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METRO HEALTHCARE BERHAD
(Established in Malaysia)

COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2015 AND 31 DECEMBER 2016

Morison KSi
Independent member

METRO HEALTHCARE BERHAD
(Established in Malaysia)

COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2016

INDEX
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Morison Anuarul Azizan Chew (AF 001977)
Chartered Accountants

18 Jalan Pinggir 1/64, Jalan Kolam Air
Off Jalan Sultan Azlan Shah (Jalan Ipoh)
51200 Kuala Lumpur, Malaysia

T +603 4048 2888
F +603 4048 2999
E general@morisonaac.com
W www.morisonaac.com

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF METRO HEALTHCARE BERHAD

(Company No.:905516-M)
(Incorporated in Malaysia)

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of Metro Healthcare Berhad ("Metro Healthcare"or the "Company") and its subsidiaries ("Group" or "Metro Healthcare Group"), which comprise the combined statements of financial position as at 31 December 2015 and 31 December 2016 of the Group and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 40.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and 31 December 2016 and of its financial performance and its cash flows for the financial years then ended, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 ("Act") 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 Combined 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 opinion.

Independence and Other Ethical Responsibilities

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of combined financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act 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 that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group 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.

Auditors' Responsibilities for the Audit of the Combined Financial Statements (continued)

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 combined financial statements of the Group, 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 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 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 combined financial statements of the Group 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 to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Act in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act in Malaysia to be kept by the Company have been properly kept in accordance with the provisions of the Act in Malaysia.

Other Matters

This report is made solely for the inclusion in the Information Memorandum in connection with the public issue of 20,079,500 new ordinary shares in Metro ("Share(s)") within the meanings of Section 229 and 230 of the Capital Markets and Services Act 2007 at an issue price of RM0.23 per Share by way of private placement to sophisticated investors in conjunction with the listing of Metro on the LEAP Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume any responsibility to any other person for the content of this report.

MORISON ANUARUL AZIZAN CHEW
Firm Number: AF 001977
Chartered Accountants

SATHIEA SEELEAN A/L MANICKAM
Approved Number: 1729/05/18 (J/PH)
Chartered Accountant

KUALA LUMPUR
28 December 2017

METRO HEALTHCARE BERHAD
(Incorporated in Malaysia)

HISTORICAL FINANCIAL INFORMATION

Combined Statements of Financial Position of Metro Healthcare Group

The following table sets out the combined statements of financial position prepared based on the audited financial statements of Metro Healthcare Group for the financial years ended ("FYE") 31 December 2015 and 31 December 2016.

	Note	2015 RM	2016 RM
Non-current assets			
Property, plant and equipment	3	4,296,844	5,557,782
Investment	4	1,832,278	2,893,608
Deferred tax asset		-	14,281
		6,129,122	8,465,671
Current assets			
Inventories	5	518,489	581,568
Trade receivables	6	148,558	148,284
Other receivables	7	6,682,911	6,726,307
Tax recoverable		75,000	114,266
Cash and cash equivalents		626,745	519,471
Total current assets		8,051,703	8,089,896
Current liabilities			
Trade payables	8	607,968	408,731
Other payables	9	660,099	781,885
Amount owing to a Director	10	408,358	202,112
Provision for taxation		413,253	119,638
		2,089,678	1,512,366
Net current assets		5,962,025	6,577,530
		12,091,147	15,043,201
Financed by :			
Share capital	11	1,731,105	1,731,105
Retained earnings		10,037,621	13,016,015
		11,768,726	14,747,120
Non-current liability			
Deferred tax liability	12	322,421	296,081
		12,091,147	15,043,201

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Company No. 905516 M

METRO HEALTHCARE BERHAD
(Incorporated in Malaysia)

Combined Statements of Profit or Loss and other Comprehensive Income of Metro Healthcare Group

The following table sets out the financial results prepared based on the audited financial statements of Metro Healthcare Group for the FYE 31 December 2015 and 31 December 2016.

	Note	2015 RM	2016 RM
Revenue	13	16,048,569	16,755,072
Direct operating expenses	14	(7,695,145)	(8,200,933)
Gross profit ("GP")		8,353,424	8,554,139
Other operating income		347,096	528,018
Administrative expenses		(4,356,245)	(4,977,838)
Profit before taxation ("PBT")	15	4,344,275	4,104,319
Taxation	16	(1,069,994)	(770,125)
Profit after taxation ("PAT")		3,274,281	3,334,194
Other comprehensive income		-	-
Total comprehensive income		3,274,281	3,334,194
Total number of shares (units)		1,731,105	1,731,105
Earnings before interest and tax ("EBIT")		4,344,275	4,104,319
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		5,148,262	5,012,085
Earnings per shares (Sen)		1.89	1.93
GP margin		52%	51%
PBT margin		27%	24%
PAT margin		20%	20%
Effective tax rate		25%	19%

Company No. | 905516 | M |

METRO HEALTHCARE BERHAD
(Incorporated in Malaysia)

Combined Statements of Changes in Equity of Metro Healthcare Group

The following table sets out the changes in equity prepared based on the audited financial statements of Metro Healthcare Group for the FYE 31 December 2015 and 31 December 2016.

	Note	Share Capital RM	Retained Earnings RM	Total RM
Group				
At 1 January 2015		1,731,105	8,719,156	10,450,261
Profit for the financial year		-	3,274,281	3,274,281
Dividend paid	17	-	(1,955,816)	(1,955,816)
At 31 December 2015		1,731,105	10,037,621	11,768,726
At 1 January 2016		1,731,105	10,037,621	11,768,726
Profit for the financial year		-	3,334,194	3,334,194
Dividend paid	17	-	(355,800)	(355,800)
At 31 December 2016		1,731,105	13,016,015	14,747,120

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METRO HEALTHCARE BERHAD
(Incorporated in Malaysia)

Combined Statements of Cash Flow of Metro Healthcare Group

The following table sets out the cash flow prepared based on the audited financial statements of Metro Healthcare Group for the FYE 31 December 2015 and 31 December 2016.

	2015	**2016**
	RM	**RM**
Cash flows from operating activities		
Profit before taxation	4,344,275	4,104,319
Adjustments for:		
Depreciation	803,987	910,238
Loss/(Gain) on disposal of investment	6,821	(145,414)
(Gain)/Loss on disposal of property, plant and equipment	(44,966)	10,966
Impairment loss of trade receivables	-	17,605
Interest income	-	(2,472)
Operating profit before working capital changes	**5,110,117**	**4,895,242**
Changes in working capital:		
Inventories	32,344	(63,079)
Trade and other receivables	(1,363,611)	(1,030,862)
Trade and other payables	1,665,517	575,319
Cash generated from operations	**5,444,367**	**4,376,620**
Interest received	-	2,472
Tax paid	(1,130,616)	(1,144,394)
Net cash generated from operating activities	**4,313,751**	**3,234,698**
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,019,657)	(2,299,143)
Proceeds from disposal of property, plant and equipment	100,117	117,000
Purchase of investments	(2,024,266)	(2,098,916)
Proceeds from disposal of investments	185,168	1,183,001
Net cash used in investing activities	**(2,758,638)**	**(3,098,058)**

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Combined Statements of Cash Flow of Metro Healthcare Group (continued)

	2015 RM	2016 RM
Cash flows from financing activities		
Amount owing from related parties	63,332	409,770
Advances/(Repayment) of amount owing to a Director	313,964	(297,884)
Dividend paid	(1,955,816)	(355,800)
Net cash used in financing activities	**(1,578,520)**	**(243,914)**
Net decrease in cash and cash equivalents	**(23,407)**	**(107,274)**
Cash and cash equivalents at beginning of the financial year	650,152	626,745
Cash and cash equivalents at end of the financial year/period	**626,745**	**519,471**
Cash and cash equivalents at end of the financial year/period comprise:		
Cash and bank balances	**626,745**	**519,471**

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Company No. | 905516 | M |

METRO HEATHCARE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

Metro Healthcare was incorporated in Malaysia under the Companies Act, 1965 on 23 June 2010 as a public limited company.

The principal activity of the Company is investment holding whilst the detail of the subsidiaries as at the date of this Report are as follows:

Subsidiaries	Date of incorporation	Place of incorporation	Principal activities
Hospital Wanita Metro Sdn Bhd	20 September 1991	Malaysia	Hospital and related consultation services
Metro Medical Centre Sdn Bhd	23 April 1992	Malaysia	Hospital and related consultation services
Metro IVF Sdn Bhd	26 November 2008	Malaysia	Provision of healthcare consultation services
K. W. Tee Sdn Bhd	10 June 1994	Malaysia	Provision of healthcare consultation services
Vision One Diagnostic Sdn Bhd	9 March 2011	Malaysia	Diagnostic medical imaging centre

There has been no significant change in the nature of these principal activities during the past 2 financial years.

The registered office of the Company is located at No. 9A, Jalan Medan Tuanku, 50300, Kuala Lumpur.

The principal place of business of the Company is located at 36, Jalan Pasar, 41400 Klang, Selangor.

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of preparation

Metro Healthcare Group has not been established as at the end of FYE 31 December 2016 and hence, there are no consolidated financial statements of the Group for FYE 31 December 2015 and 31 December 2016.

The combined financial statements for FYE 31 December 2015 and 31 December 2016 are prepared based on the audited financial statements of Metro Healthcare Berhad, Metro IVF Sdn Bhd, Metro Medical Centre Sdn Bhd, Hospital Wanita Sdn Bhd, K. W. Tee Sdn Bhd and Vision One Diagnostic Sdn Bhd for the FYE 31 December 2015 and 31 December 2016 respectively. These audited financial statements are not subject to any qualification, modification or disclaimer.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The combined financial statements of Metro Healthcare Group for the relevant years are prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative year covered by the relevant year or the dates of incorporation of entities within the Group, if later. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period.

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2. Basis of Preparation and Significant Accounting Policies (Continued)

2.1 Basis of preparation (continued)

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group.

The combined financial statements of the Group have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The combined financial statements have been prepared under the historical cost convention except as disclosed in summary of significant accounting policies.

The combined financial statements of the Group for the FYE 31 December 2016 represents the financial statements prepared in accordance with MFRSs and the requirements of MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards. In previous financial years, the combined financial statements of the Group was prepared in accordance with Private Entity Reporting Standards.

The Group has consistently applied the same accounting policies in its opening MFRS statements of financial position as at 1 January 2013 (date of transition to MFRS) and throughout all financial years presented, as if these policies had always been in effect. Accordingly, comparative figures in the financial statements have been restated to give effect to these changes.

The preparation of combined financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amount of revenues and expenses during the reported period. All material intra group transactions and balances have been eliminated on combination.

Directors to exercise their judgment in the process of applying the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.1.2.

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2. Basis of Preparation and Significant Accounting Policies (Continued)

2.1 Basis of preparation (continued)

Amendments to accounting standards that are effective for the Group and the Company's financial year beginning on or after 1 January 2016 are as follows:

- MFRS 14, "Regulatory Deferral Accounts"
- Amendment to MFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations" (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, "Financial Instruments: Disclosures" (Annual-Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, MFRS 12 and MFRS 128, "Investment Entities: Applying the Consolidation Exception"
- Amendments to MFRS 11, "Accounting for Acquisitions of Interests in Joint Operations"
- Amendments to MFRS 101, "Disclosure Initiative"
- Amendments to MFRS 116 and MFRS 138, "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Amendments to MFRS 116 and MFRS 141, "Agriculture: Bearer Plants"
- Amendment to MFRS 119, "Employee Benefits" (Annual-Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, "Equity Method in Separate Financial Statements"
- Amendment to MFRS 134, "Interim Financial Reporting" (Annual Improvements 2012-2014 Cycle)

The above amendments to accounting standards effective during the financial year do not have any significant impact to the financial results and position of the Group and the Company.

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2. Basis of Preparation and Significant Accounting Policies (Continued)

2.1 Basis of preparation (continued)

Standards issued but not yet effective

		Effective date for financial period beginning on or after
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 2	Classification and Measurement of Share-Based Payment Transactions	1 January 2017
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10	Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures	To be determined later

2.1.1 Functional and Presentation Currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

2.1.2 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

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2. Basis of Preparation and Significant Accounting Policies (Continued)

2.1.2 Significant Accounting Estimates and Judgements (continued)

The key assumptions concerning the future and other key sources of estimation or 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.

(i) Depreciation of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over the useful lives of the property, plant and equipment. Management estimates the useful lives of the property, plant and equipment as stated in Note 2.2.1 (ii). These are common life expectancies applied in the industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Deferred tax asset

Deferred tax asset is recognised for unutilised tax losses to the extent that it is probable that taxable profit will be available in future against which tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits.

(iii) Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of the business.

(iv) Impairment of non-financial assets

The Group assesses whether its non-financial assets have any indicators for impairment at the end of the reporting date. When such indicators exist, the non-financial assets are impaired by evaluating the extent to which the recoverable amount of these assets are less than their cost. Methods used to determine the recoverable amount includes evaluation of valuation reports and discounted cash flows. Significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's test for impairment of assets.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.1.2 Significant Accounting Estimates and Judgements (continued)

(v) Impairment of financial assets

The impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. This is determined based on the ageing profile, expected collection patterns of individual receivable balances, credit quality and credit losses incurred. Management carefully monitors the credit quality of receivable balances and makes estimates about the amount of credit losses that have been incurred at each financial statement reporting date. Any changes to the ageing profile, collection patterns, credit quality and credit losses can have an impact on the impairment recorded.

(vi) Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 2.2.12 regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

(vii) Provisions for liabilities

Provisions for liabilities are recognised in accordance with accounting policy in Note 2.2.8. To determine whether it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made, the Group takes into consideration factors such as existence of legal/contractual agreements, past historical experience, external advisors' assessments and other available information.

(viii) Impairment of inventories

Impairment of inventories is made based on an analysis of the ageing profile and expected sales patterns of individual items held in inventory. This requires an analysis of inventory usage based on expected future sales transactions taking into account current market prices and expected costs to sell. Changes in the inventory aging and expected usage profiles can have an impact on the impairment recorded.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.2 Significant Accounting Policies

Metro Healthcare Group applies the significant accounting policies set out below, consistently throughout the periods presented in the financial statements unless otherwise stated.

2.2.1 Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in net in the profit or loss.

(ii) Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of property, plant and equipment.

All property, plant and equipment are depreciated on a straight-line method at rates calculated to write off the cost of the assets to their residual values over their estimated useful lives as follows:

Computer and software	5 years
Medical Instrument	10 years
Motor vehicles	5years
Office equipment, furniture and fittings	10 years
Signboard	10 years
Renovation	10 years

Depreciation methods, useful lives and residual values are reviewed at end of each reporting period, and adjusted as appropriate.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.2 Significant Accounting Policies (continued)

2.2.1 Property, plant and equipment (continued)

(iii) Depreciation (continued)

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount in accordance with accounting policy Note 2.2.2.

2.2.2 Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.2 Significant Accounting Policies (continued)

2.2.3 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2.2.4 Inventories

Inventories are valued at the lower of cost and net realisable values after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories and are determined on the weighted average cost method.

2.2.5 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses.

2.2.6 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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2. Basis of Preparation and Significant Accounting Policies (Continued)

2.2 Significant Accounting Policies (continued)

2.2.7 Contingent assets and contingent liabilities

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

2.2.8 Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2.2.9 Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

2.2.10 Revenue recognition

Revenue from sales of goods and services is measured at the fair value of the consideration receivable and is recognised when significant risk and rewards have been transferred to the buyer.

Interest income is recognised as it accrues unless ability to collect is in doubt.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.2 Significant Accounting Policies (continued)

2.2.11 Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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2. Basis of Preparation and Significant Accounting Policies (Continued)

2.2 Significant Accounting Policies (continued)

2.2.12 Financial assets

(i) Classification

The Group classifies its financial assets based on the purpose for which the financial assets were acquired at initial recognition in the following categories:

Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.2 Significant Accounting Policies (continued)

2.2.12 Financial assets (continued)

(i) Classification (continued)

Available-for-sale financial assets (continued)

They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iii) Subsequent measurement

Gains and losses

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Impairment losses and exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.2 Significant Accounting Policies (continued)

2.2.12 Financial assets (continued)

(iii) Subsequent measurement (continued)

Gains and losses (continued)

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an equity instrument, a significant or prolonged declined in fair value below its cost is also considered objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.2 Significant Accounting Policies (continued)

2.2.12 Financial assets (continued)

(iii) Subsequent measurement (continued)

Impairment of financial assets (continued)

If, in a subsequent period, the fair value of a financial asset measured at amortised cost and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(iv) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

2.2.13 Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Fair value though profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

All financial liabilities are subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.2 Significant Accounting Policies (continued)

2.2.13 Financial liabilities (continued)

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2.2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.2.15 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in profit or loss in the period to which they relate.

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HISTORICAL FINANCIAL INFORMATION (continued)

Notes to the Combined Financial Statements of Metro Healthcare Group

3. Property, Plant and Equipment

Group	Computer and software RM	Medical Instrument RM	Motor vehicles RM	Office equipment, furniture and fitting RM	Plant and machinery RM	Signboard RM	Renovation RM	Total RM
Cost								
At 1.1.2015	4,710	3,674,154	1,118,012	2,168,582	149,397	14,515	1,967,725	9,097,095
Additions	2,700	326,723	287,482	136,557	-	43,165	223,030	1,019,657
Disposals	-	-	(205,807)	-	-	-	-	(205,807)
At 31.12.2015	7,410	4,000,877	1,199,687	2,305,139	149,397	57,680	2,190,755	9,910,945
Accumulated depreciation								
At 1.1.2015	2,984	1,864,343	775,064	1,143,397	75,361	14,514	1,085,107	4,960,770
Charge for the financial year	1,360	284,707	176,778	164,179	14,125	3,031	159,807	803,987
Disposals	-	-	(150,656)	-	-	-	-	(150,656)
At 31.12.2015	4,344	2,149,050	801,186	1,307,576	89,486	17,545	1,244,914	5,614,101
Carrying amount								
At 31.12.2015	3,066	1,851,827	398,501	997,563	59,911	40,135	945,841	4,296,844

HISTORICAL FINANCIAL INFORMATION (continued)

Notes to the Combined Financial Statements of Metro Healthcare Group (continued)

3. Property, Plant and Equipment (continued)

Group	Computer and software RM	Medical Instrument RM	Motor vehicles RM	Office equipment, furniture and fitting RM	Plant and machinery RM	Signboard RM	Renovation RM	Total RM
Cost								
At 1.1.2016	7,410	4,000,877	1,199,687	2,305,139	149,397	57,680	2,190,755	9,910,945
Additions	216,985	962,836	134,879	527,158	-	4,728	452,557	2,299,143
Disposals	-	-	(149,960)	-	-	-	-	(149,960)
At 31.12.2016	224,395	4,963,713	1,184,606	2,832,297	149,397	62,408	2,643,312	12,060,128
Accumulated depreciation								
At 1.1.2016	4,344	2,149,050	801,186	1,307,576	89,486	17,545	1,244,915	5,614,102
Charge for the financial year	68,584	336,415	119,503	193,146	14,125	4,356	174,109	910,238
Disposals	-	-	(21,994)	-	-	-	-	(21,994)
At 31.12.2016	72,928	2,485,465	898,695	1,500,722	103,611	21,901	1,419,024	6,502,346
Carrying amount								
At 31.12.2016	151,467	2,478,248	285,911	1,331,575	45,786	40,507	1,224,288	5,557,782

HISTORICAL FINANCIAL INFORMATION (continued)

Notes to the Combined Financial Statements of Metro Healthcare Group (continued)

4. Investments

	2015 RM	2016 RM
Quoted investment at cost		
- Shares quoted in Malaysia	1,832,278	2,893,608
Market value	1,926,602	3,017,501

Investments are denominated in Ringgit Malaysia.

5. Inventories

	2015 RM	2016 RM
Finished goods, at cost	518,489	581,568

6. Trade Receivables

	2015 RM	2016 RM
Trade receivables	148,558	165,889
Less: Impairment losses	-	(17,605)
	148,558	148,284

Trade receivables are non-interest bearing and are generally on 30 days (2015: 30 days) term. They are recognised at their original invoice amounts which represent their fair value on initial recognition. Other credit terms are assessed and approved on a case by case basis. The ageing analysis of the Group's trade receivables is as follows:

	2015 RM	2016 RM
Neither past due nor impaired	148,558	148,284
Impaired	-	17,605
	148,558	165,889

<u>Receivables that are neither past due nor impaired</u>

The trade receivables arose from patients during the financial year. Based on the past experiences, receivable will be fully recovered within a month.

HISTORICAL FINANCIAL INFORMATION (continued)

Notes to the Combined Financial Statements of Metro Healthcare Group (continued)

7. Other Receivables

	2015 RM	2016 RM
Other receivables		
- Third parties	18,770	70,400
- Related parties	6,332,986	6,254,665
Deposits and prepayments	331,155	401,242
	6,682,911	6,726,307

Related parties refer to company in which the Directors of the Company have substantial financial interests. The amount owing from related parties are unsecured, interest free advances and is repayable on demand. This amount owing by related parties had been fully settled in October 2017.

8. Trade Payables

Credit terms of trade payables of Metro Healthcare Group ranged from 30 to 60 days (2015: 30 days to 60 days).

9. Other Payables

	2015 RM	2016 RM
Other payables	432,268	470,226
Deposit received	6,300	5,660
Accruals	221,531	305,999
	660,099	781,885

10. Amount owing to a Director

This represents unsecured interest-free advances and is repayable on demand.

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HISTORICAL FINANCIAL INFORMATION (continued)

Notes to the Combined Financial Statements of Metro Healthcare Group (continued)

11. Share Capital

	2015 Number of Shares	2016 Number of Shares
Authorised		
Ordinary shares of RM0.10 each:		
- Metro Healthcare Berhad	25,000,000	25,000,000
Ordinary shares of RM1.00 each:		
- Hospital Wanita Metro Sdn Bhd	5,000,000	5,000,000
- Metro IVF Sdn Bhd	100,000	100,000
- Metro Medical Centre Sdn Bhd	500,000	500,000
- K. W. Tee Sdn Bhd	100,000	100,000
- Vision One Diagnostic Sdn Bhd	500,000	500,000
At 1 January/31 December	31,200,000	31,200,000
Issued and fully paid		
Ordinary shares of RM0.10 each:		
- Metro Healthcare Berhad	2	2
Ordinary shares of RM1.00 each:		
- Hospital Wanita Metro Sdn Bhd	1,186,000	1,186,000
- Metro IVF Sdn Bhd	100	100
- Metro Medical Centre Sdn Bhd	245,003	245,003
- K. W. Tee Sdn Bhd	100,000	100,000
- Vision One Diagnostic Sdn Bhd	200,000	200,000
At 1 January/31 December	1,731,105	1,731,105

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12. Deferred Tax Liabilities

	2015 RM	2016 RM
At 1 January	287,487	322,421
Charged/(credited) to income statement	14,948	(23,869)
Under/(over) provision in prior year	19,986	(16,752)
At 31 December	322,421	281,800

The components of deferred tax assets and liabilities of the Metro Healthcare Group during the financial year prior to offsetting are as follows:

	2015 RM	2016 RM
Deferred tax assets:		
- provisions	-	(14,281)
Net deferred tax assets	-	(14,281)
Deferred tax liabilities:		
- property, plant and equipment	322,421	296,081
Net deferred tax liabilities	322,421	296,081

13. Revenue

This represents invoiced value of hospitalisation and consultation fee less discounts allowed.

14 Cost of Sales

Cost of sales consist of purchases and other attributable overheads which include the following:-

	2015 RM	2016 RM
Emolument for medical professional	4,979,029	5,445,535
Purchases of drugs and medical disposables	1,813,620	1,769,592
Depreciation of property, plant and equipment	202,747	266,543
Others	699,749	719,263
	7,695,145	8,200,933

HISTORICAL FINANCIAL INFORMATION (continued)

Notes to the Combined Financial Statements of Metro Healthcare Group (continued)

15. Profit before Taxation

Profit before taxation is determined after charging/(crediting) amongst others, the following items:

	2015 RM	2016 RM
This is stated after charging/(crediting) :-		
Auditors' remuneration		
- Current year	22,900	26,700
- Over provision in prior year	-	(1,000)
Director's remuneration		
- Fees	105,000	612,712
- Salaries and other emoluments	366,000	-
Depreciation of property, plant and equipment	601,240	643,695
Rental of premises	835,750	972,600
Loss/(Gain) on disposal of investment	6,821	(145,414)
Loss on disposal of property, plant and equipment	(44,966)	10,966
Impairment loss on trade receivables	-	17,605
Education seminar	(256,004)	(291,053)
Dividend income	(23,397)	(70,504)
Room rental income	(15,012)	(14,400)
Interest income	-	(2,472)

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HISTORICAL FINANCIAL INFORMATION (continued)

Notes to the Combined Financial Statements of Metro Healthcare Group (continued)

16. Taxation

	2015 RM	2016 RM
Current taxation:		
- Current provision	1,033,037	792,481
- Under provision in prior years	2,023	18,265
	1,035,060	810,746
Deferred taxation (Note 12):		
- Origination and reversal of temporary differences	14,948	(23,869)
- Under/(over) provision in prior years	19,986	(16,752)
	34,934	(40,621)
	1,069,994	770,125

Income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

	2015 RM	2016 RM
Profit before taxation	4,344,275	4,104,319
Taxation at statutory tax rate of 24% (2015: 24)	1,042,626	985,037
Income not subject to tax	(64,078)	(131,504)
Tax on chargeable income at the rate of 19% (2015: 19%)	(25,000)	(25,000)
Non-deductible expenses	110,605	70,275
Under provision of taxation in prior year	2,023	18,265
Under/(over) provision of deferred tax in prior year	19,986	(16,752)
Change in unrecognised temporary differences	(16,168)	(130,196)
Taxation for the financial year	1,069,994	770,125

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HISTORICAL FINANCIAL INFORMATION (continued)

Notes to the Combined Financial Statements of Healthcare Group (continued)

17. Dividends Paid

	2015 RM	2016 RM
Interim single tier dividend of 30% on 1,186,000 ordinary shares declared and paid by Hospital Wanita Metro Sdn Bhd	355,800	355,800
Interim single tier dividend of 163.27% on 245,003 ordinary shares declared and paid by Metro Medical Centre Sdn Bhd	400,016	-
Interim single tier dividend of 800,000% on 100 ordinary shares declared and paid by Metro IVF Sdn Bhd	800,000	-
Interim single tier dividend of 400% on 100,000 ordinary shares declared and paid by K. W. Tee Sdn Bhd	400,000	-
	1,955,816	355,800

The Directors have not recommended any final dividends in respect of the financial years.

18. Employee Benefits Expenses

	2015 RM	2016 RM
Employee benefits expenses (excluding Directors)		
- Salaries, bonuses and allowance	2,813,321	3,150,327
- Contribution to defined contribution plan	278,284	341,875
	3,091,605	3,492,202

19. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Metro Healthcare Group if the Metro Healthcare Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where Metro Healthcare Group and the parties are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of Metro Healthcare Group either directly or indirectly. The key management personnel include all the Directors of Metro Healthcare Group and certain members of senior management and executive officer of subsidiaries of Metro Healthcare Group.

HISTORICAL FINANCIAL INFORMATION (continued)

Notes to the Combined Financial Statements of Metro Healthcare Group (continued)

19. Related Party Disclosures (continued)

(b) Significant related party transactions

Related party transactions have been entered into the ordinary course of business under normal trade term. In addition to the related party balances disclosed in Notes 7, 8, 9 and 10 to the combined financial statements, the significant related party transactions of Metro Healthcare Group are as follows:

	2015 RM	2016 RM
Common Directors or Shareholders		
Hospital Wanita Metro Sdn Bhd		
Rental charges by Country Range Sdn Bhd	192,000	48,000
Rental charges by First Look Corporation Sdn Bhd	86,400	-
Rental charges by Pangkor Fishing Sdn Bhd	189,600	228,000
Metro IVF Sdn Bhd		
Rental charges by Pangkor Fishing Sdn Bhd	36,000	156,000
Rental charges by Country Range Sdn Bhd	26,000	144,000
Rental charges by Tay Swi Feng @ Tee Swi Peng	54,000	54,000
Metro Medical Centre Sdn Bhd		
Rental charges by Pangkor Fishing Sdn Bhd	28,800	-
Rental charges by First Look Corporation Sdn Bhd	-	86,400
K. W. Tee Sdn Bhd		
Consultancy fees charged by Country Range Sdn Bhd	150,000	150,000
Rental charges by Pangkor Fishing Sdn Bhd	72,000	72,000
Vision One Diagnostic Sdn Bhd		
Rental charges by Tay Swi Feng @ Tee Swi Peng	30,000	66,000

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HISTORICAL FINANCIAL INFORMATION (continued)

Notes to the Combined Financial Statements of Metro Healthcare Group (continued)

20. Segment Information

Information about operating segments had not been reported separately as the Group revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely provision of women healthcare services which includes obstetrics, gynaecology impatient services and diagnostic medical imaging services.

21. Financial Instruments

The table below provides an analysis of financial instruments and their categories:

	2015		2016	
	Loans and receivables/ other financial liabilities	Total	Loans and receivables / other financial liabilities	Total
	RM	RM	RM	RM
Financial assets				
Trade receivables	148,558	148,558	148,284	148,284
Other receivables	6,682,911	6,682,911	6,726,307	6,726,307
Cash and bank balance	626,745	626,745	519,471	519,471
	7,458,214	7,458,214	7,394,062	7,394,062
Financial liabilities				
Trade payables	607,968	607,968	408,731	408,731
Other payables	660,099	660,099	781,885	781,885
Amount owing to a Director	408,358	408,358	202,112	202,112
	1,676,425	1,676,425	1,392,728	1,392,728

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HISTORICAL FINANCIAL INFORMATION (continued)

Notes to the Financial Statements of Metro Healthcare Group (continued)

21. Financial Instruments (continued)

Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, liquidity and market risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty of a financial asset fails to meet its contractual obligations. The Group's exposure to credit risk arises mainly from trade and other receivables and intercompany receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis through the review of trade receivables ageing. At reporting date, there were no significant concentrations of credit risk. The Group monitors the results of the related parties regularly to safeguard credit risk on balances from intercompany receivables.

The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statement of financial position.

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HISTORICAL FINANCIAL INFORMATION (continued)

Notes to the Financial Statements of Metro Healthcare Group (continued)

21. Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from trade and other payables and borrowings.

Cash flow forecasting is performed by monitoring the Group's liquidity requirements to ensure that it has sufficient liquidity to meet operational, financing repayments and other liabilities as they fall due.

2015	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Below 1 year RM
Trade payables	607,968	-	607,968	607,968
Other payables	660,099	-	660,099	660,099
Amount due to a Director	408,358	-	408,358	408,358
	1,676,425		1,676,425	1,676,425

2016	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Below 1 year RM
Trade payables	408,731	-	408,731	408,731
Other payables	781,885	-	781,885	781,885
Amount due to Directors	202,115	-	202,115	202,115
	1,392,731		1,392,731	1,392,731

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HISTORICAL FINANCIAL INFORMATION (continued)

Notes to the Combined Financial Statements of Metro Healthcare Group (continued)

21. Financial Instruments (continued)

Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The aggregate fair value of the other financial assets and liabilities carried on the statement of financial position approximates its carrying value and the Group does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be settled.

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