TMC LIFE SCIENCES BERHAD

200301021989 (624409-A)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

30 June 2021

200301021989 (624409-A)

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Contents

TMC Life Sciences Berhad
(Incorporated in Malaysia)

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 year ended 30 June 2021.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 16 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 year, attributable to owners of the parent	20,254	19,085

There were no material transfers to or from reserves or provisions during the financial year 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 year were not substantially affected by any item, transaction or event of a material and unusual nature.

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Dividend

Dividend paid by the Company since 30 June 2020 was as follows:

	RM'000
In respect of the financial period ended 30 June 2020 as reported in the Directors' report of that period:	
First and final single-tier dividend of 0.1678 sen per ordinary share paid on 4 January 2021	2,923

A first and final single-tier dividend in respect of the financial year ended 30 June 2021, of 0.2215 sen per ordinary share had been declared on 24 August 2021. The financial statements for the current financial year 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 year to the date of this report are:

Dato' Sri Mohd Mokhtar Bin Mohd Shariff
Kan Kheong Ng*
Wan Nadiah Binti Wan Mohd Abdullah Yaakob*
Dr. Lam Lee G
Gary Ho Kuat Foong
Claire Lee Suk Leng
Wilson Sam (alternate Director to Kan Kheong Ng)
Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir* (Resigned on 31 December 2020)

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

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report, not including those Directors listed above are:

Wong Yu Chee
Dato' Dr. Mohd Hamzah Bin Kamarul Zaman (Appointed on 24 March 2021)
Navdeep Singh Pannu a/l Mohan Singh (Appointed on 25 May 2021)

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Directors' benefits

Neither at the end of the financial year, nor at any time during that financial year, 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 period, 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	1,405	297
Estimated monetary value of benefits-in-kind	319	108
	1,724	405

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 year amounted to RM15,000,000. The amount of insurance premium effected to indemnify Directors for the financial year was RM13,600.

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Directors' interests

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

	Option price	Number of options over ordinary shares				
	RM	1.7.2020	Granted	Exercised	Lapsed	30.6.2021
Dato' Sri Mohd Mokhtar Bin Mohd Shariff	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
Wan Nadiah Binti Wan Mohd Abdullah Yaakob	0.75	-	2,000,000	-	-	2,000,000
Dr. Lam Lee G	0.75	-	2,000,000	-	-	2,000,000
Gary Ho Kuat Foong	0.75	2,000,000	-	-	-	2,000,000
Claire Lee Suk Leng	0.75	2,000,000	-	-	-	2,000,000

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

Issues of shares

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

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 26(b) to the financial statements.

During the financial year:

- The Company granted 10,000,000 share options to eligible Directors and employees. These options expire on 28 May 2025 and are exercisable over the vesting period of 4.53 years.

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

		[------ Number of options over ordinary shares ------]					Exercisable
	Option price RM	1.7.2020 '000	Granted '000	Exercised '000	Lapsed '000	30.6.2021 '000	30.6.2021 '000
Grant date							
11 June 2015	0.75	7,500	-	-	(3,500)	4,000	4,000
28 August 2015	0.75	5,066	-	-	(455)	4,611	4,611
25 January 2017	0.94	3,550	-	-	(80)	3,470	3,470
19 December 2017	0.94	-	-	-	-	-	-
26 September 2018	0.94	2,000	-	-	-	2,000	2,000
17 November 2020	0.75	-	10,000	-	-	10,000	10,000
		18,116	10,000	-	(4,035)	24,081	24,081

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Employees' share options scheme ("ESOS") (contd.)

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

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.

TMC Life Sciences Berhad
(Incorporated in Malaysia)

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 year 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 year.

(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 year 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 year 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 year in which this report is made.

Significant event

Details of a significant event are disclosed in Note 34 to the financial statements.

TMC Life Sciences Berhad
(Incorporated in Malaysia)

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	180	51

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 year ended 30 June 2021.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 August 2021.

Dato' Sri Mohd Mokhtar Bin Mohd Shariff

Wan Nadiah Binti Wan Mohd Abdullah Yaakob

200301021989 (624409-A)

TMC Life Sciences Berhad
(Incorporated in Malaysia)

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

We, Dato' Sri Mohd Mokhtar Bin Mohd Shariff 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 101 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 2021 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 August 2021.

Dato' Sri Mohd Mokhtar
Bin Mohd Shariff

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 101 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 24 August 2021

Wong Yu Chee
MIA 16689

Before me,

Wong Kai Fen (No: B456)
Commissioner for Oath

PESURUHJAYA SUMPAH
NO. B456
WONG KAI FEN
MALAYSIA

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200301021989 (624409-A)

Independent auditors' report to the members of
TMC Life Sciences Berhad
(Incorporated in Malaysia)

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 2021 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 101.

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 2021, and of their financial performance and cash flows for the financial year 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.) (Incorporated in Malaysia)

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 year. 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.

(A) Revenue recognition - hospital division

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

During the financial year ended 30 June 2021, the Group had recognised a total revenue of RM181 million from the hospital division, which represents about 90% 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.

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

Key audit matters (contd.)

(A) Revenue recognition - hospital division (contd.)

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

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.

(B) Impairment assessment of goodwill

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

As at 30 June 2021, the carrying amount of goodwill recognised by the Group amounted to RM193 million, representing 22% and 18% 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 unit ("CGU") to which this goodwill has been allocated.

**Independent auditors' report to the members of
TMC Life Sciences Berhad (contd.)
(Incorporated in Malaysia)**

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

Key audit matters (contd.)

(B) Impairment assessment of goodwill (contd.)

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

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 CGU's future cash inflows and outflows and discounting it at an appropriate discount rate ("discounted cash flow approach").

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;
- 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; and
- We also assessed the sensitivity analysis performed by management on the key assumptions used in the impairment model, to understand the impact that reasonable alternative assumptions would have on the carrying amount.

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 TMC Life Sciences Berhad (contd.) (Incorporated in Malaysia)

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 and the Directors' 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.

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200301021989 (624409-A)

Independent auditors' report to the members of
TMC Life Sciences Berhad (contd.)
(Incorporated in Malaysia)

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;

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200301021989 (624409-A)

Independent auditors' report to the members of TMC Life Sciences Berhad (contd.)
(Incorporated in Malaysia)

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 year 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.

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200301021989 (624409-A)

Independent auditors' report to the members of TMC Life Sciences Berhad (contd.)
(Incorporated in Malaysia)

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
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ng Kim Ling
No. 03236/04/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
24 August 2021

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 30 June 2021

	Note	Group 1.7.2020 to 30.6.2021 RM'000	Group 1.9.2019 to 30.6.2020 RM'000	Company 1.7.2020 to 30.6.2021 RM'000	Company 1.9.2019 to 30.6.2020 RM'000
Revenue	4	201,024	153,406	13,372	3,000
Other income	5	1,063	1,401	6,028	-
Inventories and consumables		(66,762)	(49,637)	-	-
Staff costs	8	(64,759)	(55,406)	-	(32)
Other operating expenses		(31,620)	(24,540)	(1,179)	(2,742)
Depreciation and amortisation		(13,020)	(9,944)	-	-
Interest income		2,187	3,462	1,122	2,590
Finance costs	6	(441)	(322)	-	-
Profit before tax	7	27,672	18,420	19,343	2,816
Income tax expense	10	(7,418)	(5,145)	(258)	(497)
Profit for the financial year/period		20,254	13,275	19,085	2,319
Other comprehensive income/(loss) that may reclassify to profit or loss in subsequent years (net of tax):					
Foreign currency translation		2	(1)	-	-
Total comprehensive income for the financial year/period		20,256	13,274	19,085	2,319
Profit attributable to owners of the parent		20,254	13,275	19,085	2,319
Total comprehensive income for the financial year/period attributable to owners of the parent		20,256	13,274	19,085	2,319
Earnings per share unit attributable to owners of the parent (sen):					
Basic	11	1.16	0.76		
Diluted	11	1.16	0.76		

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

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 30 June 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	677,334	569,606	-	-
Intangible assets	14	194,943	194,949	-	-
Investment property	15	2,278	-	-	-
Investment in subsidiaries	16	-	-	643,741	532,230
		874,555	764,555	643,741	532,230
Current assets					
Inventories	17	10,296	11,465	-	-
Trade and other receivables	18	26,519	25,906	3,386	89,362
Tax recoverable		8,957	12,058	84	254
Cash and bank balances	19	139,906	136,456	49,122	59,056
		185,678	185,885	52,592	148,672
Total assets		1,060,233	950,440	696,333	680,902
Current liabilities					
Trade and other payables	20	72,828	68,002	491	1,424
Borrowings	21	2,440	1,606	-	-
Provision	22	181	278	-	-
Income tax payable		-	1	-	-
		75,449	69,887	491	1,424
Net current assets		110,229	115,998	52,101	147,248
Non-current liabilities					
Borrowings	21	172,163	86,794	-	-
Provision	22	363	42	-	-
Deferred tax liabilities	24	22,637	21,599	-	-
		195,163	108,435	-	-
Total liabilities		270,612	178,322	491	1,424
Net assets		789,621	772,118	695,842	679,478

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 30 June 2021 (contd.)

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Represented by:					
Equity attributable to owners of the parent					
Share capital	25	625,986	625,986	625,986	625,986
Reserves	26	3,668	3,496	3,668	3,466
Retained profits	27	159,967	142,636	66,188	50,026
Total equity		789,621	772,118	695,842	679,478

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

200301021989 (624409-A)

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the financial year ended 30 June 2021

		<---- 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 July 2020		625,986	3,466	30	142,636	772,118
Profit for the financial year		-	-	-	20,254	20,254
Other comprehensive loss		-	-	2	-	2
Total comprehensive income for the financial year		-	-	2	20,254	20,256
Transactions with owners						
Fair value charges on share options granted under ESOS		-	202	-	-	202
Liquidation of a subsidiary		-	-	(32)	-	(32)
Dividend on ordinary shares	12	-	-	-	(2,923)	(2,923)
Total transactions with owners		-	202	(32)	(2,923)	(2,753)
At 30 June 2021		625,986	3,668	-	159,967	789,621

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the financial year ended 30 June 2021

		<------ 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 income		-	-	(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

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

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Company statement of changes in equity
For the financial year ended 30 June 2021

	Note	<----------- Attributable to owners of the parent ---------->			
			Non-distributable	Distributable	
		Share capital RM'000	Share options reserve RM'000	Retained profits RM'000	Total RM'000
Company					
At 1 July 2020		625,986	3,466	50,026	679,478
Profit for the financial year, representing total comprehensive income for the financial year		-	-	19,085	19,085
Transactions with owners					
Fair value charges on share options granted under ESOS		-	202	-	202
Dividend on ordinary shares	12	-	-	(2,923)	(2,923)
Total transactions with owners		-	202	(2,923)	(2,721)
At 30 June 2021		625,986	3,668	66,188	695,842

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Company statement of changes in equity
For the financial year ended 30 June 2021

	Note	<------------- 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

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

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TMC Life Sciences Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 30 June 2021

	Group		Company	
	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000
Operating activities				
Profit before tax	27,672	18,420	19,343	2,816
Adjustments for:				
Allowance/(reversal of allowance) for expected credit losses:				
- trade receivables	840	500	-	-
- other receivables	-	-	(5,727)	1,156
Amortisation of intangible assets	896	697	-	-
Property, plant and equipment:				
- depreciation	12,079	9,247	-	-
- written off	50	9	-	-
- net gain on disposal	(4)	(4)	-	-
Depreciation of investment property	45	-	-	-
Gain on liquidation of a subsidiary	(39)	-	-	-
Gain on derecognition of lease liability	(27)	-	-	-
Reversal of impairment of investment in subsidiaries	-	-	(301)	-
Inventory written off	129	-	-	-
Interest expense	441	322	-	-
Interest income	(2,187)	(3,462)	(1,122)	(2,590)
Dividend income	-	-	(13,372)	(3,000)
Rental concessions	(1)	(223)	-	-
Fair value charges on share options granted under ESOS	202	114	81	83
Operating profit/(loss) before changes in working capital carried forward	40,096	25,620	(1,098)	(1,535)

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 30 June 2021 (contd.)

	Group		Company	
	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000
Operating activities (contd.)				
Operating profit/(loss) before changes in working capital brought forward	40,096	25,620	(1,098)	(1,535)
Changes in working capital:				
Inventories	1,040	(635)	-	-
Receivables	(1,453)	7,559	(19,386)	(79,767)
Payables	(10,174)	(10,014)	(933)	439
Cash flows from/(used in) operation	29,509	22,530	(21,417)	(80,863)
Interest paid	(3,780)	(312)	-	-
Income taxes paid	(3,280)	(7,599)	(88)	(789)
Net cash flows from/(used in) operating activities	22,449	14,619	(21,505)	(81,652)
Investing activities				
(Placement)/uplift of deposits placed with:				
- financial institutions with original maturity of more than three months	6,571	38,441	5,000	26,882
- deposits pledged	(48)	10	-	-
- cash restricted in use	(1,343)	-	-	-
Interest received	2,187	3,462	1,122	2,590
Proceeds from disposals of property, plant and equipment	23	5	-	-
Purchase of property, plant and equipment	(102,632)	(136,353)	-	-
Purchase of intangible assets	(890)	(206)	-	-
Dividend from subsidiaries	-	-	13,372	3,000
Net cash flows (used in)/from investing activities	(96,132)	(94,641)	19,494	32,472

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 30 June 2021 (contd.)

	Group		Company	
	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000
Financing activities				
Dividends paid	(2,923)	(3,506)	(2,923)	(3,506)
Drawdown of term loan	83,241	80,062	-	-
Drawdown of finance lease obligation				
- industrial hire purchase	4,410	-	-	-
Repayments of:				
- lease liabilities	(1,911)	(1,286)	-	-
- finance lease obligation				
- industrial hire purchase	(441)	(12)	-	-
- term loans	(65)	(52)	-	-
Net cash flows from/(used in) financing activities	82,311	75,206	(2,923)	(3,506)
Net changes in cash and cash equivalents	8,628	(4,816)	(4,934)	(52,686)
Effects of exchange rate changes	2	(2)	-	-
Cash and cash equivalents at the beginning of financial year/period	96,697	101,515	21,444	74,130
Cash and cash equivalents at the end of financial year/period (Note 19)	105,327	96,697	16,510	21,444

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 16 to the financial statements.

In the previous financial period, the Company changed its financial year end from 31 August to 30 June. The previous period 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 was prepared for a ten (10) month-period ended 30 June 2020, are not comparable.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 August 2021.

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 year, the Group and the Company adopted new and amended MFRSs which are mandatory for annual financial periods beginning on or after 1 January 2020 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.

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 July 2020, 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 2020.

Description	Effective for annual periods beginning on or after
• 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

Adoption of the above standards did not have any material effect on the financial performance or position of the Group and of the Company.

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
• Amendments to MFRS 9, MFRS 139 and MFRS 7, MFRS 4 and *MFRS 16: Interest rate benchmark reform - phase 2*	1 January 2021
• Amendments to MFRS 16: *Covid-19 - Related Rent Concessions beyond 30 June 2021*	1 April 2021
• 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: *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
• Amendments to MFRS 137: *Onerous Contracts Cost of Fulfilling a Contract*	1 January 2022
• *Amendments to MFRS 17: Insurance Contracts*	1 January 2023
• Amendments to MFRS 101: *Classification of Liabilities as Current or Non-current*	1 January 2023
• Amendments to MFRS 101: *Disclosure of Accounting Policies*	1 January 2023
• Amendments to MFRS 108: *Definition of Accounting Estimates*	1 January 2023
• Amendments to MFRS 112: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
• 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 application.

2. Summary of significant accounting policies (contd.)

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);

(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.

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

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.

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 statements, 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:

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 annual rates of 10% - 33% 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 the statement of comprehensive income.

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 the statement of comprehensive income when the asset is derecognised.

2.9 Investment property

Investment property is property which is held to earn rental yields or for capital appreciation or for both and is not occupied by the Group. Investment property also include property that is being constructed or developed for future use as investment property. Investment property is initially measured at cost, which includes transaction costs.

Subsequent costs are included in the carrying amount of the investment property or recognised as a separate asset, as appropriate, only when the costs are incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the costs of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of investment property is recognised in the statement of comprehensive income as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the investment property is acquired, if applicable.

2. Summary of significant accounting policies (contd.)

2.9 Investment property (contd.)

After initial recognition, investment property is stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost or valuation of the investment property to its residual value on a straight-line basis over its estimated useful life. The principal depreciation period for the investment property is fifty (50) years.

At the end of each reporting period, the carrying amount of an item of the investment property is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the investment property. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

Investment property is derecognised when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from their disposal. The gain or loss arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in the statement of comprehensive income in the period of the retirement or disposal.

2.10 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.

2.11 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.)

2.11 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.)

2.12 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.)

2.12 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.

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.

2. Summary of significant accounting policies (contd.)

2.12 Financial instruments (contd.)

(a) Financial assets (contd.)

Derecognition (contd.)

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.

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").

2. Summary of significant accounting policies (contd.)

2.12 Financial instruments (contd.)

(a) Financial assets (contd.)

Impairment of financial assets (contd.)

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.)

2.12 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

(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.)

2.12 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 20, 21 and 23 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.

2.13 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.)

2.14 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.

2.15 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.

2.16 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. Summary of significant accounting policies (contd.)

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

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:

Long term leasehold land	99 years
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 2.11.

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 21.

(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.)

(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 comprehensive income 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.

2.18 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.

2. Summary of significant accounting policies (contd.)

2.18 Revenue and other income recognition (contd.)

(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.

2.19 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.

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:

- 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

- 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 included the renewal period as part of the lease term for leases of properties with shorter non-cancellable period such as one to three 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.

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 (contd.)

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 2021 was RM193,045,000 (2020: 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 18.

(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 incremental borrowing rate in the accounting period in which the leases commence.

4. Revenue

	Group		Company	
	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000
Revenue from contracts with customer				
Hospital and ancillary services	177,041	136,039	-	-
Clinic services	16,703	13,240	-	-
Clinic rental income	1,897	1,390	-	-
Hospital administration fee	1,906	1,504	-	-
Membership fees	17	22	-	-
	197,564	152,195	-	-
Revenue from other sources				
Dividend income from subsidiaries	-	-	13,372	3,000
Others	3,460	1,211	-	-
	3,460	1,211	13,372	3,000
Total revenue	201,024	153,406	13,372	3,000
Timing of revenue recognition				
Goods and services at a point in time	201,024	153,406	-	-

5. Other income

	Group		Company	
	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000
Rental income	700	523	-	-
Bad debt recovered	136	-	-	-
Gain on disposal of property, plant and equipment	23	5	-	-
Gain on liquidation of a subsidiary	39	-	-	-
Gain on derecognition of lease liability (Note 23(b))	27	-	-	-
Rental concessions (Note 23(b))	1	223	-	-
Reversal of allowance for expected credit loss on amount due from subsidiaries (Note 18(d))	-	-	5,727	-
Reversal of impairment on investment in subsidiaries (Note 16)	-	-	301	-
Others	137	650	-	-
	1,063	1,401	6,028	-

6. Finance costs

	Group	
	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000
Interest expense on:		
- lease liabilities (Note 23(b))	293	261
- term loans	57	61
- finance lease obligation - industrial hire purchase	68	-
- unwinding discount on provision for restoration (Note 22)	23	-
	441	322

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	
	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000
Auditors' remuneration:				
- statutory audit (EY Malaysia)	180	175	51	46
- other services (EY Malaysia)	5	5	5	5
Director's remuneration, excluding benefits-in-kind (Note 9):				
- Executive Directors	1,108	1,162	-	-
- Non-Executive Directors	297	245	297	245
Inventory written off	129	-	-	-
Property, plant and equipment (Note 13):				
- depreciation	12,079	9,247	-	-
- written off	50	9	-	-
- loss on disposal	19	1	-	-
Depreciation of investment property (Note 15)	45	-	-	-
Amortisation of intangible assets (Note 14)	896	697	-	-
Expenses related to short-term leases (Note 23(b)):				
- equipment	161	99	-	-
- premises	95	60	-	-
Allowance for expected credit losses:				
- trade receivables (Note 18(a))	840	500	-	-
- other receivables (Note 18(d))	-	-	-	1,156
Realised loss on foreign exchange	5	4	-	-

8. Staff costs

	Group		Company	
	1.7.2020 to 30.6.2021 RM'000	**1.9.2019 to 30.6.2020 RM'000**	**1.7.2020 to 30.6.2021 RM'000**	**1.9.2019 to 30.6.2020 RM'000**
Salaries, wages and bonuses	46,888	41,105	-	-
Social security contributions	684	573	-	-
Contributions to defined contribution plans	6,317	5,427	-	-
Fair value charges on share options granted under ESOS	121	63	-	32
Allowances	6,806	5,218	-	-
Other benefits	3,943	3,020	-	-
	64,759	55,406	-	32

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

9. Directors' remuneration

	Group		Company	
	1.7.2020 to 30.6.2021 RM'000	**1.9.2019 to 30.6.2020 RM'000**	**1.7.2020 to 30.6.2021 RM'000**	**1.9.2019 to 30.6.2020 RM'000**
Executive Directors' remuneration:				
Salaries and bonuses (Note 7)	1,108	1,162	-	-
Estimated money value of benefits-in-kind:				
- ESOS expense	40	32	-	32
- other emoluments	171	165	-	-
	1,319	1,359	-	32
Non-Executive Directors' remuneration:				
Director fees (Note 7)	297	245	297	245
Estimated money value of benefits-in-kind:				
- ESOS expense	81	51	81	51
- other emoluments	27	136	27	36
	405	432	405	332
Total Directors' remuneration including benefits-in-kind	1,724	1,791	405	364

9. Directors' remuneration (contd.)

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

	Number of Directors	
	1.7.2020 to 30.6.2021	1.9.2019 to 30.6.2020
Executive Directors:		
RM350,001 - RM400,000	1	1
RM850,001 - RM900,000	1	-
RM900,001 - RM950,000	-	1
Non-Executive Directors:		
Below RM50,000	-	1
RM50,001 - RM100,000	5	4

10. Income tax expense

	Group		Company	
	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000
Statements of comprehensive income:				
Current income tax:				
Malaysian income tax	5,727	2,456	255	513
Under/(over)provision in prior financial period/year	653	498	3	(16)
	6,380	2,954	258	497
Deferred income tax (Note 24):				
Relating to origination and reversal of temporary differences	832	1,571	-	-
Underprovision in prior financial period/year	206	620	-	-
	1,038	2,191	-	-
	7,418	5,145	258	497

10. Income tax expense (contd.)

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial year.

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

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

	Group		Company	
	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000
Profit before tax	27,672	18,420	19,343	2,816
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	6,641	4,421	4,642	676
Effect of expenses not deductible for tax purposes	241	906	(1,178)	557
Income not subject to tax	-	-	(3,209)	(720)
Expenses capitalised but deductible for tax purposes	(877)	-	-	-
Effect of utilisation of prior period unrecognised investment tax allowance	-	(1,539)	-	-
Deferred tax assets not recognised during the financial year/period	554	239	-	-
Under/(over)provision of income tax in prior financial period/year	653	498	3	(16)
Underprovision of deferred tax in prior financial period/year	206	620	-	-
	7,418	5,145	258	497

11. Earnings per ordinary share

(a) Basic

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

	Group	
	1.7.2020 to 30.6.2021	**1.9.2019 to 30.6.2020**
Profit attributable to owners of the parent (RM'000)	20,254	13,275
Weighted average number of ordinary shares in issue ('000)	1,741,882	1,741,882
Basic earnings per share (sen)	1.16	0.76

(b) Diluted

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

	Group	
	1.7.2020 to 30.6.2021	**1.9.2019 to 30.6.2020**
Profit attributable to owners of the parent (RM'000)	20,254	13,275
Weighted average number of ordinary shares in issue ('000)	1,741,882	1,741,882
Diluted earnings per share (sen)	1.16	0.76

There was no dilution in the earning per share of the Group in the current financial year and previous financial period as the share price of the Company as at reporting date was 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	
	1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000
Recognised during the financial year/period:		
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
First and final single-tier dividend in respect of financial period ended 30 June 2020 of 0.1678 sen ordinary share paid on 4 January 2021	2,923	-

A first and final single-tier dividend in respect of the financial year ended 30 June 2021, of 0.2215 sen per ordinary share had been declared on 24 August 2021. The financial statements for the current financial year 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.

TMC Life Sciences Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment

	Freehold land RM'000	Right-of-use asset-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												
2021												
Cost												
At 1 July 2020	180,000	19,668	65,331	2,742	350	89,150	3,694	20,902	10,701	8,002	269,691	670,231
Additions	-	-	19	272	-	2,981	75	757	426	582	117,025	122,137
Modification	-	-	-	-	-	-	-	-	-	357	-	357
Derecognition	-	-	-	-	-	-	-	-	-	(418)	-	(418)
Disposals	-	-	-	-	-	(1,611)	(14)	-	(1)	-	-	(1,626)
Transfer to investment property	-	-	(2,978)	-	-	-	-	-	-	-	-	(2,978)
Written off	-	-	-	-	-	(7)	(112)	(349)	(1)	-	-	(469)
Reclassification	-	-	-	-	-	526	17	3,993	2	-	(4,538)	-
At 30 June 2021	180,000	19,668	62,372	3,014	350	91,039	3,660	25,303	11,127	8,523	382,178	787,234
Accumulated depreciation												
At 1 July 2020	-	2,757	15,015	2,231	281	56,177	2,943	10,899	8,946	1,376	-	100,625
Depreciation charge for the financial year (Note 7)	-	204	1,258	103	39	4,940	274	2,735	794	1,732	-	12,079
Derecognition	-	-	-	-	-	-	-	-	-	(123)	-	(123)
Disposals	-	-	-	-	-	(1,597)	(9)	-	(1)	-	-	(1,607)
Transfer to investment property	-	-	(655)	-	-	-	-	-	-	-	-	(655)
Written off	-	-	-	-	-	(2)	(96)	(320)	(1)	-	-	(419)
At 30 June 2021	-	2,961	15,618	2,334	320	59,518	3,112	13,314	9,738	2,985	-	109,900
Net carrying amount	180,000	16,707	46,754	680	30	31,521	548	11,989	1,389	5,538	382,178	677,334

13. Property, plant and equipment (contd.)

	Freehold land RM'000	Right-of-use asset-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 MFRS 16	-	-	-	-	-	-	-	-	-	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

(a) As at the end of the financial year, a long term leasehold land and assets under construction with total carrying amount of RM303,646,000 (2020: RM194,617,000) has been charged to a bank for credit facility granted to the Group as disclosed in Note 21 to the financial statements.

(b) As at the end of the current financial year, a medical equipment held under industrial hire purchase arrangement was at net book value of RM4,124,000 (2020: Nil).

(c) Details of right-of-use assets are disclosed at Note 23(a) to the financial statements.

13. Property, plant and equipment (contd.)

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

	Group 2021 RM'000	Group 2020 RM'000
Purchase of property, plant and equipment	122,137	150,226
Right of use assets	(582)	(377)
Provision for restoration costs (Note 22)	(221)	-
Interest capitalised	(3,656)	(607)
Unsettled and remained as other payables	(14,997)	(12,889)
Others (Note 21)	(49)	-
Cash payments on purchase of property, plant and equipment	102,632	136,353

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			
2021			
Cost			
At 1 July 2020	193,045	5,088	198,133
Additions	-	890	890
At 30 June 2021	193,045	5,978	199,023
Accumulated amortisation and impairment			
At 1 July 2020	-	3,184	3,184
Amortisation charge for the financial year (Note 7)	-	896	896
At 30 June 2021	-	4,080	4,080
Net carrying amount	193,045	1,898	194,943

14. Intangible assets (contd.)

	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

(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 2021 RM'000	Group 2020 RM'000
Healthcare services segment	193,045	193,045

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

14. Intangible assets (contd.)

(a) Goodwill (contd.)

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:

	2021	2020
	%	%
Terminal growth rate	3.0	3.5
Pre-tax discount rate	6.6	6.8

(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.

(iii) Revenue growth rate

Revenue growth rate is determined based on management's estimate of the number of beds, occupancy rate, average length of stay and inflation rate based on the industry trends and past performances of the segment.

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 2021.

(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 property

	Group 2021 RM'000
Cost	
At the beginning of financial year	-
Transfer from property, plant and equipment	2,978
At 30 June 2021	2,978
Accumulated depreciation	
At the beginning of financial year	-
Transfer from property, plant and equipment	655
Depreciation charge for the financial year (Note 7)	45
At 30 June 2021	700
Net carrying amount	2,278
Rental income derived from investment property	14
Estimated fair value at the end of financial year	
Freehold building	4,600

The fair value of investment property for disclosure purposes, which is at Level 3 fair value, was recommended by the Directors as at the end of reporting year based on indicative market value of similar properties in the vicinity on a price per square feet basis prior to Covid-19 pandemic. The current market was slightly affected due to current pandemic situation, however, the property market will rebound after the pandemic and the current market value is not the willing selling price by the Group. Prior to Covid-19 pandemic, the Directors are of the opinion that this value adopted is fair and reasonable for disclosure purposes. Any changes in the price per square feet will result in a reasonable change in the fair value of the investment properties.

As at the end of the financial year, the investment property of the Group has been charged to a bank for credit facilities granted to the Company as disclosed in Note 21 to the financial statements.

16. Investment in subsidiaries

	Company 2021 RM'000	2020 RM'000
Unquoted shares at cost		
- ordinary shares	381,564	381,564
- redeemable preference shares	261,089	150,000
Less: Accumulated impairment losses	-	(301)
	642,653	531,263
Add: Equity contribution to subsidiaries pursuant to ESOS	1,088	967
	643,741	532,230

Movement in impairment accounts:

	Company 2021 RM'000	2020 RM'000
At the beginning of financial year/period	(301)	(301)
Reversal during the year/period (Note 5)	301	-
At the end of financial year/period	-	(301)

During the financial year, the Company increased its investment in subsidiaries amounting to RM111,089,000 (2020 : RM48,000,000) by way of capitalisation of certain amounts due from subsidiaries.

16. Investment in subsidiaries (contd.)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2021 %	Proportion of ownership interest 2020 %	Non-controlling interests 2021 %	Non-controlling interests 2020 %
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	-	-

16. 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	
			2021 %	2020 %	2021 %	2020 %
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	Liquidated	-	96	-	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.

PT Tropicana Healthcare Indonesia ("PTTHI"), a 95.57% owned indirect subsidiary of the Company, had been liquidated with effect from 26 January 2021 following the notification of deregistration dated 26 January 2021 issued by Republic of Indonesia Ministry of Law and Human Right Indonesia. The liquidation of PTTHI did not give rise to any material effect on the earnings or net assets of the Group for the financial year ended 30 June 2021.

17. Inventories

	Group 2021 RM'000	Group 2020 RM'000
At cost:		
Pharmaceutical products	4,503	5,326
Medical and consumable supplies	5,793	6,139
	10,296	11,465

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM66,762,000 (2020: RM49,637,000).

18. Trade and other receivables

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Trade receivables					
Third parties		18,931	17,368	-	-
Less: Allowance for expected credit losses		(5,586)	(5,464)	-	-
Trade receivables, net	(a)	13,345	11,904	-	-
Other receivables					
Other receivables	(b)	9,811	10,492	281	727
Amounts due from subsidiaries	(c)	-	-	2,761	94,188
Deposits		1,251	1,315	1	1
Prepayments		2,314	2,447	343	333
		13,376	14,254	3,386	95,249
Less: Allowance for expected credit losses:					
- other receivables		(202)	(252)	-	-
- amounts due from subsidiaries		-	-	-	(5,887)
		(202)	(252)	-	(5,887)
Other receivables, net	(d)	13,174	14,002	3,386	89,362
Total trade and other receivables		26,519	25,906	3,386	89,362
Less: Prepayments		(2,314)	(2,447)	(343)	(333)
Add: Cash and bank balances (Note 19)		139,906	136,456	49,122	59,056
Total financial assets carried at amortised cost		164,111	159,915	52,165	148,085

18. Trade and other receivables (contd.)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 (2020: 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	
	2021 RM'000	2020 RM'000
Neither past due nor impaired	8,365	7,303
1 to 30 days past due not impaired	2,786	2,100
31 to 60 days past due not impaired	1,106	415
61 to 90 days past due not impaired	246	565
91 to 120 days past due not impaired	141	647
More than 121 days past due not impaired	701	874
Past due but not impaired	4,980	4,601
Impaired	5,586	5,464
	18,931	17,368

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 RM4,980,000 (2020: RM4,601,000) 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.

18. 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 2021 RM'000	Group 2020 RM'000
Trade receivables - nominal amount	5,586	5,464
Less: Allowance for expected credit losses	(5,586)	(5,464)
	-	-

Movement in allowance accounts:

	Group 2021 RM'000	Group 2020 RM'000
At the beginning of financial year/period	5,464	8,999
Allowance for expected credit losses (Note 7)	840	500
Written off	(718)	(4,035)
At the end of financial year/period	5,586	5,464

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) Other receivables

Other receivables of the Group include patient billings made on behalf of doctors amounting to RM8,891,000 (2020: RM9,149,000) reclassified from trade receivables balance to conform with current year's presentation. Other receivables are unsecured and non-interest bearing.

18. Trade and other receivables (contd.)

(c) Amounts due from subsidiaries

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

(d) 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other receivables				
- nominal amount	202	252	-	5,887
Less: Allowance for expected credit losses	(202)	(252)	-	(5,887)
	-	-	-	-
Movement in allowance accounts:				
At the beginning of financial year/period				
- other receivables	252	252	-	-
- amounts due from subsidiaries	-	-	5,887	4,731
Allowance for expected credit losses				
- amounts due from subsidiaries				
- addition (Note 7)	-	-	-	1,156
- write back (Note 5)	-	-	(5,727)	-
Written off				
- other receivables	(50)	-	-	-
- amounts due from subsidiaries	-	-	(160)	-
At the end of financial year/period	202	252	-	5,887

Included in other receivables of the Group is an amount of RM78,883 (2020: RM78,883) owing from a related company. Information arising from related party transaction on these outstanding balances are disclosed in Note 28.

19. Cash and bank balances

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	81,521	76,282	3,510	10,270
Deposits with licensed banks	58,385	60,174	45,612	48,786
	139,906	136,456	49,122	59,056

(a) Included in deposits with licensed banks of the Group is an amount of RM548,000 (2020: RM500,000) which is pledged as securities for facilities granted to the Group.

(b) Cash restricted in use of the Group amounting to RM1,343,000 (2020: Nil) are assigned and charged as security for a Debt Service Reserve Account.

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

	Group		Company	
	2021	2020	2021	2020
Weighted average effective fixed interest rates (%)	2.04	3.20	2.07	3.34
Range of maturities (months)	1-12	1-12	2-6	3-6

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	81,521	76,282	3,510	10,270
Deposits with licensed banks	58,385	60,174	45,612	48,786
	139,906	136,456	49,122	59,056
Less:				
Deposits with licensed banks (for more than 3 months)	(32,688)	(39,259)	(32,612)	(37,612)
Deposit pledged to a licensed bank	(548)	(500)	-	-
Cash restricted in use	(1,343)	-	-	-
Total cash and cash equivalents	105,327	96,697	16,510	21,444

20. Trade and other payables

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Trade payables					
Third parties	(a)	16,430	13,772	-	-
Other payables					
Amounts due to subsidiaries	(b)	-	-	5	848
Other payables	(c)	45,015	35,508	29	34
Deposits received		670	603	-	-
Accruals		10,713	18,119	457	542
		56,398	54,230	491	1,424
Total trade and other payables		72,828	68,002	491	1,424
Add: Borrowings (Note 21)		174,603	88,400	-	-
Total financial liabilities carried at amortised cost		247,431	156,402	491	1,424

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranged from 30 to 90 (2020: 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

Other payables of the Group include patient billings made on behalf of doctors and payable to doctors upon collection from patients, amounting to RM15,474,000 (2020: RM14,347,000) reclassified from trade payables balance to conform with current year's presentation. Other payables are non-interest bearing. Other payables are normally settled on an average term of two months (2020: average term of two months).

Included in other payables of the Group as at end of the previous financial period is an amount of RM8,436 owing to related companies. Information arising from related party transactions of these outstanding balances are disclosed in Note 28.

21. Borrowings

	Maturity	Group 2021 RM'000	Group 2020 RM'000
Current			
Lease liabilities	2022	1,447	1,544
Secured:			
Term loans	2022	99	62
Finance lease obligation - industrial hire purchase	2022	894	-
		2,440	1,606
Non-current			
Lease liabilities	2023 - 2028	4,305	5,210
Secured:			
Term loans	2023 - 2030	164,772	81,584
Finance lease obligation - industrial hire purchase	2023 - 2025	3,086	-
		172,163	86,794
Total borrowings			
Lease liabilities (Note 23(b))		5,752	6,754
Secured:			
Term loans		164,871	81,646
Finance lease obligation - industrial hire purchase		3,980	-
		174,603	88,400

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

	Group 2021 %	Group 2020 %
Floating rate		
Term loans	3.34	3.88
Finance lease obligation - industrial hire purchase	3.26	-
Fixed rate		
Lease liabilities	4.55	4.55

21. Borrowings (contd.)

The remaining maturities of the borrowings as at 30 June 2021 and 30 June 2020 are as follows:

	Group	
	2021	2020
	RM'000	RM'000
On demand	2,440	1,606
1 to 2 years	9,479	1,409
3 to 5 years	79,916	47,646
> 5 years	82,768	37,739
	174,603	88,400

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 an investment property of the Group as disclosed in Note 15 and a corporate guarantee from the Company as disclosed in Note 30(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 the development land intended for the building 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 30(a) and charges over a long term leasehold land, a building and assets under construction of the Group as disclosed in Note 13 and Note 15.

21. Borrowings (contd.)

On 30 October 2020, THSB has entered into an industrial hire purchase facility up to RM4,410,000 with OCBC Bank Berhad to finance the purchase of a medical equipment. The hire purchase was drawdown in December 2020, and the first principal repayment shall commence in the same month. The hire purchase is secured by corporate guarantee from the Company as disclosed in Note 30(a).

Reconciliation of liabilities arising from financing activities

	Current RM'000	Non-current RM'000	Total RM'000
Group			
At 1 July 2020	1,606	86,794	88,400
Cash flows	(2,391)	87,625	85,234
Non-cash changes (Note 13)	-	49	49
Lease liabilities	(229)	1,138	909
Reclassifications	3,443	(3,443)	-
Other changes	11	-	11
At 30 June 2021	2,440	172,163	174,603

	Current RM'000	Non-current RM'000	Total RM'000
Group			
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

Included in the other changes are the effects of accrued but not yet paid interest on interest-bearing loans and borrowings.

22. Provision

	Restoration costs of property, plant and equipment	
	2021	2020
	RM'000	RM'000
Group		
At beginning of financial year/period	320	320
Arising during the financial year/period (Note 13)	221	-
Reversal	(20)	-
Unwinding discount (Note 6)	23	-
At the end of financial year/period	544	320
Current	181	278
Non-current:		
- More than 2 years and less than 7 years	363	42
	544	320

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

23. 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 to 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 year 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 six of the premises used for the Group's office and one of the premise used for staff hostel.

23. 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 year/period:

	Group 2021 RM'000	2020 RM'000
At the beginning of financial year/period	6,754	-
Effect of adoption of MFRS 16	-	7,625
	6,754	7,625
Additions (Note 13)	582	377
Derecognition	(322)	-
Modification	357	-
Interest expense on lease liabilities (Note 6)	293	261
Payments	(1,911)	(1,286)
Rental concessions (Note 5)	(1)	(223)
At the end of financial year/period	5,752	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 31.

The following are the amounts recognised in profit or loss:

	Group 2021 RM'000	2020 RM'000
Depreciation expense of right-of-use assets:		
- long term leasehold land (Note 13)	204	170
- building (Note 13)	1,732	1,376
Interest expense on lease liabilities (Note 6)	293	261
Rental concessions (Note 5)	(1)	(223)
Expenses related to short-term leases (Note 7):		
- equipment	161	99
- premises	95	60
Derecognition of lease liability (Note 5)	(27)	-
Total amount recognised in profit or loss	2,253	1,573

During the year, the Group had total cash outflows for leases of RM2,167,000 (2020: RM1,445,000). The Group also had non-cash additions to right-of-use assets and lease liabilities of RM582,000 (2020: RM377,000).

24. Deferred tax assets/(liabilities)

	Group 2021 RM'000	Group 2020 RM'000
At the beginning of financial year/period	(21,599)	(19,408)
Recognised in profit or loss (Note 10)	(1,038)	(2,191)
At the end of financial year/period	(22,637)	(21,599)

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 year 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 2019	2,737	(2,737)	-
Recognised in profit or loss	(436)	436	-
At 30 June 2020	2,301	(2,301)	-
At 1 July 2020	2,301	(2,301)	-
Recognised in profit or loss	(713)	713	-
At 30 June 2021	1,588	(1,588)	-

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 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)
At 1 July 2020	(16,573)	(7,327)	2,301	(21,599)
Recognised in profit or loss	-	(325)	(713)	(1,038)
At 30 June 2021	(16,573)	(7,652)	1,588	(22,637)

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

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

	Group 2021 RM'000	2020 RM'000
Unused tax losses	9,547	8,398
Unabsorbed capital allowances	2,252	1,095
	11,799	9,493
Deferred tax benefit at 24% (2020: 24%), if recognised	2,832	2,278

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.

25. Share capital

	Group/Company			
	Number of shares		Amount	
	2021	2020	2021	2020
	'000	'000	RM'000	RM'000
Issued and fully paid	1,741,882	1,741,882	625,986	625,986

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

26. Reserves

		Group		Company	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Distributable:					
Retained profits	27	159,967	142,636	66,188	50,026
Non distributable:					
Share options reserve	(a)	3,668	3,466	3,668	3,466
Foreign exchange translation reserve	(c)	-	30	-	-
		3,668	3,496	3,668	3,466

(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.

26. 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, expired 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 and 2021 were 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, 2018 and 2021 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, 6.67 years and 4.53 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.

26. 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	1.7.2020	Granted	Exercised	Lapsed	30.6.2021	30.6.2021
	RM	'000	'000	'000	'000	'000	'000
Grant date							
11 June 2015	0.75	7,500	-	-	(3,500)	4,000	4,000
28 August 2015	0.75	5,066	-	-	(455)	4,611	4,611
25 January 2017	0.94	3,550	-	-	(80)	3,470	3,470
19 December 2017	0.94	-	-	-	-	-	-
26 September 2018	0.94	2,000	-	-	-	2,000	2,000
17 November 2020	0.75	-	10,000	-	-	10,000	10,000
		18,116	10,000	-	(4,035)	24,081	24,081

There was no share options exercised during the financial year.

26. Reserves (contd.)

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

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

	Grant dates					
	17.11.2020	**26.9.2018**	**19.12.2017**	**25.1.2017**	**28.8.2015**	**11.6.2015**
ESOS expiry date	28.5.2025	28.5.2025*	28.5.2025*	28.5.2025*	28.5.2025*	28.5.2025*
Share price at grant date (per share)	RM0.535	RM0.735	RM0.940	RM0.940	RM0.520	RM0.635
Potentially dilutive share price (per share)	RM0.535	RM0.735	RM0.940	RM0.940	RM0.512	RM0.625
Exercise price per share at grant date	RM0.750	RM0.940	RM0.940	RM0.940	RM0.750	RM0.750
Historical volatility	29.81%	20.94%	22.06%	17.79%	36.73%	36.73%
Risk free rate of return at grant date	2.11%	3.44%	3.19%	3.40%	3.91%	3.63%
Dividend yield	0.38%	0.21%	0.21%	0.16%	0.57%	0.57%

* In the previous financial period, the Company resolved to extend the duration of the exercisable of unexercised ESOS shares, expired on 28 May 2020 for another 5 years to 28 May 2025 in accordance with the provisions of the ESOS By-Laws.

26. Reserves (contd.)

(c) Foreign exchange translation reserve

In the previous financial period, the exchange translation reserve was used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currency were different from that of the Group's presentation currency. It was 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 was denominated in either the functional currency of the reporting entity or the foreign operation.

27. Retained profits

The Company may distribute dividends out of its entire retained profits as of 30 June 2021 and 30 June 2020 under the single-tier system.

28. 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 year/period:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Administration service charges payable to:				
- subsidiaries	-	-	355	502
- related companies	-	47	-	-
Dividend income from a subsidiary	-	-	13,372	3,000
Procurement of services from:				
- related companies	92	1,301	-	-

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 2021 and 30 June 2020 are disclosed in Note 18 and Note 20.

28. 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Short term employee benefits	2,089	2,085	-	-
Share options granted under ESOS	44	17	-	17
	2,133	2,102	-	17

29. Commitments

(a) Capital commitments

Capital expenditure as at 30 June 2021 and 30 June 2020 are as follows:

	Group	
	2021	2020
	RM'000	RM'000
Capital expenditure in respect of purchase of property, plant and equipment:		
- approved and contracted for	106,356	159,757
- approved but not contracted for	136	143
	106,492	159,900

(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 three years. Certain leases include a clause to enable upward revision of the rental charge upon renewal of tenancy based on prevailing market conditions.

29. 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 2021 RM'000	Group 2020 RM'000
Not later than 1 year	431	396
Later than 1 year and not later than 5 years	339	224
	770	620

30. Guarantees and contingencies

(a) Financial guarantees

	Company 2021 RM'000	Company 2020 RM'000
Unsecured		
Corporate guarantees given to licensed bank for banking facility granted to wholly-owned subsidiaries	168,851	81,646
Letter of guarantee given to suppliers	3,535	1,067
	172,386	82,713

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, buildings, assets under construction and medical equipment of the Group as disclosed in Note 13 and Note 15.

30. 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.

31. 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), 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 interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Deposits with licensed banks at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate of interest.

31. 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 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 1.7.2020 to 30.6.2021 RM'000	1.9.2019 to 30.6.2020 RM'000
Group			
Borrowing - floating rate	25	(422)	(204)
	(25)	422	204

(c) 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 1.4% (2020: 1.8%) of the Group's loans and borrowings (Note 21) will mature in less than one year based on the carrying amount reflected in the financial statements.

31. Financial instruments (contd.)

(c) Liquidity risk (contd.)

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 RM'000	1 to 5 years RM'000	> 5 years RM'000	Total RM'000
2021				
Group				
Financial liabilities:				
Trade and other payables	72,828	-	-	72,828
Lease liabilities	1,671	3,825	963	6,459
Borrowings	6,522	104,390	84,905	195,817
Total undiscounted financial liabilities	81,021	108,215	85,868	275,104
Company				
Financial liabilities:				
Trade and other payables, representing total undiscounted financial liabilities	491	-	-	491

31. Financial instruments (contd.)

(c) 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 RM'000	1 to 5 years RM'000	> 5 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

31. Financial instruments (contd.)

(d) 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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events and current conditions of economic conditions.

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 18.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 10 (2020: 10) customers, which constituted approximately 45% (2020: 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 18. 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 18.

31. Financial instruments (contd.)

(e) 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	18
Cash and bank balances	19
Trade and other payables	20
Borrowings - with floating rate	21

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.

32. 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 options 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 year ended 30 June 2021.

33. 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.

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 year.

34. Significant event

The new Delta variant of the SARS-CoV2-2019 virus has led to a resurgence of Covid-19 cases worldwide. Covid-19 still at a critical point where high number reported and increasing trend in worldwide. Throughout the pandemic, private healthcare players in Malaysia have supported the government in pandemic control from participating in the National Covid-19 Immunisation Plan, to treating Covid-19 patients and accepting non-Covid patients from government hospitals in an effort to create more Covid ICU beds. In addition, occupational health and safety has become extremely important as frontliners risk not only infection but also burnout from the volume of highly acute cases. The Group remains cautious of the current trajectory of Covid-19 cases in Malaysia and neighbouring countries and will continue to assess and innovate its responses to the challenges posed by this ongoing pandemic.