



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

INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2008

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**INTERIM FINANCIAL REPORT FOR THE
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CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
		<u>CURRENT YEAR QUARTER 30 Sep 2008</u> RM	<u>PRECEDING YEAR CORRESPONDING QUARTER 30 Sep 2007</u> RM	<u>CURRENT YEAR TO-DATE 30 Sep 2008</u> RM	<u>PRECEDING YEAR CORRESPONDING QUARTER 30 Sep 2007</u> RM
Revenue		8,965,300	8,028,439	25,634,809	22,786,419
Operating expenses		(8,453,788)	(4,086,040)	(20,281,385)	(11,201,154)
Profit from operations		511,512	3,942,399	5,353,424	11,585,265
Amortisation & Depreciation		(61,221)	(459,472)	(1,074,908)	(1,309,311)
Finance costs		(2,170)	-	(2,170)	-
Interest income		2,041	41,931	94,188	174,470
Profit before taxation		450,162	3,524,858	4,370,534	10,450,424
Taxation	B5	(7,526)	(915,794)	(749,526)	(2,699,694)
Profit after taxation		442,636	2,609,064	3,621,008	7,750,730
Minority interests		67,312	32,103	121,542	32,103
Net profit attributable to members of the company		509,948	2,641,167	3,742,550	7,782,833
Earnings per share (sen)					
- Basic	B15	0.28	1.56	2.02	4.59

(The unaudited condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying notes attached to the interim financial report)

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INTERIM FINANCIAL REPORT FOR THE
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CONDENSED CONSOLIDATED BALANCE SHEET

	Note	AS AT 30 September 2008 (UNAUDITED) RM	AS AT 31 December 2007 (AUDITED) RM
ASSETS			
Non-Current Assets			
Property, plant and equipment		71,964,155	49,942,313
Prepaid land lease payments		19,038,540	19,191,666
Goodwill		3,528,500	-
Intangible assets		10,839,047	10,926,037
		105,370,242	80,060,016
Current Assets			
Inventories		718,407	472,148
Trade receivables		1,750,669	918,164
Other receivables, deposits and prepayments		14,029,480	1,348,254
Other investment		9,890	5,605,392
Cash and cash equivalents		3,548,036	5,766,691
		20,056,482	14,110,649
TOTAL ASSETS		125,426,724	94,170,665
EQUITY AND LIABILITIES			
Equity Attributable To Equity Holders Of The Company			
Share capital		18,516,300	18,516,300
Share premium		26,770,437	26,990,937
Retained profits		32,271,520	29,917,692
Total Equity		77,558,257	75,424,929
Minority Interest		(1,253)	(92,202)
Total Equity Attributable To Equity Holders Of The Company		77,557,004	75,332,727
Non-Current Liabilities			
Term loan		28,288,772	1,130,253
Deferred taxation		3,201,910	3,090,239
		31,490,682	4,220,492
Current Liabilities			
Trade payables		1,586,261	1,249,222
Other payables		7,638,282	8,520,801
Advance payment		2,814,739	1,023,639
Bank overdraft		2,628,528	-
Term loan		1,711,228	2,183,897
Tax payable		-	1,639,887
		16,379,038	14,617,446
TOTAL LIABILITIES		47,869,720	18,837,938
TOTAL EQUITY AND LIABILITIES		125,426,724	94,170,665

(The unaudited condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying notes attached to the interim financial report)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RM	Share Premium RM	Distributable Retained Profits RM	Minority Interests RM	Total RM
At 1 January 2008	18,516,300	26,990,937	29,917,692	(92,202)	75,332,727
Net profit for the period	-	-	3,742,550	(121,541)	3,621,009
Subscription for new shares	-	-	-	99,990	99,990
Acquisition of subsidiaries	-	-	-	112,500	112,500
Rights issue and bonus issue costs	-	(220,500)	-	-	(220,500)
Dividends Paid	-	-	(1,388,722)	-	(1,388,722)
At 30 September 2008	<u>18,516,300</u>	<u>26,770,437</u>	<u>32,271,520</u>	<u>(1,253)</u>	<u>77,557,004</u>
At 1 January 2007 (Restated)	16,833,000	10,324,678	21,807,551	-	48,965,229
Net profit for the year	-	-	9,338,950	(92,202)	9,246,748
Issue of new shares	1,683,300	16,833,000	-	-	18,516,300
New share issue transaction costs	-	(166,741)	-	-	(166,741)
Dividends paid	-	-	(1,228,809)	-	(1,228,809)
At 31 December 2007	<u>18,516,300</u>	<u>26,990,937</u>	<u>29,917,692</u>	<u>(92,202)</u>	<u>75,332,727</u>

(The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying notes attached to the interim financial report)

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INTERIM FINANCIAL REPORT FOR THE
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	PERIOD ENDED 30 September 2008 RM (UNAUDITED)	PRECEEDING YEAR ENDED 31 December 2007 RM (AUDITED)
Cash flows from operating activities		
Profit before taxation	4,370,534	12,987,432
Adjustments for		
Non-cash items	1,368,655	1,850,271
Interest income	(94,188)	(217,296)
Operating profit before changes in working capital	<u>5,645,001</u>	<u>14,620,407</u>
Changes in working capital:		
Development costs incurred	(527,526)	(3,402,462)
Net change in current assets	(12,049,093)	(1,123,327)
Net change in current liabilities	1,245,620	3,253,903
Cash (used in) / generated from operations	<u>(5,685,998)</u>	<u>13,348,521</u>
Interest paid	(593,506)	(36,738)
Interest received	94,188	217,296
Income tax paid	(3,330,541)	(3,211,678)
Net cash (used in) / generated from operating activities	<u>(9,515,857)</u>	<u>10,317,401</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(22,119,497)	(30,727,389)
Acquisition of software	(66,466)	(57,513)
Acquisition of subsidiary	(3,479,885)	-
Nurse sponsorship incurred, net of receipts	(658,098)	(484,944)
Other investment redeemed / (made)	5,595,502	(5,605,392)
Net cash used in investing activities	<u>(20,728,444)</u>	<u>(36,875,238)</u>
Cash flows from financing activities		
Dividends paid	(1,388,722)	(1,228,809)
Proceeds from issuance of ordinary shares, net of expenses	-	18,349,559
Term loan drawdown	26,685,850	3,314,150
Net inflow from Minority Interest	99,990	11
Net cash generated from financing activities	<u>25,397,118</u>	<u>20,434,911</u>
Net decrease in cash and cash equivalents	(4,847,183)	(6,122,926)
Cash and cash equivalents at beginning of financial period	5,766,691	11,889,617
Cash and cash equivalents at end of financial period	<u><u>919,508</u></u>	<u><u>5,766,691</u></u>
NOTES TO CASH FLOW STATEMENT		
Cash and cash equivalents comprise:		
Cash and bank balances	3,548,036	5,766,691
Bank overdraft	(2,628,528)	-
	<u><u>919,508</u></u>	<u><u>5,766,691</u></u>

(The unaudited condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying notes attached to the interim financial report)

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

**A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD ("FRS") 134
INTERIM FINANCIAL REPORTING**

A1 BASIS OF PREPARATION

The interim report is prepared in accordance with FRS134 "Interim Financial Reporting" and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The accounting policies and method of computation adopted for this quarterly report are consistent with those adopted in the annual financial statements for the year ended 31 December 2007.

A2 CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 and the following FRSs and amendments are effective for the financial periods beginning on or after 1 October 2006:

- (i) FRS 6 Exploration for and Evaluation of Mineral Resources;
- (ii) Amendment to FRS 119₂₀₀₄ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures; and
- (iii) Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation; and
- (iv) FRS 124 Related Party Disclosures.

FRS 6 is not relevant to the Group's operations. FRS 124, FRS 119₂₀₀₄ (amended) and FRS 121 (amended) have been adopted by the Group for the financial period beginning 1 January 2007.

A3 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

There were no audit qualifications on the annual financial statements of the Company and its subsidiaries for the financial year ended 31 December 2007.

A4 SEASONALITY OR CYCLICALITY OF OPERATIONS

The business of the Group is not significantly affected by any seasonal or cyclical factors.

A5 UNUSUAL ITEMS

During the current quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows that are unusual by reasons of their nature, size or incidence.

A6 CHANGE IN ESTIMATES

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

A7 ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities in the current quarter under review.

A8 PROPERTY, PLANT AND EQUIPMENT

There was no revaluation on any of the Group's property, plant and equipment during the current quarter under review.

A9 DIVIDENDS PAID

The first and final tax exempt dividend under the single-tier system of 7.5% per ordinary share for the financial year ended 31 December 2007 amounting to RM1,388,723 was approved by the shareholders in the Annual General Meeting held on 30 June 2008 and was paid on 25 July 2008.

A10 SEGMENTAL INFORMATION

The Group operates wholly in Malaysia and currently operates in the healthcare sector which includes gynaecological, fertility services, cord blood banking, research and development in life sciences.

A11 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM REPORTING PERIOD

There were no material events subsequent to 30 September 2008 and up to the date of this report.

A12 CHANGES IN THE COMPOSITION OF THE GROUP

During the quarter under review, the Company acquired a 85%-owned subsidiary, Srigim Medical Centre Sdn Bhd, for cash consideration of RM4.17 million. The acquisition was completed in September 2008.

The Company also announced on 15 September 2008 that PT Stemtech Life Science Indonesia, a 65% owned subsidiary of Stemtech International Sdn. Bhd., the Company's 90%-owned subsidiary, was incorporated on 15 August 2008.

A13 CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The Company has provided a corporate guarantee to a licensed financial institution for banking facilities totaling RM35 million granted to a wholly owned subsidiary company. The banking facilities are for financing the construction of the Group's hospital. Arising from this, the Company is contingently liable for the amount utilized by its subsidiary company of approximately RM32.62 million as at 30 September 2008.

A14 CAPITAL COMMITMENTS

Capital expenditures not provided for in the interim financial report as at 30 September 2008 are as follows:

	RM '000
Approved and contracted for	92,626
Paid up to 30 September 2008	<u>(59,712)</u>
	<u>32,914</u>

A15 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company and/or its subsidiaries	Transacting Parties	Relationship	Nature of Transactions	Current Quarter Ended 30 September 2008 RM	Cumulative Quarter Ended 30 September 2008 RM
Tropicana Medical Centre (M) Sdn Bhd (formerly known as Damansara Women's Specialist Centre Sdn Bhd)	SS Lee Medical Services Sdn Bhd	Company connected with a Director and substantial shareholder of the Company	Rental of business premises	105,000	315,000
TMC Women's Specialist Holdings Sdn Bhd (formerly known as Damansara Fertility Centre Sdn Bhd)	Dr Lee Soon Soo	Director and substantial shareholder of the Company	Rental of premise	3,600	10,800

The directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on the terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES")

B1 REVIEW OF PERFORMANCE

For the 9 months ended 30 September 2008, the group's revenue grew 11.58% to RM8.96 million compared to RM8.03 million achieved in the corresponding period in the previous year. This was mainly due to the growing business in the Group's six fertility treatment branches nationwide (the sixth and the latest branch in Penang was acquired in September 2008) and sales from the wellness program.

However, for the 9 months ended 30 September 2008, the group's profit after taxation decreased to RM3.74 million, a drop of 51.93% compared to RM7.78 million achieved in the corresponding period in the previous year. Expansion in human resources in preparation for the Group's flagship tertiary hospital, which is scheduled to commence operation in December 2008, was the main reason for the increase in operation costs.

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Review of performance	Current quarter under review			Cumulative quarters under review		
	Current quarter (RM'mil)	Preceding year corresponding quarter (RM'mil)	Changes %	Current period (RM'mil)	Preceding year corresponding period (RM'mil)	Changes %
Revenue	8.96	8.03	11.58%	25.63	22.79	12.46%
Profit after taxation and minority interest	0.51	2.64	-80.68%	3.74	7.78	-51.93%

B2 COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group achieved a revenue and profit before taxation of RM8.96 million and RM0.45 million respectively for the current quarter as compared to RM8.49 million and RM1.36 million respectively in the preceding quarter.

B3 PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2008

Notwithstanding the additional expenditure incurred in setting up the new flagship hospital in Kota Damansara, Selangor, the Board expects the Group's performance in the financial year ending 31 December 2008 to be satisfactory.

B4 VARIANCE ON PROFIT FORECAST/PROFIT GUARANTEE

Not applicable.

B5 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
	30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007
Malaysian income tax:				
- current taxation	7,526	915,794	749,526	2,699,694
- deferred taxation	-	-	-	-
Total	7,526	915,794	749,526	2,699,694

The effective tax rate of the Group for the period ended 30 September 2008 is lower than the statutory tax rate due to the tax incentive enjoyed by one of the subsidiaries.

B6 PROFIT ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no disposals of unquoted investment and/or properties during the current financial period under review.

B7 QUOTED SECURITIES

There were no purchases or disposals of quoted securities during the current financial period under review.

B8 SIGNIFICANT EVENT

There was no significant event in the quarter under review.

B9 STATUS OF CORPORATE PROPOSAL

- (i) The Company had in March 2008 entered into two Sale & Purchase Agreements to acquire the shares in Srigim Medical Centre Sdn Bhd and the land and building occupied by the medical center located in Penang for a total consideration of RM13.456 Million. These transactions were approved by the shareholders at the Extraordinary General Meeting held on 30 June 2008. The purchase of the land and building and the purchase of the 85% of paid up share capital in Srigim Medical Centre Sdn Bhd were completed in July 2008 and September 2008 respectively.
- (ii) The Board of Directors has recommended the transfer of the Company's listing from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad. It was proposed the authorized share capital be increased to RM100,000,000 and the issue of 185,163,000 new ordinary shares via a 1 Rights Share for 1 existing ordinary share held at a tentative price of RM0.20 per Rights Share, followed by the Proposed Bonus Issue of 231,453,750 new shares on the basis of 5 Bonus Shares for every 4 Rights Shares subscribed. These proposals were approved by the shareholders at the Extraordinary General Meeting held on 30 June 2008. The Proposed Rights Issue and Proposed Transfer has been approved by the Securities Commission on 1 July 2008 subject to terms and conditions to be fulfilled in due course.

On 28 October 2008 the Company had announced the entitlement date and listing date of the Rights and Bonus shares. The Company expects to complete these proposals and transfer to the Main Board of Bursa Malaysia Securities Berhad by end of the year.

B10 STATUS OF UTILISATION OF LISTING PROCEEDS

Not applicable.

B11 BORROWINGS

The Group's borrowings as at 30 June 2008 as follows:-

	Long Term (RM million)	Short Term (RM million)	Total (RM million)
Secured	28.29	4.33	32.62
Unsecured	-	-	-
Total	28.29	4.33	32.62

B12 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at the date of this report.

B13 MATERIAL LITIGATION

There were no material litigations as at the date of this report.

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B14 DIVIDENDS

There were no dividends declared for the quarter under review.

B15 EARNINGS PER SHARE

	QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
Basic earnings per share (EPS)	30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007
Net profit attributable to shareholders	509,948	2,641,167	3,742,550	7,782,833
Weighted average number of ordinary shares in issue ('000)	185,163	169,378	185,163	169,378
EPS (sen)	0.28	1.56	2.02	4.59