TMC LIFE SCIENCES BERHAD

200301021989 (624409-A)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
30 June 2020

200301021989 (624409-A)

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Contents

TMC Life Sciences Berhad
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Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial period from 1 September 2019 to 30 June 2020.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

Holding companies

The immediate, penultimate and ultimate holding companies are Sasteria (M) Pte. Ltd., Sasteria Pte. Ltd. and Thomson Medical Group Limited respectively, all of which are incorporated in The Republic of Singapore. The ultimate holding company is listed on the Main Board of Singapore Exchange Securities Trading Limited.

Results

	Group RM'000	Company RM'000
Profit for the financial period, attributable to owners of the parent	13,275	2,319

There were no material transfers to or from reserves or provisions during the financial period other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature.

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Dividend

Dividend paid by the Company since 31 August 2019 was as follows:

	RM'000
In respect of the financial year ended 31 August 2019 as reported in the Directors' report of that year:	
First and final single-tier dividend of 0.2013 sen per ordinary share paid on 25 March 2020	3,506

A first and final single-tier dividend in respect of the financial period ended 30 June 2020, of 0.1678 sen per ordinary share had been declared on 25 August 2020. The financial statements for the current financial period do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the following financial year end.

Directors

The names of the Directors of the Company in office since the beginning of the financial period to the date of this report are:

Professor Emeritus Dato’ Dr. Khalid Bin Abdul Kadir*
Gary Ho Kuat Foong
Claire Lee Suk Leng
Kan Kheong Ng*
Wan Nadiah Binti Wan Mohd Abdullah Yaakob*
Dato' Sri Mohd Mokhtar Bin Mohd Shariff
Dr. Lam Lee G
Wilson Sam (alternate Director to Kan Kheong Ng)

* These Directors are also Directors of certain subsidiaries of the Company.

The name of the Director of the Company's subsidiaries in office since the beginning of the financial period to the date of this report, not including those Directors listed above is Wong Yu Chee.

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Directors' benefits

Neither at the end of the financial period, nor at any time during that financial period, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Company's Employees' Share Options Scheme ("ESOS").

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits are as follows:

	Group RM'000	Company RM'000
Salaries, fees and bonuses	1,407	245
Estimated monetary value of benefits-in-kind	384	119
	1,791	364

The Company maintains a liability insurance for the Directors and Officers of the Group. The total amount of sum insured for Directors and Officers of the Group for the financial period amounted to RM15,000,000. The amount of insurance premium effected to indemnify Directors for the financial period was RM14,850.

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Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial period in ordinary shares and options over ordinary shares in the Company during the financial period were as follows:

	Number of ordinary shares			
	1.9.2019	**Bought**	**Sold**	**30.6.2020**
Direct interest:				
Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir	500,000	-	-	500,000
Deemed interest:				
Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir	200,000	-	-	200,000

		Number of options over ordinary shares				
	Option price RM	**1.9.2019**	**Granted**	**Exercised**	**Lapsed**	**30.6.2020**
Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir	0.75	3,500,000	-	-	-	3,500,000
Gary Ho Kuat Foong	0.75	2,000,000	-	-	-	2,000,000
Claire Lee Suk Leng	0.75	2,000,000	-	-	-	2,000,000
Kan Kheong Ng	0.94	2,000,000	-	-	-	2,000,000
Wan Nadiah Binti Wan Mohd Abdullah Yaakob	0.94	2,000,000	-	-	-	2,000,000

None of the other Directors in office at the end of the financial period had any interest in shares in the Company or its related corporations during the financial period.

Issues of shares

The Company has not issued any new shares or debentures during the financial period.

Employees' share options scheme ("ESOS")

The Company has an ESOS plan for the granting of non-transferable options that are to be settled by physical delivery of the ordinary shares of the Company to eligible Directors and employees.

The salient features and other terms of the ESOS plan are disclosed in Note 25(b) to the financial statements.

On 28 April 2020, the Company resolved to extend the duration of the exercisable of unexercised ESOS shares, expiring on 28 May 2020 for another 5 years to 28 May 2025 in accordance with the provisions of the ESOS By-Laws.

The details of the options over the ordinary shares of the Company are as follows:

		[---------------- Number of options over ordinary shares ----------------]					Exercisable
	Option price	**1.9.2019**	**Granted**	**Exercised**	**Lapsed**	**30.6.2020**	**30.6.2020**
	RM	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**
Grant date							
11 June 2015	0.75	9,500	-	-	(2,000)	7,500	7,500
28 August 2015	0.75	5,312	-	-	(246)	5,066	5,066
25 January 2017	0.94	3,550	-	-	-	3,550	3,550
19 December 2017	0.94	-	-	-	-	-	-
26 September 2018	0.94	2,000	-	-	-	2,000	2,000
		20,362	-	-	(2,246)	18,116	18,116

Details of options granted to Directors are disclosed in the section on Directors' interests in this report.

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Warrants 2015/2019

The salient features and other terms of the warrants are disclosed in Note 24(a) to the financial statements.

Details of the warrants exercised/lapsed in the previous financial year are as follow:

	Number of warrants	
	30.6.2020	**31.8.2019**
	'000	**'000**
At the beginning of financial period/year	-	866,344
Less: Exercised	-	(5,432)
Less: Lapsed	-	(860,912)
At the end of financial period/year	-	-

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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Other statutory information (contd.)

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial period.

(f) In the opinion of the Directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial period in which this report is made.

Significant event

Details of a significant event are disclosed in Note 33 to the financial statements.

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Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young PLT	175	46

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been paid to indemnify Ernst & Young PLT for the financial period ended 30 June 2020.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 August 2020.

Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir	Wan Nadiah Binti Wan Mohd Abdullah Yaakob

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Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir and Wan Nadiah Binti Wan Mohd Abdullah Yaakob, being two of the Directors of TMC Life Sciences Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 18 to 104 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of their financial performance and cash flows for the financial period then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 August 2020.

Professor Emeritus Dato'
Dr. Khalid Bin Abdul Kadir

Wan Nadiah Binti Wan Mohd
Abdullah Yaakob

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Wong Yu Chee, being the Officer primarily responsible for the financial management of TMC Life Sciences Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 18 to 104 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Wong Yu Chee
at Petaling Jaya
on 25 August 2020

Wong Yu Chee
MIA 16689

Before me,

Wong Kai Fen (No: B456)
Commissioner for Oath

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Independent auditors' report to the members of
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Report on the audit of the financial statements

Opinion

We have audited the financial statements of TMC Life Sciences Berhad, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 104.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (''By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) (''IESBA Code''), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Independent auditors' report to the members of
TMC Life Sciences Berhad (contd.)
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Report on the audit of the financial statements (contd.)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial period. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

(A) Revenue recognition - hospital division

(Refer to Notes 2.18 and 4 to the financial statements)

During the financial period ended 30 June 2020, the Group had recognised a total revenue of RM139 million from the hospital division, which represents about 91% of the Group's total revenue.

Given the nature of the hospital operations and that the Group relies heavily on information technology system in accounting for its revenue, where such information technology system processes large volumes of data for numerous types of products and services which consist of individually low value transactions, we assessed the risk of material misstatement in respect of revenue recognition to be higher and therefore identified it as an area of focus. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

In addressing this area of focus, we performed, amongst others, the following procedures:

- We obtained an understanding of the management's internal controls over the timing and amount of revenue recognised;
- We involved our information technology specialist to test the operating effectiveness of automated controls over the billing system;
- We tested the non-automated controls in place to ensure completeness and accuracy of revenue recognised, including timely updating of approved billing rate changes in the system and the data interface between the billing system and the general ledger;
- We inspected samples of documents which evidenced the rendering of services and sales of products to customers;
- We inspected samples of documents to establish whether transactions were recorded in the correct accounting period; and
- Using data analytics, we performed correlation analysis between revenue, trade receivables and cash and bank balances.

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

(B) Impairment assessment of goodwill

(Refer to Notes 3.2(a) and 14(a) to the financial statements)

As at 30 June 2020, the carrying amount of goodwill recognised by the Group amounted to RM193 million, representing 25% and 20% of the Group's total non-current assets and total assets respectively. This goodwill relates to a subsidiary principally engaged in healthcare services. The Group is required to perform annual impairment assessment of the cash generating units ("CGU") or groups of CGUs to which this goodwill has been allocated.

The Group estimated the recoverable amount of its CGU to which the goodwill is allocated based on value-in-use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows to be derived from the CGU and discounting it at an appropriate discount rate.

We identified this as our area of audit focus due to the significance of the amount, the complexity and the significant judgement involved in determining the recoverable amount of the CGU using a discounted cash flow approach. Specifically, we focused on the evaluation of the assumptions on revenue growth rate, terminal growth rate and discount rate.

In addressing this area of focus, we performed, amongst others, the following procedures:

- We obtained an understanding of the relevant internal controls over estimating the recoverable amount of the CGUs;

- We evaluated the management's key assumptions on revenue growth rate and terminal growth rate, by taking into consideration the current and expected future economic conditions. We also compared these key assumptions against past actual outcomes of another subsidiary of the Group which operates in similar activity; and

- Together with EY valuation specialist, we evaluated the appropriateness of the discount rate used to determine the present value of the cash flows and assessed whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the CGU.

We also evaluated the adequacy of the Group's disclosures of each key assumption on which the Group has based its cash flow projections. Key assumptions are those to which the recoverable amount is most sensitive, as disclosed in Note 14(a) to the financial statements.

Independent auditors’ report to the members of
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Report on the audit of the financial statements (contd.)

Information other than the financial statements and auditors’ report thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors’ report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditors’ report to the members of
TMC Life Sciences Berhad (contd.)
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Report on the audit of the financial statements (contd.)

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company’s internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern;

Independent auditors’ report to the members of
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Report on the audit of the financial statements (contd.)

Auditors’ responsibilities for the audit of the financial statements (contd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (contd.):

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditors' report to the members of
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Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 15 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT	Ng Kim Ling
202006000003 (LLP0022760-LCA) & AF 0039	No. 03236/04/2022 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
25 August 2020

TMC Life Sciences Berhad
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Statements of comprehensive income
For the financial period from 1 September 2019 to 30 June 2020

		Group		Company	
	Note	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000
Revenue	4	153,406	194,978	3,000	1,500
Other income	5	1,401	866	-	-
Inventories and consumables		(49,637)	(57,376)	-	-
Staff costs	8	(55,406)	(62,931)	(32)	(76)
Other operating expenses		(24,540)	(33,487)	(2,742)	(3,232)
Depreciation and amortisation		(9,944)	(11,207)	-	-
Interest income		3,462	7,393	2,590	6,113
Finance costs	6	(322)	(85)	-	-
Profit before tax	7	18,420	38,151	2,816	4,305
Income tax expense	10	(5,145)	(17,232)	(497)	(1,208)
Profit for the financial period/year		13,275	20,919	2,319	3,097
Other comprehensive loss that may reclassify to profit or loss in subsequent periods (net of tax):					
Foreign currency translation		(1)	(3)	-	-
Total comprehensive income for the financial period/year		13,274	20,916	2,319	3,097
Profit attributable to owners of the parent		13,275	20,919	2,319	3,097
Total comprehensive income for the financial period/year attributable to owners of the parent		13,274	20,916	2,319	3,097
Earnings per share unit attributable to owners of the parent (sen):					
Basic	11	0.76	1.20		
Diluted	11	0.76	1.20		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Statements of financial position
As at 30 June 2020

		Group		Company	
	Note	30.6.2020 RM'000	31.8.2019 RM'000	30.6.2020 RM'000	31.8.2019 RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	569,606	421,012	-	-
Intangible assets	14	194,949	195,440	-	-
Investment in subsidiaries	15	-	-	532,230	484,199
		764,555	616,452	532,230	484,199
Current assets					
Inventories	16	11,465	10,830	-	-
Trade and other receivables	17	25,906	33,965	89,362	58,751
Tax recoverable		12,058	7,544	254	-
Cash and bank balances	18	136,456	179,725	59,056	138,624
		185,885	232,064	148,672	197,375
Total assets		950,440	848,516	680,902	681,574
Current liabilities					
Trade and other payables	19	68,002	64,790	1,424	985
Borrowings	20	1,606	88	-	-
Provision	21	278	265	-	-
Income tax payable		1	132	-	38
		69,887	65,275	1,424	1,023
Net current assets		115,998	166,789	147,248	196,352
Non-current liabilities					
Borrowings	20	86,794	1,542	-	-
Provision	21	42	55	-	-
Deferred tax liabilities	23	21,599	19,408	-	-
		108,435	21,005	-	-
Total liabilities		178,322	86,280	1,424	1,023
Net assets		772,118	762,236	679,478	680,551

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Statements of financial position
As at 30 June 2020 (contd.)

		Group		Company	
	Note	**30.6.2020 RM'000**	**31.8.2019 RM'000**	**30.6.2020 RM'000**	**31.8.2019 RM'000**
Represented by:					
Equity attributable to owners of the parent					
Share capital	24	625,986	625,986	625,986	625,986
Reserves	25	3,496	3,383	3,466	3,352
Retained profits	26	142,636	132,867	50,026	51,213
Total equity		772,118	762,236	679,478	680,551

The accompanying accounting policies and explanatory notes form an integral part of the financial statement.

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Consolidated statement of changes in equity
For the financial period from 1 September 2019 to 30 June 2020

		<---- Attributable to owners of the parent ---->				
			<--- Non-distributable --->		<- Distributable ->	
	Note	Share capital RM'000	Share options reserve RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000
Group						
At 1 September 2019		625,986	3,352	31	132,867	762,236
Profit for the financial period		-	-	-	13,275	13,275
Other comprehensive loss		-	-	(1)	-	(1)
Total comprehensive income for the financial period		-	-	(1)	13,275	13,274
Transactions with owners						
Fair value charges on share options granted under ESOS		-	114	-	-	114
Dividend on ordinary shares	12	-	-	-	(3,506)	(3,506)
Total transactions with owners		-	114	-	(3,506)	(3,392)
At 30 June 2020		625,986	3,466	30	142,636	772,118

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TMC Life Sciences Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the financial period from 1 September 2019 to 30 June 2020

		<--- Attributable to owners of the parent					--->
			<--- Non-distributable		--->	<- Distributable ->	
	Note	**Share capital RM'000**	**Warrants reserve RM'000**	**Share options reserve RM'000**	**Foreign currency translation reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
Group							
At 1 September 2018		621,912	46,960	3,169	34	68,165	740,240
Profit for the financial year		-	-	-	-	20,919	20,919
Other comprehensive income		-	-	-	(3)	-	(3)
Total comprehensive income for the financial year		-	-	-	(3)	20,919	20,916
Transactions with owners							
Issue of ordinary shares pursuant to ESOS		4,074	-	-	-	-	4,074
Fair value charges on share options granted under ESOS		-	-	183	-	-	183
Warrants expired transfer to retained profits		-	(46,960)	-	-	46,960	-
Dividend on ordinary shares	12	-	-	-	-	(3,177)	(3,177)
Total transactions with owners		4,074	(46,960)	183	-	43,783	1,080
At 31 August 2019		625,986	-	3,352	31	132,867	762,236

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

200301021989 (624409-A)

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Company statement of changes in equity
For the financial period from 1 September 2019 to 30 June 2020

		<------------- Attributable to owners of the parent		------------->	
			Non-distributable	Distributable	
	Note	Share capital RM'000	Share options reserve RM'000	Retained profits RM'000	Total RM'000
Company					
At 1 September 2019		625,986	3,352	51,213	680,551
Profit for the financial period, representing total comprehensive income for the financial period		-	-	2,319	2,319
Transactions with owners					
Fair value charges on share options granted under ESOS		-	114	-	114
Dividend on ordinary shares	12	-	-	(3,506)	(3,506)
Total transactions with owners		-	114	(3,506)	(3,392)
At 30 June 2020		625,986	3,466	50,026	679,478

200301021989 (624409-A)

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Company statement of changes in equity
For the financial period from 1 September 2019 to 30 June 2020

	Note	Share capital RM'000	Warrants reserve RM'000	Share options reserve RM'000	Retained profits RM'000	Total RM'000
		<-------------------- Attributable to owners of the parent			------------------>	
			<--- Non-distributable	--->	<- Distributable ->	
Company						
At 1 September 2018		621,912	46,960	3,169	4,333	676,374
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	3,097	3,097
Transactions with owners						
Ordinary shares issued pursuant to ESOS		4,074	-	-	-	4,074
Fair value charges on share options granted under ESOS		-	-	183	-	183
Warrants expired transfer to retained profits		-	(46,960)	-	46,960	-
Dividend on ordinary shares	12	-	-	-	(3,177)	(3,177)
Total transactions with owners		4,074	(46,960)	183	43,783	1,080
At 31 August 2019		625,986	-	3,352	51,213	680,551

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial period from 1 September 2019 to 30 June 2020

	Group		Company	
	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000
Operating activities				
Profit before tax	18,420	38,151	2,816	4,305
Adjustments for:				
Allowance for expected credit losses:				
- trade receivables	500	600	-	-
- other receivables	-	-	1,156	1,565
Amortisation of intangible assets	697	739	-	-
Property, plant and equipment:				
- Depreciation	9,247	10,468	-	-
- Written off	9	-	-	-
- Net (gain)/loss on disposal	(4)	58	-	-
Interest expense	322	85	-	-
Interest income	(3,462)	(7,393)	(2,590)	(6,113)
Dividend income	-	-	(3,000)	(1,500)
Rental concessions	(223)	-	-	-
Fair value charges on share options granted under ESOS	114	183	83	157
Operating profit/(loss) before changes in working capital carried forward	25,620	42,891	(1,535)	(1,586)

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial period from 1 September 2019 to 30 June 2020 (contd.)

	Group		Company	
	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000
Operating activities (contd.)				
Operating profit/(loss) before changes in working capital brought forward	25,620	42,891	(1,535)	(1,586)
Changes in working capital:				
Inventories	(635)	(891)	-	-
Receivables	7,559	(3,741)	(79,767)	(29,810)
Payables	(10,014)	2,786	439	(1,129)
Cash flows from/(used in) operation	22,530	41,045	(80,863)	(32,525)
Interest paid	(312)	(85)	-	-
Income taxes paid	(7,599)	(10,769)	(789)	(1,102)
Net cash flows from/(used in) operating activities	14,619	30,191	(81,652)	(33,627)
Investing activities				
Uplift of deposits placed with financial institutions with original maturity of more than three months	38,451	63,542	26,882	64,032
Interest received	3,462	7,393	2,590	6,113
Proceeds from disposals of property, plant and equipment	5	-	-	-
Purchase of property, plant and equipment	(136,353)	(61,233)	-	-
Purchase of intangible assets	(206)	(281)	-	-
Dividend from a subsidiary	-	-	3,000	1,500
Net cash flows (used in)/from investing activities	(94,641)	9,421	32,472	71,645

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial period from 1 September 2019 to 30 June 2020 (contd.)

	Group		Company	
	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000
Financing activities				
Dividends paid	(3,506)	(3,177)	(3,506)	(3,177)
Proceeds from ordinary shares issued pursuant to warrants exercised	-	4,074	-	4,074
Net drawdown of term loan	80,062	-	-	-
Repayments of:				
- lease liabilites	(1,286)	-	-	-
- finance lease obligation	(12)	(23)	-	-
- term loan	(52)	(65)	-	-
Net cash flows from/(used in) financing activities	75,206	809	(3,506)	897
Net changes in cash and cash equivalents	(4,816)	40,421	(52,686)	38,915
Effects of exchange rate changes	(2)	(3)	-	-
Cash and cash equivalents at the beginning of financial period/year	101,515	61,097	74,130	35,215
Cash and cash equivalents at the end of financial period/year (Note 18)	96,697	101,515	21,444	74,130

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

TMC Life Sciences Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office of the Company is located at 7th Floor, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur. The principal place of business of the Company is located at C-13-09 Sunway Nexis, No.1, Jalan PJU 5/1, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

The immediate, penultimate and ultimate holding companies are Sasteria (M) Pte. Ltd., Sasteria Pte. Ltd. and Thomson Medical Group Limited respectively, all of which are incorporated in The Republic of Singapore. The ultimate holding company is listed on the Main Board of Singapore Exchange Securities Trading Limited.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

During the current financial period, the Company changed its financial year end from 31 August to 30 June. The current financial statements of the Group and of the Company are prepared for the period of ten (10) months from 1 September 2019 to 30 June 2020. As a result, the comparative information stated in the statements of comprehensive income, statements of changes in equity and statements of cash flows and the related notes to the financial statements, which were prepared for a twelve (12) month-period ended 31 August 2019, are not comparable.

There have been no significant changes in the nature of these activities during the financial period ended.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 August 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 (the "Act") in Malaysia. At the beginning of the current financial period, the Group and the Company adopted new and amended MFRSs which are mandatory for annual financial periods beginning on or after 1 January 2019 as described fully in Note 2.2.

The financial statements have been prepared on the historical cost basis except otherwise disclosed in the accounting policies below.

2. Summary of significant accounting policies (contd.)

2.1 Basis of preparation (contd.)

The financial statements are presented in Ringgit Malaysia ("RM"), and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Changes in accounting policies

On 1 September 2019, the Group and the Company adopted the following new and amended MFRSs which are effective for annual financial periods beginning on or after 1 January 2019.

Description	Effective for annual periods beginning on or after
• Amendments to MFRS 9: *Prepayment Features with Negative Compensation*	1 January 2019
• MFRS 16: *Leases*	1 January 2019
• Amendments to MFRS 119: *Plan Amendment, Curtailment or Settlement*	1 January 2019
• Amendments to MFRS 128: *Long-term Interests in Associates and Joint Ventures*	1 January 2019
• Annual Improvements to MFRSs 2015 - 2017 Cycle	1 January 2019
• IC Interpretation 23: *Uncertainty over Income Tax Treatments*	1 January 2019

Adoption of the above standards and interpretation did not have any material effect on the financial performance or position of the Group and of the Company except as discussed below:

MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 *Leases* , IFRIC 4 *Determining whether an Arrangement contains a Lease* , SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* . The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees recognise most leases on the statements of financial position.

Lessor accounting under MFRS 16 is substantially unchanged under MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 16 *Leases* (contd.)

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 September 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

The effect of adoption of MFRS 16 of the Group as at 1 September 2019 (increase/(decrease)) is as follows:

	Group RM'000
Non-current assets	
Property, plant and equipment	7,625
Total assets	7,625
Equity and liabilities	
Current liabilities	
Borrowings	1,130
Non-current liabilities	
Borrowings	6,495
Total equity and liabilities	7,625

The Group has lease contracts for various items of premises. Before the adoption of MFRS 16, the Group classified each of its leases at the inception date as either finance lease or an operating lease.

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 16 *Leases* (contd.)

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.17 for the accounting policy beginning 1 September 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance lease

There was no changes to the lease previously classified as finance lease. The Group's finance lease consists of hire purchase of motor vehicles. The leased motor vehicles were classified as property, plant and equipment and the liabilities were presented as part of lease liabilities on the statements of financial position.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;

- relied on its assessment of whether leases are onerous immediately before the date of initial application;

- applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;

- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 16 *Leases* (contd.)

Based on the foregoing, as at 1 September 2019:

- right-of-use assets of RM7,625,000 arising from present value of future lease payment were recognised and presented separately in the consolidated statement of financial position; and

- additional lease liabilities of RM7,625,000 were recognised and presented separately in the consolidated statement of financial position.

The lease liabilities as at 1 September 2019 can be reconciled to the operating lease commitments as of 31 August 2019, as follows:

	Group RM'000
Operating lease commitments as at 31 August 2019	3,418
Less: Commitments relating to short-term lease and leases of low-value assets	(1,569)
	1,849
Weighted average incremental borrowing rate as at 1 September 2019	4.55%
Discounted operating lease commitments at 1 September 2019	2,208
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 31 August 2019	5,417
Lease liabilities as at 1 September 2019	7,625

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective

The standards that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
• Revised Conceptual Framework for Financial Reporting	1 January 2020
• Amendments to MFRS 3: *Definition of a Business*	1 January 2020
• Amendments to MFRS 101 and MFRS 108: *Definition of Material*	1 January 2020
• Amendments to MFRS 9, MFRS 139 and MFRS 7: *Interest Rate Benchmark Reform*	1 January 2020
• Amendments to MFRS 16: *Covid-19 - Related Rent Concessions*	1 June 2020
• MFRS 17: *Insurance Contracts*	1 January 2021
• Amendments to MFRS 101: *Classification of Liabilities as Current or Non-current*	1 January 2022
• Annual Improvements to MFRSs 2018 - 2020	1 January 2022
• Amendments to MFRS 3: *Reference to the Conceptual Framework*	1 January 2022
• Amendments to MFRS 116: *Proceeds before Intended Use*	1 January 2022
• Amendments to MFRS 137*: Cost of Fulfilling a Contract*	1 January 2022
• Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial applications.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

Specifically, the Group controls an investee if, and only if, the Group has (contd.):

(ii) exposure, or rights, to variable returns from its investment with the investee; and

(iii) the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation except for unrealised losses which are not eliminated if there are indications of impairment.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date's fair value and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date's fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9: *Financial Instruments* is measured at fair value with the changes in fair value recognised in the statement of comprehensive income in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the fair value of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the fair value of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate fair value of the consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss on acquisition date.

2. Summary of significant accounting policies (contd.)

2.5 Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the parent of the Group, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

2.6 Subsidiaries

In the Company's separate financial statement, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.7 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Freehold land has an unlimited useful life and is not depreciated. Capital work-in-progress ("WIP") are also not depreciated as these assets are not available for use. Depreciation of buildings constructed on leasehold land is provided for on a straight-line basis to write off the cost of the asset to its residual value over the shorter of the estimated useful life of 50 years or the respective remaining lease periods of the leasehold land.

2. Summary of significant accounting policies (contd.)

2.7 Property, plant and equipment (contd.)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Long term leasehold land	99 years
Buildings	2%
Electrical and mechanical equipment	10%
Motor vehicles	20%
Medical equipment	10% - 20%
Furniture and fittings	10% - 20%
Renovation	10% - 15%
Office equipment and computers	10% - 33 1/3%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end, and adjusted prospectively, if appropriate.

2.8 Intangible assets

(a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree’s identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. Summary of significant accounting policies (contd.)

2.8 Intangible assets (contd.)

(a) Goodwill (contd.)

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

(b) Other intangible assets

Intangible assets other than goodwill acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is represent fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful life of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the expected useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

2. Summary of significant accounting policies (contd.)

2.8 Intangible assets (contd.)

(b) Other intangible assets (contd.)

Computer software

Computer software is measured initially at cost. Following initial acquisition, computer software is measured at cost less any accumulated amortisation and accumulated impairment losses.

The useful life of computer software is assessed to be finite. Computer software is amortised on a straight-line basis over the estimated useful life at an annual rate of 10% - 25% and assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and the amortisation method for computer software with finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and is treated as changes in accounting estimates. The amortisation expense on computer software with finite life is recognised in profit or loss.

Gains or losses arising from derecognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

2.9 Inventories

Inventories are stated at the lower of cost, which is determined on the weighted average basis, and net realisable value. Cost includes expenditure incurred in bringing inventories to their present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

2.10 Impairment of non-financial assets

The Group and the Company assess, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2. Summary of significant accounting policies (contd.)

2.10 Impairment of non-financial assets (contd.)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group and the Company base their impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's and of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group and the Company estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually or when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment loss relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2. Summary of significant accounting policies (contd.)

2.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15*: Revenue from Contracts with Customers.*

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVTPL.

The Group and the Company have no financial assets carried at FVOCI for equity instruments and FVTPL.

2. Summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(a) Financial assets (contd.)

Subsequent measurement (contd.)

(i) Financial assets at amortised cost (debt instruments)

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include cash and bank balances and trade and other receivables.

(ii) Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

2. Summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(a) Financial assets (contd.)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debts instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sales of collateral held or other credit enhancements that are integral to the contractual terms.

2. Summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(a) Financial assets (contd.)

Impairment of financial assets (contd.)

ECLs are recognise in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within next 12 months ("a 12 months ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, the Group applies simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance base on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on historical credit experience. The Group considers forward looking factors do not have significant impact to credit risk given the nature of its industry and the amount ECLs is insensitive to changes to forecast economic conditions.

The Group and the Company consider a financial assets to be default when internal and external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. Financial assets is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include lease liabilities, trade and other payables, loans and borrowings including financial guarantee contracts, if any.

2. Summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(b) Financial liabilities (contd.)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL; and
- Financial liabilities at amortised cost (loans and borrowings).

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.

(ii) Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, these financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

2. Summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(b) Financial liabilities (contd.)

Subsequent measurement (contd.)

(ii) Financial liabilities at amortised cost (contd.)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of comprehensive income.

This category generally applies to trade and other payables, interest-bearing loans and borrowings, lease liabilities as further disclosed in Note 19, 20 and 22 respectively.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.12 Cash and cash equivalents

Cash and bank balances comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash at banks, net of outstanding bank overdrafts, if any, as they are considered an integral part of the Group's and of the Company’s cash management.

2. Summary of significant accounting policies (contd.)

2.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incur in connection with the borrowing of funds.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for restoration costs are in respect of management's best estimate of the costs necessary to be incurred to restore rented premises. The initial estimated amount is capitalised as part of the cost for property, plant and equipment.

2.15 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.16 Warrants

Warrants are classified as equity.

The issue of ordinary shares upon exercise of the warrants are treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

2. Summary of significant accounting policies (contd.)

2.16 Warrants (contd.)

Amount allocated in relation to the issuance of free warrants are credited to a warrants reserve which is non-distributable. Warrants reserve is transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to retained profits.

2.17 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) Group as a lessee

Current financial period

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	1 - 9 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy of impairment of non-financial assets is disclosed in Note 2.10.

2. Summary of significant accounting policies (contd.)

2.17 Leases (contd.)

(a) Group as a lessee (contd.)

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group’s lease liabilities are included in financial liabilities in Note 20.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. Summary of significant accounting policies (contd.)

2.17 Leases (contd.)

(a) Group as a lessee (contd.)

Previous financial year

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

(b) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (contd.)

2.18 Revenue and other income recognition

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods and rendering of services

Revenue from hospital operations comprises inpatient and outpatient hospital charges and sales of pharmaceutical products, medical and consumable supplies. These are recognised at a point in time upon transfer of control of goods and services to the customers net of discounts, rebates and returns.

Other hospital revenue mainly consists of clinic rental from consultants. These are recognised on an accrual basis in accordance with the substance of the relevant agreements.

(b) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Membership fees

Membership fees are recognised upon customers registration with the Group.

(e) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2. Summary of significant accounting policies (contd.)

2.19 Taxes

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associate and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

2. Summary of significant accounting policies (contd.)

2.19 Taxes (contd.)

(b) Deferred tax (contd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except (contd.):

- in respect of deductible temporary differences associated with investments in subsidiaries, associate and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2. Summary of significant accounting policies (contd.)

2.19 Taxes (contd.)

(c) Sales and services tax ("SST")

Revenue, expenses and assets are recognised net of the amount of SST except:

(i) when the SST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the SST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

(ii) when receivables and payables are stated with the amount of SST included.

The payable amount of SST to the taxation authority is included as part of payables in the statements of financial position.

2.20 Foreign currencies

The Group's consolidated financial statements are presented in RM, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

2. Summary of significant accounting policies (contd.)

2.20 Foreign currencies (contd.)

(a) Transactions and balances (contd.)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(b) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.21 Cash dividend and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company.

A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of comprehensive income.

2. Summary of significant accounting policies (contd.)

2.22 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave, maternity and paternity leave are recognised when the absences occur.

(b) Defined contribution plan

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Share-based payments

Employees' share options scheme ("ESOS")

The Company operates an equity-settled, share-based compensation plan, allowing the employees of the Group to acquire ordinary shares of the Company at predetermined prices. The total fair value of share options granted to employees is recognised as an expense with a corresponding increase in the share options reserve within equity over the vesting period and taking into account the probability that the options will be vested.

The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to become exercisable on vesting date. The Company recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity over the remaining vesting period.

2. Summary of significant accounting policies (contd.)

2.23 Segment reporting

Operating segments are defined as components of the Group that:

(a) Engages in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group (i.e. the Group's Chief Executive Officer) in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

  (i) the combined reported profit of all operating segments that did not report a loss; and

  (ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial period in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

2. Summary of significant accounting policies (contd.)

2.24 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

2.25 Current versus non-current classification

The Group and the Company present assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within 12 months after the reporting period; or
- cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group and the Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. Significant accounting judgements and estimates

The preparation of the Group's and of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Critical judgements made in applying accounting policies

In the process of applying the Group’s and the Company’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

(a) Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate such as construction of significant leasehold improvements or significant customisation to the leased asset.

The Group included the renewal period as part of the lease term for leases of properties with shorter non-cancellable period such as one to six years. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on operation if a replacement asset is not readily available. The renewal periods for leases with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

3. Significant accounting judgements and estimates

3.2 Key sources of estimation uncertainties

The key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of goodwill

Goodwill is tested for impairment annually and other times when such indicators exist. This requires management to estimate the expected future cash flows of the CGU to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to terminal growth rates and pre-tax discount rate used. If the expectation is different from estimation, such difference will impact the carrying value of goodwill. The carrying amount of goodwill as at 30 June 2020 was RM193,045,000 (2019: RM193,045,000). Further details are disclosed in Note 14(a).

(b) Impairment of loans and receivables

The Group assesses at each reporting date impairments on financial assets at amortised cost to be based on a forward-looking ECL model. ECL is the difference between the contractual cash flows due in accordance with the terms of the contract and the cash flows the Group expects to receive. The Group applies the simplified approach, which allows expected lifetime credit losses to be recognised for trade receivables. The ECL is determined based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The carrying amount of the Group's financial assets at amortised cost at reporting date is disclosed in Note 17.

(c) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs such as market interest rates when available and is required to make certain entity-specific estimates such as the company's credit rating.

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4. Revenue

	Group		Company	
	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000
Revenue from contracts with customer				
Hospital and ancillary services	136,039	172,372	-	-
Clinic services	13,240	17,780	-	-
Clinic rental income	1,390	1,770	-	-
Hospital administration fee	1,504	1,930	-	-
Membership fees	22	66	-	-
	152,195	193,918	-	-
Revenue from other sources				
Dividend income from a subsidiary	-	-	3,000	1,500
Others	1,211	1,060	-	-
	1,211	1,060	3,000	1,500
Total revenue	153,406	194,978	3,000	1,500
Timing of revenue recognition				
Goods and services at a point in time	153,406	194,978	-	-

5. Other income

	Group		Company	
	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000
Rental income	523	581	-	-
Gain on disposal of of property, plant and equipment	5	-	-	-
Rental concessions (Note 22(b))	223	-	-	-
Others	650	285	-	-
	1,401	866	-	-

6. Finance costs

	Group	
	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000
Interest expense on:		
- lease liabilities (Note 22(b))	261	-
- term loan	61	84
- finance lease obligation	-	1
	322	85

7. Profit before tax

In addition to the other items disclosed elsewhere in the financial statements, the following items have been included in arriving at profit before tax:

	Group		Company	
	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000
Auditors' remuneration:				
- statutory audit (EY Malaysia)	175	175	46	46
- other services (EY Malaysia)	5	5	5	5
Director's remuneration, excluding benefits-in-kind (Note 9):				
- Executive Directors	1,162	1,559	-	-
- Non-Executive Directors	245	314	245	314
Property, plant and equipment (Note 13):				
- Depreciation	9,247	10,468	-	-
- Written off	9	-	-	-
- Loss on disposal	1	58	-	-
Amortisation of intangible assets (Note 14)	697	739	-	-
Expenses related to short term leases:				
- equipment	99	85	-	-
- premises	60	1,631	-	-
Allowance for expected credit losses:				
- trade receivables (Note 17(a))	500	600	-	-
- other receivables (Note 17(c))	-	-	1,156	1,565
Realised loss on foreign exchange	4	5	-	-

8. Staff costs

	Group		Company	
	1.9.2019 to 30.6.2020 RM'000	**1.9.2018 to 31.8.2019 RM'000**	**1.9.2019 to 30.6.2020 RM'000**	**1.9.2018 to 31.8.2019 RM'000**
Salaries, wages and bonuses	41,105	46,538	-	-
Social security contributions	573	626	-	-
Contributions to defined contribution plans	5,427	5,997	-	-
Fair value charges on share options granted under ESOS	63	102	32	76
Allowances	5,218	5,509	-	-
Other benefits	3,020	4,159	-	-
	55,406	62,931	32	76

The Directors' remuneration of the Group and of the Company are disclosed in Note 9.

9. Directors' remuneration

	Group		Company	
	1.9.2019 to 30.6.2020 RM'000	**1.9.2018 to 31.8.2019 RM'000**	**1.9.2019 to 30.6.2020 RM'000**	**1.9.2018 to 31.8.2019 RM'000**
Executive Directors' remuneration:				
Salaries and bonuses (Note 7)	1,162	1,559	-	-
Estimated money value of benefits-in-kind:				
- ESOS expense	32	76	32	76
- other emoluments	165	165	-	-
	1,359	1,800	32	76
Non-Executive Directors' remuneration:				
Director fees (Note 7)	245	314	245	314
Estimated money value of benefits-in-kind:				
- ESOS expense	51	81	51	81
- other emoluments	136	194	36	74
	432	589	332	469
Total Directors' remuneration including benefits-in-kind	1,791	2,389	364	545

9. Directors' remuneration (contd.)

The number of Directors of the Company whose total remuneration during the financial period fell within the following bands (excluding the award of ESOS) are analysed below:

	Number of Directors	
	1.9.2019 to 30.6.2020	1.9.2018 to 31.8.2019
Executive Directors:		
RM150,001 - RM200,000	-	1
RM350,001 - RM400,000	1	-
RM500,001 - RM550,000	-	1
RM900,001 - RM950,000	1	-
RM1,000,001 - RM1,050,000	-	1
Non-Executive Directors:		
Below RM50,000	1	5
RM50,001 - RM100,000	4	3

10. Income tax expense

	Group		Company	
	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000	1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000
Statements of comprehensive income:				
Current income tax:				
Malaysian income tax	2,456	9,906	513	1,243
Under/(over)provision in prior financial years	498	889	(16)	(35)
	2,954	10,795	497	1,208
Deferred income tax (Note 23):				
Relating to origination and reversal of temporary differences	1,571	(740)	-	-
Effect of changes in tax rate on real property gains tax	-	7,177	-	-
Underprovision in prior financial years	620	-	-	-
	2,191	6,437	-	-
	5,145	17,232	497	1,208

10. Income tax expense (contd.)

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the financial period.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A subsidiary of the Company, Thomson Hospitals Sdn. Bhd. ("THSB"), has obtained approval for the Investment Tax Allowance, granted by the Malaysian Investment Development Authority. THSB will enjoy full exemption on the qualifying expenditures spent for a period of 5 years commencing from 2 January 2015 and this can be used to deduct against its statutory income.

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the respective financial period/year are as follows:

	Group		**Company**	
	1.9.2019 to 30.6.2020 RM'000	**1.9.2018 to 31.8.2019 RM'000**	**1.9.2019 to 30.6.2020 RM'000**	**1.9.2018 to 31.8.2019 RM'000**
Profit before tax	18,420	38,151	2,816	4,305
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	4,421	9,156	676	1,033
Effect of expenses not deductible for tax purposes	906	452	557	570
Income not subject to tax	-	-	(720)	(360)
Effect of utilisation of current financial year investment tax allowance	(1,539)	(733)	-	-
Effect of changes in tax rate on real property gains tax	-	7,177	-	-
Deferred tax assets not recognised during the financial period	239	291	-	-
Under/(over)provision of income tax in prior financial years	498	889	(16)	(35)
Underprovision of deferred tax in prior financial years	620	-	-	-
	5,145	17,232	497	1,208

11. Earnings per ordinary share

(a) Basic

Basic earnings per ordinary share is calculated by dividing the profit for the financial period/year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial period/year.

	Group	
	1.9.2019 to 30.6.2020	**1.9.2018 to 31.8.2019**
Profit attributable to owners of the parent (RM'000)	13,275	20,919
Weighted average number of ordinary shares in issue ('000)	1,741,882	1,737,627
Basic earnings per share (sen)	0.76	1.20

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the financial period/year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial period/year have been adjusted for the dilutive effects of all potential ordinary shares.

	Group	
	1.9.2019 to 30.6.2020	**1.9.2018 to 31.8.2019**
Profit attributable to owners of the parent (RM'000)	13,275	20,919
Weighted average number of ordinary shares in issue ('000)	1,741,882	1,737,627
Diluted earnings per share (sen)	0.76	1.20

There was no dilution in the earning per share of the Group in the current financial period and previous financial year as the market values ESOS were lower than the exercise prices. The effect of assumed conversion ESOS outstanding will be anti-dilutive and as such, the diluted earning per share is the same as the basic earning per share.

12. Dividends

	Group/Company	
	1.9.2019 to 30.6.2020 RM'000	**1.9.2018 to 31.8.2019 RM'000**
Recognised during the financial period/year:		
First and final single-tier dividend in respect of financial year ended 31 August 2018 of 0.183 sen ordinary share paid on 27 February 2019	-	3,177
First and final single-tier dividend in respect of financial year ended 31 August 2019 of 0.2013 sen ordinary share paid on 25 March 2020	3,506	-

A first and final single-tier dividend in respect of the financial period ended 30 June 2020, of 0.1678 sen per ordinary share had been declared on 25 August 2020. The financial statements for the current financial period do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the following financial year end.

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13. Property, plant and equipment

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Electrical and mechanical equipment RM'000	Motor vehicles RM'000	Medical equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Office equipment and computers RM'000	Right-of-use assets-building RM'000	Assets under construction RM'000	Total RM'000
Group												
2020												
Cost												
At 1 September 2019	180,000	19,668	65,205	2,604	350	78,618	3,576	19,874	10,093	-	133,574	513,562
Effects of adoption of MFRS16	-	-	-	-	-	-	-	-	-	7,625	-	7,625
	180,000	19,668	65,205	2,604	350	78,618	3,576	19,874	10,093	7,625	133,574	521,187
Additions	-	-	126	138	-	10,736	129	242	997	377	137,481	150,226
Disposals	-	-	-	-	-	(748)	(4)	-	(388)	-	-	(1,140)
Written off	-	-	-	-	-	(34)	(7)	-	(1)	-	-	(42)
Reclassification	-	-	-	-	-	578	-	786	-	-	(1,364)	-
At 30 June 2020	180,000	19,668	65,331	2,742	350	89,150	3,694	20,902	10,701	8,002	269,691	670,231
Accumulated depreciation												
At 1 September 2019	-	2,587	13,924	2,159	255	53,275	2,678	9,116	8,556	-	-	92,550
Depreciation charge for the financial period (Note 7)	-	170	1,091	72	26	3,679	272	1,783	778	1,376	-	9,247
Disposals	-	-	-	-	-	(748)	(4)	-	(387)	-	-	(1,139)
Written off	-	-	-	-	-	(29)	(3)	-	(1)	-	-	(33)
At 30 June 2020	-	2,757	15,015	2,231	281	56,177	2,943	10,899	8,946	1,376	-	100,625
Net carrying amount	180,000	16,911	50,316	511	69	32,973	751	10,003	1,755	6,626	269,691	569,606

13. Property, plant and equipment (contd.)

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Electrical and mechanical equipment RM'000	Motor vehicles RM'000	Medical equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Office equipment and computers RM'000	Assets under construction RM'000	Total RM'000
Group											
2019											
Cost											
At 1 September 2018	180,000	19,668	65,203	2,505	350	75,940	3,376	18,477	9,067	63,794	438,380
Additions	-	-	37	101	-	3,081	280	710	1,064	71,438	76,711
Disposals	-	-	(35)	(2)	-	(790)	(80)	-	(26)	-	(933)
Transfer to intangible											-
assets	-	-	-	-	-	-	-	-	(12)	(584)	(596)
Reclassification	-	-	-	-	-	387	-	687	-	(1,074)	-
At 31 August 2019	180,000	19,668	65,205	2,604	350	78,618	3,576	19,874	10,093	133,574	513,562
Accumulated depreciation											
At 1 September 2018	-	2,382	12,614	2,033	224	48,654	2,368	6,968	7,723	-	82,966
Depreciation charge for the financial year (Note 7)	-	205	1,316	128	31	5,405	370	2,148	865	-	10,468
Disposals	-	-	(6)	(2)	-	(784)	(60)	-	(23)	-	(875)
Transfer to intangible assets	-	-	-	-	-	-	-	-	(9)	-	(9)
At 31 August 2019	-	2,587	13,924	2,159	255	53,275	2,678	9,116	8,556	-	92,550
Net carrying amount	180,000	17,081	51,281	445	95	25,343	898	10,758	1,537	133,574	421,012

(a) As at the end of the financial period, a long term leasehold land, a freehold building and assets under construction with total carrying amount of RM194,617,000 (2019: RM2,387,000) has been charged to banks for credit facility to the Group as disclosed in Note 20 to the financial statements.

(b) As at the end of the current financial period and previous financial year, a motor vehicle held under hire purchase arrangement was fully depreciated.

(c) Details of right-of-use assets are disclosed at Note 22(a) to the financial statements.

13. Property, plant and equipment (contd.)

During the financial period, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	30.6.2020 RM'000	31.8.2019 RM'000
Purchase of property, plant and equipment	150,226	76,711
Unsettled and remained as other payables	(13,873)	(15,432)
Provision for restoration costs (Note 21)	-	(46)
Cash payments on purchase of property, plant and equipment	136,353	61,233

14. Intangible assets

Intangible assets represent goodwill arising from acquisition of a subsidiary and computer software.

	Goodwill RM'000 (a)	Computer software RM'000 (b)	Total RM'000
Group			
2020			
Cost			
At 1 September 2019	193,045	4,882	197,927
Additions	-	206	206
At 30 June 2020	193,045	5,088	198,133
Accumulated amortisation and impairment			
At 1 September 2019	-	2,487	2,487
Amortisation charge for the financial period (Note 7)	-	697	697
At 30 June 2020	-	3,184	3,184
Net carrying amount	193,045	1,904	194,949

14. Intangible assets (contd.)

	Goodwill RM'000 (a)	Computer software RM'000 (b)	Total RM'000
Group			
2019			
Cost			
At 1 September 2018	193,045	4,005	197,050
Additions	-	281	281
Transfer from property, plant and equipment	-	596	596
At 31 August 2019	193,045	4,882	197,927
Accumulated amortisation and impairment			
At 1 September 2018	-	1,739	1,739
Amortisation charge for the financial year (Note 7)	-	739	739
Transfer from property, plant and equipment	-	9	9
At 31 August 2019	-	2,487	2,487
Net carrying amount	193,045	2,395	195,440

(a) Goodwill

Goodwill has been allocated to the operating division of the Group, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The carrying amount of goodwill allocated to the CGU of the Group is as follow:

	Group	
	30.6.2020 RM'000	31.8.2019 RM'000
Healthcare services segment	193,045	193,045

14. Intangible assets (contd.)

(a) Goodwill (contd.)

Healthcare services segment represents a subsidiary, BB Waterfront Sdn. Bhd., which was acquired by the Company on 23 June 2015.

For the purpose of impairment testing, the recoverable amount of a CGU is determined based on its value-in-use. The value-in-use is determined by discounting the pre-tax cash flows based on financial forecast and financial projections approved by the management based on the following key assumptions:

	30.6.2020	**31.8.2019**
	%	**%**
Terminal growth rate	3.5	3.5
Pre-tax discount rate	6.8	7.6

(i) Terminal growth rate

Rate is based on management expectation of the terminal growth rate used to extrapolate cash flows beyond the budget period.

(ii) Pre-tax discount rate

The pre-tax discount rate reflects the market assessment of the risks specific to the CGU. This reflected the management's best estimate of return on capital employed in the Group.

The management believes that there is no reasonably possible change in the key assumptions on which management has based its determination of the CGU’s recoverable amount, which would cause the CGU’s carrying amount to materially exceed its recoverable amount.

Based on the annual impairment testing undertaken by the Group, no impairment loss is required for the carrying amount of the goodwill as at 30 June 2020.

14. Intangible assets (contd.)

(b) Computer software

Computer software represents license, professional services, data migration and integration of PMO software that are not an integral part of property, plant and equipment. Software assets are recorded at cost and have finite useful life based on the term of the license or other contractual basis. The cost is amortised over the asset's expected useful life.

15. Investment in subsidiaries

	Company	
	30.6.2020	31.8.2019
	RM'000	RM'000
Unquoted shares at cost		
- ordinary shares	381,564	381,564
- redeemable preference shares	150,000	102,000
Less: Accumulated impairment losses	(301)	(301)
	531,263	483,263
Add: Equity contribution to subsidiaries pursuant to ESOS	967	936
	532,230	484,199

During the financial period, the Company increased its investment in a subsidiary amounting to RM48,000,000 by way of capitalisation of certain amounts due from a subsidiary.

15. Investment in subsidiaries (contd.)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest		Non-controlling interests	
			30.6.2020 %	31.8.2019 %	30.6.2020 %	31.8.2019 %
Thomson Hospitals Sdn. Bhd.	Malaysia	Multi-disciplinary tertiary care services	100	100	-	-
IVF Technologies Sdn. Bhd.	Malaysia	Provision of fertility services and operation of women's clinic	100	100	-	-
TMC Biotech Sdn. Bhd.	Malaysia	Provision of fertility consultancy, laboratory and embryology services and research and development	100	100	-	-
TMC Lifestyle Sdn. Bhd.	Malaysia	Development, marketing and management of healthcare programmes	100	100	-	-
TMC Properties Sdn. Bhd.	Malaysia	Property investment	100	100	-	-
Thomson TCM Sdn. Bhd.	Malaysia	Provision of traditional and complementary services	100	100	-	-

15. Investment in subsidiaries (contd.)

Details of the subsidiaries are as follows (contd.):

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest		Non-controlling interests	
			30.6.2020 %	31.8.2019 %	30.6.2020 %	31.8.2019 %
BB Waterfront Sdn. Bhd.	Malaysia	Provision of healthcare services	100	100	-	-
TMC Care Sdn. Bhd.	Malaysia	Provision of pharmacy services and products	100	100	-	-
i) Subsidiaries of Thomson Hospitals Sdn. Bhd.						
TMC Women's Specialist Holdings Sdn. Bhd.	Malaysia	Business of operating fertility centres and providing related services	100	100	-	-
PT Tropicana Healthcare Indonesia*#	Indonesia	In the process of liquidation	96	96	4	4

* Audited by firms of auditors other than Ernst & Young

\# The non-controlling interest of the subsidiary is deemed to be immaterial to the Group. Accordingly, the disclosures required by MFRS 12: *Disclosure of Interests in Other Entities* are not presented.

16. Inventories

At cost:

	Group 30.6.2020 RM'000	Group 31.8.2019 RM'000
Pharmaceutical products	5,326	5,435
Medical and consumable supplies	6,139	5,395
	11,465	10,830

During the financial period, the amount of inventories recognised as an expense in cost of sales of the Group was RM49,636,831 (2019: RM57,376,061).

17. Trade and other receivables

	Note	Group 30.6.2020 RM'000	Group 31.8.2019 RM'000	Company 30.6.2020 RM'000	Company 31.8.2019 RM'000
Trade receivables					
Third parties		26,517	37,631	-	-
Less: Allowance for expected credit losses		(5,464)	(8,999)	-	-
Trade receivables, net	(a)	21,053	28,632	-	-
Other receivables					
Other receivables		1,343	1,832	727	845
Amounts due from subsidiaries	(b)	-	-	94,188	62,299
Deposits		1,315	1,560	1	1
Prepayments		2,447	2,193	333	337
		5,105	5,585	95,249	63,482
Less: Allowance for expected credit losses:					
- Other receivables		(252)	(252)	-	-
- Amounts due from subsidiaries		-	-	(5,887)	(4,731)
		(252)	(252)	(5,887)	(4,731)
Other receivables, net	(c)	4,853	5,333	89,362	58,751
Total trade and other receivables		25,906	33,965	89,362	58,751
Less: Prepayments		(2,447)	(2,193)	(333)	(337)
Add: Cash and bank balances (Note 18)		136,456	179,725	59,056	138,624
Total financial assets carried at amortised cost		159,915	211,497	148,085	197,038

17. Trade and other receivables (contd.)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 (2019: 30 to 60) days terms. Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's total trade receivables is as follows:

	Group 30.6.2020 RM'000	Group 31.8.2019 RM'000
Neither past due nor impaired	12,078	15,330
1 to 30 days past due not impaired	3,272	6,417
31 to 60 days past due not impaired	633	1,143
61 to 90 days past due not impaired	854	475
91 to 120 days past due not impaired	870	1,224
More than 121 days past due not impaired	3,346	4,043
Past due but not impaired	8,975	13,302
Impaired	5,464	8,999
	26,517	37,631

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM8,975,000 (2019: RM13,302,000) that are past due at the reporting date but not impaired.

These receivables are unsecured. Management is confident that these receivables are recoverable as these accounts are still active.

17. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Receivables that are past due and impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the expected credit losses are as follows:

	Group	
	30.6.2020	**31.8.2019**
	RM'000	**RM'000**
Trade receivables - nominal amount	8,047	13,866
Less: Allowance for expected credit losses	(5,464)	(8,999)
	2,583	4,867

Movement in allowance accounts:

	Group	
	30.6.2020	**31.8.2019**
	RM'000	**RM'000**
At the beginning of financial period/year	8,999	8,660
Allowance for expected credit losses (Note 7)	500	600
Written off	(4,035)	(261)
At the end of financial period/year	5,464	8,999

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, non-interest bearing and are repayable upon demand.

17. Trade and other receivables (contd.)

(c) Other receivables

Other receivables that are impaired

The Group's and the Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the expected credit losses are as follows:

	Group		Company	
	30.6.2020 RM'000	31.8.2019 RM'000	30.6.2020 RM'000	31.8.2019 RM'000
Other receivables				
- nominal amount	252	252	5,887	4,731
Less: Allowance for expected credit losses	(252)	(252)	(5,887)	(4,731)
	-	-	-	-

	Group		Company	
	30.6.2020 RM'000	31.8.2019 RM'000	30.6.2020 RM'000	31.8.2019 RM'000
Movement in allowance accounts:				
At the beginning of financial period/year				
- Other receivables	252	252	-	-
- Amounts due from subsidiaries	-	-	4,731	3,166
Allowance for expected credit losses (Note 7)				
- Amounts due from subsidiaries	-	-	1,156	1,565
At the end of financial period/year	252	252	5,887	4,731

Included in other receivables of the Group is an amount of RM78,333 (2019: RM32,179) owing from a related Company. Information arising from related party transaction on these outstanding balances are disclosed in Note 27.

18. Cash and bank balances

	Group 30.6.2020 RM'000	Group 31.8.2019 RM'000	Company 30.6.2020 RM'000	Company 31.8.2019 RM'000
Cash at banks and on hand	76,282	21,068	10,270	2,761
Deposits with licensed banks	60,174	158,657	48,786	135,863
	136,456	179,725	59,056	138,624

(a) Included in deposits with licensed banks of the Group is an amount of RM500,000 (2019: RM510,000) which is pledged as securities for facilities granted to the Group.

(b) The weighted average EIR and average maturity of deposits of the Group and of the Company at the reporting date were as follows:

	Group 30.6.2020	Group 31.8.2019	Company 30.6.2020	Company 31.8.2019
Weighted average effective fixed interest rates (%)	3.20	3.79	3.34	3.79
Range of maturities (months)	1-12	1-12	3-6	1-12

For the purpose of statements of cash flows, cash and cash equivalents comprise the following:

	Group 30.6.2020 RM'000	Group 31.8.2019 RM'000	Company 30.6.2020 RM'000	Company 31.8.2019 RM'000
Cash at banks and on hand	76,282	21,068	10,270	2,761
Deposits with licensed banks	60,174	158,657	48,786	135,863
	136,456	179,725	59,056	138,624
Less:				
Deposits with licensed banks (for more than 3 months)	(39,259)	(77,700)	(37,612)	(64,494)
Deposit pledged to a licensed bank	(500)	(510)	-	-
Total cash and cash equivalents	96,697	101,515	21,444	74,130

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19. Trade and other payables

	Note	Group 30.6.2020 RM'000	Group 31.8.2019 RM'000	Company 30.6.2020 RM'000	Company 31.8.2019 RM'000
Trade payables					
Third parties	**(a)**	28,119	30,813	-	-
Other payables					
Amounts due to subsidiaries	**(b)**	-	-	848	731
Other payables	**(c)**	21,161	17,078	34	37
Deposits received		603	3,431	-	-
Accruals		18,119	13,468	542	217
		39,883	33,977	1,424	985
Total trade and other payables		68,002	64,790	1,424	985
Add: Borrowings (Note 20)		88,400	1,630	-	-
Total financial liabilities carried at amortised cost		156,402	66,420	1,424	985

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranged from 30 to 90 (2019: 30 to 90) days.

(b) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, non-interest bearing and are repayable upon demand.

(c) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of two months (2019: average term of two months).

Included in other payables of the Group is an amount of RM8,436 (2019: RM18,898) owing to related companies. Information arising from related party transaction on these outstanding balances are disclosed in Note 27.

20. Borrowings

	Maturity	Group 30.6.2020 RM'000	Group 31.8.2019 RM'000
Current			
Lease liabilities	2021	1,544	-
Secured:			
Term loan	2021	62	76
Finance lease obligation	2021	-	12
		1,606	88
Non-current			
Lease liabilities	2022 - 2028	5,210	-
Secured:			
Term loans	2022 - 2030	81,584	1,542
		86,794	1,542
Total borrowings			
Lease liabilities (Note 22(b))		6,754	-
Secured:			
Term loans		81,646	1,618
Finance lease obligation		-	12
		88,400	1,630

As at reporting date, the weighted average EIR for the borrowings were as follows:

	Group 30.6.2020 %	Group 31.8.2019 %
Floating rate		
Term loans	3.88	5.09
Fixed rate		
Lease liabilities	4.55	-
Finance lease obligation	-	2.65

20. Borrowings (contd.)

The remaining maturities of the borrowings as at 30 June 2020 and 31 August 2019 are as follows:

	Group	
	30.6.2020	**31.8.2019**
	RM'000	**RM'000**
On demand or within one year	1,606	88
More than 1 year and less than 2 years	1,409	80
More than 2 years and less than 5 years	47,646	264
5 years or more	37,739	1,198
	88,400	1,630

On 8 April 2010, a wholly-owned subsidiary, TMC Properties Sdn. Bhd. ("TMCP"), has entered into a term loan facility of up to RM2,125,000 with Public Bank Berhad to finance the purchase of a unit of 3 ½ storey shop office located at Bandar Puchong Jaya. The first drawdown was made in May 2010, and the first principal repayment shall commence in June 2010. The term loan is secured by a first legal charge over the freehold building of the Group as disclosed in Note 13 and a corporate guarantee from the Company as disclosed in Note 29(a).

On 14 January 2020, a wholly-owned subsidiary, Thomson Hospitals Sdn. Bhd. ("THSB"), has entered into a term loan facility of up to RM300 million with Malayan Banking Berhad to facilitate the construction of hospital related expansions plan undertaken by THSB at Kota Damansara, Petaling Jaya ("the Project") with development cost of the Project. The first drawdown was made on 11 March 2020, and the first principal repayment shall commence on the 36-month from the date of first drawdown.

The securities for THSB's facilities are as follows:
(i) First legal charge over development land intended for the THKD together with the buildings to be erected thereon;
(ii) Corporate Guarantee from the Company; and
(iii) General debenture by way of fixed and floating charge over the present and future assets of the Project under the term loan facility.

The term loans are secured by corporate guarantees from the Company as disclosed in Note 29(a) and charges over a long term leasehold land, a freehold building and assets under construction of the Group as disclosed in Note 13.

20. Borrowings (contd.)

Reconciliation of liabilities arising from financing activities

	Current RM'000	Non-current RM'000	Total RM'000
Group/Company			
At 1 September 2019	88	1,542	1,630
Effect of adoption of MFRS 16	1,130	6,495	7,625
	1,218	8,037	9,255
Cash flows	(1,218)	81,216	79,998
Lease liabilities	-	(853)	(853)
Reclassifications	1,606	(1,606)	-
At 30 June 2020	1,606	86,794	88,400
Group/Company			
At 1 September 2018	92	1,626	1,718
Cash flows	(88)	-	(88)
Reclassifications	84	(84)	-
At 31 August 2019	88	1,542	1,630

21. Provision

	Restoration costs of property, plant and equipment RM'000
Group	
At 1 September 2018	274
Additional provision capitalised in property, plant and equipment (Note 13)	46
At 31 August 2019/30 June 2020	320

21. Provision (contd.)

	Restoration costs of property, plant and equipment RM'000
At 30 June 2020	
Current	278
Non-current:	
- More than 2 years and less than 5 years	42
	320
At 31 August 2019	
Current	265
Non-current:	
- More than 2 years and less than 5 years	55
	320

Provision for restoration costs are the estimated costs of dismantling, removal or restoration of property, plant and equipment arising from the acquisition or use of such assets.

22. Right-of-use assets and lease liabilities

The Group as a lessee

The Group has lease contracts for various properties and equipment used in its operations. Leases of properties generally have lease terms between 1 and 9 years. The Group's obligation under its leases is secured by the lessor's title to the leased assets. There are several lease contracts that include extension options, which are further discussed below.

The Group also has certain leases of premises with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

(a) Right-of-use assets

The carrying amounts of right-of-use assets recognised and the movements during the financial period is disclosed in Note 13 to the financial statements under Right-of-use assets-building category and long term leasehold land category.

The leases of premises are mainly used for the Group's hospital operation and clinics, except for four of the premises are used for the Group's office.

22. Right-of-use assets and lease liabilities (contd.)

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the financial period:

	RM'000
Group	
As at 1 September 2019	-
Effect of adoption of MFRS 16	7,625
	7,625
Additions (Note 13)	377
Interest expense on lease liabilities (Note 6)	261
Payments	(1,286)
Rental concessions (Note 5)	(223)
As at 30 June 2020	6,754

The Group has applied the practical expedient to account for the rental concessions as if the change was not a lease modification. The rental concessions are mainly related to the leases of premises used for the Group's operation for clinics.

The maturity analysis of lease liabilities are disclosed in Note 30.

The following are the amounts recognised in profit or loss:

	Group 30.6.2020 RM'000
Depreciation expense of right-of-use assets (Note 13)	1,546
Interest expense on lease liabilities (Note 6)	261
Rental concessions (Note 5)	(223)
Expenses relating to short-term leases (Note 7)	60
Total amount recognised in profit or loss	1,644

The Group had total cash outflows for leases of RM1,286,000 in the financial period ended 30 June 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of RM377,000 in the financial period ended 30 June 2020.

23. Deferred tax assets/(liabilities)

	Group 30.6.2020 RM'000	Group 31.8.2019 RM'000
At the beginning of financial period/year	(19,408)	(12,971)
Recognised in profit or loss (Note 10)	(2,191)	(6,437)
At the end of financial period/year	(21,599)	(19,408)

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The components and movements of deferred tax assets and liabilities during the financial period before and after offsetting are as follows:

Deferred tax assets of the Group

	Provisions RM'000	Offsetting RM'000	Total RM'000
At 1 September 2018	2,129	(2,129)	-
Recognised in profit or loss	608	(608)	-
At 31 August 2019	2,737	(2,737)	-
At 1 September 2019	2,737	(2,737)	-
Recognised in profit or loss	(436)	436	-
At 30 June 2020	2,301	(2,301)	-

Deferred tax liabilities of the Group

	Fair value adjustment on business combination RM'000	Property, plant and equipment RM'000	Offsetting RM'000	Total RM’000
At 1 September 2018	(9,396)	(5,704)	2,129	(12,971)
Recognised in profit or loss	(7,177)	132	608	(6,437)
At 31 August 2019	(16,573)	(5,572)	2,737	(19,408)
At 1 September 2019	(16,573)	(5,572)	2,737	(19,408)
Recognised in profit or loss	-	(1,755)	(436)	(2,191)
At 30 June 2020	(16,573)	(7,327)	2,301	(21,599)

23. Deferred tax assets/(liabilities) (contd.)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	30.6.2020	**31.8.2019**
	RM'000	**RM'000**
Unused tax losses	8,543	6,968
Unabsorbed capital allowances	791	1,368
	9,334	8,336
Deferred tax benefit at 24% (2019: 24%), if recognised	2,240	2,001

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries are subject to a 7-year limitation on the carry forward of those losses under the Finance Bill 2018 and guidelines issued by the tax authority. The availability of unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries are also subject to no substantial changes in shareholdings of the respective subsidiaries under Income Tax Act, 1967 and guidelines issued by the tax authority. Deferred tax assets of certain subsidiaries have not been recognised as it is not probable that their future taxable profits will be available against which they may be utilised.

24. Share capital

	Group/Company			
	Number of shares		Amount	
	30.6.2020	31.8.2019	30.6.2020	31.8.2019
	'000	'000	RM'000	RM'000
Issued and fully paid:				
At the beginning of the financial period/year	1,741,882	1,736,450	625,986	621,912
Ordinary shares issued during the financial period/year, pursuant to conversion of warrants	-	5,432	-	4,074
At the end of the financial period/year	1,741,882	1,741,882	625,986	625,986

(a) Warrants 2015/2019

On 25 June 2015, the Company listed and quoted 266,666,666 Consideration Warrants pursuant to the acquisition of BB Waterfront Sdn. Bhd. and 599,760,718 Bonus Warrants on the following basis:

- One Consideration Warrant for every two Consideration Shares issued for the acquisition of BB Waterfront Sdn. Bhd.; and
- One Bonus Warrant for every two existing ordinary shares held.

The warrants are constituted by the Deed Poll dated 28 May 2015 ("Deed Poll").

Salient features of the warrants were as follows:

(i) Each warrant entitled the registered holder thereof ("Warrant holder(s)") to subscribe for one new ordinary share of RM0.10 each in the Company at the exercise price of RM0.75, which may be exercised at any time from the date of issuance to the close of business on the market day immediately preceding the date which was the fourth anniversary from the date of the issuance of warrants ("Exercise Period");

(ii) Any warrants not exercised during the Exercise Period would thereafter lapse and ceased to be valid for any purpose;

(iii) Warrant holders must exercise the warrants in accordance with the procedures set out in the Deed Poll as of 28 May 2015 and shares allotted and issued upon such exercise shall rank pari passu in all respects with the then existing shares of the Company, and shall be entitled for any dividends, rights, allotments and/or other distributions after the issue and allotment thereof;

24. Share capital (contd.)

(a) Warrants 2015/2019 (contd.)

Salient features of the warrants were as follows (contd.):

(iv) The warrant holders were not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such warrant holders exercise their warrants for new shares in the Company; and

(v) The Deed Poll and accordingly the warrants, were governed by and shall be construed in accordance with the laws of Malaysia.

All unexercised warrants was transferred to retained profits in prior financial year and the details of the movements of warrants are as follows:

	Number of warrants	
	30.6.2020 '000	31.8.2019 '000
At the beginning of financial period/year	-	866,344
Less: Exercised	-	(5,432)
Less: Lapsed	-	(860,912)
At the end of financial period/year	-	-

25. Reserves

	Note	Group		Company	
		30.6.2020 RM'000	31.8.2019 RM'000	30.6.2020 RM'000	31.8.2019 RM'000
Distributable:					
Retained profits	26	142,636	132,867	50,026	51,213
Non distributable:					
Share options reserve	(a)	3,466	3,352	3,466	3,352
Foreign exchange translation reserve	(c)	30	31	-	-
		3,496	3,383	3,466	3,352

(a) Share options reserve

The share options reserve represents the effect of equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on the grant date of share options. When options are exercised, the amount from the share options reserve is transferred to share capital. The share options reserve in relation to the unexercised options at the expiry of the share option scheme will be transferred to retained profits.

25. Reserves (contd.)

(b) Employees' share options scheme

The Company implemented an ESOS, which is in force for a period of five (5) years until 28 May 2020 ("the option period"). On 28 April 2020, the Company resolved to extend the duration of the exercisable of unexercised ESOS shares, expiring on 28 May 2020 for another 5 years to 28 May 2025 in accordance with the provisions of the ESOS By-Laws.

The main features of the ESOS are as follows:

(i) Eligible Directors and employees must be at least eighteen (18) years of age on the Date of Offer, who are confirmed on the Date of Offer (in respect of Employee only) and have served full time for at least a period of one (1) year of continuous services before the date of offer;

(ii) The total number of shares offered under the ESOS shall not, in aggregate, exceed 15% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any time during the existence of the ESOS;

(iii) The option price per ordinary share under ESOS granted in 2015 was RM0.75, 2017 and 2018 were RM0.94 respectively;

(iv) The option granted to an Eligible Person shall be subject to a minimum of one hundred (100) Options and in multiples of one hundred (100) Options and is subject to the following:

- Not more than 10% of the shares available under the ESOS shall be allocated to an eligible person, who either singly or collectively through persons connected with eligible persons, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares of the Company);

(v) An option granted under ESOS in 2015, 2017 and 2018 may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee and is subject to the allotment of shares over the vesting periods of 10 years, 8.34 years, 7.44 years and 6.67 years, respectively after the extension of another 5 years of exercisable period; and

(vi) The shares shall on issue and allotment rank pari passu in all respect with the then existing issued shares of the Company.

25. Reserves (contd.)

(b) Employees' share options scheme (contd.)

The details of the options over the ordinary shares of the Company are as follows:

		[---------------- Number of options over ordinary shares				--------------]	Exercisable
	Option price	1.9.2019	Granted	Exercised	Lapsed	30.6.2020	30.6.2020
	RM	'000	'000	'000	'000	'000	'000
Grant date							
11 June 2015	0.75	9,500	-	-	(2,000)	7,500	7,500
28 August 2015	0.75	5,312	-	-	(246)	5,066	5,066
25 January 2017	0.94	3,550	-	-	-	3,550	3,550
19 December 2017	0.94	-	-	-	-	-	-
26 September 2018	0.94	2,000	-	-	-	2,000	2,000
		20,362	-	-	(2,246)	18,116	18,116

There was no share options exercised during the financial period.

25. Share capital (contd.)

(b) Employees' share options scheme (contd.)

The fair value of share options granted during the financial period were estimated by using a Black-Scholes Model, taking into acccount the terms and conditions upon which the options were granted. The key inputs of the options are as follows:

	Grant dates				
	26.9.2018	**19.12.2017**	**25.1.2017**	**28.8.2015**	**11.6.2015**
ESOS expiry date	28.5.2020*	28.5.2020*	28.5.2020*	28.5.2020*	28.5.2020*
Share price at grant date (per share)	RM0.735	RM0.940	RM0.940	RM0.520	RM0.635
Potentially dilutive share price (per share)	RM0.735	RM0.940	RM0.940	RM0.512	RM0.625
Exercise price per share at grant date	RM0.940	RM0.940	RM0.940	RM0.750	RM0.750
Historical volatility	20.94%	22.06%	17.79%	36.73%	36.73%
Risk free rate of return at grant date	3.44%	3.19%	3.40%	3.91%	3.63%
Dividend yield	0.21%	0.21%	0.16%	0.57%	0.57%

* On 28 April 2020, the Company resolved to extend the duration of the exercisable of unexercised ESOS shares, expiring on 28 May 2020 for another 5 years to 28 May 2025 in accordance with the provisions of the ESOS By-Laws.

25. Reserves (contd.)

(c) Foreign exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currency are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

26. Retained profits

The Company may distribute dividends out of its entire retained profits as of 30 June 2020 and 31 August 2019 under the single-tier system.

27. Related party transactions

(a) In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company with related parties took place at terms agreed between the parties during the financial period:

	Group		Company	
	30.6.2020 RM'000	31.8.2019 RM'000	30.6.2020 RM'000	31.8.2019 RM'000
Administration service charges payable to:				
- a subsidiary	-	-	502	695
- related companies	47	-	-	-
Dividend income from a subsidiary	-	-	3,000	1,500
Procurement of services from:				
- related companies	1,301	199	-	-

Related companies are fellow subsidiaries of ultimate holding company and shareholder controlled companies.

The transactions between related parties are set on terms mutually agreed between the parties.

Information regarding outstanding balances arising from related party transactions as at 30 June 2020 and 31 August 2019 are disclosed in Notes 17 and 19.

27. Related party transactions (contd.)

(b) Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly including any Directors of the Group.

	Group		Company	
	30.6.2020 RM'000	31.8.2019 RM'000	30.6.2020 RM'000	31.8.2019 RM'000
Short term employee benefits	2,085	2,837	-	-
Share options granted under ESOS	17	113	17	97
	2,102	2,950	17	97

28. Commitments

(a) Capital commitments

Capital expenditure as at 30 June 2020 and 31 August 2019 are as follows:

	Group	
	30.6.2020 RM'000	31.8.2019 RM'000
Capital expenditure in respect of purchase of property, plant and equipment:		
- approved and contracted for	159,757	262,685
- approved but not contracted for	143	164
	159,900	262,849

(b) Operating lease commitments - the Group as lessor

The Group has entered into commercial property leases on its property. The leases have remaining non-cancellable lease terms of between one to six years. Certain leases include a clause to enable upward revision of the rental charge upon renewal of tenancy based on prevailing market conditions.

28. Commitments (contd.)

(b) Operating lease commitments - the Group as lessor (contd.)

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	30.6.2020 RM'000	31.8.2019 RM'000
Not later than 1 year	396	439
Later than 1 year and not later than 5 years	224	386
	620	825

29. Guarantees and contingencies

(a) Financial guarantees

	Company	
	30.6.2020 RM'000	31.8.2019 RM'000
Unsecured		
Corporate guarantees given to licensed bank for banking facility granted to wholly-owned subsidiaries	81,646	1,618
Letter of guarantee given to suppliers	1,067	3,886
	82,713	5,504

No value has been placed on the corporate guarantees provided by the Company as the directors regard the value of the credit enhancement provided by the said corporate guarantees as minimal. This is because the credit facilities granted under the guarantees are collateralised by fixed charges over a long term leasehold land, a freehold building and assets under construction of the Group as disclosed in Note 13.

29. Guarantees and contingencies (contd.)

(b) Contingent liabilities

The Group is subject to litigations in the ordinary course of business, mainly arising from its subsidiary's hospital operations. The Directors are of the opinion, based on legal advice, management assessment and sufficiency of medical malpractice insurance, that no significant exposure will arise that requires recognition.

30. Financial instruments

(a) Financial risk management objectives and policies

The Group’s and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group’s and of the Company's businesses whilst managing their interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group’s and the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Group’s and the Company's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group and the Company to cash flow interest rate risk. Deposits with licensed banks at fixed rates expose the Group and the Company to fair value interest rate risk. The Group and the Company manage their interest rate exposure by maintaining a mix of fixed and floating rate of interest.

30. Financial instruments (contd.)

(b) Interest rate risk (contd.)

Sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of deposits with licensed banks and borrowing affected. With all other variables held constant, the Group's and the Company's profit before tax are affected through the impact on floating rate borrowings, as follows:

	Increase/ (decrease) in basis points	(Decrease)/increase in profit before tax	
		1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000
Group			
Floating rate borrowing	25	(848)	(21)
	(25)	848	21
Deposits with licensed banks	25	481	1,503
	(25)	(481)	(1,503)
Company			
Deposits with licensed banks	25	407	1,287
	(25)	(407)	(1,287)

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Group is not significantly exposed to foreign currency risk as the majority of the Group's transactions, assets and liabilities are denominated in Ringgit Malaysia except for foreign currency risk arising from countries in which a foreign subsidiary operate and amount payable to related company and affiliated company. The currency giving rise to this risk is primarily Indonesian Rupiah Dollar ("IRD").

30. Financial instruments (contd.)

(c) Foreign currency risk (contd.)

Included in the following statements of financial position captions of the Group as at the reporting date are balances denominated in the following foreign currency:

	IRD RM'000
Group	
At 30 June 2020	
Trade and other receivables	12
Trade and other payables	(92)
At 31 August 2019	
Trade and other receivables	11
Trade and other payables	(91)

In relation to its investment in foreign subsidiary whose net assets are exposed to currency translation risks and which are held for long term investment purposes, the differences arising from such translation are recorded under the foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in IRD exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

		Group (Decrease)/increase in profit before tax	
		1.9.2019 to 30.6.2020 RM'000	1.9.2018 to 31.8.2019 RM'000
IRD/RM	- strengthened 5%	(4)	(4)
	- weakened 5%	4	4

30. Financial instruments (contd.)

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company actively manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash or cash equivalents and credit facilities to meet their working capital requirements as well as the expansion. At the reporting date, approximately 1.8% (FY2019: 5.4%) of the Group's loans and borrowings (Note 20) will mature in less than one year based on the carrying amount reflected in the financial statements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2020				
Group				
Financial liabilities:				
Trade and other payables	68,002	-	-	68,002
Lease liabilities	1,811	4,214	1,647	7,672
Borrowings	2,801	54,787	37,047	94,635
Total undiscounted financial liabilities	72,614	59,001	38,694	170,309
Company				
Financial liabilities:				
Trade and other payables, representing total undiscounted financial liabilities	1,424	-	-	1,424

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30. Financial instruments (contd.)

(d) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturities (contd.)

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations (contd.).

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2019				
Group				
Financial liabilities:				
Trade and other payables	64,790	-	-	64,790
Borrowings	166	615	1,454	2,235
Total undiscounted financial liabilities	64,956	615	1,454	67,025
Company				
Financial liabilities:				
Trade and other payables, representing total undiscounted financial liabilities	985	-	-	985

30. Financial instruments (contd.)

(e) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 17.

Credit risk concentration profile

The Group’s major concentration of credit risk relates to the amounts owing by 10 (2019: 8) customers, which constituted approximately 51% (2019: 50%) of its trade receivables as at the end of the reporting period.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 17. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

30. Financial instruments (contd.)

(f) Fair values

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	17
Trade and other payables	19
Borrowings - with floating rate	20

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date as the impact of discounting is immaterial.

31. Capital management

The primary objective of the Group’s capital management is to safeguard the Group’s ability to continue in operations as a going concern in order to provide fair returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the optimal capital structure, the Group may, from time to time, adjust the dividend payout to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

The Group considers its capital to comprise its ordinary share capital, retained profits, share premium, share options reserve, warrants reserve and its foreign exchange translation reserve which are classified as equity in the statement of financial position.

Pursuant to the requirements of Practice Note No.17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders’ equity equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders’ equity is not less than RM40.0 million. The Group has complied with this requirement for the financial period ended 30 June 2020.

32. Segment information

No segmental information is provided as the Group is primarily involved in the healthcare industry and the Group’s activities are predominantly in Malaysia. The overseas segment does not contribute more than 10% of the consolidated revenue and assets.

Financial information is presented to management in accordance with the measurement policies of MFRS and IFRS. There are no adjustments or eliminations made in preparing the Group's financial statements from the reportable segment revenues, profit or loss, assets and liabilities.

Major customers

The Group does not have significant reliance on a single major customer, with whom the Group transacted ten percent (10%) or more of its revenue during the financial period.

33. Significant event

The emergence and spread of coronavirus (COVID-19) in early 2020 has affected businesses and economic activities in Malaysia and beyond. During the implementation of Movement Control Order, the Group experienced a very challenging operating environment. Various initiatives were implemented during this time including cost control and cash conservation measures as well as new services e.g. Drive-Thru COVID-19 test, e-Pharmacy, home delivery of medication and the Thomson Hospital Online teleconsultation platform. With the implementation of the Recovery Movement Control Order (“RMCO”), the Group has seen a recovery of local patient load to our hospital and fertility operations. The Group is cautiously optimistic of its mid- and long-term prospects.