Note	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Assets			
Property, plant and equipment	1	15,304,672	14,605,200
Right-of-use assets	1	3,323,178	-
Prepaid lease payments	1	-	1,017,810
Investment properties		3,357,103	3,310,429
Goodwill on consolidation	2	12,884,131	11,829,197
Intangible assets		2,052,637	2,109,136
Interests in associates	3	101,481	710,036
Interests in joint ventures		121,466	115,334
Other financial assets	4	7,028	18,668
Trade and other receivables		144,011	112,420
Tax recoverable		354,194	285,866
Derivative assets		587	722
Deferred tax assets		539,853	463,898
Total non-current assets		**38,190,341**	**34,578,716**
Development properties		80,789	80,729
Inventories		339,971	350,729
Trade and other receivables		2,108,417	1,959,970
Tax recoverable		30,534	18,020
Other assets		244,877	347,185
Derivative assets		166	9,315
Cash and cash equivalents		5,038,777	7,763,398
		7,843,531	10,529,346
Assets classified as held for sale		6,965	6,448
Total current assets		**7,850,496**	**10,535,794**
Total assets		**46,040,837**	**45,114,510**
Equity			
Share capital		19,455,138	19,427,586
Other reserves		(1,430,376)	(1,665,515)
Retained earnings		4,190,366	4,231,930
Total equity attributable to owners of the Company		**22,215,128**	**21,994,001**
Perpetual securities		2,157,007	2,157,943
Non-controlling interests		3,976,626	4,355,141
Total equity		**28,348,761**	**28,507,085**
Liabilities			
Loans and borrowings	5	7,349,663	9,330,942
Lease liabilities	1	1,868,356	-
Employee benefits		103,431	98,938
Trade and other payables		600,966	691,264
Derivative liabilities		17,885	12,168
Deferred tax liabilities		1,116,651	991,273
Total non-current liabilities		**11,056,952**	**11,124,585**
Bank overdrafts		129,266	81,215
Loans and borrowings	5	1,810,656	1,123,108
Lease liabilities	1	197,496	-
Employee benefits		144,202	130,547
Trade and other payables		3,686,669	3,751,568
Dividend payable		263,220	-
Derivative liabilities		7,674	5,931
Tax payable		395,941	390,471
Total current liabilities		**6,635,124**	**5,482,840**
Total liabilities		**17,692,076**	**16,607,425**
Total equity and liabilities		**46,040,837**	**45,114,510**
Net assets per share attributable to owners of the Company[1] (RM)		2.53	2.51

[1] Based on 8,774.0 million and 8,769.3 million shares issued as at 30 June 2019 and 31 December 2018 respectively.

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the 2018 Audited Financial Statements and the accompanying explanatory notes attached to this financial report.

EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

On 15 January 2019, the Group completed the acquisition of 4 subsidiaries, which generally resulted in an increase in balances on the statement of financial position as at 30 June 2019 as compared to 31 December 2018. (Refer to Section A11(a) for details of the acquisition.)

The Group's reported financial position were also impacted by the relative movements in Ringgit Malaysia ("RM") against the exchange rates of the countries that the Group operates in. The RM weakened against SGD and strengthened against TL as at 30 June 2019 as compared to 31 December 2018.

1. The Group adopted MFRS 16, *Leases* prospectively with effect from 1 January 2019. As a result, the Group recognised ROU assets and lease liabilities relating to certain operating lease arrangements, and it also reclassified certain assets from property, plant and equipment and prepaid lease payments to ROU assets. Refer to Section A1(b) for details on the effects of adoption of MFRS 16, *Leases*.

2. The Group recognised goodwill of RM1,045.3 million on its acquisition of 4 subsidiaries in 2019. As at 30 June 2019, the Group is in the midst of performing a purchase price allocation ("PPA") for this acquisition and would adjust the goodwill amount accordingly upon the completion of the PPA. Refer to Section A11(a) for details of the acquisition.

   This is offset by a RM57.8 million decrease in goodwill relating to the Group's acquisition of Fortis. The Group is in the midst of performing a PPA for its acquisition of Fortis and would adjust the goodwill amount accordingly until the completion of the PPA.

3. Investment in associates decreased mainly due to dividend payment by RHT Health Trust ("RHT") in Q1 2019.

4. The decrease in non-current other assets was mainly due to the disposal of the Group's investment in FWD Singapore Pte. Ltd.

5. Loans and borrowings decreased mainly due to repayment of RM1,033.9 million in 2019 by a subsidiary, Acıbadem Sağlık Yatirimlari Holding A.Ş. ("ASYH"). In addition, the Group reclassified finance lease liabilities to lease liabilities upon adoption of MFRS 16, *Leases* with effect from 1 January 2019. This is partially offset by additional loans taken to finance working capital, capital expenditure and acquisition of subsidiaries.

Note:
Key closing exchange rates used to translate the financial position of overseas subsidiaries into RM:

	30 June 2019	31 Dec 2018
1 SGD	3.0628	3.0404
1 TL	0.7162	0.7802

IHH HEALTHCARE BERHAD
Company No. 901914-V
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	<---------- Attributable to owners of the Company ---------->												
	<---------- Non-distributable ---------->								Distributable				
	Share capital RM'000	Share option reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Hedge reserve RM'000	Capital reserve RM'000	Legal reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual securities RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2019	19,427,586	61,379	-	85,890	16,715	(3,927,522)	51,522	2,046,501	4,231,930	21,994,001	2,157,943	4,355,141	28,507,085
Foreign currency translation differences from foreign operations	-	-	-	-	-	-	-	145,549	-	145,549	-	50,257	195,806
Hedge of net investments in foreign operations	-	-	-	-	-	-	-	(8,701)	-	(8,701)	-	(15,740)	(24,441)
Cash flow hedge	-	-	-	-	219	-	-	-	-	219	-	395	614
Net change in fair value of FVOCI financial instruments	-	-	(9,241)	-	-	-	-	-	-	(9,241)	-	-	(9,241)
Effect of change in tax rate on the past revaluation of property, plant and equipment upon transfer to investment properties	-	-	-	(2,454)	-	-	-	-	-	(2,454)	-	-	(2,454)
Remeasurement of defined benefits liabilities	-	-	-	-	-	-	-	-	(305)	(305)	-	(389)	(694)
Total other comprehensive (expenses)/income for the period	-	-	(9,241)	(2,454)	219	-	-	136,848	(305)	125,067	-	34,523	159,590
Profit/(Loss) for the period	-	-	-	-	-	-	-	-	274,504	274,504	-	(81,529)	192,975
Total comprehensive (expenses)/income for the period	-	-	(9,241)	(2,454)	219	-	-	136,848	274,199	399,571	-	(47,006)	352,565
Contributions by and distributions to owners of the Company													
- Share-based payment	-	28,849	-	-	-	199	-	-	-	29,048	-	440	29,488
- Dividends paid to owners of the Company	-	-	-	-	-	-	-	-	(263,220)	(263,220)	-	-	(263,220)
	-	28,849	-	-	-	199	-	-	(263,220)	(234,172)	-	440	(233,732)
Transfer to share capital for share options exercised	27,552	(27,552)	-	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	-	1	(1,884)	-	(5)	-	(1,888)	-	(468,932)	(470,820)
Issue of shares by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	99,565	99,565
Transfer per statutory requirements	-	-	-	-	-	-	1,539	-	(1,539)	-	-	-	-
Changes in fair value of put options granted to non-controlling interests	-	-	-	-	-	26,811	-	-	-	26,811	-	3,513	30,324
Transfer of accumulated fair value loss to retained earnings upon disposal of the FVOCI equity instruments	-	-	9,241	-	-	-	-	-	(9,241)	-	-	-	-
Transfers from hedge reserves to revenue reserves	-	-	-	-	(1,811)	-	-	-	1,811	-	-	-	-
Overprovision of transaction costs in prior years' dilution in interest in subsidiaries	-	-	-	-	-	73,966	-	-	-	73,966	-	-	73,966
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(94,037)	(94,037)
Payment of coupon on perpetual securities	-	-	-	-	-	413	-	-	-	413	(44,510)	-	(44,097)
Accrued perpetual securities distribution	-	-	-	-	-	-	-	-	(43,574)	(43,574)	43,574	-	-
Purchase price allocation adjustments	-	-	-	-	-	-	-	-	-	-	-	127,942	127,942
Total transactions with owners of the Company	27,552	1,297	9,241	-	(1,810)	99,505	1,539	(5)	(315,763)	(178,444)	(936)	(331,509)	(510,889)
At 30 June 2019	19,455,138	62,676	-	83,436	15,124	(3,828,017)	53,061	2,183,344	4,190,366	22,215,128	2,157,007	3,976,626	28,348,761

IHH HEALTHCARE BERHAD
Company No. 901914-V
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	<---- Attributable to owners of the Company ----										>		
	<---- Non-distributable ----						>	Distributable					
	Share capital RM'000	**Share option reserve RM'000**	**Fair value reserve RM'000**	**Revaluation reserve RM'000**	**Hedge reserve RM'000**	**Capital reserve RM'000**	**Legal reserve RM'000**	**Foreign currency translation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Perpetual securities RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2018	16,462,994	54,959	-	85,890	15,200	(1,015,092)	47,755	2,289,575	3,948,881	21,890,162	2,158,664	1,851,904	25,900,730
Foreign currency translation differences from foreign operations	-	-	-	-	-	-	-	(636,950)	-	(636,950)	-	(24,112)	(661,062)
Hedge of net investments in foreign operations	-	-	-	-	-	-	-	(990)	-	(990)	-	3,900	2,910
Cash flow hedge	-	-	-	-	2,158	-	-	-	-	2,158	-	(1,788)	370
Net change in fair value of FVOCI financial instruments	-	-	373	-	-	-	-	-	-	373	-	-	373
Total other comprehensive income/(expenses) for the period	-	-	373	-	2,158	-	-	(637,940)	-	(635,409)	-	(22,000)	(657,409)
Profit/(Loss) for the period	-	-	-	-	-	-	-	-	222,341	222,341	-	(88,703)	133,638
Total comprehensive income/(expenses) for the period	-	-	373	-	2,158	-	-	(637,940)	222,341	(413,068)	-	(110,703)	(523,771)
Contributions by and distributions to owners of the Company													
- Share options exercised	74	-	-	-	-	-	-	-	-	74	-	-	74
- Share-based payment	-	19,981	-	-	-	-	-	-	-	19,981	-	-	19,981
- Dividends paid to owners of the Company	-	-	-	-	-	-	-	-	(247,338)	(247,338)	-	-	(247,338)
	74	19,981	-	-	-	-	-	-	(247,338)	(227,283)	-	-	(227,283)
Transfer to share capital for share options exercised	30,956	(30,956)	-	-	-	-	-	-	-	-	-	-	-
Cancellation of vested share options	-	(272)	-	-	-	-	-	-	272	-	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	-	1	(41,761)	-	(3)	-	(41,763)	-	38,645	(3,118)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,589	1,589
Issue of shares by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	9,101	9,101
Transfer per statutory requirements	-	-	-	-	-	-	3,660	-	(3,660)	-	-	-	-
Changes in fair value of put options granted to non-controlling interests	-	-	-	-	-	19,943	-	-	-	19,943	-	(26,480)	(6,537)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(100,786)	(100,786)
Payment of perpetual securities distribution	-	-	-	-	-	206	-	-	-	206	(44,589)	-	(44,383)
Accrued perpetual securities distribution	-	-	-	-	-	-	-	-	(41,511)	(41,511)	41,511	-	-
Total transactions with owners of the Company	31,030	(11,247)	-	-	1	(21,612)	3,660	(3)	(292,237)	(290,408)	(3,078)	(77,931)	(371,417)
At 30 June 2018	16,494,024	43,712	373	85,890	17,359	(1,036,704)	51,415	1,651,632	3,878,985	21,186,686	2,155,586	1,663,270	25,005,542

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the 2018 Audited Financial Statements and the accompanying explanatory notes attached to this financial report.

IHH HEALTHCARE BERHAD
Company No. 901914-V
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Financial period ended	
	30 Jun 2019	**30 Jun 2018**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before tax	452,730	256,303
Adjustments for:		
Dividend income	(1,652)	(1,222)
Finance income	(88,695)	(79,944)
Finance costs	539,637	500,935
Depreciation and impairment losses of property, plant and equipment	498,750	422,861
Depreciation of ROU assets	139,702	-
Amortisation and impairment losses of intangible assets and prepaid lease payments	26,392	28,687
Impairment loss made/(written back):		
- Trade and other receivables	29,162	(12,916)
- Inventories	288	-
Write-off:		
- Property, plant and equipment	1,211	478
- Inventories	1,966	930
- Trade and other receivables	7,138	4,490
Gain on disposal of property, plant and equipment	(384)	(949)
Provision for financial guarantee given to a joint venture's loan facility	1,193	742
Share of loss/(profits) of associates (net of tax)	24,375	(692)
Share of profits of joint ventures (net of tax)	(5,094)	(1,516)
Equity-settled share-based payment	29,488	19,981
Net unrealised foreign exchange differences	113,198	25,935
Operating profit before changes in working capital	**1,769,405**	**1,164,103**
Changes in working capital:		
Trade and other receivables	(91,528)	(162,693)
Development properties	(60)	(21)
Inventories	11,252	(36,886)
Trade and other payables	(378,282)	133,093
Cash generated from operations	**1,310,787**	**1,097,596**
Tax paid	(228,136)	(146,095)
Net cash from operating activities	**1,082,651**	**951,501**
Cash flows from investing activities		
Interest received	58,711	51,706
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(2,092,169)	(6,751)
Development and purchase of intangible assets	(20,169)	(9,982)
Purchase of property, plant and equipment	(498,197)	(522,650)
Payment for prepaid lease	-	(801)
Purchase of money market funds	-	(176,235)
Purchase of investment properties	(2,672)	(64,435)
Net withdrawal of fixed deposits with tenor of more than 3 months	112,824	112,371
Proceeds from disposal of property, plant and equipment	4,481	3,335
Proceeds from disposal of mutual funds	36,792	-
Proceeds from disposal of equity instruments	17,224	-
Dividends received from MMF	-	1,222
Dividends received from joint ventures	583	653
Dividends received from associates	532,724	-
Net cash used in investing activities	**(1,849,868)**	**(611,567)**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Financial period ended	
	30 Jun 2019	**30 Jun 2018**
	RM'000	**RM'000**
Cash flows from financing activities		
Interest paid	(220,578)	(118,404)
Proceeds from exercise of share options	-	74
Proceeds from loans and borrowings	1,589,901	1,595,293
Issue of fixed rate medium term notes	-	128,542
Repayment of loans and borrowings	(2,526,996)	(1,614,020)
Payment of perpetual securities distribution	(44,097)	(44,383)
Payment of lease liabilities	(169,516)	-
Dividends paid to non-controlling interests	(94,037)	(100,786)
Acquisition of non-controlling interests	(632,524)	(16,863)
Proceeds from dilution of interest in subsidiaries	1,173	13,745
Issue of shares by subsidiaries to non-controlling interests	99,565	9,101
Change in pledged deposits	(17)	(3)
Net cash used in financing activities	**(1,997,126)**	**(147,704)**
Net (decrease)/increase in cash and cash equivalents	**(2,764,343)**	**192,230**
Effect of exchange rate fluctuations on cash and cash equivalents held	(46,052)	(82,500)
Cash and cash equivalents at beginning of the period	5,710,563	6,077,746
Cash and cash equivalents at end of the period	**2,900,168**	**6,187,476**

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprises the following statements of financial position amounts:

	30 Jun 2019	**30 Jun 2018**
	RM'000	**RM'000**
Cash and bank balances	2,170,624	4,717,918
Fixed deposits with tenor of 3 months or less	2,868,153	1,475,421
	5,038,777	6,193,339
Less:		
- Bank overdrafts	(129,266)	(5,072)
- Deposits pledged	(2,008,507)	-
- Cash collateral received	(836)	(791)
Cash and cash equivalents at end of the period	**2,900,168**	**6,187,476**

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the 2018 Audited Financial Statements and the accompanying explanatory notes attached to this financial report.

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019**

A1 BASIS OF PREPARATION

a) Basis of accounting

These condensed consolidated financial report are unaudited and prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, MFRS 134: *Interim Financial Reporting* in Malaysia and IAS 34: *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 December 2018 ("2018 Audited Financial Statements").

The 2018 Audited Financial Statements were prepared under Malaysian Financial Reporting Standards ("MFRS").

b) Significant accounting policies

The accounting policies and presentation adopted for this unaudited condensed consolidated interim financial report are consistent with those adopted for the 2018 Audited Financial Statements, except for the adoption of the following new, revised and amendments to MFRS effective as of 1 January 2019 as issued by the Malaysian Accounting Standards Board.

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

MFRS 16, *Leases* – Impact on financial statements

On 1 January 2019, the Group adopted MFRS 16, *Leases* using the modified retrospective approach.

The following table shows the effects of adoption of MFRS 16, *Leases* on the Group's statement of financial position as at 1 January 2019:

Group	31 December 2018 RM'000	Effect of adoption MFRS 16 RM'000	1 January 2019 RM'000
Non-current assets			
Property, plant and equipment	14,605,200	(427,890)	14,177,310
Right-of-use assets	-	3,165,864	3,165,864
Prepaid lease payments	1,017,810	(1,017,810)	-
Trade and other receivables	112,420	31,145	143,565
Non-current liabilities			
Loans and borrowings	9,330,942	(147,326)	9,183,616
Lease liabilities	-	1,788,736	1,788,736
Trade and other payables	691,264	(10,231)	681,033
Current liabilities			
Loans and borrowings	1,123,108	(35,911)	1,087,197
Lease liabilities	-	159,068	159,068
Trade and other payables	3,751,568	(3,027)	3,748,541

A2 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The Independent Auditors' Report on the 2018 Audited Financial Statements was qualified. The details of the qualified opinion is reproduced below:

"Opinion

We have audited the financial statements of IHH Healthcare Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 11 to 189.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performances and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Qualified Opinion

As disclosed in Note 50 to the financial statements, the Group completed its acquisition of Fortis Healthcare Limited ("Fortis") and its subsidiaries ("Fortis Group") on 13 November 2018. Prior to the acquisition, an investigation report by an independent external legal firm was submitted to the former Fortis board, relating to systematic lapses/override of internal controls. Significant findings, amongst others, highlighted the placement of inter-corporate deposits and existence of possible related parties connected with former controlling shareholders of Fortis which may require appropriate reassessment by Fortis Group on the claims from, or transactions with, such parties. The Fortis Group had also initiated enquiries of the management of the entities in the Fortis Group that were impacted in respect of the matters investigated by the external legal firm.

In addition, there are ongoing investigations by the Securities and Exchange Board of India ("SEBI") and the Serious Fraud Investigation Office ("SFIO"), Ministry of Corporate Affairs of India. On 17 October 2018 and 21 December 2018, SEBI had issued interim orders which, amongst others, stating that certain transactions were structured by some identified entities, which were *prima facie* fictitious and fraudulent in nature, resulting in, *inter alia,* diversion of funds by former controlling shareholders of Fortis.

Due to the ongoing process of the various inquiries/investigations (including the need for any additional investigations by Fortis), the external auditors of Fortis are unable to determine if there are any regulatory non-compliances and additional adjustments/disclosures which may be necessary as a result of further findings of the ongoing or future regulatory/internal investigations and the consequential impact, if any, on the consolidated financial statements of Fortis. Any consequential adjustments may be recorded either as adjustments to the assets acquired and liabilities assumed in the acquisition which will have an impact to the provisional goodwill recognised by the Group on acquisition of Fortis under the purchase price allocation exercise, or as post-acquisition adjustments to be recognised in the financial statements of the Group in the period the adjustments are known."

Actions taken to address the qualified opinion

The Board of Fortis is in the process of initiating its own independent special audit to address the issues raised in the qualified opinion with a view of closing them.

A3 SEASONALITY OF OPERATIONS

Inpatient and outpatient revenue and volume are generally lower during festive periods and summer months in each of the relevant countries in which the Group operates and other holiday periods. Conversely, patient volumes and thus inpatient and outpatient revenue are highest during the winter months. As the Group is continuously expanding, the effects of seasonality may not be obvious from the Group's financial statements.

A4 SIGNIFICANT UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the financial period ended 30 June 2019, other than as mentioned in Section A11 of this financial report.

A5 CHANGE IN ACCOUNTING ESTIMATES

There were no changes in the estimates of amounts reported in prior financial years that may have a material effect in the current quarter and financial period.

In preparing the unaudited condensed consolidated interim financial report, the significant judgments made by the management in applying the Group's accounting policies and key sources of estimating uncertainty were consistent with those applied to 2018 Audited Financial Statements.

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019**

A6 DEBT AND EQUITY SECURITIES

(a) Between 1 January to 30 June 2019, IHH issued 4,694,000 new ordinary shares pursuant to the surrender of vested Long Term Incentive Plan ("LTIP") units.

(b) On 29 April 2019, the Company granted a total of 2,710,000 LTIP units to eligible employees of the Group.

(c) On 14 June 2019, the Company granted 2,400,000 LTIP units to the executive directors of the Company, pursuant to the shareholders' approval obtained at the Company's 8th Annual General Meeting held on 28 May 2019.

Except as disclosed above, there were no other issuance of shares, share buy-backs, and repayments of debt and equity securities by IHH during the financial period ended 30 June 2019.

As at 30 June 2019, the issued share capital of IHH comprised of 8,773,990,463 ordinary shares.

A7 DIVIDENDS PAID

There were no dividends paid during the period ended 30 June 2019.

A8 SEGMENT REPORTING

There had been no significant changes in the basis of segmentation or in the basis of measurement of segment profit or loss from the 2018 Audited Financial Statements.

Management monitors the operating results of each business unit for the purpose of making decisions on resources allocation and performance assessment. Performance is measured based on segment earnings before interest, tax, depreciation, amortisation, exchange differences and other non-operational items ("EBITDA").

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

A8 SEGMENT REPORTING

Financial period ended 30 June 2019

	Parkway Pantai[1]					Acibadem	IMU				
	Singapore RM'000	Malaysia RM'000	India RM'000	North Asia RM'000	PPL Others[2] RM'000	Holdings CEEMENA[3] RM'000	Health Malaysia RM'000	PLife REIT[1] RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue and expenses											
Revenue from external customers	2,089,843	1,106,379	1,628,564	305,192	96,951	1,862,567	128,371	68,503	1,652	-	7,288,022
Inter-segment revenue	52,790	500	-	-	-	-	1,857	103,384	111,533	(270,064)	-
Total segment revenue	2,142,633	1,106,879	1,628,564	305,192	96,951	1,862,567	130,228	171,887	113,185	(270,064)	7,288,022
EBITDA	624,907	326,089	143,596	(60,130)	17,564	420,597	50,520	139,716	72,259	(147,727)	1,587,391
Depreciation and impairment loss of property, plant and equipment	(104,698)	(88,555)	(86,373)	(75,684)	(3,197)	(116,120)	(6,079)	(17,659)	(385)	-	(498,750)
Depreciation of ROU assets	(23,239)	(7,941)	(16,085)	(37,037)	(3,430)	(49,627)	(2,334)	-	(9)	-	(139,702)
Amortisation and impairment loss of intangible assets	(1,821)	(355)	(12,645)	(2,343)	-	(8,896)	(332)	-	-	-	(26,392)
Foreign exchange differences	(386)	(125)	15,857	(376)	(5,757)	(5,719)	(2)	567	(5,933)	-	(1,874)
Finance income	343	11,616	17,557	25,902	42,135	6,133	2,784	18	13,040	(30,833)	88,695
Finance costs	(8,266)	(2,856)	(94,835)	(68,110)	(28,148)	(355,367)	(346)	(11,210)	(1,332)	30,833	(539,637)
Share of profits/(losses) of associates (net of tax)	1,392	-	(25,767)	-	-	-	-	-	-	-	(24,375)
Share of profits/(losses) of joint ventures (net of tax)	583	-	4,681	(170)	-	-	-	-	-	-	5,094
Others	-	-	2,280	-	-	-	-	-	-	-	2,280
Profit/(Loss) before tax	488,815	237,873	(51,734)	(217,948)	19,167	(108,999)	44,211	111,432	77,640	(147,727)	452,730
Income tax expense	(87,779)	(57,561)	(81,916)	(6,249)	(7,731)	4,993	(11,601)	(10,226)	(1,685)	-	(259,755)
Net profit/(loss) for period	401,036	180,312	(133,650)	(224,197)	11,436	(104,006)	32,610	101,206	75,955	(147,727)	192,975
Assets and liabilities											
Cash and cash equivalents	105,587	778,331	2,281,654	544,324	636,794	131,713	30,617	90,604	439,153	-	5,038,777
Other assets	13,105,652	4,944,786	8,742,267	3,855,015	2,289,622	5,612,227	496,337	4,569,842	217,220	(2,830,908)	41,002,060
Segment assets as at 30 June 2019	13,211,239	5,723,117	11,023,921	4,399,339	2,926,416	5,743,940	526,954	4,660,446	656,373	(2,830,908)	46,040,837
Loans and borrowings	-	-	974,445	2,276,563	1,448,775	2,307,354	-	2,153,182	-	-	9,160,319
Other liabilities	4,596,477	667,040	2,745,839	930,361	(399,723)	2,008,228	138,873	364,906	310,664	(2,830,908)	8,531,757
Segment liabilities as at 30 June 2019	4,596,477	667,040	3,720,284	3,206,924	1,049,052	4,315,582	138,873	2,518,088	310,664	(2,830,908)	17,692,076

1 Parkway Pantai Group, per the corporate structure, comprises the "Parkway Pantai" and "PLife REIT" segments
2 "PPL Others" comprises mainly Parkway Pantai's hospital in Brunei, corporate office as well as other investment holding entities within Parkway Pantai
3 "CEEMENA" refers to Central and Eastern Europe, Middle East and North Africa

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

Financial period ended 30 June 2018

	Parkway Pantai[1]					Acibadem	IMU				
	Singapore RM'000	Malaysia RM'000	India RM'000	North Asia RM'000	PPL Others[2] RM'000	Holdings CEEMENA[3] RM'000	Health Malaysia RM'000	PLife REIT[1] RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue and expenses											
Revenue from external customers	1,876,416	965,619	332,666	241,757	88,703	1,813,697	128,730	65,859	1,222	-	5,514,669
Inter-segment revenue	50,390	500	-	-	541	-	1,671	99,701	50,036	(202,839)	-
Total segment revenue	1,926,806	966,119	332,666	241,757	89,244	1,813,697	130,401	165,560	51,258	(202,839)	5,514,669
EBITDA	556,393	261,514	3,651	(94,485)	(2,148)	297,149	49,895	133,913	16,325	(85,397)	1,136,810
Depreciation and impairment loss of property, plant and equipment	(105,941)	(76,027)	(26,451)	(69,036)	(2,840)	(117,522)	(7,384)	(17,240)	(420)	-	(422,861)
Amortisation and impairment loss of intangible assets	(1,822)	(355)	(4,563)	(11,528)	-	(10,023)	(396)	-	-	-	(28,687)
Foreign exchange differences	(462)	365	(1,526)	63	1,249	(239)	1	1,847	(28,140)	-	(26,842)
Finance income	301	10,006	6,790	22,115	20,037	27,126	2,820	-	14,149	(23,400)	79,944
Finance costs	(5,781)	(1,731)	(17,686)	(34,751)	(9,347)	(436,670)	(7)	(17,684)	(678)	23,400	(500,935)
Share of profits of associates (net of tax)	692	-	-	-	-	-	-	-	-	-	692
Share of profits of joint ventures (net of tax)	653	-	606	257	-	-	-	-	-	-	1,516
Others	-	-	17,408	-	(742)	-	-	-	-	-	16,666
Profit/(Loss) before tax	444,033	193,772	(21,771)	(187,365)	6,209	(240,179)	44,929	100,836	1,236	(85,397)	256,303
Income tax expense	(80,771)	(47,586)	2,168	(6,645)	(9,893)	42,853	(11,717)	(9,226)	(1,848)	-	(122,665)
Net profit/(loss) for period	363,262	146,186	(19,603)	(194,010)	(3,684)	(197,326)	33,212	91,610	(612)	(85,397)	133,638
Assets and liabilities											
Cash and cash equivalents	93,780	609,302	1,503,485	923,641	1,964,362	46,410	37,904	93,533	920,921	-	6,193,338
Other assets	11,874,763	4,551,610	1,692,780	3,080,619	5,198,550	6,075,158	391,159	4,372,686	706,683	(5,548,132)	32,395,876
Segment assets as at 30 June 2018	11,968,543	5,160,912	3,196,265	4,004,260	7,162,912	6,121,568	429,063	4,466,219	1,627,604	(5,548,132)	38,589,214
Loans and borrowings	7,891	287	318,673	1,102,117	-	3,770,675	293	2,040,599	-	-	7,240,535
Other liabilities	4,222,761	519,860	3,511,869	1,244,661	316,741	1,432,574	45,818	339,984	257,001	(5,548,132)	6,343,137
Segment liabilities as at 30 June 2018	4,230,652	520,147	3,830,542	2,346,778	316,741	5,203,249	46,111	2,380,583	257,001	(5,548,132)	13,583,672

1 Parkway Pantai Group, per the corporate structure, comprises the “Parkway Pantai” and “PLife REIT” segments
2 “PPL Others” comprises mainly Parkway Pantai's hospital in Brunei, corporate office as well as other investment holding entities within Parkway Pantai
3 “CEEMENA” refers to Central and Eastern Europe, Middle East and North Africa

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

A9 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The Group does not adopt a revaluation policy on its property, plant and equipment.

A10 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions have been entered into in the normal course of business under negotiated terms. Other than the remuneration paid to the Key Management Personnel, the significant related party transactions of the Group are as follows:

	Financial period ended	
	30 Jun 2019 RM'000	**30 Jun 2018 RM'000**
Transactions with substantial shareholders and their related companies		
- Sales and provision of services	84	169,672
- Purchase and consumption of services	(92)	(34,437)
Transactions with Key Management Personnel and their related companies		
- Sales and provision of services	2,048	5,098
- Purchase and consumption of services	(36,783)	(30,871)

A11 CHANGES IN THE COMPOSITION OF THE GROUP

(a) On 15 January 2019, Fortis completed the acquisition of the equity and other securities of the following entities from Fortis Global Healthcare Infrastructure Pte Ltd, a wholly-owned subsidiary of RHT, for a total cash consideration of INR46,663,000,000 (equivalent to RM2.7 billion), including foreign exchange movement and slippages. Post completion of the acquisition, the following entities have become direct / indirect wholly-owned subsidiaries of Fortis and thus become indirect subsidiaries of the Company:

(i) International Hospital Limited;
(ii) Fortis Health Management Limited;
(iii) Escorts Heart and Super Speciality Hospital Limited;
(iv) Hospitalia Eastern Private Limited; and
(v) Fortis Hospotel Limited.*

* Fortis owns 51% interest in Fortis Hospotel Limited and consolidates it prior to this transaction

(b) On 25 February 2019, Integrated (Mauritius) Healthcare Holdings Limited, an indirect wholly-owned subsidiary of IHH, was struck off from the Register of Companies pursuant to Section 308 of the Mauritius Companies Act 2001.

(c) On 5 April 2019, Parkway Trust Management Limited ("PTM") transferred 138,500 Parkway Life Real Estate Investment Trust ("Parkway Life REIT") units that it owned to its eligible employees in accordance to PTM's LTIP. Consequential thereto, IHH Group's effective interest in Parkway Life REIT was diluted from 35.66% to 35.64%.

(d) On 24 April 2019, Acibadem Sağlık Hizmetleri ve Ticaret A.S. ("ASH") acquired an additional 3.5% equity interest in Clinical Hospital Acibadem Sistina Skopje ("Sistina") for a total cash consideration of EUR3,000,000 (equivalent to RM13,898,100). Post the acquisition, ASH's equity interest in Sistina increased from 50.32% to 53.82%.

(e) On 12 May 2019, Twin Towers Healthcare Sdn. Bhd. was dissolved pursuant to members' voluntary winding up.

The above changes in the composition of the Group are not expected to have material effect on the earnings and net assets of the Group.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

A12 SUBSEQUENT EVENTS

(a) On 1 July 2019, IHH granted a total of 17,491,000 options to eligible employees of the Group under the EOS. Out of the 17,491,000 options granted, 12,592,000 options were granted to the executive directors of the Company.

(b) On 10 July 2019, the following internal reorganisation was undertaken in order to streamline the Acibadem Group structure and management:

(i) Acibadem Orta Dogu Saglik Yatirimlari Anonim Sirketi ("AOD") merged with ASH.
(ii) A Plus Sağlık Hizmetleri Anonim Sirketi ("A Plus") merged with ASH

All assets and liabilities of AOD and A Plus were transferred to ASH and AOD and A Plus were subsequently dissolved.

(c) On 1 August 2019, Gleneagles (Malaysia) Sdn Bhd transferred 30% equity interest in Gleneagles Hospital (Kuala Lumpur) Sdn Bhd ("GHKLSB") to Pantai Hospitals Sdn Bhd ("PHSB") for a total cash consideration of RM592,739. Post the internal reorganisation exercise, PHSB's equity interest in GHKLSB has increased from 70% to 100%.

(d) On 6 August 2019, Gleneagles Technologies Services Pte Ltd, an indirect wholly-owned subsidiary of IHH, was struck off from the Register of Companies pursuant to Section 344A of the Singapore Companies Act, Cap. 50.

A13 CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

i. In regards to the civil suit that had been filed by a third party ("Claimant') against Fortis and certain entities (together "Defendants") before the District Court, Delhi alleging, inter alia, implied ownership of the "Fortis", "SRL" and "La-Femme" brands in addition to certain other financial claims and seeking a decree that consequent to a term sheet with a certain party, Fortis is liable for claims due to the Claimant from that certain party. In connection with this, the District Court had passed an ex-parte order directing that any transaction undertaken by the defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed by the District Court in the said civil suit. On 26 March 2019, an application has been filed by certain party seeking substitution as plaintiff in place of the Claimant.

ii. Escorts Heart Institute and Research Centre Limited ("EHIRCL") has open tax demands of INR893.4 million (equivalent to RM52.5 million) for various assessment years before the Indian Income-tax authorities. While the Commissioner of Income Tax (Appeals) decided the case in favour of EHIRCL in the past, the Income Tax Department has filed an appeal before Income Tax Appellate Tribunal ("ITAT"). ITAT has decided the appeal in favour of EHIRCL on 11 June 2019.

Except for above development to the contingent liabilities disclosed in Note 49(c) of the 2018 Audited Financial Statements, there were no other material changes in the contingent liabilities or contingent assets as at 23 August 2019 from that disclosed in the 2018 Audited Financial Statements.

**A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019**

A14 CAPITAL COMMITMENTS

	30 Jun 2019 RM'000	31 Dec 2018 RM'000
a. Capital expenditure commitments not provided for		
Property, plant and equipment and investment properties		
- Contracted but not provided for in the financial statements	850,276	887,340

b. Other commitments

Pursuant to the acquisition of 31.1% equity interest in Fortis, Northern TK Venture Pte Ltd ("NTK") is required to carry out the following subsequent to period ended 30 June 2019:

i. Mandatory Open Offer for acquisition of up to 26% of paid up equity Fortis shares at INR170 per share ("Fortis Open Offer").
ii. Mandatory Open Offer for acquisition of up to 26% paid up equity shares of Fortis Malar Hospitals Limited ("Malar Open Offer")

The maximum number of Fortis shares that NTK will be acquiring will only be determined at a later date nearer to the start of the Fortis Open Offer. The maximum number of Fortis Malar Hospitals Limited shares, and the acquisition price per share, of the Malar Open Offer will only be determined at a later date nearer to the start of the Malar Open Offer.

On December 14, 2018, the Hon'ble Supreme Court of India ("Supreme Court") had passed an order in the matter of Mr. Vinay Prakash Singh v. Sameer Gehlaut & Ors., directing status quo with regard to sale of the controlling stake in Fortis Healthcare to Malaysian IHH Healthcare Berhad be maintained ("Order"). In light of the Order, IHH Healthcare Limited and its persons acting in concert were not able to proceed with the open offer as per the timeline set out in the open offer documents. As on date, the Order passed by the Supreme Court in Contempt Petition No. 2120 of 2018 continues to be in force. While, the Hon'ble Supreme Court heard the arguments of all the parties on 11th April 2019 and reserved order, the judgement is awaited as at 23 August 2019.

NTK is also not able to proceed with the Malar Open Offer as the Malar Open Offer is conditional upon the completion of the Fortis Open Offer.

A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

A15 FAIR VALUE HIERARCHY

Fair value hierarchy

The table below analyses investment properties and financial instruments carried at fair value. The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2019				
Assets				
FVOCI unquoted shares	-	-	92	92
FVTPL money market funds	-	182,974	-	182,974
FVTPL mutual funds	-	9,973	-	9,973
Foreign exchange forward contracts	-	753	-	753
	-	193,700	92	193,792
Liabilities				
Put options granted to non-controlling interest[i]	-	-	(1,277,506)	(1,277,506)
Interest rate swaps	-	(6,678)	-	(6,678)
Foreign exchange forward contracts	-	(2,325)	-	(2,325)
Cross currency interest rate swaps	-	(11,602)	-	(11,602)
Call option granted to non-controlling interest	-	-	(4,954)	(4,954)
	-	(20,605)	(1,282,460)	(1,303,065)
31 December 2018				
Assets				
FVOCI unquoted shares	-	-	11,334	11,334
FVTPL money market funds	-	179,646	-	179,646
FVTPL mutual funds	-	4,257	-	4,257
Foreign exchange forward contracts	-	6,281	-	6,281
Put option	-	-	3,756	3,756
	-	190,184	15,090	205,274
Liabilities				
Put options granted to non-controlling interest[i]	-	-	(1,274,218)	(1,274,218)
Interest rate swaps	-	(3,091)	-	(3,091)
Foreign exchange forward contracts	-	(956)	-	(956)
Cross currency interest rate swaps	-	(9,191)	-	(9,191)
Call option granted to non-controlling interest	-	-	(4,861)	(4,861)
	-	(13,238)	(1,279,079)	(1,292,317)

i) Put options granted to non-controlling interests are stated at fair value based on the subsidiary's equity value and the discounted cash flow method based on present value of expected payment discounted using a risk-adjusted discount rate.

Refer to Section B13 for the fair value gain/(loss) recognised in the statement of profit or loss.

A16 UPDATE ON INVESTIGATIONS BY SEBI AND SFIO ON FORTIS

As at 23 August 2019, there were no further developments in the ongoing investigations on Fortis by the Securities and Exchange Board of India ("SEBI") and the Serious Fraud Investigation Office ("SFIO"), Ministry of Corporate Affairs of India, from that disclosed in Note 50 of the 2018 Audited Financial Statements.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

B1 REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES

	2nd quarter ended			Financial period ended		
	30 Jun 2019 RM'000	**30 Jun 2018 RM'000**	**Variance %**	**30 Jun 2019 RM'000**	**30 Jun 2018 RM'000**	**Variance %**
REVENUE[1]						
Parkway Pantai:						
- Singapore	1,065,940	954,904	12%	2,089,843	1,876,416	11%
- Malaysia	565,557	481,659	17%	1,106,379	965,619	15%
- India	811,858	159,669	NM	1,628,564	332,666	NM
- North Asia	158,760	130,494	22%	305,192	241,757	26%
- PPL Others*	45,885	43,518	5%	96,951	88,703	9%
Parkway Pantai	**2,648,000**	**1,770,244**	**50%**	**5,226,929**	**3,505,161**	**49%**
Acibadem Holdings	**895,485**	**790,441**	**13%**	**1,862,567**	**1,813,697**	**3%**
IMU Health	**66,692**	**64,642**	**3%**	**128,371**	**128,730**	**0%**
Others^	**649**	**1,222**	**-47%**	**1,652**	**1,222**	**35%**
Group (Excluding PLife REIT)	**3,610,826**	**2,626,549**	**37%**	**7,219,519**	**5,448,810**	**32%**
PLife REIT total revenue	86,324	82,873	4%	171,887	165,560	4%
Less: PLife REIT inter-segment revenue	(51,815)	(49,706)	-4%	(103,384)	(99,701)	-4%
PLife REIT	**34,509**	**33,167**	**4%**	**68,503**	**65,859**	**4%**
Group	**3,645,335**	**2,659,716**	**37%**	**7,288,022**	**5,514,669**	**32%**
EBITDA[2]						
Parkway Pantai[3]:						
- Singapore	294,295	283,284	4%	588,677	520,996	13%
- Malaysia	163,639	127,961	28%	326,089	261,514	25%
- India	75,053	(4,692)	NM	143,596	3,651	NM
- North Asia	(29,651)	(44,542)	33%	(60,130)	(94,485)	36%
- PPL Others*	8,913	(12,803)	170%	17,564	(2,148)	NM
Parkway Pantai	**512,249**	**349,208**	**47%**	**1,015,796**	**689,528**	**47%**
Acibadem Holdings	**186,850**	**108,266**	**73%**	**420,597**	**297,149**	**42%**
IMU Health	**24,811**	**23,393**	**6%**	**50,520**	**49,895**	**1%**
Others^	**(20,633)**	**(20,041)**	**-3%**	**(39,238)**	**(33,675)**	**-17%**
Group (Excluding PLife REIT)	**703,277**	**460,826**	**53%**	**1,447,675**	**1,002,897**	**44%**
PLife REIT[4]	**70,378**	**67,121**	**5%**	**139,716**	**133,913**	**4%**
Group	**773,655**	**527,947**	**47%**	**1,587,391**	**1,136,810**	**40%**

[1]: *Relates to external revenue only*
It excludes PLife REIT's rental income earned from Parkway Pantai
Similarly, it excludes Parkway Pantai's dividend and management fee income earned from PLife REIT
[2]: *Relates to the EBITDA performance of each SBUs, after elimination of dividend income from within the Group*
[3]: *Includes rental expense incurred for lease of hospitals from PLife REIT*
[4]: *Includes rental income earned from lease of hospitals to Parkway Pantai*
*: *PPL Others comprise mainly Parkway Pantai's hospital in Brunei, corporate office as well as other investment holding entities within Parkway Pantai*
^: *Others comprise mainly IHH Group's corporate office as well as other investment holding entities*

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

Q2 2019 vs Q2 2018

The Group's revenue and EBITDA increased 37% and 47% respectively in Q2 2019 over Q2 2018 as a result of the sustained organic growth from existing operations and the continuous ramp up of Gleneagles Hong Kong Hospital and Acibadem Altunizade Hospital (both opened in March 2017). The acquisition of Amanjaya (acquired in October 2018), and Fortis (acquired in November 2018) also contributed to the increase.

The adoption of MFRS 16, *Leases* with effect from 1 January 2019 also boosted the Q2 2019 EBITDA since the Group does not recognise operating lease expense but instead recognised depreciation on the ROU assets. On constant currency basis and excluding the effects of adopting MFRS 16, *Leases,* the Group's revenue and EBITDA increased 38% and 31% respectively in Q2 2019 over Q2 2018.

The Group's Q2 2019 PATMI excluding exceptional items ("PATMI (Excl EI)") decreased 6% to RM240.1 million on higher financing costs. The decrease was also attributed to a high base in Q2 2018 when the Group recognised RM77.1 million forex exchange gain in Q2 2018 as compared to RM10.7 million forex gains in Q2 2019. The decrease is partially offset by a reversal of RM21.8 million accrued interest on prior years' tax payable in Q2 2019.

Parkway Pantai

Parkway Pantai's Q2 2019 revenue increased 50% to RM2,648.0 million whilst its EBITDA increased 47% to RM512.2 million. On constant currency basis and excluding the effects of adopting MFRS 16, *Leases,* Parkway Pantai's Q2 2019 revenue increased 48% while its EBITDA increased 33% over Q2 2018.

Parkway Pantai's strong revenue was the result of the continuous ramp up of Gleneagles Hong Kong Hospital. Amanjaya and Fortis contributed RM7.4 million and RM671.4 million respectively to the Group's Q2 2019 revenue. Parkway Pantai's existing hospitals and healthcare businesses also grew.

Parkway Pantai's Singapore hospitals inpatient admissions increased 3.6% to 19,714 in Q2 2019 while its revenue per inpatient admission increased 3.3% to RM32,663. Parkway Pantai's Malaysia hospitals inpatient admissions increased 8.8% to 52,209 inpatient admissions in Q2 2019, while its revenue per inpatient admission increased 6.4% to RM7,128. Parkway Pantai's India hospitals inpatient admissions increased 431% to 86,303 with the inclusion of Fortis' inpatient admissions in Q2 2019. However, Parkway Pantai's India hospitals revenue per inpatient admission decreased 17.1% to RM6,676 as Fortis' revenue intensity is generally lower than Parkway Pantai's existing operations in India.

Parkway Pantai's Q2 2019 EBITDA was boosted by Gleneagles Hong Kong Hospital's decreasing start-up losses, which decreased from RM42.7 million in Q2 2018 to RM34.5 million in Q2 2019, as a result of operating leverage. Amanjaya and Fortis contributed RM2.2 million and RM89.3 million respectively to Parkway Pantai's Q2 2019 EBITDA.

Acibadem Holdings

Acibadem Holdings' Q2 2019 revenue increased 13% to RM895.5 million whilst its EBITDA increase 73% to RM186.9 million. On constant currency and excluding the effects of adopting MFRS 16, *Leases,* Acibadem Holdings' Q2 2019 revenue increased 22% while its EBITDA increased 44% over Q2 2018.

Acibadem Altunizade Hospital, which was opened in March 2017, contributed to Acibadem Holdings' revenue growth in Q2 2019. Acibadem Holdings' existing hospitals and healthcare businesses also grew with the improvement in medical tourism in the CEEMENA region.

Acibadem Holdings' inpatient admissions decreased 5.4% to 54,153 in Q2 2019 due to fewer local patients at its non-Istanbul hospitals. Meanwhile, Acibadem Holdings' revenue per inpatient admission grew 29.6% to RM8,836 in Q2 2019 with price increase imposed on private insurance and out-of-pocket patients to compensate for inflation, more complex cases taken and increase in foreign patients.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

IMU Health

IMU Health's Q2 2019 revenue increased 3% to RM66.7 million in Q2 2019 as a result of the higher student intake for certain courses as compared to Q2 2018.

Despite the higher staff costs and marketing expenses in Q2 2019 as compared to Q2 2018, Q2 2019 EBITDA increased 6% to RM24.8 million as a result of the increase in revenue in Q2 2019 and the adoption of MFRS 16, *Leases*. Excluding the effect of adopting MFRS 16, *Leases*, IMU Health's Q2 2019 EBITDA increased 1% over Q2 2018.

PLife REIT

PLife REIT's Q2 2019 external revenue increased 4% to RM34.5 million, whilst its EBITDA increased 5% to RM70.4 million mainly due to strengthening of SGD against RM. On constant currency basis, PLife REIT's Q2 2019 revenue and EBITDA increased by 1% and 2% as compared to Q2 2018 respectively.

Others

Revenue decreased from RM1.2mil in Q2 2018 to RM0.6 in Q2 2019, mainly due to the timing of the declaration of returns by the invested Money Market Funds ("MMF").

Q2 2019 EBITDA losses increased mainly due to higher staff costs and other operating expenses to manage the increased operations of the Group.

<u>YTD 2019 vs YTD 2018</u>

The Group's revenue and EBITDA increased 32% and 40% respectively in YTD 2019 over YTD 2018 as a result of the sustained organic growth from existing operations and the continuous ramp up of Gleneagles Hong Kong Hospital and Acibadem Altunizade Hospital (both opened in March 2017). The acquisition of Amanjaya (acquired in October 2018), and Fortis (acquired in November 2018) also contributed to the increase in both the Group's Q1 2019 revenue and EBITDA. The Group's YTD 2019 results included a one-off RM28.5 million trustee management fee income from RHT relating to disposal of RHT assets.

The adoption of MFRS 16, *Leases* with effect from 1 January 2019 also boosted the YTD 2019 EBITDA since the Group does not recognise operating lease expense but instead recognised depreciation on the ROU assets. On constant currency basis and excluding the effects of adopting MFRS 16, *Leases,* the Group's revenue and EBITDA increased 38% and 30% respectively in YTD 2019 over YTD 2018.

The Group's YTD 2019 PATMI (Excl EI) increased 14% to RM428.5 million on stronger operational performance and lower foreign exchange loss of RM1.9 million as compared to RM26.8 million foreign exchange loss recorded in YTD 2018. The Group's YTD 2019 PATMI (Excl EI) was partially eroded by the higher net financing costs and tax expenses, and partially offset by the reversal of RM21.8 million accrued interest prior years' tax payable in YTD 2019.

Parkway Pantai

Parkway Pantai's YTD 2019 revenue increased 49% to RM5,226.9 million whilst its EBITDA increased 47% to RM1,015.8 million. On constant currency basis and excluding the effects of adopting MFRS 16, *Leases,* Parkway Pantai's YTD 2019 revenue increased 49% while its EBITDA increased 34% over YTD 2018.

Parkway Pantai's strong revenue was the result of the continuous ramp up of Gleneagles Hong Kong Hospital. Amanjaya and Fortis contributed RM14.9 million and RM1,346.1 million respectively to the Group's YTD 2019 revenue. Fortis' YTD 2019 revenue included a one-off RM28.5 million trustee management fee income from RHT relating to disposal of RHT assets. Parkway Pantai's existing hospitals and healthcare businesses also grew.

Parkway Pantai's Singapore hospitals inpatient admissions increased 1.2% to 38,832 in YTD 2019 while its revenue per inpatient admission increased 5.2% to RM32,483. Parkway Pantai's Malaysia hospitals inpatient admissions increased 5.9% to 104,038 inpatient admissions in YTD 2019, while its revenue per inpatient

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

admission increased 7.0% to RM7,018. Parkway Pantai's India hospitals inpatient admissions increased 413% to 170,968 with the inclusion of Fortis' inpatient admissions in YTD 2019. However, Parkway Pantai's India hospitals revenue per inpatient admission decreased 16% to RM6,752 as Fortis' revenue intensity is generally lower than Parkway Pantai's existing operations in India.

Parkway Pantai's YTD 2019 EBITDA was boosted by Gleneagles Hong Kong Hospital's decreasing start-up losses, which decreased from RM89.3 million in YTD 2018 to RM67.8 million in YTD 2019, as a result of operating leverage. Amanjaya and Fortis contributed RM5.0 million and RM165.9 million respectively to Parkway Pantai's YTD 2019 EBITDA. Fortis' YTD 2019 EBITDA included a one-off RM28.5 million trustee management fee income from RHT relating to disposal of RHT assets.

Acibadem Holdings

Acibadem Holdings' YTD 2019 revenue increased 3% to RM1,862.6 million whilst its EBITDA increased 42% to RM420.6 million. On constant currency and excluding the effects of adopting MFRS 16, *Leases*, Acibadem Holdings' YTD 2019 revenue increased 23% while its EBITDA increased 40% over YTD 2018.

Acibadem Altunizade Hospital, which was opened in March 2017, contributed to Acibadem Holdings' revenue growth in YTD 2019. Acibadem Holdings' existing hospitals and healthcare businesses also grew with the improvement in medical tourism in the CEEMENA region.

Acibadem Holdings' inpatient admissions decreased 4.2% to 112,517 in YTD 2019 due to fewer local patients at its non-Istanbul hospitals. Meanwhile, Acibadem Holdings' revenue per inpatient admission grew 28.4% to RM8,451 in YTD 2019 with price increase imposed on private insurance and out-of-pocket patients to compensate for inflation, more complex cases taken and increase in foreign patients.

IMU Health

IMU Health's YTD 2019 revenue was flat against YTD 2018.

IMU Health's YTD 2019 EBITDA increased 1% to RM50.5 million mainly due to the adoption of MFRS 16, *Leases.* Excluding the effect of adopting MFRS 16, *Leases*, IMU Health's YTD 2019 EBITDA decreased 4% over YTD 2018 as a result of higher staff costs and operating expenses.

PLife REIT

PLife REIT's YTD 2019 external revenue increased 4% to RM68.5 million, whilst its EBITDA increased 4% to RM139.7 million mainly due to contribution from a nursing rehabilitation facility acquired in February 2018 and the weakening of RM against SGD. On constant currency basis, PLife REIT's YTD 2019 revenue and EBITDA both increased by 2% as compared to YTD 2018.

Others

Revenue in relates to dividends from the Company's investments in MMF. The Company started placement in MMF from Q2 2018 onwards.

YTD 2019 EBITDA losses increased mainly due to higher staff costs and other operating expenses to manage the increased operations of the Group.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

B2 MATERIAL CHANGE IN QUARTERLY RESULTS

	2nd quarter ended 30 Jun 2019 RM'000	1st quarter ended 31 Mar 2019 RM'000	Variance %
REVENUE[1]			
Parkway Pantai:			
- Singapore	1,065,940	1,023,903	4%
- Malaysia	565,557	540,822	5%
- India	811,858	816,706	-1%
- North Asia	158,760	146,432	8%
- PPL Others*	45,885	51,066	-10%
Parkway Pantai	**2,648,000**	**2,578,929**	**3%**
Acibadem Holdings	**895,485**	**967,082**	**-7%**
IMU Health	**66,692**	**61,679**	**8%**
Others^	**649**	**1,003**	**-35%**
Group (Excluding PLife REIT)	**3,610,826**	**3,608,693**	**0%**
PLife REIT total revenue	86,324	85,563	1%
Less: PLife REIT inter-segment revenue	(51,815)	(51,569)	0%
PLife REIT	**34,509**	**33,994**	**2%**
Group	**3,645,335**	**3,642,687**	**0%**
EBITDA[2]			
Parkway Pantai[3]:			
- Singapore	294,295	294,382	0%
- Malaysia	163,639	162,450	1%
- India	75,053	68,543	9%
- North Asia	(29,651)	(30,479)	3%
- PPL Others*	8,913	8,651	3%
Parkway Pantai	**512,249**	**503,547**	**2%**
Acibadem Holdings	**186,850**	**233,747**	**-20%**
IMU Health	**24,811**	**25,709**	**-3%**
Others^	**(20,633)**	**(18,605)**	**-11%**
Group (Excluding PLife REIT)	**703,277**	**744,398**	**-6%**
PLife REIT[4]	**70,378**	**69,338**	**1%**
Group	**773,655**	**813,736**	**-5%**

[1]: *Relates to external revenue only*
It excludes PLife REIT's rental income earned from Parkway Pantai
Similarly, it excludes Parkway Pantai's dividend and management fee income earned from PLife REIT
[2]: *Relates to the EBITDA performance of each SBUs, after elimination of dividend income from within the Group*
[3]: *Includes rental expense incurred for lease of hospitals from PLife REIT*
[4]: *Includes rental income earned from lease of hospitals to Parkway Pantai*
*: *PPL Others comprise mainly Parkway Pantai's hospital in Brunei, corporate office as well as other investment holding entities within Parkway Pantai*
^: *Others comprise mainly IHH Group's corporate office as well as other investment holding entities*

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

<u>Q2 2019 vs Q1 2019</u>

The Group's Q2 2019 revenue was flat quarter-on-quarter, whilst its EBITDA decreased 5% mainly due to the high base in Q1 2019 whereby the Group recognised a one-off RM28.5 million trustee management fee income from RHT relating to disposal of RHT assets.

The Group's Q2 2019 PATMI (Excl EI) increased 27% quarter-on-quarter from a low base in Q1 2019 whereby the Group recorded forex loss of RM12.6 million in Q1 2019 as compared to RM10.7 million forex gain in Q2 2019. In addition, Q1 2019 tax expenses included tax on cash dividends received from RHT, and when cash received was further dividend up from Fortis subsidiaries to Fortis Healthcare Limited.

Parkway Pantai

Parkway Pantai's revenue increased 3% while its EBITDA increased 2% quarter-on-quarter mainly due to the high base in Q1 2019 whereby the Group recognised a one-off RM28.5 million trustee management fee income from RHT relating to disposal of RHT assets.

Parkway Pantai's Singapore hospitals inpatient admissions increased 3.1% quarter-on-quarter, while its revenue per inpatient admission increased 1.1% quarter-on-quarter. Parkway Pantai's Malaysia hospitals inpatient admissions increased 0.7% quarter-on-quarter, while its revenue per inpatient admission increased 3.2% quarter-on-quarter. Parkway Pantai's India hospitals inpatient admissions increased 1.9%, whilst its revenue per inpatient admission decreased 2.3% quarter-on-quarter due to lower complexity cases undertaken during the quarter.

Acibadem Holdings

Acibadem Holdings' revenue and EBITDA decreased 7% and 20% quarter-on-quarter respectively. The decline was mainly due to the weakening TL, seasonality and higher operating costs.

Acibadem Holdings' inpatient admissions decreased 7.2% quarter-on-quarter while its revenue per inpatient admission increased 9.2% quarter-on-quarter.

IMU Health

IMU Health's revenue increased 8%, whilst its EBITDA decreased 3% quarter-on-quarter. Higher staff costs and student recruitment promotional expenses was incurred in Q2 2019.

PLife REIT

PLife REIT's Q2 2019 external revenue increased 2%, whilst its EBITDA increased 1% quarter-on-quarter, mainly due to the weakening of RM against SGD during the quarter.

Others

Revenue decreased 35% quarter-on-quarter to RM0.6 million mainly due to lower dividends received from MMF investment. EBITDA losses increased 11% quarter-on-quarter mainly due to higher staff costs and other operating expenses to manage the increased operations of the Group.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

B3 CURRENT YEAR FINANCIAL PROSPECTS

Parkway Pantai

Parkway Pantai believes that the demand for healthcare will continue in all of its home markets. This growth is driven by increased use of medical services with aging demographics, rising affluence, rise in non-communicable diseases and growing medical tourism. However, the authorities in Singapore, Malaysia, India, and China are considering imposing new pricing controls which would impact margins.

In Hong Kong, we expect Gleneagles Hospital Hong Kong's EBITDA losses to narrow further in 2019, as it continues to ramp up its operations barring any fallout from the recent demonstrations.

In China, Gleneagles Chengdu Hospital is on track to open in late 2019. Construction of Gleneagles Shanghai Hospital, is moving ahead and is slated to open in late 2020. Consequentially, we would start to incur capital expenditure and pre-operating costs leading up to the phased bed opening of these hospitals. We expect an initial margin dilution from the opening of the China hospitals.

With the acquisition of a 31.1% stake in Fortis in November 2018, Fortis will contribute to the Group's revenue and EBITDA. Parkway Pantai is working with the Fortis Team on operational synergies, focusing on integrating and implementing its turnaround initiatives for Fortis in the medium to long term.

Acibadem Holdings

Acibadem Holdings expects to see a higher inflow of medical travelers with the increased affordability for healthcare procedures in Turkey resulting from the depreciating Lira. Acibadem Altunizade Hospital will also continue to contribute to Acibadem Holdings' revenue as patient volumes grows and more complex cases are undertaken. Acibadem Maslak Hospital's capacity has recently been expanded with more beds added since early October 2018, hence allowing the facility to ramp up patient volumes.

The Group has taken steps to reduce Acibadem Holding's non-Lira debt and to deleverage its balance sheet. In April 2019, the Acibadem Holdings repaid US$250 million equivalent out of the outstanding US$670 million equivalent non-Turkish lira debt. In July 2019, Acibadem Holdings refinanced approximately US$170 million equivalent non-Turkish lira debt and has swapped part of it into Turkish Lira debt. Acibadem Holdings will continue to take further actions to manage its foreign exchange exposure by reducing its non-Turkish lira loans.

Overall IHH Group Prospects

Looking ahead, the Group will further consolidate its multi-country portfolio strategy in diversification of its earnings base and will further differentiate its offering via both organic and inorganic growth. The strategy provides a good balance of cash flow-generative markets such as that of Singapore and Malaysia, medium-term growth momentum from Turkey and long-term growth opportunities from India and Greater China. The Group expects that the expansion projects in Malaysia and China will provide sufficient capacity to meet demand.

While the Group expects the pre-operating costs and start-up costs of new operations to partially erode its profitability during the initial stages, the Group seeks to mitigate the effects by ramping up patient volumes in tandem with phasing in opening of wards at these new facilities to achieve optimal operating leverage.

The Group expects higher costs of operations arising from wage inflation as a result of increased competition for trained healthcare personnel in its home markets, as well as from possible price controls. While such sustained cost pressures may potentially reduce the Group's EBITDA and margins, the Group expects to mitigate these effects through improvements in case mix and tight cost control.

The Group will increasingly leverage technology to increase productivity and enhance its clinical service offerings. This includes the adoption of more advanced medical treatment for our patients to improve clinical outcomes.

Given the Group's geographical footprints across Asia and CEEMENA, the Group is susceptible to geopolitical risks and currency volatility in the countries that it operates, which would result in foreign exchange translation

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

differences in the Group's balance sheet and income statement. In addition, significant currency volatility against the Group's reporting currency may affect the comparability of the Group's financial performance across periods.

As the Group consolidates its market leading positions and improves its hospitals' operational performance around excellent clinical outcomes, operational efficiency and cost, the Group is confident that its core business remains resilient amidst cautious business sentiment and continues to position itself as a best-in-class healthcare provider amidst macro headwinds.

B4 PROFIT FORECAST/GUARANTEE

Not applicable as no profit forecast/guarantee was issued.

B5 TAXATION

	2nd quarter ended		Financial period ended	
	30 Jun 2019 RM'000	**30 Jun 2018 RM'000**	**30 Jun 2019 RM'000**	**30 Jun 2018 RM'000**
Current tax expense	183,575	99,987	307,463	168,276
Deferred tax expense	(119,848)	(38,049)	(47,708)	(45,611)
	63,727	61,938	259,755	122,665

Q2 2019 and Q2 2018 effective tax rate* was 24.4% and 37.6% respectively mainly due to certain non-taxable income and non-tax deductible expenses (refer to page 2 for list of exceptional items), and unrecognised tax losses arising from the Group's new hospitals and hospitals under construction.

YTD 2019 tax expenses included tax on cash dividends received from RHT, and when the cash received is further dividend up from Fortis subsidiaries to Fortis Healthcare Limited. On the other hand, the dividend income from RHT (an associate) is eliminated upon consolidation at Fortis Group, hence decreasing the base when computing the effective tax rate.

*: Effective tax rate, after adjusting for the Group's share of profits of associates and joint ventures

B6 STATUS OF CORPORATE PROPOSALS

Save as disclosed below, there were no other corporate proposals announced but not completed as at 23 August 2019:

1. <u>Proposed subscription of 235,294,117 new equity shares of face value of Indian Rupee ("INR") 10 each ("Fortis Shares") in Fortis Healthcare Limited ("Fortis") through preferential allotment by Fortis to an indirect wholly-owned subsidiary of IHH, Northern TK Venture Pte Ltd ("NTK" or the "Acquirer") ("Proposed Subscription");</u>

   <u>Mandatory Open Offer for acquisition of up to 197,025,660 Fortis Shares representing additional 26% of the Expanded Voting Share Capital (as defined herein) of Fortis by the Acquirer ("Fortis Open Offer"); and</u>

   <u>Mandatory Open Offer for acquisition of up to 4,894,308 fully paid up equity shares of face value of INR 10 each, representing 26% of the fully diluted voting equity share capital of Fortis Malar Hospitals Limited ("Malar") by the Acquirer ("Malar Open Offer").</u>

   (a) On 13 July 2018, NTK entered into a share subscription agreement ("Fortis SSA") with Fortis, as issuer, for the proposed subscription of 235,294,117 new Fortis Shares ("Subscription Securities") by way of preferential allotment representing approximately 31.1% of the total voting equity share capital of Fortis on a fully diluted basis (inclusive of the Subscription Securities) ("Expanded Voting Share Capital") in accordance with the terms of the Fortis SSA ("Proposed Subscription");

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

(b) Pursuant to the board resolution dated 13 July 2018 passed by the board of directors of Fortis approving the Proposed Subscription and execution of the Fortis SSA ("Fortis Board Resolution"), NTK, together with IHH and Parkway Pantai Limited, in their capacity as the persons acting in concert with the Acquirer (collectively, the "PACs") intend to on 13 July 2018, in terms of Regulations 3(1) and 4 read with Regulation 15(1) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (as amended) ("SEBI (SAST) Regulations"), release a public announcement ("Fortis Public Announcement") to the Fortis Shareholders (as defined below), in relation to the Fortis Open Offer. Save and except for the PACs, no other person is acting in concert with the Acquirer for the purpose of the Fortis Open Offer at the time of the Fortis Public Announcement being released; and

(c) Pursuant to the Fortis Board Resolution and the filing of the Fortis Public Announcement, NTK together with the PACs intend to also on 13 July 2018, in terms of Regulations 3(1), 4 and 5(1) read with Regulations 13(2)(e) and 15(1) of the SEBI (SAST) Regulations, release a public announcement ("Malar Public Announcement") to the Malar Shareholders (as defined below) of Malar, in relation to the Malar Open Offer. Save and except for the PACs, no other person is acting in concert with the Acquirer for the purpose of the Malar Open Offer at the time of the Malar Public Announcement being released.

"Fortis Shareholders" shall mean all the shareholders of Fortis who are eligible to tender their shares in the Fortis Open Offer, excluding: (a) the Acquirer and the PACs; and (b) persons deemed to be acting in concert with the Acquirer and the PACs.

"Malar Shareholders" shall mean all the public shareholders of Malar excluding: (a) promoter and promoter group of Malar; (b) the Acquirer and the PACs; and (c) persons deemed to be acting in concert with the Acquirer and the PACs.

The Proposed Subscription, the Fortis Open Offer and the Malar Open Offer are collectively defined as the "Proposals". Please refer to the Company's announcement broadcast on 13 July 2018 for further details of the Proposals.

On 13 November 2018, all the Conditions Precedent for the Proposed Subscription as set out in the Fortis SSA have been fulfilled.

On 14 December 2018, the Honourable Supreme Court of India had passed an order ("Order") directing "status quo with regard to sale of the controlling stake in Fortis to Malaysian IHH Healthcare Berhad be maintained". In light of the Order, NTK and the PACs will not be able to proceed with the Fortis Open Offer and the Malar Open Offer for the time being until further order(s)/ clarification(s)/ direction(s) are issued by the Supreme Court of India and/or the Securities and Exchange Board of India (SEBI).

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

B7 LOANS, BORROWINGS AND OVERDRAFTS

(a) Breakdown of the Group's loans, borrowings and overdrafts:

	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Non-current		
Secured		
Bank borrowings	854,982	922,495
Loans from non-financial corporates	7,098	7,350
Financial lease*	-	147,326
Unsecured		
Bank borrowings	5,179,781	6,705,248
Fixed rate notes	453,266	444,537
Debt component of compulsory convertible debentures ("CCD")	-	247,657
Loans from non-financial corporates	2,865	626
Loans from non-controlling interest of subsidiaries	851,671	855,703
	7,349,663	9,330,942
Current		
Secured		
Bank overdrafts	129,266	81,215
Bank borrowings	298,555	324,672
Loans from non-financial corporates	1,787	1,709
Financial lease*	-	35,912
Unsecured		
Bank borrowings	1,509,628	760,168
Loans from non-financial corporates	686	647
	1,939,922	1,204,323
Total	9,289,585	10,535,265

Breakdown of the Group's loans, borrowings and overdrafts by the source currency of loans, in RM equivalent:

	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Singapore Dollar	2,736,180	2,837,311
Ringgit Malaysia	-	503
US Dollar	268,810	525,422
Euro	1,324,397	2,208,311
Turkish Lira	33,552	103,421
Japanese Yen	1,534,947	1,481,991
Indian Rupees	1,102,425	1,219,405
Hong Kong Dollar	2,227,650	2,151,471
Renminbi	48,913	2,435
Others	12,711	4,995
	9,289,585	10,535,265

*: With the adoption of MFRS 16, *Leases*, financial leases were reclassified from loans and borrowings to lease liabilities with effect from 1 January 2019.

The CCDs are convertible into 131,026,000 shares of a subsidiary at a price of INR32.55 per share. The investor of the CCD has a right to convert each CCD into the conversion share at any time on or prior to the maturity date in 2030. In January 2019, Fortis bought over the CCDs from the investor.

Key exchange rates as at 30 June 2019:

1 SGD	3.0628
1 TL	0.7162
1 USD	4.1436

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

B8 FINANCIAL DERIVATIVE INSTRUMENTS

The Group's outstanding net derivative financial instruments as at 30 June 2019:

	Notional amount as at 30 Jun 2019 RM'000	Fair value amount as at 30 Jun 2019 RM'000
Derivative assets		
Foreign exchange forward contracts		
- Within 1 year	6,021	166
- Between 1 - 3 years	104,144	352
- More than 3 years	68,006	235
	178,171	753
Derivative liabilities		
Interest rate swaps		
- Within 1 year	748,772	(980)
- Between 1 - 3 years	142,913	(4,675)
- More than 3 years	169,127	(1,023)
	1,060,812	(6,678)
Foreign exchange forward contracts		
- Within 1 year	248,806	(1,740)
- Between 1 - 3 years	49,176	(426)
- More than 3 years	46,548	(159)
	344,530	(2,325)
Cross currency interest rate swaps		
- Between 1 - 3 years	230,285	(11,602)
Call option granted to non-controlling interests		
- Within 1 year	29,908	(4,954)
	1,665,535	(25,559)

Foreign exchange forward contracts

Foreign exchange forward contracts are entered by the Group to hedge against exchange rate exposures on some balances denominated in currencies other than the functional currency of the entity that recognised the foreign currency balances. The fair value of foreign exchange forward contract is determined based on prevailing market rate.

Interest rate swaps

Interest rate swaps are entered by the Group to hedge against interest rate fluctuations on some floating rate borrowings. The fair value of interest rate swaps is determined based on bank quotes.

Cross currency interest rate swaps

Cross currency interest rate swaps are entered by the Group to hedge the interest rate fluctuations on the floating rate borrowings, and to realign certain borrowings to the same currency of the Group's foreign investments to achieve a natural hedge. The fair value of cross currency interest rate swaps is determined based on bank quotes.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

Put option

On disposal of the Group's controlling stake in FWD Singapore Pte Ltd (formerly known as Shenton Insurance Pte Ltd) ("FWD"), the Group entered into an agreement with the purchaser and is granted a put option to sell all of its remaining shares in FWD only after April 2019 and at the higher of the prevailing market price or consideration determined pursuant to the agreement. The put option is classified as a financial derivative asset. The Group exercised its put option in May 2019.

Call option granted to non-controlling interests

Call option granted to non-controlling interests relates to a call option granted by the Group to non-controlling interests of Ravindranath GE Medical Associates Pte Ltd ("RGE") to purchase the Group's 3% interest in RGE on a fully diluted basis at a fixed price of INR500.0 million, pursuant to an option agreement entered with the non-controlling interests. The call option granted to non-controlling interests is classified as a derivative liability.

There are no changes to the Group's financial risk management policies and objectives in managing these derivative financial instruments and its related accounting policies. Refer to Section B13 for the fair value gain/loss recognised in the statement of profit or loss.

B9 FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

Other than as disclosed in Section A15 the Group does not remeasure its financial liabilities and derivatives at reporting date. The changes in fair value recognised through profit or loss is disclosed in section B13.

B10 MATERIAL LITIGATIONS

Except as mentioned in Section A13, there were no other material changes in the contingent material litigations as at 23 August 2019 from that disclosed in the 2018 Audited Financial Statements.

B11 DIVIDENDS

No dividends were declared or paid by the Company during the period ended 30 June 2019.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

B12 EARNINGS PER SHARE ("EPS")

Basic earnings per share were calculated by dividing the Group's net profit attributable to shareholders less distribution to holders of the perpetual securities, by the weighted average number of ordinary shares in issue during the financial period.

	2nd quarter ended		**Financial period ended**	
	30 Jun 2019	**30 Jun 2018**	**30 Jun 2019**	**30 Jun 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Basic and diluted earnings per share is based on:				
i) Net profit attributable to ordinary shareholders				
Profit after tax and non-controlling interests	184,994	165,106	274,504	222,341
Perpetual securities distribution accrued	(22,028)	(20,853)	(43,574)	(41,511)
	162,966	144,253	230,930	180,830
ii) Net profit attributable to ordinary shareholders (excluding EI)				
Profit after tax and non-controlling interests(excluding EI)	240,125	256,534	428,509	377,043
Perpetual securities distribution accrued	(22,028)	(20,853)	(43,574)	(41,511)
	218,097	235,681	384,935	335,532
(a) Basic EPS				
	'000	**'000**	**'000**	**'000**
Weighted average number of shares	8,771,443	8,242,056	8,770,376	8,240,828
	Sen	**Sen**	**Sen**	**Sen**
Basic EPS	1.86	1.75	2.63	2.19
Basic EPS (excluding EI)	2.49	2.86	4.39	4.07

(b) Diluted earnings per share

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares.

	2nd quarter ended		**Financial period ended**	
	30 Jun 2019	**30 Jun 2018**	**30 Jun 2019**	**30 Jun 2018**
	'000	**'000**	**'000**	**'000**
Weighted average number of ordinary shares used in calculation of basic earnings per share	8,771,443	8,242,056	8,770,376	8,240,828
Weighted number of unissued ordinary shares from units under Long Term Incentive Plan	748	1,863	661	2,406
Weighted number of unissued ordinary shares from share options under EOS	-	376	-	332
Weighted average number of dilutive ordinary shares for computation of diluted EPS	8,772,191	8,244,295	8,771,037	8,243,566
	Sen	**Sen**	**Sen**	**Sen**
Diluted EPS	1.86	1.75	2.63	2.19
Diluted EPS (excluding EI)	2.49	2.86	4.39	4.07

At 30 June 2019, 38,616,000 outstanding EOS options (30 June 2018: 12,973,000) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

B13 NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2nd quarter ended		Financial period ended	
	30 Jun 2019	**30 Jun 2018**	**30 Jun 2019**	**30 Jun 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dividend income	649	1,222	1,652	1,222
Other operating income	66,943	43,479	131,701	94,790
Foreign exchange differences	10,734	77,054	(1,874)	(26,842)
Impairment loss (made)/written back:				
- Trade and other receivables	(16,037)	15,068	(29,162)	12,916
- Inventories	(260)	-	(288)	-
Write off:				
- Property, plant and equipment	(605)	(392)	(1,211)	(478)
- Inventories	(1,623)	(565)	(1,966)	(930)
- Trade and other receivables	(413)	(1,583)	(7,138)	(4,490)
Gain on disposal of property, plant and equipment	896	566	384	949
Provision for financial guarantee given on a joint venture's loan facility	(599)	(377)	(1,193)	(742)
Insurance compensation for flood	3,473	(306)	3,473	17,408
Finance income				
Interest income	45,524	28,909	70,517	56,824
Fair value gain of financial instruments	7,824	19,589	18,178	23,120
	53,348	48,498	88,695	79,944
Finance costs				
Interest expense	(142,258)	(64,749)	(295,758)	(122,077)
Exchange loss on net borrowings	(78,378)	(189,192)	(209,527)	(349,022)
Fair value loss of financial instruments	(6,839)	(11,192)	(6,839)	(18,750)
Other finance costs	(17,003)	(5,035)	(27,513)	(11,086)
	(244,478)	(270,168)	(539,637)	(500,935)