



TMC LIFE SCIENCES BERHAD
Company no. 624409-A
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FINANCIAL QUARTER ENDED
31 AUGUST 2016**

Contact

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TMC LIFE SCIENCES BERHAD (624409-A)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2016**

	Individual Quarter		15 months ended	
	Current Year Quarter	Preceding Year Quarter	Current Year To Date	Preceding Year Corresponding Period
	31/08/2016 RM'000	31/08/2015 RM'000	31/08/2016 RM'000	31/08/2015 RM'000
Revenue	33,805	30,074	161,507	133,260
Cost of sales	(11,630)	(10,443)	(55,740)	(47,201)
Gross profit	22,175	19,631	105,767	86,059
Other operating income	349	349	1,393	1,212
Operating expenses	(16,648)	(15,186)	(78,880)	(69,167)
Profit from operations	5,876	4,794	28,280	18,104
Depreciation	(2,441)	(2,253)	(11,739)	(10,517)
Interest income	2,014	1,834	9,526	5,486
Finance costs	(28)	(25)	(126)	(125)
Profit before taxation	5,421	4,350	25,941	12,948
Taxation	449	(1,456)	(5,176)	(131)
Profit after taxation	5,870	2,894	20,765	12,817
Other comprehensive income, net of tax :-				
Foreign currency translations	(6)	(28)	(46)	(23)
Total comprehensive income for the period	5,864	2,866	20,719	12,794
Profit attributable to :-				
Owners of the parent	5,870	2,894	20,765	12,817
Non-controlling interest	-	-	-	-
	5,870	2,894	20,765	12,817
Total comprehensive income attributable to :-				
Owners of the parent	5,864	2,866	20,719	12,794
Non-controlling interest	-	-	-	-
	5,864	2,866	20,719	12,794
Profit per ordinary share attributable to the owners of the parent (sen)				
Basic	0.34	0.26	1.22	1.16
Diluted	0.23	0.23	0.81	1.03

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2016**

	Attributable to owners of the parent						Total attributable to owners of the parent RM'000	Non- controlling interest RM'000	Total equity RM'000
	Non-distributable					Distributable			
	Share capital RM'000	Share premium RM'000	Warrants reserve RM'000	Foreign exchange translation RM'000	Share options reserve RM'000	Retained earnings RM'000			
Balance at 1 June 2015	119,952	180,104	-	85	-	1,568	301,709	-	301,709
Total comprehensive income	-	-	-	(46)	-	20,765	20,719	-	20,719
Transaction with owners									
Ordinary shares issued									
- acquisition of a subsidiary	53,333	313,627	-	-	-	-	366,960	-	366,960
- ESOS	5	34	-	-	(5)	-	34	-	34
Share issuance expenses	-	(1,364)	-	-	-	-	(1,364)	-	(1,364)
Share options granted under ESOS	-	-	-	-	1,694	-	1,694	-	1,694
Dividend paid	-	-	-	-	-	(2,425)	(2,425)	-	(2,425)
Balance at 31 August 2016	173,290	492,401	-	39	1,689	19,908	687,327	-	687,327
Balance at 1 June 2014	80,237	33,159	28,083	80	-	(6,169)	135,390	-	135,390
Total comprehensive income	-	-	-	5	-	9,923	9,928	-	9,928
Transaction with owners									
Ordinary shares issued									
pursuant to warrants exercised	39,715	119,144	-	-	-	-	158,859	-	158,859
Warrants exercised and expiry of unexercised warrants	-	27,801	(28,083)	-	-	282	-	-	-
Dividend paid	-	-	-	-	-	(2,468)	(2,468)	-	(2,468)
Balance at 31 May 2015	119,952	180,104	-	85	-	1,568	301,709	-	301,709

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 May 2015 and the accompanying explanatory notes attached to the interim financial statements.

TMC LIFE SCIENCES BERHAD (624409-A)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2016**

	As At 31/08/2016 Unaudited RM'000	As At 31/05/2015 Audited RM'000
Non-current assets		
Property, plant and equipment	322,537	113,242
Goodwill	193,045	-
Total non-current assets	515,582	113,242
Current assets		
Inventories	6,867	6,512
Trade and other receivables	30,644	28,125
Current tax assets	47	173
Cash and bank balances	204,558	191,634
Total current assets	242,116	226,444
TOTAL ASSETS	757,698	339,686
Equity attributable to owners of the parent		
Share capital	173,290	119,952
Retained earnings	19,908	1,568
Reserves	494,129	180,189
	687,327	301,709
Non-controlling interest	-	-
TOTAL EQUITY	687,327	301,709
Non-current liabilities		
Borrowings	1,804	1,899
Deferred tax liabilities	11,096	805
Total non-current liabilities	12,900	2,704
Current liabilities		
Trade and other payables	56,316	35,158
Borrowings	85	81
Current tax liabilities	1,070	34
Total current liabilities	57,471	35,273
TOTAL EQUITY AND LIABILITIES	757,698	339,686
Net assets per share (RM)	0.40	0.25

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 May 2015 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2016**

	Current Year To Date 31/08/2016 RM'000	Preceding Year Corresponding Period 31/08/2015 RM'000
Cash flows from operating activities		
Profit before tax	25,941	12,948
Adjustments for :-		
Non-cash items	14,329	11,212
Interest paid	126	125
Interest income	(9,526)	(5,486)
Operating profit before changes in working capital	<u>30,870</u>	<u>18,799</u>
Changes in working capital		
Net change in current assets	(3,933)	(16,185)
Net change in current liabilities	21,282	10,531
Cash flows from operating activities	<u>48,219</u>	<u>13,145</u>
Interest paid	(126)	(125)
Net income tax paid	(898)	(963)
Net cash flows from operating activities	<u>47,195</u>	<u>12,057</u>
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(41,043)	(13,351)
Proceeds from disposal of property, plant and equipment	25	8
Acquisition of:		
subsidiaries for shares, net of cash acquired	1,149	985
Deposits placed with financial institutions		
with original maturity of more than three (3) months	(104,654)	(50,767)
Placement of deposits pledged with a licensed bank	(4)	(510)
Interest received	9,526	5,486
	<u>(135,001)</u>	<u>(58,149)</u>
Cash flows used in financing activities		
Proceeds from issuance of ordinary shares pursuant to:		
- Warrants exercised	-	158,859
- ESOS	34	-
Share issuance expenses	(1,364)	-
Dividend paid	(2,426)	(2,468)
Repayment of term loans	(66)	(67)
Repayment of hire purchase	(25)	(24)
	<u>(3,847)</u>	<u>156,300</u>
Net change in cash & cash equivalents	<u>(91,653)</u>	<u>110,208</u>
Cash & cash equivalents at beginning of the financial period	141,605	32,567
Exchange rate effects	(81)	(50)
Cash & cash equivalents at end of the financial period	<u>49,871</u>	<u>142,725</u>
Cash & cash equivalents at end of the financial period		
Short term deposits (not more than 3 months)	28,867	133,948
Cash and bank balances	21,515	9,286
	<u>50,382</u>	<u>143,234</u>
Less: Deposits pledged to a licensed bank	(511)	(509)
	<u>49,871</u>	<u>142,725</u>

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2016**

**A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARD ("MFRS")**

A1 BASIS OF PREPARATION

The interim financial report is not audited and has been prepared in compliance with Malaysian Financial Reporting Standards ("MFRS") 134 - Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 May 2015. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant for understanding the changes in the financial position of the Group since the financial year ended 31 May 2015, and changes in financial performance since the preceeding year corresponding period, following the change of financial year end.

The accounting policies and methods of computations used in the preparation of the financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 May 2015.

The Group has not early adopted new or revised standards and amendments to standards that have been issued but not yet effective for the Group's accounting period beginning 1 June 2015.

The adoption and application of the amendments to MFRSs and IC Interpretations are not expected to have any significant financial impact to the financial statements of the Group.

A2 SEASONALITY OR CYCLICALITY OF OPERATIONS

The Group business is generally affected by festive periods and school holidays where lower patient load is expected.

A3 UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no material items or events that arose, which affected assets, liabilities, equity, net income or cash flows that are unusual by reasons of their nature, size or incidence.

A4 CHANGE IN ESTIMATES

There were no material changes in the nature and amount of estimates reported that have a material effect in the current financial quarter under review.

A5 ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities in the current financial quarter under review other than the following:

- (a) Issuance of 33,000 new ordinary shares of RM0.10 each under the Employees' Share Option Scheme at an issue price of RM0.75.

A6 DIVIDENDS PAID

During the financial period ended 31 August 2016, the Company paid the final single tier dividend of 0.14 sen per ordinary share on 1,732,854,769 ordinary shares, amounting RM2,425,996 in respect of the financial year ended 31 May 2015.

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A7 SEGMENTAL INFORMATION

The Group operates mainly in Malaysia and is involved in the healthcare sector which includes providing specialist healthcare services in its multi disciplinary tertiary hospital.

A8 MATERIAL EVENT SUBSEQUENT TO THE END OF THE INTERIM REPORTING PERIOD

There were no material event subsequent to 31 August 2016 and up to the date of this report that would likely affect substantially the results of the operations of the Group .

A9 CHANGES IN THE COMPOSITION OF THE GROUP

- (a) On 23 June 2015 ("Acquisition Date"), the Company completed the acquisition of 100% equity interest in BB Waterfront for a purchase consideration of RM366,960,000 to be satisfied via the issuance of 533,333,333 new ordinary shares of RM0.10 each in TMC ("Shares" or "TMC shares") ("Consideration Shares") at an issue price of RM0.60 per share, together with 266,666,666 free detachable warrants ("Consideration Warrants") on the basis of one (1) consideration warrant for every two (2) consideration shares. The shares consideration was based on the fair value of RM0.60 per ordinary share of the Company, which represents the last traded market price at Acquisition Date and also the fair value of RM0.18 per warrant of the Company.

The fair value of the identifiable assets and liabilities of BB Waterfront as at the date of acquisition are as follows:

	RM'000
Property, plant and equipment	180,000
Other receivables	1
Cash and bank balances	1,149
Deferred tax liabilities	(7,177)
Other payables	(58)
Total identifiable net assets	<u>173,915</u>

- (b) On 18 March 2016, a wholly-owned subsidiary of the Company, TMC Care Sdn. Bhd. ("TMC Care") was incorporated. The authorised share capital of TMC Care is RM400,000 divided into 400,000 ordinary shares of RM1.00 each with a total issued and paid-up share capital of RM1,000 comprising 1,000 ordinary shares of RM1.00 each. The intended business activities of TMC Care are carrying on retail business of healthcare products. TMC Care pharmacy was opened in Johor Bahru on 19 July 2016.

The aforesaid incorporation would not have a material effect on the Group's earnings and net assets for the financial period ending 31 August 2016.

A10 CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The Company has provided corporate guarantees to licensed financial institutions for banking facilities and suppliers amounting to RM2.1 million and RM2.4 million, respectively. The guarantees were granted for the benefit of the Company's subsidiaries. Arising from this, the Company is contingently liable for the amount utilised by its subsidiaries of approximately RM3.9 million as at 31 August 2016.

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A11 CAPITAL COMMITMENTS

The amount of commitments for capital expenditure as at 31 August 2016 is as follows:

	0/01/1900	31/05/2015
	RM'000	RM'000
Approved and contracted for	46,013	3,651
Approved but not contracted for	2,092	3,915
	<u>48,105</u>	<u>7,566</u>

A12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions between the Group and the companies ultimately controlled by a substantial shareholder are as follows:

	15 months ended
	0/01/1900
	RM'000
(a) Consultancy fees payable to Thomson International Health Services Pte Ltd ("TIHS")	6,132
(b) Professional fees paid to RSP Architects Planners & Engineers (Pte) Ltd ("RSP")	<u>10,048</u>

The consultancy fees payable to TIHS above remained outstanding at 31 August 2016.

A13 CHANGE OF FINANCIAL YEAR END

The Company had changed the financial year end of the Company from 31 May 2016 to 31 August 2016. Thereafter, the Company's financial year shall be fixed on 31 August for each subsequent year.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2016**

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)

B1 REVIEW OF THE PERFORMANCE OF THE GROUP

Analysis of performance

Review of results for the quarter

	3 months ended	
	31/08/2016 RM'000	31/08/2015 RM'000
Revenue	33,805	30,074
Profit before taxation	5,421	4,350

The Company's financial year-end was changed to 31 August from 31 May with effect from Financial Year (FY) 2016. For FY2016, the full-year results will therefore cover the 15 months from 1 June 2015 to 31 August 2016.

The Group recorded revenue of RM33.8 million and profit before taxation of RM5.4 million for the quarter ended 31 August 2016, a growth of 12% and 25% respectively compared to quarter ended 31 August 2015. Higher growth rate in profit before taxation compared to revenue is mainly due to interest income during the current quarter and higher corporate exercise cost of RM0.5 million in quarter ended 31 August 2015.

Review of results for the financial period

	15 months ended	
	31/08/2016 RM'000	31/08/2015 RM'000
Revenue	161,507	133,260
Profit before taxation	25,941	12,948

For the current 15 months financial period ended 31 August 2016, the Group recorded revenue of RM161.5 million and profit before taxation of RM25.9 million, a growth of 21% and 100% respectively compared to the 15 months financial period ended 31 August 2015. Higher growth rate in profit before taxation compared to revenue is mainly due to interest income during the current financial period, corporate exercise cost of RM2.5 million in 15 months financial period ended 31 August 2015, and resource optimisation during the current 15 months financial period ended 31 August 2016. Excluding fair value charges on ESOS of RM1.7 million and non-claimable GST of RM3.5 million, the Group will record higher EBITDA margin of 21% from the current EBITDA margin of 18% for the current financial period ended 31 August 2016.

Material factors affecting the earnings and / or revenue of the Group

The material factors that affect the earnings and / or revenue of the Group are the successful recruitment of doctors practicing in our facilities, additional services offered by the Group and higher intensity cases handled.

B2 MATERIAL CHANGE IN PROFIT BEFORE TAX AS COMPARED WITH IMMEDIATE PRECEDING QUARTER

	3 months ended	
	31/08/2016 RM'000	31/05/2016 RM'000
Revenue	33,805	34,910
Profit before taxation	5,421	6,433

Compared with the immediate preceding quarter ended 31 May 2016, revenue for the quarter ended 31 Aug 2016 was lower by 3% to RM33.8 million while profit before taxation was lower by 15% to RM5.4 million. The lower revenue and profit before taxation for the quarter ended 31 Aug 2016 was mainly due to the confluence of the Hari Raya, National Day and school holidays that resulted in overall lower patient load, and higher one-off spending on repair and restoration of medical and other operational equipment.

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B3 PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 AUGUST 2017

While the growth outlook for the global economy remains relatively muted, the prospects for the private healthcare sector in Malaysia and Asia remain positive, driven by demographic and lifestyle changes, and growing middle class affluence. The Malaysian Government's push to promote medical tourism is also helping to drive growth in the private healthcare sector. The Group remains committed to its expansion plans in Malaysia to serve this growing demand for high quality private healthcare. Our first stand-alone TMC Care Pharmacy opened in Johor Bahru on 19 July 2016 and a new TMC Fertility Centre branch will commence operations in Ipoh in November 2016. The Group's two major expansion projects at Kota Damansara and Iskandariah Hospital in Johor Bahru are in the midst of obtaining regulatory approvals for construction.

B4 VARIANCE ON PROFIT FORECAST/PROFIT GUARANTEE

There is no profit forecast or profit guarantee for the financial period ended 31 August 2016.

B5 TAXATION

	Current quarter RM'000	15 months ended 31/08/2016 RM'000
In respect of current financial period		
- income taxation	592	2,034
- deferred taxation	(484)	3,668
	<u>108</u>	<u>5,702</u>
(Over)/Under provision in respect of prior period		
- income taxation	(5)	26
- deferred taxation	(552)	(552)
	<u>(557)</u>	<u>(526)</u>
	<u>(449)</u>	<u>5,176</u>

The effective tax rate of the Group's current tax charge for the current period under review was lower than the statutory tax rate mainly due to the utilisation of previous years' tax losses coupled with the tax exemption pursuant to the BioNexus incentive enjoyed by a subsidiary.

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B6 STATUS OF CORPORATE PROPOSAL

There are no corporate proposals announced but not completed as at 20 October 2016, being the latest practicable date which shall not be earlier than 7 days from the date of this quarterly report.

B7 BORROWINGS

The Group's borrowings as at 31 August 2016 are as follows:-

	Long Term RM'000	Short Term RM'000	Total RM'000
Secured - Denominated in Ringgit Malaysia	1,804	85	1,889

B8 MATERIAL LITIGATION

There was no material litigation as at the date of this report.

B9 DIVIDENDS

Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the Board recommended a single tier final dividend of 1.54% for the financial year ended 31 August 2016 (previous financial year ended 31 May 2015 - 1.4%). The net amount payable is RM2.7 million (previous financial year ended 31 May 2015: RM2.4 million). The Group has changed the financial year end from 31 May to 31 August on 1 October 2015.

The entitlement and payment dates for the final dividend will be announced at a later date.

B10 EARNINGS PER SHARE (EPS)

	Individual Quarter		15 months ended	
	31/08/2016	31/08/2015	31/08/2016	31/08/2015
(a) Basic EPS				
Net profit attributable to owners of the parent (RM'000)	5,870	2,894	20,765	12,817
Weighted average number of ordinary shares outstanding ('000)	1,707,184	1,108,687	1,707,184	1,108,687
EPS (sen)				
- Basic	0.34	0.26	1.22	1.16
(b) Diluted EPS				
Net profit attributable to owners of the parent (RM'000)	5,870	2,894	20,765	12,817
Weighted average number of ordinary shares outstanding ('000)	1,707,184	1,108,687	1,707,184	1,108,687
Effect of dilution ('000)	846,470	131,184	846,470	131,184
Adjusted weighted average number of shares ('000)	2,553,654	1,239,871	2,553,654	1,239,871
Diluted EPS (sen)				
- Diluted	0.23	0.23	0.81	1.03

Diluted EPS is calculated by dividing the profit attributable to owners of the parent by the weighted average of ordinary shares outstanding during the financial period, adjusted to assume the conversion of dilutive potential ordinary shares.

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B11 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements was unqualified.

B12 NOTE TO STATEMENT OF COMPREHENSIVE INCOME

	Current quarter RM'000	15 months ended 31/08/2016 RM'000
Interest income	2,014	9,526
Other operating income excluding interest income	349	1,393
Interest expense	(28)	(126)
Depreciation	(2,441)	(11,739)
Impairment losses on receivables	(210)	(1,059)
Fair value charges on share options granted under ESOS	(218)	(1,694)
Foreign exchange gain	145	153
	<u>145</u>	<u>153</u>

B13 REALISED AND UNREALISED PROFITS/(LOSSES)

	31/08/2016 RM'000	31/05/2015 RM'000 (Audited)
Total retained earnings:		
- realised	30,845	2,374
- unrealised	(10,937)	(806)
As at 31 August 2016 / 31 May 2015	<u>19,908</u>	<u>1,568</u>

B14 AUTHORISED FOR ISSUE

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 October 2016.