

ANNOUNCEMENT

Type	:	General Announcement
Subject	:	Audit Report - Modified Opinion
Description	:	Qualified Opinion on the Audited Financial Statements for the financial year ended 31 December 2018

1. Introduction

The Board of Directors of Parkway Pantai Limited ("**PPL**") wishes to announce that the Company's external auditors, KPMG LLP ("**Independent Auditors**") have issued a qualified opinion in its independent auditors' report dated 1 April 2019 ("**Independent Auditors' Report**") in respect of the Audited Financial Statements of PPL for the financial year ended 31 December 2018 ("**2018 Financial Statements**").

2. Details of the Qualified Opinion disclosed in the Independent Auditors' Report

The details of qualified opinion as disclosed in the Independent Auditors' Report is reproduced below:

"Qualified opinion

We have audited the financial statements of Parkway Pantai Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS131.

In our opinion, except for the possible effects of the matters described in the '*Basis for qualified opinion*' section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

As disclosed in note 39 to the financial statements, the Group acquired 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 and 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.

There are also 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.

As a result of the above ongoing investigations and various inquiries (including the need for any additional investigations by Fortis), we were unable to determine if there were any regulatory non-compliances and additional adjustments or disclosures which may be necessary as a result of further findings of the ongoing or future regulatory or internal investigations and the consequential impact, if any, on the financial statements of the Group. Any consequential adjustments may be recorded either as adjustments against the assets acquired or the liabilities assumed on acquisition of Fortis under the purchase price allocation exercise as disclosed on note 33 to the financial statements, or as post-acquisition adjustments to be recognised in the financial statements of the Group in the period the adjustments are known."

Please refer to a copy of note 39 of the 2018 Financial Statements as annexed herewith under Appendix I.

3. Steps taken or proposed to be taken to address the modified opinion and the timeline involved

The steps taken or proposed to be taken as disclosed below, are in relation to the matters highlighted in note 39 of the 2018 Financial Statements, that relate to the modified opinion issued by the Independent Auditors.

a) Actions taken after the findings by the external legal firm

With respect to the findings by the external legal firm, the Fortis Board has implemented specific improvement projects to strengthen the process and control environment. These include review and revision of operational and financial authority levels, greater oversight by Fortis Board, review and improve financial reporting processes, more robust secretarial documentation in regard to compliance to regulatory requirements and improving systems design and control enhancement. Accordingly, steps have been taken in relation to enhanced authority levels for payments/transfer of funds within Fortis Group, and review of borrowings above certain levels by the Fortis Board. Fortis Group had also disengaged itself from the former controlling shareholders. Fortis Board continues to evaluate other areas to strengthen processes and build a robust governance framework. The Fortis Board has initiated an enquiry of the management of the certain entities in the Fortis Group that were impacted in respect of the matters investigated by the external legal firm.

b) Actions taken after SEBI's interim orders

As per the directions from SEBI, Fortis Group has also taken steps to recover dues from the former controlling shareholders of Fortis and various other entities. These include initiating civil actions against these entities demanding recovery of the outstanding amounts together with interest and to secure repayment of the outstanding amounts on the assets of these entities.

Based on the findings of investigations to-date, all identified/required adjustments/disclosures have been recorded in the financial statements of Fortis Group prior to the Group's acquisition in November 2018.

c) Additional action to address the modified opinion

To further address the modified opinion, the Board of the ultimate holding company, IHH Healthcare Berhad, has initiated an independent forensic audit on the operation of Fortis Group. Fortis Board will also initiate its own independent forensic audit to ascertain the extent of diversion of funds from Fortis Group.

Barring unforeseen circumstances, the Group expects the forensic audit to be completed before 31 December 2019.

BY ORDER OF THE BOARD
PARKWAY PANTAI LIMITED

01 April 2019