IHH Healthcare Berhad

IHH HEALTHCARE BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT
30 JUNE 2014

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	Note	2nd quarter ended 30 Jun 2014	30 Jun 2013	Variance	Financial period ended 30 Jun 2014	30 Jun 2013	Variance
		RM'000	RM'000	%	RM'000	RM'000	%
Revenue		1,865,053	1,680,002	11%	3,622,665	3,304,600	10%
Other operating income	1	41,191	52,801	-22%	87,323	87,445	0%
Inventories and consumables		(313,453)	(278,697)	-12%	(599,444)	(561,088)	-7%
Purchased and contracted services		(167,172)	(171,252)	2%	(325,466)	(329,584)	1%
Staff costs	2	(706,608)	(636,092)	-11%	(1,388,192)	(1,264,994)	-10%
Depreciation and impairment losses of property, plant and equipment		(137,747)	(132,312)	-4%	(276,868)	(267,018)	-4%
Amortisation and impairment losses of intangible assets		(16,827)	(17,369)	3%	(33,312)	(34,965)	5%
Operating lease expenses		(49,356)	(43,402)	-14%	(97,111)	(86,602)	-12%
Other operating expenses	1	(186,229)	(168,671)	-10%	(372,747)	(321,612)	-16%
Finance income	3	18,465	14,676	26%	33,923	32,904	3%
Finance costs	3	(6,875)	(90,931)	92%	(70,892)	(140,449)	50%
Share of profits/(losses) of associates (net of tax)	4	137	(3,133)	104%	279	(3,062)	109%
Share of profits of joint ventures (net of tax)		2,745	2,521	9%	6,213	6,154	1%
Profit before tax		**343,324**	**208,141**	**65%**	**586,371**	**421,729**	**39%**
Income tax expense		(82,855)	(28,108)	-195%	(136,999)	(74,404)	-84%
Profit for the period		**260,469**	**180,033**	**45%**	**449,372**	**347,325**	**29%**
Other comprehensive income, net of tax							
Items that may be reclassified subsequently to profit or loss							
Foreign currency translation differences from foreign operations	5	(137,239)	(41,529)	NM	(48,767)	(185,250)	74%
Hedge of net investments in foreign operations	5	(7,656)	26,497	-129%	(23,664)	103,576	-123%
Net change in fair value of available-for-sale financial assets	6	62,391	94,382	-34%	61,297	140,114	-56%
Cash flow hedge		(1,824)	1,186	NM	(3,345)	2,125	NM
		(84,328)	80,536	NM	(14,479)	60,565	-124%
Other comprehensive income, net of tax							
Items that will not be reclassified subsequently to profit or loss							
Remeasurement of defined benefit liability		(10)	-	-	(713)	-	-
Revaluation of property, plant and equipment upon reclassification to investment properties	7	35,823	-	-	35,823	-	-
		35,813	-		35,110	-	
Total comprehensive income for the period		**211,954**	**260,569**	**-19%**	**470,003**	**407,890**	**15%**
Profit attributable to:							
Owners of the Company		209,104	156,757	33%	368,156	284,030	30%
Non-controlling interests		51,365	23,276	121%	81,216	63,295	28%
Profit for the period		**260,469**	**180,033**	**45%**	**449,372**	**347,325**	**29%**
Total comprehensive income attributable to:							
Owners of the Company		160,669	193,328	-17%	411,999	295,608	39%
Non-controlling interests		51,285	67,241	-24%	58,004	112,282	-48%
Total comprehensive income for the period		**211,954**	**260,569**	**-19%**	**470,003**	**407,890**	**15%**
Earnings per share (sen)							
Basic	8	2.56	1.93	33%	4.52	3.51	29%
Diluted	8	2.55	1.92	33%	4.50	3.49	29%

Note: "Acibadem Holdings" as referred to throughout this financial report includes the wholly-owned Integrated Healthcare Turkey Yatirimlari Limited Group, which owns 60% effective interest in Acıbadem Sağlık Yatırımları Holdings A.Ş. Group

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

SUPPLEMENTARY INFORMATION

		2nd quarter ended			Financial period ended		
		30 Jun 2014 RM'000	30 Jun 2013 RM'000	Variance %	30 Jun 2014 RM'000	30 Jun 2013 RM'000	Variance %
Profit attributable to owners of the Company		**209,104**	**156,757**	**33%**	**368,156**	**284,030**	**30%**
Add back/(less): Exceptional items ("EI")							
Professional and consultancy fees for acquisitions		613	368		798	582	
Change in fair value of contingent consideration payable[i]		-	(4,042)		-	(4,042)	
Property, plant and equipment written off		99	139		195	160	
Gain on disposal of property, plant and equipment		(718)	(1,284)		(2,334)	(1,457)	
Gain on disposal of assets held for sale		-	(67)		-	(67)	
Exchange (gain)/loss on net borrowings[ii]	3	(35,896)	58,607		(7,293)	68,764	
Tax refund relating to a prior year[iii]		-	(22,000)		-	(22,000)	
		(35,902)	31,721		(8,634)	41,940	
Add/(less): Tax effects on EI		7,180	(11,722)		1,459	(13,753)	
Add/(less): Non-controlling interests' share of EI		11,442	(17,131)		2,948	(20,359)	
		(17,280)	2,868		(4,227)	7,828	
Profit attributable to owners of the Company, excluding EI[iv]		**191,824**	**159,625**	**20%**	**363,929**	**291,858**	**25%**
Earnings per share, excluding EI[iv] (sen)							
Basic	8	2.35	1.97	19%	4.47	3.61	24%
Diluted	8	2.34	1.96	19%	4.45	3.59	24%

NM: Not meaningful

Note:

i. Fair valuation of contingent consideration payable relate to the acquisition of Bodrum Tedavi
ii. Relates to exchange differences arising from foreign currency denominated borrowings/payables net of foreign currency denominated cash/receivables, recognised by Acibadem Holdings
iii. The Group recognised a tax credit of RM22.0 million during 2013 as a result of successful recovery of tax paid in a prior year
iv. Exceptional items, net of tax and non-controlling interests

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

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

1. Other operating income and other operating expenses include exceptional items as detailed on Page 2.

2. Staff costs increased as a result of salary and wage increase driven by the higher demand for trained healthcare professionals. The Group also increased its headcount to staff Acibadem Atakent Hospital and Pantai Hospital Manjung, which commenced operations in January 2014 and May 2014 respectively.

3. Acibadem recognises exchange gain or loss arising from the translation of its non-Turkish Lira ("TL") denominated borrowings/payables net of its non-TL denominated cash/receivables balances as finance income or finance cost respectively.

   A net exchange gain of RM35.9 million and RM7.3 million was recognised on translation of such non-TL balances in Q2 2014 and YTD 2014 respectively, as compared to a net exchange loss of RM58.6 million and RM68.8 million recognised in the corresponding periods last year. Refer to section B14 for details.

4. In 2013, the Group recognised a loss on its share of results of Kyami Pty Ltd, a 30% indirectly-owned associate of the Group. Kyami Pty Ltd's losses arose from tax paid on dividend income received from its subsidiaries.

5. Parkway Life Real Estate Investment Trust ("PLife REIT"), an indirect 35.8% owned subsidiary of the Group, hedges its interest in the net assets of its Japanese operations and the effective portion of the hedge is recognised as a hedge of net investments in the statement of other comprehensive income. The Group's foreign currency translation differences from foreign operations arise mainly from the translation of the net assets of its Singapore and Turkish operations.

6. Fair value change of available-for-sale financial assets arose from the mark-to-market of the Group's 10.9% investment in Apollo Hospitals Enterprise Limited.

7. During the period, the Group re-designated the use of a few medical suites units at Mount Elizabeth Novena Specialist Centre from held for own use to held for rental and had accordingly reclassified them from property, plant and equipment to investment properties. The difference in the carrying value of these medical suites units immediately prior to the transfer and its fair value was recognised directly in equity as a revaluation of property, plant and equipment.

8. The Group's EPS was computed based on an enlarged share capital base in comparison to last year. Refer to Section B12 for details.

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

	30 Jun 2014	30 Jun 2013
1 Singapore Dollar ("SGD")	2.5927	2.4751
1 Turkish Lira ("TL")	1.5105	1.6900

IHH HEALTHCARE BERHAD
Company No. 901914-V
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	30 Jun 2014 RM'000	31 Dec 2013 RM'000
Assets			
Property, plant and equipment		9,379,970	9,365,720
Investment properties	1	2,105,948	1,922,721
Goodwill on consolidation		8,841,356	8,881,234
Intangible assets		2,580,177	2,628,126
Interests in associates		4,760	4,497
Interests in joint ventures		168,592	170,069
Other financial assets		814,284	758,037
Other receivables		44,835	36,312
Derivative assets		11,290	15,949
Deferred tax assets		65,566	77,567
Total non-current assets		**24,016,778**	**23,860,232**
Inventories		160,505	152,991
Trade and other receivables	2	1,201,509	1,002,152
Tax recoverable		52,104	62,368
Other financial assets		15,492	38,476
Derivative assets		850	233
Cash and cash equivalents		2,311,012	2,144,827
Total current assets		**3,741,472**	**3,401,047**
Total assets		**27,758,250**	**27,261,279**
Equity			
Share capital		8,175,618	8,134,974
Share premium		8,052,681	7,992,299
Other reserves		299,954	265,729
Retained earnings		1,880,998	1,682,143
Total equity attributable to owners of the Company		**18,409,251**	**18,075,145**
Non-controlling interests		1,810,429	1,847,802
Total equity		**20,219,680**	**19,922,947**
Liabilities			
Loans and borrowings	3	3,779,624	4,170,246
Employee benefits		29,017	23,144
Trade and other payables		359,053	363,119
Derivative liabilities		6,749	3,566
Deferred tax liabilities		934,291	935,103
Total non-current liabilities		**5,108,734**	**5,495,178**
Loans and borrowings	3	560,577	291,035
Trade and other payables	4	1,441,563	1,331,175
Dividend payable	5	163,500	-
Derivative liabilities		1,028	3,121
Employee benefits		32,293	38,928
Tax payable		230,875	178,895
Total current liabilities		**2,429,836**	**1,843,154**
Total liabilities		**7,538,570**	**7,338,332**
Total equity and liabilities		**27,758,250**	**27,261,279**
Net assets per share attributable to owners of the Company[1] (RM)		2.25	2.22

[1]: Based on 8,175.6 million and 8,135.0 million shares in issue as at 30 June 2014 and 31 December 2013 respectively

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the 2013 Audited Financial Statements and the accompanying explanatory notes attached to this financial report.

EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

1. The increase in investment properties was mainly due to PLife REIT's acquisition of three Japanese properties during the period, for a consideration equivalent to almost RM100.0 million.

   In addition, the Group re-designated the use of a few medical suites units at Mount Elizabeth Novena Specialist Centre from held for own use to held for rental and had accordingly reclassified them from property, plant and equipment to investment properties.

2. Trade and other receivables increased in line with higher revenues during the period.

3. During the period, Parkway Pantai Limited repaid approximately RM250.0 million of borrowings, which was partly offset by PLife REIT's draw down of its loan facility to finance the above-mentioned acquisition of investment properties.

4. IMU Health and Shenton Insurance Pte. Ltd. recognised accrued revenue arising from upfront billings which increased the Group's trade and other payables as at 30 June 2014. These payables will be recognised as revenue in the income statement as service is rendered.

   Construction and renovation projects within the Group resulted in approximately RM30.5 million higher capital expenditure payable as at 30 June 2014.

5. At the Company's Annual General Meeting held on 20 June 2014, the Shareholders of the Company approved a first and final single tier cash dividend of 2 sen per ordinary share of RM1.00 for the financial year ended 31 December 2013. The said dividend was paid on 16 July 2014.

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

	30 Jun 2014	31 Dec 2013
1 Singapore Dollar ("SGD")	2.5740	2.5780
1 Turkish Lira ("TL")	1.5043	1.5277

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 2014

	<---- Attributable to owners of the Company ----										>	
	<---- Non-distributable ----							>	Distributable			
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Hedge reserve RM'000	Capital and legal reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2014	8,134,974	7,992,299	33,295	216,082	205	16,150	(293,386)	293,383	1,682,143	18,075,145	1,847,802	19,922,947
Foreign currency translation differences from foreign operations	-	-	-	-	-	-	-	(43,194)	-	(43,194)	(5,573)	(48,767)
Hedge of net investments in foreign operations	-	-	-	-	-	-	-	(8,455)	-	(8,455)	(15,209)	(23,664)
Net change in fair value of available-for-sale financial assets	-	-	-	61,297	-	-	-	-	-	61,297	-	61,297
Cash flow hedge	-	-	-	-	-	(1,200)	-	-	-	(1,200)	(2,145)	(3,345)
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	-	(428)	(428)	(285)	(713)
Revaluation of property, plant and equipment upon reclassification to investment properties	-	-	-	-	35,823	-	-	-	-	35,823	-	35,823
Total other comprehensive income for the period	-	-	-	61,297	35,823	(1,200)	-	(51,649)	(428)	43,843	(23,212)	20,631
Profit for the period	-	-	-	-	-	-	-	-	368,156	368,156	81,216	449,372
Total comprehensive income for the period	**-**	**-**	**-**	**61,297**	**35,823**	**(1,200)**	**-**	**(51,649)**	**367,728**	**411,999**	**58,004**	**470,003**
Contributions by and distributions to owners of the Company												
- Share options exercised	32,500	46,445	-	-	-	-	-	-	-	78,945	-	78,945
- Share-based payment	-	-	13,404	-	-	-	-	-	-	13,404	-	13,404
- Dividends to owners of the Company	-	-	-	-	-	-	-	-	(163,500)	(163,500)	-	(163,500)
	32,500	46,445	13,404	-	-	-	-	-	(163,500)	(71,151)	-	(71,151)
Transfer to share capital and share premium on share options exercised	8,144	13,937	(22,081)	-	-	-	-	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	-	-	-	-	1	(6,933)	190	-	(6,742)	(24,331)	(31,073)
Transfer per statutory requirements	-	-	-	-	-	-	5,373	-	(5,373)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(71,046)	(71,046)
Total transactions with owners of the Company	**40,644**	**60,382**	**(8,677)**	**-**	**-**	**1**	**(1,560)**	**190**	**(168,873)**	**(77,893)**	**(95,377)**	**(173,270)**
At 30 June 2014	**8,175,618**	**8,052,681**	**24,618**	**277,379**	**36,028**	**14,951**	**(294,946)**	**241,924**	**1,880,998**	**18,409,251**	**1,810,429**	**20,219,680**

IHH HEALTHCARE BERHAD
Company No. 901914-V
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	<------ Attributable to owners of the Company ------>										
	<------ Non-distributable ------>							Distributable			
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000	Hedge reserve RM'000	Capital and legal reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2013	8,055,445	7,890,224	32,810	177,859	15,867	(246,610)	143,075	1,062,330	17,131,000	2,044,763	19,175,763
Foreign currency translation differences from foreign operations	-	-	-	-	-	-	(166,360)	-	(166,360)	(18,890)	(185,250)
Hedge of net investments in foreign operations	-	-	-	-	-	-	37,063	-	37,063	66,513	103,576
Net change in fair value of available-for-sale financial assets	-	-	-	140,114	-	-	-	-	140,114	-	140,114
Cash flow hedge	-	-	-	-	761	-	-	-	761	1,364	2,125
Total other comprehensive income for the period	-	-	-	140,114	761	-	(129,297)	-	11,578	48,987	60,565
Profit for the period	-	-	-	-	-	-	-	284,030	284,030	63,295	347,325
Total comprehensive income for the period	**-**	**-**	**-**	**140,114**	**761**	**-**	**(129,297)**	**284,030**	**295,608**	**112,282**	**407,890**
Contributions by and distributions to owners of the Company											
- Share options exercised	69,000	82,800	-	-	-	-	-	-	151,800	-	151,800
- Share-based payment	-	-	10,002	-	-	-	-	-	10,002	-	10,002
	69,000	82,800	10,002	-	-	-	-	-	161,802	-	161,802
Transfer to share capital and share premium on share options exercised	7,244	14,976	(22,220)	-	-	-	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	-	-	-	-	(9,144)	5	-	(9,139)	(8,390)	(17,529)
Transfer per statutory requirements	-	-	-	-	-	8,362	-	(8,362)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(50,742)	(50,742)
Total transactions with owners of the Company	**76,244**	**97,776**	**(12,218)**	**-**	**-**	**(782)**	**5**	**(8,362)**	**152,663**	**(59,132)**	**93,531**
At 30 June 2013	**8,131,689**	**7,988,000**	**20,592**	**317,973**	**16,628**	**(247,392)**	**13,783**	**1,337,998**	**17,579,271**	**2,097,913**	**19,677,184**

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the 2013 Audited Financial Statements and the accompanying explanatory notes attached to this financial report.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	Financial period ended	
	30 Jun 2014	30 Jun 2013
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	586,371	421,729
Adjustments for:		
Finance income	(33,923)	(32,904)
Finance costs	70,892	140,449
Depreciation and impairment losses of property, plant and equipment	276,868	267,018
Amortisation and impairment losses of intangible assets	33,312	34,965
Write-off:		
- Property, plant and equipment	195	160
- Inventories	280	-
- Trade and other receivables	1,705	-
Gain on disposal of property, plant and equipment	(2,334)	(1,457)
Gain on disposal of assets held for sale	-	(67)
Impairment loss made/(written back) on:		
- Trade and other receivables	13,727	20,148
- Amounts due from associates	(1,027)	(1,225)
Change in fair value of contingent consideration payable	-	(4,042)
Share of (profits)/losses of associates (net of tax)	(279)	3,062
Share of profits of joint ventures (net of tax)	(6,213)	(6,154)
Equity-settled share-based payment	13,404	10,002
Net unrealised foreign exchange differences	(171)	(21,046)
Operating profit before changes in working capital	**952,807**	**830,638**
Changes in working capital		
Trade and other receivables	(220,328)	(213,905)
Inventories	(7,502)	(3,481)
Trade and other payables	74,455	34,733
Cash flows from operations	**799,432**	**647,985**
Net income tax paid	(57,859)	(105,912)
Net cash generated from operating activities	**741,573**	**542,073**
Cash flows from investing activities		
Interest received	24,387	21,193
Capital injection into joint ventures	-	(10,754)
Development and purchase of intangible assets	(5,968)	(4,976)
Purchase of property, plant and equipment	(358,989)	(927,178)
Purchase of investment properties	(106,626)	(941)
Proceeds from disposal of property, plant and equipment	25,252	8,484
Proceeds from disposal of assets held for sale	-	233
Proceeds from disposal of intangible assets	1,025	-
Net repayment from associates	1,040	1,215
Net repayment from/(advances to) joint ventures	9,491	(255)
Dividends received from associates	-	891
Dividends received from joint ventures	1,055	1,032
Refund of deposits paid to non-controlling shareholders of subsidiaries	25,591	43,032
Net cash used in investing activities	**(383,742)**	**(868,024)**
Cash flows from financing activities		
Interest paid	(70,221)	(75,814)
Proceeds from exercise of share options	78,945	151,800
Loan from non-controlling interests of a subsidiary	8,027	280,167
Repayment of loans and borrowings	(431,874)	(1,264,098)
Buy-back of floating rate notes	-	(35,271)
Proceeds from loans and borrowings	325,103	1,682,899
Dividends paid to non-controlling shareholders	(71,046)	(50,742)
Acquisition of non-controlling interests	(32,151)	(18,239)
Proceeds from dilution of interest in subsidiaries	-	710
Change in pledged deposits	874	62,788
Net cash (used in)/from financing activities	**(192,343)**	**734,200**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	Financial period ended	
	30 Jun 2014	30 Jun 2013
	RM'000	RM'000
Net increase in cash and cash equivalents	**165,488**	**408,249**
Effect of exchange rate fluctuations on cash and cash equivalents held	1,571	3,794
Cash and cash equivalents at beginning of the period	2,135,609	1,552,854
Cash and cash equivalents at end of the period	**2,302,668**	**1,964,897**

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprises of:

	30 Jun 2014	30 Jun 2013
	RM'000	RM'000
Cash and bank balances	760,738	678,330
Fixed deposits placed with licensed banks	1,550,274	1,292,596
	2,311,012	1,970,926
Less:		
- Bank overdrafts	-	-
- Deposits pledged	(3,390)	(1,141)
- Cash collateral received	(4,954)	(4,888)
Cash and cash equivalents at end of the period	**2,302,668**	**1,964,897**

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the 2013 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 2014

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 2013 ("2013 Audited Financial Statements").

The 2013 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 2013 Audited Financial Statements, except for the adoption of the new, revised and amendments to MFRS effective as of 1 January 2014 as issued by the Malaysian Accounting Standards Board, which does not have any impact on the financial statements of the Group.

A2 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements for the financial year ended 31 December 2013 were not subjected to any qualification.

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 2014.

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 2013 Audited Financial Statements.

A NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

A6 DEBT AND EQUITY SECURITIES

(a) Between 1 January to 30 June 2014, the Company issued:

i) 32,500,000 new ordinary shares of RM1.00 each pursuant to the exercise of vested EPP options; and

ii) 8,143,640 new ordinary shares of RM1.00 each pursuant to the surrender of vested LTIPs units.

(b) On 29 April 2014, the Company granted a total of 5,424,000 LTIP units to eligible employees of the Group. Out of the total 5,424,000 units granted, 110,000 units were granted under a cash option pursuant to the terms and conditions of the LTIP Bye Laws.

Except as disclosed above, there were no other issuance of shares, share buy-backs, and repayments of debt and equity securities by the Company during the financial period ended 30 June 2014.

As at 30 June 2014, the issued and paid-up share capital of the Company amounted to RM8,175,617,511 comprising 8,175,617,511 ordinary shares of RM1.00 each.

A7 DIVIDENDS PAID

There were no dividends paid for the financial period ended 30 June 2014.

A8 SEGMENT REPORTING

There had been no changes in the basis of segmentation or in the basis of measurement of segment profit or loss from the 2013 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 EBITDA.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

A8 SEGMENT REPORTING

Financial period ended 30 June 2014

	Parkway Pantai	Acibadem Holdings	IMU Health	PLife REIT	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue and expenses							
Revenue from external customers	2,151,371	1,315,774	107,939	47,581	-	-	3,622,665
Inter-segment revenue	43,649	-	1,397	81,754	28	(126,828)	-
Total segment revenue	2,195,020	1,315,774	109,336	129,335	28	(126,828)	3,622,665
EBITDA	587,244	238,604	44,963	105,026	(19,674)	(31,642)	924,521
Depreciation and impairment loss of property, plant and equipment	(140,386)	(114,729)	(6,280)	(15,308)	(165)	-	(276,868)
Amortisation and impairment loss of intangibles	(16,252)	(16,896)	(164)	-	-	-	(33,312)
Net foreign exchange (loss)/gain	(1,707)	259	2	2,720	(108)	-	1,166
Finance income	5,757	14,481	2,538	7	11,140	-	33,923
Finance costs	(10,039)	(46,213)	(97)	(14,535)	(8)	-	(70,892)
Share of profits of associates (net of tax)	279	-	-	-	-	-	279
Share of profits of joint ventures (net of tax)	6,213	-	-	-	-	-	6,213
Others	(160)	1,536	(24)	-	(11)	-	1,341
Profit/(loss) before tax	430,949	77,042	40,938	77,910	(8,826)	(31,642)	586,371
Income tax expense	(101,359)	(16,963)	(11,275)	(5,998)	(1,404)	-	(136,999)
Net profit/(loss) for period	329,590	60,079	29,663	71,912	(10,230)	(31,642)	449,372
Assets and liabilities							
Cash and cash equivalents	897,254	234,635	147,918	91,982	939,223	-	2,311,012
Other assets	15,343,626	5,340,462	397,039	3,567,984	823,713	(25,586)	25,447,238
Segment assets as at 30 June 2014	16,240,880	5,575,097	544,957	3,659,966	1,762,936	(25,586)	27,758,250
Loans and borrowings	871,824	2,029,101	1,084	1,438,192	-	-	4,340,201
Other liabilities	1,744,418	893,787	127,978	276,983	180,789	(25,586)	3,198,369
Segment liabilities as at 30 June 2014	2,616,242	2,922,888	129,062	1,715,175	180,789	(25,586)	7,538,570

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

Financial period ended 30 June 2013

	Parkway Pantai RM'000	Acibadem Holdings RM'000	IMU Health RM'000	PLife REIT RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue and expenses							
Revenue from external customers	1,876,331	1,289,305	100,867	38,097	-	-	3,304,600
Inter-segment revenue	38,642	-	1,476	74,642	23,981	(138,741)	-
Total segment revenue	1,914,973	1,289,305	102,343	112,739	23,981	(138,741)	3,304,600
EBITDA	483,221	242,818	41,637	91,973	6,688	(52,523)	813,814
Depreciation and impairment losses of property, plant and equipment	(135,085)	(111,315)	(6,289)	(14,267)	(62)	-	(267,018)
Amortisation and impairment loss of intangibles	(16,102)	(18,731)	(132)	-	-	-	(34,965)
Net foreign exchange gain/(loss)	8,519	272	57	1,431	(752)	-	9,527
Finance income	4,540	12,491	1,235	5,882	8,756	-	32,904
Finance costs	(21,436)	(109,632)	(191)	(9,185)	(5)	-	(140,449)
Share of losses of associates (net of tax)	(3,062)	-	-	-	-	-	(3,062)
Share of profits of joint ventures (net of tax)	6,154	-	-	-	-	-	6,154
Others	598	4,114	112	-	-	-	4,824
Profit/(loss) before tax	327,347	20,017	36,429	75,834	14,625	(52,523)	421,729
Income tax expense	(53,050)	(5,753)	(9,862)	(4,742)	(997)	-	(74,404)
Net profit/(loss) for period	274,297	14,264	26,567	71,092	13,628	(52,523)	347,325
Assets and liabilities							
Cash and cash equivalents	819,393	141,204	94,637	81,401	834,291	-	1,970,926
Other assets	14,924,469	5,381,777	403,061	3,226,652	853,801	(10,752)	24,779,008
Segment assets as at 30 June 2013	15,743,862	5,522,981	497,698	3,308,053	1,688,092	(10,752)	26,749,934
Loans and borrowings	1,460,911	1,566,562	1,782	1,120,459	-	-	4,149,714
Other liabilities	1,593,718	974,899	103,009	234,945	27,217	(10,752)	2,923,036
Segment liabilities as at 30 June 2013	3,054,629	2,541,461	104,791	1,355,404	27,217	(10,752)	7,072,750

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

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 parties 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 2014	**30 Jun 2013**
	RM'000	**RM'000**
Transactions with substantial shareholders and their related companies		
- Sales and provision of services	110,496	3,068
- Purchase and consumption of services	(31,003)	(111)
Transactions with Key Management Personnel and their related companies		
- Sales and provision of services	20,786	150,520
- Purchase and consumption of services	(20,506)	(33,334)

A11 CHANGES IN THE COMPOSITION OF THE GROUP

(a) On 7 January 2014, East Shore Medical Holdings Pte Ltd, Mount Elizabeth Healthcare Holdings Limited and Parkway Novena Holdings Pte Ltd were struck off from the Register of Companies of Singapore as part of the Group's streamlining exercise.

(b) On 30 January 2014, Acibadem Saglik Hizmetleri ve Ticaret A.S. ("ASH") acquired 82.22% equity interest in Acibadem Mobil Saglik Hizmetleri A.S. ("Acibadem Mobil"), an indirect subsidiary of ASH, from Acibadem Poliklinikleri A.S., a direct subsidiary of ASH, for a total consideration of TL3,700,000. Consequential thereto, Acibadem Mobil became a direct wholly-owned subsidiary of ASH.

(c) On 13 March 2014, Parkway Life Japan2 Pte. Ltd. ("TK Investor") entered into two *Tokumei Kumiai* agreements (or silent partnership agreements, collectively, the "TK Agreements") with Godo Kaisha Tenshi 1 and Godo Kaisha Tenshi 2 (collectively, the "TK Operators"). Pursuant to the TK Agreements, the TK Investor has injected funds into the respective TK Operators in relation to the acquisition of two nursing homes and one extended-stay lodging facility for the elderly located in Japan by the TK Operators at a total purchase price of approximately ¥3,000,000,000 (approximately RM95,820,000). Due to the nature of the arrangements under the TK Agreements, the TK Operators are under established terms that impose strict limitations on decision-making powers of the TK Operators' management, resulting in the Group receiving the majority of the benefits relating to the TK Operators' operations and net assets, being exposed to the majority of the risks incident to the TK Operators' activities and retaining the majority of the residual or ownership risks related to the TK Operators and their assets. Consequently, the TK Operators are regarded as subsidiaries of the Group pursuant to MFRS 10: Consolidated Financial Statements.

(d) On 17 March 2014, Swiss Zone Sdn Bhd ("Swiss Zone"), an indirect wholly-owned subsidiary of IHH, was dissolved pursuant to members' voluntary winding up. The dissolution of Swiss Zone is part of the Group's streamlining exercise.

(e) On 18 March 2014, IMU Healthcare Sdn Bhd ("IMU Healthcare"), an indirect wholly-owned subsidiary of IHH, formed a 60%-owned company, IMU Dialysis Sdn Bhd, pursuant to the Joint Venture Agreement dated 4 March 2014 entered into between IMU Healthcare and Advance Renal Care (Asia) Pte Ltd ("ARCA"). The remaining 40% equity stake in IMU Dialysis Sdn Bhd is owned by ARCA. IMU Dialysis Sdn Bhd has an initial paid-up capital of RM5.00 and its principal activities are establishing, operating and managing dialysis centre(s) for the provision of haemodialysis and its related services.

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

(f) On 26 March 2014, Pantai Group Resources Sdn. Bhd. ("PGRSB") acquired another 15.00% equity interest in Twin Towers Healthcare Sdn. Bhd. ("TTHSB") pursuant to the Share Sale Agreement dated 31 January 2012, for a total consideration of RM3,777,000. The said acquisition increased PGRSB's shareholdings in TTHSB from 85.00% to 100.00%.

(g) On 31 March 2014, Parkway Pantai Limited ("PPL") subscribed for 19,500,000 ordinary shares of SGD4.90 each in Parkway Group Healthcare Pte Ltd ("PGH"), for a total consideration of SGD95,550,000 (equivalent to RM248,229,000) ("Internal Reorganisation"). Prior to the Internal Reorganisation, PGH was a direct wholly-owned subsidiary of Parkway Holdings Limited ("PHL") which in turn is a direct wholly-owned subsidiary of PPL. Upon completion of the Internal Reorganisation, PGH has become a 70% direct owned subsidiary of PPL while the remaining 30% is held by PHL.

(h) On 1 April 2014, Pantai Premier Pathology Sdn Bhd, an indirect wholly-owned subsidiary of the Company, acquired 2 ordinary shares of RM1.00 each, representing 100% of the total issued and paid-up share capital of Orifolio Options Sdn Bhd from Mount Elizabeth Health Care Services Sdn Bhd, an indirect wholly-owned subsidiary of the Company, for a total cash consideration of RM2.00.

(i) On 9 April 2014, Acıbadem Labmed Sağlık Hizmetleri A.Ş. formed a wholly-owned subsidiary, Histogenetics Acıbadem Laboratuvar Hizmetleri A.Ş. ("Histogenetics"), in Turkey. Histogenetics has an initial paid-up capital of TL50,000 and its principal activity is provision of laboratory services.

(j) On 9 April 2014, Parkway Trust Management Limited ("PTM") transferred 146,000 PLife REIT units that it owned to its eligible employees in accordance to PTM's Long Term Incentive Plan. Consequential thereto, IHH Group's effective interest in PLife REIT was diluted from 35.78% to 35.76%.

(k) On 22 April 2014, Parkway (Shanghai) Hospital Management Ltd. received the business license from Suzhou New District (Hu Qiu) Administration of Industry and Commerce for the establishment of a foreign wholly-owned enterprise reinvestment clinic named Suzhou Xin Hui Clinic Co., Ltd. ("Xin Hui Clinic") in the People's Republic of China with a registered capital of RMB3,000,000. The principal activity of Xin Hui Clinic is provision of medical and healthcare outpatient services. The validity period of the licence is from 22 April 2014 to 21 April 2034.

(l) On 28 May 2014, Shanghai Mai Kang Hospital Investment Management Co., Ltd ("Shanghai Mai Kang") acquired the remaining 15% equity interest in Shanghai Rui Hong Clinic Co. Ltd ("Shanghai Rui Hong") for a purchase consideration of RMB4,050,000 (equivalent to RM2,085,000). Upon completion of the acquisition, Shanghai Rui Hong became an indirect wholly-owned subsidiary of the Company with 70% equity interest held through Medical Resources International Pte Ltd and the remaining 30% held through Shanghai Mai Kang.

(m) On 28 May 2014, Shanghai Mai Kang acquired the remaining 15% equity interest in Shanghai Xin Rui Healthcare Co. Ltd ("Shanghai Xin Rui") for a purchase consideration of RMB41,210,000 (equivalent to RM21,215,000). Upon completion of the acquisition, Shanghai Xin Rui became an indirect wholly-owned subsidiary of the Company with 70% equity interest held through Medical Resources International Pte Ltd and the remaining 30% held through Shanghai Mai Kang.

(n) ASH shares have ceased to be traded on the Istanbul Stock Exchange ("ISE") after the second session of 4 October 2012. Following this, the delisting process has been successfully completed. Any shareholders that were unable to redeem their shares during MTO and VTO have the right to sell their shares for a three-year period from 26 July 2012, being the date ISE granted its approval of ASH's delisting. As at 30 June 2014, ASYH's equity interest in ASH is 99.37%, following the tender of shares.

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 2014

A12 SUBSEQUENT EVENTS

(a) Between 1 July 2014 to 21 August 2014, the Company issued:

i) 1,500,000 new ordinary shares of RM1.00 each pursuant to the exercise of vested EPP options; and

ii) 1,385,000 new ordinary shares of RM1.00 each pursuant to the surrender of vested LTIP units.

(b) On 2 July 2014, the Company granted 2,451,000 LTIP units to the executive directors of the Company, pursuant to the shareholders' approval obtained at the Company's 4th AGM held on 20 June 2014.

A13 CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in the contingent liabilities or contingent assets as at 21 August 2014 from that disclosed in the 2013 Audited Financial Statements.

A14 CAPITAL COMMITMENTS

	30 Jun 2014 RM'000	31 Dec 2013 RM'000
Capital expenditure commitments not provided for in the interim financial report:		
Property, plant and equipment and investment properties		
- Authorised and contracted for	423,380	425,493
- Authorised but not contracted for	1,519,009	1,157,038
	1,942,389	1,582,531

A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

A15 FAIR VALUE HIEARACHY

Fair value hierarchy

The table below analyses investment properties and financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
As at 30 June 2014				
Assets				
Investment properties	-	-	2,105,948	2,105,948
Quoted available-for-sale investment	800,247	-	-	800,247
Derivative assets	-	12,140	-	12,140
Liabilities				
Derivative liabilities	-	(7,777)	-	(7,777)
As at 31 December 2013				
Assets				
Investment properties	-	-	1,922,721	1,922,721
Quoted available-for-sale investment	743,887	-	-	743,887
Derivative assets	-	16,182	-	16,182
Liabilities				
Derivative liabilities	-	(6,687)	-	(6,687)

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

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

	2nd quarter ended			Financial period ended		
	30 Jun 2014 RM'000	30 Jun 2013 RM'000	Variance %	30 Jun 2014 RM'000	30 Jun 2013 RM'000	Variance %
REVENUE[1]						
Parkway Pantai	1,107,119	958,588	15%	2,151,371	1,876,331	15%
Acibadem Holdings	675,612	652,157	4%	1,315,774	1,289,305	2%
IMU Health	57,648	51,200	13%	107,939	100,867	7%
Others^	-	-	-	-	-	-
	1,840,379	**1,661,945**	**11%**	**3,575,084**	**3,266,503**	**9%**
PLife REIT total revenue	65,454	55,258	18%	129,335	112,739	15%
PLife REIT inter-segment revenue	(40,780)	(37,201)	-10%	(81,754)	(74,642)	-10%
Total	**1,865,053**	**1,680,002**	**11%**	**3,622,665**	**3,304,600**	**10%**
EBITDA[2]						
Parkway Pantai[3]	296,702	244,493	21%	555,630	454,679	22%
Acibadem Holdings	123,617	118,302	4%	238,604	242,818	-2%
IMU Health	23,793	20,275	17%	44,963	41,637	8%
Others^	(9,257)	(8,788)	-5%	(19,702)	(17,293)	-14%
	434,855	**374,282**	**16%**	**819,495**	**721,841**	**14%**
PLife REIT[4]	53,174	45,293	17%	105,026	91,973	14%
Total	**488,029**	**419,575**	**16%**	**924,521**	**813,814**	**14%**

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*
^: *Others comprise mainly IHH Group's corporate office as well as other investment holding entities*

Q2 2014 vs Q2 2013

The Group achieved revenue and EBITDA growth of 11% and 16% respectively in Q2 2014 over the same period last year. The increase in Q2 2014 revenue was attributed to year-on-year growth in patient volume and revenue intensity of existing operations and the commencement of operations of Acibadem Atakent Hospital and Pantai Hospital Manjung in January 2014 and May 2014 respectively.

As a result of its robust EBITDA growth, the Group's Q2 2014 PATMI increased 33% to RM209.1 million whilst its PATMI excluding exceptional items increased 20% to RM191.8 million over the same period last year.

Parkway Pantai

Parkway Pantai's revenue grew 15% to RM1,107.1 million in Q2 2014 whilst its EBITDA grew 21% to RM296.7 million in Q2 2014. Parkway Pantai's strong performance was the result of the continuous ramp up of its Mount Elizabeth Novena Hospital in Singapore as well as from its other hospitals and healthcare businesses. Mount Elizabeth Novena Hospital's revenue increased by 87% in Q2 2014 to RM81.0 million as compared to Q2 2013, and it achieved approximately RM18.2 million EBITDA in Q2 2014 as compared to RM2.6 million EBITDA in Q2 2013.

Parkway Pantai's Singapore hospitals saw an overall 11.5% increase in inpatient admissions to 16,492 inpatient admissions in Q2 2014. The increase was attributed to local patients as well as foreign patients from non-traditional markets such as the Middle East, Myanmar and China. Meanwhile, inpatient admissions at Parkway Pantai's Malaysia hospitals grew 13.0% to 47,491 inpatient admissions in Q2 2014. The healthy revenue growth at Parkway Pantai was also driven by higher revenue intensities that resulted from more complex cases undertaken by the hospitals and price increases to compensate for cost inflation. Q2 2014 revenue per inpatient admission increased 0.7% to RM21,499 in Singapore and increased 8.6% to RM4,900 in Malaysia compared to the prior year.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

Despite increasing cost pressures, EBITDA of Parkway Pantai's operations grew on the back of higher revenues and operating leverage from the higher patient volumes. Parkway Pantai's EBITDA growth was also driven by the significant improvements in Mount Elizabeth Novena Hospital's EBITDA as the hospital ramps up its revenue and optimises its resources with the increasing patient volumes. Parkway Pantai achieved strong EBITDA growth despite the RM1.9 million pre-operating expenses and start-up loss incurred by Pantai Hospital Manjung in Q2 2014 and RM0.8 million higher pre-operating expenses of GHK Hospital Limited ("GHK").

Acibadem Holdings

Acibadem Holdings' revenue and EBITDA both grew by 4% to RM675.6 million and RM123.6 million respectively in Q2 2014. Excluding the effects of the depreciation of the TL on translation of Acibadem Holdings' results, Acibadem Holdings' Q2 2014 revenues increased by 12% whilst its Q2 2014 EBITDA increased by 13% over last year. Acibadem Holdings' Q2 2014 EBITDA grew double-digit as compared to last year despite the RM2.8 million EBITDA start-up losses incurred by the newly opened Acibadem Atakent Hospital.

Revenue growth against last year was driven by strong performance at its existing hospitals, the continuous ramp up of Acibadem Bodrum Hospital and Acibadem Ankara Hospital as well as revenue contribution from the newly opened Acibadem Atakent Hospital. Acibadem Holdings' inpatient admissions grew 8% to 32,987 in Q2 2014, which resulted in greater operating leverage. However, Acibadem Holdings' average inpatient revenue per inpatient admission declined 1.9% to RM8,947 in Q2 2014 as a result of case mix whereby less complex cases were undertaken. Acibadem Holdings' revenue increased despite the decrease in revenue upon the completion of the Acibadem University construction project in early 2014. Revenue from this construction project decreased from approximately RM44.0 million in Q2 2013 to RM1.5 million in Q2 2014.

IMU Health

IMU Health's revenue grew 13% to RM57.6 million in Q2 2014 whilst its EBITDA increased by 17% to RM23.8 million in Q2 2014.

IMU Health's revenue growth was driven by higher student intake and increase in course fees for IMU Health's medical and nursing programmes.

PLife REIT

PLife REIT's external revenue grew 37% to RM24.7 million in Q2 2014 whilst its EBITDA grew 17% to RM53.2 million in Q2 2014.

PLife REIT's external revenue grew on the back of rental income contribution from the Japanese properties acquired in the second half of 2013 and first quarter of 2014.

The growth in the revenue resulted in EBITDA growth.

Others

Higher expenses were incurred at the corporate office due to increased headcounts and operating costs.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

YTD 2014 vs YTD 2013

The Group achieved revenue and EBITDA growth of 10% and 14% respectively in YTD 2014 over the same period last year. The increase in YTD 2014 revenue was attributed to year-on-year growth in patient volume and revenue intensity of existing operations and opening of Acibadem Atakent Hospital and Pantai Hospital Manjung in January 2014 and May 2014 respectively.

As a result of its robust EBITDA growth, the Group's YTD 2014 PATMI increased 30% to RM368.2 million whilst its PATMI excluding exceptional items increased 25% to RM363.9 million over the same period last year.

Parkway Pantai

Parkway Pantai's revenue grew 15% to RM2,151.4 million in YTD 2014 whilst its EBITDA grew 22% to RM555.6 million in YTD 2014. Parkway Pantai's strong performance was the result of the continuous ramp up of its Mount Elizabeth Novena Hospital in Singapore as well as from its other hospitals and healthcare businesses. Mount Elizabeth Novena Hospital's revenue increased by 98% in YTD 2014 to RM159.3 million as compared to YTD 2013, and it achieved an EBITDA of RM36.5 million in YTD 2014 as compared to RM0.4 million EBITDA losses in YTD 2013.

Parkway Pantai's Singapore hospitals saw an overall 9.0% increase in inpatient admissions to 31,718 inpatient admissions in YTD 2014. The increase was attributed to local patients as well as foreign patients from non-traditional markets such as the Middle East, Myanmar and China. Meanwhile, inpatient admissions at Parkway Pantai's Malaysia hospitals grew 11.2% to 92,093 inpatient admissions in YTD 2014. The healthy revenue growth at Parkway Pantai was also driven by higher revenue intensities that resulted from more complex cases undertaken by the hospitals and price increases to compensate for cost inflation. YTD 2014 revenue per inpatient admission increased 4.0% to RM22,185 in Singapore and increased 8.6% to RM4,831 in Malaysia.

Despite increasing cost pressures, EBITDA of Parkway Pantai's operations grew on the back of higher revenues and operating leverage from the higher patient volumes. Parkway Pantai's EBITDA growth was also driven by the significant improvements in Mount Elizabeth Novena Hospital's EBITDA as the hospital ramps up its revenue and optimizes its resources with the increasing patient volumes. Parkway Pantai achieved strong EBITDA growth despite the RM2.7 million pre-operating expenses and start-up loss incurred by Pantai Hospital Manjung in YTD 2014 and RM1.6 million higher pre-operating expenses of GHK.

Acibadem Holdings

Acibadem Holdings' revenue grew by 2% to RM1,315.8 million in YTD 2014 whilst its EBITDA decreased 2% to RM238.6 million. Excluding the effects of the depreciation of the TL on translation of Acibadem Holdings' results, Acibadem Holdings' YTD 2014 revenues increased by 14%. Acibadem Holdings' revenue growth was slightly eroded when Acibadem Proje Yonetimi A.S., a subsidiary of Acibadem Holdings, completed a construction project for Acibadem University in early 2014. On constant currency terms, Acibadem Holdings' YTD 2014 EBITDA grew 10% as compared to last year despite the RM12.7 million EBITDA startup losses incurred by the newly opened Acibadem Atakent Hospital.

Revenue growth against last year was driven by strong performance at its existing hospitals, the continuous ramp up of Acibadem Bodrum Hospital and Acibadem Ankara Hospital as well as revenue contribution from the newly opened Acibadem Atakent Hospital. Acibadem Holdings' inpatient admissions grew 7% to 65,758 in YTD 2014, which resulted in greater operating leverage. Acibadem Holdings' average inpatient revenue per inpatient admission grew 3.0% to RM9,091 in YTD 2014 as a result of more foreign patients seeking medical treatment at Acibadem Holdings' hospitals this year.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

IMU Health

IMU Health's revenue grew 7% to RM107.9 million in YTD 2014 whilst its EBITDA increased by 8% to RM45.0 million in YTD 2014.

IMU Health's revenue growth was driven by higher student intake and increase in course fees for IMU Health's medical and nursing programmes.

PLife REIT

PLife REIT's external revenue grew 25% to RM47.6 million in YTD 2014 whilst its EBITDA grew 14% to RM105.0 million in YTD 2014.

PLife REIT's external revenue grew on the back of rental income contribution from the Japanese properties acquired in the second half of 2013 and first quarter of 2014.

The growth in the revenue resulted in EBITDA growth.

Others

Higher expenses were incurred at the corporate office due to increased headcounts and operating costs.

B2 MATERIAL CHANGE IN QUARTERLY RESULTS

	2nd quarter ended 30 Jun 2014 RM'000	1st quarter ended 31 Mar 2014 RM'000	Variance %
REVENUE[1]			
Parkway Pantai	1,107,119	1,044,252	6%
Acibadem Holdings	675,612	640,162	6%
IMU Health	57,648	50,291	15%
Others^	-	-	-
	1,840,379	**1,734,705**	**6%**
PLife REIT total revenue	65,454	63,881	2%
PLife REIT inter-segment revenue	(40,780)	(40,974)	**0%**
Total	**1,865,053**	**1,757,612**	**6%**
EBITDA[2]			
Parkway Pantai[3]	296,702	258,928	15%
Acibadem Holdings	123,617	114,987	8%
IMU Health	23,793	21,170	12%
Others^	(9,257)	(10,445)	11%
	434,855	**384,640**	**13%**
PLife REIT[4]	53,174	51,852	3%
Total	**488,029**	**436,492**	**12%**

[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*
^: *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 2014

Q2 2014 vs Q1 2014

The Group's revenue increased 6% whilst EBITDA increased 12% quarter-on-quarter, on the back of a seasonally stronger quarter in Q2. Quarter-on-quarter growth was also driven by the strong ramp up of Acibadem Atakent Hospital which commenced operations in January 2014.

Q2 2014 PATMI excluding exceptional items increased 11% quarter-on-quarter.

Parkway Pantai

Parkway Pantai's 6% quarter-on-quarter revenue growth was driven by strong inpatient admissions and partially offset by lower revenue per inpatient admissions in Singapore. The Singapore operations' quarter-on-quarter inpatient admissions increased 8.3% but revenue per inpatient admission declined 6.2% as a result of fewer complex cases undertaken in this quarter. The Malaysian operations' quarter-on-quarter inpatient admissions increased 6.5% and revenue per inpatient admission grew 3.0%.

Parkway Pantai's quarter-on-quarter EBITDA grew 15% on the back of higher revenues and operating leverage and despite higher pre-operating and start-up costs incurred by Pantai Hospital Manjung in Q2 2014 and RM0.2 million higher quarter-on-quarter pre-operating expenses of GHK.

Acibadem Holdings

Acibadem Holdings' revenue increased 6% whilst EBITDA increased and 8% quarter-on-quarter. Acibadem Holdings' inpatient admissions grew 0.7%, which partially offsets the 3.1% decline in the revenue per inpatient admissions in Q2 2014 as compared to Q1 2014. Revenue intensity declined due to case mix whereby less complex cases were undertaken.

Acibadem Holding's strong growth in Q2 2014 despite the seasonally weaker summer months in Turkey was mainly driven by Acibadem Bodrum Hospital, Acibadem Ankara Hospital and Acibadem Atakent Hospital. The ramp up of patient volumes at Acibadem Atakent Hospital almost doubled its revenue quarter-on-quarter and significantly reduced its start-up losses from RM10.0 million in Q1 2014 to RM2.8 million in Q2 2014.

IMU Health

IMU Health's revenue increased 15% whilst EBITDA grew 12% quarter-on-quarter. IMU Health incurred higher expenses in Q2 2014 when it carried out its recruitment promotional activities in this quarter.

PLife REIT

PLife REIT's external revenue increased 8% whilst its EBITDA grew 3% quarter-on-quarter, on the back of rental income earned from the two Japanese nursing homes and an extended-stay lodging facilities that it acquired in March 2014.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

B3 CURRENT YEAR PROSPECTS

Parkway Pantai

Parkway Pantai expects continued revenue, EBITDA and earnings growth for the rest of the year due to the growing demand for private healthcare services across its home markets and the region. Mount Elizabeth Novena Hospital will continue to contribute to Parkway Pantai's growth with the progressive opening of additional wards and beds during the year to meet increased growing patient demand. The newly opened Pantai Hospital Manjung will also contribute to the Group's revenues. Ongoing hospital projects in Malaysia and Hong Kong are progressing well. However, one of its greenfield projects is facing delays.

Acibadem Holdings

Acibadem Holdings' patient volumes, and hence revenues, is expected to grow due to continued demand and increased affordability of private healthcare. The ramp up of the newly opened Acibadem Atakent Hospital will continue to contribute to Acibadem Holdings' growth for the rest of the year. Ongoing hospital projects are progressing well.

Overall IHH Group Prospects

The Group expects higher staff costs and other inflationary pressures to affect the Group for the rest of the year. While such sustained cost pressures may reduce the Group's EBITDA and margins, the Group expects to mitigate these effects through price adjustments and through its operating leverage as volumes continue to grow and margins of new hospitals improve with the ramp up of inpatient admissions.

Given the Group's geographical footprints across Asia as well as the Central and Eastern Europe, Middle East and North Africa ("CEEMENA") and South Asia regions, , the Group is susceptible to currency volatility in the countries that it operates. Movements in the Singapore Dollar, TL, US Dollar, Japanese Yen, Chinese Renminbi, Indian Rupee, etc. would result in translation differences in the Group's balance sheet and income statement. In addition, significant currency volatility against the Ringgit Malaysia may affect the comparability of the Group's financial performance across periods.

The Group continues to actively monitor its currency risks and will take proactive steps to minimise such risks by borrowing in the functional currency of the borrowing entity or by borrowing in the same currency as its foreign investment (i.e. hedge of net investments). Acibadem Holdings, which holds non-TL denominated loans, will monitor its liquidity position to hedge its cash flows by conserving hard currency receipts from its medical travellers to service these debts and interest payments.

The Group is confident that its strong balance sheet and operating cash flows would enable it to support its expansion plans. Barring unforeseen circumstances, the Group expects that it would continue to achieve earnings growth for the year ahead.

B4 PROFIT FORECAST/GUARANTEE

Not applicable as no profit forecast/guarantee was issued.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

B5 TAXATION

	2nd quarter ended		Financial period ended	
	30 Jun 2014 RM'000	30 Jun 2013 RM'000	30 Jun 2014 RM'000	30 Jun 2013 RM'000
Current tax expense	79,264	11,494	121,607	55,978
Deferred tax expense	3,591	16,614	15,392	18,426
	82,855	28,108	136,999	74,404

The Group's effective tax rate, after adjusting for the share of profits of associates and joint ventures, was 24.3% for Q2 2014 and 23.6% for YTD 2014. It is lower than the Malaysian statutory tax rate mainly due to the effects of lower tax rate in certain countries that the Group operates.

B6 STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at 21 August 2014.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

B7 LOANS AND BORROWINGS

(a) Breakdown of the Group's loans and borrowings as at 30 June 2014:

	30 Jun 2014 RM'000	31 Dec 2013 RM'000
Non-current		
Secured		
Bank borrowings	1,085,454	1,134,517
Financial lease liabilities	128,772	160,809
Unsecured		
Bank borrowings	2,565,398	2,874,920
	3,779,624	4,170,246
Current		
Secured		
Bank borrowings	104,646	158,480
Financial lease liabilities	53,978	59,152
Unsecured		
Bank borrowings	401,953	73,403
	560,577	291,035
Total	4,340,201	4,461,281

(b) Breakdown of the Group's loans and borrowings as at 30 June 2014 by the source currency of loans, in RM equivalent:

	30 Jun 2014 RM'000	31 Dec 2013 RM'000
Singapore Dollar	1,580,475	1,810,262
Ringgit Malaysia	86,528	85,425
US Dollar	1,025,296	1,159,080
Macedonian Denar	6,511	8,943
Swiss Franc	63,438	73,384
Euro	180,952	168,949
Turkish Lira	182,279	73,363
Japanese Yen	1,201,741	1,076,189
Others*	12,981	5,686
	4,340,201	4,461,281

** Others include Hong Kong Dollar and Brunei Dollar*

Key exchange rates as at 30 June 2014:
1 SGD = RM2.5740
1 TL = RM1.5043
1 USD = RM3.2144

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

B8 FINANCIAL DERIVATIVE INSTRUMENTS

The Group's outstanding net derivative financial instruments as at 30 June 2014:

	Notional amount as at 30 Jun 2014 RM'000	Fair value amount as at 30 Jun 2014 RM'000
Derivative assets		
Foreign exchange forward contracts		
- Within 1 year	3,790	850
- Between 1 - 3 years	49,062	10,336
- More than 3 years	46,505	954
	99,357	12,140
Derivative liabilities		
Interest rate swaps		
- Within 1 year	619,832	(1,028)
- Between 1 - 3 years	216,767	(412)
- More than 3 years	681,720	(6,337)
	1,518,319	(7,777)

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. All changes in fair value of the foreign exchange forward contracts during the period were recognised in the statement of profit or loss and other comprehensive income.

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. All changes in fair value of the interest rate swaps during the period were recognised in the statement of profit or loss and other comprehensive income.

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 B14 for the fair value gain/loss recognised in the statement of profit or loss during the period.

B9 FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

Other than derivatives mentioned in Section B8 the Group does not remeasure its financial liabilities at reporting date.

B10 CHANGES IN MATERIAL LITIGATIONS

There is no litigation or arbitration as at 21 August 2014, which has a material effect on the financial position of the Group and the Board is not aware of any material proceedings pending or threatening or of any fact likely to give rise to any proceedings.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

B11 DIVIDENDS

(a) At the Company's Annual General Meeting held on 20 June 2014, the Shareholders of the Company approved a first and final single tier cash dividend of 2 sen per ordinary share of RM1.00 for the financial year ended 31 December 2013. The said dividend was paid on 16 July 2014.

(b) No dividends were declared or paid by the Company in the financial period ended 30 June 2014.

B12 EARNINGS PER SHARE ("EPS")

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

	2nd quarter ended		Financial period ended	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
Basic and diluted earnings per share is based on:				
Net profit attributable to ordinary shareholders	209,104	156,757	368,156	284,030
Net profit attributable to ordinary shareholders (excluding EI)	191,824	159,625	363,929	291,858
i **Basic EPS**				
	'000	'000	'000	'000
Weighted average number of shares	8,165,513	8,123,094	8,150,495	8,092,485
	Sen	Sen	Sen	Sen
Basic EPS	2.56	1.93	4.52	3.51
Basic EPS (excluding EI)	2.35	1.97	4.47	3.61

ii. **Diluted earnings per share**

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

	2nd quarter ended		Financial period ended	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	'000	'000	'000	'000
Weighted average number of ordinary shares used in calculation of basic earnings per share	8,165,513	8,123,094	8,150,495	8,092,485
Weighted number of unissued ordinary shares from units under LTIP	10,971	9,175	14,175	10,413
Weighted number of unissued ordinary shares from share options under EPP	13,349	23,542	19,819	30,256
Weighted average number of dilutive ordinary shares for computation of diluted EPS	8,189,833	8,155,811	8,184,489	8,133,154
	Sen	Sen	Sen	Sen
Diluted EPS	2.55	1.92	4.50	3.49
Diluted EPS (excluding EI)	2.34	1.96	4.45	3.59

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

B13 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained earnings is prepared pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No.1 – Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	As at 30 Jun 2014 RM'000	**As at 31 Dec 2013 RM'000**
Total retained earnings of the Company and its subsidiaries		
- Realised	2,080,931	1,811,234
- Unrealised	188,331	183,393
	2,269,262	1,994,627
Total share of retained earnings from associates		
- Realised	(2,801)	(3,079)
- Unrealised	(24)	(24)
	(2,825)	(3,103)
Total share of retained earnings from joint ventures		
- Realised	38,076	32,918
- Unrealised	-	-
	38,076	32,918
Less consolidation adjustments	(423,515)	(342,299)
Total Group retained earnings	1,880,998	1,682,143

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2014

B14 NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Pursuant to the amendment to paragraph 9.22 of Bursa Malaysia listing requirements which is effective from 3rd January 2012, the following amounts have been (debited)/credited in arriving at the Total Comprehensive Income for the period:

	2nd quarter ended		Financial period ended	
	30 Jun 2014 RM'000	30 Jun 2013 RM'000	30 Jun 2014 RM'000	30 Jun 2013 RM'000
Other operating income	37,106	47,409	75,630	81,880
Net foreign exchange (loss)/gain	(4,609)	10,228	1,166	9,527
Impairment loss (made)/written back on:				
- Trade and other receivables	(743)	(7,630)	(13,727)	(20,148)
- Amounts due from associates	(2)	(11)	1,027	1,225
Write-(off)/back:				
- Property, plant and equipment	(99)	(139)	(195)	(160)
- Inventories	(190)	103	(280)	-
- Trade and other receivables	(822)	-	(1,705)	-
Gain on disposal of property, plant and equipment	718	1,284	2,334	1,457
Professional and consultancy fees for acquisition:	(613)	(368)	(798)	(582)
Changes in fair value of contingent consideration payable	-	4,042	-	4,042
Gain on disposal of assets held for sale	-	67	-	67
Finance costs				
Interest expense on loans and borrowing	(30,638)	(29,032)	(61,071)	(57,357)
Fair value loss of financial instruments	(1,774)	-	(4,046)	-
Exchange gain/(loss) on net borrowings	28,603	(58,607)	-	(68,764)
Other finance costs	(3,066)	(3,292)	(5,775)	(14,328)
	(6,875)	(90,931)	(70,892)	(140,449)
Finance income				
Interest income				
- Banks and financial institutions	10,997	13,217	24,132	21,389
- Others	143	110	282	198
Exchange gain on net borrowings	7,293	-	7,293	-
Fair value gain of financial instruments	32	1,349	2,216	11,317
	18,465	14,676	33,923	32,904