

Cengild Medical Berhad

Registration No.: 202101004143 (1404442-P)
(Incorporated in Malaysia)

**Unaudited Condensed Consolidated
Interim Financial Report
for the First Quarter Ended
30 September 2022**

Cengild Medical Berhad

Registration No.: 202101004143 (1404442-P)

(Incorporated in Malaysia)

Unaudited condensed consolidated statement of financial position as at 30 September 2022

	Note	Unaudited As at 30 September 2022 RM'000	Audited As at 30 June 2022 RM'000
Assets			
Non-current assets			
Investments in associates		-	-
Plant and equipment	A12	13,664	13,406
Right-of-use assets		10,634	10,943
Deferred tax assets		1,450	1,450
Total non-current assets		25,748	25,799
Current assets			
Inventories		1,492	1,153
Trade receivables		4,104	4,783
Other receivables, deposits and prepayments		2,055	1,419
Fixed deposits with licensed banks		85,716	80,559
Cash and bank balances		1,141	5,831
Total current assets		94,508	93,745
Total assets		120,256	119,544
Equity			
Share capital		81,933	81,933
Reserves		1,716	1,618
Retained profits		9,986	9,399
Total equity		93,635	92,950
Liabilities			
Non-current liability			
Lease liabilities	B7	14,606	14,933
Total non-current liability		14,606	14,933

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Unaudited condensed consolidated statement of financial position as at 30 September 2022 (cont'd)

		Unaudited As at 30 September 2022 RM'000	Audited As at 30 June 2022 RM'000
	Note		
Current liabilities			
Trade payables		3,412	3,518
Other payables and accruals		6,530	6,386
Amount owing to directors		191	156
Lease liabilities	B7	1,287	1,273
Current tax liabilities		595	328
Total current liabilities		<u>12,015</u>	<u>11,661</u>
Total liabilities		<u>26,621</u>	<u>26,594</u>
Total equity and liabilities		<u>120,256</u>	<u>119,544</u>

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to the condensed consolidated interim financial report.

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Unaudited condensed consolidated statement of profit or loss and other comprehensive income for the first quarter ended 30 September 2022

	Note	Unaudited Individual/Cumulative quarter ended 30 September	
		2022	2021
		RM'000	RM'000
Revenue		17,618	14,679
Cost of sales		(9,907)	(8,797)
Gross profit		7,711	5,882
Other income		782	108
		8,493	5,990
Administrative expenses		(3,408)	(3,442)
Other expenses		(19)	-
Profit from operations		5,066	2,548
Finance costs		(181)	(272)
Profit before taxation	B11	4,885	2,276
Income tax expense	B5	(1,268)	(902)
Profit after taxation		3,617	1,374
Other comprehensive income		-	-
Total comprehensive income for the financial period		3,617	1,374
Profit after taxation/Total comprehensive income for the financial period attributable to:-			
Owners of the Company		3,617	1,374
Earnings per ordinary share (sen)⁽¹⁾			
Basic		0.44	0.23
Diluted		0.44	0.23

⁽¹⁾ Earnings per ordinary share is calculated based on the weighted average number of ordinary shares referred to in Note B10.

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to the condensed consolidated interim financial report.

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Unaudited condensed consolidated statement of changes in equity for the first quarter ended 30 September 2022

	Share Capital RM'000	Reorganisation Reserve RM'000	Long Term Incentive Plan Reserve RM'000	Retained Profits RM'000	Total RM'000
Unaudited					
At 1 July 2021	12,240	1,530	-	8	13,778
Contribution by and distributions to owners of the Company:					
Profit after taxation/total comprehensive income for the financial period	-	-	-	1,374	1,374
At 30 September 2021	<u>12,240</u>	<u>1,530</u>	<u>-</u>	<u>1,382</u>	<u>15,152</u>

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Unaudited condensed consolidated statement of changes in equity for the first quarter ended 30 September 2022 (cont'd)

	Share Capital RM'000	Reorganisation Reserve RM'000	Long Term Incentive Plan Reserve RM'000	Retained profits RM'000	Total RM'000
Unaudited					
At 1 July 2022	81,933	1,530 ⁽¹⁾	88 ⁽²⁾	9,399	92,950
Profit after taxation/total comprehensive income for the financial period	-	-	-	3,617	3,617
Employee Share Option Scheme (ESOS)	-	-	98	-	98
Dividends to owners of the Company	-	-	-	(3,030)	(3,030)
At 30 September 2022	<u>81,933</u>	<u>1,530</u>	<u>186</u>	<u>9,986</u>	<u>93,635</u>

⁽¹⁾ The reorganisation reserve represents the difference between the carrying value of the investment and the nominal value of shares of Cengild Sdn Bhd upon consolidation under the pooling-of-interests method of accounting.

⁽²⁾ The share option reserves arise due to the Executive Share Option Scheme (ESOS) options granted on 15 April 2022.

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to the condensed consolidated interim financial report.

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Unaudited condensed consolidated statement of cash flows for the first quarter ended 30 September 2022

	Unaudited Individual/Cumulative quarter ended 30 September	
	2022 RM'000	2021 RM'000
Cash flows from operating activities		
Profit before taxation	4,885	2,276
<i>Adjustments for:</i>		
Depreciation of plant and equipment	462	785
Depreciation of right-of-use assets	309	441
Interest expense	-	23
Interest on lease liabilities	181	249
Share options to executives	98	-
Plant and equipment written off	9	-
Interest income	(553)	(32)
Operating profit before working capital changes	<u>5,391</u>	<u>3,742</u>
Increase in inventories	(339)	(31)
Decrease in trade and other receivables	43	660
Increase in trade and other payables	38	81
Increase in amount owing to directors	35	39
Cash generated from operations	<u>5,168</u>	<u>4,491</u>
Tax paid	<u>(1,001)</u>	<u>(1,073)</u>
Net cash from operating activities	<u>4,167</u>	<u>3,418</u>
Cash flows (used in)/from investing activities		
Changes in deposits with tenure of more than 3 months	(20,100)	1,000
Interest received	553	32
Purchase of plant and equipment	(729)	(33)
Net cash (used in)/from investing activities	<u>(20,276)</u>	<u>999</u>

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Unaudited condensed consolidated statement of cash flows for the first quarter ended 30 September 2022 (cont'd)

	Unaudited Individual/Cumulative quarter ended 30 September	
	2022 RM'000	2021 RM'000
Cash flows used in financing activities		
Dividend paid	(3,030)	-
Interest paid	(181)	(272)
Repayment of lease liabilities	(313)	(190)
Repayment of term loan	-	(1,000)
Net cash used in financing activities	<u>(3,524)</u>	<u>(1,462)</u>
Net (decrease)/increase in cash and cash equivalents	(19,633)	2,955
Cash and cash equivalents at the beginning of financial period	36,390	4,232
Cash and cash equivalents at the end of financial period	<u>16,757</u>	<u>7,187</u>

(i) Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts:

	Unaudited Individual/Cumulative quarter ended 30 September	
	2022 RM'000	2021 RM'000
Cash and bank balances	1,141	698
Deposits with financial institution	85,716	7,655
	<u>86,857</u>	<u>8,353</u>
Pledged of bank balance	-	(166)
Deposits with tenure of more than 3 months	(70,100)	(1,000)
	<u>16,757</u>	<u>7,187</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to the condensed consolidated interim financial report.

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A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

A1. Basis of preparation

The condensed consolidated interim financial report is unaudited and has been prepared in accordance with the *Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting* and Paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

The condensed consolidated interim financial report should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to the condensed consolidated interim financial report.

A2. Significant accounting policies

The accounting policies adopted by the Group in this interim financial report are the same as those applied by the Group in its audited consolidated financial statements for the financial year ended 30 June 2022 except for the adoption of those new Malaysian Financial Reporting Standards ("MFRS") and amendment to MFRS and Interpretations that are applicable to the Group for the financial period beginning 1 July 2022.

(a) As of 1 July 2022, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any).

MFRS and/or IC interpretations (including the consequential amendments):

- Amendments to MFRS 3: Reference to the Conceptual Framework
- Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018 – 2020

The adoption of the above pronouncements did not have any material impact to the condensed consolidated interim financial report of the Group.

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A2. Significant accounting policies (cont'd)

(b) The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

Effective for financial periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts

Amendments to MFRS 17: Insurance Contracts

Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information

Amendment to MFRS 101: Classification of Liabilities as Current or Non-current

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective date of these Standards have been deferred, and yet to be announced

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

A3. Auditors' report

The auditors issued an unqualified audit opinion on the audited consolidated financial statements for the financial year ended 30 June 2022.

A4. Seasonal or cyclical factors

The nature of the Group's business was not subject to any significant seasonal and cyclical factors.

A5. Unusual item affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial quarter under review.

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A6. Material changes in accounting estimates

There were no material changes in accounting estimates that have a material effect in the current financial quarter.

A7. Material events subsequent to the statement of financial position date

There were no material events subsequent to the end of the current financial quarter that have not been reflected in the condensed consolidated interim financial report.

A8. Material changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter under review.

A9. Debt and equity securities

There were no other issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial quarter under review, except as disclosed in Note B6 and Note B7.

A10. Dividends paid

On 27 September 2022, the Company paid an interim single-tier dividend of 0.37 sen per ordinary share in respect of the financial year ended 30 June 2022 amounting to RM3.03 million.

A11. Operating segments

No geographical segment information is presented as the Group's revenue and profit or loss are confined within Malaysia.

A12. Valuations of plant and equipment

The Group does not adopt a revaluation policy on its plant and equipment. All plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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A13. Contingencies

There were no contingent assets and contingent liabilities as at the date of this condensed consolidated interim financial report.

A14. Related party transactions

Identities of related parties

For the purposes of this condensed consolidated interim financial report, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control. 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 the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors and certain members of senior management of the Group.

The Group has related party relationship with its Directors, associates, joint venture and key management personnel and entities within the same group of companies.

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A14. Related party transactions (cont'd)

Significant related party transactions

Significant related party transactions of the Group are as follows:

Transactions	Unaudited Individual/Cumulative quarter ended 30 September	
	2022 RM'000	2021 RM'000
Administrative fee contributed by directors	-	146
Administrative fee contributed by other key management personnel	-	54
Consultant fee paid to directors	-	788
Consultant fee paid to other key management personnel	-	1,221
External consultancy fee contributed by directors	158	57
External consultancy fee contributed by other key management personnel	67	13
Management fee charge to a joint venture	4	3

With the execution of the employment agreements and deeds of assignment with effect from 1 September 2021, the previous agreements between Cengild Sdn Bhd and the consultants have been terminated and the consultant fee paid to directors and other key management personnel are now included as staff costs in the current financial quarter.

A15. Fair value information

There was no gain or loss arising from fair value changes of the Group's financial liabilities for the current quarter and financial period under review.

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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF ACE MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of financial performance

a) Review for the current financial quarter against preceding corresponding financial quarter

	Unaudited Individual quarter ended 30 September		Variance
	2022 RM'000	2021 RM'000	%
Revenue	17,618	14,679	20.02
Profit before taxation ("PBT")	<u>4,885</u>	<u>2,276</u>	114.63

The Group recorded revenue of RM17.62 million for the current financial quarter ended 30 September 2022, representing an increase of approximately 20.02% as compared to the preceding corresponding financial quarter ended 30 September 2021 of RM14.68 million. The increase in revenue was mainly due to the higher number of patients and number of endoscopic procedures and surgeries performed in the financial quarter under review.

The number of endoscopic procedures and surgeries performed was higher this quarter partially due to the relaxation of COVID-19 standard operating procedures since 1 May 2022, as the daily number of COVID-19 cases in Malaysia began to decline. Furthermore, the endoscopic procedures performed during the months of July and August 2021 were lower as some of the patients deferred their endoscopic procedures as there was a sharp rise in COVID-19 infection rate.

The Group's PBT increased by RM2.61 million or 114.63% mainly due to (i) the higher revenue generated in the current financial quarter; (ii) the increase in gross profit margin due to lower operating costs as some of the Group's medical equipment has been fully depreciated; and (iii) higher interest income from the placement of IPO proceeds with financial institutions in the current financial quarter under review.

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B2. Variation of results against preceding quarter

	Unaudited		Variance %
	Individual quarter ended		
	September	June	
	2022	2022	
	RM'000	RM'000	
Revenue	17,618	17,138	2.80
PBT	<u>4,885</u>	<u>3,371</u>	44.91

The Group's revenue increased from RM17.14 million to RM17.62 million, which was a slight increase of 2.8%. The increase was mainly due to more complex surgeries performed during the current financial period.

The Group's PBT increased by RM1.52 million or approximately 44.91% from RM3.37 million in the immediate preceding quarter to RM4.89 million in the current financial quarter. The increase was mainly due to i) the increase in revenue as discussed above; ii) the increase in gross profit margin due to lower operating costs as some of the Group's medical equipment has been fully depreciated; and iii) higher interest income from the placement of IPO proceeds with financial institutions in the current financial quarter.

B3. Commentary on prospects

The first phase expansion of the existing medical centre that includes the addition of 8 daycare beds to cater for the increasing demand of the Group's medical services, namely endoscopies and surgeries are completed as scheduled and inspection has been carried out by the Ministry of Health. We expect it to be operational by end of 2022.

Given the performance of the Group 3-month financial period ended 30 September 2022 and the first-phase expansion of the existing medical centre, the Board of Directors expect the Group's prospects for the financial year ending 30 June 2023 to be favourable.

B4. Profit forecast

Not applicable as the Group does not publish any profit forecast.

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B5. Income tax expense

Income tax expense comprises the following:

	Unaudited Individual/Cumulative quarter ended 30 September	
	2022	2021
	RM'000	RM'000
<i>Recognised in profit or loss</i>		
Current financial period		
Current tax expense	1,268	902
Effective tax rate	25.96%	39.63%

The effective tax rates of 25.96% for individual quarter ended 30 September 2022 was higher than the statutory tax rate due to the non-deductible expenses incurred.

Income tax expense in the form of provision is recognised based on management's estimate.

B6. Status of corporate proposals announced

There is no any corporate proposal announced but not completed as at the date of this report.

B7. Loans and borrowings

Particulars of the Group's loans and borrowings are as follows:

		Unaudited As at 30 September 2022 RM'000	Audited As at 30 June 2022 RM'000
Non-current			
Lease liabilities	B7.1	14,606	14,933
		<u>14,606</u>	<u>14,933</u>
Current			
Lease liabilities	B7.1	1,287	1,273
		<u>1,287</u>	<u>1,273</u>

The above borrowings are denominated in Ringgit Malaysia.

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B7. Loans and borrowings (cont'd)

B7.1 Lease liabilities

Lease liabilities are payable as follows:

	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Unaudited			
30.9.2022			
Less than one year	1,976	689	1,287
Between one to five years	8,858	2,085	6,773
Over 5 years	8,496	663	7,833
	<u>19,330</u>	<u>3,437</u>	<u>15,893</u>
Audited			
30.6.2022			
Less than one year	1,976	703	1,273
Between one to five years	8,759	2,159	6,600
Over 5 years	9,088	755	8,333
	<u>19,823</u>	<u>3,617</u>	<u>16,206</u>

B8. Material litigation

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

B9. Dividends

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

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B10. Earnings per ordinary share

The calculation of earnings per ordinary share at 30 September 2022 and 2021, was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Unaudited Individual/Cumulative quarter ended 30 September	
	2022	2021
Profit for the financial period attributable to owners of the Company (RM'000)	3,617	1,374
Based on weighted average number of ordinary shares - basic ('000)	818,800 ⁽¹⁾	600,000 ⁽²⁾
Effect of unexercised ESOS ('000)	5,754	-
Adjusted weighted average number of ordinary shares ('000)	824,554	600,000
Basic earnings per ordinary share (sen)	0.44	0.23
Diluted earnings per ordinary share (sen)	0.44	0.23

⁽¹⁾ Based on the weighted average number of issued share capital of 818,800,000 ordinary shares after the completion of the IPO.

⁽²⁾ Based on the issued share capital of 600,000,000 ordinary shares after the completion of acquisition but prior to the IPO.

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B11. Profit before taxation

	Unaudited	
	Individual/Cumulative quarter ended 30 September	
	2022	2021
	RM'000	RM'000
Profit before taxation is arrived at after charging/ (crediting):-		
Depreciation:		
- plant and equipment	462	785
- right-of-use assets	309	441
Plant and equipment written off	9	-
Directors' remuneration	2,401	766
Interest expense on lease liabilities	181	249
Listing expenses	-	465
Staff costs:		
- defined contribution benefits	480	271
- others	3,977	2,385
Interest expense on financial liabilities that are not fair value through profit or loss:		
- term loan	-	23
Total interest income on financial assets measured at amortised cost	(553)	(32)

The Group did not report any provision for and write off of inventories, receivables, gain or loss on disposal of quoted or unquoted investments or properties, foreign exchange gain or loss and gain or loss on derivatives for the financial period under review.

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B12. Utilisation of proceeds

The utilisation of proceeds from the IPO of RM72.20 million is as follows:

	Intended timeframe for utilisation upon listing	Proposed utilisation RM'000	Amount utilised as at to date RM'000	Balance unutilised RM'000	Deviation	
					RM'000	%
Expansion of existing medical centre	Within 36 months	13,000	1,716	11,284 ⁽¹⁾	-	-
Establishing new medical centres	Within 36 months	37,100	-	37,100	-	-
Working capital	Within 24 months	17,404	15	17,389	-	-
Defraying the listing expenses	Within 1 month	4,700	4,497	203 ⁽²⁾	-	-
Total		<u>72,204</u>	<u>6,228</u>	<u>65,976</u>	<u>-</u>	<u>-</u>

The proposed utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus.

⁽¹⁾ The allocated IPO proceeds for capital expenditure has not been fully utilised as at the date of this report.

⁽²⁾ The actual amount utilised for listing expenses are final and lower than the estimated amount as at the date of this report. The excess will be used for working capital purposes.