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TMC Life Sciences Berhad
(Incorporated in Malaysia)

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TMC Life Sciences Berhad
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Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2019.

Principal activities

The principal activity of the Company is investment holding.

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

Significant event subsequent to the end of the reporting period

Significant event subsequent to the end of the reporting period are disclosed in Note 32 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	20,919	3,097

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.

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Dividend

Dividend paid by the Company since 31 August 2018 was as follows:

	RM'000
In respect of the financial year ended 31 August 2018 as reported in the Directors' report of that year:	
First and final single-tier dividend of 0.183 sen per ordinary share paid on 27 February 2019	3,177

A first and final single-tier dividend in respect of the financial year ended 31 August 2019, of 0.2013 sen per ordinary share had been declared on 24 October 2019. 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:

Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir*	
Gary Ho Kuat Foong	
Claire Lee Suk Leng	
Kan Kheong Ng*	
Wan Nadiah Binti Wan Mohd Abdullah Yaakob*	(appointed on 25 January 2019)
Dato' Sri Mohd Mokhtar Bin Mohd Shariff	(appointed on 25 January 2019)
Dr. Lam Lee G	(appointed on 25 January 2019)
Wilson Sam (alternate Director to Kan Kheong Ng)	(appointed on 1 February 2019)
Dato' Dr. Tan Kee Kwong	(resigned on 25 January 2019)
Roy Quek Hong Sheng	(resigned on 25 January 2019)
Freddie Heng Kim Chuan	(resigned on 25 January 2019)

* 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	
Woon Ming Ming	(resigned on 23 July 2019)

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

The Directors' benefits are as follows:

	Group RM'000	Company RM'000
Salaries, fees and bonuses	1,873	314
Estimated monetary value of benefits-in-kind	520	235
	2,393	549

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 paid by the Company for the financial year was RM17,129.

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Directors' interests

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

Interests in the Company

	Number of ordinary shares			
	1.9.2018	**Bought**	**Sold**	**31.8.2019**
Direct interest:				
Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir	500,000	-	-	500,000
Deemed interest:				
Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir	200,000	-	-	200,000

	Number of warrants			
	1.9.2018	**Bought**	**Sold/ Lapsed**	**31.8.2019**
Direct interest:				
Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir	250,000	-	(250,000)	-
Deemed interest:				
Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir	100,000	-	(100,000)	-

Directors' interests (contd.)

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

Interests in the Company (contd.)

		I------------------ Number of options over ordinary shares ------------------I				
	Option price RM	1.9.2018	Granted	Exercised	Lapsed	31.8.2019
Professor Emeritus Dato' Dr. Khalid Bin Abdul Kadir	0.75	3,500,000	-	-	-	3,500,000
Gary Ho Kuat Foong	0.75	2,000,000	-	-	-	2,000,000
Claire Lee Suk Leng	0.75	2,000,000	-	-	-	2,000,000
Kan Kheong Ng	0.94	2,000,000	-	-	-	2,000,000
Wan Nadiah Binti Wan Mohd Abdullah Yaakob	0.94	-	2,000,000	-	-	2,000,000
Dato' Dr. Tan Kee Kwong*	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.

* A decision was made to extend the validity on the ESOS to a former Director, Dato' Dr. Tan Kee Kwong. This decision is to be approved at the upcoming AGM.

Issues of shares

During the financial year, the issued and paid-up ordinary share capital of the Company was increased by RM4,074,093 from RM621,912,351 to RM625,986,444 by way of issuance of 5,432,124 new ordinary shares pursuant to the exercise of warrants at the exercise price of RM0.75 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

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 23(b) to the financial statements.

During the financial year:

- The Company granted 2,000,000 share options to the Chief Executive Officer of a subsidiary before her appointment to the Board of Directors on 25 January 2019. These options expire on 28 May 2020 and are exercisable over the vesting periods of 1.67 years.

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Employees' share options scheme (contd.)

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

		[------------------- Number of options over ordinary shares			-------------------]	Exercisable
	Option price	**1.9.2018**	**Granted**	**Exercised**	**Lapsed**	**31.8.2019**	**31.8.2019**
	RM	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**
Grant date							
11 June 2015	0.75	9,500	-	-	-	9,500	9,500
28 August 2015	0.75	5,858	-	-	(546)	5,312	5,312
25 January 2017	0.94	7,190	-	-	(3,640)	3,550	3,550
19 December 2017	0.94	2,000	-	-	(2,000)	-	-
26 September 2018	0.94	-	2,925	-	(925)	2,000	2,000
		24,548	2,925	-	(7,111)	20,362	20,362

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

Warrants 2015/2019

The salient features and other terms of the warrants are disclosed in Note 23(c) to the financial statements.

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

	Number of warrants 2019 '000	2018 '000
At the beginning of financial year	866,344	866,344
Less: Exercised	(5,432)	-
Less: Lapsed	(860,912)	-
At the end of financial year	-	866,344

Other statutory information

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

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

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

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

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

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

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Other statutory information (contd.)

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

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

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

   (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial 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.

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Auditors

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

Auditors' remuneration is as follows:

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

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, 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 for the financial year ended 31 August 2019.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 December 2019.

Gary Ho Kuat Foong

Wan Nadiah Binti Wan Mohd Abdullah Yaakob

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

We, Gary Ho Kuat Foong 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 20 to 103 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 31 August 2019 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 17 December 2019.

Gary Ho Kuat Foong

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 20 to 103 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 17 December 2019

Wong Yu Chee
MIA 16689

Before me,

Wong Kai Fen (No: B456)
Commissioner for Oath

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

Opinion

We have audited the financial statements of TMC Life Sciences Berhad, which comprise the statements of financial position as at 31 August 2019 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 20 to 103.

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 31 August 2019, 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.

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.

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

Key audit matters (contd.)

(A) Revenue

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

Revenue in respect of hospital operations and sales of pharmaceutical products for the financial year ended 31 August 2019 which amounted to approximately RM192 million, represented about 99% of total revenue of the Group. The Group relies heavily on information technology system in accounting for its revenue from hospital operations and sales of pharmaceutical products. Such information system processes large volumes of data with combination of different products and services, which consist of individually low value transactions.

We identified revenue in respect of hospital operations and sales of pharmaceutical products to be an area of focus as we consider the high volume of transactions for numerous types of products and services to be a possible cause of higher risk of material misstatement. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

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

- We obtained an understanding of the management's internal controls over the timing and amount of revenue recognised;

- We tested the relevant internal controls in place to address completeness and accuracy of revenue recognised including timely updating of approved billing rate changes in the system. We also involved our information technology specialist to test the operating effectiveness of automated controls over the billing system;

- We tested the data interface between the billing system and the general ledger;

- We inspected samples of documents which evidenced the rendering of services to customers;

- We tested samples of documents to establish whether transactions were recorded in the correct accounting period; and

- Using data analytics, we performed correlation analysis between revenue, trade receivables and cash and bank balances.

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

Key audit matters (contd.)

(B) Impairment assessment of goodwill

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

As at 31 August 2019, the carrying amount of goodwill recognised by the Group amounted to RM193 million, representing 31% and 23% of the Group's total non-current assets and total assets respectively. This goodwill relates to a subsidiary principally engaged in healthcare services. The Group is required to perform annual impairment assessment of the cash generating units ("CGU") or groups of CGUs to which this goodwill has been allocated.

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

We identified this as our area of audit focus as the impairment assessment involves determining the recoverable amount of the CGU using a discounted cash flow approach which is complex and highly judgemental. Specifically, we focused on the assumptions in respect of revenue growth rate (including long-term growth rate), gross profit margin 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 (including long-term growth rate) and gross profit margin, by taking into consideration the current and expected future economic conditions. We also compared these key assumptions against past actual outcomes of a subsidiary of the Group which operates in similar activity; and

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

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

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Directors for the financial statements

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

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

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;

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, related safeguards.

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.

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

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Ng Kim Ling
No. 03236/04/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
17 December 2019

TMC Life Sciences Berhad
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Statements of comprehensive income
For the financial year ended 31 August 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	4	194,978	169,039	1,500	1,500
Other income	5	866	926	-	-
Inventories and consumables		(57,376)	(51,398)	-	-
Staff costs	8	(62,931)	(52,199)	(76)	(78)
Other operating expenses		(33,487)	(28,316)	(3,232)	(1,910)
Depreciation and amortisation		(11,207)	(12,875)	-	-
Interest income		7,393	8,008	6,113	6,524
Finance costs	6	(85)	(88)	-	-
Profit before tax	7	38,151	33,097	4,305	6,036
Income tax expense	10	(17,232)	(5,301)	(1,208)	(1,331)
Profit for the financial year		20,919	27,796	3,097	4,705
Other comprehensive (loss)/ income that may reclassify to profit or loss in subsequent periods (net of tax):					
Foreign currency translation		(3)	29	-	-
Total comprehensive income for the financial year		20,916	27,825	3,097	4,705
Profit attributable to owners of the parent		20,919	27,796	3,097	4,705
Total comprehensive income for the financial year attributable to owners of the parent		20,916	27,825	3,097	4,705
Earnings per share unit attributable to owners of the parent (sen):					
Basic	11	1.20	1.60		
Diluted	11	1.20	1.55		

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

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Statements of financial position
As at 31 August 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	421,012	355,414	-	-
Intangible assets	14	195,440	195,311	-	-
Investment in subsidiaries	15	-	-	484,199	484,173
		616,452	550,725	484,199	484,173
Current assets					
Inventories	16	10,830	9,939	-	-
Trade and other receivables	17	33,965	30,824	58,751	30,506
Tax recoverable		7,544	7,503	-	68
Cash and bank balances	18	179,725	202,849	138,624	163,741
		232,064	251,115	197,375	194,315
Total assets		848,516	801,840	681,574	678,488
Current liabilities					
Trade and other payables	19	64,790	46,572	985	2,114
Borrowings	20	88	92	-	-
Provision	21	265	81	-	-
Income tax payable		132	65	38	-
		65,275	46,810	1,023	2,114
Net current assets		166,789	204,305	196,352	192,201
Non-current liabilities					
Borrowings	20	1,542	1,626	-	-
Provision	21	55	193	-	-
Deferred tax liabilities	22	19,408	12,971	-	-
		21,005	14,790	-	-
Total liabilities		86,280	61,600	1,023	2,114
Net assets		762,236	740,240	680,551	676,374

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Statements of financial position
As at 31 August 2019 (contd.)

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Represented by:					
Equity attributable to owners of the parent					
Share capital	23	625,986	621,912	625,986	621,912
Reserves	24	3,383	50,163	3,352	50,129
Retained profits	25	132,867	68,165	51,213	4,333
Total equity		762,236	740,240	680,551	676,374

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

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Consolidated statement of changes in equity
For the financial year ended 31 August 2019

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

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the financial year ended 31 August 2019 (contd.)

		<---- Attributable to owners of the parent ----					
			<---- Non-distributable ---->			<- Distributable ->	
	Note	**Share capital RM'000**	**Warrants reserve RM'000**	**Share options reserve RM'000**	**Foreign currency translation reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 September 2017		621,699	46,960	2,491	5	43,269	714,424
Profit for the financial year		-	-	-	-	27,796	27,796
Other comprehensive income		-	-	-	29	-	29
Total comprehensive income for the financial year		-	-	-	29	27,796	27,825
Transactions with owners							
Issue of ordinary shares pursuant to ESOS		213	-	(30)	-	-	183
Fair value charges on share options granted under ESOS		-	-	708	-	-	708
Dividend on ordinary shares	12	-	-	-	-	(2,900)	(2,900)
Total transactions with owners		213	-	678	-	(2,900)	(2,009)
At 31 August 2018		621,912	46,960	3,169	34	68,165	740,240

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)

Company statement of changes in equity
For the financial year ended 31 August 2019

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

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Company statement of changes in equity
For the financial year ended 31 August 2019 (contd.)

	Note	Share capital RM'000	Warrants reserve RM'000	Share options reserve RM'000	Retained profits RM'000	Total RM'000
		<------- Attributable to owners of the parent				------->
			<--- Non-distributable	--->	<- Distributable ->	
At 1 September 2017		621,699	46,960	2,491	2,528	673,678
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	4,705	4,705
Transactions with owners						
Ordinary shares issued pursuant to ESOS		213	-	(30)	-	183
Fair value charges on share options granted under ESOS		-	-	708	-	708
Dividend on ordinary shares	12	-	-	-	(2,900)	(2,900)
Total transactions with owners		213	-	678	(2,900)	(2,009)
At 31 August 2018		621,912	46,960	3,169	4,333	676,374

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

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 August 2019

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Operating activities				
Profit before tax	38,151	33,097	4,305	6,036
Adjustments for:				
Allowance for expected credit losses:				
- trade receivables	600	-	-	-
- other receivables	-	-	1,565	723
Reversal of allowance for expected credit losses on trade receivables	-	(119)	-	-
Amortisation of intangible assets	739	377	-	-
Depreciation of property, plant and equipment	10,468	12,498	-	-
Property, plant and equipment written off	-	39	-	-
Net loss on disposal of property, plant and equipment	58	14	-	-
Interest expense	85	88	-	-
Interest income	(7,393)	(8,008)	(6,113)	(6,524)
Unrealised gain on foreign exchange	-	(54)	-	-
Dividend income	-	-	(1,500)	(1,500)
Fair value charges on share options granted under ESOS	183	708	157	513
Operating profit/(loss) before changes in working capital carried forward	42,891	38,640	(1,586)	(752)

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 August 2019 (contd.)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Operating activities (contd.)				
Operating profit/(loss) before changes in working capital brought forward	42,891	38,640	(1,586)	(752)
Changes in working capital:				
Inventories	(891)	(1,692)	-	-
Receivables	(3,741)	2,758	(29,810)	(5,049)
Payables	2,786	(3,371)	(1,129)	(236)
Cash flows from/(used in) operation	41,045	36,335	(32,525)	(6,037)
Interest paid	(85)	(88)	-	-
Income taxes paid	(10,769)	(10,409)	(1,102)	(1,397)
Net cash flows from/(used in) operating activities	30,191	25,838	(33,627)	(7,434)
Investing activities				
Uplift of deposits placed with financial institutions with original maturity of more than three months	63,542	6,409	64,032	13,505
Interest received	7,393	8,008	6,113	6,524
Proceeds from disposals of property, plant and equipment	-	5	-	-
Purchase of property, plant and equipment	(61,233)	(34,938)	-	-
Purchase of intangible assets	(281)	(315)	-	-
Dividend from a subsidiary	-	-	1,500	1,500
Net cash flows from/(used in) investing activities	9,421	(20,831)	71,645	21,529

TMC Life Sciences Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 August 2019 (contd.)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financing activities				
Dividends paid	(3,177)	(2,900)	(3,177)	(2,900)
Proceeds from ordinary shares issued pursuant to:				
- warrants exercised	4,074	-	4,074	-
- ESOS exercised	-	183	-	183
Repayments of:				
- obligations under finance lease	(23)	(23)	-	-
- term loan	(65)	(61)	-	-
Net cash flows from/(used in) financing activities	809	(2,801)	897	(2,717)
Net increase in cash and cash equivalents	40,421	2,206	38,915	11,378
Effects of exchange rate changes	(3)	63	-	-
Cash and cash equivalents at the beginning of financial year	61,097	58,828	35,215	23,837
Cash and cash equivalents at the end of financial year (Note 18)	101,515	61,097	74,130	35,215

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

1. Corporate information

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 December 2019.

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 2018 as described fully in Note 2.2.

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

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

During the financial year, the Group and the Company have aligned its presentation of statements of comprehensive income with those of its ultimate holding company and therefore changed the presentation from classification based on function to classification based on nature.

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies

On 1 September 2018, 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 2018.

Description	Effective for annual periods beginning on or after
• Amendments to MFRS 2: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
• MFRS 9: *Financial Instruments*	1 January 2018
• MFRS 15: *Revenue from Contracts with Customers*	1 January 2018
• Amendments to MFRS 140: *Transfers of Investment Property*	1 January 2018
• Annual Improvements to MFRSs 2014 - 2016 Cycle	1 January 2018
• IC Interpretation 22: *Foreign Currency Transactions and Advance Consideration*	1 January 2018

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

<u>MFRS 9: *Financial Instruments*</u>

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group adopted this new standard on the required effective date and did not restate the comparative information. The Group performed assessment on these three aspects of the standard. Overall, the adoption of this standard has no significant impact to the statement of financial position and retained profits of the Group as at 1 September 2018.

(a) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss ("FVTPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding.

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

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

<u>MFRS 9: *Financial Instruments (contd.)*</u>

(a) Classification and measurement (contd.)

Trade and other receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as debt instruments at amortised cost.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and modified financial liabilities, and the Group does not have any such financial liabilities.

(b) Impairment

The adoption of MFRS 9 has fundamentally changed the Group’s accounting for impairment losses for financial assets by replacing MFRS 139’s incurred loss approach with a forward-looking expected credit loss (“ECL”) approach. MFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at FVTPL.

The Group applied the simplified approach and record lifetime expected losses on all trade and other receivables.

<u>MFRS 15: *Revenue from Contracts with Customers*</u>

MFRS 15 supersedes MFRS 111 *Construction Contracts*, MFRS 118 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

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

<u>MFRS 15: *Revenue from Contracts with Customers (contd.)*</u>

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

The Group adopted MFRS 15 using the retrospective with cumulative effect method. Based on the analysis of the Group’s revenue streams on the basis of facts and circumstances that currently exist, the Directors of the Company have assessed that the impact of MFRS 15 to the Group’s financial statements is not significant.

2.3 Standards and interpretation issued but not yet effective

The standards and interpretation 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: *Prepayment Features with Negative Compensation*	1 January 2019
• MFRS 16 *Leases*	1 January 2019
• Amendments to MFRS 119: *Plan Amendment, Curtailment or Settlement*	1 January 2019
• Amendments to MFRS 128: *Long-term Interests in Associates and Joint Ventures*	1 January 2019
• Annual Improvements to MFRSs 2015 - 2017 Cycle	1 January 2019
• IC Interpretation 23: *Uncertainty over Income Tax Treatments*	1 January 2019
• Amendments to MFRS 2: *Share-based Payment*	1 January 2020
• Amendments to MFRS 3: *Business Combinations*	1 January 2020

2. Summary of significant accounting policies (contd.)

2.3 Standards and interpretation issued but not yet effective (contd.)

The standards and interpretation 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 (contd.).

Description	Effective for annual periods beginning on or after
• Amendments to MFRS 6: *Exploration for and Evaluation of Mineral Resources*	1 January 2020
• Amendments to MFRS 14: *Regulatory Deferral Accounts*	1 January 2020
• Amendments to MFRS 101: *Presentation of Financial Statements*	1 January 2020
• Amendments to MFRS 108: *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2020
• Amendments to MFRS 134: *Interim Financial Reporting*	1 January 2020
• Amendments to MFRS 137: *Provision, Contingent Liabilities and Contingent Asset*	1 January 2020
• Amendments to MFRS 138: *Intangible Assets*	1 January 2020
• Amendments to IC Interpretation 12: *Service Concession Agreements*	1 January 2020
• Amendments to IC Interpretation 19: *Extinguishing Financial Liabilities with Equity Instruments*	1 January 2020
• Amendments to IC Interpretation 20: *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2020
• Amendments to IC Interpretation 22: *Foreign Currency Transactions and Advance Consideration*	1 January 2020
• Amendments to IC Interpretation 132: *Intangible Assets-Website Costs*	1 January 2020
• MFRS 17 *Insurance Contracts*	1 January 2021
• Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

2. Summary of significant accounting policies (contd.)

2.3 Standards and interpretation issued but not yet effective (contd.)

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 except as discussed below:

MFRS 16: *Leases*

MFRS 16 will replace MFRS 117: *Leases* , IC Interpretation 4: *Determining whether an Arrangement contains a Lease* , IC Interpretation 115: *Operating Lease-Incentives* and IC Interpretation 127: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* . MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The overall effects of MFRS 16 is currently being assessed. A reliable estimate of the quantitative effects is not yet available and the Group plans to adopt the new standard on the required effective date.

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.

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

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

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

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.

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

Business combinations (contd.)

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.

2.5 Transactions with non-controlling interest

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

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

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

2.6 Subsidiaries

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

2. Summary of significant accounting policies (contd.)

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 and the Company depreciate 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.

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

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

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

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

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

2. Summary of significant accounting policies (contd.)

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.

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.

2. Summary of significant accounting policies (contd.)

2.8 Intangible assets (contd.)

(b) Other intangible assets (contd.)

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.

Computer software

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

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

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

2. Summary of significant accounting policies (contd.)

2.9 Inventories

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

2.10 Impairment of non-financial assets

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

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.

2. Summary of significant accounting policies (contd.)

2.10 Impairment of non-financial assets (contd.)

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.

2.11 Financial instruments

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

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVOCI or FVTPL.

2. Summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(a) Financial assets (contd.)

Initial recognition and measurement (contd.)

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.

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 SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Subsequent measurement

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

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

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

2. Summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(a) Financial assets (contd.)

Subsequent measurement (contd.)

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

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

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(a) Financial assets (contd.)

Derecognition

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

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

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

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

Impairment of financial assets

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

2. Summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(a) Financial assets (contd.)

Impairment of financial assets (contd.)

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

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

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

(b) Financial liabilities

Initial recognition and measurement

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

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

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

2. Summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(b) Financial liabilities (contd.)

Subsequent measurement

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

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

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

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

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

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

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

(ii) Financial liabilities at amortised cost (loans and borrowings)

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

2. Summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(b) Financial liabilities (contd.)

Subsequent measurement (contd.)

(ii) Financial liabilities at amortised cost (loans and borrowings) (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 interest-bearing loans and borrowings.

Derecognition

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

(c) Offsetting of financial instruments

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

2.12 Cash and cash equivalents

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

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

2. Summary of significant accounting policies (contd.)

2.13 Borrowing costs

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

2.14 Provisions

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

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

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

2.15 Share capital and share issuance expenses

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

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

2.16 Warrants

Warrants are classified as equity.

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

2. Summary of significant accounting policies (contd.)

2.16 Warrants (contd.)

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

2.17 Leases

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

(a) As lessee

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

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

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

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

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (contd.)

2.18 Revenue and other income recognition

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

(a) Sale of goods and rendering of services

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

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

(b) Dividend income

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

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Membership fees

Membership fees are recognised upon customers registration with the Group.

(e) Rental income

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

2. Summary of significant accounting policies (contd.)

2.19 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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) Good and services tax ("GST") and sales and services tax ("SST")

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

(i) when the GST and SST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the GST and SST are 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 GST and SST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables and payables respectively in the statements of financial position.

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 per cent (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 per cent (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 per cent (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 year 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

There are no critical judgements made by management in the process of applying the Company's accounting policies which may have significant effect on the amounts recognised in the financial statements.

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 budgeted gross margins, growth rates estimated and 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 31 August 2019 was RM193,045,000 (2018: RM193,045,000). Further details are disclosed in Note 14(a).

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainties (contd.)

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 (contd.):

(b) Impairment of loans and receivables

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

4. Revenue

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customer				
Hospital and ancillary services	172,372	148,115	-	-
Clinic services	17,780	16,455	-	-
Clinic rental income	1,770	1,645	-	-
Hospital administration fee	1,930	1,902	-	-
Membership fees	66	77	-	-
	193,918	168,194	-	-
Revenue from other sources				
Dividend income from a subsidiary	-	-	1,500	1,500
Others	1,060	845	-	-
	1,060	845	1,500	1,500
Total revenue	194,978	169,039	1,500	1,500
Timing of revenue recognition				
Goods and services at a point in time	194,978	169,039	-	-

5. Other income

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Rental income	581	464	-	-
Gain on disposal of of property, plant and equipment	-	5	-	-
Unrealised gain on foreign exchange	-	54	-	-
Reversal of allowance for expected credit losses (Note 17(a))	-	119	-	-
Others	285	284	-	-
	866	926	-	-

6. Finance costs

	Group 2019 RM'000	Group 2018 RM'000
Interest expense on:		
- term loan	84	86
- obligations under finance lease	1	2
	85	88

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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Auditors' remuneration:				
- statutory audit (EY Malaysia)	175	154	46	43
- statutory audit (other than EY)	-	6	-	-
- other services (EY Malaysia)	5	11	5	11
Director's remuneration, excluding benefits-in-kind (Note 9):				
- Executive Directors	1,559	1,260	-	-
- Non-Executive Directors	314	342	314	342

7. Profit before tax (contd.)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment (Note 13):				
- Depreciation	10,468	12,498	-	-
- Written off	-	39	-	-
- Loss on disposal	58	19	-	-
Amortisation of intangible assets (Note 14)	739	377	-	-
Rental expense:				
- equipment	85	30	-	-
- premises	1,631	1,073	-	-
Allowance for expected credit losses:				
- trade receivables (Note 17(a))	600	-	-	-
- other receivables (Note 17(c))	-	-	1,565	723
Realised loss on foreign exchange	5	65	-	-

8. Staff costs

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries, wages and bonuses	46,538	39,029	-	-
Social security contributions	626	542	-	-
Contributions to defined contribution plans	5,997	4,832	-	-
Fair value charges on share options granted under ESOS	102	273	76	78
Allowances	5,509	4,516	-	-
Other benefits	4,159	3,007	-	-
	62,931	52,199	76	78

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

9. Directors' remuneration

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Executive Directors' remuneration:				
Salaries and bonuses (Note 7)	1,559	1,260	-	-
Estimated money value of benefits-in-kind:				
- ESOS expense	76	78	76	78
- other emoluments	165	-	-	-
	1,800	1,338	76	78
Non-Executive Directors' remuneration:				
Director fees (Note 7)	314	342	314	342
Estimated money value of benefits-in-kind:				
- ESOS expense	81	435	81	435
- other emoluments	198	117	78	63
	593	894	473	840
Total Directors' remuneration including benefits-in-kind	2,393	2,232	549	918

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	
	2019	2018
Executive Directors:		
RM150,001 - RM200,000	1	-
RM500,001 - RM550,000	1	-
RM1,000,001 - RM1,050,000	1	-
RM1,250,001 - RM1,300,000	-	1
Non-Executive Directors:		
Below RM50,000	5	-
RM50,001 - RM100,000	3	6

For financial year ended 31 August 2019, Kan Kheong Ng has been included as Non-Executive Non-Independent Director from 1 September 2018 to 31 January 2019, and as Executive Director from 1 February 2019 to 31 August 2019.

9. Directors' remuneration (contd.)

For financial year ended 31 August 2019, Roy Quek Hong Sheng, Dato' Tan Kee Kwong and Freddie Heng Kim Chuan have been included as Executive Director, Non-Executive Independent Director and Non-Executive Non-Independent Director respectively up to their resignation on 25 January 2019.

For financial year ended 31 August 2019, Wan Nadiah Binti Wan Mohd Abdullah Yaakob was appointed on 25 January 2019 as Executive Director, Dr. Lam Lee G and Dato' Sri Mohd Mokhtar Bin Mohd Shariff were appointed on 25 January 2019 as Non-Executive Directors and Wilson Sam was appointed on 1 February 2019 as alternate Director to Kan Kheong Ng respectively.

10. Income tax expense

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Statements of comprehensive income:				
Current income tax:				
Malaysian income tax	9,906	2,946	1,243	1,314
Under/(over)provision in prior financial years	889	20	(35)	17
	10,795	2,966	1,208	1,331
Deferred income tax (Note 22):				
Relating to origination and reversal of temporary differences	(740)	2,771	-	-
Effect of changes in tax rate on real property gains tax	7,177	-	-	-
Overprovision in prior financial years	-	(436)	-	-
	6,437	2,335	-	-
	17,232	5,301	1,208	1,331

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

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

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

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10. Income tax expense (contd.)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	38,151	33,097	4,305	6,036
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	9,156	7,943	1,033	1,449
Effect of expenses not deductible for tax purposes	452	315	570	279
Income not subject to tax	-	-	(360)	(360)
Effect of utilisation of current financial year investment tax allowance	(733)	(2,509)	-	-
Effect of utilisation of previously unrecognised unabsorbed capital allowances and tax losses	-	(343)	-	-
Effect of utilisation of previously unrecognised deferred tax assets	-	(54)	-	(54)
Effect of changes in tax rate on real property gains tax	7,177	-	-	-
Deferred tax assets not recognised during the financial year	291	365	-	-
Under/(over)provision of income tax in prior financial years	889	20	(35)	17
Overprovision of deferred tax in prior financial year	-	(436)	-	-
	17,232	5,301	1,208	1,331

11. Earnings per ordinary share

(a) Basic

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

	Group	
	2019	**2018**
Profit attributable to owners of the parent (RM'000)	20,919	27,796
Weighted average number of ordinary shares in issue ('000)	1,737,627	1,736,372
Basic earnings per share (sen)	1.20	1.60

(b) Diluted

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

	Group	
	2019	**2018**
Profit attributable to owners of the parent (RM'000)	20,919	27,796
Weighted average number of ordinary shares in issue ('000)	1,737,627	1,736,372
Effect of dilution on conversion of warrants and ESOS ('000)	-	51,232
Adjusted weighted average number of ordinary share units in issue and issuable ('000)	1,737,627	1,787,604
Diluted earnings per share (sen)	1.20	1.55

12. Dividends

	Group/Company	
	2019	2018
	RM'000	RM'000
Recognised during the financial year:		
First and final single-tier dividend in respect of financial year ended 31 August 2017 of 0.167 sen ordinary share paid on 28 February 2018	-	2,900
First and final single-tier dividend in respect of financial year ended 31 August 2018 of 0.183 sen ordinary share paid on 27 February 2019	3,177	-

A first and final single-tier dividend in respect of the financial year ended 31 August 2019, of 0.2013 sen per ordinary share had been declared on 24 October 2019. 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.

13. Property, plant and equipment

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

13. Property, plant and equipment (contd.)

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Electrical and mechanical equipment RM'000	Motor vehicles RM'000	Medical equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Office equipment and computers RM'000	Assets under construction RM'000	Total RM'000
2018											
Cost											
At 1 September 2017	180,000	19,668	64,960	2,323	193	65,669	3,234	17,898	10,472	33,884	398,301
Additions	-	-	243	182	157	9,002	268	545	478	31,697	42,572
Disposals	-	-	-	-	-	(55)	(42)	-	(201)	-	(298)
Written off	-	-	-	-	-	(11)	(84)	-	-	-	(95)
Transfer to intangible assets	-	-	-	-	-	-	-	-	(1,682)	(418)	(2,100)
Reclassification	-	-	-	-	-	1,335	-	34	-	(1,369)	-
At 31 August 2018	180,000	19,668	65,203	2,505	350	75,940	3,376	18,477	9,067	63,794	438,380
Accumulated depreciation											
At 1 September 2017	-	2,177	11,299	1,773	193	41,760	2,012	4,712	8,014	-	71,940
Depreciation charge for the financial year (Note 7)	-	205	1,315	260	31	6,945	440	2,256	1,046	-	12,498
Disposals	-	-	-	-	-	(43)	(36)	-	(200)	-	(279)
Written off	-	-	-	-	-	(8)	(48)	-	-	-	(56)
Transfer to intangible assets	-	-	-	-	-	-	-	-	(1,137)	-	(1,137)
At 31 August 2018	-	2,382	12,614	2,033	224	48,654	2,368	6,968	7,723	-	82,966
Net carrying amount	180,000	17,286	52,589	472	126	27,286	1,008	11,509	1,344	63,794	355,414

(a) As at the end of the financial year, a freehold building with a carrying amount of RM2,387,000 (2018: RM2,447,000) has been charged to a bank for credit facility to the Group as disclosed in Note 20 to the financial statements.

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

13. Property, plant and equipment (contd.)

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Purchase of property, plant and equipment	76,711	42,572
Unsettled and remained as other payables	(15,432)	(7,360)
Provision for restoration costs (Note 21)	(46)	(274)
Cash payments on purchase of property, plant and equipment	61,233	34,938

14. Intangible assets

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

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

14. Intangible assets (contd.)

Group	Goodwill RM'000 (a)	Computer software RM'000 (b)	Total RM'000
2018			
Cost			
At 1 September 2017	193,045	1,590	194,635
Additions	-	315	315
Transfer from property, plant and equipment	-	2,100	2,100
At 31 August 2018	193,045	4,005	197,050
Accumulated amortisation and impairment			
At 1 September 2017	-	225	225
Amortisation charge for the financial year (Note 7)	-	377	377
Transfer from property, plant and equipment	-	1,137	1,137
At 31 August 2018	-	1,739	1,739
Net carrying amount	193,045	2,266	195,311

(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 2019 RM'000	Group 2018 RM'000
Healthcare services segment	193,045	193,045

14. Intangible assets (contd.)

(a) Goodwill (contd.)

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

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

	2019 %	2018 %
Terminal growth rate	3.5	3.5
Pre-tax discount rate	7.6	8.8

(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.

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 31 August 2019.

14. Intangible assets (contd.)

(b) Computer software

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

15. Investment in subsidiaries

	Company	
	2019	**2018**
	RM'000	**RM'000**
Unquoted shares at cost		
- ordinary shares	381,564	381,564
- redeemable preference shares	102,000	102,000
Less: Accumulated impairment losses	(301)	(301)
	483,263	483,263
Add: Equity contribution to subsidiaries pursuant to ESOS	936	910
	484,199	484,173

At the reporting date, the Company conducted an impairment review of its investment in certain subsidiary companies, principally based on the Company’s share of net assets in these subsidiary companies, which represents the Directors’ estimation of fair value less costs to sell of these subsidiary companies.

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15. Investment in subsidiaries (contd.)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2019 %	Proportion of ownership interest 2018 %	Non-controlling interests 2019 %	Non-controlling interests 2018 %
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	-	-
BB Waterfront Sdn. Bhd.	Malaysia	Provision of healthcare services	100	100	-	-
TMC Care Sdn. Bhd.	Malaysia	Provision of pharmacy services and products	100	100	-	-

15. Investment in subsidiaries (contd.)

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

i) Subsidiaries of Thomson Hospitals Sdn. Bhd.

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest		Non-controlling interests	
			2019 %	2018 %	2019 %	2018 %
TMC Women's Specialist Holdings Sdn. Bhd.	Malaysia	Business of operating fertility centres and providing related services	100	100	-	-
PT Tropicana Healthcare Indonesia*#^	Indonesia	In the process of liquidation	96	65	4	35

* 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 are not presented.

^ Amount due to THSB was being converted into share capital and therefore increased the proportion of ownership interest.

16. Inventories

At cost:

	Group 2019 RM'000	Group 2018 RM'000
Pharmaceutical products	5,435	4,267
Medical and consumable supplies	5,395	5,672
	10,830	9,939

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM57,376,000 (2018: RM51,398,000).

17. Trade and other receivables

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade receivables					
Third parties		37,631	33,928	-	-
Less: Allowance for expected credit losses		(8,999)	(8,660)	-	-
Trade receivables, net	**(a)**	28,632	25,268	-	-
Other receivables					
Other receivables		1,832	2,213	845	1,099
Amounts due from subsidiaries	**(b)**	-	-	62,299	32,228
Deposits		1,560	1,659	1	1
Prepayments		2,193	1,936	337	344
		5,585	5,808	63,482	33,672
Less: Allowance for expected credit losses					
- Other receivables		(252)	(252)	-	-
- Amounts due from subsidiaries		-	-	(4,731)	(3,166)
		(252)	(252)	(4,731)	(3,166)
Other receivables, net	**(c)**	5,333	5,556	58,751	30,506
Total trade and other receivables		33,965	30,824	58,751	30,506
Less: Prepayments		(2,193)	(1,936)	(337)	(344)
Less: GST receivable		-	(69)	-	-
Add: Cash and bank balances (Note 18)		179,725	202,849	138,624	163,741
Total financial assets carried at amortised cost		211,497	231,668	197,038	193,903

17. Trade and other receivables (contd.)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 (2018: 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 2019 RM'000	Group 2018 RM'000
Neither past due nor impaired	15,330	14,008
1 to 30 days past due not impaired	6,417	5,200
31 to 60 days past due not impaired	1,143	1,321
61 to 90 days past due not impaired	475	963
91 to 120 days past due not impaired	1,224	1,250
More than 121 days past due not impaired	4,043	2,526
Past due but not impaired	13,302	11,260
Impaired	8,999	8,660
	37,631	33,928

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 RM13,302,000 (2018: RM11,260,000) that are past due at the reporting date but not impaired.

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

17. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Receivables that are past due and impaired

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

	Group 2019 RM'000	Group 2018 RM'000
Trade receivables - nominal amount	13,866	13,344
Less: Allowance for expected credit losses	(8,999)	(8,660)
	4,867	4,684

Movement in allowance accounts:

	Group 2019 RM'000	Group 2018 RM'000
At the beginning of financial year	8,660	9,042
Allowance for expected credit losses (Note 7)	600	-
Reversal of allowance for expected credit losses (Note 5)	-	(119)
Written off	(261)	(263)
At the end of financial year	8,999	8,660

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

(b) Amounts due from subsidiaries

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

17. Trade and other receivables (contd.)

(c) Other receivables

Other receivables that are impaired

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables				
- nominal amount	252	252	4,731	3,166
Less: Allowance for expected credit losses	(252)	(252)	(4,731)	(3,166)
	-	-	-	-
Movement in allowance accounts:				
At the beginning of financial year	252	252	3,166	2,443
Allowance for expected credit losses (Note 7)				
- Amounts due from subsidiaries	-	-	1,565	723
At the end of financial year	252	252	4,731	3,166

18 Cash and bank balances

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash at banks and on hand	21,068	16,078	2,761	2,266
Deposits with licensed banks	158,657	186,771	135,863	161,475
	179,725	202,849	138,624	163,741

(a) Included in deposits with licensed banks of the Group is an amount of RM510,000 (2018: RM510,000) which is pledged as securities for facilities granted to the Group.

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

	Group		Company	
	2019	2018	2019	2018
Weighted average effective fixed interest rates (%)	3.79	4.05	3.79	4.08
Range of maturities (months)	1-12	1-12	1-12	1-12

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash at banks and on hand	21,068	16,078	2,761	2,266
Deposits with licensed banks	158,657	186,771	135,863	161,475
	179,725	202,849	138,624	163,741
Less:				
Deposits with licensed banks (for more than 3 months)	(77,700)	(141,242)	(64,494)	(128,526)
Deposit pledged to a licensed bank	(510)	(510)	-	-
Total cash and cash equivalents	101,515	61,097	74,130	35,215

19. Trade and other payables

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade payables					
Third parties	(a)	30,813	27,197	-	-
Other payables					
Amounts due to subsidiaries	(b)	-	-	731	1,788
Other payables	(c)	17,078	9,308	37	37
Deposits received		3,431	2,462	-	-
Accruals		13,468	7,605	217	289
		33,977	19,375	985	2,114
Total trade and other payables		64,790	46,572	985	2,114
Less: GST payable		-	(13)	-	-
Add: Borrowings (Note 20)		1,630	1,718	-	-
Total financial liabilities carried at amortised cost		66,420	48,277	985	2,114

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranged from 30 to 90 (2018: 30 to 90) days.

(b) Amounts due to subsidiaries

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

(c) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of two months (2018: average term of two months).

20. Borrowings

	Maturity	Group 2019 RM'000	Group 2018 RM'000
Current			
Secured			
Term loan	2020	76	69
Obligations under finance lease	2020	12	23
		88	92
Non-current			
Secured			
Term loan	2030	1,542	1,614
Obligations under finance lease	2020	-	12
		1,542	1,626
Total borrowings			
Secured			
Term loan		1,618	1,683
Obligations under finance lease		12	35
		1,630	1,718

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

	Group 2019	Group 2018
Floating rate		
Term loan	5.09	5.09
Fixed rate		
Obligations under finance lease	2.65	2.65

The remaining maturities of the borrowings as at 31 August 2019 and 2018 are as follows:

	Group 2019 RM'000	Group 2018 RM'000
On demand or within one year	88	92
More than 1 year and less than 2 years	80	84
More than 2 years and less than 5 years	264	240
5 years or more	1,198	1,302
	1,630	1,718

The term loan is secured by corporate guarantee from the Company as disclosed in Note 28(a) and charges over the freehold building of the Group as disclosed in Note 13.

21. Provision

	Restoration costs of property, plant and equipment RM'000
Group	
At 1 September 2017	-
Additional provision capitalised in property, plant and equipment (Note 13)	274
At 31 August 2018	274
Additional provision capitalised in property, plant and equipment (Note 13)	46
At 31 August 2019	320
At 31 August 2019	
Current	265
Non-current:	
- More than 2 years and less than 5 years	55
	320
At 31 August 2018	
Current	81
Non-current:	
- More than 2 years and less than 5 years	193
	274

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

22. Deferred tax assets/(liabilities)

	Group	
	2019 RM'000	2018 RM'000
At the beginning of financial year	(12,971)	(10,636)
Recognised in profit or loss (Note 10)	(6,437)	(2,335)
At the end of financial year	(19,408)	(12,971)

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.

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

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

	Unused tax losses RM'000	Investment tax allowance RM'000	Provisions RM'000	Offsetting RM'000	Total RM'000
At 1 September 2017	2,364	451	2,205	(5,020)	-
Recognised in profit or loss	(2,364)	(451)	(76)	2,891	-
At 31 August 2018	-	-	2,129	(2,129)	-
At 1 September 2018	-	-	2,129	(2,129)	-
Recognised in profit or loss	-	-	608	(608)	-
At 31 August 2019	-	-	2,737	(2,737)	-

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

The components and movements of deferred tax assets and liabilities during the financial year before and after offsetting are as follows (contd.):

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 2017	(9,396)	(6,260)	5,020	(10,636)
Recognised in profit or loss	-	556	(2,891)	(2,335)
At 31 August 2018	(9,396)	(5,704)	2,129	(12,971)
At 1 September 2018	(9,396)	(5,704)	2,129	(12,971)
Recognised in profit or loss	(7,177)	132	608	(6,437)
At 31 August 2019	(16,573)	(5,572)	2,737	(19,408)

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

	Group	
	2019 RM'000	2018 RM'000
Unused tax losses	6,968	5,861
Unabsorbed capital allowances	1,368	1,263
	8,336	7,124
Deferred tax benefit at 24% (2018: 24%), if recognised	2,001	1,710

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.

23. Share capital

	Group/Company			
	Number of shares		Amount	
	2019	2018	2019	2018
	'000	'000	RM'000	RM'000
Issued and fully paid:				
At the beginning of the financial year	1,736,450	1,736,205	621,912	621,699
Ordinary shares issued during the financial year, pursuant to:				
- ESOS	-	245	-	213
- conversion of warrants	5,432	-	4,074	-
At the end of the financial year	1,741,882	1,736,450	625,986	621,912

(a) Issue of shares

During the financial year, the issued and paid-up ordinary share capital of the Company was increased by RM4,074,093 from RM621,912,351 to RM625,986,444 by way of issuance of 5,432,124 new ordinary shares pursuant to the exercise of warrants at the exercise price of RM0.75 per ordinary share.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary share units carry one vote per share unit without restrictions and rank equally with regard to the Company's residual assets.

23. Share capital (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"). The main features of the ESOS are as follows:

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

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

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

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

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

(v) An option granted under ESOS in 2015, 2017 and 2018 may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee and is subject to the allotment of shares over the vesting periods of 5 years, 3.34 years, 2.44 years and 1.67 years, respectively; and

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

23. Share capital (contd.)

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

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

	Option price	[---------------- Number of options over ordinary shares			-------------]		Exercisable
		1.9.2018	Granted	Exercised	Lapsed	31.8.2019	31.8.2019
	RM	'000	'000	'000	'000	'000	'000
Grant date							
11 June 2015	0.75	9,500	-	-	-	9,500	9,500
28 August 2015	0.75	5,858	-	-	(546)	5,312	5,312
25 January 2017	0.94	7,190	-	-	(3,640)	3,550	3,550
19 December 2017	0.94	2,000	-	-	(2,000)	-	-
26 September 2018	0.94	-	2,925	-	(925)	2,000	2,000
		24,548	2,925	-	(7,111)	20,362	20,362

There was no share options exercised during the financial year.

23. Share capital (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 acccount the terms and conditions upon which the options were granted. The key inputs of the options are as follows:

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

23. Share capital (contd.)

(c) Warrants 2015/2019

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

- One Consideration Warrant for every two Consideration Shares issued for the acquisition of BB Waterfront Sdn. Bhd.; and

- One Bonus Warrant for every two existing ordinary shares held.

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

Salient features of the warrants were as follows:

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

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

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

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

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

Details of the movements of warrants are as follows:

	Number of warrants	
	2019	**2018**
	'000	**'000**
At the beginning of financial year	866,344	866,344
Less: Exercised	(5,432)	-
Less: Lapsed	(860,912)	-
At the end of financial year	-	866,344

24. Reserves

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Distributable:					
Retained profits	**25**	132,867	68,165	51,213	4,333
Non distributable:					
Warrants reserve	**(a)**	-	46,960	-	46,960
Share options reserve	**(b)**	3,352	3,169	3,352	3,169
Foreign exchange translation reserve	**(c)**	31	34	-	-
		3,383	50,163	3,352	50,129

(a) Warrants reserve

The warrants reserve arose from the acquisition of entire equity interest in BB Waterfront Sdn. Bhd. for a purchase consideration of RM366,960,000 to be satisfied via the issuance of 533,333,333 new ordinary shares of RM0.10 each together with 266,666,666 free new detachable warrants during the financial year. The fair value of RM0.1761 per warrant was determined using the Black-Scholes pricing model based on the following key assumptions:

Interest rate	3.99%
Expected volatility of the Company’s share price	42.29%

On 24 June 2019, all unexercised warrants have been transferred to retained profits.

(b) 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.

(c) Foreign exchange translation reserve

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

25. Retained profits

The Company may distribute dividends out of its entire retained profits as of 31 August 2019 and 31 August 2018 under the single-tier system.

26. 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:

	Group		**Company**	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Administration service charges payable to a subsidiary	-	-	695	865
Dividend income from a subsidiary	-	-	1,500	1,500
Procurement of services from:				
- related companies	199	678	-	-

Related companies are entities, not being a subsidiary or an associate, in which a Director of the Company also holds directorship in the related 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 31 August 2019 and 2018 are disclosed in Notes 17 and 19.

26. 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.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short term employee benefits	2,837	2,799	-	-
Share options granted under ESOS	113	95	97	95
	2,950	2,894	97	95

27. Commitments

(a) Capital commitments

Capital expenditure as at 31 August 2019 and 2018 are as follows:

	Group	
	2019 RM'000	2018 RM'000
Capital expenditure in respect of purchase of property, plant and equipment:		
- approved and contracted for	262,685	277,959
- approved but not contracted for	164	217
	262,849	278,176

27. Commitments (contd.)

(b) Operating lease commitments - the Group as lessee

The Group had entered into commercial leases on business premises and equipment. These leases have a tenure ranging from one to three years, with options to renew for one to three years. Certain contracts include escalation clauses or contingent rental computed based on revenue achieved. There are no restriction placed upon the Group by entering into these leases.

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

	Group 2019 RM'000	Group 2018 RM'000
Not later than 1 year	1,569	891
Later than 1 year and not later than 5 years	1,849	1,245
	3,418	2,136

(c) Operating lease commitments - the Group as lessor

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

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

	Group 2019 RM'000	Group 2018 RM'000
Not later than 1 year	439	433
Later than 1 year and not later than 5 years	386	646
	825	1,079

28. Guarantees and contingencies

(a) Financial guarantees

The Directors are of the opinion that provisions are not required in respect of the following guarantees, as it is not probable that a future outflow of economic benefits will be required.

	Company	
	2019	2018
	RM'000	RM'000
Unsecured		
Corporate guarantee given to licensed bank for banking facility granted to a subsidiary of the Company	1,618	1,683
Letter of guarantee given to suppliers	3,886	3,571
	5,504	5,254

(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.

29. Financial instruments

(a) Financial risk management objectives and policies

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

(b) Interest rate risk

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

29. Financial instruments (contd.)

(b) Interest rate risk (contd.)

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

<u>Sensitivity analysis for variable rate instruments</u>

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

	Increase/ (decrease) in basis points	(Decrease)/increase in profit before tax 2019 RM'000	2018 RM'000
Group			
Floating rate borrowing	25	(21)	(21)
	(25)	21	21
Deposits with licensed banks	25	1,503	1,891
	(25)	(1,503)	(1,891)
Company			
Deposits with licensed banks	25	1,287	1,647
	(25)	(1,287)	(1,647)

(c) Foreign currency risk

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

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

29. Financial instruments (contd.)

(c) Foreign currency risk (contd.)

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

	IRD RM'000
Group	
At 31 August 2019	
Trade and other receivables	11
Trade and other payables	(91)
At 31 August 2018	
Trade and other receivables	11
Trade and other payables	(123)

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

Sensitivity analysis for foreign currency risk

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

		Group (Decrease)/increase in profit before tax	
		2019 RM'000	2018 RM'000
IRD/RM	- strengthened 5%	(4)	(6)
	- weakened 5%	4	6

29. Financial instruments (contd.)

(d) Liquidity risk

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

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.

Analysis of financial instruments by remaining contractual maturities

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

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

29. Financial instruments (contd.)

(d) Liquidity risk (contd.)

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

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

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2018				
Group				
Financial liabilities:				
Trade and other payables	46,559	-	-	46,559
Borrowings	178	628	1,643	2,449
Total undiscounted financial liabilities	46,737	628	1,643	49,008
Company				
Financial liabilities:				
Trade and other payables, representing total undiscounted financial liabilities	2,114	-	-	2,114

(e) Credit risk

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

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

29. Financial instruments (contd.)

(e) Credit risk (contd.)

Exposure to credit risk

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

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

Credit risk concentration profile

The Group’s major concentration of credit risk relates to the amounts owing by 8 (2018: 8) customers, which constituted approximately 50% (2018: 51%) of its trade receivables as at the end of the reporting period.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

(f) Fair values

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

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

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

29. Financial instruments (contd.)

(f) Fair values (contd.)

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.

30. Capital management

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

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

Pursuant to the requirements of Practice Note No.17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Group has complied with this requirement for the financial year ended 31 August 2019.

31. Segment information

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

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

Major customers

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

32. Significant event subsequent to the end of the reporting period

On 24 October 2019, the Company announced to Bursa Malaysia Securities Berhad that the Board of Directors of the Company had approved the change in the financial year end ("FYE") of the Company from 31 August to 30 June. The next set of Audited Financial Statements shall be for a period of 10 months from 1 September 2019 to 30 June 2020 and thereafter, the FYE shall be 30 June for each subsequent year. The change in the FYE of the Company from 31 August to 30 June annually is to coincide with the FYE of its holding company.