

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 AUGUST 2011**

A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”)

A1 BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with the requirements of Financial Reporting Standards (FRS) 134 "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the Main Board.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial period ended 31 May 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial period ended 31 May 2011.

A2 CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial period ended 31 May 2011, except for the adoption of the following new Financial Reporting Standards (FRSs) relevant to the Group with effect from 1 June 2011:

FRS 3 (Revised)	Business Combinations
FRS 127 (Revised)	Consolidated and Separate Financial Statements

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below:

i) FRS 3 (Revised) Business Combinations

FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively.

ii) FRS 127 (Revised) Consolidated and Separate Financial Statements

FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (Revised) prospectively.

A3 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the Company's audited consolidated financial statements for the financial period ended 31 May 2011 was not subject to any qualification but was modified to include an emphasis of matter on going concern. Extract of the auditors' report for the financial period ended 31 May 2011 is as follows:

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3(B) to the financial statements which discloses the premise upon which the Group and the Company have prepared their financial statements by applying the going concern assumption, notwithstanding that the Group and the Company incurred a net loss of RM35,128,158 and RM5,965,063, respectively during the financial period ended 31 May 2011, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern.

A4 SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A5 UNUSUAL ITEMS

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

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 financial 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 financial quarter under review.

A8 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

A9 DIVIDENDS PAID

No dividend was paid during the financial quarter ended 31 August 2011.

A10 SEGMENTAL INFORMATION

The Group operates mainly in Malaysia and currently is involved in the healthcare sector which includes providing specialist healthcare services in its multi disciplinary tertiary hospital. The Group also provides fertility and gynecological services, stem cell banking and therapy, and research and development in life sciences.

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

Except for those disclosed in note B9 (2), there were no other material event subsequent to 31 August 2011 and up to the date of this report.

A12 CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial quarter.

A13 CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The Company has provided corporate guarantees to licensed financial institutions for banking facilities, and suppliers amounting to RM66.06 million and RM1.60 million respectively. The guarantees were granted for the benefit of the Company's subsidiaries and invested company. Arising from this, the Company is contingently liable for the amount utilized by its subsidiaries and invested company of approximately RM46.79 million as at 31 August 2011.

A14 CAPITAL COMMITMENTS

There was no capital commitment not provided for in the financial quarter as at 31 August 2011.

A15 SIGNIFICANT RELATED PARTY TRANSACTIONS

There are no significant related party transactions during the current financial quarter under review.

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

B1 REVIEW OF PERFORMANCE

The Group recorded revenue of RM13.72 million for the current financial quarter under review. The lower revenue compared with previous quarters reported was mainly attributable to the departure of some consultants whilst the new consultants who joined during the quarter need time to build up their patient loads. The effect was compounded by the normal low admission during the Ramadan month and Chinese “Hungry Ghost” festival which fell in the major part of August 2011.

Losses incurred for the quarter was due to depreciation and finance cost.

B2 COMPARISON WITH IMMEDIATE PRECEDING PERIOD'S RESULTS

	Current quarter Ended 31 Aug 2011 RM	Preceding announcement 2 months Ended 31 May 2011 RM
Revenue	13,715,211	10,267,799
Loss before taxation	(2,334,062)	(3,146,442)

Revenue for current quarter ended 31 August 2011 is higher than the immediate preceding interim period mainly due to the shorter reporting period in the previous announcement as a result of the change of financial year. Loss before tax for the preceding two months was higher due to the adjustments made to inventories and additional expenses incurred for staff benefit

B3 PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MAY 2012

The Board is cautiously optimistic that the overall Group prospects for the financial year ending 31 May 2012 remain positive. The main hospital continues to attract more specialist doctors and is conducting more activities to promote the hospital's advanced facilities and services. The Group is expecting to receive more patients with the signing of several Memoranda of Understanding with various organisations and other marketing activities to promote medical tourism.

B4 VARIANCE ON PROFIT FORECAST/PROFIT GUARANTEE

Not applicable.

B5 TAXATION

	INDIVIDUAL QUARTER ENDED 31 Aug 2011	CUMULATIVE QUARTER ENDED 31 Aug 2011
In respect of current financial year		
- income taxation	-	-
- deferred taxation	-	-
	-	-
Under/(over) provision in respect of prior period		
- income taxation	-	-
- deferred taxation	-	-
	-	-
	-	-

There was no tax liability due to the losses made coupled with the tax exemption pursuant to the BioNexus incentive enjoyed by a subsidiary who has been granted the BioNexus Status by the Malaysian Biotechnology Corporation Sdn Bhd.

B6 PROFIT ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments and/or properties during the current financial quarter under review.

B7 QUOTED SECURITIES

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

B8 SIGNIFICANT EVENT

There was no significant event in the quarter under review.

B9 STATUS OF CORPORATE PROPOSAL

- (1) On 18 September 2008, the Company entered into a Memorandum of Understanding with Berjaya Corporation Berhad and Viet Ha Corporation to establish a formal relationship in order to jointly carry out activities relating to the design, construction, furnishing, equipping and operating of a hospital in or near Hanoi, Vietnam.

Further to the announcement made on 18 September 2008, on 17 September 2009 and 17 September 2010, the parties to the Memorandum of Understanding (MOU) have mutually agreed to extend the duration of the MOU for a further period of twelve (12) months from 17 September 2009 until 17 September 2010 and 17 September 2011 respectively.

On 19 September 2011, the Company announced that the parties to the MOU have mutually extended the duration of the MOU for a further period of twelve (12) months from 17 September 2011 until 17 September 2012.

B9 STATUS OF CORPORATE PROPOSAL (Continued)

(2) (I) On 12 September 2011, Inter-Pacific Securities Sdn Bhd (“IPS”) announced on behalf of the Company that TMC Life Sciences Berhad (“TMC”) proposed to undertake the following:

- (i) a renounceable rights issue of 200,593,250 new ordinary shares of RM0.10 each in TMC (“Rights Shares”) together with 401,186,500 free new detachable warrants (“Warrants”) at an issue price of RM0.30 per Rights Share on the basis of one (1) Rights Share together with two (2) free Warrants for every three (3) existing ordinary shares of RM0.10 each (“Shares”) held in TMC at an entitlement date to be determined by the Board and announced by the Company later (“Proposed Rights Issue”); and
- (ii) increase in the authorised share capital of TMC from RM100,000,000 comprising 1,000,000,000 Shares to RM200,000,000 comprising 2,000,000,000 Shares and in consequence thereof, the Company’s Memorandum and Articles of Association be amended accordingly (“Proposed Increase in the Authorised Share Capital”).

The Proposals are subject to the following approvals being obtained:

(a) the approval of Bursa Securities for:

(aa) the listing and quotation of the Rights Shares to be issued pursuant to the Proposed Rights Issue as well as the new Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities; and

(bb) the admission of the new Warrants to the Official List of Bursa Securities and listing and quotation of Warrants on Bursa Securities;

(b) the approval of the Controller of Foreign Exchange of Bank Negara Malaysia for the issuance of the Warrants to non-residents of Malaysia pursuant to the Proposed Rights Issue;

(c) Shareholders of TMC at an extraordinary general meeting to be convened; and

(d) the approval of any other relevant authorities or parties, if required.

(II) On 3 October 2011, IPS announced on behalf of the Company that the documents pursuant to (2)(I) (a) and (b) above had been submitted to the relevant authorities for their approvals and clearance.

(III) On 12 October 2011, IPS announced on behalf of the Company that Bank Negara Malaysia had vide its letter dated 12 October 2011 approved the issuance of Warrants to the non-resident shareholders of TMC in relation to the Proposed Rights Issue.

(3) On 10 October 2011, the Company announced that Messrs Crowe Horwath has tendered their resignation as the Auditors of the Company for the financial year ending 31 May 2012 and their resignation will be effective only after new Auditors have been appointed. In consequence thereof, Messrs BDO has been nominated as Auditors of the Company in place of Messrs Crowe Horwath, and to hold office until the conclusion of the next annual general meeting of the Company at a remuneration to be fixed by the Directors of TMC.

The proposed appointment of Messrs BDO as the new Auditors is subject to the approval being obtained from the shareholders of TMC at an Extraordinary General Meeting to be convened.

B10 BORROWINGS

The Group's borrowings as at 31 August 2011 are as follows:-

	Long Term (RM million)	Short Term (RM million)	Total (RM million)
Secured	36.93	9.39	46.32
Unsecured	4.22	0.78	5.00
Total	<u>41.15</u>	<u>10.17</u>	<u>51.32</u>

B11 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B12 MATERIAL LITIGATION

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

B13 DIVIDENDS

The Board does not recommend the payment of any dividend for the current financial quarter under review.

B14 EARNINGS PER SHARE

	INDIVIDUAL PERIOD 3 Months Ended 31 Aug 2011	CUMULATIVE PERIOD Year to date 31 Aug 2011
Earnings/Loss per share (EPS/LPS)		
Net loss attributable to shareholders (RM)	(2,334,062)	(2,334,062)
Weighted average number of ordinary shares in issue ('000)	601,780	601,780
EPS/(LPS) (sen) - Basic	(0.39)	(0.39)
- Diluted	N/A	N/A

B15 REALISED AND UNREALISED PROFITS/(LOSSES)

	31 Aug 2011 RM	31 May 2011 RM
Total accumulated losses:		
- Realised	(15,287,428)	(12,849,554)
- Unrealised	(2,912,622)	(3,016,434)
	<u>(18,200,050)</u>	<u>(15,865,988)</u>
Total share of accumulated losses of associate		
- Realised	-	(28,988)
- Unrealised	-	-
	<u>(18,200,050)</u>	<u>(15,894,976)</u>
Less: Consolidation adjustments	(28,988)	-
As at 31 August 2011/ 31 May 2011	<u>(18,229,038)</u>	<u>(15,894,976)</u>