5Q FYE DEC 2010 RESULTS REPORT ***31 May 2011***

Name of PLC: *TMC Life Sciences Berhad*		***Target Price:***	*RM0.50*
Business Summary : *Fertility treatment services, specialist medical centre*			
Major Shareholders :	*Berjaya Group (Tan Sri Vincent Tan)* *Gilberta Investments Ltd (Peter Lim)*	*31.5%* *32.6%*	
PLC Website : *www.tmclife.com*		***Recommendation:***	*Hold*
IR Contact : *Francis Lim, CEO*		***Market Capitalisation:***	*RM276.8m*
		Current Price :	*RM0.46*
		Market / Sector:	*Trading/Services*
		Stock Code:	*0101*

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Key Stock Statistics	**Dec-09**	**17m May-11F**	**FY12F**
EPS (sen)	-1.3	-4.9	-0.1
P/E on EPS (x)	nm	nm	nm
Dividend/Share (sen)	0.3	-	-
NTA/Share (RM)	0.14	0.12	0.11
Book Value/Share (RM)	0.12	0.11	0.12
Issued Capital (m shares)	601.8	601.8	601.8
52-weeks Share Price Range (RM)			0.32-0.62

Per Share Data	**Dec-09**	**17m May-11F**	**FY12F**	**FY13F**
Year-end 31 May				
Book Value (RM)	0.17	0.12	0.11	0.12
Cash Flow (sen)	3.9	2.7	2.4	4.5
Earnings (sen)	(1.3)	(4.9)	(0.1)	0.5
Dividend (sen)	0.3	-	-	-
Payout Ratio (%)	nm	-	-	-
PER (x)	nm	nm	nm	84.7
P/Cash Flow (x)	2.0	2.8	3.2	1.7
P/Book Value (x)	2.7	4.0	4.0	3.8
Dividend Yield (%)	0.7	0.0	0.0	0.0
ROE (%)	(7.8)	(42.6)	(0.6)	4.5
Net Gearing (%)	41.3	61.1	41.0	2.5

P&L Analysis	**Dec-09**	**17m May-11F**	**FY12F**	**FY13F**
Year-end 31 May (RMm)				
Revenue	48.5	77.7	70.6	80.2
Operating Profit	(6.7)	(27.1)	2.1	6.7
Depreciation	(7.4)	(8.4)	(8.6)	(8.8)
Net Interest	(1.7)	(2.6)	(2.6)	(2.5)
Pre-tax profit	(8.3)	(29.6)	(0.5)	4.3
Effective Tax Rate (%)	0.0	0.0	0.0	25.0
Net Profit	(8.0)	(29.5)	(0.4)	3.3
Operating Margin (%)	(17.0)	(38.1)	(0.7)	5.4
Pre-tax margin (%)	(17.0)	(38.1)	(0.7)	5.4
Net margin (%)	(16.5)	(38.0)	(0.6)	4.1

1. Jan-Mar 2011/15m May 2011 Results Highlight

Year-ended 31 May	**Jan-Mar 2011 RMm**	**15m May-11 RMm**
Revenue	14.1	70.2
Operating Profit	2.6	4.3
Finance costs	(0.7)	(3.3)
Pre-tax Profit/(Loss)	(0.1)	(31.9)
Net Profit/(Loss)	0.0	(31.8)
Operating Margin (%)	18.2	6.2
Pre-tax Margin (%)	(0.9)	(45.5)
Net-Margin (%)	0.0	(45.3)

- TMC Life's (TMC) Jan-Mar 2011 quarterly results were in line with our expectations. During the quarter, TMC changed its year-end from 31 Dec to 31 May. The first set of financial statements after the change will be for the 17-month period to 31 May 2011.
- On a YoY basis, the Jan-Mar 2011 quarter registered a 13.7% improvement in revenue whilst pre-tax losses narrowed from RM2.6m in Jan-Mar 2010 to RM0.1m in Jan-Mar 2011.
- The YoY revenue increase during Jan-Mar 2011 was due to growth in the group's hospital, which has since been operating with more comprehensive services. The absence of substantial write-offs and provisions in the Jan-Mar 2011 period contributed to sharply lower pre-tax losses during the quarter.
- With the change in top management, cleaning up of the group's balance sheet and stricter cost control, TMC is expected to turnaround in FY12.
- We value TMC at RM0.50 per share, based on an RNAV method in the absence of meaningful profits at this stage. In arriving at our RNAV estimate, we assumed a 17x PER on the group's profitable fertility operations (at a 10% discount to local and regional healthcare providers), added our estimated book value for the hospital and deducted the group's estimated net debt position. Our **HOLD** recommendation stays.

2. Key Investment Risks

Key investment risks for the stock include:

a) Slower economic growth due to inflationary pressures and global uncertainties, which would affect existing and potential patients' spending power on the group's fertility treatment services and private healthcare services;

b) Migration of key specialist doctors and medical support staff;

c) Rising cost of training and retaining key medical support staff;

d) Intense competition from other local and regional healthcare providers.

3. Recent Developments

On 18 Sep 2008, TMC entered into an MOU with Berjaya Corporation Berhad and Viet Ha Corporation to establish a formal relationship in order to jointly carry out activities relating to the design, construction, furnishing, equipping and operating of a hospital in or near Hanoi, Vietnam.

On 17 Sep 2009 the parties to the MOU mutually agreed to extend the duration of the MOU for a further period of 12 months from 17 Sep 2009 until 17 Sep 2010.

On 17 Sep 2010, TMC announced that the parties to the MOU have mutually extended the duration of the MOU for a further period of 12 months from 17 Sep 2010 until 17 Sep 2011.

On 20 Sep 2010, the group appointed Mr Francis Lim Poon Thoo as CEO. Mr Francis Lim was previously group executive director of Singapore listed healthcare group Health Management International Limited (Jul 2002 until May 2010) and executive director/CEO of Mahkota Medical Centre Sdn Bhd (Nov 1998 until May 2010)

On 30 Sep 2010, TMC announced the resignation of the following:

1) Mr Amos Siew Boon Yeong, executive director;
2) Dato' Wenddi Anne Chong Wai Yeng, executive director;
3) Dato' Robin Tan Yeong Ching, director; and
4) Yeoh Cheng Lee, alternate director.

On 1 Oct 2010, TMC announced the termination of Tropicana Wellness Sdn Bhd as the marketing agent of the Tropicana Wellness Programme, the group's subscription-based healthcare programme with effect from 21 Dec 2010. In the announcement, TMC indicated that the group will take over the marketing of the programme internally.

On 12 Jan 2011, TMC announced the appointment of the following:

1) Dr. Wong Chiang Yin, a Singaporean, as executive director.
   Dr. Wong was previously the CEO of Bright Vision Hospital, executive director at Pantai Holdings Berhad, COO at Changi General Hospital, and COO at Singapore General Hospital;
2) Dr. Lee G. Lam, a Canadian national, as non-executive director.
   Dr. Lam has over 28 years' experience in multinational general management, corporate governances, investment banking and direct investments. He is currently Chairman of Monte Jade Science and Technology Association of Hong Kong;
3) Gary Ho Kuat Fong, an Australian national, as non-executive director.
   Mr Ho is also a non-executive director of UPP Holdings Ltd.; and
4) Dr. Chan Boon Kheng, a Singaporean, as non-executive director.
   Dr. Chan was an advisor and interim group CEO of Pantai Holdings Berhad. He also served as an advisor to various healthcare companies including Mubadala Development Company based in Abu Dhabi and was CEO and general manager of East Shore Hospital in Singapore under Parkway Healthcare.

4. Earnings Outlook

With the change in major shareholders and top management in recent months, the immediate plan was to turn the group around after two consecutive years of losses on the back of spiralling operating expenses.

The new management team under new CEO, Francis Lim, has so far been successful in cleaning up the group's balance sheet with substantial write-offs and provisions (taken in 4Q10), and putting in place stricter cost controls.

Apart from slashing operating expenses, the new management team is also planning to boost the group's revenue base via the addition of new hospital beds and stepping up marketing efforts both locally and around the region, tapping into the Indonesian, Cambodian, Indian, and Indo-China markets.

With the successful fertility operations intact, the new management team is putting plans in place to grow the non-fertility businesses in areas such as its heart centre, renal work, orthopaedic, ENT and general surgery.

Our projections assume smaller losses at hospital services in FY12F, which we expect to be matched by contributions from the profitable fertility operations.

At the hospital services division, we have assumed higher floor space rental by the specialists and also higher average occupancy rates, on the assumption of increased patient visits as the group continues its marketing efforts via awareness programmes and talks, locally and overseas.

5. Valuation & Recommendation

We value TMC at RM0.50 per share, based on an RNAV method in the absence of meaningful profits at this stage. In arriving at our RNAV estimate, we assumed a 17x PER on the group's profitable fertility operations (at a 10% discount to local and regional healthcare providers), added our estimated book value for the hospital and deducted the group's estimated net debt position. Our **HOLD** recommendation is maintained.

Disclosures/Disclaimer

Investment ratings:
Buy (generally >10% upside over the next 12 months)
Hold (generally negative 10% downside to positive 10% upside over the next 12 months)
Sell (generally >10% downside over the next 12 months)

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